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Unit 4

Government measures under five years plan

Core course-CC6-Human and Social Development

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1.Introduction

Indian planning is an open process. Much of the controversy and the debates that accompany the preparation of the plans are public. The initial aggregate calculations and assumptions are

either explicitly stated or readily deducible, and the makers of the plans are not only sensitive but responsive to criticism and suggestions from a wide variety of national and international sources. From original formulation through successive modifications to parliamentary presentation, plan making in India has evolved as a responsive democratic political process and the culmination of the same in the final document is an impressive manifestation of the workings of an open society. But by its very nature it also generates many problems from the point of view of mapping an optimal strategy for economic development.

2 History of Planning in India & Origin of Five Year Plans:

2.1 Though the planned economic development in India began in 1951 with the inception of First Five Year Plan , theoretical efforts had begun much earlier , even prior to the independence. Setting up of National Planning Committee by Indian National Congress in 1938 , The Bombay Plan & Gandhian Plan in 1944, Peoples Plan in 1945 (by post war reconstruction Committee of Indian Trade Union), Sarvodaya Plan in 1950 by Jaiprakash Narayan were steps in this direction.

2.2 Five-Year Plans (FYPs) are centralized and integrated national economic programs. Joseph Stalin implemented the first FYP in the Soviet Union in the late 1920s. Most communist states and several capitalist countries subsequently have adopted them. China and India both continue to use FYPs, although China renamed its Eleventh FYP, from 2006 to 2010, a

guideline (guihua), rather than a plan (jihua), to signify the central government's more hands-off approach to development.

2.3 After independence, India launched its First FYP in 1951, under socialist influence of first Prime Minister Jawaharlal Nehru. The process began with setting up of Planning Commission in March 1950 in pursuance of declared objectives of the Government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production and offering opportunities to all for employment in the service of the community. The Planning Commission was charged with the responsibility of making assessment of all resources of the country, augmenting deficient resources, formulating plans for the most effective and balanced utilisation of resources and determining priorities.

2.4 The first Five-year Plan was launched in 1951 and two subsequent five-year plans were formulated till 1965, when there was a break because of the Indo-Pakistan Conflict. Two successive years of drought, devaluation of the currency, a general rise in prices and erosion of resources disrupted the planning process and after three Annual Plans between 1966 and 1969, the fourth Five-year plan was started in 1969.

2.5 The Eighth Plan could not take off in 1990 due to the fast changing political situation at the Centre and the years 1990-91 and 1991-92 were treated as Annual Plans. The Eighth Plan was finally launched in 1992 after the initiation of structural adjustment policies.

2.6 For the first eight Plans the emphasis was on a growing public sector with massive investments in basic and heavy industries, but since the launch of the Ninth Plan in 1997, the emphasis on the public sector has become less pronounced and the current thinking on planning in the country, in general, is that it should increasingly be of an indicative nature.

3. Government measures under 5 yrs plan

3.1 First Plan (1951 - 56)

Target Growth : 2.1 %

Actual Growth 3.6 %

It was based on Harrod-Domar Model. Influx of refugees, severe food shortage & mounting inflation confronted the country at the onset of the first five year Plan.

The Plan Focussed on agriculture, price stability, power and transport

It was a successful plan primarily because of good harvests in the last two years of the plan. Objectives of rehabilitation of refugees, food self sufficiency & control of prices were more or less achieved

3.2 Second Plan (1956 – 61)

Target Growth: 4.5%

Actual Growth: 4.3%

Simple aggregative Harrod Domar Growth Model was again used for overall projections and the strategy of resource allocation to broad sectors as agriculture & Industry was based on two & four sector Model prepared by Prof. P C Mahalanobis. (Plan is also called Mahalanobis Plan).

Second plan was conceived in an atmosphere of economic stability . It was felt agriculture could be accorded lower priority.

The Plan Focussed on rapid industrialization- heavy & basic industries . Advocated huge imports through foreign loans.

The Industrial Policy 1956 was based on establishment of a socialistic pattern of society as the goal of economic policy.

Acute shortage of forex led to pruning of development targets , price rise was also seen (about 30%) vis a vis decline in the earlier Plan & the 2nd FYP was only moderately successful.

3.3 Third Plan (1961 - 66) |

Target Growth: 5.6%

Actual Growth: 2.8%

At its conception, it was felt that Indian economy has entered a “takeoff stage”. Therefore, its aim was to make India a 'self-reliant' and 'self-generating' economy.

Based on the experience of first two plans (agricultural production was seen as limiting factor in India’s economic

development) , agriculture was given top priority to support the exports and industry.

The Plan was thorough failure in reaching the targets due to unforeseen events - Chinese aggression (1962), Indo-Pak war (1965), severe drought 1965-66. Due to conflicts the approach during the later phase was shifted from development to defence & development.

3.4 Three Annual Plans (1966- 69) euphemistically described as Plan holiday

Failure of Third Plan that of the devaluation of rupee(to boost exports) along with inflationary recession led to postponement of Fourth FYP. Three Annual Plans were introduced instead. Prevailing crisis in agriculture and serious food shortage necessitated the emphasis on agriculture during the Annual Plans.

During these plans a whole new agricultural strategy was implemented. It involving wide-spread distribution of high-yielding varieties of seeds, extensive use of fertilizers, exploitation of irrigation potential and soil conservation.

During the Annual Plans, the economy absorbed the shocks generated during the Third Plan.

It paved the path for the planned growth ahead.

3.5 Fourth Plan (1969 - 74)

Target Growth: 5.7%

Actual Growth: 3.3%

Refusal of supply of essential equipments and raw materials from the allies during Indo Pak war resulted in twin objectives of “ growth with stability “ and “progressive achievement of self reliance “ for the Fourth Plan.

Main emphasis was on growth rate of agriculture to enable other sectors to move forward . First two years of the plan saw record production. The last three years did not measure up due to poor monsoon. Implementation of Family Planning Programmes were amongst major targets of the Plan.

Influx of Bangladeshi refugees before and after 1971 Indo-Pak war was an important issue along with price situation deteriorating to crisis proportions and the plan is considered as big failure.

3.6 Fifth Plan (1974-79)

Target Growth: 4.4%

Actual Growth: 4.8%

The final Draft of fifth plan was prepared and launched by D.P. Dhar in the backdrop of economic crisis arising out of run-away inflation fuelled by hike in oil prices and failure of the Govt. takeover of the wholesale trade in wheat.

It proposed to achieve two main objectives: '*removal of poverty*' (**Garibi Hatao**) and 'attainment of self reliance'

Promotion of high rate of growth, better distribution of income and significant growth in the domestic rate of savings were seen as key instruments

Due to high inflation, cost calculations for the Plan proved to be completely wrong and the original public sector outlay had to be revised upwards. After promulgation of emergency in 1975, the emphasis shifted to the implementation of Prime Ministers 20 Point Programme. FYP was relegated to the background and when Janta Party came to power in 1978, the Plan was terminated.

3.7 Rolling Plan (1978 – 80)

There were 2 Sixth Plans. Janta Govt. put forward a plan for 1978- 1983 emphasising on employment, in contrast to Nehru Model which the Govt criticised for concentration of power, widening inequality & for mounting poverty . However, the government lasted for only 2 years. Congress Govt. returned to power in 1980 and launched a different plan aimed at directly attacking on the problem of poverty by creating conditions of an expanding economy.

3.8 Sixth Plan (1980 - 85)

Target Growth: 5.2%

Actual Growth: 5.7%

The Plan focussed on Increase in national income, modernization of technology, ensuring continuous decrease in poverty and unemployment through schemes for transferring skills (TRYSEM) and seats (IRDP) and providing slack season employment (NREP), controlling population explosion etc. Broadly, the sixth Plan could be taken as a success as most of the target were realised even though during the last year (1984-85) many parts of the country faced severe famine conditions and agricultural output was less than the record output of previous year.

3.9 Seventh Plan (1985 - 90)

Target Growth: 5.0%

Actual Growth: 6.0%

The Plan aimed at accelerating food grain production, increasing employment opportunities & raising productivity with focus on 'food, work & productivity'.

The plan was very successful as the economy recorded 6% growth rate against the targeted 5% with the decade of 80's struggling out of the' **Hindu Rate of Growth**

3.10 Eighth Plan The eighth plan was postponed by two years because of political uncertainty at the Centre (1992 - 97)

Target Growth 5.6 %

Actual Growth 6.8%

The eighth plan was postponed by two years because of political uncertainty at the Centre (1992 - 97)

Worsening Balance of Payment position, rising debt burden , widening budget deficits, recession in industry and inflation were the key issues during the launch of the plan.

The plan undertook drastic policy measures to combat the bad economic situation and to undertake an annual average growth of 5.6% through introduction of fiscal & economic reforms including liberalisation under the Prime Minister ship of Shri P V Narasimha Rao.

Some of the main economic outcomes during eighth plan period were rapid economic growth (highest annual growth rate so far – 6.8 %), high growth of agriculture and allied sector, and manufacturing sector, growth in exports and imports, improvement in trade and current account deficit. High growth rate was achieved even though the share of public sector in total investment had declined considerably to about 34 %.

3.11 Ninth Plan (1997- 2002)

Target Growth: 6.5%

Actual Growth: 5.4%

The Plan prepared under United Front Government focussed on **“Growth With Social Justice & Equality “** Ninth Plan aimed to depend predominantly on the private sector – Indian as well as foreign (FDI) & State was envisaged to increasingly play the

role of facilitator & increasingly involve itself with social sector viz education , health etc and infrastructure where private sector participation was likely to be limited. It assigned priority to agriculture & rural development with a view to generate adequate productive employment and eradicate poverty.

3.12 Tenth Plan (2002 - 2007)

Target Growth 8 %

Actual Growth 7.6 %

Recognizing that economic growth cant be the only objective of national plan, Tenth Plan had set 'monitorable targets' for few key indicators (11) of development besides 8 % growth target. The targets included reduction in gender gaps in literacy and wage rate, reduction in Infant & maternal mortality rates, improvement in literacy, access to potable drinking water cleaning of major polluted rivers, etc. Governance was considered as factor of development & agriculture was declared as prime moving force of the economy. States role in planning was to be increased with greater involvement of Panchayati Raj Institutions. State wise break up of targets for growth and social development sought to achieve balanced development of all states.

3.13 Eleventh Plan (2007 - 2012)

Target Growth 9 %

Actual Growth 8%

Eleventh Plan was aimed “Towards Faster & More Inclusive Growth “after UPA rode back to power on the plank of helping Aam Aadmi (common man).

India had emerged as one of the fastest growing economy by the end of the Tenth Plan. The savings and investment rates had increased , industrial sector had responded well to face competition in the global economy and foreign investors were keen to invest in India. But the growth was not perceived as sufficiently inclusive for many groups , specially SCs , STs & minorities as borne out by data on several dimensions like poverty, malnutrition, mortality, current daily employment etc .

The broad vision for 11th Plan included several inter related components like rapid growth reducing poverty & creating employment opportunities , access to essential services in health & education, specially for the poor, extension if employment opportunities using National Rural Employment Guarantee Programme , environmental sustainability , reduction of gender inequality etc. Accordingly various targets were laid down like reduction in unemployment(to less than 5 % among educated youth) & headcount ratio of poverty (by 10 %), reduction in drop out rates , gender gap in literacy , infant mortality , total fertility , malnutrition in age group of 0-3 (to half its present level), improvement in sex ratio, forest & tree cover, air quality in major cities, , ensuring electricity connection to all villages & BPL households (by 2009) & reliable power by end of 11th Plan , all weather road connection to habitations with population

1000& above (500 in hilly areas) by 2009, connecting every village by telephone & providing broad band connectivity to all villages by 2012

3.14 Twelfth Five Year Plan (2012-17)

The Twelfth Plan commenced at a time when the global economy was going through a second financial crisis, precipitated by the sovereign debt problems of the Eurozone which erupted in the last year of the Eleventh Plan. The crisis affected all countries including India. Our growth slowed down to 6.2 percent in 2011-12 and the deceleration continued into the first year of the Twelfth Plan, when the economy is estimated to have grown by only 5 percent . The Twelfth Plan therefore emphasizes that our first priority must be to bring the economy back to rapid growth while ensuring that the growth is both inclusive and sustainable. The broad vision and aspirations which the Twelfth Plan seeks to fulfil are reflected in the subtitle: 'Faster, Sustainable, and More Inclusive Growth'. Inclusiveness is to be achieved through poverty reduction, promoting group equality and regional balance, reducing inequality, empowering people etc whereas sustainability includes ensuring environmental sustainability ,development of human capital through improved health, education, skill development, nutrition, information technology etc and development of institutional capabilities , infrastructure like power telecommunication, roads, transport etc ,

Apart from the global slowdown, the domestic economy has also run up against several internal constraints. Macro-economic imbalances have surfaced following the fiscal expansion undertaken after 2008 to give a fiscal stimulus to the economy. Inflationary pressures have built up. Major investment projects in energy and transport have slowed down because of a variety of implementation problems. Some changes in tax treatment in the 2012–13 have caused uncertainty among investors. These developments have produced a reduction in the rate of investment, and a slowing down of economic growth.

The policy challenge in the Twelfth Plan is, therefore, two-fold. The immediate challenge is to reverse the observed deceleration in growth by reviving investment as quickly as possible. This calls for urgent action to tackle implementation constraints in infrastructure which are holding up large projects, combined with action to deal with tax related issues which have created uncertainty in the investment climate. From a longer term perspective, the Plan must put in place policies that can leverage the many strengths of the economy to bring it back to its real Growth potential.

Immediate priority is to revive the investor sentiment along with next short term action of removing the impediments to implementation of projects in infrastructure, especially in the area of energy which would require addressing the issue of fuel supply to power stations, financial problems of discoms and clarity in terms of New Exploration Licensing Policy (NELP)

Although planning should cover both the activities of the government and those of the private sector, a great deal of the public debate on planning in India takes place around the size of the public sector plan. The Twelfth Plan lays out an ambitious set of Government programmes, which will help to achieve the objective of rapid and inclusive growth. In view of the scarcity of resources, it is essential to take bold steps to improve the efficiency of public expenditure through plan programmes. Need for fiscal correction viz tax reforms like GST , reduction of subsidies as per cent of GDP while still allowing for targeted subsidies that advance the cause of inclusiveness etc . and managing the current account deficit would be another chief concerns.

Achieving sustained growth would require long term increase in investment and savings rate . Bringing the economy back to 9 per cent growth by the end of the Twelfth Plan requires fixed investment rate to rise to 35 per cent of GDP by the end of the Plan period.

4.Summary

- After independence, India envisaged an economic system which combines
- the best features of socialism and capitalism—this culminated in the mixed economy model.
- All the economic planning has been formulated through five year plans.

- Common goals of five year plans are growth, modernization, self-sufficiency and equity.