

GS FOUNDATION FOR CSE 2024

ECONOMY-24

ISSUES RELATED TO PLANNING

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1) BACKGROUND OF INDIAN ECONOMY

A) STATE OF INDIAN ECONOMY DURING INDEPENDENCE

In 1947, when India got freedom from British rule, its economy showed signs of a tough history. The new country faced the difficult job of figuring out its economic identity, considering its diverse background. The wounds from being exploited were still there, and leaders aimed to create a system where everyone could be self-sufficient and prosperous.

As India stepped into independence, its economy had to decide whether to stick to old ways or embrace modern ideas. The guiding principles were about being inclusive and fair, aiming to overcome poverty and inequality. Mahatma Gandhi's idea of "Sarvodaya," meaning welfare for all, played a big role, steering the economic talk towards local, community-focused growth.

But it **wasn't a smooth journey**; issues like the division of the country, problems in farming, and a weak industry made things more complicated. So, the state of India's economy at independence was like a big journey, a quest for an economic order that mirrored the ideals of justice, equality, and the pursuit of a self-sustaining destiny.

B) INDIA ADOPTED SOCIALISM:

India adopted a **socialist approach** over a purely communist economic model because the leaders of the newly independent nation sought a path that would address the pressing issues of poverty, inequality, and socio-economic disparities while respecting the democratic principles enshrined in the Constitution.

- **Democratic Values:** India chose a socialist pattern of society within the framework of a democratic political system. Unlike a purely communist model, which often involves centralized control and a single-party rule, India opted for a democratic socialist approach that allowed for political pluralism, free expression, individual rights, and democratic checks and balances.
- **Mixed Economy:** A purely communist system, with complete state ownership and control of the means of production, might have hindered economic progress. Instead, India embraced a mixed economy where there was a role for both the public and private sectors. This approach is aimed at combining the efficiency of the private sector with the social welfare objectives of the state.
- **Gandhian Influence:** Mahatma Gandhi's vision of "Sarvodaya" emphasized decentralized, community-centric development and the welfare of all. This resonated with socialist ideals, emphasizing the upliftment of the marginalized and ensuring social justice.
- **Pragmatic Implementation:** The Indian leadership recognized the practical challenges of implementing a purely communist economic system in a vast and diverse country. The adoption of

socialism allowed for gradual economic reforms, ensuring stability, and preventing potential disruptions that could arise from rapid, radical changes.

In summary, India's choice of socialism over a communist form of economy at the time of independence was a nuanced decision, considering democratic values, the need for economic growth, Gandhian principles, and a pragmatic approach to implementation. This paved the way for a mixed economy that could balance social welfare with economic development.

C) INDIA OPTED FOR MIXED ECONOMY:

A mixed economy is an economic system that incorporates elements of both a market economy and a planned or command economy. In a mixed economy, there is a combination of private sector and public sector participation in economic activities. This hybrid system aims to take advantage of the strengths of both market forces and government intervention.

Key features of a mixed economy include:

- » **Private and Public Ownership:**
 - In the private sector, individuals and businesses own and operate enterprises for profit.
 - In the public sector, certain key industries or services may be owned and operated by the government.
- » **Market Forces:**
 - Prices are often determined by market forces of supply and demand.
 - Competition is encouraged in the private sector to foster efficiency and innovation.
- » **Government Intervention:**
 - The government plays a role in regulating and overseeing economic activities to ensure fair competition, consumer protection, and social welfare.
 - It may also intervene in areas such as education, healthcare, and infrastructure to address market failures or ensure equal access.
- » **Mixed Ownership:**
 - Some industries may have mixed ownership, where both private and public entities have a stake.
- » **Redistribution of Wealth:**
 - Social welfare programs and progressive taxation may be used to address income inequality and provide a safety net for vulnerable populations.
- » **Flexibility:**
 - The mixed economy allows for a degree of flexibility, enabling adjustments to economic policies based on changing circumstances.
- » **Government Planning:**

- In certain strategic sectors or during times of economic crisis, the government may engage in planning and direct intervention to stabilize the economy.

» **Consumer Choice:**

- Consumers have the freedom to make choices in the marketplace, but the government may regulate certain industries to protect consumers and prevent monopolies.

Many modern economies, including those of the United States, the United Kingdom, Canada, and many European countries, can be classified as mixed economies. The specific balance between the private and public sectors can vary, and the government's role may evolve over time in response to economic conditions and societal needs. The mixed economy seeks to harness the efficiency of market mechanisms while addressing social concerns and ensuring a level playing field for participants.

D) ECONOMIC LANDSCAPE AT INDEPENDENCE:

- » **Population:** India's population at independence in 1947 was approximately 330 million.
- » **GDP:** Estimated around USD 12.9 billion in 1950.
- » **Per Capita Income:** Roughly USD 37, reflecting widespread poverty.
- » **Agriculture Dominance:** The economy was primarily agrarian, with agriculture contributing significantly to GDP.
- » **Colonial Legacy:** The economy bore the impacts of colonial exploitation, affecting infrastructure and industrial development.
- » **Limited Industrialization:** Industries were limited in scale and scope, with a concentration in certain regions.
- » **Dependency on Imports:** The economy heavily relied on imports, especially for machinery and technology.
- » **Export Structure:** Exports were dominated by raw materials, with limited value addition.
- » **Low Productivity:** Agricultural productivity was low, leading to food scarcity and poverty.
- » **Landownership:** The concentration of land in the hands of a few landlords perpetuated inequality.
- » **Limited Financial Institutions:** Financial institutions were few, hindering economic activities.
- » **Resource Allocation:** Economic resources were strained due to the demands of post-partition reconstruction.

The state of the Indian economy at independence depicted a nation with immense potential but grappling with deep-rooted challenges inherited from its colonial past. Subsequent decades saw efforts to address these issues through economic policies and reforms.

2. INDIAN ECONOMY AND ISSUES RELATING TO PLANNING

1) PLANNING IN INDIA – RATIONALE, OBJECTIVES AND FEATURES

Economic planning is a consciously directed activity characterized by predetermined objectives and the systematic utilization of available resources to achieve socio-economic goals. This involves the strategic allocation of limited resources to attain specific targets.

The fundamental components of economic planning consist of two key elements: goals (or targets) and means (comprising policies and instruments). Goals delineate the desired outcomes of the plan, while policies outline the strategic actions necessary for goal fulfilment.

RATIONALE

- **Optimizing Scarce Resources:** Centralized control and intervention in the private sector aimed to efficiently allocate limited resources, fostering rapid growth.
- **Correcting Market Failures:** Planning addressed market inefficiencies, ensuring better resource allocation than unregulated markets.
- **Overcoming Market Limitations:** Planned economies countered issues like low growth, per capita income, savings, and investment, resulting in low national income.
- **Fostering Social Justice:** Planned systems sought inclusive growth, addressing disparities for equitable development.
- **Rational Resource Allocation:** Planning systems were viewed as rationalizing resource mobilization and allocation for targeted development.
- **Addressing Developmental Gaps:** Economic planning, according to D.R. Gadgil, was essential to rectify unsatisfactory development trajectories, providing direction and acceleration.

OBJECTIVES OF PLANNING:

- Fostering Economic Growth
- Achieving Self-Reliance and Sufficiency (e.g., addressing food scarcity and building a robust industrial base)
- Minimizing Unemployment (e.g., targeting high illiteracy and skill deficits)
- Ensuring Social Justice (e.g., eliminating poverty and reducing income inequalities)
- Facilitating Modernization
- Promoting Inclusive and Sustainable Economic Growth.

TYPES OF PLANNING:

- **Imperative Planning:** Full state control; target-based with no market role.
- **Democratic Planning:** Led by elected representatives.
- **Indicative Planning:** Mix of Public and Private sectors; core industries nationalized.

- **Normative Planning:** Bottom-up; respects local customs in planning.
- **Physical Planning:** Allocate men, material, and power to achieve Plan targets.
- **Financial Planning:** Estimate and allocate resources in monetary terms.
- **Perspective Planning:** Considers long-term implications of short/medium-term policies.
- **Rolling/Continuous Planning:** Prepares medium-term plans with assessments of previous plans.

WHY INDIA ADOPTED PLANNING:

- **Economic Development:** Addressing the need for rapid economic growth and development.
- **Resource Optimization:** Efficient allocation of scarce resources for maximum benefit.
- **Infrastructure Development:** Focusing on building essential infrastructure for a growing economy.
- **Industrial Base:** Overcoming a poor industrial base and promoting self-reliance.
- **Poverty Alleviation:** Tackling widespread poverty and improving living standards.
- **Employment Generation:** Mitigating high unemployment rates, particularly due to illiteracy and skill deficits.
- **Social Justice:** Reducing income inequalities and ensuring a more equitable distribution of resources.
- **Inclusive Growth:** Ensuring that the benefits of development reach all sections of society.
- **Stability:** Providing a systematic approach to economic management and reducing uncertainties.
- **Modernization:** Keeping pace with global advancements and modernizing various sectors.

DRAWBACKS OF CENTRALISED PLANNING

- **Bureaucratic Inefficiencies:** Bureaucratic decision-making is inefficient due to multiple accountability levels, rule-bound nature, and a reluctance to take risks, leading to suboptimal resource utilization.
- **Importance of Free Market:** Illustrated by the collapse of the USSR and the growth of economies like India and Vietnam, highlighting the advantages of a free-market economy.
- **Hindu Rate of Growth:** Refers to the sluggish economic growth in India pre-1980.
- **Lack of Competition:** Hampers efficiency gains, hindering optimal resource utilization.
- **Poor Governance:** Contributes to economic inefficiencies and suboptimal outcomes.
- **Import Controls Impact:** Originally intended to conserve foreign exchange, the system of import controls in India inadvertently protected domestic producers, resulting in high-cost, low-quality production, and diminished export competitiveness.
- **Strain on Public Finances:** Overemphasis on public sector enterprises strained public finances, leading to fiscal challenges and inefficiencies.
- **Stifling of Private Sector Initiative:** Centralized planning limited the scope for private sector initiatives, hindering entrepreneurship and innovation.

- **Failure to Address Regional Disparities:** The planning approach sometimes failed to adequately address regional disparities, perpetuating economic imbalances across different parts of the country.

WHAT ARE VARIOUS CAUSES OF POLICY FAILURE (GOVT FAILURE)

- **Political Self-Interest:** Politically driven decisions, like increasing welfare spending before elections lead to misallocation of resources affecting the macro-economic scenario.
- **Policy Myopia:** Ad-hoc policies and short-term fixes, such as farm loan waivers, address immediate concerns but lack long-term vision.
- **Regulatory Capture:** Regulations like the MRTTP Act can impede market functioning by favouring certain interests.
 - » **Note:** MRTTP is Monopolistic and Restrictive Trade Practices law. It was implemented in 1969. It was designed to ensure that the economic system's operation doesn't result in the concentration of economic power in the hands of a few.
- **Government Intervention Challenges:** Well-intended government interventions, like the Essential Commodities Act, may unintentionally distort markets and lead to volatility.
- **Crony Capitalism:** Collusion between business and politics, exemplified by increasing Non-Performing Assets (NPA) in financial systems.
- **Bureaucratic Caution (Policy Paralysis):** The 4Cs (Courts, CVC, CBI, CAG) contribute to bureaucratic caution, leading to policy paralysis.
- **Implementation Failure:** Despite policies, actual implementation often falls short, hindering desired outcomes.

A BRIEF HISTORY OF PLANNING IN INDIA

- **Historical Economic Shifts:** India followed import substitution and state-led development from 1950 to 1990. In 1991, it shifted towards a more open economy, increasing the role of the private sector.
- **Planning Mechanism:** From 1950 to 2017, India used Five-Year Plans under the Planning Commission and later NITI Aayog for economic planning.
- **Early Development Strategies (1950-65):** Initially, India focused on state-led industrialization, import substitution, and directed planning, leading to slow GDP growth and increased poverty.
- **Shift to Agriculture (1965 Onwards):** The emphasis shifted to agriculture in response to food shortages.
- **Populist Policies (From 1970s):** Populist policies, like bank nationalization under the "**Garibi Hatao**" slogan, were introduced.
- **Economic Improvement Since 1980:** India's economy showed improvement from 1980 with some internal liberalization.

- **Major Economic Reforms (1991):** The significant boost in economic growth came with the 1991 reforms, opening the economy, eliminating industrial licensing, and encouraging private sector investment.
- **Change in Planning Approach (1992-97):** The 8th Five-Year Plan marked a shift from centralized to indicative planning, recognizing the changing economic landscape.
- **Policy Focus on Inclusive Growth (2007-2012):** The Eleventh Five-Year Plan shifted focus to more inclusive growth, aiming for faster and broader economic development.
- **Sustainable and Inclusive Growth (2012 Onwards):** The Twelfth Five-Year Plan emphasized faster, sustainable, and more inclusive growth.

A) VARIOUS FIVE-YEAR PLANS

FIVE YEAR PLANS	OBJECTIVE
First FYP Plan (1951 - 56)	<ul style="list-style-type: none"> ➤ It was based on Harrod-Domar Model. This model <u>stresses on the importance of savings and investment</u> as key determinants of growth. ➤ <u>Influx of refugees, severe food shortage & mounting inflation confronted the country at the onset of the first five year Plan.</u> ➤ The Plan focussed on agriculture, price stability, power and transport it was a <u>successful plan primarily because of good harvests in the last two years of the plan.</u> ➤ Objectives of <u>rehabilitation of refugees, food self-sufficiency & control of prices</u> were more or less achieved.
Second FYP Plan (1956 - 61)	<ul style="list-style-type: none"> ➤ Mahalanobis Plan - the strategy of resource allocation to broad sectors as agriculture & Industry was based on <u>two & four sector Model prepared by Prof. P C Mahalanobis</u> ➤ Second plan was <u>conceived in an atmosphere of economic stability.</u> It was felt <u>agriculture could be accorded lower priority.</u> ➤ The Plan focussed on rapid industrialization- heavy & basic industries. <u>Advocated huge imports through foreign loans.</u> ➤ The Industrial Policy 1956 was based on the <u>establishment of a socialistic pattern of society as the goal of economic policy.</u> ➤ Acute shortage of forex led to <u>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</u>

Third FYP Plan (1961 - 66)	<ul style="list-style-type: none"> ➤ At its conception, it was felt that Indian economy has entered a <u>“takeoff stage”</u>. Therefore, its aim was to <u>make India a 'self-reliant' and 'self-generating' economy</u>. ➤ Based on the experience of first two plans (agricultural production was seen as limiting factor in India’s economic development) , <u>agriculture was given top priority</u> to support the exports and industry. ➤ The Plan was <u>thorough failure</u> in reaching the targets due to unforeseen events - <u>Chinese aggression (1962), Indo-Pak war (1965), severe drought 1965-66</u>. Due to conflicts the approach during the later phase was <u>shifted from development to defence & development</u>
Three Annual Plans (1966- 69) (Plan holiday)	<ul style="list-style-type: none"> ➤ Failure of Third Plan that of the devaluation of rupee (to boost exports) along with inflationary recession led to <u>postponement of Fourth FYP</u>. ➤ <u>Three Annual Plans</u> were introduced instead. ➤ <u>Prevailing crisis in agriculture and serious food shortage</u> necessitated the <u>emphasis on agriculture during the Annual Plans</u>. ➤ During these plans <u>a whole new agricultural strategy was implemented</u>. It involving <u>wide-spread distribution of high-yielding varieties of seeds, extensive use of fertilizers, exploitation of irrigation potential and soil conservation</u>. ➤ During the Annual Plans, the economy absorbed the shocks generated during the Third Plan It paved the path for the <u>planned growth ahead</u>.
Fourth Annual Plan (1969 - 74)	<ul style="list-style-type: none"> ➤ Refusal of supply of essential equipment and raw materials from the allies during Indo Pak war resulted in twin objectives of <u>“ growth with stability ”</u> and <u>“progressive achievement of self-reliance ”</u> for the Fourth Plan. ➤ Main emphasis was on <u>growth rate of agriculture to enable other sectors to move forward</u>. ➤ <u>First two years of the plan saw record production</u>. The <u>last three years did not measure up due to poor monsoon</u>. ➤ Implementations of <u>Family Planning Programmes</u> were amongst major targets of the Plan. <u>Influx of Bangladeshi refugees before and after 1971 Indo-Pak war was an important issue along with price</u>

	<p>situation deteriorating to crisis proportions and the plan is considered as big failure.</p>
Fifth Plan (1974-79)	<ul style="list-style-type: none"> ➤ The final Draft of fifth plan was prepared and launched by D.P. Dhar in the <u>backdrop of economic crisis arising out of run-away inflation fuelled by hike in oil prices and failure of the government to takeover of the wholesale trade in wheat.</u> ➤ It proposed to achieve two main objectives: 'removal of poverty (Garibi Hatao) and 'attainment of self-reliance'. ➤ Promotion of <u>high rate of growth, better distribution of income and significant growth in the domestic rate of savings</u> were seen as key instruments. ➤ Due to high inflation, cost calculations for the Plan proved to be <u>completely wrong and the original public sector outlay had to be revised upwards.</u> ➤ 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.
Rolling Plan (1978 - 80)	<ul style="list-style-type: none"> ➤ There were two Sixth Plans. Janta Government put forward a plan for <u>1978- 1983 emphasising on employment</u>, in contrast to Nehru Model which the Govt criticised <u>for concentration of power, widening inequality & for mounting poverty</u>. However, the government lasted for only 2 years. ➤ Congress Govt. returned to power in 1980 and launched a different plan <u>aimed at directly attacking on the problem of poverty by creating conditions of an expanding economy</u>
Sixth Plan (1980 – 85)	<ul style="list-style-type: none"> ➤ The Plan focussed on <u>Increase in national income, modernization of technology, ensuring continuous decrease in poverty and unemployment through</u> schemes for transferring skills (TRYSEM) and employment (IRDP) and providing slack season employment (NREP), controlling population explosion etc. <ul style="list-style-type: none"> ○ TRYSEM: Training rural youth for self-employment ○ IRDP: Integrated Rural Development Program ○ NREP: National Rural Employment Program ➤ Broadly , the <u>sixth Plan could be taken as a success</u> as most of the target were realised even though during the last year (1984-85) many

	<p><u>parts of the country faced severe famine conditions and agricultural output was less than the record output of previous year</u></p>
Seventh Plan (1985 - 90)	<ul style="list-style-type: none"> ➤ The Plan aimed at <u>accelerating food grain production, increasing employment opportunities & raising productivity with focus on 'food, work & productivity'</u>. ➤ The plan was very successful as the <u>economy recorded 6% growth rate against the targeted 5%</u> with the decade of 80's struggling out of the 'Hindu Rate of Growth'
Eighth Plan (1992 - 97)	<ul style="list-style-type: none"> ➤ The eighth plan was <u>postponed by two years because of political uncertainty at the Centre</u> ➤ <u>Worsening Balance of Payment position, rising debt burden widening budget deficits, recession in industry and inflation</u> were the key issues during the launch of the plan. ➤ The plan undertook drastic policy measures to combat the bad economic situation and <u>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.</u> ➤ Some of the main economic outcomes during eighth plan period were <u>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.</u> High growth rate was achieved even though the share of public sector in total investment had declined considerably to about 34 %.
Ninth Plan (1997- 2002)	<ul style="list-style-type: none"> ➤ 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) & <u>State was envisaged to increasingly play the role of facilitator & increasingly involve itself with social sector via education, health etc and infrastructure where private sector participation was likely to be limited.</u> ➤ It assigned priority to agriculture & rural development with a view to generate adequate productive employment and eradicate poverty

Tenth Plan (2002 - 2007)	<ul style="list-style-type: none"> ➤ Recognising <u>that economic growth can't be the only objective</u> of national plan, Tenth Plan had set '<u>monitor able targets</u>' for few key indicators (11) of development besides 8 % growth target. ➤ The targets <u>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.</u> ➤ <u>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.</u> ➤ <u>State wise break up of targets for growth and social development sought to achieve balanced development of all states.</u>
Eleventh Plan (2007 - 2012)	<ul style="list-style-type: none"> ➤ Eleventh Plan was aimed "<u>Towards Faster & More Inclusive Growth</u>" <u>"after UPA rode back to power on the plank of helping Aam Aadmi (common man).</u> ➤ 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
Twelfth Plan (2012- 17)	<ul style="list-style-type: none"> ➤ 'Faster, Sustainable and More Inclusive Growth'; ➤ 25 Core" Monitor able Targets"; GDP growth at 8% + Agriculture growth at 4% + Manufacturing growth at 10%.

WHAT WERE THE KEY PROBLEMS WITH THE PLANNING COMMISSION:

- **Concerns Regarding Federalism:** The Planning Commission's overreach impacted Centre-State relations by influencing fund allocation, conflicting with the Finance Commission's role.
- **Concerns of Accountability:** Lack of parliamentary oversight, especially over the Deputy Chairman of the Planning Commission, undermined legitimacy, and accountability.
- **Human Resources and Organizational Structure:** Criticism for bureaucratic administration, lack of domain expertise in staff, and acting as a repository for officers without specialized knowledge.
- **Consultation Process:** Top-down planning with minimal involvement of states and local bodies led to resentment and resistance, highlighting the need for a more inclusive consultative process.
- **Prioritization:** Planning Commission's priorities, like emphasizing heavy industry, influenced education policies, contributing to inequalities and distortions in India's structural transformation.
- **Perspective Planning:** Inconsistent emphasis on long-term planning by the Planning Commission and NITI Aayog, especially regarding water, energy, and land use.
- **Shift from Input-Output Models:** Planning failed to transition from traditional input-output models to more complex behavioral and pathway models, crucial for understanding policy responses in a market-oriented economy.
- **Development Finance Assessment:** Unrealistic financing plans, lack of adjustments for unforeseen expenditures, and insufficient consideration of government liabilities led to financial strains and challenges in project execution.
- **Cooperative Devolution and Convergence:** Increasing regional imbalances post-market reforms highlighted the need for addressing inequalities in financial transfers, especially from the Planning Commission.

B) NITI AAYOG (JAN 1ST, 2015)

Replaced of Planning Commission:

Formed on January 1, 2015, by a Union Cabinet resolution, NITI Aayog is the government's premier policy think tank. It designs long-term policies, provides strategic advice, and fosters cooperative federalism by bringing states together in the national interest.

OBJECTIVES:

- **Cooperative Federalism:** Shared vision between the central and state governments. Example, Team India
- **Decentralized Planning:** Emphasis on local-level planning.
- **National Security in Economic Policy:** Integration of national security considerations into economic policies.
- **Policy Design:** Formulation of short (3 Year Agenda), intermediate (7 Year Strategy), and long-term policies (15-year Vision documents).
- **Think Tank Role:** Serving as a think tank for policy development.

- **Interdepartmental Coordination:** Facilitating coordination among government departments.
- **Technology Upgradation and Capacity Building:** Focus on upgrading technology and building capacities.
- **Monitoring and Evaluation:** Monitor and evaluate the implementation of policies and programs to assess their impact on socio-economic development.
- **Innovation and Technology:** Encourage innovation and the use of technology to address developmental challenges. Example, Atal Innovation Mission, India Innovation Index, etc.
- **Promotion of Competitive Federalism:** Encourage healthy competition among states to drive efficiency and innovation in governance. Example, SDG India Index, Composite Water Management Index, School Education Quality Index, etc.

INITIATIVES OF NITI AAYOG

- **Sustainable Action for Transforming Human Capital (SATH):** NITI Aayog aims to transform education and health in states through the Sustainable Action for Transforming Human Capital initiative, offering guidance and support.
- **Ek Bharat Shrestha Bharat:** Envisioned to foster unity and excellence across the nation, Ek Bharat Shrestha Bharat engages states in long-term cultural and educational exchanges.
- **Aspirational Districts Program:** NITI Aayog's special initiative targets the rapid transformation of 115 identified underdeveloped districts, addressing key social challenges for balanced regional development.
- **Aspirational Blocks Programme:** The program aims to accelerate holistic and sustainable development in 500 backward blocks, addressing comprehensive developmental needs.
- **SAMAVESH:** Launched as a major initiative, SAMAVESH focuses on networking and partnering with knowledge and research institutions through a hub-and-spoke model.
- **Atal Innovation Mission:** NITI Aayog's initiative is dedicated to promoting innovation and entrepreneurship throughout the country.
- **Important Indices:** NITI Aayog introduced the 'Healthy States, Progressive India' Report (Health Index), Composite Water Management Index, School Education Quality Index (SEQI), SDG India Index, and Digital Transformation Index (DTI) to measure and track various aspects of development.
- **Production Linked Incentive (PLI) Scheme:** NITI Aayog, in collaboration with ministries and departments, facilitated the introduction of a five-year Production Linked Incentive Scheme in key sectors.
- **Think Tank Role:** NITI Aayog serves as a national think tank, providing strategic advice and recommendations for policy formulation.

CRITICISM OF NITI AAYOG

- **Limited Influence on Investments:** NITI Aayog lacks a direct role in influencing both private and public investments.

- **Criticism for Continuity with Planning Commission:** Critics argue that NITI Aayog, dubbed as "old wine in a new bottle," fails to offer a fresh perspective on development and largely mirrors the functions of the Planning Commission.
- **States' Dissatisfaction with Representation:** States express dissatisfaction as their concerns are not adequately considered, with instances of Chief Ministers having insufficient time to address issues in governing council sessions.
- **Questioned Independence as a Government Think Tank:** NITI Aayog's role as a government think tank raises concerns about its independence in policy formulation, as it is susceptible to influence from the government.
- **Ineffectiveness in Addressing Economic Downturn:** NITI Aayog has been unable to reverse the economy's long-term downturn, as evidenced by a consistent decrease in Gross Fixed Capital Formation (GFCF) since 2010.
- **Limited Impact of Initiatives:** NITI Aayog faces criticism for limited on-the-ground impact.
- **Technical Expertise and Research Shortcomings:** Critics argue that NITI Aayog lacks adequate technical expertise and research capabilities, often relying on external consultants and private sector partners, leading to poor credibility of the report.

WAY FORWARD:

- **NITI Aayog as an Agent of Change:** Over time, NITI Aayog has the potential to be a catalyst for change, contributing to the government's goal of enhancing governance and implementing innovative measures for improved public service delivery.
- **Independence and Objectivity:** Strengthen measures to ensure the independence of NITI Aayog as a policy think tank, avoiding undue influence, and promoting unbiased policy formulation.
- **Technical Expertise and Research Capability:** Invest in building internal technical expertise and research capabilities to reduce reliance on external consultants, enhancing the think tank's ability to provide well-informed policy advice.
- **Performance-Based Accountability:** Implement a robust performance evaluation system for bureaucrats within NITI Aayog, linking accountability to performance metrics to overcome bureaucratic inertia.
- **Policy Impact Assessment:** Introduce a systematic process to assess the on-the-ground impact of NITI Aayog's initiatives, ensuring that they align with national development goals and effectively address challenges.
- **Capacity Building and Training:** Invest in the continuous capacity building and training of NITI Aayog personnel to keep them abreast of emerging challenges and best practices in policy formulation.