

HISTORICAL PERSPECTIVE OF PLANNING IN INDIA

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INTRODUCTION

In this module historical perspective of planning in India, our main focus would be to study the history of planning in India and see how the process of planning developed its roots in the country. In this module we will see that how planning in India gradually evolved and institutionalized in the form of the Planning Commission and the National Development Council. After that we will study different phases of planning in India, i.e.

the first three Five Year Plans, Rolling Plans, and Plans after adopting New Economic Policy. We will look at how the Indian state took up this challenge of rapid growth in adverse circumstances. We will also see the aims and objectives of various plans and their achievements over the time.

OBJECTIVES

After going through this unit the learners will be able to:

1. Understand the growth and development of Indian planning system over a period of time.
2. Identify major initiatives taken for development through five year planning in India.
3. Identify the socio economic and political dimensions of planning in India.
4. Differentiate between the planning system in pre independence and after independence period.

HISTORICAL BACKGROUND: TOWARDS THE WELFARE STATE

In India, the significance of planning was recognized even before independence. Various ideological perspectives were brought to influence on the efforts made at plan formulation by a few individuals and institutions. Socio economic Planning has been one of the most noteworthy inventions of the twentieth century. Even before independence the nation was conscious about the significance of planned development. Prominent public men like Dadabhai Naoroji (1825 - 1917), M. C. Ranade, (1842-1901), R. G. Dutt (1848 - 1909) wrote extensively on the social and economic problems of the Indians. During the long period of India's struggle for freedom, the concern for the problems of mass poverty, protection of the farmer and the artisan, the need for industrialization and, the reconstruction of the entire fabric of social and economic life. Almost all the national leaders looked upon political freedom primary as the means to solve these fundamental problems. To Mahatma Gandhi freedom was not merely a political goal but a pre requisite for relieving the masses from poverty and stagnation. The social and economic aims of the struggle for freedom came to be precisely defined during nineteen thirties.

TOWARDS THE ESTABLISHMENT OF THE PLANNING COMMISSION

Starting from the Soviet experiment in 1928, planning slowly swept over almost two third of the entire world. During 1930s the whole world was affected by great

depression, only USSR was exempted from effects of this great depression. It was because of their planning after that whole world was attracted towards USSR because of its planning. Later on the resolutions of the Indian National Congress from 1929 onwards stressed the need for the revolutionary changes in the present economic structure of society and removal of great inequalities in order to remove poverty and improve the economic and social conditions of the masses.

First systematic work came into existence in the year 1934 when the renowned engineer and statesman M. Visvesvaraya formulated a ten year plan for economic development of the country in his book "Planned Economy for India." On the other hand the Government of India Act – 1935, introduced provincial autonomy which led to the formation of Congress Government in eight provinces. In August 1937 the Congress Working Committee passed a resolution suggesting the committee of inter provincial experts to consider urgent and vital problems, the solution of which is necessary to any scheme of national reconstruction and social planning.

NATIONAL PLANNING COMMITTEE (1938)

Planning, was first initiated in India in 1938 by Congress President and Indian National Army supreme leader Netaji Subhash Chandra Bose ,later on Jawaharlal Nehru was made head of the National Planning Committee. This was followed by the formulation of National Planning Committee consisting of fifteen members, in a memorandum, the Committee emphasized that the national independence is an indispensable primary condition for taking all the steps that might be found necessary for carrying out the plan in all its various aspects.

The setting up by the Indian National Congress of a National Planning Committee towards the end of 1938 – nine years before independence – highlighted both the importance of social and economic objectives as also need to profit from the experience of planned development through national plans elsewhere. The National Planning Committee appointed several sub committees to study different aspects of the national economy. It was the first attempt on the part of the people of India to examine the fundamental economic problems and draw up co – ordinate plan for upliftment of the people.

In September, 1939, a serious political crisis took place resulting in resignation by all provincial Governments in eight States 'en bloc.' All the National leaders were kept in jails. All the plans and schemes were shelved for the time being and between 1940- 45, the committee had only a nominal existence. In 1945 when the leaders were released,

steps were taken to revive the committee and new instructions were issued for bringing its reports up to date. The National Planning committee could not hold formal meeting in the following months though most of the sub committees submitted their respective reports. Thus the work of the committee came to an end. During this period, a separate department of Planning and Development was established with Sir Ardeshir Dalal as a member in charge. Panels were constituted for the development of basic and important consumer goods industries. Similarly, post Second World War committee was constituted under the chairmanship of Sir Ramaswami Mudaliar.

THE BOMBAY PLAN (1944)

In the early 1944, several eminent industrialists and economists of Bombay Sir Purshottamdas Thakurdas, Mr. J.R.D. Tata and six others made another attempt and published a development plan, which was called Bombay plan. Its main purpose was to stimulate the thinking of the people and to lay down the principles on the basis of which a national plan could be formulated and executed. The planners observed that the plan set out in it is neither in any sense a complete scheme nor as comprehensive as that of the National Planning committee.

The central aim of the plan was to raise the national income to such a level that after meeting the minimum requirements of every individual we would be left with enough resources for the enjoyment of life and for cultural activities." Thus its objective was at doubling the per capita income in the country over a period of 15 years. It proposed the increase of about 130 per cent and 500 percent, in agriculture and industry respectively. The total outlay of Rs. 10,000 crores was recommended. The planners believed that this could be achieved only by reducing the overwhelming predominance of agriculture and by establishing a balanced economy. This plan was the systematic scheme of economic planning which made the country plan-minded. Its major shortcoming was of maintenance of a capitalist order and giving step-motherly treatment to agriculture sector.

GANDHIAN PLAN (1944)

Gandhian Plan which based upon Gandhian philosophy was put forward by Shri S.N. Agarwal of Wardha. The outlay of the plan was estimated Rs. 3500 crores only and it sought to set up a decentralized economy with self sufficient villages and Industrial production. It laid emphasis on small scale industries and agriculture. But its scheme of financing was unsound. This plan was criticized as inconsistent and insufficient.

PEOPLE'S PLAN (1945)

Another plan was prepared by the late M.N. Roy (a ten year plan) called the 'People Plan.' It was different from the Bombay plan in methodology and priorities. Its chief emphasis was on agricultural and consumer goods industries through collectivization and setting up of state owned industrialization. The total outlay was of Rs. 15000 crores. It also advocated the nationalization of land. The plan was ambitious as it could not properly mobilize the resources. Therefore, it was totally impracticable.

POST WAR RECONSTRUCTION (1941- 46)

The government of India seriously considered the plans for the post war reconstruction during June, 1941 and appointed a reconstruction committee of the cabinet with Viceroy as Chairman and the members of the Executive Council as Members. In June, 1944 Planning and Development Department was created under a separate member of the Executive Council for organizing the planning work in the country. To assist the department, there was a Planning and Development Board consisting of Secretaries of economic department. It suggested to State Governments that special priority should be given to schemes for training technical personnel. In 1946 the work of planning had practically been completed and the department of planning and development was abolished.

ADVISORY PLANNING BOARD (1946)

The interim Government was installed on 24th August, 1946 and the Advisory Planning Board.

The Board submitted its report in January, 1947. Its major recommendations were:

- a) The increase in production that is essential could be secured only through a well considered plan.
- b) There must be control on the use of energy sources, control over distribution and price and as well leases and sub leases.
- c) Mineral rights in the permanently settled areas in Bengal and Bihar should be acquired by the state.

For future Planning organizations, the Board suggested the setting up of single compact organization. As regard the composition of the Planning Commission it was recommended that the Chairman should be a senior minister, holding no portfolio. No

minister should be a member of the Planning Commission and that it should be, as far as possible, a non political Commission consisting of five members.

It also recommended a consultative body of 25 to 30 members which would meet half yearly or quarterly to advice on problems and receive progress reports. Its recommendations were feasible and reasonable but still it also suffered from limitations. After independence the plan became inadequate as a result of the changed social and economic conditions due to partition. Even then its recommendations on techniques were supposed to be worthwhile.

PLANNING FROM INDEPENDENCE TILL THE ESTABLISHMENT OF THE PLANNING COMMISSION (1947-50)

At the dawn of the 15th August, 1947, India was free from the British Imperial Rule. The Constitution of India came into force on 26th January 1950. The Constitution contained certain 'Directive Principles of State Policy', which, though not enforceable through the court of law but were regarded as fundamental to the governance of the country. The working Committee of the Congress Party passed a comprehensive resolution on planned economy for the country and the appointment of the Planning Commission. The resolution states " The need for a comprehensive plan has become a matter of compelling urgency in India now owing to the ravages of Second World War and the economic and political consequences of the partition of the country which followed in the wake of achievement of freedom and steady worsening of the economic situation in India and the World. " Thus the National Planning Commission was established on 15th March, 1950.

PLANNING COMMISSION (1950)

India has adopted a path of development, which is known as Socialist Path and Mixed Economy, On the one hand, India has encouraged private business and industry and on the other it has almost full control, at least in principle, over all the major entrepreneurial and business activities. The Planning Commission was set up by a Resolution of the Government of India in March 1950 in pursuance of declared objectives of the Government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production and offering opportunities to all for employment in the service of the community. The Planning Commission was charged with the responsibility of making assessment of all resources of the country, augmenting deficient resources, formulating plans for the most effective

and balanced utilization of resources and determining priorities. It was entrusted with the work of economic and social development as envisaged in the preamble, the fundamental rights as well as Directive Principles of State Policy of the Constitution

THE NATIONAL DEVELOPMENT COUNCIL (1952)

It is the apex body for decision making and deliberations on development matters in India, presided over by the Prime Minister. It was set up on 6 August 1952 to strengthen and mobilize the effort and resources of the nation in support of the Plan, to promote common economic policies in all vital spheres, and to ensure the balanced and rapid development of all parts of the country. The Council comprises the Prime Minister, the Union Cabinet Ministers, Chief Ministers of all States or their substitutes, representatives of the Union Territories and the members of the Planning Commission. It is an extra-constitutional and non-statutory body.

INDIAN FIVE YEAR PLANNING

The first Five-year Plan was launched in 1951 and two subsequent five-year plans were formulated till 1965, when there was a break because of the Indo-Pakistan Conflict. Two successive years of drought, devaluation of the currency, a general rise in prices and erosion of resources disrupted the planning process and after three Annual Plans between 1966 and 1969, the fourth Five-year plan was started in 1969. The central importance assigned to the public sector was first articulated in the Industrial Policy Resolution in 1956 and subsequently documented in the second five year plan in 1956.

The Eighth Plan could not take off in 1990 due to the fast changing political situation at the Centre and the years 1990-91 and 1991-92 were treated as Annual Plans. The Eighth Plan was finally launched in 1992 after the initiation of structural adjustment policies.

For the first eight Plans the emphasis was on a growing public sector with massive investments in basic and heavy industries, but since the launch of the Ninth Plan in 1997, the emphasis on the public sector has become less pronounced and the current thinking on planning in the country, in general, is that it should increasingly be of an indicative nature.

SUMMARY OF FIVE YEAR PLANS

PLAN	DETAIL OF PLANS
First Plan (1951 - 56) Target growth: 2.1% Achieved growth: 3.6%	It was based on Harrod-Domar Model.
	Community Development Program launched in 1952
	Focus on agriculture , price stability, power and transport
	It was a successful plan primarily because of good harvests in the last two years of the plan
Second Plan (1956 - 61) Target Growth: 4.5% Actual Growth: 4.27%	Also called Mahalanobis Plan named after the well known economist
	Focus - rapid industrialization
	Advocated huge imports through foreign loans.
	Shifted basic emphasis from agriculture to industry far too soon. During this plan, prices increased by 30%, against a decline of 13% during the First Plan
Third Plan (1961 - 66) Target Growth: 5.6% Actual Growth: 2.84%	At its conception, it was felt that Indian economy has entered a take-off stage. Therefore, its aim was to make India a ' self-reliant ' and ' self-generating ' economy.
	Based on the experience of first two plans, agriculture was given top priority to support the exports and industry.
	Complete failure in reaching the targets due to unforeseen events - Chinese aggression (1962), Indo-Pak war (1965), severe drought 1965-66
Three Annual Plans (1966-69) Plan holiday for 3years.	Prevailing crisis in agriculture and serious food shortage necessitated the emphasis on agriculture during the Annual Plans
	During these plans a whole new agricultural strategy was implemented. It involving wide-spread distribution of high-yielding varieties of seeds, extensive use of fertilizers, exploitation of irrigation potential and soil conservation.
	During the Annual Plans, the economy absorbed the shocks generated during the Third Plan
	It paved the path for the planned growth ahead.

Fourth Plan (1969 - 74) Target Growth: 5.7% Actual Growth: 3.30%	Slogan of " Garbi Hatao " was given in 1971
	Emphasis was on growth rate of agriculture to enable other sectors to move forward.
	First two years of the plan saw record production. The last three years did not measure up due to poor monsoon.
	Influx of Bangladeshi refugees before and after 1971 Indo-Pak war was an important issue
Fifth Plan (1974-79) Target Growth: 4.4% Actual Growth: 3.8	The fifth plan was prepared and launched by D.D. Dhar.
	It proposed to achieve two main objectives: 'removal of poverty' (Garibi Hatao) and 'attainment of self reliance'
	Promotion of high rate of growth, better distribution of income and significant growth in the domestic rate of savings were seen as key instruments.
	The plan was terminated in 1978 (instead of 1979) when Janta Party Govt. rose to power.
Rolling Plan (1978 - 80)	There were 2 Sixth Plans. Janta Govt. put forward a plan for 1978-1983. However, the government lasted for only 2 years. Congress Govt. returned to power in 1980 and launched a different plan.
Sixth Plan (1980 - 85) Target Growth: 5.2% Actual Growth: 5.66%	Focus - Increase in national income, modernization of technology, ensuring continuous decrease in poverty and unemployment, population control through family planning, etc.
Seventh Plan (1985 - 90) Target Growth: 5.0% Actual Growth: 6.01%	Focus - rapid growth in food-grains production, increased employment opportunities and productivity within the framework of basic tenants of planning.
	First time private sector got the priority over public sector
	The plan was very successful, the economy recorded 6% growth rate against the targeted 5%.
Eighth Plan (1992 - 97) Target growth:5.6% Actual growth:6.8%.	Focus on " Human Resource Development "
	The eighth plan was postponed by two years because of political uncertainty at the Centre .
	Worsening Balance of Payment position and inflation during 1990-91 were the key issues during the launch of the plan.

		<p>The plan undertook drastic policy measures to combat the bad economic situation and to undertake an annual average growth of 5.6%.</p> <p>Some of the main economic outcomes during eighth plan period were rapid economic growth, high growth of agriculture and allied sector, and manufacturing sector, growth in exports and imports, improvement in trade and current account deficit.</p>
Ninth (1997- 2002)	Plan	<p>Aim was "Growth with Social Justice"</p> <p>It was developed in the context of four important dimensions: Quality of life, generation of productive employment, regional balance and self-reliance.</p> <p>Target Growth: 6.5%</p> <p>Actual Growth: 5.35%</p>
Tenth (2002 - 2007)	Plan	<p>Plan aim at "Double the Per Capita Income" in the next 10 years</p> <p>To achieve 8.1% GDP growth rate</p> <p>Reduction of poverty ratio by 5 percentage points by 2007.</p> <p>Providing gainful high quality employment to the addition to the labour force over the tenth plan period.</p> <p>Reduction in gender gaps in literacy and wage rates by atleast 50% by 2007.</p> <p>Increase in literacy rate to 72% within the plan period and to 80% by 2012.</p> <p>Reduction of Infant Mortality Rate (IMR) to 45 per 1000 live births by 2007 and to 28 by 2012.</p> <p>Increase in forest and tree cover to 25% by 2007 and 33% by 2012.</p> <p>Cleaning of all major polluted rivers by 2007 and other notified stretches by 2012.</p>
Eleventh (2007 - 2012)	Plan	<p>Twelfth Plan focuses "Faster and more Inclusive Growth".</p> <p>Prepared by C Rangarajan to:</p> <p>Accelerate GDP growth from 8% to 10%. Increase agricultural GDP growth rate to 4% per year.</p> <p>Create 70 million new work opportunities and reduce educated unemployment to below 5%.</p> <p>Raise the sex ratio for age group 0-6 to 935 by 2011-12 and to 950 by 2016-17</p> <p>Target growth: 8.1%</p> <p>Growth achieved:7.9%</p>

	Ensure direct and indirect beneficiaries of all government schemes are women and girl children
	Connect every village by telephone and provide broadband connectivity to all villages
	Attain WHO standards of air quality in all major cities by 2011-12.
	Increase energy efficiency by 20 percentage points by 2016-17.
Twelfth Plan (2012 - 2017) Target Growth :8%	Twelfth Plan focuses “Faster and more Inclusive and Sustainable Growth” .
	Poverty rate to be reduced by 10% than the rate at the end of 11th plan.
	End gender gap and social gap in school enrollment.
	Reduce under nutrition of children in age group 0-3 to half of NFHS-3 levels.
	Increase green cover by 1 million hectare every year. Increase renewable energy during Five Year Period.

Establishment of NITI (National Institution for Transforming India) Aayog (2014)

Planning in India was carried by the Planning Commission (1950 - 2014) and the NITI (National Institution for Transforming India) Aayog (2014 - 2017). With the Prime Minister as the ex-officio Chairman, the commission has a nominated Deputy Chairman, who holds the rank of a Cabinet Minister. Montek Singh Ahluwalia is the last Deputy Chairman of the Commission , resigned on 26 May 2014. The Eleventh Plan completed its term in March 2012 and the Twelfth Plan is currently underway. Prior to the Fourth Plan, the allocation of state resources was based on schematic patterns rather than a transparent and objective mechanism, which led to the adoption of the Gadgil Formula in 1969. Revised versions of the formula have been used since then to determine the allocation of central assistance for state plans. The new government led by Narendra

Modi, elected in 2014, has announced the dissolution of the Planning Commission, and its replacement by a think tank called the NITI Aayog.

SUMMARY

In this chapter we discussed historical perspective of planning in India. It begins by looking at the trends in India in British period and after independence. We saw that how the importance was realized that for the country to grow and in any respect it is important that people are involved in the development process. Therefore greater emphasis was given to decentralization. It was also highlighted that in the market economy which is becoming increasingly integrated with the world. Planning is bound to be different which was used to be in the earlier years. Much of what used to be done by governments is now being done by the private sector. However this does not mean that the role of the government must shrink. The growth and development of the country cannot be left entirely to the market mechanism on the contrary the government must play a much larger role in some areas even while shifting out the others.

Achievements of Five Year Plan are Impressive industrialization in capital goods sector through public sector. Development of economic infrastructure like energy, irrigation, roads, transport and communication. Diversification of export and import substitution. Rise in life expectancy and rise in literacy level. Development of science & technology and the nuclear power for peaceful purposes. Increasing national income and improving average standard of Living of the people. Achieving self reliance so as to minimize dependence on foreign aid. Increasing pace of industrialization of both basic and heavy industries. Narrowing down both vertical and horizontal inequalities. Increasing employment potential of various sectors. Failures of Five Year Plans are like social inequality, failure of land reforms, unbalanced regional growth, corruption, black money, and many social problems. In 2014 government decided to wind down the Planning Commission. It was replaced by the newly formed NITI Ayog.