

CHAPTER I

PLANNING IN INDIA

The concept of Planning for Economic Development:

The importance of Planning, as a vital tool for ensuring accelerated tempo of all-round economic growth in the various Countries of the World, particularly the Developing Countries, can hardly be over-emphasised. Planning has, therefore, come to stay in the World. Planning for economic development includes (a) setting up realistic goals to be reached over a fixed period of time, say five years or so, (b) drawing up, with a proper perspective, Schemes for reaching, positively, those goals, (c) implementing those Schemes, (d) monitoring, closely, the implementation of the Schemes, (e) adopting suitable mid-course corrective measures whenever found necessary and (f) thereby ensuring the improvement of the rate of growth of the Economy to the desired level. All these different stages in the process of reaching the pre-set goals warrant, in turn, the adoption of the Planning process at every stage, as without it scarce resources cannot be put to the most beneficial use. Hence, in the absence of Planning, economic growth will be very slow and lop-sided and consequently, there will be a severe scarcity of goods, commodities and services even though there may be some growth. In fact, the past experience of various Countries has shown, in no uncertain terms, that adoption of Planning for economic growth yields striking and positive results, particularly accelerated growth of the Economy.

Adoption of Planning for securing rapid economic growth is nowadays accepted, widely, both in socialist as well as capitalist countries. Perhaps, Planning today differs only in the degree of its centralisation or decentralisation, which depends upon the extent to which and the purpose for which the System is followed in different Countries. While Planning is indicative, in nature, in Capitalist Economies, it is directional and also the rule in Socialist Economies. In Mixed Economies,

such as the Indian Economy, it is both indicative and directional. While the success of Planning in Capitalist Economies is dependent upon the inter-action of the forces of supply and demand through competition, it is successful, and it is bound to be so, in all healthy Socialist Countries, in view of its compulsory implementation by the Government. But, in Mixed Economies, its success is mainly dependent upon the share of the public sector in the Economy, the degree of influence that the Government is able to exercise over the private sector and the competitiveness of the various Sectors of the Economy.

Controls and an element of compulsion are inbuilt in the process of economic growth through Planning as they are inevitable to harness the limited resources available in the Economy for maximising production; but, normally, they vanish gradually when the growth process gains momentum.

Similarly, inflation is inevitable in a growing Economy where Planning is adopted. This is so because huge planned investments made, particularly in heavy industrial units which have fairly long gestation periods, necessitate increased flow of money into the Economy which is not matched correspondingly by increased production of goods and services. But, inflation can be contained through several measures.

History of Indian Economic Planning:

Though Planning was first conceived of and implemented in India only during the post-Independence era, it has had its origin in 1934 when M Visveswarayya published his Book "Planned Economy for India". This evoked a great deal of enthusiasm amongst the Economists who consequently took a keen interest in the concept of Planning. The first attempt to evolve a National Economic Plan for the Country was made in 1938 when the Government of India constituted a National Planning Committee under the Chairmanship of Pandit Jawaharlal Nehru. However, there was no appreciable progress, till 1947,

in regard to drawing up an Economic Plan. After the dawn of Independence, the Economic Programme Committee of the All India Congress Committee recommended, on January 25, 1948, the adoption of Planning in India and the setting up of a permanent Planning Commission for the same and submitted its detailed proposals in this regard.

Accordingly, the Planning Commission was set up by the Government of India, in March 1950, under the Chairmanship of the Prime Minister and it was entrusted with the responsibility of drawing up a Plan for the most effective and balanced utilisation of the Country's resources. In July 1951, the Planning Commission issued the Draft outline of the First Five Year Plan covering the period from April 1951 to March 1956. However, it was in December 1952 that the final version of India's First Five Year Plan was presented to the Parliament. So far, six Five Year Plans have been implemented in the Country and the current year is the first year of the Seventh Five Year Plan.

Achievements of Economic Planning in India:

A brief review of the achievements of India, particularly during the period from 1950-51 to 1983-84 (the latest year for which data are available), as a result of the adoption of economic planning is quite relevant in this context. The Gross National Product (GNP) at Current Prices rose appreciably to a level of Rs.1,70,764 crores for 1983-84 from only Rs.9,523 crores for 1950-51 accounting for an average annual growth rate of 9.2% per annum. In terms of Constant Prices, the Index of Gross National Product rose to 321.1 for 1983-84 (1950-51=100). Per capita income (at Current Prices) also moved up, during this period, at an annual average rate of 7.0% to Rs.2,371 in 1983-84 from Rs.265 in 1950-51; in terms of Constant Prices, the index of per capita income rose to 160.3 in 1983-84 (1950-51=100). The Index of Agricultural Production (1969-70=100) improved to 135.5 for 1982-83 from 58.5 for 1950-51,

recording an average annual rate of growth of 2.7% per annum. Production of food grains increased to 151.5 m. tonnes in 1983-84 from 55 million tonnes in 1950-51. Hence, per capita availability of food grains per day was higher at 454 grams in 1980-81 compared with 395 grams in 1950-51. The Index of Industrial Production (1970=100) went up at an average annual rate of 6% per annum to 171.7 in 1982-83 from only 26.5 in 1950-51. However, while the total value of exports rose only to Rs.8,814 crores in 1982-83 from only Rs.601 crores in 1950-51, the aggregate value of imports waxed, during this period, to Rs.14,261 crores from Rs.650 crores. The Country's Balance of Trade, therefore, showed a deficit of Rs.5,447 crores for 1982-83 compared with a marginal deficit of only Rs.49 in 1950-51. Thus, India has recorded impressive economic growth during the past three decades of Planning despite several constraints such as the nearly doubling of the population to 70.6 crores in 1982-83 from 35.9 crores in 1950-51 accounting for an average annual growth rate of 2.1%, a fairly high rate of inflation (with an annual average rate of 6%), adverse impact of the two Wars with Pakistan and it has emerged, during the post-Independence era, as one of the leading countries of the Third World, the 7th biggest country in the entire World in terms of industrialisation and the 12th biggest country in terms of Gross National Product, though in terms of per capita income it lags behind several other countries due to a huge population base.

A critical appraisal of the achievements
of Indian Planning:

The achievements of Indian Planning would have been still better but for several major shortcomings which are set out below:

1. certain basic weaknesses in the formulation of the Five Year Plans;
2. shortage of funds;
3. inefficiency of the administrative machinery;

4. cost escalation;
5. time overrun or delay in execution of Schemes and Projects;
6. unduly long gestation periods taken by several Projects, particularly big units;
7. under-utilisation of installed capacity in several basic, key and heavy industries;
8. shortfalls in physical achievements and
9. certain errors of commission and omission on the part of the Private Sector.

A detailed Study of Planning in India will be a mammoth exercise and it is also not relevant to this Study. Of the various problems listed above, we are mainly concerned with the basic and common weaknesses of a general nature in regard to Plan formulation, as detailed hereunder:

1. Decision from above:

Plans are formulated at the top by the national Planning Commission. The self-governing institutions, in Villages and Districts, and even State Governments have little or no say in the formulation of the principal targets set and programmes envisaged in the Plans. Thus, Plans do not reflect the needs and aspirations and the potential of the different Areas or Regions in the Country. Hence, the Programme Evaluation Organisation of the Planning Commission itself had remarked, "Plans are prepared at the higher and official levels and handed down to lower Bodies. Planning by the people at each level in relation to their wants has yet to strike roots"¹.

2. Lack of Realism:

Those who draw up the National Five Year Plans do not have a proper feel of the conditions prevailing in the different parts of the Country, particularly the Blocks or even Districts. According to A H Hansen, "the tendency has been to

produce one panacea after another, none of them based on serious grass roots investigation and each embodying unrealistic presumptions about the social and political situation"².

3. Too many assumptions:

Plans are based on several assumptions which are unrealistic and go wrong invariably; further, the goals are also not spelt out explicitly.

4. Adhocism:

While formulating the Plans, the Planning authorities are guided mostly by short-term goals; consequently, Planning is reduced to virtually an ad hoc exercise or a stop-gap arrangement. Thus, for instance, the success of the agricultural programmes implemented during the First Plan period, which was substantially due to favourable weather conditions, led to the development of a sense of complacency in the field of agriculture. This resulted in the neglect of agriculture in the Second Plan. The growing shortage of foreign exchange reserves during the Second Plan period prompted increased stress being laid on Heavy Industries in the Third Plan. However, a growing food crisis during the Third Plan period caused a revival of interest in the development of agriculture. In other words, while the First Plan was primarily an Agricultural Plan and the Second Plan was predominantly an Industrial Plan, the Third Plan was both agricultural and industrial. Thus, there has been considerable adhocism in the Planning exercise, without consistent strategies.

5. Lack of alternatives:

The next weakness is that no alternative scenerios are prepared for the formulation of Plans in India. The essence of successful Planning lies in drawing up a number of Plans based on different scenerios projected for the Country and

subsequently choosing from them the best Course Plan for implementation. In the words of S P Sinha³, Planners in India "forget that Planning was the act of the possible in a given environment. The Five Year Plans in India have been definite Statements in which alternatives are lacking. The Planners should have worked out not one single Plan, but a series of Plans that were alternatively possible, detailing in each case the changes that were necessary to ensure the success of each Plan".

These shortcomings led to lower rate of growth of the Economy than what would have been possible otherwise and rendered whatever benefits that accrued, as a result of the Plan, reaching the people directly and in an equitable manner difficult. Planning has, therefore, failed to usher in the much needed economic equality, egalitarian justice and balanced regional growth in the Country as is evidenced by per capita income which varies vastly between different States - from Rs.995 in the case of Bihar to Rs.3,164 in the case of Punjab, as shown in the following Table:

TABLE 1 - REGIONAL DISPARITY IN REGARD TO PER CAPITA
INCOME IN INDIA

State/Union Territory	Per Capita Income (at Current Prices) for 1981-82 Rs.
Punjab	3,164
Haryana	2,581
Maharashtra	2,496
Gujarat	2,192
West Bengal	1,595
Karnataka	1,541
Andhra Pradesh	1,536
Kerala	1,447
Rajasthan	1,441
Assam	1,380
Tamil Nadu	1,373
Uttar Pradesh	1,313
Orissa	1,308
Madhya Pradesh	1,241
Bihar	995
Himachal Pradesh	1,773
Jammu & Kashmir	1,630
Meghalaya	1,236
Manipur	1,045
Delhi	2,208
Goa, Daman & Diu	2,831
ALL INDIA	1,758

SOURCE: Basic Statistics Relating to the Indian Economy -
Sep. 1984, published by Centre for Monitoring Indian
Economy, Bombay.

Thus, Planning in India is sectoral, based on Project Approach, and not spatial, based on Area Approach. Consequently, much of the natural resources and other potential available in different parts of the Country continue to remain unexploited. But, if Area Planning is adopted, there will be a schematic and better utilisation of the local potential and talents and a better sense of involvement on the part of the local people in implementing the Plan, which will lead to higher rate of growth in all Areas. The principal reason, therefore, why Planning is required to be done at the grass root level is that the market fails to allocate resources in accordance with the needs of the Society⁴.

Area Planning, being Decentralised type of Planning, enables Planners to look more closely at the problems and needs of local Areas and Plan properly to solve those problems by harnessing local resources, skills and initiative. The adoption of Area Planning would, therefore, help the Country ensure balanced regional development and rapid economic growth, as mentioned earlier.

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