

B.Com. Hons. Semester-VI

DSE: Indian Economy

Unit:6. Five Year Planning

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What is Five Year Planning?

Five-Year Plans (FYPs) are centralized and integrated national economic programs. Joseph Stalin implemented the first Five-Year Plan in the Soviet Union in 1928.

An economic plan allocates the resources of a nation to fulfil the general and specific goals as planned by the government for a specified period. In India, these plans are made for five years and hence are known as five year plans. These five year plans are ultimately a short-term plan for a perspective plan. A perspective plan outlines the long-term goals of a nation, spanning twenty years.

In India, after the independence, the government set up a Planning Commission in 1950. This commission would be responsible for framing and implementing the five year plans of the country. They began their efforts with the first five year plan in 1950.

What are the Objectives of Five Year Planning?

The following points highlight the seven main objectives of Indian five year plan.

1. High Rate of Growth:

Increase in national income as well as per capita income, is the first and foremost aim of Indian Planning. If per capita income has to increase in the economy, it is necessary that level of production should increase faster than the increase in population.

On looking plan-wise objectives of various plans, it is evident that the Sixth Five Year Plan achieved growth rate of 5.2 per cent. Seventh Five Year Plan attained 5.8 per cent annual growth rate. Eighth Five Year Plan estimated the annual growth rate of 5.6 per cent. Similarly, Ninth Plan aimed at the growth rate of 7.5 per cent.

2. Raising Investment Income Ratio:

Achieving a planned rate of investment within a given period brings the actual investment as proportion of national income to a higher level has been regarded significant. As increase in investment in the productive capacity of the country involves a corresponding increase in saving.

3. Social Justice:

Another major objective of Indian Five Year Plans is to provide social justice to the common man and weaker section of the society. In India, vast disparities in income and wealth distribution is a common feature. Our planners have pledged to the establishment of 'democratic socialism' and 'socialistic pattern of society'.

4. Removal of Poverty:

Upto the end of the Fourth Five Year Plan, it was felt that the benefits of development had received a raw deal to tackle the problem of poverty. In the Fifth Plan, there was a visible shift in the approach which resulted in the adoption of Minimum Needs Programme. Earlier to it, there was 20-Point Economic Programme to uplift the village community.

Recently, Jawahar Rojgar Yojna has been launched, a programme to guarantee employment to youths in rural and urban areas. During Seventh and Eighth plan, some more rural development programmes have been added.

5. Full Employment:

Unemployment problem is a chronic problem in underdeveloped countries. Though, India has emerged as a new developing country, yet it is in the grip of acute problem of disguised unemployment. Thus, the crucial objective of Indian Planning is the creation of conditions for attaining full employment and the elimination of unemployment, under-employment and disguised unemployment.

The programme like the Integrated Rural Development Programme (IRDP). National Rural Employment Programme (NREP) etc. has created confidence among rural community as it is expected to create additional employment opportunities. The approach to unemployment has changed significantly in recent years.

6. Self-Reliance:

Another objective of Indian Plans is self-reliance. The earlier two plans could not give emphasis to it because they were formulated for rehabilitation and establishing basic and key industries in the country. Thus, in the Third Five Year Plan, for the first time, the idea of self-reliance was stated. The Fourth Plan concentrated on the goal of self-reliance in its document.

7. Modernization:

The idea of modernization was floated in the Sixth Five Year Plan. In a common sense, it implies up-to-dating the technology. But Sixth Plan draft denotes the term modernization, a change in the structural and institutional set up of an economic activity.

A shift in the sectoral composition of production, diversification of farm activities, an advancement of technology and innovations are the part and parcel to a change from feudal system into a modern independent entity.

Discuss the Achievements and Failures of Indian Economy under Five Year Plan Period.

Major achievements of Planning:

1. **Higher Rate of Growth:** Economic plan-ning in India aims at bringing about rapid economic development in all sectors. In other words, it aims at a higher growth rate.

India's macroeconomic performance has been only moderately good in terms of GDP growth rates. The compound annual rate of growth stands at 4.4% at 1993-94 prices for the whole planning period (1950-51 to 1999-00).

2. **Growth of Economic Infrastructure:** India's performance in building up the necessary economic infrastructure is really commendable. It is to be noted that the process of industrialisation of any country largely depends on the development of economic infrastructure in the form of transport and communications, energy, irrigation facilities, and so on.

At the inception of economic planning road length was 4 lakh kms, but by 1996-97 it rose to approximately 24.66 lakh kms, rail-way route length increased from 53,596 kms in 1951 to about 62,800 kms in 1999-00. Today, the Indian railway system is the largest in Asia and the fourth largest in the world. Similarly, other modes of transport (such as shipping and civil aviation) have also expanded phenomenally.

3. **Development of Basic and Capital Goods Industries:** Another major area of success of Indian planning is the growth of basic and capital goods industries. With the adoption of the Mahalanobis strategy of development during the Second Plan period, some basic and capital goods industries like iron and steel witnessed spectacular growth.

It is said that the present level of development in infrastructure as well as basic and capital goods industries is considered enough to put the Indian economy on the path of self-sustaining growth. Yet more is to be done for achieving rapid industrialisation. But whatever growth has been achieved in infrastructure and basic industries has been due to planning.

4. Faster Growth of Agriculture: The most significant aspect of India's five year plans is that the overall rate of growth of food production has now exceeded the rate of growth of population. No doubt, in the early years of planning, agricultural performance was miserable. As a result there had emerged food crisis. But due to the impact of biochemical revolution from the late 1960s, food crisis has become almost a thing of the past. She has attained self-sufficiency in food-grains.

5. Savings and Investment: The rise in the domestic savings rate from 8.9% of GDP in 1950-51 to 22.3% in 1999-00 is definitely impressive. Similarly, India's gross domestic capital formation increased from 8.7% in 1950-51 to 23.3% of GDP in 1999-00. However, this higher growth rate of capital formation failed to accelerate the rate of economic growth. Hence, a paradox has been encountered high saving rate and slow growth of per capita income.

6. Economic Self-Reliance: Self-reliance refers to the lack of dependence on external assistance. In other words, it means zero foreign aid. India all along used to importing huge food-grains, fertilisers, raw materials and industrial machinery and equipment. This resulted in draining of India's precious foreign exchange reserves. Hence, the need for achieving economic self-reliance.

Major Failures of Planning:

1. Inadequate Growth Rate: In quantitative terms, the growth rate of the Indian economy may be good but not satisfactory by any standards. Since the actual growth rate was less than the planned or targeted rate of growth it was not possible to meet other goals of planning such as poverty alleviation and improvement of living standards.

Except in the First and the Sixth Five Year Plans, the actual growth rate remained below the targeted growth rates of GNP and per capita income. India remains one of the poorest nations of the world even after 50 years of economic planning. It has been estimated that at least 7 to 7 ½ years are required to attain the five-yearly targeted growth rates of various plans.

2. Move Toward Socialistic Pattern of Society: Indian planning aims at building up a 'socialistic pattern of society', in a mixed economy, through various egalitarian measures. These are (i) land reform measures with the purpose of redistribution of land among poorer peasants, (ii) reduction of concentration of economic power in the hands of a few big bourgeoisie and (iii) expansion of the public sector and nationalisation of certain important industries.

Most land reform measures have failed to achieve partial success. Security of tenure, conferment of ownership rights on actual tillers, ceiling on landholdings, etc. are all on paper.

3. Economic Inequality and Social Injustice: Two aspects of social justice involves, on one hand, the reduction of poverty and on the other, the reduction of inequality. Indian plans aim at reducing such inequalities, so that the benefits of economic development can be enjoyed by poor people and the weaker sections of the society.

It was estimated that more than 50% of the total population was below the poverty line in 1950-51. The poverty ratio came down to 37% in 2000-01. In spite of some success achieved in alleviating poverty, the incidence of poverty is still high in India. And the incidence of poverty is higher in rural areas than in cities and towns.

4. **Unemployment:** The removal of unemployment is considered to be another important objective of India's five-year plans. But the employment generation programmes did not achieve much success and the problem of unemployment has become more and more serious plan after plan. The number of applicants on the live register of employment exchanges increased from 17.83 lakhs in 1981 to 40.37 lakhs in 1999.

5. **Regional Imbalance:** The entire planning exercise has created a vast regional imbalance. Over the years, inequalities among the States have widened. This is mainly because the backward areas did not receive fair treatment, so far as resource transfer is concerned.

6. **Inflation:** Finally, the benefits of economic planning have largely offset by price inflation. The prices of essential goods have been increasing much faster than other prices. This has resulted in great hardships to the vast majority of the people mainly the poor and the weak. Growth without stability has become an essential characteristic of Indian planning.

On the social side, poverty remains pervasive, the infant mortality rate has stagnated at 72 per 1000 for a number of years, the literacy rate is still low (65.38% in 2001) though improving, and 60% of rural and 20% of urban households have no power connections. So the quality of life of Indian people remains very low even after 50 years of planning.

What is NITI Aayog?

The NITI Aayog (National Institution for Transforming India) is a policy think tank of the Government of India, established with the aim to achieve sustainable development goals with cooperative federalism by fostering the involvement of State Governments of India in the economic policy-making process using a bottom-up approach.

It was established in 2015, by the NDA government, to replace the Planning Commission which followed a top-down model. The NITI Aayog council comprises all the state Chief Ministers, along with the Chief Ministers of Delhi and Puducherry, the Lieutenant Governor of Andaman and Nicobar, and a vice-chairman nominated by the Prime Minister.

What are the Features of NITI Aayog?

NITI Aayog is developing itself as a State-of-the-art Resource Centre, with the necessary resources, knowledge and skills, that will enable it to act with speed, promote research and innovation, provide strategic policy vision for the government, and deal with contingent issues.

NITI Aayog's entire range of activities can be divided into four main heads:

- Design Policy & Programme Framework
- Foster Cooperative Federalism
- Monitoring & Evaluation
- Think Tank and Knowledge & Innovation Hub

Briefly discuss the Objectives of NITI Aayog

1. To evolve a shared vision of national development priorities, sectors and strategies with the active involvement of States.
2. To foster cooperative federalism through structured support initiatives and mechanisms with the States on a continuous basis, recognizing that strong States make a strong nation.
3. To develop mechanisms to formulate credible plans at the village level and aggregate these progressively at higher levels of government.
4. To ensure, on areas that are specifically referred to it, that the interests of national security are incorporated in economic strategy and policy.

5. To pay special attention to the sections of our society that may be at risk of not benefiting adequately from economic progress.
6. To design strategic and long term policy and programme frameworks and initiatives, and monitor their progress and their efficacy.
7. To provide advice and encourage partnerships between key stakeholders and national and international like-minded Think tanks, as well as educational and policy research institutions.
8. To create a knowledge, innovation and entrepreneurial support system through a collaborative community of national and international experts, practitioners and other partners.
9. To offer a platform for resolution of inter-sectoral and inter- departmental issues in order to accelerate the implementation of the development agenda.
10. To maintain a state-of-the-art Resource Centre
11. To actively monitor and evaluate the implementation of programmes and initiatives
12. To focus on technology upgradation and capacity building for implementation of programmes and initiatives.

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