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Date
27/8/20

Topics - Indian Planning, it's types and objectives, Need of planning in Capitalist approach of development, Overview of all 5 Year plans and it's trends, NITI Aayog, its objective and structure.

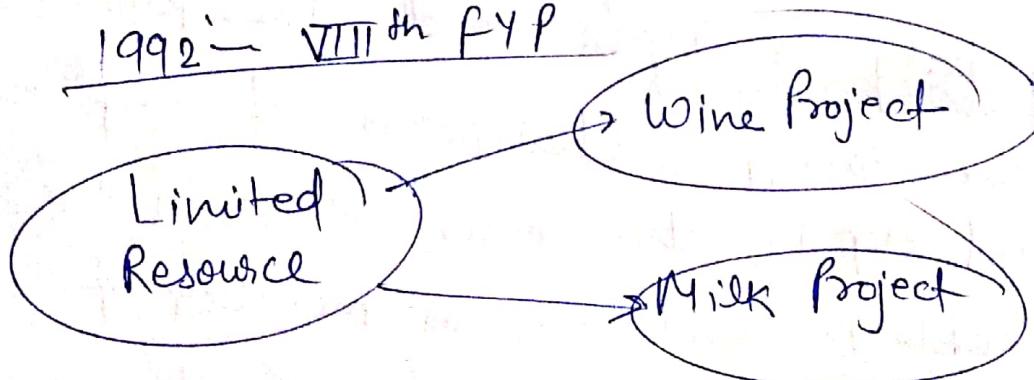
PC Mahalanobis Model

Prof. PC Mahalanobis who was the real architect of the 2nd FYP was responsible for introducing a strategy of development based on the USSR strategy. This strategy emphasized investment in basic and heavy industry to achieve industrialization.

LPG (Liberalised, Privatised and Globalised)

Rao- Man Mohan Model

1992 - VIIIth FYP



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1st FYP to 12th FYP

1st FYP

March 1950 - Planning Commission.

1951 - 1st FYP

1952 - NDC → (National Development Council)

Planning Commission

The planning commission was constituted in 1950 by the resolution of Govt of India. and worked under the overall guidance of the National Development Council. The planning commission was consulting the central govt and the state govt while formulating FYP and annual plans and also supervise their implementation. The planning commission worked as an advisory body at Apex level. The prime minister was the ex-officio chairperson of the planning commission and deputy chairperson was in the rank of a cabinet minister. A member of the planning commission was in the rank of ministers of state in the Union Government. Cabinet ministers with certain important portfolios acted as a part time member.

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NDC

The NDC was constituted by the resolution of the Govt of India in 1952 with the following functions-

1. Providing Guidelines for the formulation of plans.
2. Considers the plans formulated by planning commission.
3. Access the resources for the plan and recommended recommending strategy for mobilizing the resources.
4. Review the progress of fyp and suggest measures.

NDC was headed by the prime minister, ~~and~~ and comprising all union cabinet minister, chief minister of state and administrators of UTs, and planning commission member of ex-officio.

1st five Year Plan : 1951-1956

It was based on Harrod - Domar Model. The main issues prevailing that time refugee problems, sever food shortage, and Higher inflation.

The main objective of this plan was agriculture, price stability, power and transport.

It was a successful plan. Objective of rehabilitation of refugee, food self-sufficiency and control of inflation.

2nd FYP - 1956-1961

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Mahalanobis

It was based on P.C. Mahalanobis model. The main aim was industrialization. In this second FYP it was felt that industry should be given first priority and agriculture second. So the plan focused on rapid industrialisation. Development of basic & heavy industries. and accordingly the Industrial Policy 1953 was implemented which was based on socialist pattern of industrialisation.

Acute shortage of forex effected development targets. Inflation - was about 30% and all information was from govt.

3rd FYP - 1961-1966

It was felt that Indian economy has entered a "takeoff stage". Therefore the main objective was to make India a self-reliant and self-generating economy. Policy maker also realised that without increasing agriculture production economy can not achieve the objectives of plan. So agriculture was also given priority to support industry and exports.

In this plan policy maker balanced the development of agriculture and industry.

1. 1962 - India - China War
2. 1965 - India - Pakistan War
3. Worst famine.

The two conflicts with China & Pakistan the resources diverted from economical development work to defence development.

Stages of Economic Growth

This theory was given by WW Rostow.

1. The Traditional Society
2. The Pre conditional for take off
3. The Take-off
4. The drive to maturity.
5. The Age of high mass consumption.

Three Annual Plans (1966- 1969)

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|---------|------------------|
| 1966-67 | } 'Plan Holiday' |
| 1967-68 | |
| 1968-69 | |

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Due to the failure third FYP the economy faced stagnation in various sectors of the economy and high inflation. Govt of India devalued domestic currency to boost exports of the country. So the fourth five year plan was postponed and three annual plans were implemented. This period from 1966-1969 is also known as plan holiday. During these plans agriculture sector was emphasized and new inputs were introduced in the agriculture sector like high yielding variety seeds, use of chemical fertilizers, use of irrigations, potential and mechanisation.

Fourth FYP : 1969 - 1974

Other countries refused to supply food grains, raw materials due to India Pakistan war so policy maker decided to achieve twin objective of "Growth with stability" and "Progressive achievement of Self Reliance" under 4th FYP.

Implementation of family planning program is where among

Special emphasis was given on improving the condition of underprivileged and weaker

Section of Society.

{ In 1971 - India - Pakistan War again
 } 1972 - Oil Crises at International market
 Higher Inflation }

The 4th FYP failed due to the following reasons

1. In 1971 - India Pakistan war (Bangladesh, due to)
Influx refugee
2. 1972 - Oil Crises

fifth FYP : 1974 - 1979

The main objective of this plan was removal of "Garibi Hatao" and attainment of self-reliance. During this plan economy faced the following problems

- i) High inflation due to increase in oil prices in 1973
- ii) Imposed Emergency in 1975. The emphasis shifted the implementation of The PM 20 point programme. The Janta Party

In 1978, 5th FYP terminated by the Janta Party

Govt in Annual Plans:

Annual Plans: - 1978 - 1980

FYP → 1978 - 1983

1980 - Congress came in Power.

1978-79
1979-80

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Janta Party Govt implemented a plan for 1978-80. and emphasized on employment and poverty in contrast to the Nehru model. The Janta party government criticised the existing model of concentration of economic power, more inequality and higher poverty. Janta Party Govt continued only for 2 years from 1978 - 1980, and Congress Govt written in power in 1980 and terminated this plan in 1980. The focus was on ↑ in job opportunity and eradication of poverty.

6th fyp (Six five year Plan: 1980-1985).

The plan focused on higher economic growth and development, removal of poverty and increase in job opportunity and through development and investment in both the sectors agriculture and industry. The emphasis was given on greater management, efficiency and monitoring of various schemes. Indian economy made an all round progress and most of the target of plan was achieved. Under this plan govt implemented several programme and scheme to directly affect poverty and employment like TRYSEM and NREP etc.

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$\frac{\downarrow}{\text{Training for self employment}}$ → National Rural Employment Programme.

Seventh Five Year Plan : 1985-1990

The plan emphasised on the accelerating food grain production, increasing productivity, increasing employment. In this plan liberalisation initiative was taken only in Industrial sector. This plan was very successful as the economy achieved the record economy growth rate of 6%.

Annual Plan: 1990-1992

1990-91 } "Plan Holiday"
1991-92 }

- > BOP Crisis
- > Political instability.

The 8th plan could not take off due to changing political situation in the country and economy also faced Balance of Payment crisis. Therefore from 1990-1992, annual plans were formulated. This period is also known as 'plan Holiday'.

VIIIth FYP ⇒ 1992-1997

During the implementation of this plan the following condition were prevailing in the economy:

1. BOP Crisis.

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2. Higher Debt Burden
3. Higher fiscal Deficit (Budgetary Deficit)
4. Recession in Industry.
5. Higher Inflations etc.

Narsimha Rao Govt implemented 8th FYP based on LPG model ie; Govt implemented liberalisation policy, Globalisation policy and privatisation policy and the strategy change from Directive planning to Indicative planning. Some of the main economic outcome during this plan were Higher economic growth, Higher growth of Agriculture, Higher growth of Import & Export, and Improvement in Trade and Current Account Deficit (CAD). We achieved 6.8% economy growth.

Ninth FYP: 1997-2002

The plan implemented under the govt focused on growth with social justice and equality. It assigned priority to agriculture and rural development and emphasis was given to basic minimum services which included safe drinking water, universalisation of education and streamlining PDS system and also policy of fiscal consolidation was adopted.

Tenth FYP: 2002-2007

Target - 8% } Economy
 Achieved - 7.6% } Growth.

This plan aimed to achieve higher economy growth of 8%. The target also includes reduction in Gender Gaps, in literacy and wage rate, etc.

Emphasis was given to decrease ICOR from 4.53 to 3.58 and improvement in overall frame-work of governance. Agriculture sector was also the main focus and Agriculture sector was also declared as prime moving force of the economy.

ICOR - Incremental Capital Output Ratio.

$$\boxed{ICOR = \frac{\Delta K}{\Delta Y}}$$

K → Capital
 Y → Output

$$Y \longrightarrow K$$

$$I \longrightarrow \frac{K}{Y}$$

$$\Delta Y \longrightarrow \Delta K$$

$$① I \longrightarrow \boxed{\frac{\Delta K}{\Delta Y}}$$