

FIVE YEAR PLANNING

UNIT -6

INDIAN ECONOMY

B.COM. HONOUR IN FINANCE

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Presented/compiled by Puja Kri Bishwakarma

Department of Commerce

Raniganj girls college

Overview:

Five Year Plans (FYP) are centralised and integrated national economic programs.

Joseph Stalin implemented the first five year plan in the Soviet union in 1928.

Most communist states and several capitalist countries subsequently have adopted them.

India launched its first FYP in 1951, immediately after Independence, under the socialist influence of India's first prime minister, Jawaharlal Nehru.

FYP were developed, executed and monitored by the planning commission

(1951-2014) and the NITI Aayog (2015-2017) .

First Five Years Plan: (1951-1956)

■ The first Indian Prime minister, Jawaharlal Nehru, presented the first five year plan to the parliament of India and needed urgent attention.

■ The first five year plan was launched in 1951 which mainly focused in development of primary sector.

■ At the time of the first five year plan India faced with the problem of influx of refugees, severe food shortage and mounting inflation.

Moreover there was disequilibrium in the economy caused by second world war as well as partition. The highest priority was given to agriculture to overcome the food crisis and to curb inflation.

■ Many irrigation project were initiated during this period including the Bhakra, Hirakund, Mettur dam and Damodar valley dams.

Objective of first five year plan:

■ To increase food production

■ To fully utilise available raw materials

■ To check inflationary pressure

■ To build economic overheads such as roads, railways, irrigation, power etc.

Second plan(1956-1961)

- The second plan focused on the development of the public sector and rapid industrialization.
- The plan attempted to determine the optimal allocation of investment between production sector in order to maximize long run economic growth.
- The plan followed the Mahalanobis model, an economic development model developed by the statistician Prasanta Chandra Mahalanobis in 1953.

Third five year planning(1961-1966)

- The Third Five-year Plan stressed agriculture and improvement in the production of wheat, but the brief Sino-Indian War of 1962 exposed weaknesses in the economy and shifted the focus towards the defence industry and the Indian Army. In 1965–1966, India fought a War with Pakistan. There was also a severe drought in 1965. The war led to inflation and the priority was shifted to price stabilisation.
- The primary goal of third plan was to establish India as self-reliant and a self generating economy.
- Many primary schools were started in rural areas.

- State electricity boards and state secondary education boards were formed.
- The target growth rate was 5.6%, but the actual growth rate was 2.4%.

Plan Holidays (1966-1969)

■ Due to miserable failure of the Third Plan the government was forced to declare "plan holidays" (from 1966–67, 1967–68, and 1968–69). Three annual plans were drawn during this intervening period. During 1966–67 there was again the problem of drought. Equal priority was given to agriculture, its allied activities, and industrial sector. The government of India declared "Devaluation of Rupee" to increase the exports of the country. The main reasons for plan holidays were the war, lack of resources and increase in inflation.

Fourth Plan (1969-1974)

- There were two Main objective of this plan , i.e., Growth with stability and progressive achievement of self reliance.
- It's duration was 1969 to 1974.
- At this time Indira Gandhi was the prime minister.

- The Indira Gandhi government nationalised 14 major banks and the green revolution in India advanced agriculture.

Fifth plan(1974-1978)

- The fifth five year plan laid stress on employment, poverty alleviation (‘garibi hatao’ slogan was given) and justice.
- The plan also focused on self reliance in agricultural production and defence.
- The twenty points program was launched in 1975 .
- The minimum need program was introduced in the first year of the fifth five year plan. The objective of the program is to provide certain basic minimum needs and thereby improve the living standard of the people. It is prepared and launched by DD Dhar.
- The plan was terminated in 1978 (instead of 1979) when Janta party government came to power.

Rolling plan(1978-1980)

- The Janta government terminated the fifth five year plan in 1978 and launched its own sixth five year plan for period 1978-83 and called it a rolling plan.

- The plan was again rejected by the Indian National Congress government in 1980 and a new sixth plan was made.

Sixth plan(1980-1985)

- The Sixth Five Year Plan India was undertaken for the period between 1980 to 1985, with the main aim of attaining objectives like speedy industrialization, rise in the employment level, poverty reduction, and acquisition of technological self-reliance.
- The sixth five year plan was a great success to the Indian economy. The target growth rate was 5.2% and actual growth rate was 5.7%.

Seventh plan(1985-1990)

- The Seventh Five-Year Plan was led by the Congress party with Rajiv Gandhi as the prime minister. The plan laid stress on improving the productivity level of industries by upgrading of technology.
- The main objectives of the Seventh Five-Year Plan were to

establish growth in areas of increasing economic productivity, production of food grains, and generating employment through "Social Justice".

- The target growth rate was 5.0% and the actual growth rate was 6.01%.

Annual Plans (1990–1992)

- The Eighth Plan could not take off in 1990 due to the fast changing economic situation at the centre and the years 1990–91 and 1991–92 were treated as Annual Plans. The Eighth Plan was finally formulated for the period 1992–1997.

Eighth plan 1992-1997)

- Worsening Balance of Payment position, rising debt burden, widening budget deficits, recession in industry and inflation were the key issues during the launch of the plan.

- The major objective of this plan is to control population growth, poverty reduction, employment generation,

strengthening the infrastructure, institutional building, tourism management, human resource management etc.

- Energy was given priority.
- Modernization of industries was a major highlights of the eighth plan.
- India became a member of WTO (1995)

Ninth plan(1997-2002)

- The ninth plan saw the change in the govt. The ninth plan was started with an objective of “ growth with social justice and equality”.
- The ninth plan tried primarily to use the latent and unexpected economic potential of the country to promote economic and social growth. It offered strong support to the social spheres of the country in an effort to achieve the complete elimination of poverty.
- The target growth rate was 7.1% and the actual growth rate was 6.8%.

Tenth plan (2002-2007)

The main objectives of the Tenth Five-Year Plan:

- Attain 8% GDP growth per year.
- Reduction of poverty rate by 5% by 2007.
- Providing gainful and high-quality employment at least to the addition to the labour force.
- Reduction in gender gaps in literacy and wage rates by at least 50% by 2007.
- 20-point program was introduced.
- Target growth: 8.1% – growth achieved: 7.7%.
- The Tenth Plan was expected to follow a regional approach rather than sectoral approach to bring down regional inequalities.

Eleventh plan (2007-2012)

The main objective of eleventh plan:

- It aimed to increase the enrolment in higher education of 18–23 years of age group by 2011–12.
- It focused on distant education, convergence of formal, non-formal, distant and IT education institutions.
- Rapid and inclusive growth (poverty reduction).

- Emphasis on social sector and delivery of service therein.
- Empowerment through education and skill development.
- Reduction of gender inequality.
- Environmental sustainability.
- To increase the growth rate in agriculture, industry and services to 4%, 10% and 9% respectively.
- Provide clean drinking water for all by 2009.

Twelfth plan

- On 4th October, the govt of India approved the twelfth five year plan (2012-2017)
- The aim of the plan is to achieve "faster sustainable and more inclusive growth".
- Twelfth five year plan of the government of India was India's last five Year plan.

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