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Sarvada Sarva shreshth
HOLISTIC DEVELOPMENT

STUDY COURSE MATERIAL

SESSION-2020-21CLASS-XII

TOPIC: FIVE YEARS PLANS IN INDIA

DAY-1

- **TEACING MATERIAL**

Short Period Goals/Objectives

Short period goals/objectives vary from plan to plan depending on current needs of the economy. Broadly, plan to plan objectives were specified as under:

(i) When the First Plan was initiated, the country was battling severe shortage of foodgrains. Accordingly, the First Plan focused on higher agricultural production as the principal objective.

(ii) Enthusiastic achievement of the First Plan prompted the planners to shift the focus from agriculture to industry. Accordingly, increase in industrial production was taken as the principal objective during the Second Plan.

(iii) Third Plan emphasised the need for self-sufficiency in foodgrain production while the Fourth Plan focused on price stability and fuller utilisation of manpower.

(iv) Alleviation of poverty was the principal objective of Fifth and Sixth Plans while the Seventh Plan again stressed the need for greater employment opportunities.

(v) The Eighth Plan reinforced the objective of full employment, besides universalisation of education.

(vi) Growth, price stability and environmeňtal sustainability were the principal objectives of the Ninth Plan.

(vii) Tenth Plan stressed the need for better quality of life.

(viii) Poverty reduction, job creation and protection of environment were the focus areas of the Eleventh Plan.

(ix) Twelfth plan stressed the need for sustsainable as well as inclusive growth.

We find that the short period objectives of plans are in sync with the long period objectives of planning, discussed earlier. Depending upon our needs and means, our planners have been redefining the relative significance of different objectives from plan to plan. On the whole, the focus has been on achieving better quality of life across all sections of the society, now popularly known as 'Inclusive Growth'.

DAY-2

- **TEACINGMATERIAL**

FEATURES OF ECONOMIC POLICY PURSUED UNDER PLANNING TILL 1991

Planning in India has witnessed a marked shift in the economic policy of the government in the year 1991. Accordingly, features of economic policy are often studied separately for the pre-1991 period and post-1991 period. The present section describes the features of economic policy between the period 1951-1991, as under:

(1) Heavy Reliance on Public Sector: Economic policy prior to 1991 indicated heavy reliance on public sector. Thus, in Industrial Policy Resolution 1956, as many as 17 industries were reserved for public sector as against 12 industries earmarked for private sector. It was realised that the objective of socialistic pattern of society could be achieved only through a comprehensive development of public sector enterprises.

(2) Regulated Development of Private Sector: According to Industrial (Development and Regulation) Act, 1948 new industry in the private sector could not be established without a licence and registration. Similarly, Monopolies and Restrictive Trade Practices Act, 1969 placed several restrictions on the expansion of existing industries in the private sector. Regulated development of private sector was to ensure that there was no concentration of economic power in the private hands.

(3) Protection of Small-scale Industry and Regulation of Large-scale Industry: Large-scale industry was regulated through several acts, particularly MRTP [Monopolistic and Restrictive Trade Practices Act]. Small-scale industry, on the other hand, was offered protection from competition: certain areas of production were exclusively reserved for the smallscale industries, particularly labour-intensive industries such as readymade garments, chemicals, leather products, etc. Besides, financial institutions were developed to cater to the needs of small-scale industries. Several boards (like Handloom Board and Silk Board) were established to promote the products of small-scale industries in the global market.

(4) Development of Heavy Industry of Strategic Significance: Industries like of electricity generation, engineering goods, and iron & steel industry were identified as of strategic significance. These industries were to be developed on priority basis.

Universal Intermediaries Industries of strategic significance (like of iron & steel, electricity generation and engineering goods) were recognised as 'universal intermediaries. This was because: These industries supplied essential ingredients for almost all heavy industries in the economy. No industry could run without power (energy), plant & machinery (engineering goods) and diron & steel.

(5) Focus on Saving and Investment: Saving and investment were identified as the key determinants of economic growth. High interest rates were offered to promote saving, while investment was induced through subsidies and capital grants.

(6) Protection from Foreign Competition: Domestic industry was protected from foreign competition. High import duties and quantitative restrictions were levied on imports.

(7) Focus on Import Substitution: It implied domestic production of goods which were imported from abroad. The basic idea was to save foreign exchange, and become self-sufficient.

(8) Restriction on Foreign Capital: Foreign direct investment was controlled and regulated through Foreign Exchange Regulation Act (FERA). Loans from abroad were accorded higher priority than FDI. This was to minimise economic control of the domestic market by the foreign investors.

(9) Centralised Planning: Programmes of growth and development at the state level were aligned to centralised planning. That is, the objectives of growth as specified at the state level did not contradict with the overall strategy of growth as specified in the Five Year Plans.

SUCCESS (ACHIEVEMENT) OF PLANNING

Success of planning is assessed in terms of the different parameters of Base year for estimating growth, as under:

(1) Increase in National Income: Increase in national income indicates 2004-05. This has pushed economic growth. In this context, following observations need to be noted:

- During the period prior to planning, national income of India increased at the rate of just 0.5 per cent per annum. Indian economy was, therefore, a stagnant economy.
- Increase in national income during the First Plan was 4.6 per cent per annum, against the target of 2.1 per cent per annum.
- Between the Second and Tenth Plan, the target was to raise national income by 5 per cent per annum. But this target was achieved only between Fifth and Tenth Plan.
- Increase in national income during the Eleventh Plan was 7.5 per cent against the target of 9 per cent.
- Increase in national income during the Twelfth Plan was 6.8 percent against the target of 8 per cent. In 2018-19, increase in national income is estimated to be 6.9 per cent.

Thus, during most plans, we failed to achieve the targeted rate of growth. Yet, a deadlock was broken: a deadlock of economic stagnation that had gripped the Indian economy prior to independence.

(2) Increase in Per Capita Income: Over time, per capita income has recorded significant rise. Here,following observations need to be noted:

- During the period prior to planning,rate of increase in per capita income had only been notional.

- During the period of planning, initially the pace of growth was slow: just 2.7 per cent during the First Plan. But, it picked up subsequently
- Eleventh Plan recorded a growth rate of 6 per cent per annum.

- Twelfth Plan estimated a growth rate of 5.5 per cent per annum. In 2017-18 and 2018-19, rate of increase in per capita income was 5.7 per cent and 5.6 per cent per annum respectively.

Increase in per capita income is a significant achievement as it implies greater availability of goods and services per head of population of the country. But, the reader must bear in mind that this is an average rise. This does not show any promise of a rise in the quality of life of each and every individual in the economy. This does not account for the distribution of income.

(3) Rise in Savings and Investment: During the Five Year Plans, there has been considerable increase in the rate of saving and investment.

Note the following observations:

- In 1950-51, rate of saving was 9.5 per cent of national income.

- It increased to 31.3 per cent by the end of the Eleventh Plan (2011-12) and was estimated to be 30.5 per cent in 2017-18.

- Likewise, the rate of investment (gross capital formation) has risen from 9.3 per cent of GDP in 1950-51 to 32.3per cent in 2017-18.

We all know, that saving and investment are the principal drivers of economic growth.

(4) Institutional and Technical Change in Agriculture: Five Year Plans have contributed to the development of agriculture in two ways: (i) through land reforms, and (ii) through improvement in technology
(i) Land reforms, included:
(a) abolition of intermediaries between the state and tiller of the soil,
(b) moderation and regularisation of rents,
(c) ceiling on land holdings & redistribution of land, and
(d) optimising holding size through consolidation of holdings.

Because of these changes, there has been a significant improvement in the environment for farming.
(ii) Improvement in technology (particularly HYV seeds) led to revolutionary rise in agricultural output and productivity. Self-sufficiency in foodgrain was the hallmark of this change.

DAY-4

(5) Growth and Diversification of Industry: Five Year Plans gave a big push to the basic and capital goods industries (iron and steel, machinery, chemical fertilisers, etc.). Following points bring out this fact:

- During the planning period, growth rate of industrial production has been around 7 per cent per annum.
- In the Eleventh Plan, industrial production growth rate was 7.2 per cent. It increased to 6.9 per cent in 2018-19.
- Consumer goods industries have substantially grown to achieve the level of self-sufficiency. Indian economy is now ranked as the tenth largest industrial economy in the world.

(6) Economic Infrastructure: Means of transport & communication, irrigation facilities & power generation capacity, banking & insurance facilities are the key elements of economic infrastructure. During planning, economic infrastructure has recorded a significant growth. Here are a few examples:

- Indian Railways has become one of the world's largest railway networks.
- Installed power generation capacity which was 2,300 MW in 1950-51 increased to 3,56,818 MW as on 31st March 2019.
- A revolutionary growth of IT sector has earned India the distinction of a global player in the international market.

(7) Social Infrastructure: Health and educational facilities parameters of social infrastructure. These have recorded a significant rise over time. It is owing to expansion of health facilities that:

- **Death rate** has came down to 6.3 per thousand in 2017 from 27 per thousand in 1951.
- **Average life-expectancy** has risen from 32 years in 1951 to 69.4 years in 2018.

As regards educational facilities, the number of school-going students has increased three-fold and that of collegiates five-fold since 1951.

(8) Employment: Serious efforts have been made during plans to increase employment opportunities. In different Five Year Plans, government has launched several employment generation schemes. It is significant to note that:

- During the Eleventh Plan, unemployment rate came down from 8.3 per cent in 2004-05 to 5.6 per cent

in 2011-12. It increased to 6.9 per cent in 2018-19 (Projected Figures).
- In the Twelfth Five Year Plan, government has fixed the target of creating 50 million employment opportunities.

(9) International Trade: During plans, the volume and value of India's foreign trade have increased substantially. Following facts prove this point:

- In 1948-49, the value of foreign trade was * 792 crore. It increased to 59,02,036 crore in 2018-19.
- Composition of exports and imports has significantly changed. Prior to planning, we were largely exporting primary products (mainly inputs for industrial output) and importing finished goods, now the pattern is gradually reversing.
- The change in composition is significantly marked in the area of exports.
- We are now exporting engineering goods. This is a sign of India emerging as an industrial nation.

In short, Indian economy has recorded a significant growth, along with a significant structural change during the period of planning. The change is happening across all sectors of the economy. Also, growth is being reflected in higher and higher standard of living of the people. However, there are certain dark spots, pointing to the failure of planning in India. This is what we discuss in the following section.

DAY-5

FAILURES OF PLANNING IN INDIA

Following observations explain the failures of planning in india

(1) Abject Poverty: Alleviation of poverty was the central theme si pianning. But this is where we stand in India, 21 9 per cent of population still lives hele the poverty line. These are those people who are not getting even the essentials of life (food, shelter and dothing) Amasinghe nearly 50 per cent of those who are absolutely poor in the world are living in India

(2) High Rate of Inflation: By and large, we have failed to tackle inflationary spiral in the country. Because of high rate of inflation during Five Year Plans real income of the people has tended to erode. Also, economic divide between haves and have nots has tended to rise. First Plan is the only exception when price level slided down, in all other plans the prices recorded a steep rise.

(3) Unemployment Crises: While more and more opportunities of employment have been generated, challenge of unemployment has not subsided. At the end of First Plan, 53 lakh persons were unemployed. This number rose to over 4 crore at the end of Eleventh Plan. In March 2016, number of registered unemployed increased to 4.35 crore. This is emerging to be a serious cause of social unrest. threatening the process of growth.

(4) Inadequate Infrastructure: Development of infrastructure (including power, roads, dams, bridges, schools, colleges and hospitals) continues to be inadequate despite 67 years of planning. Consequently, actual growth has failed to match the targets of growth. Particularly, shortage of power has been a serious constraint in the overall process of growth and development,

(5) Skewed Distribution: Economic and social equality was considered as the principal goal of planning Ironically, this has been the principal failure of planning in India. Widening economic and social inequality has compelled the government to offer reservations in jobs to the economically and socially weaker sections of the society.

Briefly, as observed by an expert team of UNO, the implementation and enforcement have been the principal shortcomings of planning in India, Plans are formulated after a good deal of deliberations but the targets are not achieved due to inefficient administration, dishonesty, vested interests, red-tapism, etc. It was owing to overall failure of the strategy of planning that in 1991 the government took a U-turn from the policy of controls and regulations to the policy of market-driven growth process. NEP (New Economic Policy) redefined the whole framework of policies and programmes for growth and development.