
UNIT 1 DEVELOPMENT ADMINISTRATION : CONCEPT AND MEANING

Structure

- 1.0 Objectives
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- 1.3 Difference between Traditional Administration and Development Administration
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1.0 OBJECTIVES

After reading this unit, you should be able to :

- discuss the meaning of development administration
- distinguish between traditional and development administration
- trace the evolution of development administration; and
- highlight its features.

1.1 INTRODUCTION

The essence of development administration is to bring about change through integrated, organised and properly directed governmental action. In the recent past the governments in most of the developing nations have shifted their focus on development by means of planned change and people's participation. With this shift of administrative concern towards developmental objectives the researchers and practitioners of Public Administration have been forced to conceptualise the developmental situation and to bridge the gaps in administrative theory. The growing welfare functions of the government have brought into limelight the limitations of the traditional theory of administration.

The essence of administration in the present conditions lies in its capacity to bring about change in the structure and behaviour of different administrative institutions, to develop an acceptance for the change and to create a system which can sustain change and improve the capacity of institutions to change. All this calls for renewed efforts on the part of institutions engaged in the tasks of development. Thus development administration as an area of study and as means to realise developmental goals assumes importance. This unit will highlight the meaning, features and genesis of development administration.

1.2 MEANING OF DEVELOPMENT ADMINISTRATION

There is no uniform definition of development administration which is agreeable to all. But we can at least arrive at certain basic features and characteristics of

order to understand the concept of development administration, we should try to understand the meaning of the concept viz., administration of development and development of administration.

i) Administration of Development

Development is integral to the aims and activities of the government especially in the developing countries. Because of paucity of resources, human and material in their countries, the need for making optimum utilisation of available means and augmenting new means assumes a great importance. Development administration thus becomes a means through which the government brings quantitative and qualitative changes in an economy. Government is engaged in not only fixing priorities but also making efforts to realise them. Though Weidner is said to be the first to conceptually explain the definition of development administration, many other scholars, like Riggs, Ferrel Heady, Montgomery, Gant, Pai Panandikar have attempted to define the term in their own ways. However, before we analyse the different definitions and meanings of the term, it should be mentioned that all of them agree that development administration is an effort towards planned transformation of the economy involving not only the sphere of administration but also formulation of policies and indeed the society as a whole. It is an effort at the synchronisation of changes in all spheres of development—economic, political, social and cultural. Thus development is not only viewed in terms of growth process, but it includes a process of social change.

The State plays a leading role in bringing about development through its administrative system. In order to discharge this role it requires a distinct type of support by administration which involves; as has been observed by Swerdlow, special understanding of problems in the developing countries. These must be perceptible at different operative levels i.e., officials must make enough different decisions, adopt enough different policies and engage in enough different activities to warrant the different designations of development administration. Thus development administration is simply termed as an action or functioning part of the government administration. It is action-oriented and places the administration at the centre in order to facilitate the attainment of development objectives.

For Harry J. Friedman development administration means:

- i) the implementation of programmes designed to bring about modernity (i.e. socio-economic progress and nation-building), and
- ii) the changes within the administrative system which increase its capacity to implement the programmes. According to Hahn Beenlee, development administration is involved in managing a government or an agency so that it acquires an increasing capability to adapt to and act upon new and continuing social changes with a view to achieve sustained growth. Gant observed that development administration is "that aspect of Public Administration in which focus of attention is on organising and administering public agencies in such a way as to stimulate and facilitate defined programmes of social and economic progress. It has the purpose of making change attractive and possible." Thus development administration involves two elements:
 - 1) the bureaucratic process that initiates and facilitates socio-economic progress by making the optimum use of talents and expertise available; and
 - 2) mobilisation of administrative skills so as to speed up the development process.

Development administration concentrates on the needs and desires of the people. It is concerned with formulation of plans, programmes, policies and projects and their implementation. It plays a central role in carrying out planned change i.e. it is concerned with planning, co-ordination, control, monitoring and evaluation of plans and programmes. It is not only concerned with the application of policies as determined by the political representatives in existing situation but also with introducing efforts to modify existing situations so as to serve the cause of the masses. The administration of development implies:

- i) the execution of programmes designed to bring about progressive improvement

- ii) the changes within an administrative system which increases its capacity to implement such programmes. In brief, administration of development involves the following objectives:
 - i) application of innovative strategies for development
 - ii) emphasis on development at the grassroots level. Development has to be a need-oriented and self-reliant process
 - iii) stress on social development and human capital as a major resource
 - iv) development has to be viewed not merely as a technological problem but also as an ideological norm
 - v) profound and rapid change in order to establish a distinct and just social order
 - vi) recognising and highlighting the unity, rather than dichotomy between politics and administration
 - vii) effective and efficient use of scarce resources
 - viii) creation of a politics-administrative environment which is oriented towards securing basic needs of the population
 - ix) freedom of administrative machinery to express its values and beliefs without fear or favour on programmes and projects.

ii) Development of Administration or Administrative Development

Development Administration has to be efficient and effective. For that purpose it has to aim at enlargement of administrative capabilities and structural and behavioural change. It is this aspect of administration that is called administrative development or development of administration. In simple terms it means development of administrative system, of administrative health by introducing administrative rationalisation and institution building. The purpose implicit in this concept is not merely changing the administrative procedures and channels but also bringing out fundamental change in administration that leads to:

- 1) political development,
- 2) economic growth, and
- 3) social change.

The administration should evolve so as to commensurate with societal goals.

Development of administration further means cultural change in administration. The colonial administrative culture is unsuitable to the changed socio-political ethos of the developing world. Our British legacy has adversely affected the administration. The obsolete Acts e.g. Police Act, 1861, cannot take us towards the path of change. Development of administration should refer to the creation of ability to adjust to new stimuli or changes. The development of administration aims at qualitative and quantitative transformations in administration with an eye on the performance of management of affairs. The term also implies technological changes in administration so as to enable it to adopt new modes or techniques of administration. Thus administrative development focuses on adaptability, autonomy and coherence in administration.

In short, administrative development is concerned with:

- 1) The capacity of an administrative system to take decisions in order to meet the ever increasing demands coming from the environment and with the objective of achieving larger political and socio-economic goals.
- 2) Increase in size, in specialisation and division of tasks and in the professionalisation of its personnel.
- 3) A pattern of increasing effectiveness in the optimum utilisation of available means and further augmentation of the means, if necessary.
- 4) Increase in administrative capability and capacity.
- 5) Transformation of existing administrative mechanism into a new machinery through modernising the bureaucracy by external inducement, transfer of technology and training.
- 6) Replacement of initiative, practices etc. with those based on realistic needs.

- 7) Reducing the dependence on foreign experts by producing adequate trained manpower.
- 8) Promotion of development initiative.
- 9) Administrative reorganisation and rationalisation.
- 10) Making modernisation culturally related.
- 11) Removing or reducing bureaucratic immobility and widespread corruption.
- 12) Reorientation of established agencies, and the delegation of administrative powers to them.
- 13) Creation of administrators who can provide leadership in stimulating and supporting programmes of social and economic improvement.

The meaning and importance of administrative development as an ingredient of development administration has been well summed up by Caiden in the following words, "Administrative reform is an essential ingredient of development in any country, irrespective of the speed and direction of change. Administrative capacity becomes increasingly important in the implementation of new policies, plans and ideas. The improvements in administrative capacity may involve the removal of environmental obstacles, structural alternatives in traditional and innovatory institutions bureaucratically organised or otherwise. This would also necessitate changing individual and group attitudes and performance." The behaviour pattern of bureaucrats is as crucial to development administration as the institutions and structures. The purpose of development of administration is to remove the administrative lag which seriously handicaps governments in planning and executing co-ordinated programmes of economic and social reforms.

The predominant concern of development administration is to design and administer such development programmes which meet the developmental objectives. It is the administration geared to the task of achieving certain clear-cut and specified objectives and goals expressed in operational terms. Thus development administration is defined as a process of action motivated by and oriented to the achievement of certain pre-determined goals.

Actually administration of development and development of administration are interrelated concepts. Both are dependent on each other. Administration of development is as important as development of administration. To achieve development goals it is essential that there is proper assessment of resources, proper plan formulation, evaluation and implementation, adequate involvement of people, emphasis on technological change and self-reliance. At the same time we also need developed bureaucracy, integrity in administration, initiative, innovativeness, delegation of powers, decentralised decision-making etc. Administrative development cannot take place without administrative change and reform. Both the concepts support each other and development of administration is needed for administration of development. As per F. Riggs 'development administration' and 'administrative development' have a chicken and egg kind of relationship. Superiority of one concept over the other cannot be established.

1.3 DIFFERENCE BETWEEN TRADITIONAL ADMINISTRATION AND DEVELOPMENT ADMINISTRATION

Many scholars like George Gant, Ferrel Heady and others have sought to conceptualise development administration as different from traditional administration. They explain that these two types of administration differ from each other in terms of purpose, structure and organisation, attitudes and behaviour, capabilities, techniques and methods. This is the implicit meaning of the observation of John Gunnel who says, "The increasing shift of development scenario requires increased diversification and specialisation of knowledge and skills and high level of managerial ability for integrative co-ordination. To quicken the pace of development

there is an additional need for a new breed of administrators of superior calibre and vision with a passion for achieving results and of those who can take risks and introduce innovations. There is an increasing need to have heightened sensitivity to the welfare of the poor sections and greater responsiveness to the political process." It follows that development administration has to have different features and should be based on different requisites than the traditional or law and order or general administration. The distinction between the traditional and development administration has been presented by S.P. Verma and S.K. Sharma as follows:

Traditional	Developmental
i) Regulatory Administration (routine operations)	i) Unpredictable new tasks or problems (rapidly changing environment)
ii) Oriented towards efficiency and economy (emphasis on individual performance)	ii) Oriented towards organisational growth and effectiveness in achievement of goals (emphasis on group performance and inter-group collaboration)
iii) Task orientation and conformity to rules and procedures (Concern for security, playing safe, comfort, status and power)	iii) Relationship oriented with emphasis on high programme standards (willingness to take risks, encouraging innovation and change)
iv) Sharp and elaborate hierarchical structure (strict and authoritative, climate of mistrust)	iv) Structure shaped by requirements of goals (flexibility and continuously changing roles, mutual trust and confidence)
v) Centralised decision-making (past experience as the main guide to problem solving)	v) Wide sharing decision-making. (Empirical approach to problem solving and use of improved aids to decision-making)
vi) Emphasis on maintaining status quo (resistance to organisation change)	vi) Continuing organisational development in response to environmental demands (development of an organisation which is dynamic, adaptive and futuristic)

Traditional administration has been visualised as one concerned with fulfilling all the legal requirements of governmental operations and maintenance of social stability. In the main, this type of administration confines itself to the maintenance of law and order, collection of revenues and regulation of national life in accordance with the statutory requirements. The assumption behind the differentiation between development administration and traditional administration is that administration in newly emergent nations must switch completely from law and order values to developmental values. Thus the qualitative goals of development administration i.e. planning for the people, with people's support and co-operation distinguishes it from the quantitative goals of Public Administration i.e. implementing rules. Another point that distinguishes development administration as a separate identity is that "it is not a closed system; the linkages with experts, relationships with the grassroots level and with the people are more important than Central structures. Though there are technical and behavioural techniques common to all forms of management, in development administration, external relations have to be optimised before resources can be focused on limited incremental goals. Development administration is concerned with attitudes and processes rather than procedures and structures."

However, there are scholars, like W. Wood, who do not favour separation or division of administration into such distinct categories. Wood objects to such dichotomisation on the grounds that:

- i) the division of government servants into developers and non-developers might result in the loss of esteem to one and gain in over-importance to the others. This would demoralise administration

- ii) the possibility of innovation and new design is neglected
- iii) There is insufficient analysis of the term development in that, on the one hand, it is treated as an extension of the 'supposed' law and order and revenue collecting State and on the other, it appears to have a special relationship with independence and post-colonialisation. The commonness of the two could also be observed from the following facts as presented by V.A. Pai Panandikar:
 - 1) The prevailing structure of general administration has a decisive influence on the strength and weakness of development administration.
 - 2) Both have a common source of authority within the structure of the government, for instance, a Cabinet responsible to a legislature.
 - 3) A number of key officials, like divisional commissioner, and district collector, combine general and developmental functions.
 - 4) Citizen sees and judges as a whole the acts of administration, drawing no fine distinction between general and development administration.

The differences of views on the question of dichotomy still persist leading to an inconclusive debate. However, it may be maintained that the administration for fulfilling the developmental tasks needs to be exclusively studied and explained. The creation of new and separate development agencies and organisations is a further pointer to the growing incapability of the law and order function and revenue collecting administration. That is why in some states in India an attempt has been made to vest the office of deputy development commissioner or district development officer with only the development administration. That development administration is not synonymous with Public Administration is pointed out by Gant in the following words:

"Development administration is distinguished from, although not independent of, other aspects and concerns of Public Administration. Certainly, the maintenance of law and order is a prime function of government and is basic to development, although it precedes and is not usually encompassed within that definition of development administration. Similarly, the provision of essential communications and educational facilities and the maintenance of judicial and diplomatic systems, would have an impact on but not be an integral part of development administration."

Thus a rigid distinction cannot be made between traditional and development administration. The traditional functions of maintenance of law and order are also basic to development. Development administration has assumed the responsibility of formulating and implementing various development and welfare functions because of growing complexities of administration and aspirations of people. These functions are not absolutely separate from traditional functions. In fact maintenance of law and order, and security is a precondition for an economy to undertake developmental tasks. But as development administration is wider, broader, participative, innovative and change-oriented, the traditional administration has to create the conditions for the effective working of development administration.

Check Your Progress 1

Note: i) Use the space given below for your answers.
ii) Check your answers with those given at the end of the unit.

- 1) What is meant by the term 'Administrative Development' ?

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- 2) Distinguish between traditional administration and development administration.

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1.4 GENESIS OF DEVELOPMENT ADMINISTRATION

When India gained Independence from the British rule, we were confronted with the problems of unemployment, poverty, squalor, hunger and disease. We were short of material and human resources and our progress in industrial and agricultural fields was also nominal. Moreover, the private entrepreneurs were not ready to take up the tasks of development in a full-fledged manner. Thus the State had to shoulder the responsibility of bringing about systematic development through a process of comprehensive and uniform planning. This led to an increase in the functions of State. Our planners set before them the goals of achieving modernisation, industrialisation, self-reliance, social justice and economic growth. (These goals of development will be dealt in detail in Unit 8 of the next Block.) It was realised that the western concept of development and the ways to achieve development could not be applied to developing countries like India. The western countries had already achieved a certain level of development, had a strong bureaucracy, their problems were different and their resources were abundant. The western models of development were not conducive to the social, economic, political and cultural milieu of countries like India. Thus a different kind of administrative system suitable for the needs of third world countries was thought of. This model saw administrative system as a part of a larger socio-economic and political system and established a certain definite relationship between the environment and administration. Development was seen as an overall development, development in industrial, agricultural, technological, social, cultural and political fields. Thus a new concept of development administration came into being with emphasis on people's participation and support and planned change.

The Technical Assistance Programmes under the Marshall Plan and New Deal Programme of Roosevelt failed to make an impact on the administration of third world nations. The realities of third world called for the adoption and execution of new approaches of change. This realisation led to the emergence of the concept of development administration.

The demands of equity and justice called for renewed efforts to understand and define development as it was relevant to third world countries. Hence, development came to be defined as a holistic term inclusive of all elements—economic, social, cultural and political. Thus it was defined as a process, the aim of which was not only confined to economic development but on over all welfare activities. This changed the meaning of development and introduced a new thinking about the methods and techniques to be applied for bringing about development. For instance, it was emphasised that to achieve the developmental goals, the poor or developing nations should concentrate on their own internal resources, administrative mechanism and technology. Thus dependence on the developed world was sought to be reduced or discarded and indigenous system was to be developed in which people would participate in the developmental process. Hence, mere insistence on the lack of infrastructure, industrialisation, education and modernisation etc. for the prevailing situation in the developing countries was held only partially valid. Emphasis came to be laid on

associating people with developmental tasks and provision of basic needs for all. Conceptually, therefore, development administration rests upon the discovery that the administrative practices and structures are not and should not be the same in all the countries. And also on the realisation that administration in a given country can be understood and evaluated only in the light of its cultural and political setting. These factors can be termed as environment or ecology of Public Administration. Therefore, to bring about development the State carries on its role of a change agent through its administrative machinery. In fact, it is the administration which is to be an instrument of development. It is the administration that carries the services to the doorsteps of the people. The eradication of poverty, unemployment, ignorance and the like is impossible without an active and determined role performance by the administration.

This leads us to an important question, whether the administrative systems of newly emergent nations of Asia, Africa and Latin America are adequate to meet the developmental challenges facing these societies or not? Many people believed that the old administrative system was unable to cope up with the stupendous task of meeting the development needs and aspirations of the people who were subjected to discrimination, deprivation, exploitation and inhumanisation for decades. The colonial type of administration was suitable neither structurally nor behaviourally to the changing environment of these polities. Hence, the politicians, the administrators and the scholars thought alike to approach the problems of Public Administration from a different aspect. They coined a new concept of Public Administration known as 'development administration'. The emphasis shifted from the steel-frame to open structure, from maintenance of law and order to provision of basic amenities for all and general welfare. The objective was to emphasise on administrative ethos the purpose of which was to usher in, shape and direct development and change. Thus development became the central theme for analysing the role of Public Administration.

The end-objective of a separate focus on development administration, says Edward Weidner, the architect of the concept, is to "relate different administrative roles, practices, organisational arrangements and procedures to the maximising of development objectives." Ramesh K. Arora shares the same view when he says that the concept is designed to study how Public Administration in different ecological settings operates and changes in order to achieve a set of social goals. The administration is a tool to achieve the object of "change that is desirable and broadly predicted or planned. It means development administration is concerned with increasing ability of human societies to shape their physical, human and cultural environments." Thus the main thrust of development administration is on directional change and on Public Administration as a mechanism for promoting and guiding modernisation and economic development. The aim of the governmental tasks was the rationalisation of economic life, expansion of modern centres, stability, security, democracy, industrialisation and gradual penetration into the traditional institutions of the rural periphery through the State bureaucracy. The concept of development administration came in vogue because of the shift of emphasis from mere maintenance of order in the society to enhanced responsibilities of development not only in terms of growth but also in terms of human development. This shift presupposes administration to be the prime-mover and energiser of this process of achieving the goals of welfare and well-being of the common masses.

To sum up, in the words of Caiden, "It (Development Administration) is grounded in normative concepts—that development is desirable; that development can be planned, directed or controlled in some way by administrative systems, that improvements in quality and quantity of societal products is desirable; that obstacles to development can be overcome, and that macro problems handicapping societal progress can be solved. Because the conditions of mankind are so obvious, so real and so compelling, development administration is also grounded in reality—the practical solution of human problems, the nitty-gritty of Public Administration, the real world of people, the practitioners domain." Thus the manifest objective underlying the notion of development administration is to introduce modernisation through augmented socio-economic change qualitatively and quantitatively.

1.5 FEATURES OF DEVELOPMENT ADMINISTRATION

There are certain distinct features of development administration. We would now discuss them briefly:

Change Orientation

The first and foremost element of development administration is its **change orientation**. Change forms part of philosophic values of development administration. Development administration involves itself in establishing a new social order in which growth and distributive justice co-exist. For Pai Panandikar the central theme of development administration is socio-economic and political change.

Development administration cannot be status-quo oriented. No development can take place unless and until it introduces certain positive changes in a system. Changes such as structural reorganisation of administration, innovative programme to increase production, remove unemployment, poverty etc., new schemes to improve employer-employee relations must form a part of development administration.

Goal Orientation

Developing countries are facing the problems of poverty, squalor, injustice, unequal distribution of wealth, lopsided agricultural growth, underdeveloped technology etc. These colossal issues need to be tackled systematically by fixation of priorities and goals. Development administration is the means through which the goals of development viz., social justice, modernisation, industrialisation and economic growth can be achieved.

Innovative Administration

Development administration focuses on replacing/improving the existing governing structures and norms with the ones that suit the changing political and social environment. In other words development administration is one that is dynamic and progressive in thought and action. It is interested in identifying and applying new structures, methods, procedures, techniques, policies, planning projects and programmes so that the objectives and goals of development are achieved with minimum possible resources and time. India, for example, has experimented with many new institutions and procedures which can be termed as the hallmarks of development administration. We have introduced various development programmes like IRDP (Integrated Rural Development Programme), TRYSEM (Training Rural Youth for Self Employment), NREP (National Rural Employment Programme), DWACRA (Development of Women and Children in Rural Areas), Tribal Development Programmes etc. These programmes broadly aim at removal of unemployment, creation of job opportunities and reduction of poverty. These programmes will be discussed in detail in Block 4 of this course. We have also established some development agencies like the District Rural Development Agency, District Planning Cells, State Planning Boards, Co-operatives etc. Thus development administration has to be innovative enough in order to realise the pre-determined objectives of development. In fact, innovative and creative administration leads to speedy realisation of goals.

Client-Oriented Administration

Development administration is positively oriented towards meeting the needs of the specific target groups, like small and marginal farmers of landless agricultural labourers and rural artisans in India. The socio-cultural and politico-economic progress of these sections forms the essential basis of performance appraisal of development administrators. Many target group centred or beneficiary-group oriented organisations have to be created so as to provide these under-privileged sections the requisite goods and services. It has been suggested that development administration is 'people-oriented' administration which gives priority to the needs of its beneficiaries by preparing, reviewing and, if necessary, changing the programmes, policies and activities aimed at the satisfaction of the needs of people in question. The administration is involved in the betterment of the lot of the deprived and the weak. Their upliftment becomes a part of the whole administrative ethos. The welfare of the weaker sections is a part of the administrative values. This feature points out the 'humane' character of administration. The members of any development organisation

are highly motivated and committed to a progressive philosophy aiming at cutting the roots of vested interests in the society. This is possible if the people of initiative, extra-dedication and perseverance are inducted into the development administrative structures. Training of personnel can be one effective method of creating such a team. Development administrators should not just formulate plans for the people but even monitor them in such a way that the beneficiaries are actually benefited.

Participation-Oriented Administration

Development administration accepts for its purposes the principle of associative and participative system of administration. Here, people are not treated as mere passive recipients of benefits or goods and services. They are taken as active participants in the formulation and execution of development plans, policies and programmes. It is recognised that centralised administration will not only be unable to take cognisance of local problems in a realistic frame, but it would also be deprived of the use of local initiatives, energies and resources. Hence, effective formulation of programmes and their implementation with the help and association of the local people is now a well recognised principle of administration. It involves giving people an increasing share in the governance and management of developmental affairs of the government. That is why the involvement of Panchayati Raj institutions in planning and administration has found renewed support in the development strategy of India.

Effective Co-ordination

Since development implies increasing specialisation and professionalisation, the number of agencies and organisations involved in development tasks has considerably gone up. In order to have the maximum benefit of this emergent administrative system, co-ordination between various administrative units and activities is essential. To achieve maximum results, wastage of resources, time and cost has to be avoided. Development administration has to co-ordinate the activities of development agencies and organisations to integrate their efforts and energies for the realisation of development goals. This would even save the administration from the problems of duplication of functions, neglect of important functions and unnecessary focus on irrelevant or marginally relevant activities. It would thus minimise administrative lag.

Ecological Perspective

Development administration shapes the environment—political, social and economic and also gets affected by it in turn. It is not a closed system. It receives a feedback from the social system and responds to the demands put on it by the system. In a way, development administration is related to the environment and involves close interaction between the administration and environment. The environment sets forth the operative parameters of development administration. It requires the qualities of flexibility and responsiveness in administrative actions and methods. The changes in administration affect its environment and changes in environment also has its bearing on administration.

Check Your Progress 2

Note: i) Use the space given below for your answers.

ii) Check your answers with those given at the end of the unit.

1) Highlight the genesis of development administration.

[illegible]

2) Discuss any three features of development administration.

Development Administration :
Concept and Meaning

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1.6 LET US SUM UP

In this unit we tried to explain the meaning of development administration, the concepts of administration of development and development of administration were discussed. We highlighted the difference between traditional and development administration. The evolution of development administration was traced and the various features of development administration were clearly dealt with.

1.7 KEY WORDS

Administrative Capacity: ability to mobilise resources and convert them into activities. This process has to be in conformity with the environment taking a comprehensive view of problems.

Administrative Lag: gap between the development needs and administrative response.

Beneficiary Group: is the target group identified for assistance under a development programme. The people who are identified as targets and who are to be benefited by the development schemes are called beneficiaries.

Delegation of Powers: delegation is one of the main ways for dividing and distributing authority. It is not abdication of responsibility and does not connote the transfer of final authority. The person delegating authority does not surrender his/her social responsibility and retains the power of inspection, supervision and control.

Marshal Plan or European Recovery Programme: a co-ordinated effort by the US and many nations of Europe to foster European economic recovery after World War II. First urged (5th June 1947) by US Secretary of State, George C. Marshal, the programme was administered by the Economic Co-operation Administration (ECA) and from 1948 to 1951 dispensed more than \$ 12 billion in American aid. Sixteen European countries led by the UK and France, set up the Committee of European Economic Co-operation to co-ordinate the European participation. It later became the Organisation for European Economic Co-operation (OEEC) (as per the Longman Encyclopaedia).

New Deal Programme: Term for the domestic reform programme of President Roosevelt. It had two phases. The first (1933-34) attempted to provide recovery and relief from the Great Depression (explained in Block 2 of this course) through programmes of agricultural and business regulation, inflation, price stabilisation and public works, numerous emergency organisations, e.g. the National Recovery Administration were established. The second (1935-41) while continuing with relief and recovery measures, provided for social and economic e.g. social security, to benefit the mass of working people. Neither phase succeeded completely in restoring prosperity but remained intact till the end of World War II (the reference : Longman Encyclopaedia).

Nitty-Gritty: realities or basic facts of a matter.

Responsive Administration: administration that identifies the needs and requirements of people and formulates plans in accordance with those needs. It evaluates development programmes in order to ascertain that people have been benefited and develops procedures for future improvements.

Target Group: group identified for assistance under a development programme. The group identified as the target group for the programme must receive the major

benefits of the programme. For example, the target group for DWCRA (Development of Women and Children in Rural Areas) is women and children from substantially deprived sections of the community.

1.8 REFERENCES

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1.9 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

1) Your answer should include the following points:

- development administration has to aim at enlargement of administrative capabilities
- it has to bring about structural and behavioural changes in administration
- it brings about political development, economic development and social change
- it means cultural change in administration
- professionalisation of personnel is its important component
- reduction of dependence on foreign aid
- promotion of development initiative
- delegation of powers and
- specialisation of administrative tasks

2) Your answer should include the following points:

Traditional administration is concerned with regulatory functions.

- it emphasises on individual performance
- it adheres to rules and norms
- it is hierarchy bound
- decision-making is centralised and
- emphasis is on maintenance of status-quo.

Development administration is concerned with functions of unique and unpredictable nature.

- emphasis is on group performance
- goal is to achieve organisational effectiveness
- there is a willingness to take risks
- it is a flexible system
- decentralised decision-making
- constant interaction between the organisation and outside environment and
- strict dichotomy between the traditional and development administration must not be made as traditional functions set the conditions and pace for development functions.

Check Your Progress 2

- 1) Your answer should include the following points:
 - the third world countries like India were confronted with many problems at the time of Independence
 - the State intervened in order to take up development tasks;
 - increase in functions of State to shift the focus from maintenance of law and order to planned change
 - the western models (Technical Assistance Programmes under the Marshal Plan and New Deal) could not be applied to third world nations
 - there was a need for development process suitable to Indian conditions
 - development came to be viewed as a holistic concept. It implied development in political, economic, social and cultural spheres
 - the demands of equity and justice called for renewed efforts to understand the concept of development and
 - dependence on western countries was sought to be reduced and emphasis came to be laid on people's initiative, uniform planning, self-reliance and technological advancement.
- 2) Your answer should include any three of the following points :
 - Change Orientation
 - Goal-Oriented
 - Innovative Administration
 - Merit-Oriented Administration
 - Participation-Oriented Administration
 - Effective Co-ordination and
 - Ecological Perspective.

UNIT 2 SCOPE AND SIGNIFICANCE

Structure

- 2.0 Objectives
- 2.1 Introduction
- 2.2 Scope of Development Administration
- 2.3 The Ideals of Development Administration
- 2.4 Significance of Development Administration
- 2.5 Let Us Sum Up
- 2.6 Key Words
- 2.7 References
- 2.8 Answers to Check Your Progress Exercises

2.0 OBJECTIVES

After reading this unit, you should be able to :

- highlight the scope of development administration
- explain the importance of development administration; and
- discuss the ideals of development administration.

2.1 INTRODUCTION

You have read in the last unit that development administration is a process of action motivated by and oriented to the achievement of progressive goals of development. It aims at creating and/or mobilising the will and skills to utilise in an optimum manner the resources of the country leading to the realisation of development objectives. Thus development administration is a process of planned change.

The administration is being studied now a days in the contextual perspective. Comparative analysis of the administrative system in terms of organisation, administration and development management brings out two distinct elements of administration : (1) Administrative reforms are improvements that each nation has been trying so as to match administration with development needs and (2) Concentration of efforts at acceleration of rate of growth and change so as to meet the challenges of socio-political development and nation-building effectively. It is in this context that the concept of development administration has come to be used. However, the concept has varied dimensions—social, cultural, economic and political. The issue regarding the focus or scope of development administration as a discipline and as a process has assumed importance. Thus in this unit, we shall try to discuss the ideals, scope and significance of development administration.

2.2 SCOPE OF DEVELOPMENT ADMINISTRATION

The scope of development administration is expanding day by day. Development administration aims at bringing about political, social, economic and cultural changes through proper planning and programming, development programmes and people's participation. To achieve development goals the administration constantly interacts with environment. It shapes the environment and is also shaped by it. In this section we would briefly highlight the scope of development administration.

Development Administration is Culture-Bound

There is a close link between administration and culture of a country. The culture, provides an operational framework for administration. The administration, it is said,

is affected by the political leadership that guides it and the developmental policies that it implements. It cannot easily or rapidly break away from the compulsion of historical legacy or the resources of the economy or the behaviour patterns in society. However, it does not imply that cultural system of a country is static. Rather, both the cultural and administrative systems can change each other. The commitment of administration to the ideology of development and change can definitely usher in cultural change. For that purpose it should also be able to prepare suitable plans, programmes and projects keeping in view their feasibility, operationality and desirability. Development administration should serve as a steering wheel that directs society to pre-determined goals according to the will and skills of the leaders and personnel engaged in the development process. It removes the lag between development requirements and administrative development.

Wide Spectrum of Development Programmes

The spectrum of development programmes, the central theme of development administration, is very wide ranging from provision of industrial and infrastructural development programmes to programmes relating to development of agriculture, health, education, communication, social services and social reconstruction (e.g. community development, family planning etc.). Thus development administration covers a whole gamut of the multifaceted tasks of administration and management of development programmes.

It may also be mentioned here that the principle of politics-administration dichotomy cannot be accepted for the purpose of development administration as the formulation of policies and programmes about development are intricably related to their administration. Otherwise, for unsound and vague policies and programmes, the implementing machinery should not be held responsible. The fact, however, is that the people blame administration for its imperfections in or incompetence of administration in implementation of a programme. The source of failure can be policies and plans, administration, management, leaders or people or all taken together. Development administration is an effort at homogenising all these institutions/agencies engaged with the tasks of development into a unified system.

Nation-building and Social-welding

Development administration further involves the tasks of nation-building and social-welding. It is concerned not merely with the function of creation or expansion of growth structures, (institution/agencies established to achieve development) but also to mould social behaviour or reconstruct social structures. Many a countries of the third world tend to get affected by traditional and parochial set of social relationships based on kinship, caste, religion and region. These parochial structures need to be broken and an era of modernisation is to be inducted into the society putting an end to the patronising approaches of a traditional culture. Hence, the focus of development administration is on expediting the process of industrialisation, urbanisation, education and democracy. It is a recognised proposition that developmental policies should identify and strengthen the strategic growth factors. The aims of development have to be economic growth, technological advancement, equity, justice, removal of unemployment and other social and economic problems. The social customs or traditions that hamper the development process have to be modified or done away with. The task of nation-building can only be successful if development activities bring about social change.

Planning and Programming

Many countries of the world both developed and developing have opted for development planning. This type of planning lays emphasis on the proper assessment of resources, determination of plan priorities, formulation, implementation, monitoring and evaluation of plan with an aim to achieve maximum results with minimum time and cost. Thus development administration comprise wide number of activities. These are all-round efforts to realise developmental goals, provision of basic necessities, introduction of social change, reorganisation of societal structures and functions, involvement of people as the ends as well as means of development and emphasis on planned growth. Scope of development administration is vast and varied in developing countries like India. In fact, the very survival of the government programmes depends on the efficiency of the development administration to implement, monitor and evaluate them. It also stresses that planning should take note of the linkage between 'economic development normatives' and 'geo-social positives'.

In other words, plans and planning process has to relate a country's economic needs with its administrative and managerial capacity, if they are not to be reduced to a level of mere propaganda.

Programming is yet another important component of development administration. Programming is that process which throws out knowledge about gaps in information or skills needed and the groups of people who have the necessary willingness to take initiative. People's resistance to change, it is believed can be easily overcome through a proper method or improved communication technology. A few words here about centralised and decentralised planning are also called for. Centralised planning may be defined as an act of working out the priorities and the pattern of programmes and schemes as related to content, staff, finance, institutional arrangements, locations and beneficiaries at the Central and state levels. This practice is favoured in the name of administrative efficiency, effective supervision, avoidance of wastage and uniform assessment of performance. However, development administrators lay emphasis on decentralised planning or what we call planning from below. They point out many advantages of such a development strategy. In the first place, it is possible to adapt or adjust resources to local needs. It can even make best use of locally available natural and human resources leading to much saving of national resources. Secondly, centralised planning gives a feeling of an imposed programme and policy planning and, therefore, does lack in evolving commensurate enthusiasm or involvement of the local community leading to low performance in terms of plan-implementation. Moreover, it leads to bureaucratisation of the whole planning process, beginning from its formulation to its implementation. Thirdly, decentralised planning helps the local administrators and communities to grow into self-reliant, self-governing units with regard to plan formulation and mobilisation of local resources in order to meet the demands of plan implementation. All matters of local importance may be left to the local-self governments and local people. Initially, for this purpose, the local bodies may be assisted both in terms of provision of adequate funds (in case they lack them) and also trained manpower in the area of planning. This process will introduce an element of flexibility in administrative technology which is an underlying philosophy of development administration. Thus through planning and programming development goals can be realised to an adequate extent.

Development Administration and Ecology

Administration works under the constitutional, political and legal framework. It points out the fact that not only the adoption of foreign know-how may be difficult in a country, but also that even the best technological assistance from abroad may not yield the desired results in the recipient country. The socio-cultural economic and political milieu may not be ready to assimilate the values and innovations applied in advanced countries. This reality was very well brought out by the students of comparative administration during the 60s. In other words, development administration is ecological in nature. It affects the environment around it and in turn is affected by it.

Development administration, as we read in Unit 1 also, cannot survive in a vacuum, it has to change in accordance with the changing political, economic, social and cultural scenario. It affects the environment and is in turn affected by it. No growth model, no sophisticated technology, no developed schemes can be planted on a developing system blindly. A system has to be ready to receive the change. The change has to be suitable to its conditions.

Development Administration is Organic

Development administration, it is argued, cannot be conceived and operated as a machine made of nuts and bolts. As development programme envelops and affects every aspect of life and activity in society, administration for development must be conceived and approached as sub-culture within a major-culture and with same responsibility to create a new culture appropriate for the times dominated by science and technology, urbanisation and material comforts. Technology affects and is affected by administration. This approach suggests a systematic study of development administration. Human element forms an important part of development administration. Development Administration comprise human beings at all levels. Planners seek to achieve development goals with the help of people. People's participation is required at the time of determination of priorities for plans, formulation of plans, implementation of plans by various development agencies and

evaluation of plans and programmes. The idea is to reach as many people as possible. Thus development administration is organic, it does not work like a machine following set rules and regulations and working in a predictable and routine manner. Though a proper and systematic planning process is an essential component of development administration, it does not have to rigidly adhere to the process.

The above discussion stresses the fact that the determination and realisation of development goals to a large extent depends on a systematic planning process. In India, through the help of Five Year Plans, we fix up plan priorities in terms of goals to be achieved and determine the ways and means for realising them. The objective of planning has to be fixation of priorities/goals, assessment of available resources, augmenting scarce resources, determination of machinery to carry out plans and monitoring and evaluation of plans. In India, we have the Planning Commission, National Development Council, State Planning and District Planning Cells to undertake the task of comprehensive planning. Planning is badly needed at the grassroots level in order to secure people's support.

Check Your Progress 1

Note : i) Use the space given below for your answers.

ii) Check your answers with those given at the end of the unit.

- 1) Discuss the scope of development administration.

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- 2) Bring out the relationship between development administration and ecology.

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2.3 THE IDEALS OF DEVELOPMENT ADMINISTRATION

Development administration, as has been made clear many times, is not merely interested in economic growth. Rather, its objective is economic growth with social justice. It works for the purposes of a social order based on the principles of equity, justice, freedom, offering equal opportunities to all. The fact is that all "major decisions regarding production, distribution, consumption and investment and all other important socio-economic relationships must be made by the agencies committed to social purposes". It works on the premise that wealth and income should be equitably distributed among various people of the society. The philosophy of development administration is that "the benefits of economic development must accrue more and more to the relatively less privileged classes of society and there

should be progressive reduction of the concentration of income, wealth and economic power. However, the methods and approaches to bring about this changed process must be compatible and effective within the environment in which change must take place.

Institution-building

The tasks of development administration are not confined only to the formulation of plans, policies, programmes and projects, but it also includes creation of suitable institutions to accomplish the objectives of development. The term institution means planning, organising, implementing and evaluating, through well designed structures. In the words of Donald C. Stone, "we use this term to identify the process involved in moving from an objective to be accomplished to the actual creation of the organisation, service system, new practices or relationships which evidence that change has actually taken place. This may be a school, a panchayat, a water distribution system, or any kind of organised efforts that requires acceptance and response." A different set of organisational values and constructs are therefore necessary to tackle the tasks of development administration. In India our experiments with development administration have been in the form of Community Development Programme, Panchayati Raj Institutions, Anti-poverty programmes, district level and block level planning etc. In the process various institutions such as Zilla Parishads, Panchayat Samitis, Gram Panchayats, Municipal Corporations, District Rural Development Agencies, Rural Development Banks, State Planning Cells etc. have come up. These institutions are involved in development activities and so are certain functionaries like the Block Development Officer, Village Level Workers etc.

Administrative Development

The administrative aspect of planning and development in terms of building up adequate administrative capacity and capability is another integral part of development administration. In order to make administration a 'perfect instrument' of development, the changes in structures, attitudes, skills and behaviour of administrative organisations are taken as essentials. For these purposes, a proper arrangement for training of administrators engaged in the task of socio-economic and cultural transformation of the society is called for. In sum, it is concerned with creating in administration a sense of dynamism, flexibility, democracy, responsiveness, imagination and innovativeness. It aims at creating a people-centred administration replacing the colonial attitudes of authoritarianism and rigidity. The idea is to bring the administration closer to the people, to make the administration responsive to the people and to make the people an integral part of administration. As you have read in the previous unit development of administrative capacity and capability to carry out administrative programmes is a necessity for development of administration. Another aspect of administrative development is related to simplification of procedures and techniques of work so as to make them comprehensible and accessible to the people who are mainly ignorant and illiterate. Administrative development aims at building a new generation of men and women trained and motivated to operate a modern society.

Communication

Communication has become a watch word for development. It assumed more importance because new ideas are introduced into a social system committed to bring about social change. In order to produce higher per capita income and levels of living through more modern production methods and improved social organisations, the patterns of communication acquire added significance. It would be difficult to achieve developmental goals without an effective communication network. It is through the process of communication that transmission of information, decisions and directives among factors takes place and knowledge, opinions and attitudes are formed or modified. In the words of Pfiffner and Presthus, "administration can be viewed as a configuration of communication patterns relating individuals and collectivities (groups) of varying sizes, shapes and degrees of cohesion and stability". However, communication, for the purposes of development administration, may mean mainly development communication i.e. communication of messages related to all aspects of development programmes. Moreover, communication, an integral component of development administration, is both vertical and horizontal in addition to being formal and informal or written and oral one. The process of communication promotes the elements of personalised relationship which is an important plank of development administration.

Participatory Development

The concept of development administration is based on the premise that people have an immense capacity to contribute to development. That is why a renewed stress is laid on the need to involve people more actively in all stages of development planning, implementation, controlling and evaluation. Participatory development implies development of the people by the people. The success of policies, programmes and projects depends to a larger degree on the success in obtaining more and more participation of the beneficiaries in development process.

In other words, the focus of development administration is on seeking people's involvement at all the stages of development. The voluntary associations, interest groups, pressure groups and beneficiary organisations are encouraged to participate in both plan formulation and execution. This is so because the governmental agencies involved in the task of progressive mobilisation of the society alone may not prove to be suitable instruments for the job. Though, the concept of popular participation in development emerged in more developed countries, the societies of the third world have also perceived its relevance for achieving fast rate of development. The implication of all this reference is that participatory development process is the key factor in development administration because it is the only way qualitative development can take place.

Our centrally sponsored schemes for rural development and poverty eradication (NREP, TRYSEM, IRDP etc.) have not been much of a success. The lack of success is not due to faulty premises underlying the schemes but the fact that we have not been able to involve people in the formulation, implementation and evaluation of these schemes to a needed extent. These programmes have been in a way imposed on rural people without taking into due consideration their requirements and needs. The suitability of a scheme in a particular area has also been overlooked. The emphasis has been on completing targets rather than actually helping people. To give an example, TRYSEM (Training Rural Youth for Self Employment) has been introduced in areas where people are more inclined towards wage employment. No development programme can achieve its targets if it does not keep in view the needs of the people, the beneficiaries and all those affected. Development programmes must also try to satisfy the basic needs of people such as food, shelter, clothing and health.

Development Administration as a Process

Development administration is also a process which involves, as mentioned by J. Khosla, four crucial elements: (1) Development goals and their feasibility (2) Development policies and programmes (3) Organisational logistics and personnel to implement these programmes, and (4) end results. This dimension of development administration further stresses on (a) 'treating administration as one of the resources in the planning process; (b) working out in operational terms the administrative requirements of each developmental programme or activity; (c) formulating a clear cut scheme of priorities as between the different developmental goals and objectives; and (d) designing an effective strategy of implementation'. Thus development follows a proper plan procedure.

Co-ordination

As we read in the previous unit also, co-ordination is a basic component of development administration. It is taken as a means for planned change. Development administration has to establish co-operation and co-ordination at various levels of governmental organisations and functioning. According to V.A. Pai Panandikar, "the key formula of development administration could be expressed in the initial letters of co-ordination of resources through organisation of personnel and procedures i.e. CROPP (Co-ordination, Resources, Organisation, Personnel and Procedures). In development administration it is the key factor because scarce resources seldom permit overlapping or wastages without serious damages to developmental pace and process". Alternatively, development administration focuses on 'management of scarcities' or 'optimising opportunities', through better co-ordination and utilisation of resource inputs. There is no area of development where co-ordination i.e. structured formal co-operation and cultivated informal co-operation does not permit and determine the tone and tempo of development. Indeed, success in development administration could be measured by the degree of coherence and co-ordination achieved in administration.

2.4 SIGNIFICANCE OF DEVELOPMENT ADMINISTRATION

We have seen in the foregoing discussion how the concept of development administration has served as a means of comprehensive analysis of the problems of development and the necessary requisites to meet these challenges. The emphasis on a multitude of dimensions of development and the administrative inputs in terms of skills, attitudes, behaviour and structure required have clearly added to the understanding of the multi-disciplinary linkages of change and development. The sub-discipline of development administration has been able to draw the attention of the scholars of Public Administration as well as its practitioners to the fact that the western models and concepts of Public Administration may not be wholly applicable in the context of the countries of the third world. Since the nature of the problems of these countries are different from the ones in developed countries, it requires a different set of administrative answers too.

The emphasis of development administration on the ecology of administration has not only brought to light the need for synchronisation of political, economic and socio-cultural aspects of development, but also the vivid contextual character of development administration. It lays stress on developing indigenous administrative means, procedures, methods and techniques to meet multifaceted challenges thrown by the pressing demands from the 'new environment' upon the State. The State also has to provide leadership to improve standards of societal living.

Development administration, further, calls for new perspectives, insights and understanding. It promotes democratic spirit in administration and includes people's participation in the management of developmental affairs and processes of social change as a technique. Newness in thought, action, organisation and behaviour is the crux of development administration. It calls for higher standards of group performance, inter-group collaborations and participative management. A high degree of achievement-motivation and a continuing innovation of organisation to meet environmental change and internal needs is also called for.

The study of development administration makes it explicitly clear that politics-administration dichotomy is a myth and in an era of expanding science and technology, knowledge explosion, the clear functional demarcation between politics and administration is neither desirable nor possible.

It may be mentioned here that development administration has served as a useful construct to explore the dynamics of change and administration in the developing countries of the third world. It is a fact that administration has fallen short of development aspirations. Development administration seeks to fill the gap between developmental needs and administrative responses. It also seeks to lay its hand on certain common themes in the area of administration and environment of different countries. Hence, it is a move towards contributing to development organisation theory. It helps us to find answers to the following questions :

- 1) What is location of the clients?
- 2) How to identify their needs?
- 3) What structural and behavioural changes are required to construct a new social order based on the principles of dignity of human being guided by the principle of fraternity and equality?
- 4) How to bring about the desired change in society and administration?
- 5) How to raise the level of administrative and political capabilities?

Check Your Progress 2

Note : i) Use the space given below for your answers.
ii) Check your answers with those given at the end of the unit.

- 1) Discuss any two ideals of development administration as dealt in this unit.

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2) Highlight the significance of development administration.

2.5 LET US SUM UP

In this unit, we have studied the scope and significance of development administration. We have highlighted the multi-dimensional issues of development administration viz. political, economic, social, cultural and administrative. The importance of development administration and its relevance to modernisation, nation building, social change, industrialisation and people's participation has also been discussed.

2.6 KEY WORDS

Fraternity : the ideal of fraternity ensures the dignity of the individual and unity and integrity of the nation.

Horizontal Communication : flow of information (regarding the procedures, rules, policies and programmes of an organisation) from one person to the other at the same hierarchical level.

Informal Communication : flows through friendship circles and other small groups in the organisation. One positive feature of these channels is that it removes some of the problems in upward communication. These also facilitate downward and across communication.

Planning from below : involvement of block and district bodies in planning process in a full-fledged manner. Preparation of plans at the block and district planning cells.

Per Capita Income : is the average income of a country. It is derived by dividing the total national income of a country by its population.

Pressure Groups : Pressure Groups are forms of organisations which exert pressure on the political or administrative system of a country to extract benefits out of it and to advance their own interests.

Social Justice : it is the *sine qua non* of a welfare state. It prohibits discrimination on any grounds, religion, sex, caste or colour. It also means prohibition of forces creating artificial social barriers. State must make efforts to improve the lot of the deprived and weaker sections of the people.

Trained Manpower : Trained personnel required or employed by an organisation to carry the administrative tasks in a skilled and knowledgeable manner.

Vertical Communication : flow of information (regarding the procedures, programmes and policies of an organisation) from topmost level to the bottom level of hierarchy and vice versa. It is also classified as "up" and "down" communication. It can be written as well as verbal.

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2.8 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Your answer should include the following points :
 - development administration is culture-bound, the commitment of administration to the ideology of development and change to usher in cultural change.
 - it comprises wide spectrum of development functions and programmes. The success or failure of a programme depends on formulation of policies, their execution, management, leadership or all taken together.
 - it is involved in nation-building and social-welding.
 - through planning and programming development administration can serve various objectives.
 - its relationship with ecology helps to realise the developmental objectives adequately.
 - it works for the people and with the help of the people.
- 2) Your answer should include the following points :
 - administration works under constitutional, political and legal framework.
 - only those programmes of development should be implemented which are conducive to local conditions.
 - development programmes of western or developed countries should not be blindly imposed on developing countries.
 - administration affects environment and is in turn affected by it.
 - a system has to be ready to receive the change.

Check Your Progress 2

- 1) Your answer should include any two of the following points :
 - Institutional building
 - Communication
 - Co-ordination
 - Administrative development

- Participatory development
- Process of development administration.

2) Your answer should include the following points :

- the concept of development of western countries may not be applicable in the context of developing countries.
- the problems in developing countries are different and require different answers or solutions also.
- through development administration synchronisation of political, economic and socio-cultural aspects of development can be achieved.
- development administration lays stress on developing indigenous administrative procedures, methods and techniques.
- it calls for new perspective, insights and understanding.
- it stresses on people's participation and inter-group collaborations.
- co-ordinates the tasks relating to policy formulation and implementation.
- brings structural and behavioural changes in administration.

UNIT 3 EVOLUTION

Structure

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Genesis of Development Administration : The 1950s
- 3.3 Development Administration in the 1960s
- 3.4 The Thrust in the 1970s
- 3.5 The Trends in the 1980s
- 3.6 Let Us Sum Up
- 3.7 Key Words
- 3.8 References
- 3.9 Answers to Check Your Progress Exercises

3.0 OBJECTIVES

After studying this unit, you will be able to :

- understand the evolution of development administration as a discipline as well as a process;
- explain various approaches to the study of development administration; and
- discuss the recent trends in the theory and practice of development administration.

3.1 INTRODUCTION

The concept of 'development administration' has appeared on scene mainly after the Second World War. The problems faced by the nations of Asia, Africa and Latin America which got free from the colonial rule in 1940s were altogether different than the problems of the developed nations. Consequent upon the positive policies and programmes made by the developing nations to help the under-developed or developing ones, the concept of Development Administration caught the fancy of the scholars to understand and analyse this concept and the role which Public Administration could play in meeting out the challenges. In this unit, we will discuss the evolution of development administration as a discipline as well as a process and also emphasise on various approaches to the study of development administration. Lastly, we will highlight the recent trends in the theory and practices of development administration.

3.2 GENESIS OF DEVELOPMENT ADMINISTRATION : THE 1950s

Ushering development in the developing and under-developed countries, the concept of development administration emerged. Besides, the success in dealing with the effects of depression and Second World War, the Marshal Plan for the reconstruction of Western Europe, and the process of decolonisation provided the requisite background amounting to the coining of the theory of development administration. It was an Indian scholar, Goswami, who used the concept for the first time in 1955. Later on good number of scholars all over the world have contributed to its enrichment.

Classical economists' view on development has been the important basis of the development theory in the 1950s with emphasis on increase in the GNP or per capita

income. The economic growth model based on the Keynesian economic approach (macro-economic approach) which paved the way to development thinking sought to transform the ascriptive, particularistic and functionally diffused underdeveloped societies into the one having modernisation-achievement orientation, universalism and functional specificity. Besides Economics, disciplines like Political Science and Sociology, which viewed the underdeveloped society as a closed traditional society stagnating in primitive isolation, also contributed towards the concept of development administration.

It was the Instrumental Theory of Administration and popular Government which occupied the front rank in the development administration model in 1950s and early 1960s. This theory generated prescription or normative approach viewing administrative reforms as a precondition to development. The government became a crucial instrument in designing and administering goals for achieving developmental objectives. It was argued that the twin objectives of stability and growth could be achieved if the government designs monetary and fiscal policies. It amounted to the concept of planned development having the assumption that the developing countries could be helped to develop with the aid of western technology of administration. The important ingredients of the development administration model were :

(i) establishment of planning institutions and agencies; (ii) improvement of the Central administrative systems; (iii) budgeting and financial control; and (iv) personnel management and organisation and methods. This model had stress on (i) reforming the administrative structures; (ii) creation of new agencies improving the administrative technology in terms of methods; and (iii) procedures and practices on the lines of western-administrative thought.

The theories propounded by Weber, Gullick, Taylor and others were implanted into the administrative practices in the developing countries. In order to ensure the validity of such techniques and methods in the developing nations' environment, the administrative techniques and methods developed in the West were to be injected.

The administrative values prescribed in this period were efficiency, economy and rationality. Besides, the principles of professionalism, hierarchy, unity of command, formalisation and impersonality, span of control, authority commensurate with responsibility, staff and line, decentralisation and delegation of authority became the basis of organisational structure.

Administrative development was another aspect which drew the attention of academics and executives during this period. Personnel administration reforms centred on the problem of setting up merit systems, position classification schemes, and central personnel agencies. The introduction of the concepts of performance or programme budgeting in the US were termed as crucial for improving efficiency and rationality in decision-making. During 1950s and early 1960s, which is considered as 'Technical Assistance Era in Public Administration', the US alone spent \$ 180 million on aid for Public Administration, stress was also on training of administrators to capacitate them to cope with the complex problems of development. In the training programmes, techniques, like role-play, Case Method, T-groups, etc. were made use of. The Technical Assistance Programme insisted on creating training institutions in many a countries of Asia, Africa and Latin America on the one hand and imparting training to the people from these countries in one donor country on the other. However, there was an adaptation gap between the training programmes and the needs of the recipient country. It has been argued by Esman that the rationale behind the technical assistance was as follows :

- 1) Economic growth and modernisation occurs through a deterministic sequence of stages. All societies are destined to participate in this beneficial evolution, but it can be accelerated by wise policy.
- 2) Development can be facilitated by transfer of resources and technologies from advanced to underdeveloped countries. Imparted capital speeds up growth, while technology increases efficiency and facilitates modernisation.
- 3) State is a benevolent institution and the principal instrument of development. The Roosevelt reforms and the Keynesian prescription for economic management all required a proactive state.
- 4) Balanced development requires the mastery of modern science, including the science of economics and control of the main levers of public policy.

Development decisions should be in the hands of benevolent technocratic planners, protected by enlightened, modernising political leaders.

- 5) Bureaucracy is the main vehicle and exemplification of modern administration. When its members are adequately trained and equipped with appropriate technologies, it can be a reliable and effective instrument of modernising elites.
- 6) The attentive public, specially the leaders of the developing countries eager for growth and modernisation, will sacrifice other values in order to achieve these goals, and welcome the material contributions and intellectual tutelage of westerners.
- 7) The transformation from backwardness to progress will be rapid and benefits will be widely shared. Since economic growth produces full employment and increased labour productivity, there is little need for explicit concern with distributive issues.
- 8) Development will yield enhanced well-being as well as the preconditions for political democracy, but these depend on the maintenance of political stability. Since premature democratic participation could overload and destabilise fragile political institutions, it should not be emphasised during the transition period.

Check Your Progress 1

Note : i) Use the space given below for your answers.

ii) Check your answers with those given at the end of the unit.

- 1) Discuss the key elements of development administration model.

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- 2) Briefly mention the proposition of the Technical Assistance Approach given by Esman.

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3.3 DEVELOPMENT ADMINISTRATION IN THE 1960s

Failure of Technical Assistance Programme in Public Administration

It could be said that the Technical Assistance Programme advanced the principle of emulative development administration for building up of administrative capabilities in a prescriptive manner. However, it has been criticised by many a scholars. Dwight Waldo, for example, has termed it as "naive" and "a sad waste of scarce human resources". The reasons for the failure of technical assistance can be summed up as follows :

- 1) The applicability of the development model was taken for granted in all countries, ignoring the relevance of environmental context to administration and technology;
- 2) The concepts like efficiency, economy and rationality might be differently interpreted by the developing or recipient country than the meaning given to them in the West;
- 3) It was planning without implementation. Furthermore, since planning has social, economic, political and cultural dimensions also, many proposals for administrative reforms, for example, could not be implemented for the lack of political support and support from even the bureaucracy.

- 4) Protagonists of Technical Assistance Programme did not have adequate knowledge and information about administrative problems of specific sectors, like agriculture, health, education, industry, labour, population control etc., which was much needed to be dealt with in more details.
- 5) The modern administration/management techniques like CPM, PERT, Linear Programming, network analysis, long-range planning and forecasting, cost-benefit analysis etc., were not included for the purposes of transfer to the developing countries.
- 6) Administrative reforms attempted during this period concentrated mainly on structural change and not on attitudinal change.

The technical assistance approach to development administration has been criticised by Esman when he offers the following views :

- 1) Neither economic growth nor institutional modernisation are unilinear or historically inevitable. Economies may stagnate, institutions may decline in effectiveness and societies may fail to deal with their central needs. The benefits of rapid economic growth, especially, derived from mainline urban-industrial investment model, have been skewed towards a relatively small minority in the modern sector, leaving rapidly increasing majorities especially in rural areas as impoverished, insecure and powerless as they were three decades ago.
- 2) Confidence in the efficacy of planning, in science and in the benevolent role of the State have also been shaken. Most of the States of the Third World have taken on vast new functions in economic management and the provision of public services. The size of their bureaucracies has expanded and so have their budgets, but many have proved to be incompetent or repressive and sometime both.
- 3) Public Administration is being looked now as a plural rather than a universal phenomena. In the words of Esman, "the management of Central bank, of a research station, of a postal service, or of a small irrigation system confront the analyst with different administrative requirements even within the same political system. Regular (e.g. Police), promotional (e.g. co-operatives), service (e.g. health clinics), construction (e.g. road building) activities directed at the same rural public produce distinctive set of problems and require different treatment"

The early development theorists ignored the issues of agency-client linkage and the impact of administrative action on the clients. This approach resulted in urban bias at the cost of rural periphery.

The Contributions of the Comparative Administration Group (CAG)

It was Fred W. Riggs, under whose chairmanship the Comparative Administration Group was formed in 1961 by the American Society for Public Administration. The CAG was made to carry out research in Comparative Administration with special focus on the problems of development administration. The financial support to the CAG was given by the Ford Foundation, which was interested in the analysis of the relations between administrative system and its socio-political, economic, and cultural contexts.

The Group felt that as the classical concepts of administration in the third world were rigid, narrow, and parochial and thus unfit in explaining for the cross-cultural situations as these concepts were unable to answer the irrational, informal, and emotional behaviour of administration. Further, the postulates of conventional organisational theory were suitable only for "maintenance needs" rather than for "development needs". The technological-managerial school having emphasis on planned and managed change, was challenged by the Ecological School which insisted on relating the organisational structures to other social structures. It resulted into the idea that sociological context of administration is more relevant than mere 'organisational change and personnel manipulation'.

The scholars in CAG insisted on a comparative analysis of the administrative systems of the third world. The Group also advocated concentration on the strategies and requisites for attaining public policy goals in the developing countries. The Group which organised its activities through various seminars, symposiums, conferences and evolving committee system, published more than 100 occasional papers. It is a fact that the Group initially shared the assumption of technical assistance experts, but it was not without questioning. The studies carried out by the CAG assumed

developmental thrusts in the context of a "belief in the possibility of (initiating and) managing change by purposive intervention by administrative institutions". As a result of its efforts, the Group was able to innovate many concepts viz : Systems Analysis; Patterns Variables; Traditional-Modernity Dichotomy; Information Theory and Pluralism.

The 1960s ushered in a period of evaluation of results, doubts and repetition of old strategies. It was also a period of a search for new concepts or analytical constructs which have cross-cultural validity. The Public Administration academics sought alternative approaches to development administration. They sought to examine the relationships between Public Administration and social, economic, political and cultural environment. In other words, Public Administration was seen in 'ecological perspective'. The most renowned exponent of this approach has been Fred Riggs. We shall discuss his views in some detail below.

The Contribution of Fred W. Riggs

Riggs has criticised the development administration model by observing that GNP increase may not necessarily lead to improving the real life conditions of the people. Thus increase in the per capita income does not serve as an indicator of development. He has rather preferred the physical quality of life indicators and social and psychological quality of life index as the success of a development policy.

Riggs has analysed the structural functional features of the social and administrative systems of the developing countries in his industria-transitia-agraria formulation. He puts the developing countries in the category of prismatic society which is caught in between tradition fused and modernity defracted and is undergoing the process of social change. The ecological approach provided a vision that reflected interest in the examination of the relationship of non-administrative factors to administrative ones. Administrative aspects, it is argued, cannot be explained and analysed in their abstract forms where effective behaviour, despite the establishment of formal political and administrative institutions, is still guided in modern traditional societies, to a great extent, by traditional structures and pressures, family, religion, region, caste and persisting socio-economic practices. Therefore, an attempt is made to understand the socio-cultural and administrative factors as related to the implementation of Technical Assistance Programmes. The strong primary group affiliations and conservative mode of thought, where not much importance is given to the factors of accuracy, promptness and time, have behavioural implications.

The Empirical Approach to Development Administration

The period of the 1960s also saw a shift from normative approach to empirical approach. This approach was undertaken to make a systematic study of the processes of institution-building basic to the technical assistance enterprise of the United Nations and other aid agencies. The fundamental units of analysis were the structures and their functions in different systems having parallel characteristics. It is in contrast with the normative approach in which the main aim is to prescribe ideal or atleast better patterns of administrative structure and action. This approach is implicit in most of the so-called principles of Public Administration works of Woodrow Wilson, L.D. White, Fayol, Gullick, F.W. Taylor and others. It reflected American practice as a model, especially for the people of the third world countries. This category includes numerous reports and studies by experts, visiting consultants, technical assistants, and by some western trained Public Administration specialists of the new States. The basic orientation is the quest for ideal patterns and the identification of difficulties and obstacles to be overcome and problems to be solved. Such endeavours seek to identify the universals of the administrative process.

Check Your Progress 2

Note: i) Use the space given below for your answers.
ii) Check your answers with those given at the end of the unit.

1) What are the weaknesses of technical assistance approach?

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2) How did CAG contribute to the understanding of development administration?

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3.4 THE THRUST IN THE 1970s

Review of Development Strategies of the 1960s

By 1970s not only the meaning of development underwent change in so far as development goals were conceived in terms of meeting basic human needs but also the development administration model, to meet these objectives, saw changes in strategies and substantive programmatic actions. The shifts in the approaches to the study of the theory and practice of development administration were also discernible. Public Administration shed its love for uni-directional emphasis. This period of the second U.N. Development Decade, however, began in the background of report of the Commission on International Development on Technical Assistance Programme in 1969. The report has made it vividly clear that the focus of the 1960s on administrative modernisation depicted as a technical process involving the export of western administrative methods, procedures and practices to the newly Independent States needs a review and recast. It has been pointed out that the local people were, though poor, yet not so irrational in decision-making. The development administration problems were rooted in the political economy of the aid receiving countries and stressed on inter-theoretic linkages to social explanation.

The Political-Economy Approach

Many scholars sought to explain the dynamics of societal transformation and management of change by undertaking political-economy approach which attempted to seek politics-administration union and economics-administration confluence. It was asserted that administrative questions are political questions. The political economy paradigm seeks to relate administration to political and economic environment. This paradigm which is concerned with both political and economic dimensions of decision-making and resource allocation deals with "organisational constitution" and "internal polity". In the words of Mohit Bhattacharya, "Theoretical formulations in line with the classical study of political economy—explore relationship between political and economic power in society." The political-economy approach subserves 'goal paradigm' and 'rational model'. These new concepts refer to the concepts of power and action. The thrust of the paradigm consists in examining development administration in the context of power-relationships and in terms of the real process of conflicts and their resolution. The political-economy paradigm provides for the analysis of the context of administration.

The Ecological Approach

Many a scholars have attempted to understand development administration with an ecological perspective. The ecological approach has been applied to relate Public Administration with social, economic and political-cultural structures of the country. It has been argued that development is a holistic concept. There is a growing realisation that political development is necessary for national development and administration. Thus political environment acquires a special significance in relation to the 'ability of Public Administration to play its role in the national development'. The politics-administration dichotomy principle is not a favoured principle now, specially in practice. It is a known fact that administration plays a decisive role both in policy making and its implementation. On the other hand political environment provides a conditioning effect on administrative environment in so far as effective and efficient administrative performance requires the support of political executive. Even

the question of administrative reforms is a political question. Moreover, it is stated that development is dependent on strong political institutions and practices. If the bureaucracy is more developed than the political leadership and structures, it might lead to negative impact on development efforts. It may be said that political context provides strategic opportunities for accomplishment. This political framework must be taken into account while studying development activities.

The cultural context also plays an important role in determining administrative performance. Both goals and methods shall have to be related to these ecological factors. In the words of M.J. Esman, "At both project and programme levels of action behaviour that produces and protects innovation depends on combinations of sanctions and incentives that meet the tests of political and cultural feasibility. Available incentives and sanctions are not only individual and economic, but also collective and non-material, the latter especially are derived from indigenous culture and experience". The point here is that special characteristics of a country prescribe a different role for its government and administration. It is equally important to have the economic and sociological understanding of administration in developing countries. The economic and social dimensions of development administration are a part of the process of nation-building and socio-economic progress. The administration creates conditions for economic development by mobilisation and better utilisation of resources on the one hand and by determining the extent and context of training to be given for modernising labour forces on the other. The importance of social development has also been recognised in the 70s. Many organisations have argued for introducing programmes and policies and evolving relevant strategies to bring about change in the minimum standards of living of the people and to ensure human dignity. This is the focus, for example, of Declaration on Human Rights, Declaration on Social Progress and Development and the New International Economic Order. The emphasis here is on the reduction of poverty, improved delivery of social benefits like education, health, nutrition, transport etc. and removal of socio-economic disparities in the society.

Basic Needs Approach to Development Administration

By the end of 1960s and early 70s, it was experienced that poverty, hunger, squalor, unemployment have been on the rising scale despite achievements in the area of economic growth. The role of human factor in development process began to attract the focus of the students of development and development administration. How to provide the millions and millions of poor people with the bare minimum of life became a major concern of the scholars as well as the policy makers. Meeting the basic needs of food, clothing and shelter, along with education and public health became the indicator of development. Thus development acquired a social and economic meaning during the U.N. Second Development Decade (1971-81) instead of economic growth. The concern was obvious for qualitative change rather than mere quantitative one. It was realised by the developmentalists of this period that the GNP (Gross National Product) model has benefited only a small minority of the rich and privileged persons who were already an entrenched class. The need for new economic framework and accordingly a new approach to development administration was felt. The economists like G. Myrdal argued in favour of social and institutional preconditions for progress. This called for the adoption or creation of new strategies as well. A group of scholars from Third World Forum also advanced the new framework of development, more so in the year 1975 when they met at Karachi. The development ideology as has been mentioned by Marc Nefrim, was characterised by need orientation, ecological orientation, self-reliance orientation, rural development orientation based on development and creation of endogenous techniques and institutional structures. The objectives of development were identified as reduction and removal of poverty, inequality, hunger, squalor, disease, illiteracy, unemployment and malnutrition. Thus the impact of economic growth occupied central place instead of the increase in the production of goods and services per se. In other words, the problem of increased production was to be seen along with the problem of distributive justice. The process of efficient and fair/social choices became a matter of analysis for the students and practitioners of Public Administration. Anti-poverty planning and policies aiming at the removal of disparities were treated as key elements of this new developmental thought. N. Islam and G.M. Henault have presented this shift as follows :

From	To
Industrialisation	Agriculture
Urbanisation	Rural Development
Market Determined Priorities	Politically Determined Basic Needs
GNP Per Capita	Welfare of Individual
Capital Intensive	Labour Intensive
Top Down Planning	Participative-Interactive Planning
Parallel Development of Sectors	Integrated Development of Sectors
Foreign Dependence	Self-reliance
Advanced Technology	Appropriate or Intermediate Technology or Inherent Technology
Economic Orientation	Socio-Economic Political Orientation
Service Oriented Rural Development	Production-Welfare Rural Development

De-bureaucratisation and participatory management were regarded as the appropriate strategy to implement this shift. The development of regional, local and sectoral structures was focused upon rather than central organisations. Moreover, rural development became a new management strategy for development. The implication is the design of a strategy to improve the socio-economic conditions of the life of the rural poor. The key elements of this approach are : satisfaction of the basic needs, increase in production in the agricultural sector, development of labour-intensive technology for agriculture, providing the services of credit, technological information, marketing facilities and assistance, seeds and fertilisers to the peasants and small and marginal farmers. However, the problem is to find an appropriate organisational/administrative model to achieve these goals. Some scholars have suggested the following strategy for development :

- 1) **Decentralisation and Devolution** : Decentralisation in administrative language means delegation of authority from the functional department to the regional and local to formulate and implement projects, to allocate funds and to raise resources. Decentralisation is also political when provincial, regional and local governments work under autonomous regions of authority and functions. Devolution of powers and authority implies creation of autonomous administrative institutions and agencies at various levels having freedom to plan and implement development projects and programmes.
- 2) Strengthening of local self governments and creation of intermediary organisations.
- 3) Peoples' participation in plan formulation and implementation.
- 4) Development of communicational co-ordination and integration channels.
- 5) Removal of negative socio-political conditions e.g. rural, social and class structures—persistence of dependency-relationship-factional politics.

3.5 THE TRENDS IN THE 1980s

The 1980s present a third world view of development administration in which attention has been given to indigenous concepts, methods and theories of development and administration. Arvind Singhal mentions two contemporary approaches to development (1) pluralistic, recognising many pathways to development (2) less western in their cultural assumptions. These approaches stress on the new socio-economic goals and strategies. The works of Roger Korten and Klaus Bijur, Bryant and White have identified the following as key elements of the modern approaches to development administration: (1) greater equality in distribution of development benefits (2) popular participation, knowledge-sharing and empowerment to facilitate self-development efforts by individuals, groups and communities (3) self-reliance and independence in development, emphasising the local resources mobilisation and use (4) the problem of containing the population-increase, and (5) integration of appropriate technology with big modern technologies in order to facilitate development. Development administration theory today focuses upon the involvement of non-government, voluntary and community organisation in the

development process and emphasises localised, decentralised and participative approaches to development administration. The shifts in development administration theory in the 80s have been very well summarised by Arvind Singhal who sees Learning Process Approach and People-Centred Approach replacing Blue-Print Approach and Production-Centred Approach respectively.

Blue-Print Approach to Learning-Process Approach

The conventional development administration theory was concerned with preparing blue-print for administering a development programme. This approach involves designing a specific plan of action in advance for implementing a development project. Lately, this approach was found inappropriate in so far as it is rigid and closed and, therefore, unable to respond to the needs of a changing environment. Hence, many scholars prescribe a learning process approach which is not only a relatively open-ended strategy to planned social change, but also involves a cybernetic process by which development administration can adapt themselves to changing environment and incorporate mid-course corrections, based on existing local conditions. Distinguishing the two approaches, A. Singhal states, "The blue-print approach emphasises advanced planning for the people. The learning process approach emphasises planning with the people and doing so during the process of administering a development programme." The philosophy of action-learning repudiates the management theory and lays stress on learning by experiences of each other. The action-learning approach attempts to look at oneself and others around oneself and seek solutions rather than look beyond the shores for chosen people to raise them from impoverished conditions in which they live.

The Participatory Approach to Development Administration

This approach is also termed as people-centred approach. The approach stresses upon peoples' empowerment and promotion of psychological strength so as to enable the people relate themselves with the officials on a partnership basis. It is based on developing community action through people. The key elements of participatory approach include :

- 1) respecting the ideas of employees and the beneficiaries without evaluation or criticism;
- 2) raising of certain diagnostic questions of what the administrators are doing;
- 3) stimulating ideas from all levels and acceptance of good ideas for implementation; and
- 4) attitudinal change by different ways and close observations and discussions among officials and the people.

The major theme of participatory or people-centred approach is the growth to capacity via equity. It concentrates on the distribution of development benefits economic as well as social. Equity became a primary issue in development plans and programmes. The concern for equity reinforced participation and micro-level concerns. These concerns focused on direct attack on poverty and rural development. The set of priorities in the people-centred approach, says Esman, includes :

- 1) an emphasis on reaching large mass of public often in remote areas;
- 2) developing programmes that are responsive to their very diverse needs, capabilities and preferences;
- 3) organising the public so that they may interact more effectively with the service-providing agencies of the State;
- 4) devolution to constituency organisation and the fostering of local action capabilities;
- 5) innovation of appropriate services and practices in support of basic needs strategies, not the plantation of established and replicable techniques. However, it may be mentioned here that some Western administrative methods and practices like record-keeping, monitoring and reporting methods, public information procedures etc. may provide useful assistance to programmes oriented to poor masses.

The participatory approach to development administration provides a link between beneficiary needs, programme outputs and the efficacy of the assisting agency. The effective popular involvement in decision-making and decision-implementation through local skills, knowledge and institutions like local self governmental institutions or voluntary agencies is given importance. The participatory development

involves leadership and teamwork, besides sharing of knowledge and resources between the beneficiaries and the programme officials. The people-centred approach also lays emphasis on sustainability of development programmes and creating opportunities for change. This objective can be achieved by (1) creating a felt need among beneficiaries about the efficacy of the programme (2) developing institutions which continually adapt (3) providing (or self-generation) of resources and (4) building support among political elites and community groups.

Check Your Progress 3

Note: i) Use the space given below for your answers.

ii) Check your answers with those given at the end of the unit.

1) Discuss the key elements of the modern development administration theory.

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2) What are the features of people-centred approach?

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3.6 LET US SUM UP

The preceding discussion on evolution of development administration shows that it has emerged only very recently in the last four decades as the study and practice of induced socio-economic change in the developing countries. Beginning in the 1950s as a study of foreign aid, it has come to mean the approaches and strategies indigenously developed by the Third World. The techno-managerial approach showing great faith in big government and administrative changes to match the expanding functions of the State, ecological approach, basic needs approach and social justice approach to the study of development administration have also been discussed in this unit. It may be concluded, as has been stated by Arvind Singhal that in the 1950s and 60s, development was viewed as a process by which traditional Third World society could be transformed into a modern western society. A general optimism about development was then widespread among both academic scholars and government officials. In the 70s it became increasingly apparent that western theoretical models did not successfully predict development in the Third World countries of Asia, Africa and Latin America. Optimism about development turned into pessimism and a questioning instance about development characterised the 1970s. The main viewpoint about development (and development administration) in the 1980s is pluralism, a willingness to recognise many pathways to development. Present day development approaches emphasise greater equality, self-reliance and people's participation.

3.7 KEY WORDS

Basic Needs : Food, shelter, clothing, education and health.

Ecology : The study of the relationship of a system with its environment. The environment includes the physical, cultural and social aspects of the system.

Normative : Pertaining to value judgements or standards. Originated from the word "norm", meaning—a rule or value that provides a generally accepted standard of behaviour within a group.

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3.9 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Your answer should include the following points :
 - it was the instrumental theory of administration and government which did occupy the front rank in the Development Administration Model.
 - it amounts to the concept of planned development having the assumption that the developing countries could be helped to develop with the aid of western technology of administration.
 - the important ingredients of the model are (i) establishment of planning institutions and agencies; (ii) improvement of the Central administrative system; (iii) budgeting and financial control; and (iv) personnel management and organisations and methods.
 - this model stresses on (i) reforming the administrative structures; (ii) creation of new agencies improving the administrative technology in terms of methods; and (iii) procedures and practices on the lines of western-administrative thought.
- 2) Your answer should include the following points :
 - economic growth and modernisation occurs through a deterministic sequence of stages.
 - development can be facilitated by transfer of resources and technologies from advanced to underdeveloped countries.
 - State is principal instrument of development.
 - development, which is balanced, needs the mastery of modern science which should include the science of economics and control of the main levers of public policy.
 - training could make the bureaucrats perform better and it is much needed because modern bureaucracy is the backbone of modern administration.
 - it is expected that the leaders will welcome the material contributions and intellectual tutelage of westerners.
 - the transformation from backwardness to progress will be rapid and benefits will be widely shared.
 - depending on the much called maintenance of political stability, the development will yield enhanced well-being as well as the pre-conditions for political democracy.

Check Your Progress 2

- 1) Your answer should include the following points :
 - the applicability of the development model was taken for granted in all countries, ignoring the relevance of environmental context to administration and technology.
 - the concepts like efficiency, economy and rationality might be differently interpreted by the developing or recipient country than the meaning given to them in the West.

- many proposals, for administrative reforms, for example, could not be implemented for the lack of political support and support from even the bureaucracy.
 - modern management techniques were not included for the purposes of transfer to the developing countries.
 - Administrative reforms attempted during this period concentrated mainly on structural change and not on attitudinal change.
- 2) Your answer should include the following points :
- the classical concepts were often seen as inadequate in responding to the new administrative realities of the Third World as they were considered to be rigid, narrow and parochial and therefore were unfit in explaining for the cross-cultural situations.
 - the American Society for Public Administration formed CAG in 1961 with Fred W. Riggs as its Chairman to carry out research in comparative administration with special focus on the problems of development administration.
 - the efforts of the CAG were able to innovate many concepts like systems analysis, patterns variables, tradition-modernity dichotomy, information theory, pluralism and others.
 - Riggs has offered criticism of the old model of development administration by observing that an increase in the GNP may not necessarily mean improvement in the real life conditions of the people.
 - Riggs prefers the physical quality of the indicators and social and psychological quality of life index as the success of development policy.
 - the 1960s ushered in a period evaluation of results, doubts, and repetition of old strategies.

Check Your Progress 3

- 1) Your answer should include the following points :
- greater equality in distribution of development benefits.
 - popular participation, knowledge-sharing and empowerment to facilitate self-development efforts by individuals, groups and communities.
 - self-reliance and independence in development emphasising the local resources mobilization and use.
 - the problem of containing the population increase.
 - integration of appropriate technology with big modern technologies in order to facilitate development.
- 2) Your answer should include the following points :
- respecting ideas of employees and beneficiaries without evaluation or criticism.
 - raising of certain diagnostic questions of what the administrators are doing
 - stimulating ideas from all levels and acceptance of good ideas for implementation.
 - attitudinal change by different ways and close observations and discussions among officials and the people.

UNIT 4 GROWTH OF DEVELOPMENT ADMINISTRATION

Structure

- 4.0 Objectives
- 4.1 Introduction
- 4.2 The Planned Change
- 4.3 Land Reforms in Independent India
- 4.4 The Community Development Programme
- 4.5 The Democratic Decentralisation in India
- 4.6 The Approaches to Development and Development Administration
- 4.7 Administrative Development in India
- 4.8 Let Us Sum Up
- 4.9 Key Words
- 4.10 References
- 4.11 Answers to Check Your Progress Exercises

4.0 OBJECTIVES

After studying this unit, you should be able to :

- identify the various stages from 1950 till date through which the development administration has evolved and grown
- explain the role of various techniques, strategies and structure in development administration and
- discuss the various approaches to development as adopted in India.

4.1 INTRODUCTION

At the time of Independence, India faced numerous challenges and problems, like, hunger, disease, unemployment, etc. coupled with shortage of skilled manpower to be made use of for meeting these problems. Besides, the country had more or less a semi-feudal social structure meaning thereby the concentration of wealth in a fewer hands. The need of the hour was to put the nation on the rails of development for the benefit of all. To begin with, the process of planned change was ushered into both for meeting the challenges as well as the planned change. The strategies and programmes adopted for the same are analysed in the following pages.

4.2 THE PLANNED CHANGE

India adopted the strategy of planned change which implied among other things that planning was to be the basic strategy of social reconstruction. Planning was to be used as an instrument of socio-economic progress and nation-building. It was recognised as central to the societies where public sector has to play a role of commanding heights in the economy so as to fulfil the expectations and aspirations of the people. Thus planning was regarded as a conscious effort to achieve the desired objectives.

In 1936 Dr. M. Visveswarayya underscored the need for planning for industrialisation of the country. He suggested a 60 member advisory body from different social sections and interests for the purposes of plan formulation and execution. He also recommended the setting up of a Planning Commission, responsible for day-to-day administration, and a Development Department at the Centre and Economic Councils in the provinces.

The Congress after assuming power in the provinces in 1937, recommended the establishment of an Expert body for evolving schemes for national reconstruction and planning. As a result of it, in 1944, a planning committee under the chairmanship of Pandit Nehru was formed. It published 3 plans—the Bombay Plan, the Gandhi Plan, and the Peoples Plan. A Planning and Advisory Board was formed in 1946. The major aim of these efforts was to bring about rapid improvement in the living standards of the people.

After Independence, efforts were made to bring forth development and to fulfil basic needs of all concerned in accordance with the spirit of the Constitution through planned moves. The brief enumeration of the aims and objectives of the planning is as follows :

- 1) Growth of National Income
- 2) Reduction of inequality of income and inequality in the ownership of means of production.
- 3) Prevention of concentration of wealth in a few hands.
- 4) Reduction in unemployment and removal of poverty.
- 5) Provision of basic human needs.
- 6) Conservation of ecology and environment protection.
- 7) Self-reliance of the national economy.

A simple analysis of the objectives mentioned above will explain that the objectives of planning are basically aimed at securing growth with social justice and generating self-reliance.

The Planning Commission

For the formulation, implementation, and administration of plans, the central cabinet adopted a resolution on March 15, 1950 to set up the Planning Commission with the following features of its organisational set up.

- 1) It is a plural body with multi-member organisation.
- 2) It has two types of members : full time members and part time members.
- 3) The size of the Planning Commission in terms of number of its members is not fixed.
- 4) It is a mix of staff and line agency.
- 5) It is a mix of political representation and the varied socio-economic expertise.
- 6) The Prime Minister is the chairperson of the Planning Commission.
- 7) The full-time members are in charge of various divisions and sections through which the Planning Commission functions.
- 8) There are programme advisors in different divisions.

The other officers of the Planning Commission are known as chief consultant and joint advisors.

The organisation of Planning Commission as on 15.3.1991 was as follows :

- 1) Chairperson—Prime Minister.
- 2) Deputy Chairperson—Minister of Planning and Programme Implementation.
However, it appears that it is not necessary for the deputy-chairperson to hold this portfolio. For instance, last two governments at the centre appointed full time Deputy Chairperson.
- 3) The following Ministers of the Central Government are the part-time members of the Commission:
 - A) Finance Minister
 - B) Agriculture Minister
 - C) Energy Minister
 - D) Industry Minister
 - E) Minister of HRD (Human Resource Development)
 - F) Minister of Environment and Forest
 - G) Minister of Law and Justice and Water Resources
 - H) Minister of State for Planning and Programme Implementation.

Besides, there are 6 full time members of the commission drawn from the fields of economics, engineering, agriculture etc. They are the experts with long experience in the respective areas.

The Planning Commission, being a composite organisation, gives collective advice on all important matters.

The functions of Planning Commission are assessment of resources, formulation of plan, determination priorities, augmenting of scarce resources, monitoring and evaluation of plans.

The Planning Commission performs variety of functions covering the entire economy of the nation. It is concerned with the issue of financial resources, international economics, development policies, socio-economic research, labour, employment and manpower, plan co-ordination, monitoring and evaluation, rural development, village and small industries, education, rural energy, social welfare and nutrition, communication and information, health and family welfare.

The Committee on Plan Projects

In order to properly gear up the developmental activities through plan projects, a committee on Plan Projects was created in 1956. It includes the Home Minister (as chairman), and the Finance Minister, Deputy Chairman of the Planning Commission, and two Chief Ministers to be nominated by the Prime Minister. The functions of this committee are :

- 1) To organise investigation, including inspection of important projects, both at the Centre and States through specially selected teams.
- 2) To initiate studies aiming at evolving appropriate form of organisation, methods, procedures and techniques for economical and efficient execution of projects.
- 3) To implement the recommendations made in reports submitted to it.
- 4) To perform such other functions as may be assigned to it by the National Development Council for the promotion of efficient implementation of the plan.

The committee, however, is not in existence since 1970 as a separate institution.

The Programme Evaluation Organisation (PEO)

Under the general guidance and direction of the Planning Commission, the Programme Evaluation organisation was created in 1952 for evaluating the Community Development Programme and Intensive Area Development scheme. Later on its sphere of operation was enhanced including therein the evaluation studies of plans, programmes, and co-operation, health, family welfare, rural industries, rural development, public distribution etc. The PEO is mainly involved in :

- i) the appraisal of performance in the light of objectives and targets.
- ii) the assessment of the impact of programmes on beneficiaries and the social and economic structure of the community.
- iii) provision of services to the target groups.
- iv) rendering technical guidance to the state evaluation organisation and
- v) training of state evaluation personnel.

Another agency concerned with the formulation of development planning and policies is the National Development Council, which has the Prime Minister as its chairman, and the central ministers, the chief ministers, the Lt. Governors, members of the Planning Commission and the administrators of the union territories as the members. Briefly, the role of the NDC in the planning process is as follows :

- a) It acts as a link between the Union Government, the Planning Commission and the governments of the states.
- b) It prescribes the guidelines for the formulation of the National Plan.
- c) It considers the plan as formulated by the Planning Commission.
- d) It considers all important issues relating to social and economic development policy.
- e) It reviews the plans and suggests measures, to achieve the set goals of the plan including the steps to secure peoples active participation and co-operation, improve the efficiency of the administrative services, ensure the fullest development of the less advanced regions and sections of the community and build up resources for national development.

The importance of the National Development Council lies in the fact that it has been largely responsible for giving Indian Plan a national character and for ensuring national unanimity in approach and uniformity in working.

The Strategy of Planning

The major thrust of the planning was to evolve strategies to atleast minimise the problems being faced by the people at large. In order to have self-reliant economy, such thrust areas were picked up where state intervention is required. Keeping in view the vital and crucial role to be played by public sector in industrialization and modernisation, the state monopolised in the areas of atomic energy, defence, railways, airways, iron and steel, minerals, coal, ship building, air craft, electricity, etc. Even the Industrial Policy Resolutions of 1948, 1956 and 1978 clearly stated that the industries of basic and strategic significance and also those dealing with public utility services would be in the public sector. The state also aimed at providing fiscal and supportive measures to certain other industries to be set up in private sector.

To cope up with the problems of unemployment, under-employment and disguised employment, the state has taken good number of measures. Some schemes, like Jawahar Rozgar Yojna, National Rural Employment Programme, Rural Labour Employment, etc. along with the employment opportunities being provided in the public sector undertakings are landmarks in this regard. Besides, the financial incentives are also given to the rural as well as urban educated unemployed youth for starting self-employment ventures.

In the field of agriculture, the first step was taken in the abolition of Zamindari system, followed by various land reforms Acts like tenancy reforms and Land Ceilings Acts. The agricultural production was sought to be increased through introducing high technology in agriculture which is popularly known as green revolution. The purpose was to achieve self-sufficiency in food grains. However, the scheme was implemented only in some selected parts of Punjab, U.P., Haryana and Tamil Nadu. The measures ended in increasing food production to the level of self-sufficiency, yet it further widened the gaps between regional development levels.

Check Your Progress 1

Note : i) Use the space given below for your answers.

ii) Check your answers with those given at the end of the unit.

1) Describe the functions of the Planning Commission.

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2) Mention the objectives and strategies of planning in India.

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4.3 LAND REFORMS IN INDEPENDENT INDIA

The Objectives of Land Reforms

One of the major problems before the country at the time of Independence was unequal concentration of land ownership in the hands of few and prevailing conditions of semi-feudalism. As stated earlier, the country had a semi-feudalistic

structure of society having wealth concentration in few hands. To do away with this unequal distribution of wealth, the Poverty Alleviation became the priority item on the national agenda. It was believed to be achieved through Land Reforms on a quantitative and qualitative scale.

The Land Reforms Measures

The land reforms objectives were sought to be achieved through the following measures:

- i) Abolition of zamindari system
- ii) Tenancy Reforms
- iii) Imposition of land ceiling and re-distribution of surplus land
- iv) Consolidation of land holdings.

There were many intermediaries like Zamindar, Jagirdar, etc. between the state and the tiller of the land. This resulted not only in concentration of land in the hands of a few persons, but also in the neglect of agriculture and consequently decline in production adding more to the poverty of the peasantry. In other words "Land to the Tiller" became an accepted policy. Hence, many state governments passed Zamindari Abolition Acts in the early fifties. This measure gave ownership rights in land to about 20 million cultivators. Similarly, system of tenancy was also a source of exploitation of the poor peasantry in the village by the landlords. Hence Tenancy Reforms also aimed at extending the policy of land to the tiller. The Tenancy Reforms Acts provided for: regulation of rent; and security rights. However, the tenancy reforms have been ineffective because of lacunae in the tenancy acts, absence of proper records of land, lack of effective administrative machinery and interaction of lease, labour and credit market.

The land ceiling was also imposed in many states through legislation. However, there was no uniformity either in case of the limit or approach. For instance, the ceiling was 4 hectares in Gujarat as against 136 hectares in Rajasthan. It should be stated here that the objective of fixing the highest limit of the size of holdings was to eliminate inequalities in the ownership of land. These reforms, however, proved ineffective to achieve the objective again because of legal flaws, manipulation of law, loose definition of the term and too many exemptions from the application of land ceiling laws.

The Government of India, during 5th Five Year Plan, started giving financial assistance to the assignees of surplus land scheme so as to enable them to improve production and productivity. This grant was made available to the assignees of surplus land for the purposes of land development, minor irrigation etc. Such grant or subsidy was not to exceed Rs. 8000/- per allottee from all schemes together.

The consolidation of landholdings aimed at all round improvement in the production along with diversification of rural economy and provision of common services to small land-holders like community irrigation wells, scientific planning for irrigation etc. However, the progress in these areas also has been slow as only 518 lakhs hectares area has been consolidated up to 6th Plan period.

Implementation of Land Reforms

The land reforms programmes were sought to be implemented through the existing bureaucratic set up. The tall objectives of eliminating poverty, removal of exploitative socio-economic structures, increase in agricultural output were only partially obtained. While there were many politico-cultural factors responsible for tardy implementation, the administrative set-up also presented many problems to effective implementation of land reforms throughout the country. The administrative system was not prepared to respond to the demands of change. The principle of growth with equity remained largely unrealised because the administrative set-up was unresponsive to the hopes and aspirations of the targeted groups. The old colonial administrative practices and behaviours kept the beneficiaries away from the processes of implementation of these laws. The administrative non-performance is responsible mainly for the continuation of the practices of conceal or informal tenancy system. What is required is the establishment of new institutions to be manned by motivated administrators for implementation of the land reforms from time to time.

4.4 THE COMMUNITY DEVELOPMENT PROGRAMME

The introduction of Community Development Programme could well be termed as the beginning of development administration in India. The Programme was launched with the following objectives:

- 1) to secure total development of the material and human resources of rural areas.
- 2) to develop local leadership and self-governing institutions,
- 3) to raise the standard of living of the rural population by means of rapid increase in food and agricultural produce; and
- 4) to bring attitudinal changes towards life in the rural people.

The assumption was that the overall development of the rural community needed, people's participation supported by technical and other services. Moreover, there was also the realisation that the problems of rural development could be dealt with only in a holistic perspective rather than being tackled in an isolated manner.

The Institutional Arrangements

The CDP covered to begin with, 53 projects with wide ranging programmes for agricultural development along with the development of animal husbandry, rural industries, health, housing, education and communication in rural areas. The Programme was administered in phases at 5 levels—National, State, District, Block and Village. The unit of operation was the village and the block was taken as the main development unit. The Block Development Officer (BDO) was the chief executive officer who was to be assisted by seven extension officers who were experts in each of the following areas of rural development:

- a) agriculture;
- b) animal husbandry;
- c) rural industry;
- d) public works;
- e) social education;
- f) co-operative; and
- g) panchayats.

There were 10 village level workers (re-designated in many states now as village development officers) in each block. 10 villages were put under the charge of one VLW or VDO. The district collector and the development commissioners were made the executive heads of the CDP at the District and State levels respectively. At the national level separate wing known as community projects administration wing under the chairmanship of the Prime Minister was created. A separate Ministry of Community Development was formed in 1957.

The Government of the USA made a major contribution under the Technical Assistance Programme in terms of funds and technical assistance in implementing the programme. The rest of funding came from the centre and the state governments. For purpose of implementation the country was divided into development blocks and 55 projects as mentioned earlier, were launched. Each of the project covered about 3500 villages and about 300000 population. Each project was further divided into three development blocks each of which covered about 100 villages and a population of about 70000. About 1060 blocks were covered in the First Five Year Plan which extended to all the blocks by the end of the third 5 year plan.

Community Development Programme—An Evaluation

The Community Development Programme was viewed, at the time of its introduction, as a revolutionary step to bring about societal transformation in the rural areas. The Community Development Programme was innovative in so far as it provided a different machinery and a delivery system than the revenue administrative system to bring about socio-economic change. It represented an organised administrative system at all levels—national, state and local to execute the development programmes throughout the country. The programme was also the admission of the fact that social change is not possible unless the efforts are people-centred and involvement of people

in their development is not ensured. It underlined the necessity of comprehensive planning and long-term investments from government for the purposes of rural reconstruction. Another achievement of the community development was the recruitment and training of a large number of personnel and introduction of modern technology in agriculture, under the programme, many institutions such as farmers co-operative credit societies, primary schools, family welfare centres, hospitals and dispensaries were established.

However, despite some positive impacts of the Programme, it became clear by the end of the Third Plan that it failed to meet the hopes and aspirations of the policy-makers as well as the people. The rural socio-economic structure and problems continued as before. The elite forces in the rural areas governed the benefits from the Programme. The administrators either failed to understand the operational implications of socio-economic and cultural framework existing in the villages or they themselves were not favourable towards the welfare of weaker sections. The programme also failed in ensuring people's participation in either the formulation or implementation of the Programme. The objective of promoting attitudinal and cultural change could not be achieved. The bureaucratic response to the Programme was unsuitable in the context of complexities of rural socio-economic structures. The administration was characterised by redtapism, lack of proper co-ordination, inter-departmental rivalries, and the absence of well defined functional responsibilities at various levels. Inter-village and intra-village imbalances in the distribution of benefits was another outcome of the programme.

Check Your Progress 2

Note : i) Use the space given below for your answers.

ii) Check your answers with those given at the end of the unit.

- 1) Discuss the objectives of land reforms programmes in India?

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- 2) Discuss the objectives of community development programme.

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4.5 THE DEMOCRATIC DECENTRALISATION IN INDIA

The Panchayati Raj system in India was a product of the assessment of the progress or failure of the Community Development Programme in the country by Balwant Rai Mehta Committee report on the programme. Owing to the Gandhian approach to development and administration, the Panchayati Raj System was set up in India. Besides, the assessment of the success or unsuccess of the CDP also added to the factors responsible for the emergence of P.R. system. Through this system, it was sought to achieve a prosperous, genuinely democratic, and dynamic India. P.R. system introduced in 1959 had the following objectives:

- i) decentralisation;
- ii) participation in development administration;
- iii) replacement of vested interest with the widening mass involvement in the task of establishing a genuine socio-political and economic democracy;

- iv) linking taxes with benefits,
- v) planning from below;
- vi) increasing the agricultural production and productivity; and
- vii) involvement of the weaker, poorer sections in the development process.

Besides, some other objectives of the P.R. system as delineated in the 3rd Five Year Plan are:

- a) development of rural industries;
- b) fostering co-operative institutions;
- c) encouraging the spirit of self-help within the village community; and
- d) progressive dispersal of authority and initiative with emphasis on the role of voluntary organisation.

The Structure of Panchayati Raj

The Balwant Rai Mehta Committee had a different idea in view when it suggested a three-tier system of Panchayati Raj with freedom to the states to structure the system in line with their socio-political environment. One could see now that the thinking of Balwant Rai Mehta did not get the positive response and amounted to lack of uniformity in the implementation of the scheme. In Jammu and Kashmir, for example, only Village Panchayats were established while in Orissa Village Panchayats and samitis were established. However, there is no variation in case of the highest tier, i.e. the Zilla Parishad of the Panchayati Raj. Even there, the structure of Panchayati Raj includes Zilla Parishad at the district level, Panchayat Samiti at the block level and Gram Panchayat at the level of the village. Balwant Rai Mehta suggested that the 'Block' was to be the unit of planning and development with supervisory and controlling role left to the Zilla Parishad. Again, there is no uniformity in this regard. For example in Maharashtra, Zilla Parishad is vested with planning and developmental functions rather than Panchayat Samiti. The arguments advanced in favour of assigning these functions to the Zilla Parishad, among others, were as follow:

- A) District is the stable and easily manageable unit;
- B) District traditionally has been recognised as the administrative unit; and
- C) The technical manpower is already available at that level.

Next to the Zilla Parishad is the Panchayat Samiti at the block level. The village pradhans or sarpanches are the members of this important body apart from the co-opted and ex-officio members. There is reservation of seats for women, scheduled castes and scheduled tribes. In some states, the MLAs and M.Ps of the area are also the members. The chairman of the Samiti is elected by the village pradhans (Presidents of Gram Panchayat).

The basic unit of the Panchayati Raj is the village panchayat. This body is directly elected by the people of the village and ensures more direct involvement of development programmes. The civic and development functions are entrusted to the Panchayats in almost all the states. At the village level, there is another body called the Gram Sabha. It is constituted as an instrument of popular participation. The gram sabha considers the accounts and approves the proposals for taxation and plans for development submitted by the gram panchayat. However, the gram sabha enjoys these powers only in theory. The Sabha hardly meets and it has proved quite ineffective.

The number of members of the Panchayat varies between five to thirty seven. The Panchayat Act, as passed by the state fixes this number. The members are elected through the principle of one man one vote and secret ballot. The women and scheduled castes and tribes are also given representation in the Panchayat.

The Ashok Mehta Committee on Panchayati Raj

The Panchayati Raj system that was introduced with much fanfare and with multiple objectives could not be a success. It came to be treated mainly as an instrument of increasing agricultural production. "The activities of Panchayati Raj institutions were meagre, their resource base weak and the overall attention given to them viggardly." It was in this context that the Central Government appointed a Committee, popularly

known as Ashok Mehta Committee, to suggest steps to strengthen the Panchayati Raj institutions. The major recommendations of the committee, among others are:

- i) Replacement of three-tier structure with two-tier structure—one at the level of the district and the other at the Mandal Level;
- ii) The composition of various tiers is specifically given. The Zilla Parishad shall consist of (a) elected members from suitably demarcated wards, (b) Presidents of the Panchayat Samitis, (c) nominees of the bigger municipalities and the district co-operative federation, (d) two women, (e) two co-opted members one having special interest in rural development and one from the local teaching profession, and (f) representation to scheduled castes and scheduled tribes.

The Chairperson of the Zilla Parishad shall be elected indirectly by its members from amongst themselves.

The Mandal Panchayat shall have 15 members to be elected directly, including representation from farmers' service societies, women and scheduled castes and tribes.

- iii) Panchayati Raj institutions should be entrusted with 'compulsory powers of taxation';
- iv) Constitutional status should be awarded to Panchayati Raj system;
- v) Open participation by political parties in the elections to Panchayati Raj bodies;
- vi) Election to these bodies should be conducted by the Chief Election Officer of the state in consultation with the Chief Election Commissioner;
- vii) Regular social audit and monitoring by a district level agency to safeguard the interests of SCs and STs;
- viii) Creation of a Social Justice Committee in each Zilla Parishad; and
- ix) Ordinarily the Panchayati Raj institutions should not be superseded. In case supersession is unavoidable, their elections should be held within six months from the date of supersession.

As discussed under Section 4.5, the Panchayati Raj System was introduced in order to have development of all concerned by having their involvement and participation in the total schemes to be launched. For one reason or the other the results of the efforts made through this system could not be as grand as expected.

4.6 THE APPROACHES TO DEVELOPMENT AND DEVELOPMENT ADMINISTRATION

Regional Approaches

The first approach to development, specially rural development, was regional with emphasis on economic activities to be established in different sub-regions of the district. This approach is popularly known as Growth Centre Approach. The philosophy behind this approach is that the process of development in rural areas can be fostered by developing natural resources, build up infrastructural facilities and social services, and foster the growth of towns and cities in a manner that would help the district to develop in a directed way. The assumption is that each village could not be provided with those facilities simultaneously because of financial limitations and for reasons of economic efficiency. This approach is also known as Induced Economic Growth Approach.

Area Development Approach

The area development approach focuses on two points :

- i) development of optimum infrastructural facilities; and
- ii) spatial and-functional integration for the development of an area.

The purpose of these approaches was alleviation of rural poverty. In the last four decades, many area-based development programmes—Intensive Agricultural District Programme, Drought Prone Area Programme, Command Area Development Programme, and Desert Development Programme—were prepared and implemented. Since agriculture plays a very important role in the economy and in social life of the people, the area development strategy was considered essential. The Drought Prone Area Development Programme, was, for instance, envisaged in the seventh five year

plan to increase productivity from dryland and arid areas. The characteristic of such an area is maximum concentration of the poor and the unemployed. Hence, their development called for the use of appropriate technology of development. The Drought Prone Area Development Programme included six major sectoral areas including fisheries, irrigation, forestry, horticulture. Similarly, Desert Development Programme was another area based programme aiming at :

- i) afforestation;
- ii) maximum exploitation and conservation of water resources;
- iii) creation of water harvesting structures;
- iv) rural electrification; and
- v) development of agriculture, horticulture and animal husbandry.

The Target-Group Approach

The third approach to development is Target-Group Approach or Beneficiary Oriented Approach. This may also be termed as people-centred approach. It was realised that economic growth model of development which laid emphasis on trickle down theory (which believed that fruits of development will automatically reach to the people in rural areas. That is, the fruits will trickle down by themselves) was unsuitable to solve the problems of poverty and unemployment. Hence, it was considered necessary to undertake such programmes and projects which deliberately and in a determined manner aimed at reduction in poverty and lead to distributive justice. The main principle came to be economic growth with social justice. With this objective in view a number of target-group oriented programmes were implemented. Some of them have been:

- i) **Rural Manpower Programme:** It was initiated towards the end of 1960-61 to provide employment opportunities for hundred days to at least 2.5 million people. It ended in 1968-69. Again during the 4th Five Year Plan a special programme—Crash Scheme for Rural Employment was started for providing employment to 1000 people every year;
- ii) **Pilot Intensive Rural Employment Programme** was launched in 1972 in 15 selected community development blocks for a period of 3 years. The programme aimed at creating additional employment for unskilled labour, creation of assets, creation of new skills and to enter into some kind of manpower budgeting.
- iii) **Food for Work Programme** was initiated in April 1977 with the following objectives:
 - a) Improving the nutritional level and strengthening of rural infrastructure.
 - b) Creation of additional gainful employment in the rural areas to improve the living of the people in rural regions.
 - c) Making use of surplus foodgrains for human resource development. This programme was renamed as National Rural Employment Programme in October 1980. The implementation of the programme was made the responsibility of the District Rural Development Agency established at the level of the district. The projects were to be prepared keeping in view the felt local needs.
 - d) Another beneficiary-oriented programme is Rural Landless Employment Guarantee Programme (RLEGP). This aims at to provide employment to landless rural farmers. Its objectives include :
 - 1) Improvement of employment opportunities, specially to provide employment to at least one member of a family of rural landless labour for 100 days.
 - 2) Improving the overall quality of rural life.
 - 3) Creation of productive and durable assets for direct continuing benefits to the poorer groups and
 - 4) Strengthening rural economic and social infrastructure which would lead to rapid growth of rural economy.

Under this programme, the preference was to be given to women, scheduled castes and scheduled tribes. The execution of the programme could be left to a voluntary organisation or to DRDA or to any other agency deemed fit for the purpose. The voluntary agencies are regulated by either the agency of People Action for Development or the DRDA where this agency is not in existence. For the purposes of planning, monitoring and implementation of the programme, a central committee at the level of the centre was established. Besides, every state was to have state level co-ordination committee for rural development and project approval. The programme is centrally supported and 10 per cent allocation is earmarked only for the benefit of SCs/STs.

In 1989, new scheme called Jawahar Rojgar Yojna was launched. Its basic objective was to give employment to people in most backward districts with high incidence of poverty and unemployment. The earlier two programmes NREP and RLEGP were merged into this new programme along with the Million Wells Scheme. This is Centrally sponsored scheme where 80 per cent funds are to be provided by the Centre and that too directly to the DRDAs who will further forward 80 per cent of the allocation to the village panchayats.

- 5) Development of Women and Children in Rural Areas (DWCRA) : Though development of women as a human resource was made a part of the Integrated Rural Development Programme, no significant results were achieved. Therefore, to provide specific alteration to the improvement of nutritional levels of women and children and also to improve their status, the scheme of DWCRA was implemented in 1982. The objectives of the programme included assistance to individual woman to enable her to make use of facilities provided under IRDP, provision of supportive services at the work-site and provision of childcare facilities like security, health care and nursing for the children of women at work.

Training of Rural Youth for Self-Employment (TRYSEM) was conceived in order to make the poor productive and self-reliant, two lakh persons per year were to be given training. Under the programme, one third of the beneficiaries were to be women. The main focus of the scheme was to provide the rural youth within the age group of 18-35 years with the necessary skills and technology to enable them to take vocations of self-employment. The preference was to be accorded to the scheduled castes, scheduled tribes and ex-servicemen.

Minimum Needs Programme Approach

The earlier approaches ignored the social aspect of development. The main thrust of those approaches was on economic development or income and assets generation for the specific areas or target-groups. However, it was realised lately that social development was equally important. The provision of social services and basic necessities to improve quality of life occupied increasing attention of the planners and developers. This approach emphasises 'investment in human beings'. The objectives of this approach are :

- i) Establishment of a network of basic services and facilities of social consumption in all the areas up to nationally accepted norms, within a specified time-frame.
- ii) raising of the standards of living and reduction of the regional disparities in development.

The Minimum Needs Approach concentrates on basic needs of food, shelter, sanitation, health, education, drinking water and roads. The programme has fixed following priority areas. Elementary and adult education, health, rural water supply, rural roads, rural electrification, housing, environmental improvement of urban slums and nutrition.

Primary Health Care Approach based on equity, access and social justice is very vital philosophy of social development. The programme includes (a) provision of curative, preventive and promotional health services, (b) control and eradication of major communicable diseases, (c) training of medical and para-medical personnel and (d) establishment of network of primary health services. In terms of housing the 7th Plan sought to (a) provide house-sites and assistance for housing to the landless labourers and weaker sections, (b) to promote self-help housing, (c) formulate public

sector housing schemes, (d) augment resources of agencies like HUDCO and State Housing Boards, (e) providing housing in employment schemes like NREP and RLEGP, and (f) promotion of research in low-cost rural housing technology and building materials.

Another important programme under MNP is Nutrition Programme which includes (i) Special Nutrition Programme and (ii) Mid-day Meals Programme. In 1972-73 the Government of India introduced another special programme for Accelerated Rural Water Supply. It aimed, among other things, at providing adequate and safe drinking water to the rural population, prevention of water pollution, educating the public in conservation of quantity and quality of water etc.

The People-Centred Approach

The main thrust of this approach is to treat the individual as an active participant in the development process, rather than viewing him merely as subject of development. The people-centred approach comprises human growth and well-being, equality, self-reliance and peoples' participation as its key elements. Similarly, the involvement of voluntary/non-government organisations, is also becoming an important part of development administration in India.

4.7 ADMINISTRATIVE DEVELOPMENT IN INDIA

The development of administration is an integral part of development administration. It is now well recognised that development goals cannot be achieved in the absence of a very capable and competent administrators. They (the administrators) have to cope with the emerging complex challenges with a different approach. Development administration does not stop at merely formulation of plans and programmes for development, the crux of development is the implementation of development plans and policies. Hence there is a need to build up administrative capabilities and capacities to deliver the goods. Administrative development refers to the behaviour necessary for the formulation and execution of schemes and programmes and projects aiming at change and underlying the understanding in the belief that administration should be responsive to the needs and aspirations of the people. The civil services have to undergo behavioural and attitudinal change, besides the changes in the structures, procedures and methods of work so as to fit into the need of a developing country like India. It was with this view that Central government and many state governments appointed many committees and commissions to suggest measures to improve administrative capacities and capabilities. The most well-known among them were : N. Gopal Swamy Ayyangar Committee (1949), A.D. Gorwala (1951), and reports submitted by Paul H. Appleby in 1953 and 1956. The Appleby Report made important recommendations regarding work procedures recruitment, training etc. The Estimates Committee of the first Lok Sabha also suggested changes in administrative machinery of the Central Government through its reports presented in 1950-51 and 1953-54.

The successive Five Year Plans have been indicating the need for improvement of in-service training, performance evaluation on systematic basis, establishment of O and M (Organisation and Method Division) etc. As the First Five Year Plan saw the actual advent of development administration in India (1951-56), some new agencies concerned with the responsibility of administrative evaluation were established : National Development Council (1952); Programme Evaluation Organisation in the Planning Commission, and Special Reorganisation Unit. Efforts have been made to attune the administrative structures, procedures, staffing patterns, techniques of planning, etc., to the goals and processes of development. Since late 70s it is increasingly realised that development need not merely mean changes in administrative technology, but it also entails changes in administrative culture. This change has been attempted in India through the mechanism of training. Enhancing the levels of skills and knowledge of the civil service is the other important objective of administrative development which again is sought through the mechanism of training. Experience is transformed into knowledge and knowledge is used to build up experience through the methodology of training. Training is an action process by which capabilities of the personnel can be improved to meet the organisational needs

in terms of knowledge, skills, and attitudes required in performing organisational tasks and functions within relatively short span of time.

Check Your Progress 3

Note: i) Use the space given below for your answers.

ii) Check your answers with those given at the end of the unit.

1) What are the major approaches to development?

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2) Discuss the nature of administrative development in India since Independence.

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4.8 LET US SUM UP

In this unit we have studied the evolution of development administration in India as a process as well as a discipline, we examined the evolution of development administration as a concept both in terms of structures as well as programmes and projects. We have also studied various approaches and themes to development administration in India.

4.9 KEY WORDS

Agrarian Structure : Agrarian structure is understood to mean institutional framework of agriculture. This institutional network relates to tenure system, forms of employment credit institutions, trade unions etc.

Tenancy Reforms : It is a part of the land reform programme. It includes the institutional measures meant for the tenancial security of the cultivators.

Land Ceiling : Imposition of restriction of the size of land-holding.

Tiller : Cultivators of land.

4.10 REFERENCES

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4.11 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Your answer should include the following points :
 - to make an assessment of the material, capital and human resources of the country.
 - to formulate a plan for the most effective utilisation of the country's resources.
 - determination of priorities.
 - to monitor and evaluate the plan implementation.
- 2) Your answer should include the following points:
 - growth of National Income.
 - reduction of inequality of income and ownership of means of production.
 - prevention of concentration of wealth in a few hands.
 - reduction in unemployment and removal of poverty.
 - provision of basic human needs.
 - conservation of ecology and environment protection.
 - self-reliance of the national economy.

Check Your Progress 2

- 1) Your answer should include the following points :
 - abolition of Zamindari System.
 - tenancy reforms.
 - impositions of land ceiling and re-distribution of surplus land.
 - consolidation of land holdings.
- 2) Your answer should include the following points :
 - to secure total development of the material and human resources of rural areas.
 - to develop local leadership and self-governing institutions.
 - to raise the standard of living of the rural population by means of rapid increase in food and agricultural produce.
 - to bring attitudinal change towards life in rural areas.

Check Your Progress 3

- 1) Your answer should include the following points :
 - Regional Approach
 - The Area Development Approach
 - The Target-Group Approach
 - Basic Needs Approach
 - The People-Centred Approach.
- 2) Your answer should include the following points :
 - the development of administration is an integral part of development administration.
 - there is a need to build up administrative capabilities and capacities to deliver the goods.
 - in other words, administration itself has to be developed in order to meet the requirements of development.
 - it was felt that it was only with the change in administration that we can make it a fit instrument of development.
 - the Appleby Report made important recommendations regarding work procedures, recruitment, training etc.
 - Estimates Committee of First Lok Sabha suggested changes in administrative machinery of the Central government.
 - Successive Five Year Plans have been indicating the need for improvement of in-service training, performance evaluation on systematic basis, establishment of O and M.
 - Late 70s it is increasingly realised that development need not merely mean changes in administrative technology, but it also entails changes in administrative culture.

UNIT 5 INDIA'S SOCIO-ECONOMIC PROFILE AT INDEPENDENCE

Structure

- 5.0 Objectives
- 5.1 Introduction
- 5.2 The Social and Economic Conditions of India during the British Period
- 5.3 A Profile of India's Stagnant Economy
- 5.4 Colonial Legacy of Underdevelopment
- 5.5 Let Us Sum Up
- 5.6 Key Words
- 5.7 Some Useful Books
- 5.8 Answers to Check Your Progress Exercises

5.0 OBJECTIVES

After reading this unit, you should be able to :

- discuss the economic and social conditions prevailing in India during the British rule,
- comment upon the profile of India's stagnant economy at the time of Independence in terms of population, work force, national income, occupational structure, agriculture, industry and foreign trade, and
- highlight the nature of our colonial legacy.

5.1 INTRODUCTION

As a student of development administration, you must understand the social and economic conditions prevailing in the country at the time of Independence. The pace and spread of development of an economy over a given period of time depends upon the resource base it starts with. Any scheme of development has to be based on the nature of social and economic conditions of a country. Without understanding these conditions one cannot determine the seriousness of the problems, their size and complexity, their mutual relationship and the approach to their solution. In India, where we come across diverse conditions, such type of understanding assumes greater importance. The state of the Indian economy and society at Independence also provides a point of comparison with the changes and development which have taken place in the post-Independence period.

Though the state under the British rule played an active role in Indian economy, it did not contribute towards any structural change and development of the country. The questions like, what was the nature of state intervention in colonial India? Did such intervention lead to the welfare of people? What was the socio-economic profile of India at the dawn of Independence? Why did the state undertake the task of active participation in the development process etc. ; need proper answers. This unit will try to give you an idea about the conditions prevailing in India in 1947. The Government of free India inherited most of the elements of the state structure (laws, bureaucracy, policies and schemes) rules and regulations, administrative culture etc., from the British government. An assessment of the inherited socio-economic situation would help you in understanding the necessity for the changes in various parts of the

5.2 THE SOCIAL AND ECONOMIC CONDITIONS OF INDIA DURING THE BRITISH PERIOD

From the mid-eighteenth century to the mid-twentieth century, the British ruled over India. Globally this was a period of tremendous scientific and technological advancement. Europe, North America and Japan witnessed a fast and steady social and economic growth during this period. They also dominated the world politically and economically. But for India, this was the time of severe economic and social crisis.

The coming of Britishers in India proved ruinous for her self-sufficient village economy. As an inevitable result of foreign rule, India lost ground in economic, social and technological advancement. The worst affected were India's village industries, handicrafts, agrarian economy and trade.

The influx of British and non-British machine-made goods at cheaper prices in Indian market proved detrimental to the village handloom industry. Import of cheap aniline dyes adversely affected the village dyers. The condition of village potters also deteriorated due to the presence of metal ware in the market. Village tanners and carpenters also lost their hold on market. The growth of modern industries in India was mainly dominated by the British capital. Though accumulation of sufficient savings in the hands of Indian merchant class did give rise to some Indian-owned modern industries in India but these were really nominal as compared to the British-owned modern industries. The industries that flourished during this period were plantation industries such as indigo, tea and coffee, cotton and jute mills and coal mines. Engineering and railway workshops, iron and brass foundries grew rapidly during this period. But there was a practical absence of basic heavy industry (metallurgical and machine producing industry) in the country. There was hardly any appreciable advance in shipping, aircraft industry, etc. There was a little development in the fields of banking and insurance but that too largely under the control of the British. One of the striking features of economic development in India in the sphere of trade, industry and banking, was the concentration of a big proportion of enterprises in a few hands, which led to the establishment of monopolies and trusts. The trusts e.g., Tatas, Andrew Yule and Co. etc., in industry, transport and financial fields controlled economic enterprises of almost all categories.

Indian handicrafts were almost ruined during the British rule. Our handicrafts became a prey to British goods and exploitative policies of the colonial regime. Heavy duties were laid on Indian goods. Artisans were not able to sell their products to Indian and foreign merchants. British put an end to the internal trade of Indian handicrafts. Destruction of native states which were the greatest customers of our handicrafts and also patronised the handicraftsmen came as a severe blow to Indian artisans. Due to the wide network of railways, Indian markets were flooded with British and other foreign goods. Iron smelting industries were also undermined. As a result of all this, many handicraftsmen migrated to cities and took to various kinds of menial jobs. Some became wage workers, some diverted to agriculture and became farmers and land labourers.

One of the most alarming and ruinous features of Indian economy under the colonial rule was the change in agrarian structure and relations. The introduction of private property in land led to the division of family land which proved to be one of the major reasons for disintegration of joint family system. The British introduced commercialisation and specialisation in agriculture. Agricultural produce began to be sold in market and special crops began to be produced for the purposes of sale. The new land revenue system eliminated the village as the unit of assessment. The new land revenue system, excessive land revenue, low productivity, etc., forced the farmers to take recourse to borrowing of money and seeds from money lenders. This led to a vicious circle of indebtedness and almost every farmer became a victim of it. To meet the heavy taxes on land and basic necessities and debt interests, land usually passed on from the cultivator to the money lender who further let and sublet it. Thus a new class of tenants, sub-tenants and absentee landlords emerged which never had any interest in land. This, combined with extreme sub-division of land and small size of land holdings, affected the agricultural productivity adversely.

The pressure on agriculture increased to a large extent during this period. Due to ruin of handicrafts and village industries, artisans made farming their livelihood. This led to excessive overburdening of land. Even the pasture land providing fodder and livestock was increasingly encroached upon for agriculture. Thus a highly inequitable agrarian system enabled its top sections of zamindars and landlords to live off the labour and toil of the working peasantry. Moreover fluctuating agricultural output dependent on the vagaries of monsoon made the farmers easy victims of the exploitative commodity and market operations.

The British rule was thus a sorry story of the systematic exploitation of India. The benefits of British rule, if any, were only incidental. The main motive of the British policies and developmental programmes was to serve the interests of their own country. Thus, in 1947, when the British transferred power to India, we inherited a crippled economy. As Jawaharlal Nehru in his book 'Discovery of India' put it, "India was under an industrial capitalist regime, but her economy was largely that of the pre-capitalist period, minus many of the wealth producing elements of that pre-capitalist economy. She became a passive agent of modern industrial capitalism suffering all its ills and with hardly any of its advantages."

Check Your Progress 1

Note: 1) Use the space given below for your answers.

2) Check your answers with those given at the end of the unit.

1) Discuss the need for understanding the resource base of an economy.

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2) In what way did the British rule affect the agrarian system in India?

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5.3 A PROFILE OF INDIA'S STAGNANT ECONOMY

In order to produce increasing quantities and services, a society needs a framework of government, laws, policies, common facilities and institutional environment which foster and rewards work, enterprise and innovation. Such a framework makes people the means and ends of development. The British rule was just the opposite of such a development conducive system. In this section we will discuss the condition in which the Indian economy was in 1947 in terms of national income, work force, occupational structure, condition of agriculture, land, capital, foreign trade, monetary and fiscal system, etc. Since 1951 was the census year, we have a lot of information for that year. The first two or three years were spent largely in stabilising economy and administration, the situation of 1951 may well represent the situation on the morrow of Independence as no concrete changes were introduced between 1947 and 1951.

Population and Work Force

According to 1951 census, our population was about 359 million of which 82.7 per cent of the population lived in villages. Thus urban population constituted only 17.3

51. During this period, birth rate per thousand was 41 and death rate 27. Thus the natural rate of growth of population was 1.3 per cent per annum.

The percentage of population which actively participates in economic activities like production, trade, etc. gives the work participation rate. In 1951, it was 39.18 for the population as a whole. For males it was 53.9 and for females it was 23.4. The total number of workers engaged in varied activities was 14.32 crores. The work participation rate was 46.1 per cent in 1901. It became less as years went by. It means during the last five decades of English rule, the dependency ratio among the Indians increased. It is an indicator of worsening off of the economic situation.

Occupational Structure

An economy is an interrelated set of activities or occupations by means of which people earn their livelihood. Therefore an economic profile of a country must also describe the distribution of the population, particularly of the work force in various occupations. Generally, the activities are clubbed into broad categories like agriculture and allied activities, industry and services. Among these activities, some are formally organised whereas others are unorganised, given the basic rural and agricultural nature of the economy which witnessed sizeable de-industrialisation under the impact of the British rule. As a result of exploitative socio-economic and foreign trade policies followed by the British, 72.3 per cent of our work force was dependent on agriculture for its livelihood. Of these land-holder cultivators were over 50 per cent and landless agricultural labourers constituted a little under 20 per cent. In 1901, the agricultural workforce was a little over 71 per cent and in 1921 it was as high as 76 per cent. The inter-war years did see a little growth in industrial sphere and trade but it was not much. Thus at the time of Independence, agriculture was supporting practically the same proportion of workers as at the beginning of the century. As the population increased, the dependency on agriculture increased further.

Mining, factory establishments and various types of cottage, village and small enterprises were the next important users of India's workforce. One-and-a-half crore workers, that is, a little less than 11 per cent (10.7 per cent) of total workers were engaged in these establishments and enterprises. Even during 1901, the industry engaged 12 per cent of our workers. The remaining workforce was engaged in trade, transport, professions, government service and other services. In 1951, these activities engaged over 17 per cent (6.6 were engaged in trade and transport, 9.3 in services 1.0 and 0.1 per cent in railways and banks) of our workforce.

This means that there existed a very unbalanced distribution of workforce, particularly in view of low productivity in agriculture and small size of landholdings. It means that the hold of traditional activities at the time of Independence was extensive. Relatively small share of industry, particularly in the manufacturing sector, shows that we were really deindustrialised and whatever industries made their appearance in our midst failed to provide a steady source of livelihood to a large number. The number of workers in factory establishments was just about 30 lakhs. It means high productivity activities could become available to only a very small number of people.

National Income or Flow of Goods and Services

Total value of current year's production of goods and services, despite its limitations, is regarded by many economists as the single most important indicator of economic conditions. In a country like India with a large agricultural and unorganised activities, the national income figures can never give a true picture. However their salience cannot be doubted.

At the then prevailing prices national income of India in 1950-51 was estimated to be Rs. 8,853 crore, which in terms of 1970-71 price level would be equivalent to Rs. 16,798 crore. On this basis annual average per capita income at the dawn of Independence amounted to Rs. 265. It means on the basis of that year's prices, average daily income was less than Rupee One. Comparable per capita incomes in U.K., U.S.A., Japan, France and Australia were Rs. 3,598, Rs. 8,840, Rs. 820, Rs. 3,280 and Rs. 4,340 respectively. It is clear that in terms of international comparisons, India had a very low level of production per person. It was hardly sufficient for meeting even the minimum human needs. In view of the large

inequalities existing during that period, it is clear that millions had an income even below the level indicated by the per capita income figure.

Given such low and unequal levels of income and an agrarian system incapable of providing incentives for savings, investment and improvement of productivity, the rate of savings and capital formation were quite low. According to the First Five Year Plan, saving available for net investment amounted to Rs. 450 crore only. It means that the rate of savings was a little more than 5 per cent.

According to the estimates of the National Income Committee Report, agriculture, animal husbandry, forestry and fishing contributed 51.3 per cent of our Net Domestic Product (NDP). As 70 per cent of our population was dependent on these activities, about half our total product was produced by them. Mining and Industry produced 16.1 per cent of NDP. Of this, factory establishments produced 5.8 per cent and small and village industries 9.6 per cent. Trade, commerce, transport (including railways), communications, banking and insurance contributed 17.7 per cent of our NDP. The share of housing, construction, public administration and other professions and services in our national income was 15.7 per cent. Thus it can be seen that the primary sector was the most prominent sector of the Indian economy in terms of output. The secondary sector was not so well developed and hence its contribution towards the national income was rather small.

Agriculture

Since agriculture is the most important sector of economic activities in terms of share in occupational structure as well as in NDP, it would be insightful to have a closer look at this group of activities.

In a country with very low level of income, food is the most important item of consumption. A majority of poor people after attending to their food needs are hardly left with any purchasing power to spare for the other necessities of life. It means agriculture has a close bearing on the life of not only the people engaged in agricultural operations but others as well. At the time of Independence, tea, jute and raw cotton (all falling under the primary sector) accounted for the major part of India's export earnings. Even the modern industries like textiles, jute, sugar, edible oils, etc. which developed during this period, obtained their basic raw material from agriculture. Agriculture's contribution to public exchequer was also quite substantial. Thus our economy was basically an agricultural economy.

In 1950-51, the total cultivated area was 324 million acres. Per capita cultivated area, had started declining since 1901. In 1901 it was 3.2 acres. By 1951, it had come down to 2.2 acres only. About 35.5 million acres were used for growing more than one crop, the rest were single crop areas. Food was grown in 78 per cent of the cropped area. Plantation and spices accounted for just 1.1 per cent area but it was highly lucrative. Over the period 1917-1947 multiple cropped area increased by 20 per cent and irrigated area increased by 10 per cent mainly by means of extension of canals. Irrigation was available to 18 per cent of the cultivated area in 1951.

By the end of 1949-50, there was a decline in yield per acre from 619 lbs to 565 lbs. There was a food shortage in the country during this period necessitating imports. During 1948 to 1950, total food imports amounted to 8.6 million tons. Total food production was nearly 50 million tons, of this over 40 per cent was rice (over 20 million tons) and wheat around 6 million tons. The rest were various coarse grains, which in their total far outweighed wheat. Among non-food crops, cotton, jute, tea, coffee, oil seeds, sugar cane, rubber, tobacco, potatoes and spices were important.

Per capita food production continually declined after 1900. In 1905-06, it was 200.2 kgms per year, giving 594 grams of food per day. In 1950-51, the annual and daily availability was as low as 155.2 kgms and 425 grams respectively. It shows that during the colonial rule, economy was marked with hunger and chronic malnutrition.

According to Agricultural Labour Enquiry Report, 1954, over 22 per cent of rural families were landowners, over 27 per cent were tenants, over 30 per cent were agricultural workers (of which about 50 per cent were without land) and 22 per cent were non-agricultural families. There were many intermediary interests in land and the actual tillers' rights in land were limited and insecure. In 1950, agricultural labourers and their dependents were 18 per cent of the total population. About 15 per

cent of the agricultural workers were attached and the rest were casual workers. The attached workers were made to work, on an average, 326 days in a year. Wages were very low. Among agricultural workers 4.6 per cent were children, 77 per cent of child labour was casual and the rest attached.

Industry

Some modern industrial enterprises were started in India in mid 19th century. These enterprises were managed generally under the managing agency system. At Independence the major industries were the textiles, jute, sugar, cement, paper, oil crushing and light engineering. Total finished steel production was about 89 lakh tons and steel inputs were 13 lakh tons. Per capita yearly steel production amounted to just 3 kgs. Other industrial achievements comprised about 4.3 thousand million yards of cotton piece goods, over 10 lakh tons of jute products, over 9 lakh tons of sugar, 3 crore tons of coal, about 15 lakh tons of cement etc. The production of rice, wheat and cereals was also very high.

In 1947, there were 14.5 thousand factories in India. Around 22.75 lakh persons worked in these establishments. There was a noticeable degree of concentration of industries in terms of share capital and fixed assets, indicating the presence of monopolistic traits. Twenty industrial houses controlled over 34 per cent of total share capital, nearly 38 per cent of net fixed assets and about one-third of gross capital stock of the corporate sector. It means that even in the early stage of industrial growth, monopolistic trends which are a feature of advanced capitalist economies were visible in India.

Foreign Trade

In 1947-50, exports, valued at Rs. 509 crore were less than 6 per cent of our national income. Imports amounting to Rs. 590 crore, were less than 7 per cent of our national income. India had negative trade balance that year, it was Rs. 82 crore. Principal exports composed of agricultural products, minerals and other raw materials. Other export items were tea, jute, raw cotton, hides and skins, iron and other ores, tobacco, spices, lac, gum and oil seeds, etc. Textiles were the major manufactured goods that we exported. Our imports consisted of manufactured goods like machinery, metals, chemicals and dyes, foodgrains equipment and machinery, etc. United Kingdom, the USA, Pakistan, Egypt and Australia were the main sources from which our imports originated. These countries plus Burma and Canada were the main buyers of our exports. Overall balance of payments deficit for that year was in the range of Rs. 180-200 crore.

Other Aspects

Education

The literacy rate in India in 1951 was very low. The overall literacy rate was 16.7 per cent, 24.9 per cent of the male and 7.9 per cent of the female population was classed as literate. Among agriculturists, literacy rate was only 12 per cent. Females engaged in agricultural activities had a literacy rate of 4.5 per cent. Total number of graduates was just 11.74 lakhs. Enrolment facilities were available to only 40 per cent of those in the age group of 6 to 11, to 10 per cent of those in 11 to 17 years and to 0.9 per cent of those in the age group of 17 to 23 years. In 1948-49, the total number of educational institutions from nurseries to universities was 1.82 lakhs only.

Health

There were only 5.56 thousand hospitals with about 8.5 lakh hospital beds. Epidemic diseases accounted for 5.1 per cent of total mortality. Hundred million people were estimated to have suffered from malaria and 2.5 million were active cases of Tuberculosis. Tuberculosis caused half a million deaths annually. Life expectancy rate was little over 32 years.

Taxes

National income comprised 7 per cent taxes. Of this, 17 per cent came from import duties, 28 per cent from direct taxes and 8 per cent from land revenue. Total national debt in 1946-47 was Rs. 2,285 crore. In 1947, the external debt of India stood at Rs. 36.52 crore.

Scheduled Castes/Scheduled Tribes

There were nearly 5 crore persons who belonged to 779 scheduled castes and 245 scheduled tribes. In terms of access to productive resources, land, infrastructural facilities, employment opportunities, social services and modern technology, these groups were in a specially disadvantaged position. This was in addition to the social discrimination to which these people were subjected.

Thus in terms of social and economic infrastructure, financial development and availability of social services, the situation of India was indicative of gross inadequacy. This shows how some of the basic conditions of decent living and development were denied to us.

5.4 COLONIAL LEGACY OF UNDERDEVELOPMENT

Our social and economic profile at Independence paints a rather grim picture of the country. India, an ancient land of great diversity and potential became subject to a ruthless and exploitative regime. The British succeeded in extracting manifold support from India in terms of secured markets, cheap raw materials, savings, employment opportunities for the Englishmen, men and material for war and cheap labour for further expansion of British empire. To make things worse, the crucial state support needed for acceleration of the processes of development was totally denied.

The profile discussed in this unit shows that at Independence, an overwhelmingly large majority of Indians were living in abject poverty. They did not possess any productive skills, modern scientific knowledge, instruments and objects of labour and opportunities for participation in productive activities. The ignorance, disease, illiteracy and ill-health of millions of Indians living under the shadow of a system of colonial capitalism imposed on a system of decadent feudalism describes the nature of our underdeveloped economy. There were groups in India like the princes, kings, zamindars, big landlords, industrialists, financiers, big merchants, highly qualified professionals and top echelons of bureaucrats, who being collaborators and underlings of the colonial rulers, commanded a lot of property, wealth, high incomes and all the luxuries of life. But the majority of population was denied even the fulfilment of basic needs. Education, health, civic amenities for common people were neglected altogether. Transport, railways, communication system was developed to serve the British interests. In fact these were half-hearted efforts which had adverse effects on Indian economy. Lack of a well-balanced and evenly dispersed infrastructural facilities of roads, railways, power, technical and skilled man power exercised negative influence on the growth of industries.

Huge surplus was extracted from the development of railways, plantations, industries, banking, etc. and this formed a major part of the British capital. India was forced to contribute to British wars within India and abroad right up to the Second World War. To the exploitative nature of British rule were added the atrocities of native rulers, zamindars and feudal lords.

India was actually deindustrialised during the British period as the rate at which pre-modern indigenous industries were ruined was much higher than the rate at which modern industries were established. Moreover British government did not grant any great degree of protection to Indian industries till 1924. Insufficient cadre of technicians available in the country was also one of the reasons for lopsided industrial growth. The ruin of India's well-integrated industries which had a high name for quality and sophistication could not be compensated by some limited progress of modern light consumer industries based on imported technology and equipment located in some large cities.

The agrarian system neither provided incentives nor the means to actual cultivators to go in for methods of improving productivity. The destruction of urban handicrafts without parallel growth of substitute modern industries led to disequilibrium of industry and agriculture in India.

Greater mobility was introduced within the caste system in India due to various changes brought about by the British in the economic sphere. The high castes such as

the Brahmins, Vaishayyas and Kayasthas were at an advantage, as these were literate classes and could exploit new opportunities in a more profitable manner. Members of privileged castes became clerks, school masters, lawyers and doctors, etc. The new intelligentsia mainly came from these castes. The building of roads, introduction of railways, postage, telegraph, printing, etc., helped to organise the castes to a considerable extent. The civil and penal codes and the new principle of justice introduced by the British viz. all men are equal before the law, affected the caste panchayats adversely. Their power was considerably curtailed but they continued to exist. The use of law courts did not put an end to the caste panchayats. Both the systems of justice were made use of. Though the traditional hierarchy of caste system was upset by the British, it did not become weak. This was due to the fact that the newly rich castes did not demand the abolition of caste system but only higher status for themselves.

With new social relations in production, distribution and exchange, appeared new institutions. The colonial period witnessed the emergence of new social classes viz. absentee landlords, tenants, peasant proprietors, agricultural labourers, merchants, money lenders, wage workers, capitalists and petty traders. Professional classes of teachers, doctors, lawyers, journalists, managers, clerks, etc. also came up during this period.

India's foreign trade was made subservient to British interests. We were turned into exporters of raw materials and agricultural produce and importers of manufactured goods. Indian trade was used to generate export surplus which was used by the British to finance Britain's own external deficit. Through various devices such as funding of military and administrative expenses of the British, India's wealth was drained away to Britain in large quantities.

Thus in addition to the sins of omission, that is, non-introduction of steps for development, sins of commission, that is, introduction of steps that hampered and held back development in the country were also committed by the British. The result was a stagnant and crippled social and economic state of affairs, where the growth of domestic production barely kept pace with the growth of population and the per capita income remained very low.

Check Your Progress 2

Note: 1) Use the space given below for your answers.

2) Check your answers with those given at the end of the unit.

1) What was the occupational structure of India at Independence ?

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2) Comment upon the profile of agriculture and industry in India in 1947.

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3) Discuss the nature of colonial legacy of underdevelopment and its impact on various sectors of Indian economy.

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5.5 LET US SUM UP

The profile of Indian economy at the morrow of Independence presents a picture of ravages caused by colonial exploitation. The post-colonial India was thus underdeveloped and their structure of socio-economic relations lacked the dynamism and capacity to provide growth and social justice. This unit gave us an idea about the social and economic conditions prevailing in the country at Independence and the nature of our colonial legacy. With this resource base, our planners initiated the task of development and adopted various strategies to achieve the developmental goals. The next units of this block will deal with these aspects.

5.6 KEY WORDS

Absentee Landlords: In those cases where the land legally (as per land records) stands in the name of a person who does not actually till the land. Usually the people entrust the farming to some other people who actually till the land but get only wages. All the profits go to the absentee landlords.

Direct Tax: Tax which is paid by the person on whom it is levied.

Gross Capital Stock: The accumulated stock of past purchases of capital goods before the deduction of depreciation.

Gross Domestic Product: It is the value of total goods and services produced in the economy during a particular period of time (normally one year).

Land Revenue System during the British Rule: Till the village ownership of land existed, the village was the unit of assessment. With the introduction of new land revenue system during the British rule, the village ceased to be a unit of assessment. British introduced a system of individual land assessment and revenue payment instead of fixation of revenue at a specified portion of the annual produce, a system of fixed money payment came up. Due to this, the villagers had to pay a fixed sum as revenue in cash irrespective of the produce.

Managing Agency System: By this system a relatively small number of managing agency firms promote, control and finance the various industrial enterprises and companies, govern their operations and output and market their products. A large share of the profit passes to these agencies.

Net Domestic Product: The gross domestic product less capital consumption.

Net Fixed Assets: Durable instruments of production such as factories, machinery etc. by which commodities are produced. This is worked out after deducting the depreciated value of the fixed assets.

Primary Sector: Agriculture, animal husbandry, forestry, fisheries are collectively known as the primary sector. These activities are primary because they are the first and oldest occupations of people. Further they produce goods which are essential for human existence. Role of nature is important to these occupations.

Secondary Sector: Manufacture, in small and large workshops factories etc. is called the secondary sector. Such occupations come after the primary occupations for example production of raw cotton is a primary activity but conversion of cotton into cloth is manufacturing and thereby a secondary activity.

Share Capital: The amount of money subscribed by the shareholders, at par, to a company. It represents an amount owned by the company.

Balance of Payments: The balance of payments is a kind of income statement that records all transactions between individuals, firms and governmental units of one

Participation Rate: It denotes the proportion of population (usually in percentage) who belong to the generally accepted working age group (say 16 to 60 years). They constitute the labour force of the economy. Those members of the labour force who actually succeed in finding productive work constitute the workforce of the country. The participation rate denotes that part of workforce that contributes economically to the country.

5.7 SOME USEFUL BOOKS

Bettelheim, Charles. 1968. *India Independent*; Khosla Publication, Delhi.

Chaudhuri, Primit. 1978. *The Indian Economy: Poverty and Development*; Vikas Publication, New Delhi.

Dutt, R.P. 1947. *India Today*; People's Publishing House, Bombay.

Shelvar, K.S. 1940. *The Problem of India*; Penguin Books: Harmondsworth. Middlesex.

Singh, Tarlok. 1974. *India's Development Experience*; Macmillan, Delhi.

Wadia, P.A. and K.T. Merchant. 1954. *Our Economic Problem*; Popular, Bombay.

5.8 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Your answer should include the following points:
 - to base the scheme of development on the nature of social and economic conditions of the country
 - to determine the seriousness, size and complexity of the problems
 - to provide a comparison with the changes that take place in different time period
 - to understand the need for a particular strategy, the resources available for its implementation have to be ascertained.
- 2) Your answer should include the following points:
 - introduction of private property in land
 - sub-division of land and small size of landholdings
 - commercialisation and specialisation of agriculture
 - excessive land revenue
 - exploitation of cultivators at the hands of zamindars and money lenders
 - emergence of class of tenants and absentee landlords.

Check Your Progress 2

- 1) Your answer should include the following points:
 - 72.3 per cent of workforce was dependent on agriculture
 - mining, factory establishments and various types of cottage, village and small enterprises were also important users of workforce
 - over 17 per cent of workforce was engaged in trade, transport, professions, government and other services.
- 2) Your answer should include the following points:
 - primary sector was the predominant sector of India at Independence and accounted for major part of India's export earnings
 - modern industries obtained their basic raw material from agriculture
 - total food production was nearly 50 million tons
 - per capita food production declined continuously after 1900
 - there were many intermediary interests in land and the actual tiller's rights in land were limited and insecure
 - wages were very low and most of the agricultural workers were casual
 - industries were managed under the managing agency system
 - major industries were textiles, jute, sugar, cement, paper, oil crushing and

- there were 14.5 thousand factories in India
- there was a noticeable degree of concentration of industries in terms of share capital and fixed assets.

3) Your answer should include the following points :

- huge surplus was extracted from the development of railways, plantations, banking etc. and this formed a major part of British capital.
- Indian economy was marked by abject poverty, people did not possess any productive skills and scientific knowledge
- a very large section of population did not enjoy even the basic amenities of life
- transport and communication systems were developed to serve British interests
- there was lopsided growth of industries. British government did not provide protection to Indian industries till 1924
- there was disequilibrium of industry and agriculture in India
- the higher castes were at an advantage, the new intelligentsia mainly came from these castes
- the colonial period witnessed the emergence of new social classes
- Indian foreign trade was made subservient to British interests.

UNIT 6 MIXED ECONOMY MODEL AND ITS RATIONALE AND SIGNIFICANCE

Structure

- 6.0 Objectives
- 6.1 Introduction
- 6.2 Concept of Mixed Economy
 - 6.2.1 Mixed Economy : Is not a Pure System ?
 - 6.2.2 The Mixed Economic Nature of Indian Economy
- 6.3 Rationale Behind Mixed Economy System
- 6.4 Features of Mixed Economy
- 6.5 Significance of Mixed Economy
 - 6.5.1 Infrastructure Development and the Public Sector
 - 6.5.2 Role of Private Sector
- 6.6 Growth of Mixed Economy in India
- 6.7 Planning in Mixed Economy
- 6.8 Conclusion
- 6.9 Let Us Sum Up
- 6.10 Key Words
- 6.11 Some Useful Books
- 6.12 Answers to Check Your Progress Exercises

6.0 OBJECTIVES

After reading this unit you should be able to :

- discuss the meaning of mixed economy,
- explain the various instruments of mixed economy in India,
- state the reasons behind the adoption of mixed economy,
- highlight the significance of mixed economy in our country , and
- discuss the role of planning in a mixed economy system.

6.1 INTRODUCTION

As we read in the previous unit, during the entire period of British rule, though certain positive changes were introduced such as growth of road and railway network, development of ports and harbours, establishment of some industries, expansion of trade, spread of formal education on British pattern in the urban areas and development of banking and other services, yet the per capita income of Indians by and large, remained static. No structural change took place in the economic and social spheres. India inherited a stagnant economy from the British which was marked by abject poverty, empty treasury and exploitative socio-economic structure. Thus after Independence, the Indian planners had before them a colossal task of bringing about planned economic development in the country. India adopted a 'mixed economy' model for the attainment of this goal. In this unit we will try to explain the concept of mixed economy and its significance in the Indian context. The unit will also highlight the various instruments of mixed economy and the role of planning in a mixed economy system.

6.2 CONCEPT OF MIXED ECONOMY

The term 'mixed economy' is relatively a new term. It hardly appears as a systematically evolved economic system in the classical writings of economists, political scientists and social philosophers. In popular discourse, we can come across this term in many different contexts. The term 'mixed economy' means prevalence of public, private and joint sectors side by side in a system. In a mixed economy, these sectors play an important role in bringing about development. In some systems one of the sectors may predominate, but the fact that these types of sectors coexist is sufficient to term an economy a 'mixed economy'. Thus generally, this term is used for any economy in which one can see the coexistence of more than one mode of ownership, control and decision-making.

With the change in the functions of state, widening of welfare activities, success of private sector, increase in people's demands and cut throat competition in manufacture and sale of goods, mixed economy model has become very essential. In a mixed economy system, state-owned means of production are so used as to promote social welfare. Privately-owned means of production in such a system serve private interests within the norms laid down by the state. The underlying theme of a mixed economy is to attain rapid economic development and ensure that no exploitative and restrictive tendencies emerge in the economy. In such a system, the state participates as an active partner with the private enterprise in the process of economic development.

Thus, we can say that under a mixed economy, the entire economic system in a country is split up into three parts :

- i) Sectors in which both production and distribution are entirely managed and controlled by the state to complete exclusion of private enterprise,
- ii) Sectors in which the state and private enterprise jointly participate in production as well as in distribution, and
- iii) Sectors which are in exclusive and complete control of private enterprise. These sectors are subject to general control and regulation of the state.

6.2.1 Mixed Economy : Is not a Pure System ?

In actual practice, there cannot exist any pure economic system following one single, well-defined set of principles of organisation and management. The Soviet economy of the mid 1920s, when planning was centralised and the major means of production were under state ownership and control, has been described as a mixed economy. The same term is used for that of Great Britain of the 1950s, when private monopolies predominated the economy despite an extensive system of social security, nationalisation of many industries and very active state policies for regulating and promoting economic activities. India of mid 1950s, when the public sector had just about made its debut, is described as a mixed economy. India of mid 1980s with the public sector contributing almost one-quarter of her national income is also described as a mixed economy.

It is clear that there cannot be one definition of the term mixed economy. Mixed economy is an economy where more than one set of principles of economic organisation and management are used at the same time. It means it does describe a mixed system but mixtures would be greatly divergent. These differences are not only quantitative but may even be qualitative. In some cases state structure and processes are predominant and in others it is the private sector with varying degrees of concentration of ownership and control that dominates. In some cases it is the market forces which determine prices, savings, etc., in others these decisions are made by the existing planning agencies with a view to serve some common ends.

6.2.2 The Mixed Economic Nature of Indian Economy

It is clear from the preceding section that all the economic systems in which different forms of ownership, control, decision-making and sharing in production can be found to be operative in different branches of the economy can be termed mixed economies.

In this sense it is very difficult to come across an economy to which the term mixed economy may not be applied with justification.

Before Independence, the British had developed a state sector in railways, posts and telegraph, irrigation, ordnance factories and opium industry. The Sindri Fertiliser Factory, the Visakhapatnam Shipyard and Aircraft factory in Bangalore were set up by the British. Thus what we adopted from the British was already a mixed economy. To come to a conclusion, this problem can be solved by the fact that an economic system has to be described in terms of its most influential and growing forms of development of productive forces and associated social production relations. Thus the economies where private capitalist ownership of means of production prevails in most of the dynamic sectors of economy and where production is organised on the basis of hired factors of production with a view to sell them in market for earning profits would be called a capitalist economy. Same would be the case for describing a socialist economy. It means an economy where there is state ownership of means of production in most dominant sectors of economy, where the goods are sold on the basis of prices fixed by the state and where social justice prevails in place of profit motive.

The presence of a fairly large public sector and use of planning do not eliminate the basic capitalist character of the economies of the countries like Sweden, France, U.K., U.S.A. etc. In the same way, the use of private and cooperative forms of organisation along with the use of market mechanism for some specific purposes does not change the essential socialist character of the Chinese and Soviet economies. It is the predominant pattern which is decisive in the characterisation of an economic system.

The Indian economy neither has the basic characteristics of a capitalist economy nor a socialist economy. In India, the government has consciously, as a part of a well thought-out plan, decided to increase not only the promotional and regulatory roles of the government, but also to go for direct participative role by setting up or taking over production facilities of a number of different activities. It is further assured that overall economy operates according to a national plan. This highlights the mixed economic nature of Indian economy.

6.3 RATIONALE BEHIND MIXED ECONOMY SYSTEM

As we have discussed before, the socio-economic profile at the time of Independence was such that assignment of production and developmental tasks solely in the hands of private sector or public sector would not have solved any problems. The problems such as low per capita income, large proportion of population engaged in primary sector, high birth rate, chronic unemployment and underemployment, low rate of capital formation, uneven distribution of income and wealth assets, illiteracy, lack of technical know-how, poor quality of human resources, low per capita consumption, poor utilisation of resources, etc. made it imperative for the Indian planners to adopt a system which would bring about planned economic growth in a satisfactory manner and also be conducive to the conditions prevailing in the country. The minority of feudal lords, land owners, merchants, financiers and industrialists did not have, during the fifties, the capacity to discharge the large tasks essential for development. The private sector was not even prepared to undertake developmental works in heavy capital and essential consumer goods production because of high initial investment and long gestation period. Moreover even in the British period the key sectors of the economy were in the hands of the state itself. Thus a mixed economy system for attaining social and economic development was adopted.

Government's role in economy is regarded as crucial because it can perform various functions by intervening in development process. The government can coordinate the interrelated development activities and investments in an appropriate manner. State sector can take risks because it can give preference to social gains over financial profit. It can take a long term view and tolerate low profits and financial losses to some extent. The state can also prevent the projects which take into view only financial gains and overlook sizeable diseconomies.

In a country with limited and lop-sided development, atleast in initial phases, the state has to play a vital role for reaching the conditions in which subsequent development may continue. The Indian planners also realised the limitations of the public sector and the positive potential of a regulated private sector. Hence neither the public sector was made all embracing nor the private sector was reduced to non-significance. A well demarcated role was assigned to the private sector under the Directive Principles of State Policy, where it has been laid down that the state should strive "to promote the welfare of the people by securing and protecting as effectively as it may, the social order in which justice, social, economic and political shall inform all the institutions of national life."

In the economic sphere, the state has to direct its policy in order to secure a better distribution of ownership and control of material resources of the community and to prevent exploitation of labour and concentration of wealth in the hands of a few. It would be impossible for the state to attain these goals implied in the Directive Principles unless the state itself enters the fields of production and distribution. This explains the rationale behind the deliberate policy of expansion of the public sector to promote rapid industrialisation and self-reliance.

Thus for protection of the weaker sections of the society, control of distribution of essential commodities, promotion of infrastructural facilities, prevention of private monopolies, prevention of opening of the country to foreign capital, creation of egalitarian and just society, reduction of inequalities of income, India needed a mixed economy model with state playing a major guiding role and private enterprise acting as important means for achieving social and economic progress in the country.

Check Your Progress 1

Note: 1) Use the space given below for your answers.

2) Check your answers with those given at the end of the unit.

1) Which economy can be termed a mixed economy ?

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2) Why did India adopt a mixed economy model for the attainment of social and economic development ?

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6.4 FEATURES OF MIXED ECONOMY

Before dealing with the significance and growth of mixed economy in India, we must familiarise ourselves with various features of mixed economy :

Large Public Sector

As we read earlier in the unit, presence of a big public sector along with free enterprises makes the character of the economy 'mixed'. In socialist countries, public sector plays a major role in almost all the sectors of the economy. Even in the western capitalist countries, the state has not only intervened in their economies in a big way but has also engaged itself in various productive and distributive functions. The developmental role of the state is more pronounced in countries where industrialisation has been somewhat delayed. In a mixed economy also the public sector plays a very crucial role.

Private Ownership of Means of Production and Profit-Induced Commodity Production

In many mixed economies as well as in India, at present a large segment of the industrial sector is in private hands. With the exception of some basic industries, all other industries, for example, cement, vegetable oil, leather, etc. are with the private sector. Road Transport is mainly in the hands of private sector. Agriculture is also with the private sector. It means most of the goods are produced for the market and majority of economic activities are motivated by profit in a mixed economy.

Decisive Role of the Market Mechanism

Market Mechanism has a crucial role to play in Indian economy. India has markets not only for various products but also for productive factors. Prices of most of the commodities and factors of production are determined by interplay of demand and supply forces. Prices of various commodities and price fluctuations influence the decisions of the producers and techniques of production. Though all banks have been nationalised, yet their working as well as business dealings with producers in the private sector are generally determined according to the laws of the market. The amount of investment and its form is also influenced by the interest rates that prevail in the money market. Still the market mechanism is not totally out of state control. Through licensing, distribution of essential goods at fair price shops and government purchase of agricultural products at support prices, government tries to regulate market mechanism in Indian economy.

Joint Sector

A joint sector provides a very important avenue for balanced industrial development. It complements growth in the public and private sectors. It is an important feature of a mixed economy, it is basically an extension of the idea of mixed economy. It is a tool for social control over industry, without resorting to complete nationalisation. It is needed for an equitable and egalitarian economic growth in the country, it can widen the scope of the industrial scenario. In India, the joint sector has yet to make its mark in terms of its contribution to economic growth.

6.5 SIGNIFICANCE OF MIXED ECONOMY

Mixed economy is needed as it provides an institutional balance between the socio-economic forces under whose control and through whose efforts post-Independence India has achieved her growth. It mobilises popular support for a state-led, state-directed process of capitalist, modernising development of the Indian economy in general and impressive growth of industry and agriculture in particular. Growth and significance of public and private sectors in a system is an essence of mixed economy.

6.5.1 Infrastructure Development and the Public Sector

That part of the economy which functions on the basis of state owned property, forms the public sector of the economy. It is an important element in the socio-economic structure of society in India. The only national basis for modernising the productive forces in the developing countries like India has always been entrepreneurship. This is the reason behind the emergence and expansion of public sector in our country.

There has been an increasing recognition and acceptance of the state functioning as a catalytic agent for economic activities in all the core and basic sectors through the emerging public sector. For India, government regulation is a direct partner in most economic activities and a silent partner in all economic activities. The primary sectors came under the control and ownership of government much earlier than the others, and covered functions without which the state could not exist and the government could not function. The sectors like central banking, treasury and state refinance, rail, roads and ports, posts and telegraph are today normally identified with the basic functions of the state. These are infrastructural sectors and are instrumental to economic development.

In India, the emergence of the public sector gained momentum with the nationalisation of minerals and metals, industries as well as the oil and petroleum sectors. The trend continued with the nationalisation of life insurance and a major

portion of commercial banking. It was in fact in the form of the public sector that the state proceeded to undertake the responsibility for enlarging industrial growth and providing capital cover and entrepreneurship. The public sector has grown not only under the central government, but also under the ownership of the different state governments.

Public Sector's contribution towards net domestic product has risen, its contribution towards capital formation has also gone up. Capacity for labour absorption in public sector has been continuously consistent. Rate of investment and capital stocks of public sector has shown a steady rise. The growth of public sector has laid the foundation for rapid industrialisation of the economy by creating necessary basic industries. Nearly 85% of needed capital goods are being produced at home as against 15% at the beginning of planning era. Public Sector activities now cover a bulk of important areas of power generation, transport, banking and insurance and have been extended to domestic and foreign trade in certain important commodities. The role of the public sector is connected with the building of infrastructural projects and branches of the economy. It makes for private sector's inadequacy in organising research and development, in mobilising financial resources and in utilising new materials and methods in production.

Public Sector is not free from problems. Low or no profits, low morale of its personnel, political interference, trade unionism, inadequate training and recruitment measures for personnel, inappropriate pricing policy, etc., adversely affect the working of public sector. Thus, though one cannot deny the importance of private sector, yet we still find cases in which public sector undertakes to solve the problem of finance, construction, personnel training and raw material supply as well as to attract private initiative for the development of backward regions.

6.5.2 Role of Private Sector

In the core and basic sector, control has now been largely handed over to the public sector, and further growth in these areas is also within the public sector. Nevertheless substantial development in basic industries like cement, fertilizers and iron factories is still within the private sector, even though, the commanding heights continue to be controlled by the public sectors.

The larger proportion of the growth of the Gross Domestic Product (GDP) has been contributed by the private sector. In absolute terms, the production of consumer goods has gone up. By manipulating production and supply in direct contrast with the forces of demand and supply, the private sector has in a large measure also manipulated prices and exerted inflationary pressures on national economy. By widespread diversion of resources to the parallel economy it has also led to the concentration of wealth and inequalities in the distribution of output and income thereby inhibiting the national and spontaneous growth of per capita income and GDP.

Still the dominant sector in India that is agriculture is completely managed by the private sector. Trading, both wholesale and retail, has always been in the private sector. Small and cottage industries in India are in the private sector and they have an important role to play in industrial development. They are particularly suited for the utilisation of local employment opportunities, as they are labour-intensive. The private sector also helps in the effective mobilisation of human and physical capital. There is thus tremendous scope for expansion of private sector in India and its importance in a mixed economy cannot be denied in any way.

Check Your Progress 2

Note: 1) Use the space given below for your answers.

2) Check your answers with those given at the end of the unit.

1) Discuss the various features of mixed economy.

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2. Explain the role of private sector in a mixed economy system.

6.6 GROWTH OF MIXED ECONOMY IN INDIA

The success of mixed economy depends upon the positive growth of public, private and joint sectors of the economy. The state's role in mixed economy is crucial to its growth. The view that the state has to play a key role in rapid industrialisation and economic development of the country had gained wide support even during the freedom struggle. The Indian National Congress had passed a resolution to this effect way back in 1931, which stated that "the state shall own or control key industries and services, mineral resources, railways, waterways, shipping and other means of transport". Actual course of action since Independence has, however, been guided more by pragmatic than by ideological considerations. As we have mentioned earlier in the unit that the limited economic and administrative capabilities of the state at the time of independence forced the government to seek the cooperation of the private sector in the task of economic development, gradually the public sector was expected to grow not only absolutely but also relatively to the private sector. The private sector was expected to play its part within the framework of the comprehensive planning mechanism.

From the very beginning state policy was based on the view that small scale industries and a large part of finance and commerce were to be left in the domain of the private sector. Even in the domain of big industry, private initiative was not totally ruled out. The relative spheres of activity of the public and the private sectors were spelt out soon after Independence in the Industrial Policy Resolution (IPR) adopted by the Government of India in 1948.

The thrust of IPR of 1948 was on mixed economy i.e. coexistence of both public and private sectors. It emphasised on attainment of social justice through maximisation of production. Industries were divided into four broad categories :

- industries under the exclusive monopoly of the central government.
- the industries that could henceforth be undertaken only by the state.
- the third category was made up of industries of such basic importance that the central government would feel it necessary to plan and regulate them.
- a fourth category, comprising the remainder of the industrial field was left open to private enterprise, individuals as well as cooperatives.

The 1948 resolution not only emphasised the right of the state to acquire industrial undertakings in public interest but it also reserved an appropriate sphere for the private sector. The First Five Year Plan (1951-56) emphasised the rapid expansion of the economic and social responsibilities of the state. It gave a call for widening public sector and stressed the fact that private sector must be reoriented to the needs of planned economy.

The 1956 IPR modified the 1948 IPR a little. The resolution laid down three categories of industries, which were more sharply defined and were broader in coverage as to the role of the state than the classification of 1948 IPR. These categories were :

- Schedule A : those which were to be under exclusive responsibility of the state.

- b) Schedule B : those which were to be progressively state owned and in which the state would generally set up new enterprises, but in which private enterprise would be expected only to supplement the effort of the state ; twelve industries were placed under this category.
- c) Schedule C : all the remaining industries and their future development would, in general be left to the initiative and enterprise of the private sector.

These categories were not water-tight compartments. In appropriate cases private units could produce an item in category A for meeting the industry's requirements or as byproducts. Further, heavy industries in the public sector could obtain some of their requirements of higher components from the private sector while private sector in turn would rely for many of its needs on the public sector. Moreover, the state reserved the right to enter category C, when the needs of planning required. The basic objective of this resolution was to create a mixed economy in India. The resolution aimed at providing non-discriminatory treatment for the private sector, encouragement to village and small scale enterprises, removing regional disparities and provision of amenities for labour.

The Second Five Year Plan (1958-61) emphasised on the independence of the public and private sector. The Third Five Year Plan also aimed at curbing the concentration of wealth through the public sector. The Fourth Five Year Plan envisaged the emergence of an effective and dominant role of public sector. It called upon the private enterprise to assume greater responsibilities towards the community as a whole. The Fifth Plan stated that the public sector should ensure proper distribution of resources to the weaker sections.

The IPR of 1970 had various objectives like prevention of concentration of economic wealth, expansion of production measures and examination of the possibility of undertaking short gestation gaps for quick yield of profits by the government. The 1973 IPR aimed at economic growth, social justice and self-reliance.

The IPR of 1977 emphasised the development of small-scale sector, the basic industries, capital goods industries and high technology industries. The resolution aimed at developing the public sector. It assigned an expanding role for the public sector and recognised the necessity for continued inflow of technology in sophisticated and high priority areas.

The Industrial Policy of 1980 aimed at optimum utilisation of the installed capacity, minimising production, correcting regional imbalance, strengthening agricultural base and promoting export-oriented and import-substitution industries.

The Sixth and the Seventh Five Year Plans have also emphasised promotion of public and private sectors in a well-defined and properly demarcated spheres. Thus all our plans and Industrial Policy Resolutions have aimed at strengthening the mixed economy system in India.

6.7 PLANNING IN MIXED ECONOMY

Mixed economy is necessarily a planned economy. Since mixed economy operates under divergent and in many situations conflicting set of motivations, the planning process in a mixed economy is extremely complex. The conflicting motivations are those of self-interest on the one hand and social gain on the other. The purpose of economic planning in a mixed economy is to reconcile the conflicting interests so that national interest is not neglected. The success of planning in a mixed economy depends upon the following factors :

- i) to what extent is the public sector able to pursue the socially determined goals,
- ii) to what extent is the state able to guide the private sector to follow the socially determined goals,
- iii) to what extent is the state able to check the distortions in investment decisions arising out of private sector interests from going against the public sector.

It was recognised that in a growing economy which gets increasingly diversified, there is scope for both the public and the private sectors to expand simultaneously. The

as the key instrument for the economic and social transformation of the country. Moreover, the use of resources in the private sector is not left entirely free but is sought to conform to national priorities through the instrument of economic planning.

In a mixed economy, government uses various instruments to bring about planned development such as :

- i) Industrial Licensing
- ii) Land Reforms
- iii) Development of Services Sector
- iv) Subsidies and Other Measures like Capital Issue Control, Labour Legislation, Price Regulations and Foreign Collaboration Approval System.

We will now discuss these instruments in brief :

Industrial Licensing

The primary objective of the licensing system is to give effect to the industrial policy of the government. The broad objectives of the system are in consonance with those laid for the industrial policy. These are firstly, development and regulation of industrial investment and production according to priorities and targets of various plans. Secondly, prevention of concentration of economic power in the form of ownership of industries and thirdly, balanced economic development of different regions with a view to reduce disparities in the levels of industrial development. The legislative framework for industrial licensing in India is embodied in two different Acts. These are (a) Industries Development and Regulation Act (1981) & (b) Monopolies and Restrictive Trade Practices Act (1969).

Land Reforms

The objective of land reforms is to bring about institutional changes to make property relations favourable to the tillers of the soil. It aims to remove all elements of exploitation and social injustice within the agrarian system. Its goal is to ensure equality of status and opportunity to the vast sections of rural population and to increase agricultural production. The government has sought to bring such reforms through measures like abolition of zamindari, tenurial reforms, consolidation of holdings and cooperative farming.

Development of Services Sector

In the tertiary sector, the mixed economy system has sought to explain the role of the state in the provision of various services. For this purpose, a number of nationalisation measures have been initiated, beginning with the nationalisation of Imperial Bank of India to set up the State Bank of India in 1955. Life Insurance business was nationalised in the year 1956. The fourteen major commercial banks of the country were nationalised in July, 1969, followed by the nationalisation of six more banks in April 1980. Coking and non-coking mines were nationalised in two instalments in October, 1972 and January, 1973. The General Insurance business has also been taken over by the government. Statutory rationing has also been introduced in various cities.

Subsidies

Subsidies have become an important part of India's economic system. Subsidies to exports can be provided indirectly by deliberately running railways etc., at a loss. Subsidies on foodstuffs etc., can keep down the cost of living. Farm subsidies can lead to expansion of the output of farm products. Various subsidies like the subsidy on land revenue, subsidised industrial housing etc., aim to increase the consumption levels of the poor, protect and promote traditional and labour intensive industries, foster entrepreneurship, develop small scale industries, set up industrial estates, support infant industries, develop backward areas and promote exports and so on.

Other Instruments

Government also tries to regulate the private sector through Capital Issues Control. It means that corporate sector is required to obtain government's permission for the issue of any capital, equity, debenture or bond. Then, we have Foreign Collaboration

Approval System. It means that any project envisaging foreign collaboration has to secure prior permission of the government. Through price regulations also, the government regulates the private sector, for many commodities, pricing of goods and services is under government control. Government is involved in fixation of maximum prices for commodities etc. The government has also accorded statutory protection to labour through enactment of various laws.

Government, therefore, has been consistently making efforts to develop the mixed economy system in the country. Private initiative and enterprise have been retained in all the three sectors viz., agriculture, industry and services. But the state has been providing direction and regulation to their economic activity through different measures.

6.8 CONCLUSION

The experience of the various types of operational control used in India has not been very satisfactory. The tendency to excessively rely on administrative control has led to bureaucratisation, red-tapism and delay. Little progress has been made towards the attainment of the socialistic objectives of equality of opportunity and reduction in the concentration of wealth. The better-off sections of the society have mainly benefited from the development programmes. Nearly half the population of the country is living below the poverty line. Unemployment has increased. Emergence of black money, tax evasion, failure to check increase in prices reflects that the corrective measures adopted by the government have not delivered appropriate results.

Still one need not conclude that mixed economy is not capable of attaining rapid economic progress and social justice. The success of progressive measures like land reforms, nationalisation of banks, development of basic and heavy industries and increase in foodgrains production is indicative of the fact that it is possible to devise and implement policies within the framework of the mixed economy. We have laid the foundation of a self-reliant and sustained economic growth. Dependence on foreign aid has reduced. There has been massive expansion of social and economic infrastructure. Mixed economy system is a feasible proposition for a developing country like India. Any redesign which may change the relative proportions, power and position of the two sectors, cannot possibly change the mixed character of the system.

Check Your Progress 3

Note : 1) Use the space given below for your answers.

2) Check your answers with those given at the end of the unit.

1) Discuss the philosophy underlying the Industrial Policy Resolution of 1956.

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2) Explain the various instruments used by the government to bring about planned development in a mixed economy.

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6.9 LET US SUM UP

The mixed economy system can be a powerful instrument for the attainment of social and economic development of the country. It has to be seen that efforts are made to ensure that the existing inequalities are considerably reduced, distributive justice is made an integral part of the planning process and suitable institutions are created for wider and equitable sharing of the fruits of socio-economic growth. This unit highlighted the concept of mixed economy, its rationale and significance. It discussed the growth of mixed economy in India and the role of planning in this type of economy. An attempt was also made to explain the features of mixed economy in the country.

6.10 KEY WORDS

Bond : A bond is an investment certificate issued by a government or company which shows that you have lent them an amount of money and that they promise to pay you a fixed rate of interest. This enables the local holder to redeem/encash his bond on the stipulated date with the principal plus interest.

Cooperative Farming : Due to the non-availability of adequate land, it may not be possible to increase the size of all small farms. Cooperative farming thus becomes relevant. Farmers with land below the desirable limit can pool their lands and operate more efficiently. They continue to be the owners of their land and will share the surplus produce as per their contribution of land.

Debenture : Debentures are fixed-interest securities issued by the joint-stock companies in return for long-term loans generally ten to forty years. They may be redeemed (repayable by the borrower to the holder before the final date) or they may be irredeemable. They are a debt for the corporation and do not form a part of its capital.

Egalitarian Society : Society advocating equality of opportunity for all.

Equity : Equities or equity shares are the ordinary shares in public limited liability companies. The equity share gives a right to a claim on profits after all prior claimants have been satisfied. Equity of a company is the value of the net assets as represented by the ordinary shares.

Gestation Period : Period of time taken from the conception or initiation of the project till its final completion/production stage. While small cottage industries may need a few months gestation period, an industrial steel or energy plant may require quite a few years gestation period.

Industries (Development and Regulation) Act, 1951 : The chief objective of the Act is the development and regulation of Indian industries in a manner benefiting the policy of planning, socialistic society and other social, economic or political considerations.

Industrial License : An industrial license is a written permission from the government to an industrial unit to manufacture goods specified in the permission letter.

Inflationary Pressures : Inflation takes place when money incomes rise faster than the income earning activities. An economy is under inflationary pressures, when the total effective demand in monetary terms rises faster than the increase in total supply of goods and services.

Market Mechanism : The mechanism by which prices adjust themselves to the pressure of demand and supply and in their turn operate to keep demand and supply in balance. This is another name for price mechanism.

Subsidies : A payment by the state to help Industry or Agriculture to protect the producers'/growers' interest and thus keep prices down. The system prevailed during the British rule.

System of Land Tenure : Under this system, there were intermediaries between the government and the cultivator. It had acquired different names in different places such as zamindars, talukdars, jagirdars, etc. These intermediaries collected rent from

cultivators, a part of which used to be handed over to the government as land revenue. The abolition of tenures was given top most priority after Independence.

Tertiary Sector: In these occupations, only services are produced as distinct from the primary and secondary sectors in which goods are produced and therefore, tertiary occupations are commonly known as services sector. Transport, communication, banking, finance and personal services such as the services of doctor, lawyers, government servants, etc. are known as tertiary occupations.

6.11 SOME USEFUL BOOKS

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6.12 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

1) Your answer should include the following points :

- Coexistence of more than one mode of ownership, control and decision-making in an economy
- An economy where state owned means of production are used to promote social welfare
- An economy where state participates as an active partner with the private enterprise in the process of development
- An economy where sometimes the market forces determine the economic dynamics and sometimes it is the planning agencies which influence the economic system
- All the economic systems in which different forms of ownership and control can be found operative in different branches of the economy.

2) Your answer should include the following points :

- India inherited a stagnant economy from the British
- Private sector at the time of Independence was not prepared to perform an important role in the development of heavy and basic industries
- Private sector did not have the resources to undertake large economic projects which involved high risks and initial investment
- Government can coordinate the interrelated economic activities and investments in an appropriate manner and bring about social and economic justice
- State can take a long-term view of economy and tolerate low profits and financial losses
- Indian planners were also aware of the shortcomings of excessive state participation on economic development
- Private sector was thus provided a significant role within the framework of a planned economy.

Check Your Progress 2

1) Your answer should include the following points :

- Large public sector

- Private ownership of means of production and profit-induced commodity production
- Decisive role of the market mechanism
- Existence of a joint sector.

2) Your answer should include the following points :

- Substantial development in basic industries is within the private sector
- Larger proportion of the growth of GDP has been contributed by the private sector
- Agriculture is in private sector
- Trading, both wholesale and retail is in private hands
- Small and cottage industries in India are with the private sector
- Private sector helps in the effective mobilisation of human and physical capital.

Check Your Progress 3

1) Your answer should include the following points :

- The resolution of 1956 laid down three categories of industries
- It widened the role of the state
- The industries were categorised under three Schedules i.e. A, B and C
- The categories were not water tight compartments, private sectors could produce an item in category A and public sector in category C
- The resolution aimed at providing non-discriminatory treatment for the private sector
- It aimed at development of small-scale industries and removal of regional disparities.

2) Your answer should include the following points :

- Industrial Licensing
- Land reforms
- Subsidies
- Development of tertiary sector
- Other measures like Capital Issue Control, Foreign Collaboration Approval System, Price Regulations and Labour Legislation.

UNIT 7 ROLE OF PLANNING

Structure

- 7.0 Objectives
- 7.1 Introduction
- 7.2 Meaning of Planning
- 7.3 Need for Planning
- 7.4 Machinery for Planning in India
 - 7.4.1 Evolution of Planning
 - 7.4.2 Institutions Engaged in Planning
- 7.5 Planning Process in India
- 7.6 Limitations of Planning in the Country
- 7.7 Conclusion
- 7.8 Let Us Sum Up
- 7.9 Key Words
- 7.10 Some Useful Books
- 7.11 Answers to Check Your Progress Exercises

7.0 OBJECTIVES

After reading this unit, you should be able to :

- discuss the meaning of planning ,
- highlight the need for planning in India ,
- analyse the nature of planning in the country ,
- discuss the role of the institutions involved in plan formulation, implementation, monitoring and evaluation ,
- explain the process of formulation of plan , and
- state the limitations of India's planning process.

7.1 INTRODUCTION

Planning is generally associated with the development of an economy. Since plans attempt to determine how we develop, they affect each and every sphere of the society. The need for planning in India arose because of the complex nature of problems of development. The development tasks of the country had to meet the challenge of backwardness and poverty. India needed excessive resource mobilisation, high rate of investment, technological advancement and institutional overhauling. For all these reasons national economic planning became imperative.

Indian plans have repeatedly stressed their adherence to democratic planning. They have aimed at increase in production, economic growth, balanced regional development, more employment opportunities, removal of poverty, self-reliance and social justice. To understand the role of planning in India, we must try to familiarise ourselves with the concept of planning in India, institutions engaged in planning, objectives of our plans and the achievements and limitations of Indian planning system. This unit would highlight these aspects and enable us to understand the nature of planning in India.

7.2 MEANING OF PLANNING

Planning means to determine what is to be done and how it is to be done. In a very broad and general way, planning may be treated as a systematic pre-thought out

process of determining the objectives of administrative effort and of devising the means calculated to achieve them". According to Seckler Hudson, "planning is the process of devising a basis for a course of future action". Planning, according to Urwick, is "fundamentally an intellectual process, a mental pre-disposition, to do things in an orderly way, to think before acting, and to act in the light of facts rather than guesses. It is the anti-thesis of speculative tendency".

It is often said that planning is a rational method of decision-making and organisation. It means that planning involves the following steps :

- i) a clear perception and definition of the problem
- ii) determination of objectives and availability of resources
- iii) choice of activities and means for achieving the goals
- iv) coordination of these mutually dependent means and activities
- v) formulation of programmes
- vi) choice of consistent and most effective methods of implementing the coordinated programmes
- vii) systematic review and feed-back in order to continue and sustain the process.

Thus planning is the process of devising a sound basis for a future course of action. Planning is needed for all types of tasks, whether big or small. It can be used by countries at various stages of development and in different social and economic conditions. Planning has to be flexible, dynamic and adaptable. It involves various methods for the achievement of defined objectives. These methods are based on foresight and clarity of goals.

7.3 NEED FOR PLANNING

The role of planning varies according to the social and economic conditions prevailing in a country. Planning plays a very crucial role in the developing countries. The need for planning arises on account of the nature, magnitude and complexity of various problems persisting in a system. Planning has several advantages.

Planning Enables Comprehensive and Scientific Understanding of Problems

Planning enables, though does not necessarily ensure the emergence of comprehensive and scientific understanding of the problems of a system. In the context of development planning, it is essential that a comprehensive and meaningful understanding of underdevelopment and the factors, forces and processes which hold back progress is arrived at. This has to be the first step of development planning and it stresses upon the need for having a systematic planning mechanism.

Prevention of Wastage and Improvement in Productivity

On the basis of a comprehensive and scientific understanding of the problems, planning plays a crucial role in assessment, mobilisation and appropriate utilisation of the resources available. It prevents underutilisation, misutilisation and inappropriate allocation of resources.

Highlights the Pros and Cons of Various Decisions

On account of extension of the field surveyed, sectorally and spatially, in order to arrive at decisions, planning plays a useful role. It highlights the external repercussions of various decisions. It brings out both the positive and negative dimensions of the decisions and enables the planners to take steps to make use of either the positive effects or to lessen the negative effects of decisions.

Increase the Rationality of the System

Planning plays a very important role in increasing the rationality of the system by avoiding arbitrariness, duplication, inconsistency, neglect of collective and long-term interests. As a result, many of the defects of decentralised, uncoordinated decisions based largely on the motivation of individual gain can be rectified by planning.

Prevents Inconsistency of Individual Decisions on Inter-connected Matters

Through planning, it is possible to combine in a mutually consistent way collective social decision-making on important issues of general social relevance with individual

decision-making in areas where minute details, local conditions and frequently changing situations have to be taken into consideration.

Brings about Structural Change

Planning, through collective decision-making and direct or indirect control over social resources, enables the country to undertake large tasks and bring about changes in the structure of the system. Through planning, motivational and informational handicaps, which are the characteristic features of uncoordinated decisions, can be avoided.

Enables Orderly Reconciliation of Conflicting Interests

Plans play an important role in ushering an orderly change and preventing counter-productive conflicts from emerging after the decisions are taken. It invites such conflicts in advance so that efforts towards their reconciliation may be made at the earliest. Thus, by ensuring in advance that the various planned activities and changes are mutually consistent, plans prevent wastage of resources and efforts.

Therefore, planning is a very crucial component of any system oriented towards bringing about social and economic development. Planning has to play an active organisational and decision-making role from the stage of conception to the final implementation and evaluation of the schemes. It facilitates socio-economic change in accordance with pre-determined objectives in a most effective and rational manner.

As we have read in the previous units of this block, India inherited a stagnant economy marked with abject poverty and lopsided growth. The nature of the tasks and changes essential for development at the time of Independence was such, that it could not have been handled without proper and concrete recourse to planning. Private enterprises were not in a position to make full use of economic and human resources. Agrarian relations, small size of land holdings, fragmented holdings, heavy indebtedness of the farmers, persistence of low productivity methods of production had led to agricultural backwardness. Without a base of productive and prosperous agriculture, which was the mainstay of more than two-thirds of Indians, there was no possibility of modern industrial growth. The ruin of Indian handicrafts and absence of cottage industries aggravated the crises further. This called for a systematic planning process.

Modern infrastructural facilities for making use of natural resources, human resources, science and technology, international trade and economic relations and for directly meeting the need for various social services was not developed in a way and to an extent conducive to development. The colonial state neglected these vital investments and drained India of her precious resources. Winning of freedom, unification of the country after partition, institution of Sovereign, Democratic Republican Constitution made it clear that there was an urgent need for planning as a consciously adopted means of economic organisation and decision-making with a certain inevitable degree of centralised control. The state had to intervene in order to augment the resources for development. These tasks were not performed by the bureaucracy during the colonial rule. Thus without conscious choice, coordination of activities, large scale mobilisation of resources and centralised efforts, the problems facing the country at the time of Independence could never have been tackled properly. Planning, therefore, became a method of responding to the multifaceted, interrelated and stupendous tasks of development.

Check Your Progress 1

Note: 1) Use the space given below for your answers.

2) Check your answers with those given at the end of the unit.

1) What is meant by planning?

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- 2) Discuss the need for planning in a developing country like India.

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7.4 MACHINERY FOR PLANNING IN INDIA

In a country like India where the bulk of the means of production are owned by private individuals, planning should be such that it regulates and controls private socio-economic activities that contribute to development and is consistent with the aims and actions of public policy. Planning in India aims at ensuring social and economic development for fulfilling the basic objectives laid down in our Constitution. As mentioned in unit 6, Indian planning may be termed as development and regulatory planning in a mixed economy framework. It means that it is a planning process for both public and private sectors. To understand the nature of planning process in the country, we must have an idea about the evolution of planning in India and different institutions involved in plan formulation and implementation.

7.4.1 Evolution of Planning

Planning was not an unfamiliar concept for Indian leaders when freedom dawned in 1947. Awareness and importance of planning was clearly visible even in the pre-Independence period. In 1936, Dr. M. Visveswarayya had published an essay on the desirability and feasibility of planning for industrialisation. In 1938, National Planning Committee under the chairmanship of Jawaharlal Nehru did substantial work in collecting material for planning. Later in 1944, the government established a Planning and Development Board. A Planning Advisory Board was also constituted in 1946. These pre-Independence efforts stress upon the unity of approach that our leaders possessed for the achievement of common goals. After Independence, a systematic process of planned development was initiated. Since then our plans have been trying to promote balanced socio-economic development and welfare of Indian people.

7.4.2 Institutions Engaged In Planning

There are various institutions that are involved in plan formulation, implementation, monitoring and evaluation. The National Development Council (NDC), Planning Commission together with its working groups and advisory panels, State Planning Boards, District Planning Cells, Planning Cells in Central and State ministries and Parliament are involved in this effort. Association with private sector is also secured through various Development Councils and representatives of Commerce and Industry. It is a multi-stage, multi-level and multi-agency planning system.

Planning Commission is a multi-member body which was established by the Cabinet resolution of March 15, 1950. Its objectives and functions are to make an assessment of the resources of the country, investigate possibilities of increasing these resources, formulate a plan for the most effective and balanced utilisation of the country's resources. Planning Commission has to define the stages in which the plan should be carried out, propose the allocation of resources for due completion of each stage. It determines the conditions and machinery for the successful implementation of the plan by pointing out the factors hindering economic development. Planning Commission also has to review from time to time the progress achieved in the execution of each stage of the plan and recommend changes where required.

For evaluation of the plans, we have Programme Evaluation Organisation (PEO). It was set up in 1952. It works under the general guidance of Planning Commission. The main functions of PEO are to undertake evaluation studies, to assess the programme results against the stated objectives, to measure their impact on

beneficiaries and the socio-economic structure of the society and to give advice to State Evaluation Organisation that are involved with plan evaluation at the state level.

Another very important organisation that helps in planning is the National Development Council (NDC). The NDC acts as a bridge between the union government, Planning Commission and state governments. It prescribes guidelines for the formulation of the plan. It considers the plan formulated by the Planning Commission. It also considers important questions of social and economic policy affecting national development. It reviews the work of plan from time to time and recommends measures necessary for the fulfilment of plan objectives. The NDC tries to secure people's participation in planning and pays attention to the improvement of administrative services and development of less advanced regions.

Each state has a State Planning Board or State Planning Cell to help in plan formulation. It prepares a plan for the state with the help of ministries and departments in the state, representatives of districts and members of District Planning Cells. The State Planning Board calls for the various projects from the district, which are then combined on the basis of priorities and financial implications and a state plan is prepared and placed before the Planning Commission.

The districts have District Planning Cells for plan formulation. Soon after state budget is voted in the assembly, the various departmental heads prepare a district-wise break up of the outlays provided in the plan. The district authorities together with District Planning Cells prepare a district plan which is an aggregation of departmental schemes received from the state government.

7.5 PLANNING PROCESS IN INDIA

The Constitution of India includes the subject of 'social and economic planning' in the Concurrent List. India draws up plans in the form of five year programmes. The formulation of five year plan is a time-consuming and complex process. This process can be divided into five stages.

First Stage : This stage begins three years before the commencement of a new plan. Studies are undertaken by the Planning Commission to examine the state of economy and scrutinise the problems. Tentative conclusions out of this effort are arrived at and a framework of the plan is drawn. This framework is submitted to the central cabinet. After this it is placed before the NDC. The NDC indicates the rate of growth and broad priorities to be assumed for the purpose of further work on the plan.

Second Stage : Planning Commission works out general dimensions of the plan in the light of guidelines given by the NDC and a draft memorandum outlining the features of the plan is prepared.

Third Stage : Draft memorandum is placed before the NDC and after NDC's consideration, the work for preparation of draft outline of the plan starts. This draft plan is open for the comments of state and central ministries. After NDC's approval, this plan is circulated for public discussion. It is then considered by Informal Consultative Committee of Parliament and also by Parliament as a whole.

Fourth Stage : Planning Commission holds detailed discussions with central ministries and state governments regarding their plans. Discussions are also held with representatives of major organised industries in the private sector. Planning Commission then prepares a paper in which principal features of the issues needing more consideration are outlined. This paper is placed before the NDC and central cabinet for their consideration. Final report on the plan is based on the conclusions reached on this paper.

Fifth Stage : A draft of the final report on the plan is considered by central ministries and state governments and then submitted for approval of the NDC and central cabinet. After their approval it is presented before Parliament for discussion and approval.

After the plan is formulated, it is divided into annual plans for convenient implementation and allocation of resources. The plan is implemented by the state

governments. Planning Commission and the NDC are not involved in plan implementation. Planning Commission only determines the machinery for proper implementation of plan, it does not by itself carry out the formulated plan. Monitoring and evaluation of plans is done by the Planning Commission and the NDC through Programme Evaluation Organisation and other agencies engaged in appraisal of plans.

Check Your Progress 2

Note: 1) Use the space given below for your answers.

2) Check your answers with those given at the end of the unit.

1) What are the functions of Planning Commission ?

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2) Discuss the process of planning in India

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7.6 LIMITATIONS OF PLANNING IN THE COUNTRY

Our Five Year Plans have broadly aimed at increase in growth rate, extensive modernisation, establishment of socialistic pattern of society, attainment of self-reliance, upliftment of backward classes, balanced growth, systematic regional development, removal of poverty and promotion of heavy and capital goods industries. All these objectives will be discussed in detail in unit 8 of this block. But here it is essential to note that despite four decades of planning, we have not been able to solve the problems of unemployment, under-employment, rise in prices and poverty. Regional inequalities continue to persist. We have not been able to utilise our manpower resources to the maximum extent. Our growth rate has been inadequate. Concentration of economic power has increased. Thus there has been a wide gap between targets and achievements. These problems can be attributed to several limitations in our planning process.

Administrative Reforms Commission (ARC) in its Report on the Machinery for Planning (1968), noted that there was a lack of proper coordination between the Planning Commission and the private sector. Private sector is only involved at the time of plan formulation, even here the consultations between the two are held very rarely. The ARC criticised the functioning of Central Advisory Council on industries and various Development Councils which have been created by the government for consultations with the industrial sector. It noted that these councils suffer from lack of proper leadership and technical support and thus have been generally ineffective.

The Planning agencies also suffer from lack of trained personnel with requisite calibre and experience. There is lack of coordination between the related sectors of economy at the time of plan formulation and implementation. Moreover, implementation of the plans has been rather inadequate. While formulating plans, the practicability of the schemes must be kept in view. Proper attention has to be paid to agencies and people involved in implementation and evaluation of plans, and a proper feedback mechanism has also to be established.

Economic development alone will never lead to overall development of the country, it

is, therefore, imperative to bring about structural and institutional changes in the society. Usually it has been found that there is an absence of realism in planning. Though agricultural production has increased, process of land reforms has been very slow, the small and landless labourers continue to live in poverty. Planning in India is not geared towards undertaking continuous and scientific investigation of social obstacles such as the kinship and hereditary relations based on caste system which come in the way of economic reforms and development. Financial incentives to reduce backwardness are not enough. Certain non-economic, political and social factors have to be kept in mind.

Our plans have not been able to adhere to time schedules, as a result there have been cost overruns. The process of execution of plans is so slow that the financial outlays for plans become insufficient after a certain period of time. Expenditure increases because with the passage of time the prices go up. There is no emphasis on sense of urgency in plan implementation and evaluation. Supervision of plans at all the levels has been ineffective. Plan execution and evaluation is marked with red tape and wastage of resources.

Regional and Area Planning in the strict sense of the term has never been introduced in India. Planning in India has been sectoral. Plans at the state, district, block and village levels have just been mere break-ups of sectoral plans. Planning at the grass-root level is very weak. The district, block and village bodies merely collect data for the state and central governments. No full-fledged planning is done at these levels. Usually the policies are handed over from above and people at the local levels are required to fill in this framework. Participation of people and voluntary agencies in planning has also been quite inadequate.

7.7 CONCLUSION

Though our planning process is facing several problems, the situation is not all that grim. We have been able to maintain a moderate growth rate. There has been a growth of infrastructure and basic industries. We are no longer dependent on food imports. Education, social services and human capital has developed and expanded to some extent. Domestic investment has increased. There has been development of economic infrastructure, energy resources, irrigation works and transport facilities. Industrialisation has been quite impressive. There has been a diversification and expansion of India's industrial capacity with public sector playing a leading role. Indigenous production of consumer items has also gone up.

Proper emphasis on administrative research and evaluation of plans, simplification of procedures of work to avoid delay and reduce costs, better coordination between various sectors of economy on interconnected tasks, better trained personnel and development of grassroots planning can remove the bottlenecks confronting the planning system in India.

No effective planning can be possible without people's participation. People have to be not just the goals but also the means of development strategy. People and voluntary agencies have to be involved in plan formulation and decision-making, implementation of planned activities, distribution of benefits of development and monitoring and evaluation of plans.

Check Your Progress 3

Note: 1) Use the space given below for your answers.

2) Check your answers with those given at the end of the unit.

1) Briefly discuss the objectives of planning in India.

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2) What are the limitations of our planning process ?

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7.8 LET US SUM UP

Thus we saw that planning is an indispensable component of any country committed to the goals of socio-economic development. Plan formulation, implementation and evaluation calls for the participation of various planning agencies, central and state ministries, Parliament, private sector and voluntary organisations. Our plans have always aimed at bringing about social, economic and structural changes in the country in order to attain systematic and balanced growth. The unit has analysed the system of planning in India by explaining the importance of planning, evolution of planning and the nature of planning process in the country. India's plan objectives and various constraints behind proper fulfilment of these goals have also been discussed in the unit.

7.9 KEY WORDS

Economic Overheads: Building of economic overheads means development of network of roadways, construction of irrigation and hydro-electric works, development of railways and other capital intensive projects which are economic assets for the country.

Fragmented Holdings: These are very small holdings of land that are formed due to subdivision and fragmentation of land into small parts. This type of fragmentation leads to wastage of agricultural land, rise in cost of agriculture, and underutilisation of labour and capitals.

Kinship Relations: Family relations or relations between close and distant relatives that govern the social behavioural pattern. They are rooted in the caste system of Indian society.

Regional Planning: It involves coordination of various sectors of the economy in a specific region, these sectors have to be correlated with certain natural and economic homogeneities.

Sovereign Socialist Secular Democratic Republic: The preamble (serving the introduction) to our Constitution declares the ultimate sovereignty of the people of India and that the Constitution rests on their authority. The Constitution envisages that the state representatives have to be elected by the people. All the religions in the country will have the equal status, prestige and respect from the state. The Constitution also envisages a democratic form of government infused with the spirit of justice, liberty and equality. The words 'secular' and 'socialist' were inserted in the preamble of the Constitution by the 42nd Amendment Act, 1976.

7.10 SOME USEFUL BOOKS

Avasthi, A. and S.R. Maheshwari.1988. *Public Administration* ; Laxmi Narain Agarwal : Agra.

Jain, R.B. 1976. *Contemporary Issues in Indian Administration* ; Vishal Publications : Delhi.

Sarup, A. and S. Bramhe. 1990. *Planning for the Millions* ; Wiley Eastern : New Delhi.

Uppal, J.S. 1984. *Indian Economic Planning* ; Macmillan : Delhi.

7.11 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Your answer should include the following points :
 - Planning is a systematic pre-thought out action
 - It involves clear perception of the problem, determination of objectives, choice of means, formulation of a plan, ascertaining suitable machinery to carry it out and proper evaluation of the plan
 - Planning is needed for all kinds of tasks committed towards development.
- 2) Your answer should include the following points :
 - India inherited a stagnant economy
 - Private sector was not in a position to solve the problems prevailing at that time
 - There was a need for development of agriculture and industry, infrastructural facilities also had to be developed
 - Planning enables a comprehensive understanding of problems, avoids wastage and leads to increase in production
 - Planning increases the rationality of the system, prevents inconsistency of individual decisions and brings about structural change.

Check Your Progress 2

- 1) Your answer should include the following points :
 - Planning Commission assesses the resources available
 - It formulates plans for effective utilisation of resources
 - Defines the stages in which plans should be carried out
 - Allocates resources and determines the machinery for plan implementation
 - Points out the factors hindering development.
- 2) See Section 7.5

Check Your Progress 3

- 1) Your answer should include the following points :
 - Plans aim at strengthening the socialistic pattern of society
 - They aim at increasing the growth rate
 - Bringing about balanced regional development
 - Accelerating balanced growth
 - Provision of employment opportunities
 - Upliftment of backward classes
 - Promotion of self-reliance.
- 2) Your answer should include the following points :
 - lack of coordination between related sectors of economy at the time of plan formulation and implementation
 - Absence of grassroot planning
 - Lack of people's participation
 - Absence of regional planning
 - Increase in expenditure due to non-adherence to time schedules.

UNIT 8 GOALS OF DEVELOPMENT

Structure

- 8.0 Objectives
- 8.1 Introduction
- 8.2 Concept of Development
- 8.3 Development Goals in India
- 8.4 Our Plan Objectives
- 8.5 Conclusion
- 8.6 Let Us Sum Up
- 8.7 Key Words
- 8.8 Some Useful Books
- 8.9 Answers to Check Your Progress Exercises

8.0 OBJECTIVES

After reading this unit you should be able to :

- discuss the meaning of development and highlight its relationship with economic growth,
- state the goals of development in the country,
- state the goals of development in the country,
- discuss the different objectives of our Five Year Plans, and
- highlight the problems and loopholes hampering the proper achievement of development goals.

8.1 INTRODUCTION

Development is a complicated and multi-faceted concept. The goals of development depend on the concept of development which in turn depends on the social, economic and political conditions prevailing in the country. Development can neither be identified with economic growth, nor with the level of per capita income. It is a holistic and integral concept dealing with all the aspects of social existence in their organic unity.

Development goals or objectives can be short term as well as long term. They can also be real or stated, depending on whether they are actually or effectively pursued or not. India adopted development planning within the framework of a mixed economy system with a conscious choice of a number of objectives or goals. The primary objective which overshadowed every other objective is the growth of output. Social equity is the other objective which assumed a lot of importance because of its relevance to Indian conditions marked by unemployment, poverty, income inequalities and regional imbalances. Other goals of development which our country has been pursuing are attainment of modernisation, industrialisation and self-reliance. This unit will try to clarify the relationship between development and growth and highlight the different goals of development which have received a good deal of emphasis in all the Five Year Plans. An attempt will also be made to bring out the problems that we are facing in the formulation and implementation of development strategies and programmes.

8.2 CONCEPT OF DEVELOPMENT

Before analysing the various goals of development, it is essential to know the meaning of the term 'development'. Though the concept of development has been highlighted in unit 1 of block 1, it is necessary to bring out the relationship between development and growth. Development is a difficult concept to define, generally speaking, it means

moving to the next stage of condition which is better. According to Hahn-Been-Lee "Development is a process of acquiring a sustained growth of a system's capability to cope with new, continuous changes toward the achievement of progressive political, economic and social changes". Development means change plus growth. According to Gerald M. Meier, the definition that would gain wide approval is one that defines economic development as the process whereby the real per capita income of a country increases over a long period of time, subject to the stipulation that the number below an "absolute povertyline" does not increase, and that the distribution of income does not become more unequal.

The term development should not be equated with the term growth. Though growth is a pre-condition to development, mere growth of an economy does not make it a developed economy. Charles P. Kindleberger rightly asserts that economic growth merely refers to a rise in output whereas economic development implies changes in technical and institutional organisation of production as well as in distributive pattern of income. Compared to the objective of development, economic growth is easy to realise. By mobilising larger resources and raising their productivity, output level can be raised. The process of development is far more extensive. Apart from a rise in output, it involves changes in the composition of output as well as shift in the allocation of productive resources so as to ensure social justice. In some countries, the process of economic growth has been accompanied by economic development. This, however, is not necessary. Though development without growth is inconceivable, growth without development is possible.

In India, the planners realised the fact that the concept of development must incorporate the following elements :

- i) Economic growth cannot be equated with development. In fact, there is no guarantee that growth of investment, capital formation, industries and national income would by themselves bring about overall development, which would lead to better lives for the poor. Hence development must be viewed in its totality as one single, unified concept incorporating social, political, cultural and economic dimensions.
- ii) Social justice is basic to development
- iii) Development has to be a participative exercise and not one in which a select minority of the elite controls and directs the process of development
- iv) Self-reliance is an integral part of development. It means that the developing countries should be able to participate in the development process on the basis of full equality in international relations for the mutual benefit of all concerned.
- v) Due to scarcity of natural resources, it is essential that the pursuit of growth should lead to neither excessive nor imbalanced use of those resources in order to maintain their natural balance.

These aspects of development have been given due emphasis in our Five Year Plans. The next section would deal with these aspects.

8.3 DEVELOPMENT GOALS IN INDIA

Growth and development continue to dominate the public policies of both the developed and developing countries. Everywhere, the collective efforts of the state are given a role in development, which varies qualitatively and quantitatively among different countries. This depends on a number of factors, the most important being the objective or the goal of development. It means that there is a different understanding of the concept of development in different countries. These differences relate to the variety and diversity of goals of development adopted by different countries. The differences in the objectives of development reflect the differences in the conditions and approaches of different countries depending on their history, natural conditions, political and social system, place in the world community and values. The concept of development in India is also dependent upon the goals of development in the country. These objectives are self-reliance, industrialisation, modernisation, economic growth and social justice. We will now discuss these goals in detail.

Economic Growth

have tried to increase the stock of capital goods, viz., machinery, tools, equipment and infrastructure facilities. This is essential as it helps our labour force to produce a steady flow of goods and services which ultimately leads to an increase in the rate of savings and capital formation. Thus development through increase in production has become the corner stone of Indian planning. It has featured in all our development policies and strategies. It is clearly evident from the very character of Indian Plans, that major focus of our planning has been on economic growth. The underlying objective behind the setting of plan targets and allocating the resources to various sectors has been economic growth.

The era of economic planning, starting with the First Five Year Plan (1951-56) laid a target of 2.1 per cent per annum increase in the national income. The Second Five Year Plan envisaged a target of 4.5 per cent increase in national income by laying emphasis on the development of the public sector. The Third Plan aimed at securing a 5.6 per cent annual increase in national income. It laid stress on raising agricultural output. The main focus of the Fourth Plan was growth and stability. The Fifth Plan aimed at 5.5 per cent increase in national income. It treated the objective of economic growth as a complementary goal to the other goals of eradication of poverty and achievement of self-reliance. The Sixth Plan aimed at 5.2 per cent increase in the Gross Domestic Product (GDP). To achieve this target, it laid emphasis on improving the efficiency level of existing capital stock utilisation, raising the investment rate, making the investment pattern more rational and keeping the balance of payments within certain limits. The Seventh Plan aimed at 5 per cent per annum increase in the national income.

Thus the major thrust of our plans has been on economic growth. While evaluating the performance of a plan, its growth rate is always looked into. High rate of production is considered to be essential to meet the basic needs of the people. Thus emphasis has always been laid on utilisation of our resources in an appropriate manner so as to satisfy the needs of our population. It is believed that growth impulses arising from our production process would gradually spread to the entire economy. The role and importance of suitable technology in increasing production has also been stressed upon. Right from the beginning of our planning era, we have been giving highest priority to economic growth by introducing ways for increasing production in the economic sphere. Increase of production is regarded as an essentiality for removal of poverty, establishment of just and equitable society and raising the standards of living of the people.

Our plans also seek to achieve a balanced rate of growth, that is, a balance between industry, agriculture, light industry (industry producing consumer goods) and heavy industry (industry producing capital goods) has been sought by our plans.

Self-reliance

A country can be regarded as economically independent only if it follows the path of development according to its own needs, resources and values. The developing countries such as India cannot become self-reliant unless and until they are able to detach themselves from the dependency relationship which they have with other countries in trade, investment and technology.

Our plans stress upon the different dimensions of self-reliance :

- i) reduction in the dependence on foreign aid
- ii) diversification of domestic production
- iii) reduction in imports for certain critical commodities ; and
- iv) promotion of exports to enable us to pay for imports from our own resources.

As foreign exchange can become a constraint in promoting development, its management has been sought by our Five Year Plans through emphasis on self-reliance and import substitution. We have been trying to achieve import substitution by development of machinery manufacture within the country. We are also trying to buildup our capacity in the fields of project consultancy and design engineering.

Through achievement of self-reliance, a country is able to ensure a more equal relationship with the world economy and reduce its vulnerability to outside pressures and disturbances. Self-reliance has to be sought along with the objective of economic growth and not at the cost of growth. The term self-reliance should not be confused

foodgrains, defence etc. It is needed from the point of view of national security. In the remaining sectors, only self-reliance is sought, it means that in these areas, normally demand is satisfied from domestic production, but where it is necessary to import from other countries, purchases are made on the basis of foreign exchange earned through exports. That is, demand for foreign exchange (equal imports) is set equal to supply of foreign exchange (equal exports). This is the essence of self-reliance.

In the 1950s, India was dependent on foreign countries because the output of foodgrains was not adequate, basic industries were virtually non-existent and rate of savings was sufficiently low. Due to these reasons, it became imperative for Indian planners to give due emphasis on the goal of self-reliance in our plans. Self-reliance did not receive much emphasis in the first two Five Year Plans. In the Third Plan, for the first time, it was stated that "the country would endeavour to become self-reliant over a decade or so". It stated that "the balance of payments difficulties that the country is facing are, not short term or temporary, they will continue for several years to come. External assistance is essential for this period, but the aim must be to make the economy more and more self-reliant, so that it is able to support within a period of ten or twelve years, an adequate scale of investment from its own production and savings. The normal flow of foreign capital may continue but reliance on special forms of external capital has to be reduced progressively and eliminated". The Fourth Plan concretised this goal and determined the time phasing for its realisation. The subsequent plans have also laid stress on the objective of self-reliance.

Industrialisation

As we know the central theme of India's planned development has been an increase in the growth rate of national income. To achieve this, the need for development of capital goods and basic industries was strongly felt at the beginning of our planning era. Thus the development of capital good industries has been assigned a key role in the growth profile of the country. Emphasis has been laid on the production of basic materials and goods like coal, steel, machines, electricity, chemicals etc. This is essential for setting up of infrastructural facilities and accumulation of capital. Despite the initial problems of industrialisation such as production of only heavy and basic goods, non-production of consumer goods and lack of increase in employment opportunities, it is felt that emphasis on this objective ultimately leads to expansion of capital and consumer goods, availability of job at higher levels of income, capital formation and increase in rate of growth.

Our plans have given a high priority to the objective of industrialisation. They have laid emphasis on organising an adequate supply of consumer goods. Cottage industries are being promoted to produce consumer items. Such type of industries do not require large amount of capital and are also labour intensive. Our stress on increased rate of savings and investment, import substitution and export expansion has given a boost to our industrial production. In order to ensure the speedy implementation of this strategy for industrialisation, large amount of funds have been allocated to the industries in our Five Year Plans. Our Plans have accorded a very high priority to the development of certain sectors of the economy such as industry and mining, power and transport and communications.

Modernisation

As per the Sixth Five Year Plan document, the term 'modernisation' means a variety of structural and institutional changes in the framework of economic activity. A shift in the sectoral composition of production, diversification of activities, advancement of technology and institutional innovation have all been a part of the drive for modernisation. Indian planners have always emphasised the role of science and technology in bringing about development. Application of science and technology in production raises the output level and accelerates the pace of economic growth. Our plans have stressed upon the need for research and development (R & D) in order to avoid our dependence on foreign technology. Though structural diversification commenced with the Second Five Year Plan, the concept of modernisation was clearly spelt out only in the Sixth Five Year Plan.

To bring out modernisation, efforts have been made to promote industrial growth and diversification. Besides this, the strategy for modernisation, involves a shift in the industrial sector towards industries producing basic materials and capital goods and the growth of the public sector in industry. The development of the public sector has

been the principal element in our drive for industrial diversification. The public sector as we read in unit 7, plays an important role in industries such as steel, petroleum, fertilisers, petro-chemicals etc. The crucial role of private sector has also been recognised by our government and it has been accorded due recognition in our plans.

A sort of network in the form of banking institutions has been established to promote and finance private investment in industry. The government has set up a variety of institutions to assist in the provision of infrastructure, supply of raw materials and the development of marketing and technology. Small scale industries and artisans are also being protected through product reservation i.e. by restricting production of specified commodities by small-scale industries and fiscal concessions. Besides industry, our plans have also aimed at achieving modernisation in the sphere of agriculture. As we read in unit 5 of this block, at the beginning of our planning era, our agricultural growth was not much because of the then existing outmoded land tenure system, the primitive technology of cultivation and lack of infrastructure for raising productivity. Thus modernisation in this field was a very difficult task. The elimination of zamindari and other intermediary tenures, spread of high-yielding varieties and extension of irrigation has brought about considerable change in the technology of cultivation. The elaborate network of agricultural research and extension set up, production of major food grains and horticulture crops, establishment of a system of support prices, procurement and public distribution of goods are the results of modernisation.

Check Your Progress 1

Note: 1) Use the space given below for your answers.

2) Check your answers with those given at the end of the unit.

1) Bring out the relationship between growth and development.

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2) Discuss the need for having a self-reliant economy.

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3) What is the strategy adopted by India towards attainment of industrialisation ?

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4) Discuss the strategy for bringing about modernisation in India.

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Social Justice

One important cause of underdevelopment and backwardness is widespread and multi-dimensional inequalities. Social, economic, political and cultural spheres in India are marked by serious disparities. There is no use of political rights (guaranteed in the Constitution) if social inequalities continue to persist. For removing poverty, unemployment, regional imbalances and income inequalities and for making democracy effective, it is very essential to introduce greater equity. Indian plans have stressed upon the transformation of her economy into a socialistic pattern of society. The Second Five Year Plan highlighted the need for a socialistic pattern of society within the framework of a mixed economy. It stated that the basic criterion for determining growth should not be private benefit but social gain. It suggested that the major decisions regarding planning should be made by agencies committed to social upliftment and that the less privileged classes should benefit most from our plans. The concentration of income and wealth must be reduced and the public sector should play a very crucial role in the economy.

The objective of Social Justice laid down in our plans, aims at

- i) increase in the living standards of the poorest groups in society
- ii) reduction in inequalities in asset distribution
- iii) removal of unemployment
- iv) bringing about balanced regional growth ; and
- v) upliftment of backward classes.

We will now discuss these objectives briefly.

i) Reduction in Income Inequalities

Another way of achieving social justice in India can be reduction in income inequalities and concentration of wealth. The issue of income inequalities in India is linked with the inequalities in the ownership of agricultural land and concentration of economic power in the industrial sector. This is a cause of inequalities in rural areas. In urban areas, also, inequalities due to the rapidly growing assets of big business houses have been growing. Income disparities between urban and rural areas are also on the increase. Economic growth and industrialisation, instead of solving the problems, have aggravated them further.

According to the Planning Commission, the existing economic inequalities in India have their roots in the remnants of the feudal system and privileges associated with them, and these semi-feudal relations must be destroyed. In order to achieve this objective, the Government of India through its plan objectives has made a commitment to eliminate all intermediaries from the area of agriculture by appropriate legislation in this regard. Ceiling on agricultural holdings could be another measure towards elimination of inequalities. One more step in this connection could be fixing up of ceiling on incomes.

In developing countries, there are mainly three sources of high income :

- i) capital gains receipts
- ii) entrepreneurial profits
- iii) salaries and perquisites of business executives.

Thus according to the Planning Commission, removal of inequalities should involve firstly, restriction of capital gains and speculative profits and secondly, our taxation system must be geared to the need of detecting the income from the above mentioned sources and must punish the tax evaders severely. Other measures that can be undertaken in order to reduce inequalities are rise of agricultural production, development of agro-based industries and social services, ensuring fair price to the products of farmers, increasing the rate of growth, improving the productivity of weaker sections and fair dispersal of ownership of means of production.

ii) Removal of Poverty and Unemployment

Our Five Year Plans have stressed on removal of poverty and unemployment through creation and expansion of job opportunities. Our plans do not merely envisage the establishment of labour intensive industries, small scale industries and promotion of handicrafts, but also to make employment productive and output per worker higher. The plans aim at fuller utilisation of available production capacity, provision of credit and other assistance to people living below the povertyline, small and marginal cultivators and eligible persons seeking self-employment.

There is also a provision for special employment programmes in areas, specially rural, with high incidence of unemployment and poverty. Eradication of poverty has featured in all the Five Year Plans. The real thrust on poverty removal came with the Fourth Plan but it was the Sixth Plan that replaced the term 'poverty removal' with 'poverty alleviation'. The Sixth Plan approached the problem of poverty alleviation in three major ways, firstly, by identification and measurement of poverty, secondly, by developing realistic targets and thirdly, by formulating specific programmes to match the targets. In the Fourth Plan, emphasis was laid on removing poverty completely, since for total eradication, reduction is a major step, the government's approach towards Sixth Plan changed towards realistic norms and emphasis was rightly placed on moving step by step towards the goal. The Seventh Plan continued with similar stress and the Eighth Plan will also lay a good deal of stress on poverty alleviation.

A major step towards poverty alleviation is land reforms. It includes measures such as abolition of intermediary tenures and tenancy rights, fixation of ceiling on land holdings, development of institutional credit and marketing, improvement of agriculture taxation, agriculture extension education, supply of modern inputs etc. Another step towards this goal is poverty alleviation programmes. Some important programmes are the Integrated Rural Development Programme (IRDP), Training Rural Youth for Self-Employment (TRYSEM), National Rural Employment Programme (NREP). These programmes aim at creation of employment opportunities for rural poor and landless, provision of training for those seeking self-employment, creation of self-employment opportunities, establishment of training centres and assisting rural poor through credit and inputs.

We have a special programme for helping rural women and children known as DWCRA, that is Development of Women and Children in Rural Areas. It seeks to provide income generating activities to women which will have a positive impact on the economic and nutritional status of their families.

In the past also we have had programmes like the Community Development Programme which was launched in 1952, which aimed at making rural people self-reliant. Its objective was to inculcate among them a feeling of cooperation through better utilisation of human resources and science and technology. Then there were Intensive Agriculture District Programme (IADP), High Yielding Variety Programme (HYVP) and Multiple Cropping Programme which were started in the 1960s to give a boost to agricultural production and attain self-sufficiency in foodgrains production. Rural Works Programme was launched in 1967. It aimed at providing employment during the lean agricultural season. Small Farmer Development Agency (SFDA) was started in 1969 which provided assistance to target groups and credit institutions by ensuring credit and subsidies.

Pilot Intensive Rural Employment Projects (PIREP) and Crash Scheme for Rural Employment (CSRE) were started as employment generation schemes through execution of labour intensive projects. Minimum Needs Programme (MNP) aimed at meeting the basic needs of the poor in order to enable them to improve their standard of living. It provided for elementary education, rural health, water supply, electricity, rural roads, assistance to landless for rural housing and nutrition and improvement of urban slums. Food For Work Programme (FFWP) which was started in 1977 aimed at developing rural economy and generation of employment.

Thus, all these programmes not only aimed at removal of poverty and unemployment but they also tried to curb the rural-urban migration. They aim at reducing the problems of unemployment and poverty in urban areas too, as most of the problems are a result of influx of rural population in urban regions. For urban areas, a new programme called the Self-Employment Programme for Urban Poor (SEPUP) was initiated in the Seventh Plan Period.

iii) Removal of Regional Imbalances

As we read earlier, if development has to be fruitful, then it has to be a balanced development, that is, development of all the regions in the country. Growth of a few areas or regions at the cost of others will always have negative effects on the economy of a country. The Finance Commission, thus, pays special attention to backward regions of our country at the time of allocation of funds. The policy is to locate public sector undertakings in backward regions and encourage the private sector to invest in those areas.

To attain balanced development, different location centres have been evolved by the planners for the two set of industries, that is the capital intensive, large scale industries and labour intensive small scale consumer goods industries. The need for dispersal of industries as a means of attaining a balanced development of the economy as a whole has been emphasised in the industrial licensing policy also. The Planning Commission is of the view that the States can play a major role in the reduction of regional disparities. The States are asked to prepare their plans in a manner that would result in the reduction of disparities between different areas and to give due attention to backward regions, while distributing the plan resources between different programmes.

The Fourth Five Year Plan provided for formulation of a national policy for development of backward areas in the country. The policy laid down the need for undertaking the identification of areas, selection of special area development schemes and evaluation of policy and instruments for the implementation of the policy. The main objective of the area development planning was to provide a concrete programme for sustained overall development of the area. As a result some Area Development Programmes were started such as the Hill Area Development Programme (HADP) which aimed at maximising agricultural production in hilly areas through demonstration campaigns which were organised to teach the farmers about the need for improved seeds, pesticides, fertilisers, new agricultural technology etc. It provided for development of forestry, better marketing and credit facilities in hilly regions. Drought Prone Area Programme (DPAP) aimed at restoration of ecological balance, development of agricultural and allied sectors in drought prone areas through optimum utilisation of land, water and livestock resources. Desert Development Programme (DDP) was launched in 1977-78 as central sector scheme to specially cover extremely arid areas. It aimed at curbing the growth of deserts through afforestation, conservation of surface water and grass land development. There was also a special area development programme for tribal regions known as Tribal Area Development Programme (TADP). It was launched in 1972, it aimed at increasing agricultural production, developing animal husbandry, horticulture, constructing roads, controlling shifting cultivation, conservation of soil and land and cattle development. These programmes, thus aim at making the backward areas of the country economically developed.

iv) Upliftment of Backward Classes

Our plans have always included programmes for social welfare. Special schemes for the betterment of the disadvantaged groups has been an important feature of the plans. In the Fifth Plan, the National Programme of Minimum Needs was conceived as a means of enabling the disadvantaged areas and weaker sections of the society to achieve parity in the basic social consumption levels.

Special programmes have been started for the welfare of scheduled castes and tribes. The Fifth Plan has evolved a new strategy of specific sub-plans for tribal areas operating through the Integrated Tribal Development Projects (ITDPs). The long term objectives of these tribal sub-plans are to bridge the gap between the level of development of tribal and other areas and to bring about a qualitative change in the life of the tribal community. With the Sixth Five Year Plan, three more programmes were started :

- i) the Special Component Plan of the states and central ministries which tries to provide benefits to scheduled castes and scheduled tribes from general sectors of plans of states and central ministries. Through income generating schemes and provision of basic amenities, it aims to benefit the scheduled castes and tribes financially and physically.
- ii) the Special Central Assistance Scheme—aims to provide for development of scheduled castes and tribes through income generating schemes.
- iii) Scheduled Castes Development Corporations (SCDCs) in the States — The SCDCs are visualised as an interface between poor scheduled castes, and financial institutions in respect of bankable schemes of economic development.

Besides these programmes, there are other ways of safeguarding the rights of SCs and STs in India. The Special Officer for SCs and STs is appointed vide Article 338 to investigate all matters relating to safeguards provided for SCs and STs under the

3 of the Fifth Schedule provides for an annual report on the STs to be sent by the Governor to the President who can give direction to the Governor regarding any important matter concerning tribals and harijans. Para 4 of the Fifth Schedule provides for the establishment of Tribal Advisory Councils in States. Para 5 of the Schedule calls upon the Governor to make regulations for the peace and good administration of any area in a State which has been identified as the scheduled area. Article 275 provides funds from the Consolidated Fund of India for raising the levels of administration of scheduled areas in the form grants-in-aid to the States.

8.4 OUR PLAN OBJECTIVES

Our Five Year Plans, as we read in unit 7 of this block and as it is clear from the preceding sections of this unit, have consistently placed emphasis on the attainment of the objectives of self-reliance, social justice, industrialisation, modernisation and economic growth. All plans do not place equal emphasis on each objective. Whereas earlier plans laid more stress on rapid economic growth, the later plans attached more importance to self-reliance and removal of poverty. The Seventh Plan laid emphasis on the attainment of modernisation. Thus an overview of our Five Year Plans would give us an idea about the different objectives and priorities under each plan. The First Five Year Plan (1951-56) was started after the process of political and administrative unification of the country was completed. The situation at the beginning of the plan was not very good. We had to tackle the massive problems of backwardness and underdevelopment. Thus the plan aimed at :

- i) restoring the economy, resist the inflationary pressures, improve the food and raw materials position and develop the transport system
- ii) formulating and implement such development programmes that could lead to future progress
- iii) initiating measures of social justice
- iv) building up such administrative and other organisations that would be conducive to development.

This was basically a rehabilitation plan as Indian planners had to correct the disequilibrium in the economy caused by influx of refugees, severe food shortage and inflation. It emphasised on increase in agricultural production, improvement in living standards and growth of national income.

The Second Five Year Plan (1956-61) laid emphasis on industrial development. The plan aimed at rapid industrialisation with particular emphasis on the development of basic and heavy industries. The plan laid special emphasis on increased production of iron and steel, heavy chemicals and development of heavy engineering and machine building industries. It also aimed at an advanced increase of five per cent in national income, provision of additional employment and reduction of inequalities in income and wealth.

The Third Plan (1961-66) set as its goal the establishment of a self-reliant and self-generating economy. It aimed at :

- i) securing five to six per cent annual increase in national income,
- ii) achieving self-sufficiency in foodgrains,
- iii) expanding basic and key industries,
- iv) utilising to the fullest possible extent the man-power resources of the country,
- v) increasing employment opportunities,
- vi) establishing progressively greater equality of opportunity ; and
- vii) bringing about reduction in disparities in income and wealth and a more even distribution of economic power.

The Fourth Plan (1969-74) laid emphasis on the major objectives of removal of poverty and achievement of self-reliance. It aimed at achieving a 5.5 per cent annual growth rate. Its objectives were to :

- i) boost up industrial productivity
- ii) help weaker producers and increase employment opportunities
- iii) increase agricultural production, specially production related to the primary

- iv) use monopoly legislation and appropriate fiscal policy for reducing concentration of economic power.
- v) utilise Panchayati Raj institutions in planning at the local level.

The Fifth Plan (1974-79) proposed to achieve two main objectives : i) removal of poverty and ii) attainment of self-reliance.

It aimed at achieving these goals through promotion of higher rate of growth, better distribution of income, increase in the rate of growth of agriculture, production of level and expansion of production of consumer goods.

The focus of the Sixth Five Year Plan was on enlargement of the employment potential in agriculture and allied activities, encouragement to household and small industries producing consumer goods for mass consumption and raising the incomes of the lower income groups. Its main objectives were :

- i) strengthening the strategies adopted for modernisation
- ii) achieving economic and technological self-reliance
- iii) reducing the incidence of poverty
- v) improving the quality of life of the people in general with special reference to the economically and socially handicapped population
- vi) reducing income inequalities
- vii) promoting policies for controlling the growth of population ; and
- vi) promoting the active involvement of all sections of the people in the process of development.

The basic objectives of the Seventh Plan (1985-90) are the same as stated in the earlier plans, but the stress is more on growth, modernisation, self-reliance and social justice. The major goals of the plan are :

- i) to eliminate poverty and illiteracy
- ii) to achieve near full employment
- iii) to achieve self-sufficiency in the basic needs of clothing and shelter and to provide health for all
- iv) to augment agricultural production ; and
- v) to improve technology in the fast growth areas and control inflation.

Thus all our plans have aimed at achieving economic growth, industrialisation, self-reliance, modernisation, and social justice in some form or the other.

8.5 CONCLUSION

Thus, it is clear that our planners have been trying to bring about development by pursuing five major objectives viz., economic growth, self-reliance, modernisation, industrialisation and social justice. India's experience shows that a considerable amount of success has been achieved in certain areas. In agriculture and rural development, a large number of new programmes have been started. Along with these, a diversity of organisational arrangements and administrative structures have been established. There has been a substantial diversification of the industrial base over the last four decades. Now we are able to produce a broad range of industrial products. We have achieved self-reliance in basic and capital goods industries. Indigenous capacities have been established. The process of industrialisation has fostered entrepreneurship. A wide variety of technical, managerial and operative skills have been developed. The major thrust for development of heavy industries has been provided by the public sector. An elaborate network of specialised development banking institutes, has been established to help finance industrial investment in the private sector.

Though the list of achievements is exhaustive, we still cannot conclude that we have been able to develop in the way we wanted to. The list of failures and the problems hampering our drive towards development is equally exhaustive. Some economists doubt India's achievements on self-reliance. We have achieved considerable self-sufficiency in food but that is not the case in other areas. Import of capital goods, technology, petroleum products, edible oils, etc. make a huge dent in our external resources and we have a heavy balance of trade deficit. Though the growth rate has

modernisation in agriculture has just begun. Average yield levels in most regions and farming systems are below what can be attained with known technology. India now has a large and wide scientific and technical workforce in the world, still the capacity of the system to absorb these skills fully in productive employment has been less than adequate. Also in pure and applied research, advances have been limited except in a few areas like agricultural research, atomic energy and space. Average productivity levels are below the targets.

Monopolies in industry have grown. Progressive taxation has been quite ineffective. Circulation of black money has increased in the market. Increase in production has also led to increase in economic inequalities. The objective of income equality in terms of priority, has always got a very low place in our plans. The publications of Planning Commission and Plan Documents have never provided estimates of inequalities of income and wealth distribution. The Fifth and Sixth Plans did not clearly lay down the measures to be followed for eliminating income inequalities. The Seventh Plan also did not make any reference to it. We have been under the misconception that fiscal policy, industrial licensing, monopoly control measures and additional employment opportunities would be enough to reduce income inequalities.

We have also not been able to make a dent on poverty problem. Anti-poverty programmes have brought only temporary relief. Improper identification of beneficiaries, lack of awareness among the poor regarding the benefits of programmes, wastage of funds, lack of monitoring and evaluation, overemphasis on wage employment schemes, lack of training of staff involved in implementation of programmes and less involvement of voluntary agencies and cooperatives in rural development have proved to be the major problems facing our programmes. Neither the incidence of poverty has reduced nor the living standards have improved.

Land reforms have not been implemented effectively. Shortage of updated land records, existence of benami transactions, distribution of bad quality of land, declaration of less land as surplus, lack of participation by benefactors, almost non-existent cooperatives for land reforms, use of inappropriate technology in agriculture have impeded their success.

In the early phase of planned development in India, regional factors were not given enough weightage. Moreover, the major industrial projects in the public sector located in industrially backward areas have not produced the desired effects. It has also not led to diversification of the regional economy. We have achieved some success in the development of huge irrigation power projects, which have led to agro-industrial development, but our policy of attracting private sector to invest in industrially backward regions has not succeeded much.

In education, health care and family welfare, past efforts have been concentrated on target-oriented expansion in facilities or on enrolment and coverage. The greater access of the poor to secondary and higher education has not been able to reduce the illiteracy rate. Our Five Year Plans accepted the objective of equity, however, the concrete details of this objective such as the extent to which income and wealth would be distributed, different types of social equity to be introduced, the extent to which concentration of income and wealth would be reduced etc., have not been spelt out. Various policies and programmes for bringing about equity and steps needed for this purpose were never specified.

Certain measures can be adopted to improve this state of affairs. There is an urgent need for re-examining our priorities and strategies in pursuit of development. There is a need for refinement in the process of identification of schemes relevant for scheduled castes, scheduled tribes and rural poor, both by the state governments and central ministries. Adequate attention has to be given to these schemes, their economic base has to be strengthened. We should try to involve the voluntary organisations, cooperatives and people in the formulation, implementation, monitoring and evaluation of the schemes for the poor and the downtrodden. A strategy is required whereby we can improve the performance of staff engaged in development tasks, ensure their accountability to people and increase their accessibility to the common man. Similarly problems of corruption and red-tapism can be tackled properly.

To strengthen the country's scientific and technological base, its domestic

and research and development efforts in crucial areas of science and technology have to be initiated. The evaluation of social welfare schemes in quantitative terms is not going to solve any problem. We must try to find out the qualitative effect of such programmes, for example, we must know their ultimate effects on literacy, educational status, incidence of diseases, mortality rates, nutritional status and living standards.

To remove regional imbalances, what is needed is a strategy which identifies the natural, physical and human endowments and potential in different districts and formulates viable projects which are based on these resources. The plans must also bring out overall sectoral and spatial requirements of the backward districts which would help in the inter-district disparities within the States.

Unemployment problem can be solved if our poverty alleviation programmes are able to produce the desired results. Besides this, the employment potential of an investment project should be clearly studied. It should also be kept in mind that for each region, sector and economic class, different employment plans should be initiated, keeping in view their specific needs. We have to mobilise our resources in an effective manner, expand our exports, increase our agricultural production, develop proper technology for ecologically handicapped regions, utilise fully our irrigation potential, develop effective substitutes for imported products, technology and energy, revitalise our family planning programmes, strengthen the Panchayat Raj system and introduce a job-oriented education system in order to solve our goals of development.

Check Your Progress 2

Note: 1) Use the space given below for your answers.

2) Check your answers with those given at the end of the unit.

- 1) Our plans have always aimed at bringing about social justice through various strategies and programmes. Comment.

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- 2) Discuss the various methods adopted by the government for removal of poverty and unemployment.

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8.6 LET US SUM UP

Our major goals of self-reliance, economic growth, modernisation, industrialisation and social justice have been ardently pursued by our Five Year Plans. The difficulties impeding the full achievement of the goals can be removed with the help of people's participation and right political will. The aim should be to make India a technologically viable and progressive economy where everyone would enjoy the basic amenities of life. To attain our goals we need to expand economic and technological growth, initiate development programmes for the poor and weaker sections of the society, improve our health and education facilities, bring about sharp reduction in the rate of population growth, inculcate awareness among the people and revitalise our panchayats, cooperatives, voluntary agencies and other decaying administrative institutions.

8.7 KEY WORDS

Capital gains receipts : A financial gain resulting from the sale of a capital asset at a higher price than was paid for it. The gain arises out of an appreciation of capital value. It creates in the hands of the receiver a clear capacity to pay taxes.

Ceiling on agricultural holdings : Maximum limit fixed under the system of regulation of holdings. A person cannot possess agricultural holding beyond a certain fixed limit.

Diversification of domestic production : Production of new domestic products while continuing the production of existing products.

Entrepreneurial profits : The difference between the receipts and outlay in business. It reflects the excess of receipts over the expenditure.

Foreign Exchange : The means of payment in which currencies are converted into each other and with which international transfers are made.

Labour Intensive production : A form of production requiring a high proportion of labour in relation to the other factors of production employed.

Marginal cultivators : A cultivator who has minimum means of cultivation and slight reduction in these means would make him landless or totally non-operative.

Poverty line : The usual method is to fix a poverty level on the basis of minimum level of per capita expenditure required for normal calorie intake (2250 calories as average per capita per day requirement). The extent of poverty is measured by estimating the number of people whose overall per capita consumption falls below this level. This level is called the poverty line.

System of support prices : The policy of the administration by which a minimum price is fixed for procurement of certain commodities specially food crops so that the producers do not suffer a financial loss in case of a glut in production. Such a price also takes into account the cost of various inputs used by the farmers for production.

8.8 SOME USEFUL BOOKS

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8.9 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress I

1) Your answer should include the following points :

- Development means progress, it includes growth as well as change

- Growth refers to rise in output
 - Development implies changes in technical and institutional areas of production
 - Process of development is far more extensive than growth
 - Development includes rise in output as well as changes in the composition of output
 - While development without growth is inconceivable, growth without development is possible.
- 2) Your answer should include the following points :
- Self-reliance is needed for economic independence
 - Through self-reliance, a country is able to ensure a more equal relationship with the world economy
 - It reduces a country's vulnerability to outside pressures and disturbances
 - To avert foreign exchange crisis
 - Help a country to support adequate scale of investment from its own production and savings
 - Reduces dependence on foreign capital.
- 3) Your answer should include the following points :
- Emphasis on development of capital goods and basic industries
 - Expansion of consumer goods industries
 - Cottage industries are being promoted
 - Labour intensive industries needing less amount of capital are being developed
 - Five Year Plans have allocated large amount of funds for promotion of industries.
- 4) Your answer should include the following points :
- Emphasis on the role of science and technology in bringing about modernisation by the government
 - Emphasis on the need for Research and Development
 - Promotion of industrial diversification
 - Development of the public sector
 - Promotion of a support network of financial institutions
 - Protection of small-scale industries and artisans
 - Elimination of zamindari and intermediary tenures to bring about modernisation in agriculture
 - Establishment of a system of support prices.

Check Your Progress 2

- 1) Your answer should include the following points :
- Indian plans have stressed upon the transformation of her economy into a socialistic pattern of society
 - We aim to achieve social justice through improvement in the living standards of the poor
 - Through reduction in income inequalities
 - Through removal of poverty and unemployment. For this purpose many anti-poverty programmes have been launched
 - Through reduction of regional imbalances
 - Welfare of scheduled castes, tribes and rural poor has been sought by our plans.
- 2) Your answer should include the following points :
- Our Five Year Plans have stressed on removal of poverty and unemployment through creation and expansion of job opportunities
 - We aim to provide credit and other assistance to people living below the poverty line
 - Fuller utilisation of available production capacity is sought
 - Special employment programmes such as the IRDP, TRYSEM, NREP, etc., have been started
 - Land reforms is considered to be a major step towards removal of poverty.

UNIT 9 PLANNING COMMISSION AND NATIONAL DEVELOPMENT COUNCIL

Structure

- 9.0 Objectives
- 9.1 Introduction
- 9.2 Functions of Planning Commission
- 9.3 Planning Commission : Structure
- 9.4 National Development Council
- 9.5 Planning Procedure
 - 9.5.1 Five Year Plans
 - 9.5.2 Annual Plans
- 9.6 Role of Planning Commission
- 9.7 Let Us Sum Up
- 9.8 Key Words
- 9.9 References
- 9.10 Answers to Check Your Progress Exercises

9.0 OBJECTIVES

After reading this unit, you should be able to :

- explain the structure and functions of the Planning Commission
- highlight the composition and role of the National Development Council
- discuss the process by which Five-Year and Annual Plans are formulated and the role of agencies involved in the process.

9.1 INTRODUCTION

India is a developing country. It does not yet fall under the category of economically advanced nations. But this was not the case always. In the seventeenth century we were economically more advanced than Europe. But it was the colonial rule and the impact of the industrial revolution which destroyed our economy resulting in widespread stagnation and poverty. Dadabhai Nauroji, writing in 1876, focussed on the detrimental impact of British rule and the laissez-faire policy on the Indian economy. Many nationalist leaders stressed the point that for removal of mass poverty the state must play an active role. And that this was to be done by an independent and popular government. As the freedom struggle progressed these ideas got concretised and took the shape of National Planning Committee in 1938 under the Indian National Congress. However due to the Second World War, when most of the leaders were imprisoned, not much progress could be made in this sphere. Again in 1946, before the transfer of power, a Planning Advisory Board was appointed which recommended the appointment of a Planning Commission to devote total attention to the task of planned development. This unit will highlight the structure and functions of the Planning Commission and the National Development Council. The process of formulation of Five Year Plans which has been discussed in the previous block will also be dealt with in some detail. The planning process at the state, block and village levels will be explained in the subsequent units of this Block. We will now first look into the task assigned to the Planning Commission in independent India.

9.2 FUNCTIONS OF PLANNING COMMISSION

The role of the Planning Commission is directly related to the economic and social

tasks assigned to the government by the Indian Constitution in its Directive Principles. The Directive Principles of State Policy urge upon the state to secure right to adequate means of livelihood for its citizens and control the inequalities in the ownership of wealth and means of production. In other words, the state is required to ensure reduction in mass poverty which implies that it has to ensure growth in production and its equitable distribution among the various sections of people.

In March 1950 when the Planning Commission was set up by a resolution of the Government of India it meant that the state had decided to play a major role in socio-economic transformation as required by the Directive Principles of State Policy. The functions of the Planning Commission with which you must be already familiar are as follows :

- 1) Planning Commission makes an assessment of the material, capital and human resources of the country, including technical personnel, and investigates the possibilities of augmenting such resources which are found to be deficient in relation to the nation's requirements;
- 2) formulates a plan for the most effective and balanced utilisation of country's resources;
- 3) on a determination of priorities, defines the stages in which the plan should be carried out and proposes the allocation of resources for the due completion of each stage;
- 4) indicate the factors which tend to retard economic development, and determines the conditions, which in view of the current social and political situation, should be established for the successful execution of the plan;
- 5) determines 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) appraises from time to time the progress achieved in the execution of each stage of the plan and recommends the adjustments of policy measures that such appraisal may show to be necessary; and
- 7) makes 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 programmes or on an examination of such specific problems as may be referred to it for advice by the Central or state governments.

In addition to the functions referred to above, the Planning Commission has been entrusted with responsibility in respect of the following matters as provided for by the Government of India Allocation of Business Rules :

- a) Public Cooperation in National Development;
- b) Hill Area Development Programme;
- c) Perspective Planning;
- d) Institute of Applied Manpower Research; and
- e) National Informatics Centre.

The functions appear to be really colossal. But a little explanation will make them clear. In simple terms it means that the Planning Commission has been made responsible for almost all aspect of planning except its execution. To plan we must have a set of objectives or goals which we try to achieve like the growth of national income, reduction of the percentage of people below the poverty line and so on. We must also decide on the time-frame and the stages in which these goals are to be achieved. But to do this we need to estimate our resources. For example, do we have enough resources to give gainful employment to everyone in say five years? Together with estimating resources we must also determine a strategy by which we can make the best use of our limited resources. For example, the decision whether to use our foreign exchange for importing petrol or food has to be made or not? In short, the formulation of a plan implies the setting up of priorities and stages; estimating the resources and deciding on a strategy. This is the task of the Planning Commission.

After the plan is formulated, its execution is the responsibility of the Central ministries and the state governments which through their departments execute the

plan by building bridges, setting up factories, importing oil and raising taxes. The Planning Commission has to keep an eye on the progress of the plan and must identify impediments and suggest remedial measures. Further it must also make a postmortem of the past plan and learn lessons which can then be used to build subsequent plans. Monitoring and evaluation of plans are therefore essentially the responsibility of the Planning Commission. The Planning Commission is assisted in its tasks by the National Informatics Centre which runs a national computer based information and data system and by the Programme Evaluation Organisation which periodically undertakes detailed or quick studies of the implementation of selected development programmes for the Commission. Under the present scheme of things the National Informatics Centre and the Programme Evaluation Organisation are attached to the Planning Commission and together the three form the Department of Planning.

9.3 PLANNING COMMISSION: STRUCTURE

We have seen that the Planning Commission was set up by a resolution of the Government of India. It is therefore not a statutory body and the plans formulated by it have therefore no legal status. Further, we noted that its tasks are primarily the formulation, monitoring and evaluation of plans and not their execution or implementation. All this makes the Planning Commission appear as an advisory body though in practice it wields considerable amount of power. To understand this we have to understand the structure of the Planning Commission and its position relative to other governmental agencies. Let us now explain the internal structure of the Planning Commission.

Chairman

The Prime Minister of India has since the very inception been the Chairman of the Planning Commission. This has sometimes been a subject of difference of opinion. It lends status to the Planning Commission and is a great aid in coordinating functions of ministries. However, the Administrative Reforms Commission recommended against this practice. It must be noted that the Prime Minister attends only the most important meetings of the Commission which ensures that the Commission's proposals coming up before the cabinet are viewed objectively.

Deputy Chairman

The day-to-day work of the Commission is looked after by a full-time Deputy Chairman who is usually a politician of standing belonging to the ruling party at the Centre. He has the rank of a Cabinet Minister although he/she may not necessarily be a member of the ministry. If this be the case, then for answering to the Parliament a Minister of State, sometimes assisted by Deputy Minister, is given the portfolio of planning.

Members

There are two types of members of the Planning Commission in addition to the Minister of State for Planning who is also an ex-officio member of the Commission. First, there are a few full-time members who are eminent public persons, administrators, economists or technical experts. In addition, the Commission has as its members a few important Cabinet Ministers who attend only the most important meetings of the Commission. The meetings of the Commission which all members, full-time and minister-members, attend are called the meetings of the full Commission. These are few and cover only important decisions. Otherwise the Commission consisting of full-time members alone meets frequently and acts as a team.

The day-to-day work of the Commission is looked after by the Deputy Chairman and the full-time members. The full-time members are appointed by the Prime Minister after consulting the Deputy Chairman from among prominent public persons and experts. They are given no tenure but normally continue till there is a change in government. Only in 1990 we had the odd case of three Planning Commissions in a single year (the full-time members were changed thrice). Each member looks after a specific set of subjects as indicated in Chart I. However, the Commission has collective responsibility and works as a collective body. While each

member individually deals with the technical and other aspects of his/her allotted subjects, all important cases requiring policy decisions and cases of differences of opinion between members, are considered by the Commission as a whole.

Office of the Commission

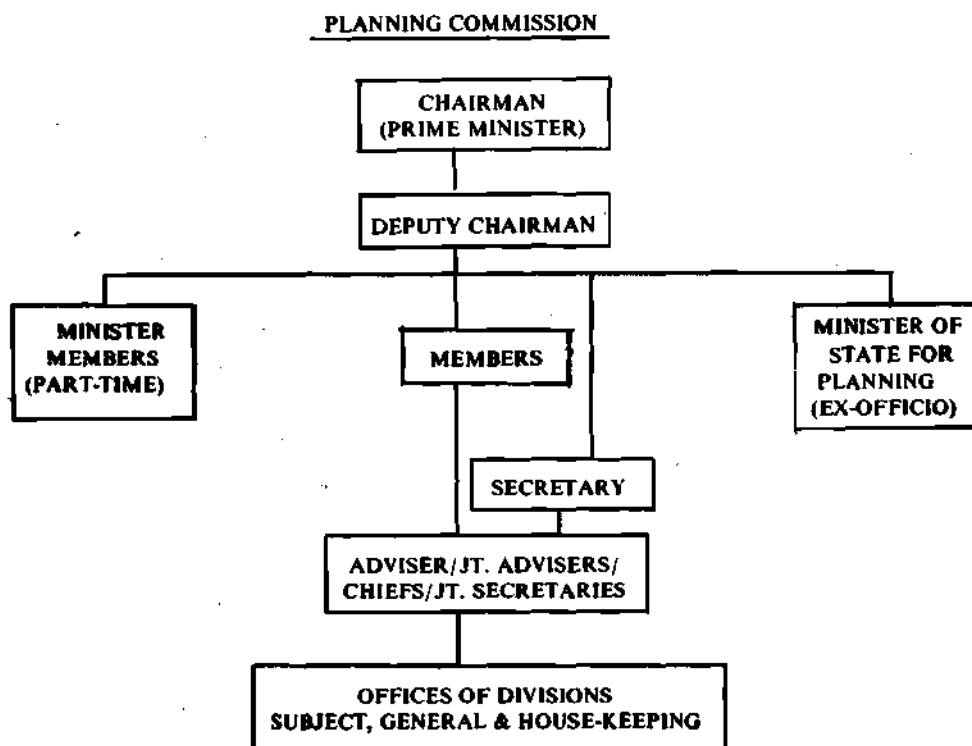
The Commission is assisted in its tasks by an office comprising various technical and subject divisions. Each of the divisions is headed by a senior officer or expert often designated as the 'advisor'. However, officers with other designations like Chief Consultant, Joint Secretary, Joint Advisor may also be put in-charge of divisions. The advisor normally has the rank of an Additional Secretary of the Government of India. The heads of divisions function under the guidance of the member in-charge of the subject. The tasks of co-ordination and overall supervision and guidance of the work of the division, specifically relating to non-technical matters, is the responsibility of the Secretary, Planning Commission who is a senior civil servant.

The divisions concerned with plan formulation, monitoring and evaluation are classified as (a) subject divisions and (b) general divisions. The subject divisions look after some specific subject areas like the agriculture division, education division, rural development division, transport division, etc. The number of subject divisions have gradually increased and at the end of March 1990 stood at eighteen. The creation of divisions seem to be based on short-term considerations.

The general divisions are concerned with broad matters which have either to do with overall planning or with coordination or with technical matters which are relevant to all divisions. One example is the project appraisal division which is required to technically appraise large projects being undertaken by different departments. Other examples are perspective planning division concerned with long-term overall planning and the plan-coordination division responsible for coordination. In March 1990 there were eight general divisions. The functions of these divisions are (a) the setting up of steering groups and working groups to help in plan formulation, (b) the sponsoring of studies and seminars, (c) liaison with ministries for formulation of projects and schemes, (d) analyses of proposals received from ministries and (e) formulation of plans for ministries and states in specified subjects.

Chart I

The chart below will give you a clear picture of the structure of Planning Commission.



Clearly, therefore, the task of formulation of a plan is a massive effort requiring technical inputs of various kinds and specialised knowledge of the subjects. The precise manner in which national plans are formulated and concretised by the Planning Commission needs to be discussed in detail. This will also help in understanding the relation between the Commission and other agencies of the

government. This discussion on the process of plan formulation will be taken up in section 9.5. But before that we need to look at the National Development Council, the other important body associated with national planning.

9.4 NATIONAL DEVELOPMENT COUNCIL

The National Development Council is the product of the Planning Commission's recommendations. In the draft outline of the First Five-Year Plan, the Commission recommended the need for a body comprising the central and state governments to enable the plans to have a national character. It laid down that "In a country of the size of India where the states have under the Constitution full autonomy within their own sphere of duties, it is necessary to have a forum such as National Development Council at which, from time to time, the Prime Minister of India and the Chief Ministers of States can review the working of the plan and its various aspects".

The National Development Council was set up in August 1952 on the basis of a resolution of the Government of India. The Council is composed of the Prime Minister, the Chief Ministers of States and the members of the Planning Commission. However, other central ministers who are not members of the Planning Commission also have attended the Council's meetings. Sometimes outside experts have also been invited to the Council's meetings whenever considered necessary.

The functions of the National Development Council (NDC) as laid down in the Government of India resolution are as follows:

- 1) to review the working of the national plan from time to time;
- 2) to consider important questions of social and economic policy affecting national development; and
- 3) to recommend measures for the achievement of the aims and targets set out in the national plan, including measures to secure the active participation and cooperation of the people, improve the efficiency of the administrative services, ensure the fullest development of the less advanced regions and sections of the community and, through sacrifice borne equally by all citizens, build up resources for national development.

As you can see for yourself the functions assigned to the NDC are fairly general. The NDC can take up almost any issue related to national development. In the past, the NDC has deliberated and decided on a number of diverse issues like inter-regional disparities, panchayati raj, prohibition, agrarian cooperation and even irrigation levies. However, given the large size of the NDC and the fact that it comprises of very important and busy personalities it has not been possible for it to meet frequently and go into great details on specific matters. The NDC is required to meet at least twice a year though it has sometimes met more often. The agenda for these meetings generally include the approach paper to the Five Year Plan, the draft Five Year Plan and the final Five Year Plan. (These terms are explained in section 9.5). Other matters form a part of the agenda if raised by the Central or State governments. The Secretary of the Planning Commission is also the Secretary of the NDC.

The decisions of the NDC have been in the nature of policy formulation. It would not be an exaggeration to call it the highest policy making body in the country. Though the NDC is a non-statutory advisory body which makes recommendations to the Central and State governments, the very stature of the Council has ensured that these 'recommendations' have the prestige of directives which are usually followed and obeyed.

Check Your Progress 1

Note : 1) Use the space given below for your answers.

2) Check your answers with those given at the end of the unit.

- 1) Discuss the functions of the Planning Commission.

2) What is the structure of the Planning Commission?

3) Highlight the role of the National Development Council.

9.5 PLANNING PROCEDURE

A brief discussion has already been made on the planning process in Unit 7 of Block 2. In this section we shall try to familiarise ourselves with the planning process in the country in a little detail. But before that we must know the meaning of the term national plan. A national plan comprises the plans of the Central government, the State governments, the Central and State public-sector undertakings and the entire private sector of the economy especially the private corporate sector. If you take a look at any Five Year Plan document you will find the size of the plan—i.e. the amount of money that is proposed to be spent under different plan heads during the five years is broken up into public sector outlay and private sector plan outlay. The total is the proposed national plan outlay. The public sector plan is the more important part as the government has only indirect and limited control over what the private sector would spend during a five-year plan period. The private sector plan, in practice, is only slightly more than an estimate or a projection. The public sector plan, with which we shall be concerned here, is further divided into the Central plan and state plans indicating projects and schemes to be launched by the different levels of governments. There is also an indication of the amounts to be spent and the projects and schemes to be undertaken by various departments and public sector undertakings. The preparation of the national plan therefore is a mammoth effort involving many parties and encompassing almost the entire economy.

The national plan, if it is to be a meaningful document, must therefore have the willing involvement and broad agreement of the concerned parties. Thus every plan involves a large amount of discussions and meetings in addition to a considerable

amount of technical work. Through discussions, by an interactive process, a consensus is built up by the Planning Commission.

The need for building a consensus arises principally from the facts that India has a federal and democratic polity. The federal system lays down demarcation of powers between the central, the state and the concurrent lists. Planning as a subject falls under the concurrent list and is therefore the responsibility of both the Central and State governments. However, many areas like agriculture are the primary responsibility of the states while some others like communication are Central subjects. The national plan must therefore be able to carry along the Central ministries and state governments on a generally accepted course of action. Moreover, the democratic structure requires that the national plan is formulated through consensus and not by a Central 'Directive'. The people are to be persuaded and not coerced into accepting the plan. This involves widespread discussions and participation of non-departmental agencies. Besides involving a large number of specialised institutions like the Reserve Bank of India, the Central Statistical Organisation etc., the discussions are aimed at involving non-governmental institutions also like universities, research institutions and the press. Representatives of the people are also involved at various stages and the general public opinion is also sought to be gauged on the more important aspects of the plan.

9.5.1 Five Year Plans

This elaborate consensus-building process—the process of plan formulation—has three clearly distinguishable stages. The first and the preliminary stage involves the preparation of an 'approach' to the plan. The approach paper is a brief document broadly outlining the goals to be achieved during the proposed Five Year Plan period. The approach paper reflects the basic economic and social objectives of the political leadership (the government in power) and also has a background of a long-term (15 to 20 years) perspective. The approach paper is discussed by the full Planning Commission and then by the Union Cabinet and the NDC.

The broad five year targets of the approach paper finally accepted are then given as guidelines to a number of Working Groups. These Working Groups are set up by and work with the assistance of the divisions of the Planning Commission. They are generally subject or area-specific and function under the concerned divisions. For example, the education division of the Planning Commission set up in August 1988 thirteen Working Groups on various aspects of educational development for the eight plan (1990-95).

The Working Groups usually consist of economists, concerned technical experts and administrators in the concerned Central ministries and in the Planning Commission. The primary task of the Working Groups is to work out the detailed plans for each sector and sub-sector on the basis of the preliminary guidelines. They are expected to spell out the details of policies and programmes needed for achieving the targets. Since there are a large number of research studies on many of the areas, the Working Groups are expected to benefit from them. In cases of gaps in knowledge, the concerned division often promotes specific research studies or holds seminars, etc. Thus a large amount of technical and detailed subject-specific work goes into this second stage of plan formulation. The state governments are encouraged to have their own Working Groups and the Central Working Groups are also expected to interact informally with their state counterparts. On the basis of the exercises done in the second stage, the Planning Commission prepares a 'draft' Five Year Plan. As in the case of the approach paper, the draft plan that gives tentative details of the plan is first discussed by the full Planning Commission and then by the Union Cabinet and is then placed before the National Development Council.

The draft plan is subjected to public scrutiny in the third and final stage of plan formulation. It is discussed with and commented upon by various central ministries and state governments. Also the draft plan is published (like the approach paper) for wide public discussions. The draft plan is discussed by the Parliament first in a general way and then in greater detail through a series of parliamentary committees which individual members join according to their preferences. In this stage the Planning Commission also holds detailed discussions on the plans of individual states. With each state the discussions are held at the experts level as well as the political level culminating in a meeting with the Chief Minister. These meetings with

state governments lead to an understanding between the Commission and the states regarding the details of the plan including central financial assistance, etc. On the basis of these various discussions at different levels with diverse parties and on the basis of reactions from elected representatives, experts and the general public the Planning Commission prepares the final plan document. This document is again scrutinised by the full-Commission, the Union Cabinet and the NDC. Thereafter, it is presented to the Parliament which after discussions gives its assent. In India the general approval of the Parliament is considered to be sufficient and no law is required for taking up the plan for implementation.

9.5.2 Annual Plans

The discussion above broadly highlights the formulation of Five Year Plans. In the course of actual implementation however the effective instrument is the annual plan. Due to delays in the formulation of Five Year Plans or due to political or significant economic changes during a Five Year Plan, a great deal of importance has come to be assigned to annual plans. Since a considerable part of the Central and State governments' expenditures are for plan-projects, the annual plan has become an integral part of the budgeting exercise at both the Central and state levels. It has also become an important feature of our federal financial structure.

You are aware that the financial year in the government starts on 1st of April and the budget is prepared by February end. The task on the annual plan therefore has to start a few months earlier, usually around September, of the preceding year. The Planning Commission indicates to the state governments the important objectives of the annual plan and the likely quantum of central assistance they may expect. The states then propose draft annual plans detailing, among other things, mobilisation of resources. These drafts are discussed in meetings, held in November-December every year, between the Planning Commission and state governments. The state annual plan outlays are decided in these meetings which also decide the important item of Central plan assistance. This channel of transfer of resources from the Centre to the States is outside the purview of the transfers recommended by the Constitutional body—namely, the Finance Commission. Fiscal transfers through the Planning Commission, a non-statutory and supposedly advisory body, has therefore been a subject of controversy. But this is the practice that is being followed. The state budgets are crucially dependent on annual plans, but so are the budgets of Central ministries. The Central ministries' budget allocations are also to a great extent dependent on their annual plans which are worked out in consultation with the Planning Commission. The Planning Commission therefore is in practice not merely an advisory body as it is supposed to be. It wields considerable power in the allocation of substantial volume of financial resources between Centre and States and between different departments. By going into details of developmental schemes and projects it wields considerable influence regarding their acceptance or substantial modification.

9.6 ROLE OF PLANNING COMMISSION

We have by now got a fair idea about how national plans are formulated. The functions of the Planning Commission and the NDC in this process must have also become clear. We have also seen how important these two bodies are despite the fact that they are non-statutory advisory bodies. This expectedly has been one of the subjects of controversy. The Planning Commission has been criticised for trying to assume the role of a super-cabinet and being yet another bureaucratic hurdle in the initiation of development schemes. However, diametrically opposite views have also been expressed. It is sometimes argued that the Commission is practically ineffective as it has little power in the process of implementation of the plans. And even during plan formulation, the Commission is guided more by political pressures or expediency than by its expert judgement. The truth perhaps lies somewhere in between. As we have seen, the Planning Commission makes the plan but cannot do so without the active involvement of Central ministries, State governments, public sector undertakings and other agencies. Its non-statutory character perhaps helps the process as it is seen as an agency independent of the Central and State governments and ministries. It also has some control over plan implementation through the

mechanisms of annual plans, project appraisal, plan allotments, etc. It is therefore neither an ineffective ornamental body nor a super-cabinet but merely a co-ordinator in the process of evolving a framework for governmental schemes and projects for development. In this process it also has to make compromises and give weightage to political considerations in addition to its own technical inputs.

This brings us to the actual process of plan formulation which some believe has lost its meaning and has become merely a ritualistic and cumbersome exercise. We have seen that the process of plan formulation is a lengthy one and crucially dependent on the political leadership's development perspective. Therefore either due to political changes or due to the elaborateness of the process or other reasons, Five Year Plans are seldom prepared on time. The Eighth Plan's approach paper alone is ready after almost a year of the plan-period has passed. Annual plans however have been continuing *de facto* as budget time tables have to be met. But annual planning in the sense of an overall, co-ordinated and directed multi-instrument governmental initiative is often absent. Significant changes need to be brought about in the planning procedure if its relevance is to remain.

The final, and a related question, is that why should we have a Planning Commission? With planning going out of fashion in even the centrally planned economies and with the re-emergence of the free-market economy ideology, this question is being increasingly asked. It is obviously related to the question 'why plan?'. The Department of Economic Affairs in the Ministry of Finance, it is argued, is adequate to decide upon macro-economic priorities and policies. The other ministries can decide similarly on sectoral matters. But in India the economic role of the State involves not only macro-economic policy formulation, as in fully capitalist countries, but also substantial public sector involvement in production and distribution. The public sector is a very substantial part of the Indian economy and has been developed keeping in view the Directive Principles of State Policy. The need for a Planning Commission arises from this fact. The role of the government in our mixed economy involves market regulation and public sector initiatives. The Planning Commission similarly is a product of the mixed economy logic. Its functions lie somewhere in-between those of the Department of Economic Affairs and the planning agencies of centrally planned economies. As long as our commitment to a mixed economy continues the Planning Commission will remain relevant.

Check Your Progress 2

Note : 1) Use the space given below for your answers.

2) Check your answers with those given at the end of the unit.

- 1) Discuss the procedure of formulation of Five Year Plan in India.

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- 2) In the course of actual implementation of plan the effective instrument is the annual plan. Discuss.

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9.7 LET US SUM UP

In this unit we have studied the functions of the Planning Commission which has also helped us in understanding the meaning of planning. We have examined the structure of the Commission and its office. The role and composition of the National Development Council have also been examined. We gained some insight into the plan formulation process and the manner in which different agencies interact in this process. Finally, we discussed a few current controversies regarding the role of the Planning Commission.

9.8 KEY WORDS

Directive Principles of State Policy : Chapter IV of our Constitution contains the Directive Principles of State Policy (Article 35-51). These are in the nature of general directions or institutions to the State. They embody the objectives and ideals which the Union and state governments must bear in mind, while formulating policy and making laws. The Directive principles are not legally enforceable by any court and the State cannot be compelled through the courts to implement them. Nevertheless, the Constitution declares that they are fundamental in the governance of the country and that it shall be the duty of the State to apply these principles in making laws.

Laissez Faire Policy : It is the policy that is based on the idea that the government and the law should not interfere with business and other economic activities.

Macro Economic Policy : Policy relating to the national economic system as a whole. For example, policy relating to total employment, the level of prices and production in the entire economy.

Monitoring : It means keeping a check on the progress of a plan, project or scheme during the course of its implementation.

Perspective Planning : Long term overall planning taking into view all aspects of socio-economic problems.

Poverty Line : It is defined as the income necessary to purchase foodgrains to fulfil a minimum standard of calories/food intake.

Project Appraisal : Evaluation of a project in order to estimate its achievements as against the established goals, estimated cost, time and resources.

9.9 REFERENCES

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9.10 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Your answer should include the following points :
- Planning Commission plays a major role in socio-economic transformation of the country
 - it makes an assessment of the available resources

- investigates the possibilities of augmenting these resources
- formulates a plan for the most effective and balanced utilisation of country's resources
- defines the stages in which the plan should be implemented
- indicates the factors that retard economic development
- determines the machinery required for successful implementation of the plan
- monitors the progress achieved in the execution of each stage of the plan.

2) Your answer should include the following points :

- Planning Commission consists of a Chairman, who is always the Prime Minister, a Deputy Chairman, part-time members (ministers), full-time members, Minister of State for Planning as an ex-officio member, advisers, secretaries and offices of subject, and general divisions.

3) Your answer should include the following points :

- National Development Council came into being to enable the Five Year Plans to have a national character
- it is a body comprising representatives of states' and central governments
- it reviews the working of the national plan from time to time
- it considers important questions of social and economic policy affecting national development
- it recommends measures for the achievement of the aims and targets set out in the national plan
- it suggests measures to secure active participation and cooperation of the people, improve administrative efficiency, ensure balanced regional development and the development of the less advanced sections of the country
- it aims at building up resources for national development.

Check Your Progress 2

1) Your answer should include the following points :

- preparation of an 'approach' to the plan
- discussion on approach paper by Planning Commission and setting up of five year targets
- the Working Groups of Planning Commission work out the detailed plans for each sector and sub-sector
- they spell out the details of policies needed for achieving the plan targets
- the Central and state governments have their own Working Groups
- Planning Commission prepares a 'draft' Five Year Plan which is first placed before the Union Cabinet and then the National Development Council
- the draft plan is subjected to public scrutiny
- the draft plan is discussed by the Parliament and by the Parliamentary Committees
- Planning Commission also holds discussion on plans of individual states
- final document is prepared after the meetings of the Planning Commission with states, diverse parties, experts and general public
- the final document is then approved by the Union Cabinet and the NDC
- finally it is presented to the Parliament and approved by it.

2) Your answer should include the following points:

- since a considerable part of the central and state governments' expenditures are for plan-projects the annual plan has become an integral part of the budgeting exercise
- the work on the annual plan starts usually around September

Planning Process

- Planning Commission indicates to the state governments the important objectives of the Annual Plan
- it also indicates the likely quantum of central assistance they may expect
- states propose draft annual plans
- the drafts are discussed thoroughly and state annual plan outlays are decided
- state budgets are dependent on annual plans
- Central ministries' budget allocations are dependent on their annual plans.

UNIT 10 STATE PLANNING MACHINERY

Structure

- 10.0 Objectives
- 10.1 Introduction
- 10.2 Role of State Planning Boards
- 10.3 State Planning Boards : Composition
- 10.4 State Planning Departments
- 10.5 State Plan Procedure
- 10.6 Conclusion
- 10.7 Let Us Sum Up
- 10.8 Key Words
- 10.9 References
- 10.10 Answers to Check Your Progress Exercises

10.0 OBJECTIVES

After studying this unit, you should be able to

- highlight the composition and role of state planning boards
- describe the structures and tasks of the state planning departments
- explain the process of plan formulation at the state level
- discuss the relation between state planning and national planning.

10.1 INTRODUCTION

Economic development with equity is not only the responsibility of the Planning Commission and the Union Government. The federal democratic nature of our state calls for national economic development. National development should be a national endeavour involving a large number of parties. Various levels of government are therefore necessarily involved in the formulation and implementation of plans. The Constitution provides for a demarcation of subjects under the central, the state and the concurrent lists. The state governments have clearly demarcated sources of revenue, like sales tax and land revenue. In addition to statutory rights in the transfer of financial resources from the Centre the large area of developmental activity and resource mobilisation is therefore guaranteed to the states by the Constitution.

In view of this, national plans cannot be prepared without giving adequate importance to state plans. State plans in fact account for nearly half of the total public sector plan outlay. They cover developmental activities in the state-list subjects like agriculture, irrigation, power, cooperation, social services and so on. They also involve mobilisation of financial resources at the state level, in addition to flows from the centre, to finance a part of the developmental plans. The success of national planning is therefore crucially dependent on the effectiveness of state planning. In this unit we will study the machinery of state planning as it exists in a large number of states. Since there is substantial variation between the planning machinery, existing in different states, the unit will focus mainly on the basic structures and functions of the agencies explicitly responsible for the formulation of plans at the state level.

10.2 ROLE OF STATE PLANNING BOARDS

At the central level a non-statutory advisory body, the Planning Commission, was set up in 1950. This body, as we have seen, had technically competent personnel and necessary independent infrastructure and was separate from the ministries or

departments. In the states however no analogous institution existed for a long time. It was the state planning department which had the sole responsibility of planning in the first decade. Though the absence of an agency on the lines of the Planning Commission at the state level had been felt since the early 1950s, it was only in 1962 that the Planning Commission specifically suggested that the states should set up State Planning Boards (SPBs).

The State Planning Boards, the Planning Commission recommended in 1962, should be entrusted the tasks of preparation of Five Year Plans and long term perspective plans. In addition, the SPBs should recommend policies and measures for the mobilisation of financial resources and devise strategies for the achievement of social objectives. They were also to be entrusted the tasks of project appraisal and were to evolve policies for selection of project locations.

Administrative Reforms Commission's Recommendations

Following the suggestion of the Planning Commission, a number of state governments constituted SPBs. In some states the names were different, like State Development Board or State Advisory Committee for Planning. However, as the Administrative Reforms Commission discovered in 1967, the SPBs were not given clearly defined functions and their progress was not very satisfactory: "The appointment of the Boards or other similar bodies has thus not helped in the past to strengthen either the Planning machinery or the process of planning in states."

The problem, according to the Administrative Reforms Commission, was partly due to the fact that "the functions assigned to the State Planning Boards have been rather vaguely defined". The Commission therefore in its recommendations explicitly suggested the following functions for SPBs :

- 1) To make an assessment of the state's resources and formulate plans for the most effective and balanced utilisation of those resources;
- 2) To determine plan priorities of the state within the framework of the priorities of the National Plan;
- 3) To assist district authorities in formulating their development plans within the spheres in which such planning is considered useful and feasible and to co-ordinate these plans with the State Plan;
- 4) To identify factors which tend to retard economic and social development of the State and determine conditions to be established for successful execution of Plans ; and
- 5) To review the progress of implementation of the Plan programmes and recommend such adjustments in policies and measures as the review may indicate.

Clearly, the proposed functions would give SPBs the pivotal role in state planning. The SPBs would formulate plans, make assessment of resources, determine priorities, promote and coordinate district planning, devise development policies and strategies and be responsible for monitoring and evaluation. The SPB was therefore to be built in the image of the Planning Commission. It was also to have a secretariat of its own dealing with subject matters (like agriculture) and other planning tasks (like evaluation) on lines similar to the divisions of the Planning Commission.

Planning Commission Guidelines

The recommendations of the Administrative Reforms Commission did not find warm acceptance from both the central and state governments. The need for an expert advisory body for planning at the state level could not however be ignored. The Planning Commission therefore in 1972 issued guidelines for strengthening the state planning machinery. The 1972 Planning Commission proposal suggested that SPBs should be set up at the apex level and should include a number of technical experts. The work of the SPB should be effectively supported by the constitution of steering groups dealing with subjects like agriculture, irrigation and power, social services, etc. Each steering group was to be under the overall charge of an expert member of the SPB. This arrangement clearly was similar to the Planning Commission system where full-time members are responsible for specific subject-matters. However, unlike the Planning Commission, the SPBs were to function only through steering groups. The actual planning was to be done primarily by the Planning Department as before. And to strengthen the department's planning capabilities more technical units were

to be added. The Government of India simultaneously came forward with a scheme providing financial assistance for strengthening the state planning machinery. These efforts have met with some degree of success. States have set up SPBs, or their equivalent organisations under different names, to assist in planning. However, as the Sarkaria Commission discovered in mid-1980s, the functioning of the SPBs has been unsatisfactory in many cases.

Sarkaria Commission's Recommendations

The Sarkaria Commission, or the Commission on Centre-State relations, noted in its 1988 report that although SPBs had been created in all states except one, they have not been involved in "real planning work". The state planning departments continued to discharge this responsibility. Only some technical studies were assigned to SPBs. The SPBs in general did not command due status and authority in the state governments. The Sarkaria Commission therefore recommended that SPBs should perform functions for the state governments as the Planning Commission does at the national level. The state planning department's role should be similar to that of the Union Ministry of Planning and limited to legislative assembly work and some executive functions.

Therefore even after forty years of national planning the role and functions of the SPBs in practice remain somewhat ambiguous. Studies relating to state planning machinery have thrown up the disturbing conclusion that only in a few states do SPBs have a direct and specific involvement in plan formulation. The SPBs have generally not been involved in the preparation of annual plans and therefore in discussions with the Planning Commission. The Sarkaria Commission has recommended the active involvement of SPBs in annual planning exercises. The efforts at setting up SPBs with functions similar to that of the Planning Commission have therefore had only limited success until now.

10.3 STATE PLANNING BOARDS : COMPOSITION

The SPBs, as you must have gathered from the discussion in the previous section, have had an uneven development, despite the fact that there have been persistent efforts for evolving more competent and effective SPBs over the decades. There has also been considerable variation in their composition, it has varied from state to state.

Evolution : Following suggestions from the Planning Commission in 1962 a majority of states set up SPBs or similar organisations. The Administrative Reforms Commission noted that there was no uniformity between states regarding the functions and the composition of the SPBs. According to the Administrative Reforms Commission the composition of the SPBs constituted a major defect in the state planning machinery. First, the SPBs had too large a membership for them to function as effective planning agencies. For example, in Rajasthan the SPB had 65 members and in West Bengal and Kerala there were 27 and 26 members respectively. Second, the choice of members was rather whimsical with only "a sprinkling of few specialists and experts." Generally, members were drawn from state ministers, members of Parliament, government officials, members of state legislature, vice-chancellors, representatives of commerce, industry and districts. Clearly, there was no rational criterion for the selection of members. "Most of the Boards", the Administrative Reforms Commission observed, "can better be described as 'Consultative Bodies' or 'Public Relations Committees' of the government on the subject of planning. Because of the large membership, their meetings cannot be held frequently nor can there be any pointed and purposive discussion".

The ARC therefore suggested a scheme for re-organisation of the SPBs. It stated that each state should have a SPB with the Chief Minister as its Chairman. There should be four other full-time members chosen on the basis of their expertise and experience of different aspects of state development. The members should be people of eminence and able to command respect of different political and regional interests. The ARC also suggested that SPBs should have their own secretariat with normally the following units.

1) Economic Unit; 2) Agriculture and Rural Development Unit; 3) Power, Transport

and Industry Unit; 4) Social Services Unit; 5) Coordination Unit, and 6) Evaluation Unit. These units were to be manned by technically competent staff.

The next phase of re-organisation of SPBs followed the Planning Commission's letter to states written in 1972. The Planning Commission suggested the setting up of an apex planning body at the state level constituting of the Chief Minister, the Finance Minister, other important ministers and a few respected professional experts. The SPB was to have a full-time non-official Deputy Chairman having previous experience and association with the planning process. The SPB was to be associated in its work by a few steering groups constituting of various technical experts drawn preferably from outside the government. The SPB would have as its secretariat the State Planning Department. This, in brief, has been the evolution of guidelines regarding the structure of the SPBs. The actual structure of the SPBs presently show a number of similarities as well as differences between states. We will now briefly outline the actual structures of the SPBs in the states.

Chairman and Deputy/Vice Chairman

The Chief Minister of the state is the Chairman of the SPB. However, if the state is under President's rule, the Governor holds the position of the Chairman.

The SPBs have the position of Vice Chairman in some states whereas in others the nomenclature is Deputy Chairman. The position has been held usually by the State Finance Minister or the Minister for Planning. In some cases even non-official experts have held the post. During President's rule an Advisor to the Governor and even the Chief Secretary of the state has filled the position. The position is therefore similar to that in the Planning Commission where the Deputy Chairman's post has usually been held by a politician of a Cabinet Minister's rank.

Members

There is considerable inter-state difference regarding the composition of SPBs. First, the SPB has what is called 'official' members, or ex-officio members. They are government officials. These include the Chief Secretary, development commissioner, finance commissioner, planning secretary, (who is generally the member-Secretary of the SPB), finance secretary and heads of development departments. The second category is of non-official members which can be further split into either full-time and part-time categories or into the expert and non-expert classification. The non-official members include ministers, Members of Parliament, members of the State Legislature, members of district councils or development committees and non-official experts. The non-official experts are drawn from the fields of economics, technology, science, industry, law, education, etc. They are usually eminent people in their respective fields. The non-official experts quite often, though there are exceptions, serve only as part-time members of the SPB.

The number of members and their distribution between part-time and full-time or between expert and non-expert varies considerably between states. The total number of members has been seen to range from one to nearly forty between states. The number of part-time members exceed the number of full-time members in perhaps a majority of the states although the proportion varies considerably between states. Similarly, there is no uniformity in the ratio of expert to non-expert members between states. In fact there are cases of SPBs having no expert member and, at the other extreme, all members who are economists. Nevertheless, a common feature seems to be the presence of a large number of politicians in the SPBs in many states. Clearly the heterogeneity in the composition of SPBs, both regarding the number and quality of members, is a source of problem. This is compounded by the fact that in a large number of states there is no clear division of work (subjects) between members. The entire planning is supposed to be done collectively. This has contributed to the inadequate effectiveness of SPBs in a large number of states. The SPBs in only a few states have been effective instruments of planning.

Secretariat/Office of the State Planning Board

A key administrative post in the SPB is that of Member Secretary. In a majority of states this post is held by the Secretary of the Planning Department. Officers of other designations and sometimes of slightly lower ranks have also filled this position. Only in exceptional cases have non-officials served as the Member-Secretary. The Member-Secretary plays a pivotal role in state planning and serves as a link between the SPB and the Planning Department.

As already mentioned, in a large number of states the SPBs do not have independent secretariats. In a few states where independent Secretariats exist the work of plan formulation and evaluation is divided into a number of subject divisions and/or Working Groups as in the case of the Planning Commission. The number of such divisions and their subject-titles differ between states. However, it has been a common observation that by and large the SPBs are inadequately equipped—both in terms of number and technical competence of the staff to handle the massive task of state planning, monitoring and evaluation. Some states have only a small office attached to the SPBs and in others the Planning Department looks after all the detailed work relating to planning. We will now examine the role and structure of the State Planning Department.

Check Your Progress 1

Note : 1) Use the space given below for your answers.

2) Check your answers with those given at the end of the unit.

- 1) What were the recommendations of Administrative Reforms Commission regarding the functioning of State Planning Boards?

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- 2) Discuss the evolution of State Planning Boards.

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- 3) Highlight the composition of SPBs.

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10.4 STATE PLANNING DEPARTMENTS

Evolution

The principal agency for planning at the state level has been the Planning Department. Its tasks and role have undergone some changes over the years though its primacy in the state plan process continues. In 1968, the Administrative Reforms

state planning—from plan formulation to progress reporting in which it is aided by the State Bureau of Economics and Statistics. Despite this similarity in functions, the Planning Departments in different states show considerable variations and inadequacy for the task of planning: "Thus the organisation, pattern of Planning Departments vary from state to state. Further, the Planning Departments have not been organised with any conscious design so as to enable them to undertake the heavy responsibility of planning. Even though some of the states have established independent Planning Departments, in practice, the Departments are guided only by junior officers. Very little consideration seems to have been given to selection and training of officers for the Planning Departments. The Planning Departments are thus not very different from the other Secretariat Departments in the States."

Clearly lot needs to be done to strengthen the technical capabilities of the Planning Departments. In 1972, the Planning Commission suggested to the states that the Planning Departments should be made technically competent by establishing the following units wherever they did not exist:

- i) Perspective Planning Unit to prepare long-term perspective plans;
- ii) Monitoring, Plan Formulation and Evaluation Unit;
- iii) Project Appraisal Unit;
- iv) Regional/District Planning Unit;
- v) Plan Coordination Unit, and
- vi) Manpower and Employment Unit.

The process of strengthening of the Planning Departments was to be aided by central financial assistance for the purpose.

Structure

Though there are some inter-state differences, a few common points regarding the structure of the Planning Departments in different states can be noticed. States have fulfilled Planning Departments in their Secretariat which is headed by a Secretary or an officer with a different designation, like Development Commissioner. Historically, the Planning Departments in a number of states have evolved into a separate identity rather than being a part of the state finance departments.

The numerical strength of Planning Departments shows remarkable inter-state variations. The planning function of the department is performed by civil servants drawn from the Indian Administrative and State Civil Services and by officers with technical expertise and their supporting staff. However, it has been found that in a large number of states the personnel occupying key positions in the Planning Departments are administrators rather than persons with experience and expertise in planning techniques.

The work of the Planning Department is divided between divisions with usually a Deputy Secretary in-charge. The number of divisions, the subjects they deal with and the strength of the personnel in each division shows a great deal of inter-state variation. Almost all Planning Departments have a division/unit concerned with plan formulation. Similarly, divisions dealing with agriculture, plan, finance, evaluation, monitoring, manpower appraisal and employment exist in a number of states. Some states also have divisions dealing with regional and district planning in their Planning Departments. But on the whole there is little uniformity in the manner in which planning departments operate. They are also responsible for the presentation of the state plans to the Cabinet and the Legislature. Outside the state, their duties include the maintenance of liaison with the Planning Commission and the Central Working Groups. They hold discussions with the Planning Commission and are actively involved in the preparation, monitoring and evaluation of the national plans, both annual and five-yearly.

The Planning Departments therefore do the bulk of planning exercise in the states. But the states also have the SPBs which are supposed to perform similar functions. In this context it is often asked as to which of the two agencies should have primary responsibility for planning? A related issue is the division of functions between SPBs and Departments and their relationship with each other.

We have seen that specialised committees, like the Administrative Reforms Commission, have favoured a greater role for the SPBs. The state governments, on the other hand, appear to be somewhat reluctant to hand over planning to a non-governmental expert body. The arguments for the primacy of the SPB are as follows. First, the Department being a part of the normal secretariat would not be able to operate independently. Second, it would be difficult for the Department to attract and retain outside expertise. Third, the nature of the work of a planning agency is different from routine secretariat work but no Department can function in a manner which is radically different from the other government departments. A separate planning agency, it is argued, is free from these shortcomings. However, there are arguments forwarded against diluting the role of the Planning Departments. It is feared that if the SPB is to decide on expenditure size, allocation and project selection, it may become a rival and parallel authority vis-a-vis the State Cabinet. It is also argued that planning work in states is essentially that of implementation and therefore there is no need for a policy making and plan formulating expert agency at the state level. But these are weak arguments. The SPB is an advisory body and its expert advice should only help the Cabinet reach rational decisions. Further, one principal drawback of planning in India has been its centralisation. Setting up of SPBs is perhaps the first, though not the only, important step in the direction of development through democratic decentralisation.

In general, the relationship between the Planning Department and the SPB has been somewhat awkward. Although the Planning Secretary is the ex-officio member-secretary of the SPB, the two agencies have often functioned with little practical interaction or dialogue. A clear demarcation of functions and meaningful interaction between the two agencies, on the lines suggested by the Sarkaria Commission, needs to be taken up as a priority item.

10.5 STATE PLAN PROCEDURE

In this section we shall study the manner in which state plans are formulated and discuss some of the important issues relating to centre-state relations with respect to planning. Centre-state issues are important because state plans cannot be prepared in isolation from national plans which means, in practice, that the Planning Commission has a large role to play in the formulation of state plans.

Five Year Plans

The preparation of the Five Year Plan is an interactive process with both the Planning Commission and state planning agencies getting involved in several rounds of dialogue. Since the planning calendar is well known to states, they start 'advance action' on plan formulation even before they receive guidelines from the Planning Commission. The advance action is a preliminary exercise in formulating the broad contours of the proposed plan and in this process the different departments are involved. The exercise is particularly useful when the Planning Commission invites suggestions from states regarding the approach paper for the national plan. After states give in their suggestions, the Planning Commission prepares a draft approach which is circulated to the states for their response.

After the National Development Council approves the 'approach paper', the states are requested to formulate a draft Five Year Plan keeping in view the objectives and strategies as given in the approach paper. The states too have their own approaches to the Five Year Plans. In formulating the state's plan approach the state cabinet, the planning secretary and sometimes other persons (like the Chief Secretary) or agencies (like the SPB) play a key role. The state's approach deals with problems specific to the state. Based on the national approach and the state's own resource position, development experiences and priorities, the planning department embarks on the task of state draft plan formulation. This process involves discussions with various state departments and district and regional planning agencies on the one hand and discussions with the Central Working Groups, the Planning Commission and Central ministries on the other. Many states have set up their own Working Groups to formulate sectoral plans, schemes, and projects. The state plan proposals are then discussed by the central working groups and the Planning Commission and serves as an input in the formulation of the draft national plan. The states are asked

again to respond to the draft national plan and in the NDC meeting, convened to discuss the draft national plan, the chief ministers express their views on the proposed plan. With the endorsement by the NDC, the national Five Year Plan is accepted by the states. The entire process of formulation of Five Year Plans usually takes about two years.

Annual Plans

The process of formulation of the annual plan is simpler than that of the Five Year Plan. The process begins in August or September when, after a preliminary review of resources and economic trends, the Planning Commission issues guidelines to the State Planning Departments. These guidelines include the formats for submitting schemes, resources forecasts, etc. and highlight the short-term priorities that need to be taken into account while formulating the annual plan. The state finance department, on request, indicates the likely resource position to the State Planning Department. The Planning Department makes tentative plan allocations to development departments and calls for sectoral plans from them. Once these sectoral plans are received, they are first scrutinised by the State Planning Department and a tentative plan frame is prepared after discussions with the concerned departments. The draft plan, after, it is discussed and cleared by the State Cabinet, forms the basis for negotiations with the Planning Commission.

The outlays proposed by the state government are examined by Central Working Groups concerned with the specific subjects and this process also involves the relevant Central ministries. The recommendations of the Working Groups are further modified and consolidated into a report on the state plan by the Advisers (state plans) of the Planning Commission. In the meeting between the Deputy Chairman, Planning Commission and the State Chief Minister the state annual plan is finalised after considering the Advisers' reports. The State Finance Department, in consultation with the Planning Department, prepares the 'Budget-Plan link' on the basis of the final annual plan. The budget is placed before the legislative assembly and, with its passing, the annual plan implementation process starts with the new financial year.

Relations between the Centre and the States regarding Planning : Clearly, in the procedure of plan formulation, both annual and five-yearly, the state governments and the Planning Commission are closely interacting. This relation however has not been free from difficulties. One of the major complaints of states is that they have little freedom in the formulation of even state plans due to excessive interference by the Planning Commission. Some of the points of conflict are discussed below primarily in the light of the Sarkaria Commission Report.

The first irritant relates to the procedure of scrutiny of state plans and schemes by the Planning Commission. Not only is the total size of the state plan examined in detail but even the sectoral plans are scrutinised in such detail that the details of individual schemes are thoroughly discussed. Though the Sarkaria Commission concluded the "the alleged overbearing approach by the Planning Commission, in the process of formulation, scrutiny and finalisation of state plans, is more apparent than real", it nevertheless recommended that the "Planning Commission should not try to scrutinise in detail all the individual sectoral schemes in the state plans, but concentrate on the key ones involving large outlays."

The second area of conflict relates to financial resources—the mechanism of Central assistance and the practice of earmarking of resources. Regarding central assistance the states objections mainly relate to the facts that (a) too much of it is in the form of loans and not grants, (b) the formula of central assistance has a component of discretion, and some states hold that (c) the formula itself should be revised to give greater weightage to the needs of the weaker states. Besides the adequacy and nature of central plan assistance the system of earmarking of resources by the Planning Commission has been a source of complaint. About sixty per cent of the resources are earmarked reducing the freedom and flexibility of the states in utilising resources in accordance with their priorities. But the Planning Commission claims that only the important sectors are earmarked and states have all the freedom to utilise the earmarked resources of these sectors for schemes and projects of their choice. But the fact remains that given considerable inter-state diversity in resources and developmental needs, the inter-sectoral allocation of resources becomes less flexible by having a large chunk of resources earmarked.

But perhaps the most controversial area has been that of the Centrally Sponsored Schemes. A Centrally Sponsored Scheme refers to a scheme relating to a state subject which is sponsored and financed, at least partly, by the Central government. To give an example, the Sarkaria Commission noted that though agriculture and rural development are state subjects about 43 per cent outlay on this had been in the Central sector in the Sixth Plan. The states have complained that such schemes are launched without adequately consulting them and involve detailed scrutiny of the projects and its implementation by the concerned central ministries and also do not take into account the inter-state diversities. They also distort the process of transfer of resources and the state budgets as the states have usually to contribute an amount matching the scheme-specific central assistance. In 1967, the Administrative Reforms Commission had suggested that limits be put on Centrally Sponsored Schemes. Later, a committee set up by the Planning Commission under the Chairmanship of Shri K. Ramamurti suggested a set of criteria to form the basis of a policy for Centrally Sponsored Schemes. Recently the Sarkaria Commission has stressed once again the need to accept the Ramamurti Committee criteria and minimise the number of Centrally Sponsored Schemes. This would, together with measures like the strengthening of state planning machinery, help in promoting more meaningful planning at the state level.

10.6 CONCLUSION

Planning at the state level, is still not adequately developed and there is a great deal of difference between states in this matter. The most important aspect of planning that is the technical competence and machinery for planning has to develop further for the states to really take on the task of planned economic development. The State Planning Boards do not yet command adequate respect and are not a critical agency for planning. Their composition, including the expertise of members and their secretariat, is also a hindrance to their effective functioning. Debureaucratisation of the planning process at the state level should be attempted as a first step towards purposeful planning.

Together with the development of a competent state planning machinery there should be efforts to give greater autonomy to states to plan in areas which come under their purview. This would call for lesser control by the Planning Commission regarding details and also a rationalisation of Centrally Sponsored Schemes. This would also open up the question of transfer of financial resources from the Centre to States and the states, own efforts at resource mobilisation. Giving greater responsibility to the states and strengthening their capabilities is perhaps the only way to effective state planning.

Check Your Progress 2

Note: 1) Use the space given below for your answers.

2) Check your answers with those given at the end of the unit.

1) Highlight the structure and functions of the State Planning Department.

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2) Discuss the procedure for formulation of Five Year Plan at the state level.

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- 3) Formulation of plans calls for close interaction between the Planning Commission and state governments, this relation however has not been free from difficulties. Discuss.

10.7 LET US SUM UP

In this unit we have studied the machinery for state planning in India. The evolution, role and composition of the State Planning Boards have also been discussed. The functions and the structures of the State Planning Departments have been highlighted. Finally, we studied the process of state plan formulation (annual and five-yearly) and saw the way in which state and central agencies interact in the process and discussed some of the problems arising out of this interaction.

10.8 KEY WORDS

Approach Paper : The document outlining the broad objectives and strategies for the forthcoming Five-Year Plan so that detailed planning exercises develop on the given lines.

Central Assistance : Transfer of financial resources from the Centre to states, either in the form of grants or as loans, to finance expenditures under the plan head.

Centrally Sponsored Schemes : Plan Schemes sponsored by Central ministries on subjects falling in the state list with usually fifty per cent financing by the Centre.

Debureaucratisation : Process through which the bureaucratic characteristics/procedures such as adherence to rules, red-tapism (delay), hierarchy, rigid division of work etc. are de-emphasised or watered down.

Draft Plan : This is a tentative five year or even annual plan formulated by the state planning agencies or the Planning Commission and is designed to be the basis for discussion and examination by all concerned parties before it is finally accepted.

10.9 REFERENCES

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10.10 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Your answer should include the following points :
 - as per ARC, the functions assigned to the SPBs were vaguely defined
 - it suggested certain functions for SPBs. SPBs had to make an assessment of the state's resources, make effective use of the resources, determine plan priorities and assist the district authorities in plan formulation
 - SPBs were to identify factors retarding economic and social development and review the progress of plan implementation.
- 2) Your answer should include the following points :
 - according to ARC, the composition of the SPBs constituted a major defect in the state planning machinery
 - ARC suggested a scheme for reorganisation of SPBs
 - it suggested that SPBs should have their own Secretariat
 - the Planning Commission suggested the setting up of an open planning body at the state level
 - in accordance with these recommendations, SPBs were constituted, their actual structure shows a number of similarities as well as differences between states.
- 3) Your answer should include the following points :
 - Chairman and Deputy/Vice Chairman
 - official members or ex-officio members
 - non-official members
 - Secretariat/Office of the State Planning Board.

Check Your Progress 2

- 1) Your answer should include the following points :
 - states have full-fledged Planning Departments in their secretariat
 - Department is headed by a secretary
 - the planning function of the Department is performed by civil servants
 - the work of the Department is divided between divisions
 - the Departments are responsible for the formulation of plans
 - they look after the day-to-day matters relating to planning
 - they make an estimate of financial and real resources likely to be available for plans
 - they decide upon the plan priorities
 - they have to present state plans to the cabinet and the legislature
 - they have to maintain liaison with the Planning Commission and Central Working Groups.
- 2) Your answer should include the following points :
 - for the formulation of plans at the state level the states and Planning Commission are in constant interaction

- states start 'advance action' on plan formulation even before they receive guidelines from the Planning Commission
 - different departments are involved in this exercise
 - Planning Commission invites suggestions regarding the approach paper from the states and prepares a draft approach which is circulated to the states
 - after the NDC approves the approach paper the states are requested to formulate a draft Five-Year Plan keeping in view the objectives given in the approach paper
 - based on the national approach, State's own approach, resource position, development experiences and priorities, Planning Department prepares state draft plan
 - various state departments, district and regional planning agencies, Central Working Groups, Planning Commission and Central ministries help in plan formulation
 - state plan proposals are discussed by the Central Working Groups and Planning Commission
 - after the discussion on the draft national plan by the states, it is passed by the NDC.
- 3) Your answer should include the following points :
- excessive interference by the Planning Commission in formulation of state plans.
 - the state plan, sectoral plans and individual schemes are thoroughly scrutinised by the Planning Commission
 - the mechanism of Central assistance and the practice of earmarking of resources to the states is not welcome by the states.
 - the Centrally Sponsored Schemes according to the states are launched without adequately consulting them, these do not take into account inter-state diversities.