

For XAT , CMAT , SNAP , MAT , IIFT Exam

ECONOMIC PLANNING IN INDIA

- Economic planning is a process under which attempts are made to achieve desired targets of economic development within a specified period of time
- After Independence of India, in 1948, a declaration of industrial policy was announced. The policy suggested the creation of a National Planning Commission and the elaboration of the policy of a mixed economic system

The evolution of planning in India is stated below:

- **Sir M. Vishveshwarya (1934):** a prominent engineer and politician made his first attempt in laying foundation for economic planning in India in 1934 through his book, “**Planned Economy of India**”. It was a 10 year plan.
- **Jawaharlal Nehru (1938):** set-up “**National Planning Commission**” by a committee but due to the changes in the political era and 2nd World War, it did not materialize.
- **Bombay Plan (1940):** The 8 leading industrialists of Bombay presented “Bombay Plan”. It was a 15 Year Investment Plan.
- **S. N Agarwal (1944)** gave the “**Gandhian Plan**” focusing on the agricultural and rural economy.
- **M.N. Roy (1945)** drafted ‘**People’s Plan**’. It was aiming at mechanization of agricultural production and distribution by the state only.
- **J.P. Narayan (1950)** advocated, “**Sarvodaya Plan**” which was inspired by Gandhian Plan and with the idea of Vinoba Bhave. It gave importance not only for agriculture, but encouraged small and cottage industries in the plan.

Planning Commission

- Planning Commission was set up to formulate Five Year Plan in India
- The Planning Commission was created on March 15, 1950, and the plan era began on April 1, 1951, with the launch of the first five-year plan (1951-56).
- Jawaharlal Nehru was the first Chairman of Planning Commission
- The Planning Commission has been replaced by the NITI Aayog on 1st January 2015.

India’s Five Year Plans

- The concept of economic planning in India or five year plan is derived from Russia
- India has launched 12 five year plans so far. The twelfth five-year plan was the last one in five-year plans
- The government of India has decided to stop the launching of five year plans and it was replaced by NITI Aayog.

First Five Year Plan (1951-1956)

- This plan was based on the Harrod-Domar Model.
- Its main focus was on the agricultural development of the country.
- Many irrigation projects including Bhakra-Nangal Dam and Hirakud Dam were started in the first five-year plan.
- About 44.6 percent of the plan outlay went in favour of the public sector undertakings (PSUs).
- The community development projects were started
- This plan was successful and achieved the GDP growth rate of 3.6% (more than its target)

Second Five Year Plan (1956-1961)

- It was based on the P.C. Mahalanobis Model.
- Its main focus was on the industrial development of the country. Second to transports and communication
- Steel plants at Bhilai, Durgapur, and Rourkela were established during this plan
- This plan was successful and achieved the growth rate of 4.1%. Due to the assumption of a closed economy, a shortage of food and capital were felt during this Plan.

Third Five Year Plan (1961-1966)

- Third Five Year Plan is called 'Gadgil Yojna' also
- The main target of this plan was to make the economy independent and to reach self-propelled position or take off.
- The plan aimed to increase national income by 30 % and agriculture production by 30 %
- Due to Indo -China war, this plan could not achieve its growth target of 5.6%

Plan Holiday or Three Annual (1966-1969)

- The main reason behind the plan holiday was the Indo-Pakistan war & failure of third plan.
- During this period, annual plans (1966-1967, 1967-1968 & 1968-1969) were made and equal priority was given to agriculture, its allied sectors and the industry sector

Fourth Five Year Plan (1969-1974)

- There are two main objectives of this plan i.e. growth with stability and Progressive achievement of self-reliance
- Fourteen Major Indian Banks were nationalised
- This plan failed and could achieve growth rate of 3.3% only, against the target of 5.7%.

Fifth Five Year Plan (1974-1979)

- In this plan top priority was given to agriculture, next came industry and mines.
- The plan also focused on poverty alleviation and self-reliance
- The Twenty Point Programme (TPP) was launched by the Government of India in 1975. Prime Minister Indira Gandhi launched this programme.
- Overall this plan was successful, which achieved the growth rate of 4.8% against the target of 4.4%.
- The draft of this plan was prepared and launched by D.P. Dhar. This plan was terminated by Janata party government in 1978.

Rolling Plan

- The Janta Government terminated the fifth five-year plan in 1977-78 and launched its own sixth five year plan for period 1978-83.
- In 1980, there was again a change of government at the Centre with the return of the Congress which abandoned the Sixth Plan of the Janata Government in the year 1980 itself.
- The new government launched a fresh new Sixth Plan for the period 1980-85.
- The plan (1978-1980) is called Rolling plan

Sixth Five Year Plan (1980-1985)

- The basic objective of this plan was poverty eradication and technological self-reliance
- This Plan (1980–85) was launched with the slogan of **‘Garibi Hatao’**
- The plan gave emphasis on socio-economic infrastructure in the rural areas and also focused on eliminating rural poverty and regional disparities
- Its growth target was 5.2% but it achieved 5.7%.

Seventh Five Year Plan (1985-1990)

- The Plan (1985- 90) emphasised on rapid food grain production, increased employment creation and productivity in general.
- The Jawahar Rozgar Yojana (JRY) was launched in 1989 with the motive to create wage employment for the rural poor.
- The plan also focused on growth, modernisation, self-reliance and social justice
- Its growth target was 5.0% but it achieved 6.0%.

Two Annual Plans

- Eighth five year Plan could not take place due to volatile political situation at the centre. So two annual programmes are formed in 1990-91 & 1991-92.
- The two consecutive Annual Plans (1990–92) were formulated within the framework of the approach to the Eighth Plan (1990–95) with the basic thrust on maximisation of employment and social transformation

Eighth Five Year Plan (1992-1997)

- In this plan the top priority was given to development of the human resources i.e. employment, education and public health.
- During this plan, New Economic Policy of India was introduced.
- The Eighth Plan (1992–97) was launched in a typically new economic environment
- This plan was successful and got annual growth rate of 6.8% against the target of 5.6%.

Ninth Five Year Plan (1997-2002)

- The main focus of this plan was “growth with justice and equity”. ,,
- This five-year plan gave priority to Agriculture and Rural Development with a view to generating adequate productive in employment and eradication of poverty
- Ensuring food and nutritional security for all
- The plan emphasizes seven minimum services which include Safe drinking water, Primary health service, Universalization of primary education, and Nutritional support to children.
- This plan failed to achieve the growth target of 7% and Indian economy grew only at the rate of 5.6%.

Tenth Five Year Plan (2002-2007)

- This plan aimed to double the per capita income of India in the next 10 years.
- This five-year plan aims to achieve 8 percent average GDP growth for the period (2002-07)
- Reduction in gender gaps in literacy and wages rates by at least 50% by 2007
- It aimed to reduce the poverty ratio to 15% by 2012.
- Increased emphasis on the social sector (education, health, etc.)
- Its growth target was 8.0% but it achieved only 7.2%.

Eleventh Five Year Plan (2007-2012)

- The Plan targets a growth rate of 10 percent and emphasizes the idea of ‘faster and more inclusive growth’.
- Prepared by C.Rangarajan
- Its growth rate target was 8.1% but it achieved only 7.9%

Twelfth Five Year Plan (2012-2017)

- Its main theme is “Faster, More Inclusive and Sustainable Growth”.
- Provide electricity to all villages
- Connect all villages with all-weather roads
- Provide access to banking services to 90 percent Indian households
- Its growth rate target is 8%.

NITI Aayog

- NITI Aayog (National Institution for Transforming India) was formed on January 1, 2015 through a Union Cabinet resolution. NITI Aayog is a policy **think-tank** of the Government of India
- The NITI Aayog is the new planning body replacing Planning Commission in India.
- NITI Aayog serves as a knowledge hub and monitors progress in the implementation of policies and programmes of the Government of India.
- The Prime Minister is the Chairperson of NITI Aayog and Union Ministers will be Ex-officio members. The Vice-Chairman is the functional head of NITI Aayog

Structure of the NITI

1. Chairman: the Prime Minister of India (ex-officio).
2. Governing Council: will comprise the Chief Ministers of all states and Lt. Governors of union territories.
3. Vice-Chairperson—to be appointed by the PM (First Vice Chairman was **Arvind Panangariya**).
4. Members: all as full-time.
5. Part-time Members: maximum of 2, from leading universities, research organisations and other relevant institutions in an ex-officio capacity.
6. Ex-Officio Members: maximum of 4 members of the Union Council of Ministers to be nominated by the PM.
7. Chief Executive Officer: to be appointed by the PM for a fixed tenure, in the rank of Secretary to the Government of India.

Functions of NITI Aayog

- **Cooperative and Competitive Federalism:** To enable the States to have active participation in the formulation of national policy.
- **Decentralized Planning:** To restructure the planning process into a bottom-up model.
- **Vision and Scenario Planning:** To design medium and long-term strategic frameworks towards India’s future.
- **Internal Consultancy:** It provides internal consultancy to Central and State governments on policy and programmes.
- **Monitoring and Evaluation:** It will monitor the implementation of policies and programmes and evaluate the impacts.