

# MALAVIYA NATIONAL INSTITUTE OF TECHNOLOGY

## *A Report On Dissolution of Planning Commission and Formation of NITI Aayog*

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# PREFACE

However expensive and expansive a building may be, it gets old and dilapidated with the passage of time, with the plaster peeling off and the roof on the verge of carving in, endangering the lives beneath it. The same was the case with the Planning Commission or Yojana Aayog, the prestigious institution that stood tall amid all policy-making institutions for a long period of 65 years.

Keeping with these changing times, the Government of India decided to set up NITI Aayog (National Institution for Transforming India), in place of the erstwhile Planning Commission, as a means to better serve the needs and aspirations of the people of India. The new institution will be a catalyst to the developmental process; nurturing an overall enabling environment, through a holistic approach to development going beyond the limited sphere of the Public Sector and Government of India

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# PLANNING COMMISSION

## ***What is planning?***

Planning is the designing of the sequence of steps to achieve our goals. Planning helps us in achieving our goal in the given time and with better utilisation of resources. Planning also helps in finding any crisis situation that may occur.

Planning commission does this same work of planning. It forms plans to improve the quality of life and makes optimum use of resources to achieve these in a given time frame.

## ***About Planning Commission :***

The Planning Commission was an institution, formed in March 15 1950 by Government of India, which formulated India's Five-Year Plans, among other functions. It was established in accordance with article 39 of the constitution which is a part of directive principles of state policy.

## ***Composition:***

1. Chairman :
  - Prime Minister: presides over the meetings of the commission
2. Deputy Chairman :
  - Full time functional head responsible for formulation and submission of five year plans
3. Full time Members

# BRIEF HISTORY OF PLANNING COMMISSION

This institution was Formed In March 15, 1950 by government of India.

At the eve of Independence India had two choices to choose from:

- 1. Socialistic Development model:** popular in the Soviet Union
- 2. Capitalistic Development model:** popular in Europe and USA

And out of these two, socialistic model was chosen i.e. the planned economy. There were many reason to choose it.

- India had long being exploited by the British for its resources and handing the economy to the capitalists' right from independence would have been similar to the Britishers rule.
- At independence India was facing many national issues like poverty, food shortage etc. and these issues could only be solved by a socialistic approach.
- The politicians in India at that time were impressed by the growth achieved by USSR in 1920-30s using planned economy.
- A main reason for the Great depression in Europe is given to capitalistic economy.
- And finally at independence Indian industries were still in their infancy could not have been able to compete in free market thus a planned approach was need.

From 1950 twelve five year plans have been implemented. Five one year plans from 1966-68 due to outbreak of India-Pakistan war, devaluation of Rupee, consecutive droughts in 66 and 67. And from 1991-92 due to the sudden change in economy due to LPG policies.

Some of the achievements of the planning commission are achievement of self-sufficiency in food grain production and basic and capital good industries. These have mainly been achieved by improving irrigation and the green revolution in 1970s.

Infrastructure development in fields of transportation, irrigation and

telecommunication have been tremendous. Currently India has over 33 lakh km road network second highest in the world. In telecommunication to India is second with more than a billion telephone subscribers with teledensity of 82%.

Now some of the failures of planning commission are its inability to remove poverty. Even though the percentage of poor have decreased but the actual number is still the same.

Planning have been unable to remove inequality in income .In India 10% of richest people hold 75% of the nation's wealth.

And last is unemployment. Currently India unemployment rate is 5%.

# FUNCTIONS OF PLANNING COMMISSION

The 1950 resolution setting up the Planning Commission outlined its functions as to:

1. Make an assessment of the material, capital and human resources of the country, including technical personnel, and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the nation's requirement.
2. Formulate a Plan for the most effective and balanced utilization of country's resources.
3. On a determination of priorities, define the stages in which the Plan should be carried out and propose the allocation of resources for the due completion of each stage.
4. Indicate the factors which are tending to retard economic development, and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the Plan.
5. Determine the nature of the machinery which will be necessary for securing the successful implementation of each stage of the Plan in all its aspects.
6. Appraise from time to time the progress achieved in the execution of each stage of the Plan and recommend the adjustments of policy and measures that such appraisal may show to be necessary.
7. Make such interim or ancillary recommendations as appear to it to be appropriate either for facilitating the discharge of the duties assigned to it, or on a consideration of prevailing economic conditions, current policies, measures and development programs or on an examination of such specific problems as may be referred to it for advice by Central or State Governments.

# DISADVANTAGES OF PLANNING COMMISSION

India has come a long way from those times and is now a mixed economy where the government does not look much into the economy. In such an environment the Planning Commission has no place since by its very definition, it overlooks every aspect of the economy.

Some of the reasons why the Planning Commission was abolished are:

1. Poverty line issue
  - India with 17.5% of total world's population, had 20.6% of world's poorest. 21.9% of our population is still under poverty line
2. The planned expenditure of the government is nearly 25-30% of total expenditure. Then out of the remaining budget nearly 40% goes in paying interests. Thus the government is left with about 40% of total expenditure which it uses to run the country. Government has 40% of the expenditure and planning commission has 30% of budget making it financial power equal to the government.
3. One size fits all approach
  - It makes policies and impose them on every state without understanding that every state has its own strengths and weaknesses. PC led to excessive centralisation of powers. Its powers were clashing with Finance Commission to allocate funds to the states.
4. The Commission is populated by bureaucrats. These people are generalists. The Planning Commission needed to be populated by experts in specific subjects.
5. Need to foster involvement of states in economic policy-making process.
  - "If we want to take India forward, then States will have to be taken forward."
6. Inflationary Pressure



7. Faulty Implementation Of Plans

- Indians are Good planners but bad implementers.

8. Imbalanced regional development

- For E.g.:

Literacy Rate: Kerala - 93.91 %

Arunachal Pradesh – 66.95 %

9. Over the years, it has emerged as a parallel cabinet, with the Prime Minister of the day as its head. This is a very dangerous trend for a democracy.

# NITI AAYOG

## REPLACES

### PLANNING COMMISSION

- ❖ May 29, 2014 -> According to the first IEO (Independent Evaluation Office ) assessment report which was submitted to Prime Minister Modi on May 29, Planning Commission to be replaced by "control commission"
- ❖ 15th -17th Aug. 2014 -> Govt. of India officials viewed Planning Commission to be replaced with a diluted version of the National Development and Reform Commission (NDRC) of China "
- ❖ 1st January 2015 -> Cabinet resolution to replace Planning Commission by NITI Aayog (National Institution for Transforming India) "
- ❖ February 8, 2015 -> The first meeting of NITI Aayog chaired was by our Prime Minister Narendra Modi

# NITI AAYOG

## (NATIONAL INSTITUTION FOR TRANSFORMING INDIA)

The National Institution for Transforming India Aayog is a Government of India policy think-tank established by Prime Minister Narendra Modi to replace the Planning Commission.

Union Govt. Announced formation of NITI Aayog on 1 January 2015 and its first meeting was held on 8 February 2015 under the chairmanship of PM Narendra Modi.

It is an institution to provide relevant strategic and technical advice at central and state levels. Centre – to – state one way flow of policy which was the hallmark of PC is now replaced by continuing partnership of states.

NITI Aayog is a group of people with authority entrusted by the government to formulate/regulate policies in social and economic issues with experts in it.

The stated aim for NITI Aayog's creation is to foster involvement and participation in the economic policy-making process by the State Governments of India. It has adopted a "bottom-up" approach in planning which is a remarkable contrast to the Planning Commission's tradition of "top-down" decision-making.

### ***About NITI Aayog :***

The institution will serve as a 'think tank' of the government. It will provide governments at the Central and State levels with relevant strategic and technical advice across the spectrum of key elements of policy.

Instead of being in the controlling seat, is going to provide a direction. It is going to be an 'enabler' instead of a 'provider of first and last resort'.

### ***Composition Of NJTJ Aayog :***

Chairperson	•Prime Minister
Governing Council	•CMs and Lt Governors ( UTs )
Regional Councils	•Formed on need basis , comprising CMs and Lt Govs of the region
Members	•Full time basis
Part-time Members	•Max 2,rotational,from relevant institutions
Ex-officio Members	•Max 4 from Council of Ministers , nominated by PM
Special Invitees	•Experts, Specialists and Practitioners with domain knowledge
Chief Executive Officer	•Appointed by PM for fixed tenure
Secretariat	•As deemed necessary

# OBJECTIVES OF NITI AAYOG

1. **Advisory Body:** it will give technical and strategic advice across the spectrum of key elements of policy to the centre as well as states.
2. **Cooperative Federalism:** it means involving states and even villages in planning process so that strong states make strong nation.
3. **Reap Demographic dividend:** make policies to realize the potential of our youth through education, skill development, elimination of gender bias, employment etc.
4. **Bottom-top development approach:** Niti aayog aims to develop mechanisms to formulate plans at village level and aggregate these at higher level. With this, it will ensure special attentions to the sections of the society that were not benefitting from the economic progress.
5. **Technology Upgradation:** it will focus on technology upgradation for the implementation of programmes and initiatives including identification of needed resources so that the probability of success gets increased.
6. **Attention to weaker sections:** Pay special attention to weaker sections of society that were not benefitting from the economic progress.
7. **Resolution of issues:** It will serve as a platform to solve inter-sectorial and inter-departmental issues in order to accelerate implementation of development agenda  
  
- For Ex: Trichy Junction Road Over bridge project was delayed due to inter-departmental issues between highway department and railways.
8. **Coordination:** It will put an end to slow implementation of policies by encouraging inter-ministry coordination and centre-state coordination.
9. **Transparency and Accountability:** It will use Social media and technology to ensure transparency and accountability so that any misadventures in governance does not happen.

# ADVANTAGES OF NITI AAYOG OVER PLANNING COMMISSION

In NITI Aayog the possible disadvantages of Planning Commission was removed. Some of them are:

## 1. Bhartiya approach

- PC with its socialistic approach was no longer able to contribute towards national development in the completely changed scenario today.

There was a requirement of a new strong and dynamic institution. But, no single model can be transplanted from outside, make own policies and programmes in Indian context. This is the Bhartiya Approach.

## 2. Change in States' Role

- In PC, the role of the states was limited to “yes” or “no” during the approval of the plan by the NDC but in NITI Aayog they are included in making of the plans i.e. close to policy making process. The aim is to promote Cooperative Federalism.

Such a change was required in order to increase the participation of states. Although, the more specific press releases have not been made by the govt. on role of states yet their role is at least expected to grow.

## 3. Power to allocate funds

- The power to allocate funds has been snatched and is exclusively with the Finance Ministry now. Over the years the Planning Commission started growing as a parallel cabinet with overlapping powers with the Finance Commission.

Although PC allocated funds reasonably well among all the states but its powers were far more than it actually deserved! Its basic objective started getting lost with time from some of its initial excellent plans

and strategies to its controversial working in the later period.  
NITI Aayog on the other hand is expected to emerge as purely an advisory body.

4. Farewell to “One – shoe fits all” approach

- Earlier they framed the CSS with a generalised approach without taking into consideration the diversity of the country.

This worked in many schemes but not everything can be decided in a generalised way.

NITI Aayog according to our Prime Minister Narendra Modi, “It celebrates India’s diversity and plurality”.

5. Bottom – up approach replaces top- down approach

- Top-down approach had its own advantages and disadvantages. Bottom-up approach is expected to develop mechanisms to formulate credible plans at the village level and aggregate these progressively at higher levels of government.

With great power and funds, the PC had started becoming a super cabinet! It was necessary to bring it back to track

6. National security

- A very important change is including the national security  
The interests of national security are incorporated in economic strategy and policy.

7. PC didn’t pay much attention on individual state progress

- Niti aayog released performance of health outcome index-improve health outcomes and data collection system.

# CONCLUSION

There were problems which Planning Commission was not able to solve :

- Planning Commission has emerged as a parallel cabinet, which was very dangerous.
- It was unable to step up to the challenge.
- It's positive side was shadowed by negative impacts

*So, an institution that supports a friendlier and cooperative approach towards national development was necessary.*

*Dissolution of Planning Commission was a big change towards this development.*

*Although the real work of NITI Aayog is yet to begin.*

*It'll take time to set things in motion*



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