Unit I- Indian Economy 1950-1990

Meaning of Planning, Introduction to Different Economic Systems

Objectives

In this lesson we will go through the following topics.

- Meaning of Planning
- Origin of Planning
- Introduction to Different Economic Systems

Meaning of Planning

Often, we come across the word plan while using sentences such as what's the plan, let us make a plan, etc. What does the term plan mean? For an individual or a group of individuals a plan is a proposed list of goals to be achieved within a specific period of time. Similar to this, for an economy, ***a plan specifies a set of objectives that an economy aims to achieve within a certain period of time***.

The process of planning is undertaken by the central authority of a country that drafts the plan comprising of objectives to be achieved keeping in mind the needs of all the sections of the economy. It suggests how and where the resources of an economy should be utilised. Particularly, it suggests the optimum ways to utilise the scarce available resources to achieve the enlisted goals.

A plan specifies not only the objectives that are to be achieved but also the achievements made in accordance with the last plan. Plans have both specific as well as general goals. Some of the common goals are economic growth, modernisation, self-reliance and equity. However, it might also happen that various goals are conflicting to each other. For example, modernisation reduces employment. So, a caution must be taken so as to maintain a balance among different goals.

Origin of Planning

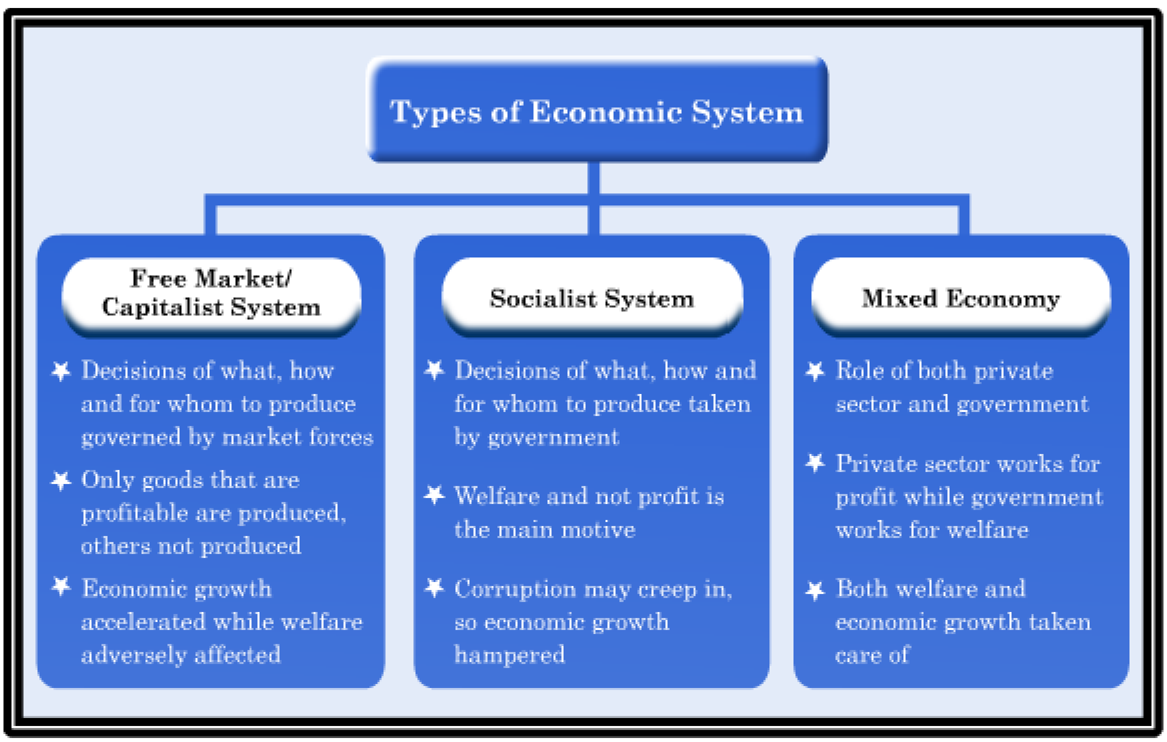
Soon after independence, India faced an important choice to opt either for capitalism or socialism. The extraordinary success of planning in the Soviet Union was an inspiration for India. However, Indian political and economic conditions were not favourable to opt for complete socialism as in the Soviet Union.

Thus, India decided to adopt socialism but with a difference. Going by the system of socialism, India too laid a strong emphasis on public sector. Along with this, it also stressed on the active participation of the private sector in a democratic framework. In other words, a mixed role of both the public sector as well as the private sector was sought. Thus, India opted for a ***comprehensive planning*** technique with equal importance to both economic and social sectors.

In accordance with the decision, the Planning Commission was established in the year 1950. This institution was established with the motive that the government would undertake comprehensive planning for the nation as a whole. It was suggested that public sector would lay down the basic economic framework and private sector would be encouraged for their active contribution to the economic growth. For this, India opted for the ***system of five-year plans***. The first five-year plan in India was formulated for the period 1951-56. Since then, India has formulated and completed eleven five-year plans (till now).

Introduction to Different Economic Systems

It is of strategic importance for an economy to decide what goods and services to be produced, how it is to be produced and for whom it is to be produced. These questions are answered differently in different economic systems. The economic systems can be divided into the following three broad categories.



1. ***Free Market or Capitalist System***

In a free market economy or a capitalist economy, the decisions regarding what, how and for whom to produce are governed by the market forces. In other words, demand and supply are of strategic importance in this type of economic system. Only those goods and services are produced that have greater demand and that ensure greater profitability. However, those goods that have low profitability will not be produced even if demand exists for them. For example, services such as free health will not be provided even though they are in demand as they are not profitable.

This system does not acknowledge any kind of government intervention. For the production of goods and services, the choice of the factors of production is guided by the availability and the cost of factors of production. That is, those factors of production are used that are readily available and are relatively cheaper. Since the decisions regarding the production are solely based on the market forces of demand and supply, the economic growth is accelerated.

However, the distribution of the goods and services is based on the purchasing power. Only those consumers can purchase the goods and services who can afford them. As against this, those consumers who do not have the purchasing capacity will not be able to consume the goods and services. Thus, in this economic system, the welfare of the people is adversely affected.

2. ***Socialist System***

Under socialist economic system, the decisions regarding the central problems of what to produce, how to produce and for whom to produce are taken by the government. As against the capitalist system, where the production and consumption decisions are taken on the basis of demand and supply, in the socialist system the main decisive factor is the welfare of the society as a whole.

In other words, the needs of the society are given prime importance in the decision making by the government. The government ensures that social equality is maintained.

The private players are devoid of any participation in the economy. The process of production is undertaken by the government. Also, the distribution of various goods and services is carried out by the government.

The consumers in this economic system are not free to choose what they want to consume, rather they consume what is provided to them by the government. Although, this system ensures welfare in the society, but with the working of the government it is often found that corruption and inefficiency creep in the system.

3. ***Mixed Economy***

This economic system identifies the role of both the private sector as well as the government. While on one hand, private players aim at maximisation of individual profits, on the other hand, government aims at maximisation of welfare of the society. Thus, while the participation of market forces ensures accelerated growth, on the other hand, interference of the government ensures social welfare and equality.

In the private sector, the production of goods and services is carried out in accordance with the market forces of demand and supply. Those goods and services are produced by the private sector which are in demand and are profitable.

As against this, the production of certain key goods and services that are essential from the welfare perspective such as education, health, defence, etc. are provided by the government. India is an idealistic model of mixed economy.

Objectives of Five-Year Plans in India

Objective

In this lesson we will analyse the various objectives of five-year planning in India.

Objectives of Five Year Plans in India

As we know, a plan is a proposed list of goals that an economy wants to achieve within a specific period of time. However, every plan should have certain specified objectives or goals.

While a plan specifies the means and ways to allocate scarce resources to achieve targets, the goals form these ultimate targets that are to be achieved. Plan without a goal is like a life without a soul.

Thus, every plan must include a specified set of goals and objectives. Plans have both specific as well as general goals. Also, some of the goals can be for long period, while some are for the short period. The long-term goals refer to the broader objectives that the economy aims to achieve.

They remain common throughout various plans. Short-term goals, on the other hand, vary from plan to plan and are of the nature of immediate concern. However, the short-term goals remain in-sync with the long-term goals.

In India, the process of planning started with the establishment of the Planning Commission in the year 1950. In India, plans are formulated every five years, and is termed as five-year planning. The first plan was formulated for the period 1951-1956. The plans in India are carried out with the following broad objectives.

1. ***Economic Growth***

Economic growth has been the first and the foremost objective of economic planning in India. Economic growth, mainly, refers to the increase in the GDP of an economy. That is, economic growth refers to the increase in the market value of goods and services in the economy during an accounting year. Higher GDP is often related to higher growth rate and lower GDP is related to lower growth rate.

However, it must be kept in mind that this increase in GDP should persist for a longer period of time. In other words, economic growth is said to take place only when the increase in GDP is continuous and consistent. With the economic growth, the overall production capacity and efficiency in the economy increases. However, for the economic growth to take place, other social factors such as population must also be supporting.

For example, economic growth is not said to take place if with the increase in GDP the population of the country also increases. This is because the effect of increase in output is nullified by the increase in population and the per capita income remains at a lower level. Besides this, the economic growth must also coincide with the structural changes in the economy. With economic growth, the share of secondary sector and the tertiary sector in the economy must gradually increase along with a reduction in the share of the primary sector.

2**. *Stability***

Economic growth in an economy should also be accompanied by stability. Stability implies the absence of frequent fluctuations in the price level of an economy. In other words, stability implies that changes in the general price level should hover around a moderate rate. A very high rate of increase as well as a very slow rate of increase in the price level hampers economic growth. A very high rate of increase in the price level restrains consumption while a very slow rate of increase discourages production activities. Both low consumption as well as low production are detrimental to the growth process. Thus, the economy should aim at achieving growth with stability.

3. ***Economic Efficiency***

Economic efficiency is another important objective of economic planning in India. As we know, the resources in an economy are limited in comparison to the needs of the society. Thus, it becomes necessary that the resources are utilised in an efficient and optimum manner. With the help of planning, economic resources can be utilised in accordance with the priorities of the nation.

With planning, the resources can be directed towards those sectors which are necessary for the overall development of the nation. For example, if the economic priority is to improve the growth rate of the industrial sector, then planning can be done such as to direct the resources towards the development of industries.

4. ***Modernisation***

Modernisation refers to the increase in the level of technical know-how in the economy. The economy not only aims at increasing the production but the level of productivity should also increase. The increase in the productivity can be achieved with modernisation. Modernisation helps not just in increasing the quantity of output but also the quality of the output.

Besides, application of new and improved technology helps in achieving a lower cost of production. Modernisation should be an objective in not just the economic context but also in the social context. Modern customs and beliefs must make a place in the society. With modernisation the overall perspective of the society changes for the better and thinking broadens. Evils such as gender inequality, superstition, religious conflicts, etc. get eradicated with modern beliefs.

5. ***Self -Reliance***

Self-reliance implies discouraging the imports of those goods that could be produced domestically. Achieving self-reliance is of prime importance for a developing country like India. India, being under the colonial rule of the British, was heavily dependent on the foreign countries for the fulfillment of even the basic needs such as food grains. Also, huge imports of heavy machinery were required after independence to pace the process of industrialisation. Besides, due to low level of income and output, the economy was heavily dependent on foreign aid. Such dependence on foreign countries hampers the economy's sovereignty. Dependence on foreign goods and services provides impetus to foreign country's industries at the cost of domestic infant industries. Further, imports drain away the scarce foreign reserves that are of prime importance to any developing and underdeveloped economy. Therefore, achieving self-reliance is an important objective for a developing country such as India in order to avoid themselves from being submissive to the developed nations.

6. ***Equity***

Equity along with growth is an important objective of India's five year plans. While growth refers to a continuous increase in GDP over a long period of time, equity refers to an equitable distribution of GDP. Equitable distribution implies that the benefits of higher economic growth are shared by all sections of population. In other words, this objective opposes the concentration of income in only few hands.

Growth itself is desirable but it does not guarantee the welfare of people. It may be possible that the goods and services that are produced do not reach the masses. Hence, growth along with equity becomes a desirable objective of planning. This objective ensures that the benefits of high growth are shared by all the people in the society equally. Thus, equity implies a reduction in the inequality of income and promotion of an egalitarian society.

7. ***Employment***

An increased level of employment is another major long-term objective of economic planning. Ideally, it is said that all those who are willing and are able to work should get gainful employment. And this situation is known as full employment. Jobless growth, on the other hand, implies a meaningless growth and discontent among the masses. Thus, ensuring an active economic participation by all the sections of population becomes an important objective of planning. An increased employment level also helps in overcoming various other social problems such as poverty, inequality, crime, etc.

8. ***Balanced Regional Growth***

The process of growth and development should not just be confined to only certain regions rather each and every region should be equally developed. For example, it is not desirable that with growth certain regions of the country face an increased industrialisation while, some other regions remain backward. Thus, appropriate measures must be taken to make sure that the process of development is not just confined to a few regions of the country but throughout all the regions. In other words, special steps must be taken in the plans to ensure that the growth is regionally balanced.

Five-Year Plans and Agriculture

Objective

In this lesson, we will go through the following topics.

- Five-year Plans and Agriculture
- Reform in Agriculture
- Green Revolution
- Agriculture Subsidy

Five-year Plans and Agriculture

India being an agrarian economy, laid considerable emphasis on the growth of the agriculture sector at the time of economic planning. Indian agriculture at the time of independence was plagued with various shortcomings. Although this sector employed a large section of population, the production and productivity in this sector was very low.

The production was done with the conventional techniques and was subject to the vagaries of monsoon. The poor cultivators and the peasants were highly exploited by the landlords. On the whole, the agriculture sector was in a backward state. To lift the agriculture sector from such a dismal state, there arose a need for the reforms and policies in this sector. The following are some of the broad ***reasons due to which the reforms and policies were required in the agriculture sector***.

1. *Land tenure system*: The British introduced the system of land tenure namely, the *Zamindari* System, the *Mahalwari* System and the *Ryotwari* System. The common feature of these systems was that the land was mostly cultivated by the tenants who paid the land revenues to their landlords. This led to the exploitation of tenants in the form of exorbitant rents. Thus, reforms were required in this area for the upliftment of the poor peasants.

2. *Size of land holdings*: The size of land holdings owned by the farmers was very small. In addition to this, the land holdings were fragmented. Modern techniques such as the tractors could not be used on such small and fragmented land holdings. Consequently, the farm productivity remained low. Thus, steps were required for the consolidation of land holdings so as to improve the production and productivity in the agriculture sector.

3. *Lack of initiative*: Due to the prevalence of the land tenure system, there existed a gap between the land owners and the actual cultivators. The land owners seldom took part in the process of actual cultivation. Moreover, the landless peasants were highly exploited at the hands of the landlords in the form of high rents and difficult working conditions. As a result, the farmers lacked initiative for improving the production. Also, they did not have enough means to undertake mechanisation in the methods of cultivation.

4. *Traditional approach and low productivity*: Indian farmers used to rely on conventional and traditional methods of farming. Farming was highly dependent on the climatic conditions. Thus, the productivity of the agriculture remained low. Hence, reforms and policies were required in order to move from traditional approach of cultivation to modern techniques of cultivation so as to boost the productivity.

5. ***Absence of marketing system***: The agriculture sector lacked organised marketing system. Due to absence of well developed marketing system, the farmers had to rely on the intermediaries to sell their products in the market. These intermediaries used to exploit the farmers in the sense that they used to purchase the farm products at a very low price and sell them at higher price in the market. Consequently, the farmers were deprived of the correct share in the profits. This led to the lack of finance and investment in the agriculture sector. Thus, there was an urgent need for the abolition of intermediaries.

6. ***Nature of farming***: The basic motive of farming in India was subsistence. That is, the farmers grew food crops mainly for self-consumption. In other words, farming was done basically for survival and not for sale and profit.

7. ***Dependence on the Money lenders***: The peasants and farmers had to depend on the local money lenders (*mahajans*) to fulfill their needs of finance. These local money lenders used to exploit the farmers in the form of high interest rates. Thus, the farmers were deprived of adequate finance. Steps were required to provide credit and finance facilities to the farmers so as to encourage investment in the agriculture sector.

Reforms in Indian Agriculture

Due to the above problems in the Indian agriculture, it was very necessary to undertake reforms in this sector. The reforms taken in the agriculture sector can be categorised into the following two categories.

Land reforms or the institutional reforms were the most important reforms in the agriculture sector. Land reforms comprised of the following steps.

1. ***Abolishing intermediaries***: The prime focus of land reforms was to abolish intermediaries such as zamindars, jagirdars, etc. Many steps were undertaken to make the actual tillers of the farm as the owners of the land. It was assumed that the ownership of the land will provide the tillers with greater incentives to invest in the farm and improve the productivity. The abolition of intermediaries brought the tenants in direct contact with the government. Thus, it protected the tenants from exploitation. However, the system suffered from certain loopholes. For instance, sometimes the landlords used to evict the tenants and claimed themselves as the actual cultivators of the land.

2. ***Regulation of rent***: The zamindars used to charge high rents from the tenants who cultivated on their land. The rent charged was so high that hardly anything was left with the tenants for themselves. Thus, charging exorbitant rents formed another way for the zamindars for exploiting the cultivators. Thus, reforms were undertaken to regulate the rents. In the first five-year plan, the maximum rent fixed was one-fourth or one-fifth of the total farm produce (except in Punjab and Haryana, where it was $\frac{1}{3}$ rd). The regulation of rent not only reduced the burden from the tenants but also enabled them with greater portion of finance to invest on farm.

3. *Consolidation of holdings*: As the land holdings were small and also fragmented, modern techniques of production (such as, tractors) could not be used. As a result, the production and productivity remained low. It was very necessary to consolidate the fragmented land holdings for the use of modern and advanced technology. The farmers were given consolidated holdings equal to the total of the land in their various fragmented plots. This enabled them to benefits from the large scale production and to improve the production and productivity.

4. *Land ceilings*: Often, the zamindars and the big farmers used to own huge areas of land, while the small farmers and the peasants had little or no land. In other words, there was huge inequality in the holdings of land. The land was concentrated in the hand of a few big farmers and zamindars, while a large section of the framers remained landless or with only marginal land holdings.

To promote equality in the ownership of the landholdings, the reforms introduced the system of land ceilings. Land ceiling refer to the legislated fixed amount of land that an individual may hold. The government used to confiscate the excess land over the fixed amount of land and distribute it among the landless farmers. However, some big farmers escaped from this policy by dividing the land in the names of relatives. With this practice, they did not actually loose the ownership right on the land. Besides, in several states the system of land ceiling could not be efficiently imposed due to lack of government initiative.

5. *Co-operative farming*: This step was taken to counter the problems that arose due to sub-division of holdings. Under this system, farmers pooled the land and performed farming jointly. Small scale farming by an individual land holder having a small farm is neither profitable nor productive. As against this, co-operative farming enabled the farmers to avail the benefits of large scale production. Co-operative farming enhanced the productivity and greater profits were shared by the individual farmers.

II. Technical Reforms/Green Revolution

In addition to the land reforms, technical reforms or the Green Revolution was also introduced in the agriculture sector. The word 'Green Revolution' comprises of two words ‘Green’ that is associated to crops and ‘Revolution’ that is associated to the substantial increase. Green Revolution was introduced by 'Norman Borlaug' who introduced the concept of HYV seeds which made drastic improvements in the productivity and output.

Due to low productivity, India faced frequent occurrence of famines and low levels of agricultural products in the latter half of second five-year plan. To combat the problem, a team was formed to suggest ways to counter these problems. As per the recommendations of the team, the government introduced the use of HYV seeds, modern techniques and inputs like fertilisers, irrigation facilities and subsidised credit.

These steps are collectively known as Intensive Area Development Programme (IADP). In India, Green Revolution was introduced in two phases. The first phase was in the period mid 60s-mid 70s. Initially, it was restricted only to certain states such as Punjab, Andhra Pradesh and Tamil Nadu which were dominant in the cultivation of wheat and rice. The second phase was introduced in the period mid 70s-mid 80s,where it was further spread to other areas and to crops other than wheat and rice.

Need of Green Revolution

In India, Green Revolution was required due to the following reasons.

1. ***Low irrigation facility***: The well irrigated and permanent irrigated area in India was found to be only 17% in 1951. Also, the major part of the farm area was dependent on rainfall for performing the agricultural activities. This made Indian agriculture extremely vulnerable and consequently, it suffered from low level of production.

2. ***Conventional and traditional approach***: The production in the agriculture sector was mainly dependent on the conventional and traditional methods used in earlier times. This use of conventional inputs and the absence of modern techniques greatly hampered the agricultural productivity. As a result of which the agricultural productivity declined majorly.

3. ***Frequent occurrence of famines***: Indian agriculture was characterised by low production levels and excessive dependence on monsoon. As a result, famines were very frequent in India during the period 1940s to 1970s. Further, due to higher growth rate of population, agriculture failed to grow at the same speed. Thus, the need for reforms became more prominent.

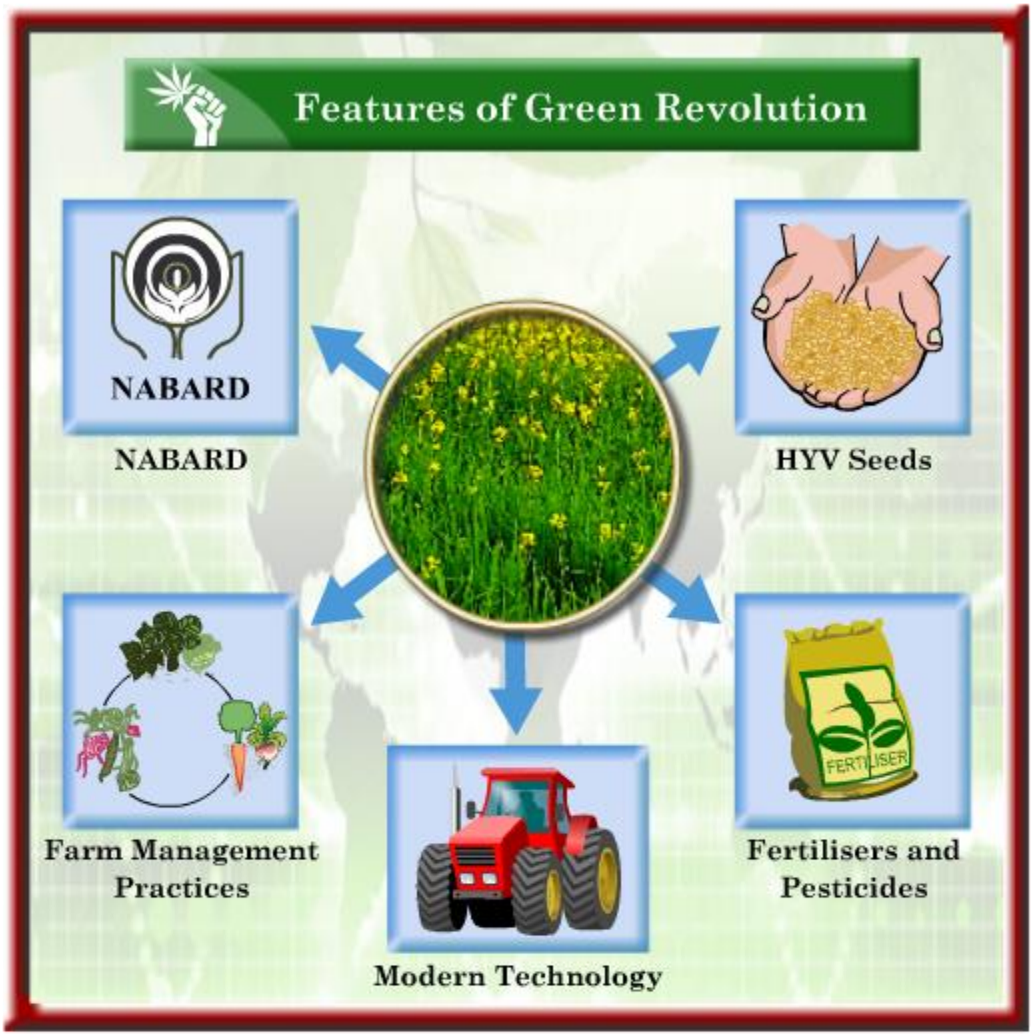
4. ***Lack of finance (credit)***: In those times, small and marginal farmers found it very difficult to get finance and credit at cheap rates from the government and banks. Thus, they were an easy prey to the money lenders and their exploitative practices. This lack of credit facilities further hampered the modernisation of the agriculture in India.

5. ***Self-sufficiency***: Due to the traditional agricultural practices, the production of food grains remained low. To feed the growing population, often food grains were imported that drained away scarce foreign reserves. It was thought that with the increased production due to Green Revolution, the government would be able to maintain buffer stock and India could achieve self-sufficiency and self-reliability.

6. ***Agriculture marketing***: Agriculture was basically for subsistence and therefore, less amount of agricultural product was offered for sale in the market. Hence, the need was felt to encourage the farmers to increase their production and offer a greater portion of their products for sale in the market.

Major Features of Green Revolution

Green Revolution comprised of the following major features.



1. ***Use of HYV seeds***: HYV seeds are more productive and yield greater output per hectare of land than the conventional seeds. HYV seeds were introduced for crops such as wheat, rice and cotton. HYV seeds grow faster than the normal seeds and consequently, crops can be harvested in a much shorter time period. This enabled the farmers to grow more than one crop per year. However, such seeds need regular and adequate irrigation facilities along with greater use of fertilisers and pesticides. In 1966, consequent to the use of HYV seeds, the output of food grains increased by nearly 25%.

2. ***Greater use of fertilisers and pesticides***: The use of HYV seeds requires extensive use of chemical fertilisers to enhance the productivity. Besides this, to protect the crops from plant diseases the use of pesticides is required. For this, various initiatives have been taken by the government such as the establishment of Central Plant Protection Centres and the introduction of Integrated Pest Management Programme.

3. *Introduction of modern technologies:* Green Revolution encouraged the use of new and modern techniques of production such as the use of tractors, harvesters, etc. in place of the old traditional techniques. Such techniques helped in enhancing the efficiency in production and agricultural productivity.

4. *Adoption of farm management practices*: The program laid emphasis on the adoption of scientific methods of farm management such as the techniques of selection of crops, crop rotation, use of ferilisers, etc. In this regard various programs such as Agricultural Area Programme, Integrated Rural Development Programme have been introduced by the government.

5. *State participation*: Various initiatives were taken by the government to make the programme successful. For example, National Bank for Rural Development (NABARD) was set up by the government in the year 1982 to function as an Apex bank in the field of agriculture. Similarly, Food Corporation of India (FCI) was set up in 1965 with the purpose of procurement of food grains. Similarly, to ensure the supply of seeds National Seeds Corporation was set up.

Impact of Green Revolution- Positive Impacts

The adoption of Green Revolution proved beneficial for the Indian agriculture. The following are some of the points that highlight the positive impact of Green Revolution on India's agriculture sector.

1. *Rise in production and productivity*: With Green revolution, the production of food crops, particularly wheat and rice have increased considerably. The production of wheat has increased by nearly 7 times from 1965 to 2008. Similarly, during this period the production of rice has increased nearly 3 times. With the substantial increase in the output the marketable surplus with the farmers has increased.

Consequently, India has been able to achieve ***self-sufficiency*** in food grains and the prices of food grains have decreased. Besides the increase in production, the productivity has also increased. The yield per hectare of land has increased. The yield per hectare for wheat has increased by nearly 3 times from the period 1960 to 2006. Similarly, for rice the production per hectare has nearly doubled in the period.

2. *Increase in the production of commercial crops*: With the increase in the production and productivity, marketable surplus in agriculture has increased. This implies a rise in the disposable income of the farmers. This increased income has enabled the farmers to go beyond the conventional production of the food grains to production of the commercial crops. In other words, the farmers have now shifted to the production of high earning commercial crops along with the traditional food crops. This thereby, has contributed in the higher revenue of the farmers.

3. *Change in the attitude of farmers*: With the increase in the production and marketable surplus, the income of the farmers have increased considerably. Also as against earlier, agriculture is now increasingly seen as a profitable venture. This in turn, has induced the farmers to take up agriculture as a source of revenue and profit. Thus, the investment by the farmers in the new and modern technology has increased considerably.

4. *Self-sufficiency in food grains*: Green Revolution led to a considerable increase in the production of food grains. With the use of modern technology such as extensive use of fertilisers, pesticides and HYV seeds, there was a significant increase in the agricultural productivity and product per farm land. In addition, the spread of marketing system, abolition of intermediaries and easy availability of credit has enabled farmers with greater portion of marketable surplus. All these factors enabled the government to procure sufficient food grains to build the buffer stock and to provide cushion against the shocks of famines and shortages.

Negative Impact of Green Revolution

Although with the advent of Green Revolution, both the production and productivity have increased considerably, this program also had certain negative aspects.

1. *Rise in inequality*: The program was based on the use of certain key inputs such as the HYV seeds, chemical fertilisers, irrigation facilities, etc. The big farmers could easily afford such inputs and thereby, could reap the benefits of the programme. As against this, the small and marginal farmers who could not afford such inputs suffered. Consequently, the gap between the big and the small farmers increased.

2. *Vulnerability to pest*: The HYV crops were found to be more prone to pests. Thus, the vulnerability of the poor farmers dependent on this technology in terms of finance increased.

To overcome such negative impacts, adequate steps were taken by the government in this direction. The government ensured that the small and marginal farmers could also get the required inputs through the way of subsidies and low interest rate loans. Similarly, to avoid the risk of crop failure due to pest attack, various research institutes were established by the government.

Agricultural Subsidies

Subsidy means availing some important inputs to farmers at a concessional rate, that is, much lower than its market rate. During 1960s, in order to adopt new technology of HYV seeds and use of modern fertilisers and insecticides, farmers were provided inputs at a subsidised rate. Thus, the public sector role was needed to invest heavily so as to raise the income of people that will in turn raise the demand and so on. However, the provision of subsidiy in agriculture has remained a debatable issue.

The following arguments are given ***in favour*** of subsidy.

1. Provision of subsidy is very important for marginal land holders and poor farmers who cannot avail the essential farm inputs at the ongoing market rate.

2. Subsidy in 1960s was basically an incentive for the farmers to adopt modern techniques and vital inputs like fertilisers, HYV seeds, etc. The subsidy was mainly of convincing and lucrative nature so that the farmers do not hesitate to use these modern techniques.

3. Subsidy is generally provided to the poor farmers with the motive of reducing inequality of income between the rich and the poor farmers and to promote an egalitarian distribution of income.

4. It is argued that the adoption of new technology and techniques require huge investment and thereby, pose a risk. Thus, only the daring farmers are willing to adopt them. In such a case, provision of subsidy by reducing the investment to be made by the farmers, encourages the use of new technology and investment.

The following arguments are given ***against*** subsidy.

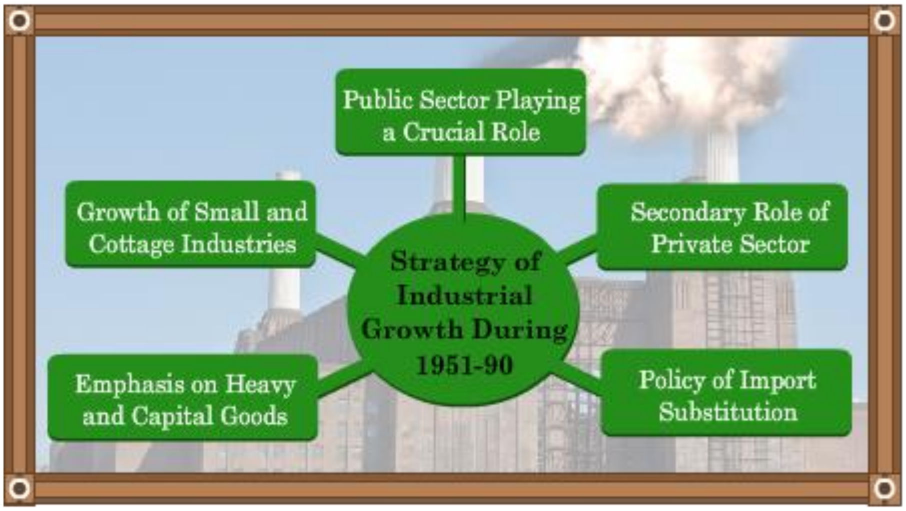
1. It is generally argued that subsidy favours and benefits fertiliser industries more than the farmers. Subsidies provide a protective shield against the market conditions and consequently, these industries need not to bother about their market share and competition.

2. Subsidies are also enjoyed by the potential farmers who do not need them. This often leads to the misallocation and wastage of scarce resources.

3. It is argued that subsidies, if provided at a much lower rate than the market rate may lead to the wastage of resources. For example, subsidised electricity leads to the wastage of energy.

4. There is a general consensus that in order to assess the benefit and feasibility of a particular technique, subsidy should be provided, but once the performance has been judged subsidies should be stopped.

Hence, based on the above pros and cons, we can conclude that although subsidies are very useful and necessary for the poor farmers and to overcome uncertainties associated with farming, it puts an excessive burden on the scarce government finances. Thus, proper planning and suitable reforms are required with regard to the agricultural subsidies.



Five-Year Plans and Industrial Sector

Objectives

In this lesson, you will go through the following topics.

• Importance of Industrial Sector

• Role of Public Sector in the Industrial Development in India

• Strategy of Industrial Growth in India during 1950-1990

• Industrial Policy Resolution 1956

• Critical Appraisal of the Strategy of Industrial Growth

Introduction

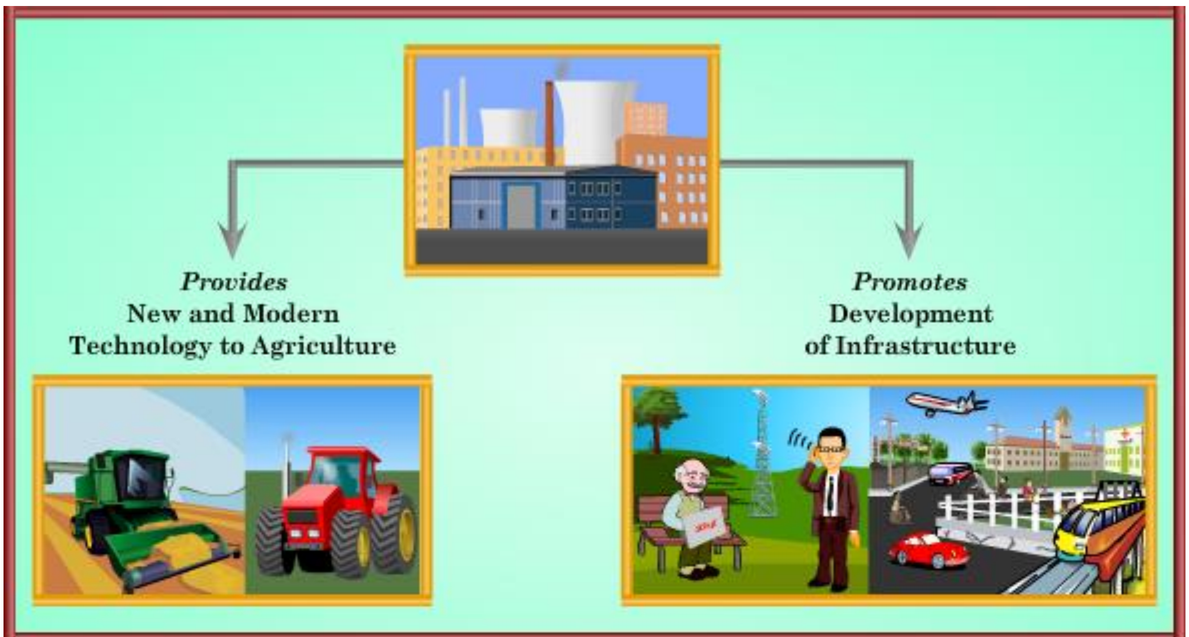
Industrial sector plays a crucial role in the growth and development of any country. It is said that a nation can develop only with the development of industries. The following points highlight the role of industrial sector in the development of an economy.

1. ***Employment***: Industrial sector is an important source of employment for the masses. In an underdeveloped country, where a large section of the population is dependent on the agriculture sector the industrial sector proves to be an important alternative source of occupation. Industrial sector can absorb the surplus labour from the agricultural sector. This not only eases the burden on the agricultural sector but also leads to overall welfare of the masses by increasing the employment and income earning opportunities.

2. ***Structural changes***: Development of industries brings about a diversification in the production and consumption activities. Industrialisation brings about a shift from the production and consumption of wage goods (such as basic cereals, coarse cloth,) to the processed goods (such as fine varieties of cloth, processed food products). Such a transformation boosts economic growth and the standard of living in the country rises.

3. ***Backward and forward linkages***: Industrialisation leads to important forward and backward linkages in the economy. That is the development of industries boosts the development of other sectors in the economy. For example, industries provide the agriculture sector with the new and modern machines such as the tractors, harvesters, water pumps, etc. In other words, industrialisation helps in the mechanisation agriculture sector.

This improves the productivity and production of the agriculture. Similarly, development of industries encourages the development of infrastructure facilities. It is only with the development of industries that the need for infrastructure such as transportation, communication, banking, health, education, etc, is greatly felt. Thus, industrial sector paves the way for the development of infrastructure.



Development of Industries Leads to Forward and Backward Linkages

4. ***Urbanisation***: Industrialisation paces up the process of urbanisation. Greater shift takes place from the rural areas to the urban areas. With the development of industries, the level of income rises. Thereby, the quality of life of the people rises. It leads to a rise in the level of education, skill and health of the people. As a result, the standard of living rises.

Role of Public Sector in Industrial Development

At the time of independence, India lacked modern industries. While on one hand, the handicrafts sector was on the verge of depletion, on the other hand, nothing could be done to revive the modern industries. Also, the industrial sector suffered from lack of capital goods industry in the country.

There were only a few industries such as the textile mill, Tata Iron and Steel and a few paper and sugar mills. Thus, the planners of the country laid emphasis on the development of the industries in the plans and policies. It was felt that an active role of the public sector was required to boost the development of the industrial sector. The vital role of state for the development of the industries is highlighted with the following points.

1. ***Need of heavy investment***: The development of the industries required huge investment. It was very difficult for the private sector alone to invest such a huge amount. Indian entrepreneurs lacked the amount of capital required for the development of industries. Further, the risks involved in such projects were also very high and had long gestation period. Thus, the private sector was not very keen to invest in the development of industries. However, the development of some of the key basic and heavy industries was necessary for the growth and development. Hence, the government played the leading role in providing the basic framework of heavy industries.

2. ***Commanding heights of the economy***: Commanding heights of the economy refers to those industries that serve as the basic input for the economic growth, such as transport, defense and communication. These industries require a heavy initial capital and have a long gestation period. Consequently, the investments in these industries are not feasible and fruitful for the private sectors. But as these industries provide an infrastructural base for the emergence and spread of industrialisation, such projects are required to be undertaken by the government.

3. ***Low level of demand***: At the time of independence, the majority of population was poor and had low level of income. Consequently, the level of demand was also very low. As a result, the private sector lacked impetus to undertake investment and production. Thus, India was trapped in a vicious circle of low demand and low investment. The only way to enhance the level of demand was to encourage the investment of the public sector. The investment by the public sector in the industries would raise the employment opportunities and thereby, the income of the people would rise. With the rise in income, the standard and quality of living would rise and the demand for various goods and services would increase.

4. ***Enhancing nation's welfare***: The main motive of the PSU's was to provide goods and services that add to the welfare of the economy as a whole. Such goods and services include the provision of schools, hospitals, electricity, etc. The provision of such goods and services has low profit viability and are not taken up by the private sector. However, the provision of these services is essential as they not only enhance the welfare of a nation but also brighten the future prospects of economic growth and development. Thus, it is required that the public sector steps in.

5. *Long gestation projects*: It was not feasible and economically viable for the private sectors to invest in the huge projects such as basic industries, electricity, railways, roads, etc. This is because such projects need a very huge initial investment and have long gestation period. Hence, the development of such strategic industries required the role of PSU's.

6. *Basic framework*: An important ideology that was inherited in the initial five-year plans was that the public sector should lay down the basic framework for industrialisation. Such basic framework would encourage the private sector to develop in a more systematic manner at later stages of industrialisation .

7. *Socialist track*: In the initial years after independence, Indian planners and thinkers were more inclined towards the socialist pattern. It was justified on the rationale that if the government controls the productive resources, then it would lead to economic growth of the nation in a better manner. This served the basic rationale to set up PSUs. Such PSUs were expected to produce goods not according to the price signals but as per the social needs and economic welfare of the country.

8. *Reduce inequality of income and generate employment opportunities*: It was assumed that in order to reduce inequalities of income, eradicate poverty and to raise the standard of living, the government sector should step in to invest in the economy through setting up of PSUs. Further, private sector lacks the incentive to develop industries in the backward regions of the country. However, for the upliftment of such regions industrialisation was very necessary. Thus, it was the public sector which was required to play a greater role in the development of such regions.

Strategy of Industrial Growth during the Period 1951-90

For a rapid industrialisation, the following strategy was followed in India, during the period 1951-90.

1. *Public sector playing crucial Role*: During the initial phase of planning, public enterprises were assigned a crucial role for the development of industries. The public sector controlled the development of strategic and basic industries in the country such as the Iron and Steel Industries. Such industries require heavy investment and have large gestation periods. Thus, public sector was accorded a prime role in the development of these industries.

2. *Secondary role of private sector*: The role of private sector in the process of industrial development was kept only complementary to that of public sector. The state directly controlled the private sector. The goods and services to be produced were decided by the government. Moreover, the government decided the limits of production by private entrepreneurs.

Also, the establishment of new industries or the expansion of existing industries by the private entrepreneurs required permission from the government. For example, under the Industrial Development and Regulation Act, 1951, new industries could not be established without obtaining licenses. Similarly, the Monopolies and Restrictive Trade Practices Act was passed that controlled the expansion and growth of the industries.

Also, to expand the scale of production, private sector was also needed to obtain prior license from the government. The basic purpose behind the license was to keep a check on the production of goods that are socially undesirable and unwanted. Hence, the state fully controlled the private sector either directly or indirectly.

3. ***Policy of import substitution***: The policy of import substitution was an integral part of the industrial policy of India. This policy implies discouraging the imports of those goods that could be produced domestically. By discouraging the imports, a protective environment could be provided to the domestic producers. Protection was achieved by imposing various barriers in the form of tariffs and quotas on the imports of goods.

The rationale for providing the protection was that the domestic industries were still at an infant stage. Thus, they required protection so that they can grow and develop and become competent enough before they face foreign competition. Another major objective of this policy was to achieve self-sufficiency in the domestic production. The pursuance of such strategy reduced the economy's dependence on foreign goods, thereby, saving the scarce foreign exchange reserves.

4*. Greater emphasis on heavy and capital goods*: It was realised that the development of heavy and capital industries was essential for the growth and development of the country. These industries enhance the productive capacity and thereby, boost the production in the economy. Thus, emphasis was laid on the development of these industries in the planning process.

5. ***Growth of small scale and cottage industries***: Along with the heavy industries, emphasis was also laid on the development of small scale and cottage industries. The growth of small and cottage industries was considered necessary in order to generate employment opportunities and to achieve the objective equity.

Indian Policy Resolution (IPR) 1956

IPR was a declaration of the government that was initiated with the purpose of rapid industrialisation to achieve high economic growth along with social justice. The resolution formed the basis of second five-year plan and acted as a foundation stone to develop the socialist pattern of the society. The following are the principle elements of the IPR (1956).

1. ***Three-fold classification of industries***

According to IPR, industries were classified into the following three categories.

Category 1: Those industries that are established and owned exclusively by the public sector.

Category 2: Those industries in which public sector will perform the primary role while the private sector will play the secondary role. That is, the private sector supplements the public sector in these industries.

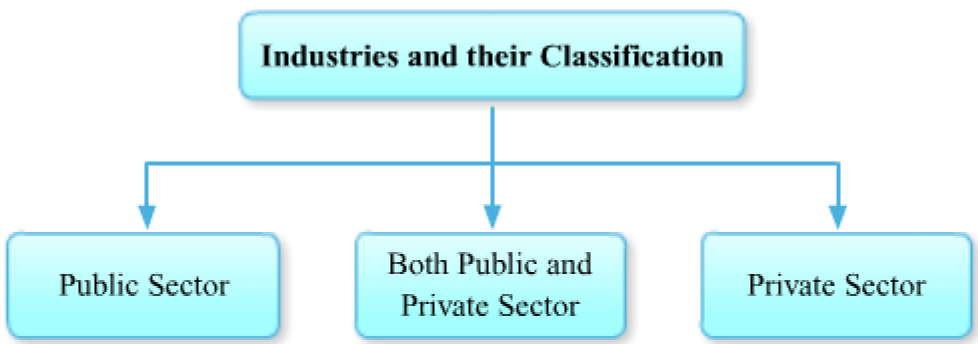
Category 3: Those industries that are not included in Category 1 and Category 2 are left to the private sector.

2. *Licensing of industries*

The private sector industries could be established only after obtaining a license (or permit) from the government. This proposal of obtaining a license was incorporated to keep a check on the indiscriminate growth of the private sector. Also, it was done to promote the establishment of industries in backward regions and to encourage regional equality. License was required not only to establish a new industry but also for expanding the production capacity of the existing industries.

3. *Industrial concessions*

The Indian government aimed at promoting industries in the backward regions by offering tax holidays, concessions and subsidies. This in turn, promoted economic welfare and development of the backward regions; thereby, reducing regional disparities.



Small Scale Industries

Along with the large scale industries, the growth and development of the small scale industries also formed an integral part of the planning in India. A small scale industry is defined on the basis of the maximum investment that is allowed in a unit. This definition has changed over the years. In 1950, a small scale industry was the one that invested a maximum of Rs 5 lakh.

At present, it is defined as the one where the investment does not exceed Rs 1 crore. In the year 1955, a small scale industries committee called the Karve committee was set up for the growth and development of small scale industries. The following are some of the salient features of small scale industries.

1. ***Employment***: The small scale industries use labour intensive techniques of production. These industries could prove to be a source of employment for the surplus labour in India.

2. ***Reservation of products***: It was obvious that the products of the small scale industries could not compete that of the large industries. Thus, to protect these industries, a large number of products were reserved exclusively for the small scale industries. In addition to this, these industries were also given various concessions such as rebates in excise duty and low interest rates on credit.

3. ***Income equality***: The development of small scale industries promoted the equality of income and wealth. These industries required much less investment than the large scale industries and thus, were comparatively easy to establish. This implied greater opportunities to enhance the income and wealth which lead to reduction in inequalities.

4. ***Regional equality*****:** The development of small scale industries in a region also attracted large scale industries. The products of these industries serve as raw material for the large industries. The large industries often prefer to establish close to the source of the raw material. The coming up of large industries in turn boosts the process of development of the region.

Critical Appraisal of the Strategy of Industrial Growth in India

The strategy of industrial growth yielded both positive as well as negative results.

As a result of the industrial policy, the industrial output witnessed a growth of nearly 6% during the year 1950-1990. During the same period, there emerged the Sunrise Industry that included the electronic goods. Further,the small scale industries helped in the achievement of equity and social justice. Despite various achievements, the strategy had the following negative aspects.

1. ***Low efficiency in public sector***: Due to lack of competition from the private sector, there emerged a monopoly in the public sector. This monopoly adversely affected the performance of PSU's in the form of inefficiencies and corruption. These inefficiencies resulted in low productivity and low product quality. Consequently, the public sector industries incurred huge losses. This implied a drain of nation's wealth.

2. ***Excessive controls***: The operation of private sector industries was faced with unnecessary excessive controls and restrictions which further became a hindrance in their growth. Such industries were not able to develop efficiently under the shed of the government. It was found that the private sector was restricted even in those sectors where it was not required. For example, the telecommunication was reserved exclusively for the public sector even when the private sector could also efficiently provide the services. This however, led to inefficiencies in the sector and it was found that people had to wait for a long time even to get a basic telephone connection.

3. *Foreign exchange crisis*: Policy of import substitution resulted in a massive shortfall of foreign exchange in the country. The foreign exchange fell to such a lower level that India had to pledge its gold reserves with the World Bank to pay off its debts.

4. *Misuse of license policy*: The license policy was misused by the big industrialists. It was found that often the industrialists obtained licenses not for starting a new firm but in order to prevent the competitive firms from entering the market. Moreover, the licensing system was inefficient and corrupted. Huge time and effort of the industrialists was lost in obtaining the licenses.

5. *Over protection from foreign competition*: Over protection of the domestic industries from the foreign competition harmed the domestic consumers. The consumers had little choice and they had to purchase whatever the domestic firms produced. Moreover, the domestic producers, in absence of any competition, had no incentive to improve the quality of their products.

Five-Year Plans and Trade Sector

Objective

In this lesson, we will analyse the policies followed by India in the foreign trade sector in the pre-reform period (1950-1991).

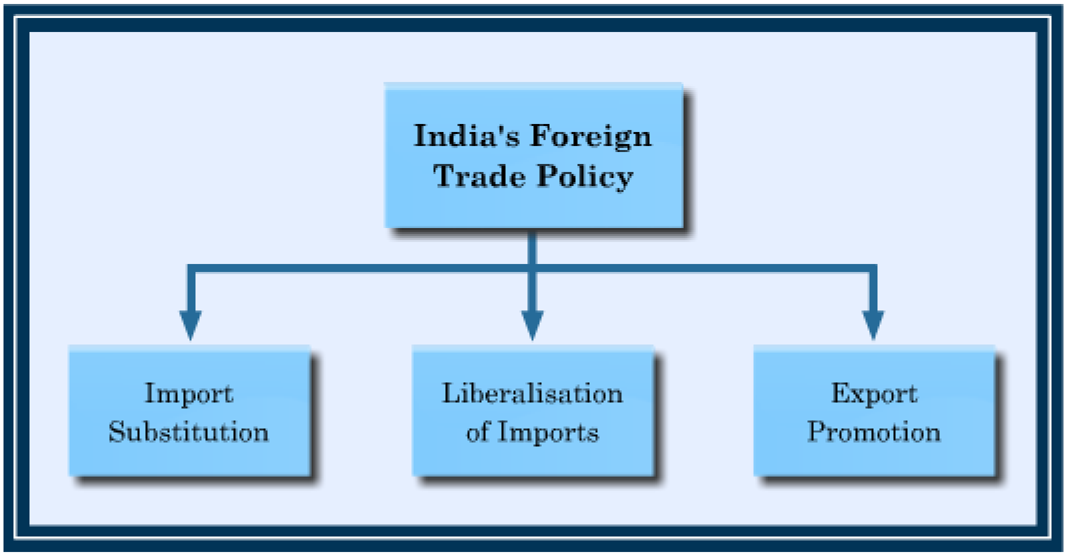
Introduction

As we know, the trade sector under the colonial rule experienced immense exploitation. The British followed a restrictive trade and tariff policies, and maintained a monopoly control over India's foreign trade. India was converted into an exporter of primary products, which served as cheap raw material to Britain's industrial base.

In turn, India was made to import finished machine made products from Britain. The British exported raw materials from India to Britain and imported finished products from Britain to India. Due to exports, India faced a shortage of these goods in the domestic market, while the Britain's industries flourished.

India's Foreign Trade Policy during 1950-1991

To revive the foreign trade sector, emphasis was laid on the trade policies in the planning process. During the initial seven five-year plans, that is, from 1950-1991, India followed an ***Inward Looking Trade Policy***. The following are the basic features of this policy.



1. ***Import substitution policy:*** The policy of import substitution implies discouraging the import of those goods that could be produced domestically. This strategy not only emphasised on reducing the dependence of Indian economy on the foreign goods but also aimed at providing impetus to the budding domestic firms.

To serve this purpose, the government of India also provided various financial encouragements, incentives and licenses to the domestic firms in order to produce the imported substituted goods. Such encouragement and protective environment not only allowed the domestic producers to sustain but also enabled them to grow.

The domestic producers were freed from any foreign competition and thus, gained monopoly status in the market. Being monopolist, they earned more profits and invested continuously in R&D for the development of the industry. Moreover, the domestic producers always looked forward towards new and innovative techniques.

This helped in improving their competitiveness in the market and enabled them to survive and compete with their foreign counterparts. Moreover, the reduction in imports helped in saving the scarce foreign exchange reserves. The following are the basic highlights of the import substitution policy.

(a) Insulated domestic industries from facing stiff competition from the foreign industries.

(b) Provided domestic industries a protected environment to grow.

(c) Helped to conserve scarce foreign exchange.

(d) Provided enough scope to initiate industrialisation process in India.

(e) Facilitated India to attain self-sufficiency and self-reliance, thereby reducing foreign dependence.

2. *Export promotion policy*: In the way of making India a self reliant economy and following the policy of import substitution, it was realised that India is running short of foreign exchange reserves. With fall in the foreign exchange reserves, it became difficult to import even the goods that are necessary for the development of the country. Thus, in order to earn the additional balance of foreign exchange, the policy of export promotion was initiated. The policy of export promotion laid stress on encouraging the export of Indian products and making them popular in the foreign markets.

3. *Liberalisation of imports*: During the period of fifth and sixth five year plan, the policymakers felt the need to shun complete import substitution. Steps were taken to liberalise the import of India. In this direction, they took the move to ease the import of those commodities that are necessary for the growth process.

Changes in the Trade Pattern during Planning

With initiation of planning in India, there was commendable change in its pattern of trade. Some of the major features of trade during the initial phase of planning are as follows.

1. *Volume of trade*: Volume of trade implies the size or quantity of export and import of one country with other countries of the world. During the initial period of planning, the exports of India increased by 52 times from 1950 to 1991 (Rs 606 crore in 1950-51 and Rs 32,553 in 1990-91). The imports also witnessed an increase by approximately 70 times. As the imports were greater than exports, India faced the problem of trade deficit.

2. *Composition of trade*: Composition of trade consists the type of goods and services that are being traded among different countries of the world. With initiation of planning in India, there was fall in the export of those products which were previously exported from India such as agricultural products covering farm products, conventional products etc. While, on the other hand, the share of manufactured products in exports of India increased immensely. Such shift from primary products towards the manufactured products reveals a positive change in the composition of trade.

3. *Direction of trade*: Direction of trade refers to the group of countries with which any particular country trades. It basically indicates the partner trading countries of a nation. After attaining independence from Colonial rule, the direction of trade of India has undergone a substantial change. During the colonial period, the direction of trade was largely restricted to England and other Commonwealth countries.

However, with initiation of planning in India, the exports of India were widened to other nations as well such as Russia, Japan, USA, and Australia, etc. Further, the imports of

India which were previously confined to UK and USA now spread to other nations of European Union, Russia, Japan, etc. Such increase in the trading partners of India reflects a substantial improvement in terms of the direction of trade of India.

India's Foreign Trade - Problems

The inward looking trade policy of India faced problems and was criticised on several grounds. Some of the problems faced by the trade sector of India are as follows.

1. ***Mounting trade deficits***: Growth and development process implied that the demand for imports increased continuously. As against this, the exports from India were not much. This excess of imports over exports resulted in the situation of trade deficits in India.

2. ***Foreign exchange crisis***: Increasing trade deficit implied that the country faced a continuous shortage of foreign exchange. This implied that India faced difficulty in importing even the essential commodities.

3. ***Climbing burden of debt***: The only way to cover the trade deficit and exchange crisis was to resort to borrowings from other foreign countries. As a result, India faced a high debt burden.

Critical Appraisal of Planning in India – Achievement and failure

Objective

In this lesson, we will critically analyse the planning process in India in terms of achievements and failures.

Introduction

We know that India initiated the process of planning in the year 1950, with the establishment of the Planning Commission. This institution undertook the task of comprehensive planning for the country. Under this, India opted for the system of five-year plans. The first five-year plan in India was formulated for the period 1951-56. Since then, we have formulated and completed eleven five-year plans (till now). Since the first plan to the present eleventh plan, we have come a long a way. In this lesson, let us analyse the various achievements and failures of planning in India.

Achievements of Planning Process in India

1. ***Rise in national income***: India, at the time of independence, can rightly said to be in a stagnant state with a mere 0.5% rate of increase in the national income. With the course of planning, gradually India has been able to increase the rate of growth of national income. The average rate of increase of national income during the planning period has been 4.1%. We have been able to overcome the stage of stagnation and now are walking on the path of developmental growth.

2. *Increase in per capita income*: Along with the rise in national income, the per capita income in India has also increased. The rate of per capita income has increased from 0.5% at the time of independence to 2% during the planning period. A rise in the rate of per capita income suggests that national income has increased faster than the population. This suggests a rise in the standard of living and quality of life of the people of the country.

3. *Improvement in the rate of capital formation*: Achieving a higher rate of capital formation is an important aspect of the growth and development of a country. A key feature that distinguishes an underdeveloped country from a developed country is the high rate of capital formation in the latter. The rate of capital formation is a function of rate of saving and investment. That is, higher the rate of saving and investment, higher will be the rate of capital formation. India has experienced a tremendous rise in the rate of saving and investment in the planning period. The rate of saving increased from just 5.5% of the national income during 1950-51 to 37.7%during 2007-08. Similarly, the rate of investment also increased from 11.2% during 1950-51 to 39.9% during 2007-08. Increase in the rate of saving and investment suggests that over the time the rate of capital formation has increased.

4. *Land reforms and technical reforms in agriculture*: Land reforms were introduced in the agriculture sector in the form of abolition of intermediaries, regulation of rent, consolidation of land holdings and land ceilings. In addition to land reforms, technical reforms were introduced in the form of Green Revolution. As a result of the reforms, the level of production and productivity for all the major crops has increased tremendously.

The production of wheat has increased by nearly 7 times from 1965 to 2008. Similarly, during this period the production of rice has increased nearly 3 times. The yield per hectare of crops has also increased. The yield per hectare for wheat has increased by nearly 3 times from the period 1960 to 2006.

Similarly, for rice the production per hectare has nearly doubled in the period. Farmers have shifted from the production of food grains to the commercial crops. With the increase in the production and the marketable surplus, income of the farmers has increased significantly.

5. *Growth of industrial sector*: To accelerate the growth process, reforms were initiated in the industrial sector. Public sector was accorded a dominant role in the development of heavy and capital goods industry. Industrial Policy Resolution (1956) was passed to achieve rapid growth in the industrial sector.

As a result of the industrial policy, the industrial output witnessed a growth of nearly 6% during the year 1950-1990. During the same period, there emerged the Sunrise Industry that included the electronic goods. Further, the growth of the small scale industries helped in the achievement of equity and social justice.

6. *Economic and social infrastructure*: With the development process, there has been an improvement in both the economic and social infrastructure. Economic infrastructure such as power generation and shipping has recorded a manifold increase. In the recent years, IT sector has witnessed a revolutionary growth. An improvement in the economic infrastructure is reflected in a rise in the level of production in the economy.

Similarly, the social infrastructure facilities such as health facilities, education institutes, etc. have recorded an increase. Since 1951, there has been a three-fold increase in the school enrollments and a five-fold increase in the college enrollments. Similarly, an improvement in the health facilities is reflected in the fall in the death rate from 27 per thousand in 1951 to 8 per thousand in 2011. Also, the average life expectancy in India has increased from 32 years in 1951 to 64 in 2011. Together both economic and social infrastructure have helped accelerate the rate of growth.

7. *Foreign trade*: To revive the foreign trade, initially India followed an inward looking trade policy that aimed at import substitution. That is, it aimed at the domestic production of the goods that were imported. During the later phases of the planning period (from 1991) this policy was done away with in favour of liberalisation policy. With the liberalisation policy, various trade barriers such as quotas and tariffs were relaxed.

Foreign Direct Investment from other countries was encouraged. In addition, emphasis was laid on the setting up of Special Economic Zones (SEZs) that encouraged manufacturing and export activities. As a result of this, during the plan period there has been a considerable change in the volume, composition and direction of India's foreign trade.

The total value of India's foreign trade has increased form just Rs 7.92 billion at the time of independence to a whopping amount of approximately Rs 20,724 billion. Regarding the composition of trade, the share of manufactured products in the exports has increased immensely. In addition to this, there has been a diversification in the direction of trade from India to various nations such as Russia, Japan, USA, and Australia etc.

Failures of Planning in India

The above mentioned achievements of the planning in India are a positive sign of growth and development. Yet, the planning process in India is plagued with certain deficiencies and desired results are far from achievement. The following points highlight the weak areas of planning.

1. *Significant poverty*: Despite the regular and consistent efforts by the government, still a significant number of people in India are living below poverty line. At present, approximately 21.8 % of India’s population lives below poverty line. This section of population does not have access to even the basic necessities of life that is, food, clothing and shelter. Another shocking fact is that India accounts for nearly 50% of the absolute poor in the world.

2. ***Unemployment***: India has experienced economic growth in terms of increase in the national income and per capita income. However, the growth process in India has been unable to generate employment opportunities. Unemployment has increased over the years. There has been a dearth of employment opportunities in the manufacturing and tertiary sector. At present, the unemployment rate (that is, the percentage of persons unemployed out of the total size of labour force) in India stood at 3.8%. It can be rightly said that India has experienced jobless growth.

3. ***Rising population***: The problem of rising population is a major concern for India. According to the census 2011, the population of India was 1.21 billion. Today, India is the second most populous country in the world. Such a huge population becomes a hindrance in the way of human capital formation. Rising population reduces the per capita availability of the facilities such as educational institutions, housing facilities, effective power supply etc. As a result, there has not been much improvement in the standard of living of the masses.

4. ***High inflation rates***: Over the plans, India has and the real income remains the same. The poor are worst hit by rising prices and the standard of living further falls.

5. ***Inadequate infrastructure:*** The infrastructure continues to remain inadequate to achieve high economic growth rates. Further, the low quality of infrastructure, along with its inadequacy, has made it difficult for the majority of the population to reap the benefits of high growth rate.

6. ***Rising inequality***: The benefits of growth in the country has not been able to trickle down to the masses. The rise in income has remained concentrated in the hands of only a small section of society. In other words, the inequalities of the income and wealth has widened over the years.

Thus, it can be concluded that we have come a long way since the inception of planning, but a lot more is yet to be achieved.

Critical Appraisal of Five Year Planning

Achievements

- Rise in National Income
- Rise in Per Capita Income
- Improvement in Rate of Capital Formation
- Land Reforms and Technical Reforms in Agriculture
- Growth of Industrial Sector
- Development of Infrastrucutre
- Revival in Foreign Trade

Failures

- Significant Poverty
- Unemployment
- Rising Population
- High Inflation Rate
- Inadequate Infrastructure
- Rising Inequality