Planning in India:

Introduction:

At the time of independence India was a backward underdeveloped country. There was a lot of exploitation of India during the British colonial rule.

This made Indian people very poor. The aim of freedom struggle was not mere gaining political freedom from the British rule but also to attain economic freedom for the Indian people. Economic freedom implies the removal of mass poverty that prevailed in India.

At the time of independence there was deficiency of good entrepreneurs who could use the natural resource endowment of India for economic development. To improve living standards of the people, it was necessary to accelerate rate of economic growth. It was thought that the private sector lacked the necessary resources and the proper mindset to bring about rapid economic growth.

Inspired by the Russian experience, planning as an instrument of economic development was adopted. The Planning Commission was set up to prepare five year plans which would indicate directions in which the Indian economy should move. Resources were to be allocated both at the Centre and in the States according to the plan priorities decided in a five year plan.

The basic objective of Indian planning has been acceleration of economic growth so as to raise the living standards of the people. Further, various five year plans also gave high priority to generation of employment opportunities and removal of poverty. In what follows we will explain the role of planning in India and then explain the development strategies adopted in various plans to achieve the objectives.

Role of Planning In India:

Accelerating Economic Growth:

There were two main features of India's economic policy that emphasized the role of planning and intervention by the State in the development process of the Indian economy in the first three decades of planning. First, to accelerate economic growth economists and planners recognized that raising the rate of saving and investment was essential to accelerate the rate of economic growth.

It was thought that the private sector on its own would not be able to achieve a higher rate of saving and investment required to break the vicious circle of poverty. Therefore, the state had to intervene to raise resources and increase the rate of saving and investment. This made the planning and the expansion of the public sector essential to accelerate economic growth.

Emphasis on Industrialisation, Second, the strategy of development, adopted since the adoption of Second Five Year Plan which was based on Mahalanobis growth model, laid stress on the industrialisation with an emphasis on the development of basic heavy industries and capital goods industries.

This model implied allocating a higher proportion of investible resources to capital goods industries than to consumer goods industries. Private sector which is driven by profit motive could not be expected to allocate sufficient resources to the growth of capital goods industries.

Therefore, the role of planning and the public sector was considered essential for rapid growth of basic heavy industries. Mahalanobis growth model was wrong in neglecting the role of agriculture and importance of wage goods for accelerating growth of output and employment. In fact, shortage of food, a cheap wage good, rather than machines could act as a constraint on the growth process. This became evident by the time of the Third Plan which laid a relatively greater stress on growth of agriculture to achieve self-reliance

But rapid growth of agriculture itself requires a good deal of state intervention and planning. The land reforms in agriculture, supply of adequate credit to farmers, development of infrastructure such as irrigation, power, roads were necessary where planning and State could play an important role.

To Compensate for Market Failures:

The dominant view in development economics in the fifties and sixties also laid stress on the planning by the State to compensate for ‘market failures’. It was argued that while market mechanism was efficient in distributing a given stock of available goods, it was quite inefficient in allocating resources over time for investment.

This was because of myopic nature of private sector which guided the working of markets. It was therefore asserted that the State and planning could play an important role in allocating resources for investment to bring about rapid economic growth.

Besides, failures of market mechanism and free working of private sector to allocate adequate amount of resources for investment in infrastructure such as power, transport, communication created substantial external economies and also where significant economies of scale existed. Therefore, in the development of infrastructure, the State and planning had an important role to play.

Regulatory Role of the State:

There is another important aspect of the role of State and planning in the development of the Indian economy which dominated economic thinking in the pre-reform period. Though the private sector was given an important role to play in the framework of mixed economy, to achieve optimal allocation of resources among different industries according to plan priorities, economic activities in the private sector were required to be regulated by the State. Further, to achieve other objectives of planning such as restraining the concentration of economic power in a few big business houses, the private sector was subjected to industrial licensing controls.

To quote C. Rangarajan, the former Governor of the Reserve Bank of India, “while the private sector was given space to operate in keeping with the concept of a mixed economy, in the field of industry particularly the decisions of the private sector were circumscribed by the licensing mechanism. Hence, while foreign trade was subject to control because of the strategy of import substitution, industrial production and investment were subject to control because of the need to direct resources according to plan priorities”.

Tackling the Problems of Poverty and Unemployment:
The other problem which makes role of planning and state intervention important is the need to tackle the problems of poverty and unemployment. Since the beginning of the seventies the Indian planners realised, especially in the Fifth, Sixth and Seventh Five Year Plans, that even if growth rate of GDP was raised to 5 to 6 per cent per annum, it was not possible to make a significant dent on the problems of mass poverty and unemployment prevailing in the Indian economy.

Some argued that benefits of economic growth did not trickle down to the poor. Others were of the view that even if the poor get benefits from growth by way of more employment opportunities generated by it, mere economic growth was not enough to eradicate poverty and unemployment. Therefore, role of planning and State was necessary to start and implement special poverty and unemployment schemes such as Food for Work Programme and Employment Guarantee Schemes to help the poor and weaker sections of the society.

Role of National Development Planning in India

Roles of national development planning can be attained if all actors work together and do their part. Poor countries have pledged to administrate better, and invest in their people through health care and education. Rich countries have also assured to support them, through aid, debt relief, and fairer trade. These roles were planned in 2000 at the UN Millennium Summit are aimed to be achieved by 2015. These are not mere development planning objectives but they comprise a universally accepted human values and rights, for example freedom from hunger, the right to basic education, the right to health and a accountability to future generations.

Role 1

In the global action against poverty, one of the leading factors is India’s accomplishment in poverty reduction. With more than 2.3 billion people in India and China alone, their major advances in poverty reduction makes developing world averages. The target set for poverty reduction is 19% population below the poverty line by 2015. The Indian Planning Commission expects to meet the poverty goal and overlook the target for hunger eradication.

Role 2

It is simple to follow outcomes such as the construction of school facilities, the filling of vacancies and training of teachers, achievement in enrolment, and decrease in dropout rates. Nevertheless the real outcome is quality of education. Literacy in India varies among states, regions and social groups.

Role 3

India's advance to bridging the gender divide is improving women's literacy rate. Female literacy rate has gone up from 39% in 1991 to 54% in 2001 which is still below the 75% literacy rate for men in 2001. The male-female literacy rate gap has reduced from 25% in 1991 to 22% in 2001. The literacy gap between the sexes is also higher in rural than in urban areas. The National Literacy Mission that begun in 1988 has been functioning to progress women's literacy and decrease the gender gap.

Role 4

Malnutrition accounts for almost 50% of child deaths in India. According to the Planning Commission, India is doubtful to attain the targets for child mortality and infant mortality by 2015. IMR has always been gradually declining in India from 146 in 1951 to 58 in 2005. However, the rate of decline in IMR reduced after 1993. Infant Mortality Rate is elevated in rural areas than urban and higher for girls than boys.

Role 5

As for 2001-03, India's MMR is 301 with a little over 48% births being attended by skilled health personnel. The Planning Commission projects that India will fail to reach the MMR target for 2015, which is less than 109. Hospital based data shows that states that have comparatively better socio-economic conditions and higher educational levels (such as Kerala, Karnataka, Tamil Nadu, and Maharashtra) also have lesser rates of MMR. The Government of India has commenced the National Rural Health Mission (NRHM) in 2005 to advance for better essential health care delivery system in India.

Role 6

Over 60% of all HIV cases in Asia live in India. India had about 25 lakh HIV infected people in 2006 according to the National AIDS Control Organisation's estimation. HIV cases are elevated among commercial sex workers, injecting drug users, and men having sex with men. Though, infection from blood transfusions and transmission from mother to newborn is low. The National Health Policy (NHP) prepares out a number of goals to address HIV/AIDS, malaria and other major diseases. NHP's goal is to reduce mortality by 50% on account of TB, malaria, other vector and water-borne diseases, to attain zero level growth of HIV AIDS, and to boost health expenditure by govt to 2.0% of GDP by 2010.

Role 7

India has 16% of the world's population. However its allocation of fresh water sources is only 4%. Though, the Planning Commission is certain that India will meet the aim of halving, by 2015, the amount of people without sustainable access to safe drinking water. The National Water Policy (2002) put emphasis on protection and sustainable use of water, and prioritizes its use for drinking, hydro-power, agriculture, industries and ecology. Government programmes on water emphasizes to additional room for irrigation systems, watershed programmes and rainwater harvesting.

Role 8

India's target focus within this role is to make obtainable the benefits of technology to a wider accumulation in cooperation with the private sector. The country's growth story of Business Process Outsourcing (BPO) has put India as the leader in the global services trade. There has also been noticeable progress in the telecom sector. The share of private telecom operators has augmented to over 65% by the end of March 2007 owing to proactive and positive government policies. The number of internet users has also improved to 3.5 persons per 100 from 2001 to 2006.

SUMMARY AND REFERENCES

Four decades of planning explains that India's economy, a mix of public and private enterprise, is too huge and diverse to be completely responsive or predictable to directions of the planning authorities. Real results generally differ in important respects from plan targets. Major inadequacy includes deficient improvement in income distribution and mitigation of poverty, delayed completions and cost overruns on many public-sector projects, and far too little a return on numerous public-sector investments. Despite the fact that the plans have turned out to be less effective than expected, they help guide investment priorities, policy recommendations, and financial mobilization.