Strategies of planning in India

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Planning in pre-1991 or Pre-reforms phase

In between 1950 and 1990, our nation was more inclined towards the public sector with a regulated private sector. Following were some basic strategies adopted for the formulation of the FYPs at that time.

1. Reliance on public sector
2. Controlled expansion of private sector
3. Development and establishment of heavy industries like iron and steel
4. Promotion of small scale industries
5. Inward-looking trade strategies
6. Various restrictions on foreign capital and enforecement of Foreign Exchange Regulation act for its regulation

Based on the above strategies, several planning models were adopted. They include:

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Harrod-Domar Model(adopted in the1st FYP)

- It emphasized on the role of capital accumulation's dual character, i.e.,

1. It increases the national income (demand side role).
2. It also increases the production capacity (supply side role).

- It depends on the planners to determine at what rate the net investment should increase so as to balance the demand and supply side for the achievement of full employment equilibrium in the long run.

Nehru-Mahalanobis Model (adopted in 2nd FYP)

- This strategy was based on a two-sector model, I.e.

1. Consumer Goods sector, and
2. Capital Goods sector.

- This strategy emphasized on investment in heavy industries in order to achieve industrialization for rapid economic development. It was based on the Russian strategy.
- It aimed to make the economy self-reliant and overcome capital constraints.
- It was adopted in the 2nd FYP and was continued till the 5th FYP
- It was a long term strategy.

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Gandhian Strategy

- It was drafted by Acharya Sriman Narayan Agarwal in 1944.
- The two basic objectives of the 'Gandhian Model' were:

1. To raise material as well as cultural level of the masses.
2. To provide a basic minimum standard of life.

- The strategy emphasized on scientific development of agriculture and rapid growth of cottage and village industries.
- Hence, this strategy focused on employment-oriented planning rather than the production-oriented planning of the Nehru-Mahalanobis strategy.

Planning in Post-1991 or Post Reforms Phase

- Due to the policies followed till 1991, the fiscal deficit and revenue deficit of India increased.
- The dependence on imports and lack of significant exports resulted in Balance of Payments crisis.
- Apart from these, the country was facing the situation of stagnation along with high inflation. Simultaneous occurrence of Gulf crisis and reduced foreign exchange reserves resulted in rise in prices.

Consequently, our country adopted a different New Economic Policy. Under the New Economic Policy of India:

- Private sector was promoted and free play of market was facilitated.
- Foreign inflows under FDI and FII were encouraged.
- Export was highly promoted along with the minimal restriction on import.
- There was an emphasis on promotion of Public-Private Partnership (PPP) model.
- Moreover, the policy if LPG was adopted in the 8th FYP (1992-97).

TYPES OF ECONOMIC PLANNING

Type	Details
Imperative Planning	• Also called authoritative planning by direction or command. • There is one Central Authority which decides all aspects of planning • Generally, practised in socialist economies. • Entire resources are used to the maximum to fulfil targets of plan.
Indicative Planning	• Also known as inducement planning. (flexible in nature) • Government acts as a facilitator and encourages private sector's role in the economy. • However, it also regulates the private sector to achieve specific targets. • Generally practised in mixed economy
Perspective planning	• It is planned for a long period of time, usually 15-20 years (but not one plan for the whole period). • It is operationalised through the Five Year Plans (FYPs) and Annual plans. • In this, the planner sets a perspective plan that broadly defines the direction desired to be taken by the economy. • NITI Aayog has adopted this type of planning structure.
Fixed Plan	• It is fixed for 4, 5, 6 or 7 years • Physical targets are fixed along with the total outlay.
Decentralised Plan	• Execution of the plan from the grassroots level. • Formulated by the Centre in accordance with the State authorities. • The prices of the goods are determined through market mechanism.
Rolling Plan	• Under Rolling Plan, every year three new plans are prepared and acted upon: 1. Plan for the current year which includes the annual budget. 2. A Plan for fixed numbers of years (e.g. 3-5 years) and it is revised every year as per the requirements and changes in economic conditions of the economy. 3. A perspective plan for 10, 15, 20 years • Thus, there is no fixation of dates in respect of commencement and end of the plan under rolling plan.

ECONOMY **FIVE YEAR PLANS IN INDIA**

Plan	Objective
First FYP (1951-56) **Target Growth:2.1%** **Actual Growth:3.6%**	➢ It was based on Harrod-Domar Model ➢ Community Development Programme was launched in 1952. ➢ Renowned economist K.N.Raj was one of the main architects of this plan. Focus was on- • Agriculture, in view of large-scale import of food grains and to achieve food security • Irrigation (River Valley Projects like Bhakra Nangal, Damodar Valley, Hirakud, etc. were undertaken) • Rural Development • Price Stability • Power Stability ➢ During this plan- • National Programme for Family Planning was launched in 1952 • State Financial Corporation Act was passed in 1951 • Estate duty was introduced in 1953
Second FYP (1956-61) **Targeted Growth:4.5%** **Actual Growth:4.27%**	➢ It was based on the Nehru-Mahalanobis Strategy. • Articulated by J.L. Nehru's vision and P.C. Mahalanobis was its chief architect ➢ Focus was on rapid industrialisation, self-reliance and investment in heavy capital goods industries. ➢ Advocated huge imports through foreign loans. • Based on the premise that it would attract all-round investment, ancillarisation, build townships and result in higher rate of growth-the trickle-down effect. • Emphasised on import substitution and public sector to provide basic infrastructure like power, transport etc. ➢ However, it shifted basic emphasis from agriculture to industry far too soon. ➢ During this plan, prices increased by 30%, as compared to a decline of 13% during the first FYP ➢ During this plan- • Industrial Policy Resolution of 1956 (IPR 1956) was adopted

	• India resorted to borrowing from the IMF due to severe foreign exchange crisis. The rupee was devalued for the first time in June 1966, though technically it was not during the 3rd FYP • India also faced acute food shortage and United States exported food grains to India in exchange of Indian rupee. The food aid was popularly called PL-480 as it was provided under section 480 of Public Law of US. ➢ During this plan- • Food Corporation of India was established in 1965 • Industrial Development Bank of India(IDBI) was set up under the Industrial Development Bank of India Act, 1964 • Unit Trust of India (UTI) was established in 1963 • Agriculture Prices Commission was set up in 1965, later it was renamed as Commission for Agricultural Costs and Prices (CAPC) This also delayed the finalisation of the 4th FYP.
Three Annual Plans(1966-69)	➢ Though draft of the 4th FYP was ready, the Annual Plan was planned and formulated for the next three years due to worsened financial conditions. This three-year period was termed as Plan Holiday by the critics.
	➢ During these three Annual Plans, a whole new agricultural strategy was implemented, involving: • Widespread distribution of High – Yielding Variety (HYV) seeds under the larger umbrella of the Green Revolution, • Extensive use of fertilisers, • Exploitation of irrigation potential, and • Focus on soil conservation. ➢ During these three Annual Plans, the economy absorbed the shocks generated during the Third FYP.
Fourth FYP (1969-74) **Targeted Growth:5.7%** **Actual Growth:3.3.%**	➢ Based on the Gadgil strategy with main focus on growth in agriculture in order to enable other sectors to move forward and progress towards self-reliance. ➢ First two years of the plan saw record production. The last three years, however, did not meet the target due to poor monsoon. ➢ For the first time, importance was given to social justice.

	• Minimum Needs Programme to provide certain basic minimum needs and thereby improve the living standards of the people. • Directed anti-poverty programme: Twenty-point Programme was adopted in 1975 with the objective of improving the quality of life of people, especially BPL families. ➢ The key instruments were: • Promotion of high rate of growth • Better distribution of income and • Significant growth in the domestic rate of savings. As emergency was declared in 1975, the plan was terminated and Rolling Plan(1978-83) was introduced by the new Janata Government in 1978. However, the Rolling Plan too got abandoned due to again a change in Government in 1980. The Congress Government treated 1978-79 as part of the original 4th FYP and 1979-80 as a separate annual plan. ➢ During this plan, Desert Development Programme was launched as a centrally sponsored scheme in 1977-78.
Sixth FYP (1980-85) **Targeted Growth:5.2%** **Actual Growth:5.66%**	➢ Focus was laid on • Increasing national income, • Modernisation of technology • Ensuring continuous decrease in poverty and unemployment. ➢ The plan was adopted with the slogan Garibo Hatao to alleviate poverty with more targeted approach. ➢ A shift was seen from industrialisation towards infrastructure. ➢ Some programmes focused to generate employment were: • National Rural Employment Programme • Integrated Rural Development Programme • Village and Small Industries Development Programme ➢ The highest financial allocation during this plan went to the Energy Sector. ➢ During this plan- • NABARD was established in 1982 • Export-Import Bank of India was established in 182, under the Export-Import Bank of India Act, 1981

FIVE YEAR PLANS IN INDIA

	➢ Moreover, the BOP crisis in 1991 and the conditions put forward by IMF brought humongous changes in the Indian economy and led to the delay of the eighth FYP by 2 years
Eighth FYP (1992-97) **Targeted Growth:5.6%** **Actual Growth:6.8%**	➢ Policy of Liberalisation, Privatisation and Globalisation (LPG) was undertaken. ➢ Structural reforms were adopted and country's economic growth model was reoriented. ➢ Plan based on the Rao-Manmohan Singh model of liberalistation. ➢ Recasting of the planning model from imperative and directive (hard) to indicative (soft) planning. ➢ Some of the major outcomes of the plan were: • Rapid overall economic growth • High rate of growth in agriculture, manufacturing and allied sectors • Growth in imports and exports • Improvement in trade and current account deficit ➢ However, social spending was neglected in this plan. ➢ During this plan- • Employment Assurance Scheme was launched in 1993. • Swarna Jayanti Shahari Rozgar YOjana was launched in 1997. • Rashtriya Mahila Kosh (RMK) was established in 1993 • Midday Meal Scheme was launched in 1995.
Ninth FYP (1997-2002) **Targeted Growth:6.5%** **Actual Growth:5.35%**	➢ It was developed in the context of four important dimensions: • Quality of life • Generation of productive employment • Regional balance and • Self-reliance ➢ Priority was also given to agriculture and rural development ➢ Swarnajayanti Gram Swarojgar Yojana (SGSY) launched in 1999 and Pradhan Mantri Gram Sadak Yojana (PMGSY) started in 2000 ➢ Privatisation of public sector units was started in this plan while dis-investment began in the previous plan. ➢ During this plan- • Antyodaya Anna Yojana was launched in 2000.

	➢ Providing gainful high-quality employment to the addition in labour force ➢ Cleaning of all major polluted rivers by 2007 and other notified stretches by 2012\\ ➢ Outcome • Severe drought in 2002-03 • NREGA and National Rural Health Mission started ➢ The National Food for Work Programme (NFWP) was launched in 2004.
Eleventh FYP (2007-12) **Targeted Growth:9%** **Actual Growth:8%**	➢ Plan launched amidst emerging Global Financial Crisis (2008) ➢ The major highlights of the plan were: ▪ To increase • Overall GDP growth from 8% to 10% • Agriculture sector growth to 4% • Real wage rate of unskilled workers by 20% • Literacy rate for persons of age 7 years or above to 85% • Sex ratio for age group 0-6 to 935 by 2011-12 and to 950 by 2016-17 • Forest coverage by 5% points • Energy efficiency by 20% points within 2016-17 ▪ To reduce • Dropout rates of children from elementary school from 52.2% in 2003-04 to 20% by 2011-12 • Total fertility rate to 2.1% • Infant mortality rate to 28 • Malnutrition among children aged 0 to 3 years to half of its present level • Anaemia among girls and women by 50% ▪ Create 70 Million new work opportunities and reduce educated employment to below 5% ▪ For the first time ever, 30.2% of the total outlay was kept for the social services sector ▪ Ensure that at least 33% of the direct and indirect beneficiaries of all Government schemes were women and girl children ▪ Ensure all weather road connectivity to habitations with population 1000

FIVE YEAR PLANS IN INDIA

Achievements and Criticisms of Five Year Plans

Achievements:

- Increase in GDP, per capita income, savings and investment.
- Improvement in social indicators, viz., MMR, IMR, literacy rate etc.
- Progress in industry and industrial growth.
- India achieved self-sufficiency in almost all basic and capital goods industries and consumer goods industries.
- There was a good deal of diversification in industrial structure.
- Development of huge educational system.
- Development of economic infrastructure particularly in the fields of transport, irrigation and telecommunications.
- Developments in the field of science and technology

Criticisms

- Failure to eliminate poverty
- Failure to eliminate income and gender inequality
- Failure to provide employment to all able persons
- Failure to implement land reforms fully
- Failure to check the growth of black money
- Failure to prevent concentration of economic power
- Quality of education outcomes was not satisfactory
- Regional imbalances were noticed in development
- Centralised nature of planning (the plans were programme driven rather than demand driven)

NITI AAYOG

- National Institution for Transforming India(NITI) Aayog was set up on 1 January 2015, replacing the 65-year-old Planning Commission. NITI Aayog seeks to provide a critical, directional and strategic input into the developmental process of the country.
- Like the planning Commission, it is a non-constitutional and non-statutory body.
- It is a policy think tank established to provide strategic and technical advice to the Central Government. Therefore, it is an advisory body with no financial role. Its recommendations are not binding on the Government.
- Unlike the Planning Commission, it does not enjoy financial powers to allocate funds to States. Now fund allocation is done by the Ministry of Finance, GOI

Seven Pillars of NITI Aayog

- Pro-People-to fulfill the aspirations of an individual as well as society.
- Pro-Activity-in anticipation and in response to the citizens' need.
- Participation-involvement of citizens.
- Empowering women in all aspects
- Inclusion of all sections of society in the process of the development of the country.
- Equality of opportunity for all, especially for youth.
- Transparency of the administration.

Objectives of NITI Aayog

- To foster cooperative federalism, with active involvement of states in policy making
- Formulation of plants at village level, aggregation at higher levels(i.e. bottom-up approach unlike the previous Planning Commission)
- Special attention to sections at risk of not benefiting adequately from economic progress
- Economic policy to also incorporate national security interests (unlike the Planning Commission)
- Partnerships with national and international think tanks
- Platform for resolution of inter-sectoral and inter-departmental issues

Sl.No.	Planning Commission (PC)	NITI Aayog (NA)
1	PC enjoyed the power to allocate funds to Ministries and State Governments.	NA has no financial power of fund allocation. It is only a think tank.
2	It issued dictums to State Governments for its implementation	Its issues guidelines in consultation with State Governments.
3	A kind of Top-Down approach was followed in formulating plans.	Bottom-up approach is followed by NA
4	Decisions were more centralized under PC.	Decentralization to ensure cooperative federalism is one of the guiding principles of NA. States now play a more significant role in policy making.
5	PC had eight full time members. No provision for part-time members.	Four full-time members and maximum two part-time members.
6	Had Deputy Chairperson and Member Secretary other than full-time members. Did not have the post of Vice-Chairperson and CEO.	Has the post of Vice-Chairperson. Also, there is one post of CEO (of Secretary rank in GOI) nominated by Prime Minister.
7	PC reported to National Development Council comprising of Chief Ministers and Lt.Governors.	NA has Governing Council with Chief Ministers of States and Lt. Governors of UTs as members.
8	PC used to impose policy on States	NA has no power to impose policy. It is essentially an advisory body.