

CHAPTER - 10 : ECONOMIC PLANNING IN INDIA

Introduction :

In the year 1950, the Government of India established the Planning Commission. The Prime Minister has been designated as Ex-Officio Chairman of the Planning Commission. Planning Commission consisted of experts from various fields such as banking, finance, industry etc. It was responsible for the formulation of economic plans.

Collect information on :

- 1) Bombay Plan
- 2) People's Plan
- 3) Gandhian Plan

Meaning and Definitions of Economic Planning :

Economic planning is a time bound programme to achieve certain objectives with the help of available resources by the planning authority.

According to Dr. H. D. Dickinson :

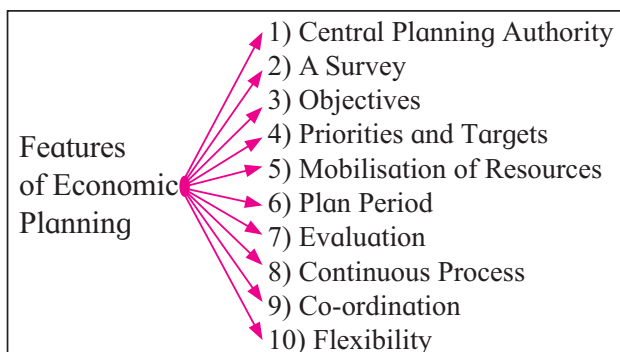
"Economic planning is the making of major economic decisions such as what and how much to be produced how, when and where it is to be produced, to whom it is to be allocated by the conscious decision of the determinate authority, on the basis of a comprehensive survey of the economy as a whole".

According to Mrs. Barbara Wooten :

"Planning is a conscious and deliberate choice of economic priorities by some public authority."

Features of Economic Planning :

Economic planning has the following features:



- 1) Central Planning Authority :** Central Planning Authority in a country undertakes economic planning. In India, it was known as Planning Commission. It has been replaced by National Institution for Transforming India i.e. NITI Aayog since 2015.
- 2) A Survey :** A comprehensive survey of the economy is undertaken regarding the availability and utilisation of human and natural resources.
- 3) Objectives :** Economic planning is based on certain pre-determined objectives which are realistic and flexible.
- 4) Priorities and targets :** Priorities are fixed according to the importance of each sector for accelerating economic development. Target is the concrete step towards the attainment of objectives.
- 5) Mobilisation of Resources :** The resources needed for planning are mobilised through various sources like taxation, domestic savings, deficit financing, public debt, external assistance etc.
- 6) Plan Period :** Plan period varies as per needs. In countries like India, planning is generally for a period of five years.
- 7) Evaluation :** Periodic assessment such as mid term appraisal is done to incorporate necessary changes in priorities and targets of the plan.
- 8) Continuous Process :** Economic planning is a continuous process. It aims at economic development of the country.
- 9) Co-ordination :** States of the country also undertake economic planning along with the centre. Thus, co-ordination between the centre and states is ensured.
- 10) Flexibility :** Central Planning Authority maintains flexibility in its approach. This makes it possible to incorporate necessary changes in the plan as per requirements during its implementation.

You should know :

Five Year Plans (FYP) at a Glance

Plan	Period	Main Objective/Strategy	Target in %	Achievements %
1st	1951-1956	Development of Agriculture	2.1	3.6
2nd	1956-1961	Development of heavy industries	4.5	4.1
3rd	1961-1966	Development of both agriculture and Industry	5.6	2.7
Annual Plans	1966-1969	---	---	---
4th	1969-1974	Growth with Stability	5.7	3.3
5th	1974-1979	Removal of Poverty	4.4	4.8
Rolling Plans	1978-1980	---	---	---
6th	1980-1985	Improvement in Quality of Life.	5.2	5.7
7th	1985-1990	Social Welfare and poverty eradication	5.0	6.0
Plan Holiday	1990-1992	---	---	---
8th	1992-1997	To give dynamism to economy	5.6	6.8
9th	1997-2002	Social justice and Equality	7.0	5.6
10th	2002-2007	Reduction of Poverty	8.2	7.8
11th	2007-2012	Faster and more inclusive growth	8.1	7.9
12th	2012-2017	Faster sustainable and more inclusive growth	8.0	N.A.

Table 10.1

Source : Various five year plan reports, Planning Commission, GoI.

Find out : Calculate D_6 and D_9 from the above table using 'achievements' as the numerical data.

12th Five Year Plan (2012-2017)

Twelfth five year plan which covered the period 2012-2017, focussed on the objective of "Sustainable Growth". The plan aimed at encouraging the development of India's agriculture, education, health and social welfare through government spending. It also aimed at creating employment through developing India's manufacturing sector.

Following were the targets of 12th five year plan :

1) Economic Growth :

- Real GDP growth rate at 8% to be achieved.
- Agriculture growth rate at 4.0% to be gained.

- Manufacturing or Industrial growth rate at 10% to be achieved.
- Every State must have a higher average growth rate in the 12th plan than what was achieved in the 11th plan.

2) Poverty and Employment :

- To reduce head-count ratio of poverty by 10%.
- To create 50 million new work opportunities in the non-farm sector.

3) Education :

- Mean years of schooling to increase to seven years by the end of the twelfth plan.
- Access to higher education with reference to skill development.
- Eliminate gender and social gap in school enrolment by the end of this plan.

4) Health :

- Reduce total fertility rate to 2.1%
- Reduce undernutrition among children in the age group of 0 to 3 years to half of the NFHS-3 levels.

Find out :

Information of various levels of **NFHS** (National Family Health Survey).

5) Infrastructure :

- Investment in infrastructure to be increased to 9% of GDP.
- Connect all villages with all weather roads.
- Increase in rural television and telephone density to 70%

6) Environment and sustainability :

- Increase green cover by 1 million hectare every year during the 12th plan period.

7) Service Delivery :

- Provide access to banking services to 90% Indian households by the end of the plan.
- Major subsidies and welfare related beneficiaries to be shifted to a direct cash transfer by using the Aadhar platform linked with bank accounts.

NITI Aayog (National Institution for Transforming India)

Introduction :

Twelfth Five Year Plan ended on 31st March, 2017, which was extended by 6 months (4th Oct, 2017) for enabling ministries to complete their appraisals. NITI Aayog, introduced in 2015 aimed at expanding the role of the states, making the state's role more positive in collaboration with the Centre. Formation of NITI Aayog was an innovative and remarkable step to reinforce the principles of federalism and decentralisation of power. It also aims to accelerate economic

growth and development. Resolution of NITI Aayog was sanctioned on 1st January 2015, but its actual execution started after the completion of 12th five year plan.

Think-Tank Functions :

As a premier policy 'Think-tank' of the Government of India, NITI Aayog aims to evolve a shared vision of national development with the active involvement of states. It fosters **co-operative federalism** through structural support and policy guidance to the states on a continuous basis.

Do you know?

Think-tank : Think-tank is a group of experts who are gathered together by an organisation, especially by a Government in order to consider various problems, try and work out ways to solve them.

Following are the Pillars of NITI Aayog

- 1) Vision Document of India
- 2) **Appraisal Document** of 12th five year Plan.
- 3) Transforming India :Lecture series organised by NITI Aayog.
- 4) Doubling of Farmers' Income
- 5) **Outcome Budget** and **Output-Outcome Framework**.
- 6) **Global Entrepreneurship Summit** 2017
- 7) Launching of Programme to transform identified **aspirational districts**.

Structure of NITI Aayog :

The Resolution dated 1st January 2015 and its subsequent amendment dated 16th February 2015, provides for the structure of NITI Aayog as follows :

- 1) **Governing Council :** Comprising of the Chief Ministers of all States and Governors of Union Territories.

2) **Regional Councils** : These would be formed to address specific issues and contingencies impacting more than one state or region.

3) **Special Invitees** : These would include experts, specialists and practitioners with relevant knowledge who will be nominated by the Prime Minister.

4) **Organisational Framework** :

- **Chairperson** : Prime Minister of India
- **Vice Chairperson** : To be appointed by the Prime Minister.
Full time members - 5
Part time members - 2
- **Ex-Officio Members** : Maximum of 4 members of the Union Council of Ministers to be nominated by the Prime Minister.
- **Chief Executive Officer (CEO)** : To be appointed by the Prime Minister for a fixed tenure, in the rank of Secretary to the Government of India.
- Secretariat- As deemed necessary.

Find out :

Present structure of NITI Aayog and list out the names of members in the respective columns.

NITI Aayog

Chairperson	Vice -Chairperson	Members

Functions of NITI Aayog :

1) **Shared National Agenda** : Evolves a shared vision of national development priorities and strategies with the active involvement of states. This will provide a framework of 'National Agenda' for the Prime Minister and Chief Ministers to implement.

2) **States' Best Friend at the Centre** : Supports states in addressing their own challenges, building on strengths and comparative advantages. This will be through various means such as co-ordinating with Ministries, championing their ideas at the centre, providing consultancy support and building capacity.

3) **Decentralized Planning** : Restructuring the planning process into bottom-up model, from village-level i.e. local government to national level or central government.

4) **Knowledge and Innovation Hub** : Be an accumulator as well as booster of research and best practices on good governance, through a State-of-the-art Resource centre which identifies, analyses, shares and facilitates replication of the same.

5) **Monitoring and Evaluation** : Monitor the implementation of policies and programmes and evaluate their impact through rigorous tracking of performance metrics and comprehensive programme evaluations. This will identify weaknesses and bottlenecks for necessary course correction, enable date-driven policy making, encouraging greater efficiency and effectiveness.

6) **Co-operative and Competitive Federalism** : Be the primary platform for operationalizing co-operative federalism, enabling states to have active participation in the formulation of national policy and achieving time-bound implementation of quantitative and qualitative targets through the combined authority of the Prime Minister and Chief Ministers of the states.

7) **Others Functions** :

- Inter consultancy
- Conflict Resolution
- Technological upgradation

Comparison between Planning Commission and NITI Aayog

Planning Commission	NITI Aayog
1) Planning Commission was established on 15th March 1950.	1) NITI Aayog was established on 1 st January 2015.
2) Planning Commission enjoyed the powers to allocate funds to Ministry and State governments.	2) NITI Aayog is an advisory body or a think tank which performs the function of allocation of funds.
3) Role of states was restricted to the National Development Council (NDC) and annual interaction during Plan meetings.	3) State governments are expected to play a more significant role.
4) Secretaries or member secretaries were appointed through the usual process.	4) Secretary known as CEO, to be appointed by the Prime Minister.
5) Planning Commission had no provision for part-time members.	5) NITI Aayog has a number of part time members, depending on the need from time to time.
6) Planning Commission had a Chairperson, a Member Secretary and full time members.	6) NITI Aayog comprises of Chairperson, Vice-Chairperson, Full time members, Part-time members, Ex-officio members and CEO of Secretary Rank.
7) Planning Commission framed policies for States and tied allocation of funds with approval of the project.	7) NITI Aayog is only a think tank and does not have the powers to frame policies.

EXERCISE

Q. 1. Choose the correct option :

1) Statements that are true about the Planning Commission :

- a) Planning Commission was established in 1950.
- b) The Prime Minister is the Ex-Officio Chairman of Planning Commission.
- c) Economic planning is a time bound programme.
- d) Economic planning is based on predetermined objectives.

Options : 1) a and b 2) a, b, c and d
 3) a and c 4) None of these

2) Statements that are incorrect regarding India's five year plans :

- a) The main objective of first five year plan was development of agriculture.
- b) Social welfare and poverty eradication were the prime objectives of the seventh five year plan.

- c) By the second five year plan, focus increased on faster, inclusive growth.
- d) Development of both agriculture and industry were the main objectives of the third five year plan.

Options : 1) a 2) a, b and d
 3) c 4) b and d

3) Identify the correct of pairs from the given options :

- | 'A' | 'B' |
|--------------------------------|--|
| 1) Economic Planning | a) Selection by Prime Minister |
| 2) Twelfth Five Year Plan | b) Think Tank group of Indian Government |
| 3) NITI Aayog | c) Fast and sustainable growth |
| 4) NITI Aayog Vice-Chairperson | d) Time bound programme |

- Options :** 1) 1-c, 2-a, 3-d, 4-b 2) 1-d, 2-b, 3-a, 4-c
3) 1-d, 2-c, 3-b, 4-a 4) 1-b, 2-d, 3-c, 4-a

4) Choose the correct statement :

Statement 1 - NITI Aayog takes note of dynamic change in the Indian economy.

Statement 2 - Considering the economic, social and technological differences in underdeveloped districts, the body plans to implement various programmes and bring about economic changes.

Options : a) statement 1 is correct

- b) statement 2 is correct
c) statement 2 is the result of statement 1
d) there is no relation between statement 1 and statement 2.

Q. 2. Give economic terms :

- 1) Conscious and deliberate choice of economic priorities by some public authority.
- 2) A group of people called forth by the government to discuss various problems and also try to find solutions to them.

Q. 3. Identify and explain the concepts from the given illustrations :

- 1) Sayali's mother maintains a book of accounts for household purpose and plans the expenditure accordingly.
- 2) Ramabai gets a subsidy on domestic LPG directly transferred to her bank a/c.
- 3) To solve classroom related issues, the teacher forms a group of students. This group discusses the problems and finds solutions to it.

Q. 4. Answer the Following :

- 1) Explain the features of Economic Planning.
- 2) Explain the targets of 12th Five Year plan.
- 3) Explain the structure of NITI Aayog.

- 4) Explain the functions of NITI Aayog.
- 5) Distinguish between Planning Commission and NITI Aayog.

Q. 5. State with reasons whether you agree or disagree with the following statements :

- 1) State governments have more significant role to play under NITI Aayog.
- 2) Functions of Planning Commission has been transferred to NITI Aayog.
- 3) The objective of the 12th five year plan was to achieve a faster, sustainable and inclusive growth.

Q. 6. Read the following passage carefully and answer the questions :

The Finance Minister of the Central Government presents the Union Budget before the Parliament during the month of February every year. The budget, also referred to as the annual financial statement reflects the estimated receipts and expenditure of the government for a particular financial year that begins on the 1st of April and ends on 31st March. Changes in the tax structure are suggested in the budget. Besides this, provisions are also made for allocating expenditure on defence, education, research and development etc. The date for presenting the budget has been shifted to the 1st of February every year. This enables generation of funds well in advance prior to the commencement of the financial year.

- 1) Where is the Union Budget usually presented?
- 2) What all aspects are considered while preparing the budget?
- 3) Why is the date for presenting the budget shifted to the 1st of February?
- 4) Explain the term 'budget'.

