

Date  
26/08/2020

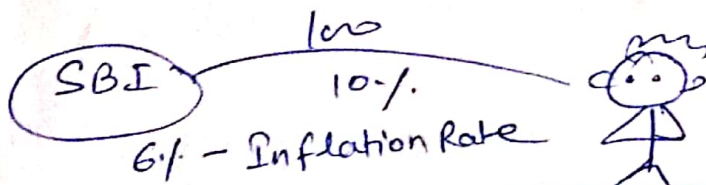
## Economy

Topics → Indian Planning, its types and objectives, Need of planning in Capitalist approach of Development, Overview of all 5 Years Plans and its trends.

### #. Negative Interest Rate Policy

Negative Interest Rate

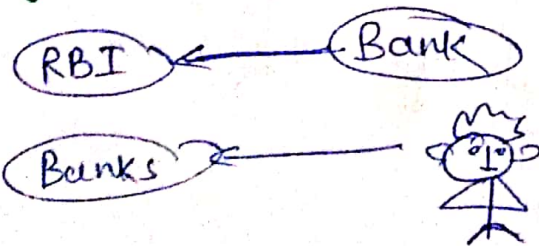
- Nominal Interest Rate / ROI
- Real interest Rate / ROI



$$\boxed{\text{Real ROI} = \text{Nominal ROI} - \text{Inflation Rate}}$$

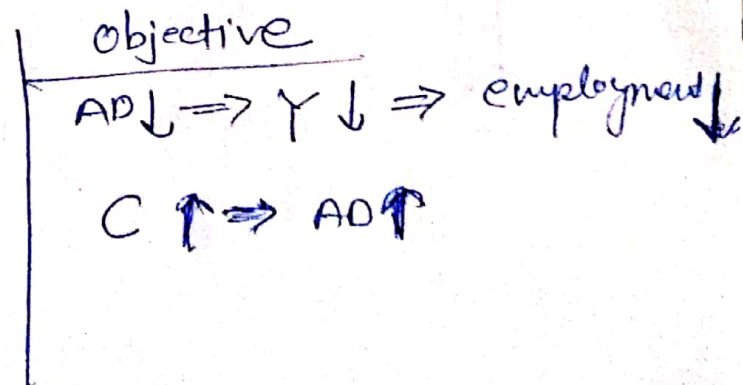
$$4\% = 10\% - 6\%$$

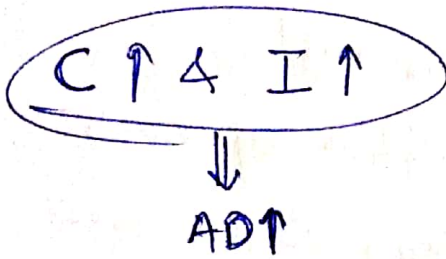
### → Negative Interest Rate Policy



$$Y_d = C + S$$

↑      ↓





## ① Accommodative Stance

→ When RBI expands the overall money <sup>su</sup> supply to boost the economy

② Neutral Stance: The policy rates neither stimulates nor restrains the economic growth. It means there is a scope for interest rates to move either way.

③ Calibrated tightening: which means rates can only go up.

## # Planning in India

Plan



20,000

- Rent  
- food  
- Need  
- Others

Socialist

VSSR

1930's

Great depression

Capitalist



We borrowed this from USSR. The success of plans in USSR since 1928 on was a great inspiration to developing countries. The great dipression of 1930 is destroyed faith in the operation of ~~capitalist~~ ~~capitalist~~ economy or market oriented economy.

## Types of Planning

- 1) Imperative Planning (1st FYP upto VII<sup>th</sup> FYP)
- 2) Indicative Planning (VIII<sup>th</sup> FYP and onwards)
- 3) Centralised Planning (Planning Commission)
- 4) Decentralised Planning (NITI Aayog)
- 5) Rolling Plan (1978-1980).

## Imperative Planning

In the Imperative planning the authority decide all aspects of planning. The Government decide goal and objective and uses its agencies to achieve them. The Govt. responsible for success and for the failure. It is also known as planning by direction or command. One central authority decides all. It is rigid in nature. Generally Practiced in socialist economy. To some extent upto 7<sup>th</sup> ~~year~~ five year plan we are closed

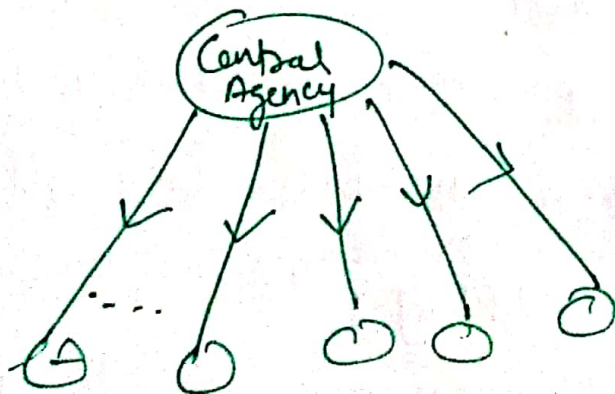
④

to this type of planning.

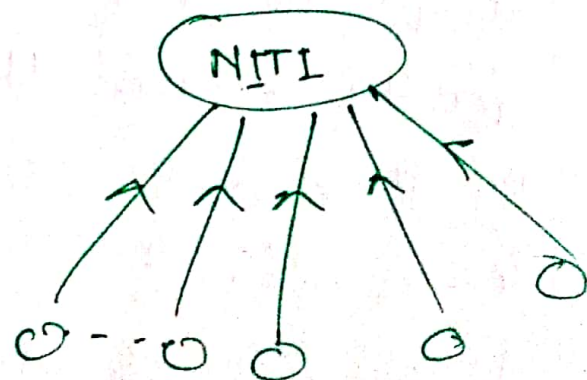
### Indicative Planning

It is adopted in capitalism country where private sector is not strictly controlled. The state prepares the national plans which is a vision document. The private sector is encouraged and facilitated to achieve the objectives of the plan. with the introduction of economic reforms in 1991 Indicative planning was in demand. It was introduced in 8th five year plan (1992-1997). Under this planning the private sector is given a substantial role and states / Govt turn their role from regulator and controller to facilitator. Since the govt did not contribute all financial resources it has to indicate the policy direction to the private sector and encourage them to contribute to plan targets.

### Centralised planning



### Decentralised Planning



## Centralised Planning

In this planning entire process of plan formulation and implementation are in the hands of central planning authority. The central planning authority prepares the plans and implement to entire country. This planning is also known as Top - down planning.

## Decentralised Planning

All decisions is related to formulation and implementation are taken at grass root level. institutions like village panchayat etc. It is also known as planning for below or bottom up approach. The main stake holders in plan formulation are administrative units at different level, elected representative, common citizens and local businessmen etc. and collective decisions are taken.

## Rolling Plan (1978-1980)

↓  
By Janta Party Govt. - (1977)

↓  
(1978-1983)

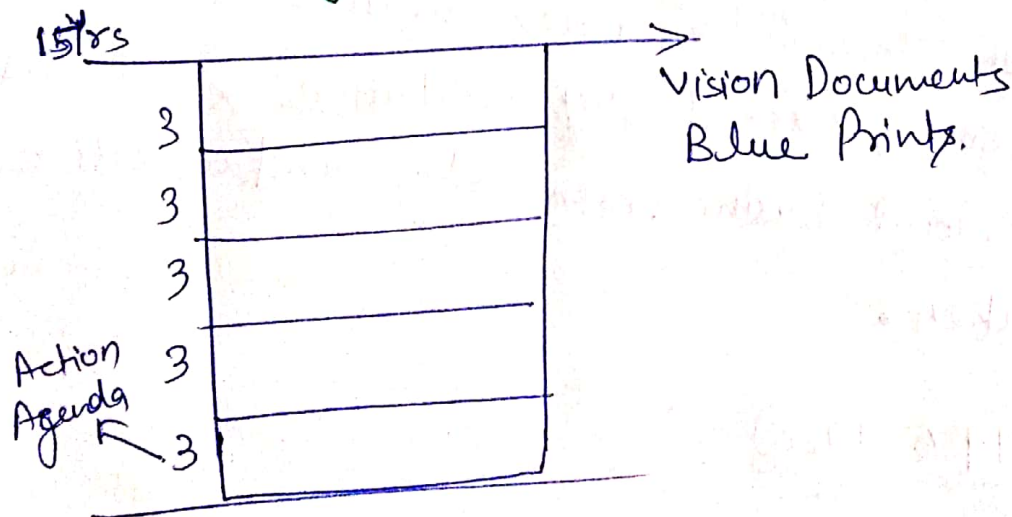
This Rolling plan given by "Gunnar Myrdal"

6

This concept was given by "Gunnar Myrdal". It refers to the rolling of a plan at intervals of generally one year i.e; new plan for every year. It is generally based on the performance of previous year plans. Rolling plan was introduced in India by Janta Party Govt in 1978 and continue till 1980.

- # Perspective Plan / Long Term Plan } — Based on  
(VISION DOCUMENTS) Time Period.  
2. Medium Term Plan  
3. Short Term Plan / Annual Plan

### NITI Aayog



Perspective plan are long term plans and it represents the broad development Target that need to be achieved in long term a perspective plan can be prepared for 10 Years, 15 Years, 20 Years, 25 Years etc.

⑦

It is primarily a blue print of a broader development goals of the country.

Medium Term Plan → It can be a three years plan or a five year plan within a long term perspective. These plans are prepared within a long term perspective. These are the plans through which the objectives of perspective plans can be achieved.

Short Term Plan ⇒

These are annual plans they are prepared keeping in mind both the medium and long term perspective.

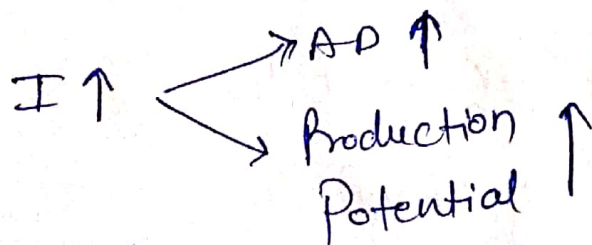
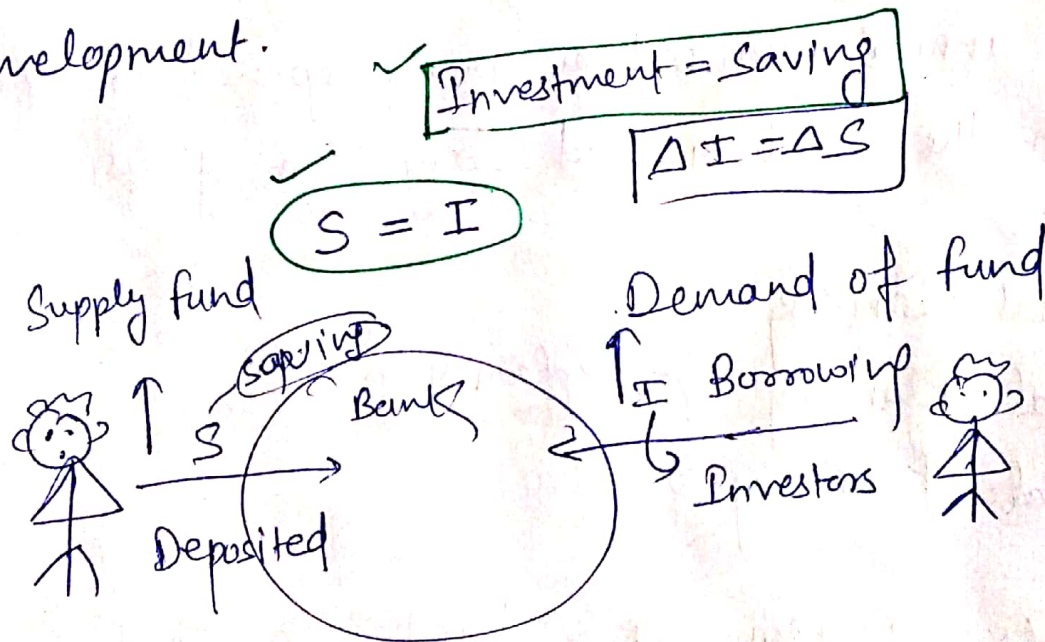
- Structural Planning
  - Financial Planning
  - Functional Planning
- } explain yourself

## # Models of Plan OR Strategy of Plan

- 1> Harrod - Domar Model → (1st FYP)
- 2> P.C. Mahalanobis (2nd FYP)  
(OR)  
Nehru - Mahalanobis Model
- 3> LPG Model (VIII<sup>th</sup> FYP)  
(OR)  
Rao - ManMohan Model.

## ⑧ Harrod-Domar Model

In the context of development planning strategy refers to a basic long-term policy to realise certain objective like higher economic growth and development, increase in job opportunities or employment, decrease in incidence of poverty and decrease in income inequality etc. In order to achieve these objectives the planners formulated a strategy of planned economic development.



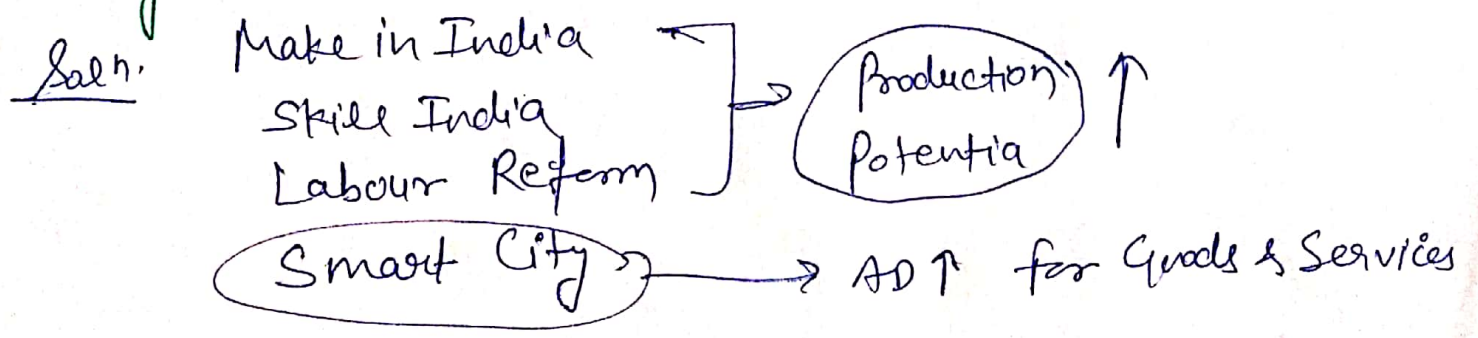
- ①  $AD \uparrow > \uparrow$  in Production Potential  $\Rightarrow$  Higher inflation
- ②  $AD \uparrow < \uparrow$  in Production Potential  $\Rightarrow$  Deflation

The first five Year plan was based on this strategy  
• emphasized the role of capital. Accumulation in economic growth and development. They emphasized on the dual character of investment

- 1) It creates aggregate demand and income
- 2) It augments the productive capacity of the economy by increasing its capital stock.

2015 Paper-3 GS

Ques → "Success of 'Make in India' programme depends on the success of 'Skill India' programme and radical Labour reforms". Discuss with logical arguments.



# PC Mahalanobis Model

1956

Basic and Heavy Industries

Machine Producing Industries  
(OR)  
Capital Goods Producing Industries.

Limited Resources.

Consumer Goods Industries