Poverty, low per capita income, under-development, unemployment, prompted the newly established Indian polity to adopt economic planning for the development of the country. The idea of economic planning can be traced to 1934, when M. Visvesverayya in his book 'Planned Economy of India', advocated for planning to increase the national income. It was taken up by the Indian National Congress in 1938 when it formed the National Planning Committee under the chairmanship of Jawaharlal Nehru. The Bombay Plan, the People's Plan and Gandhian Plan, provided further impetus in the direction of economic planning. After independence, a Planning Commission was set up in March 1950 by a Cabinet Resolution with the Prime Minister as its ex-officio Chairman to formulate five year plans for the economic development of the country. ¹

**First Five Year Plan to Eight Five Year Plan**

Since 1950, each plan has marked an important phase in India's development. The beginning and the end of a five year plan are regarded as vital dates in the national life. Each plan, being at once an appraisal of the past, a guide map for action in the future and a reformulation of basic national policies in the light of experience and evaluation. Each plan is designed to achieve certain major objectives and provide for a scheme of investment.² In the words of Jawaharlal Nehru, "Planning is a continuous movement towards desired goals...... indeed perspective planning is the essence of the planning process.... long term planning does not mean planning in terms of five years only, but planning for fifteen years
Economic policy is not made by economists or even politicians, but is shaped by economic and political forces. As these forces shift, so does economic policy. For India, independence meant transfer of power from an alien to the local political class. This class had its economic interests but its overriding objective was to control and maintain hold on the state. Nehru did not mince words about it. In speech after speech as Prime Minister and Chairman of the Planning Commission, he said, that the main role of five year plans was to strengthen the nation-state by giving it a big role in development. At the same time, it was to seize and hold the commanding heights of the economy. But things are different now. The state is in retreat everywhere, and power is being transferred from the political class to the business class. This is happening in India too. Under the garb of liberalisation and globalisation, power is being transferred to the business class, first to the Indian business class and through it, to foreign business led by multi-nationals.

Planning, in our country therefore becomes all the more necessary to ensure orderly progress’. It provides a framework of time and space that binds sectors and regions together and relates each year's effort to the succeeding years'. Planning lies in proposing bold initiatives to boost up the economy. The basic planning tenets of the eight five year plans so far have been: growth, modernization, self-reliance and social justice.

Economic Planning in India: The First Economic landmark after Independence
In India, planning has been introduced at the executive level and has no legal basis. K. Santhanam rightly points out, "Planning for purpose of economic development practically superseded the federal Constitution so far as states were concerned but this supersession was not legal or constitutional but was by agreement and consent". Since 1950-51, India has been engaged in the world's largest and most comprehensive experiment in democratic planning. Planning on such a gigantic scale is obviously more than an economic process. It is total national effort and commitment, which includes political leaders at all levels, the administration, and the people of the country, as well as those specifically entrusted with the task of economic planning and development.

Jawaharlal Nehru in his speech before the Economic Planning Conference in 1950, defines planning as, "Integrating and having an overall view of the general conditions and then trying to progress all along the line. It is a deliberate attempt to promote the well being of the country." The planning process was started in India in April 1951 with the launching of the First Five Year Plan. It was only in December 1952 that the final version of the first plan was ready and presented to the nation by the Planning Commission, although the plan covered the period from April 1951 to March 1952. In 1951, we had an economy that had suffered long from the effects of cramped or shackled development. In 1951 the country was face to face with four major problems: (a) problem of transition to a different economic and social order, (b) problem of employment generation, (c) role of foreign investment in relation to development, (d) problem of securing the
optimum rate of progress. On the eve of the First Five Year Plan foodgrains were being imported on a large scale, and the economy was in the throes of inflationary pressures. The first plan made maximum allocation to irrigation and power. The plan's emphasis on agriculture production, rural industries and cooperation meant, in effect, emphasis on sectors which bore closely on the well-being of large number of people. In 1951, the political leaders were hopeful that the country would rise in economic planning to the same height as it had done in the area of freedom movement. The plan rised the important questions of policy. It considered framing of economic and social policies in different fields in a continuous process. It envisaged a substantial rise in employment and production and the largest measure of social justice attainable. The first plan laid the foundations for achieving the socialist pattern of society, based on the values of freedom and democracy, breft of caste, class and privilege.

Five Decades of Planning

Completing fifty years of chequered career, economic planning in India is now poised for facing the challenges of the new millennium. Among the various contributions, particular mention may be made of 'planned economy for India' prepared by M. Visveswarraya, 'Bombay plan' prepared by a group of eminent industrialists, 'People's plan' prepared by M.N. Roy and the 'Gandhian plan' prepared by Raman Narayan. In 1950, the Planning Commission came into being to usher in a new era of planning with the prime objective of assessing the country's material, capital and human resources and formulating a "plan for their
most effective and balanced utilization”. Being highly impressed by the success of Soviet five year plan during his entourage to Russia in 1927, Nehru was inspired by the idea of trying this experiment in his own country. It was only after independence that he could initiate steps in this regard and entrust the task of evolving a suitable model for the second plan to P.C. Mahalanobis, the then Statistical Advisor to the Prime Minister of India. He did a splendid job by evolving a two-sector plan model closely resembling the growth model developed by Feldman in Soviet Russia. Mahalanobis emphasised the crucial role of large investment in heavy industries at an early stage of planned economic development in India. Therefore, the second plan was formulated to provide, interalia, considerable stimulus to the growth of basic and heavy industries mostly in the public sector. As the apex planning body, the Planning Commission, though without executive authority, was designed to wield considerable power as the advisory panel in formulating and approving the plan proposals and overseeing their implementation.

It was decided that the Prime Minister should be its chairman who would be assisted by a whole time deputy chairman of high calibre as the next in command. The first Prime Minister of free India, Jawaharlal Nehru, became the first chairman of Planning Commission in 1950. His search for a dynamic wholetime deputy chairman resulted in the selection of G.L. Mehta, a prominent public figure who combined academic accomplishment with a brilliant business career. The successors of Mehta included a galaxy of luminaries such as T.T.
First Five Year Plan (1951-1956)

The First Five Year Plan launched in 1951-52 was a 'ground preparing' exercise which gave its primary attention to the achievement of economic stability and elimination of shortage of food and basic resources. The plan aimed at increasing the rate of investment from 5 per cent to 7 per cent of the national income. When the First Five Year Plan was prepared, the Planning Commission attempted to present a picture of economic growth over a period of about 25 years on certain assumption regarding population growth, proportion of increase in national income which would be available for investment at each stage, and return of investment. The plan had the following objectives:

(i) to restore the economy which had run down as a result of the war, to resist the inflationary pressures that were prevalent, to build up the transport system and to ease the food and raw materials position.

(ii) to initiate measures of social justice on a wide scale, to build up a society envisaged by the Constitution.

(iii) to build up administrative machinery to cope with the massive programmes of reconstruction to which the nation is committed.

The basic aim was to secure a balanced development in different sectors of economy, agriculture on scientific lines, cottage and small scale industries,
large scale consumer goods industries and capital good industries.\textsuperscript{17} The plan aimed at raising the standard of living of the people and to open out to them opportunities for a richer and more varied life.\textsuperscript{18} The First Five Year Plan placed emphasis on administrative leadership, integrity, machinery to enquire into cases of misconduct on the part of persons who hold any office, political or otherwise; efficiency; staffing arrangements for management of state industrial enterprises and for dealing with matters of economic policies and administration.

**Plan outlay and Allocations of First Five Year Plan**

In the draft outline, owing to the greater urgency of the programmes for agriculture and irrigation, the provision made for the development of industry in the public sector was insufficient. Village industries, small scale industries and handicrafts, whose importance for the economy as a whole can scarcely be exaggerated, have been given greater emphasis in the plan. The Central Government's plan provides Rs. 15 crores for cottage and small scale industries. In the field of social services also, the plan has several important programmes. These include a national malaria control scheme estimated to cost Rs. 10 crores, increased provision for scheduled tribes and scheduled areas and for scheduled castes and other backward classes including criminal tribes, a programme for industrial housing costing Rs. 49 crores.\textsuperscript{19} The first plan was a great breakthrough. The rate of growth of GDP at factor cost was 3.6, of per capita income 1.7, saving 10.28 and of investment 10.66 per cent per annum.\textsuperscript{20} The First Five Year Plan was based on the Harrod-Domar model and laid emphasis on "fiscal policy aimed at
raising domestic saving to the degree required by the projected investment levels that result from planned income expansion".  

The objectives were:
- To increase the agriculture production for the purpose of solving the food crisis.
- To reduce inequalities in income.
- To initiate a new pattern of economy, 'Mixed Economy'. Target of the plan was 11% increase in national income.

The outbreak of the Korean war in 1950 and an unusually bad crop in 1950-51 had aggravated the situation. In 1951 the country had to import 4.7 millions tons of foodgrains.  

Second Five Year Plan (1956-1961)

At the time of the Second Five Year Plan, however, a major change was brought about, Indian planners operated on the assumption of a low elasticity of export demand accompanied by a system of strict import allocation. The Second Five Year Plan, which was heavily influenced by the work of Mahalanobis, reflected to a much larger extent the necessity to build ahead of demand in the area of capital goods production.  

The size of the second plan was a subject to which much thought was given by the Planning Commission. It was first contemplated that in the public sector, the outlay might be of the order of Rs. 4,300 crores. The aggregate size had to be increased to at least Rs. 4,800 crores. The increase was due to the new emphasis on the development of heavy industries, such as iron,
steel production, railways etc.\textsuperscript{24} The rapid growth of industries in the country commenced effectively with the Second Five Year Plan.\textsuperscript{25} The net investment in the second plan was of the order of Rs. 6,100 crores - Rs. 3,800 crores in public sector and Rs. 2,300 crores in the private sector.\textsuperscript{26} At 25 per cent increase in the national income, rapid industrialization with particular emphasis on development of basic and heavy industries, large expansion of employment opportunity to 10 million people. The plan laid special stress on fastening industrialization with the aim of strengthening the capital base and productive capacity. The plan aimed at increasing the rate of investment from about 7 per cent of the national income to 11 per cent by 1961.\textsuperscript{27}

**External assistance for the Second Five Year Plan**

In the Second Five Year Plan, we have drawn from our sterling balances. These balances declined by Rs. 540 crores over the first three years of the plan. This excludes a loan of Rs. 95 crores taken from the IMF. We have received in the second plan grants from these countries like the U.S.A., USSR, Colombo Plan countries, West Germany, Japan, etc. The World Bank has given substantial loans for railways, ports and other projects; the Ford Foundation and Rock Feller Foundation have also extended help. The assistance from the USA referred to above, includes assistance received under P.L. 480.\textsuperscript{28} The Central goal of the second plan (1956-61) was to attain a socialistic pattern of the society. This could be possible only if the benefit of economic development accrued more to the relatively less privileged section of society.\textsuperscript{29} The plan sought to rebuild rural
India, to lay the foundations of industrial progress, to secure to the greatest extent feasible opportunities for the weaker and underprivileged section of our people, and to achieve to the greatest extent possible the balanced development of all parts of the country. The plan admitted that all states had the common cause of eliminating poverty and raising the people's standard of living.\textsuperscript{30} The plan adopted the Marxian (Feldman) model as elaborated and trimmed by Mahalanobis. A distinction was made between investment for the production of capital goods and investment for the production of consumer goods.\textsuperscript{31}

In a nutshell, the second plan achieved a 25 per cent rise in national income. It emphasized the basic and heavy industries like iron and steel, heavy fuel and power, chemicals, heavy engineering, machine-building, reduction of inequality, and a more even distribution of economic power.\textsuperscript{32}

**Third Five Year Plan (1961-1964)**

During 1960-61 the per capita income was Rs. 330 crores and GDP was Rs. 14,500 crore. The third plan sets large objectives and targets which constituted a minimum which had to be assumed. They were supposed to open the way to a still more intensive endeavour and a deeper sense of urgency. The objectives included a 30 per cent increase in national income, a rate of investment capable of sustaining this rate, a 17 per cent increase in per capita income, self sufficiency in foodgrains and industrial raw materials, reduction in prevalent inequality and a more even distribution of economic power. The central aim of the third plan was not only to make the Indian economy expand rapidly but also to become self-

sufficient and self-generating.\textsuperscript{33} The third plan model was the same as that in the second plan except that there was in it a clear recognition of the definite limits to the fraction of investment that could be allocated to the capital goods sectors in as much as the physical composition of the investment fund itself determined to a large extent the type of output that could be secured.\textsuperscript{34} The draft outline of the Third Five Year Plan published in June 1960, keeps in view both our basic social and economic objectives and perspective of growth over the next 15 years. The Third plan was being formulated with the following aims.\textsuperscript{35}

a) To secure an annual increase in national income of over 5 per cent;

b) To achieve self sufficiency in foodgrains and to increase agricultural production to meet the requirements of industry and exports;

c) To expand basic industries in order to meet the requirements of further industrialisation;

d) To utilize to the fullest possible extent the main power resources of the country and to ensure substantial expansion in employment opportunities.\textsuperscript{36}

e) Establish greater equality of opportunity and bring about reduction in disparities of income and wealth and more equitable dispersal of economic power. The plan sought to increase the national income by about 30 per cent from Rs. 14,500 crore in 1960-61 to about Rs. 19,000 crore by 1965-66 (at 1960-61) and per capital income by about 17 per cent from 300 to Rs. 385 during the same period.\textsuperscript{37}

\textbf{The Fourth Five Year Plan (1969-1974)}
The Fourth Plan sought to avoid inflation, improve people's consumption standard, reduce economic and social disparities, to provide avenues of employment to all who seek them, and to accelerate the tempo of development to ensure quicker progress towards self-reliance. The rate was not less than 6 per cent per annum.\textsuperscript{38} The finalisation of the fourth plan was delayed on account of the situation created by the Indo-Pak war in 1965, two successive years of severe drought, devaluation of currency, general rise in prices. Therefore, three annual plans were formulated between 1966 and 1969. The average annual rate of growth envisaged was 5.7 per cent.\textsuperscript{39} The objective of national planning in India is not only to raise the per capita income but also to ensure that the benefits are evenly distributed, that disparities in income and living are not widened but in fact narrowed, and that the process of economic development does not lead to social tension endangering the fabric of the democratic society.\textsuperscript{40} With its predominant thrust on the acceleration of economic growth, it tried to reach the target of 5 per cent growth of national income per annum but could achieve only 3.4 per cent per annum. In fact, both the third and fourth plan, represented a period of downswing in the growth rate of national income.\textsuperscript{41} In the fourth plan the stress was on agriculture.\textsuperscript{42} The Government of India introduced a national water supply and sanitation programme in the social sector way back in 1954. Financial assistance was also provided in the Fourth Five Year Plan to carry out identification of the Problem Villages (PVs).\textsuperscript{43} 1965-66 and 1966-67 were years of drought and near famine. Imports of food grains had to be stepped up during 1966-67. Foreign aid became uncertain. The rupee was devalued in 1966. The period between 1966 and
1969 was one of plan holiday, since annual plans were substituted in place of the five year plan, though with the frame work of the draft fourth plan. The period 1976-77 witnessed the introduction of the best available agriculture technology in the form of HYVs and multiple cropping.44

During the Fourth Plan, the rate of growth of GDP was 5% of population 2.5 and of per capita income 1 (1.1 at 1970-71 price) per cent per annum.45 The fourth plan (1969-74) aimed at accelerating the tempo of development, reducing fluctuation in agriculture production and the impact of the uncertainties of foreign aid, and raising the standard of living of the people through greater equality and social justice, especially of the less privileged section of society. The fourth plan decided to continue the fight against poverty and economic and social inequality. Besides, it sought to ensure stability of the core items of family consumption.46 The fourth plan aimed at generation of employment awareness. The network of Service Centres in rural areas was supposed to open out opportunities for the young entrepreneurs.47

**An Imminent Horizon : Agriculture Policy**

Agricultural development in its comprehensive definition is central to all strategies for planned socio-economic development of India. Agriculture being a state subject will continue to receive the fullest attention of the state government and the centre's role is complementary to the state's efforts to ensure progress in agriculture and minimise regional imbalance. Agricultural production has increased several fold in the last four decades, but has brought in its wake uneven
development, in both research and production, across regions and economic viability of agriculture, including horticulture, livestock. Indian agriculture is today faced with major challenges which could be summed up as follows:48

(a) Increasing agriculture production and productivity, to ensure food security for the rising population.

(b) Developing areas of untapped potential, thereby correcting emerging imbalance in growth in eastern, hilly, rainfed and drought prone regions.

(c) Meeting challenges of degradation of land and water resources, and the emerging ecological imbalance, due to increasing climatic pressure on land.

(d) Diminishing options and lower income levels.

(e) Addressing to problems of under employment, unemployment and malnutrition in rural areas through diversification of agriculture and promotion of horticulture, fisheries, dairy, livestock, poultry, etc.

(f) Increasing involvement of Non-Governmental Organization (NGOs) in agricultural development and village upliftment programmes.49

Fifth Five Year Plan (1974-1979)

The Fifth Five Year Plan, had two broad aims, reducing poverty and achieving self-reliance. The plan programmes were designed to rise the level of consumption of the lowest 30 per cent of the population. It also aimed at meeting the foreign exchange requirements, other than debt services charges, from the country's own resources.50 The fifth plan was projected a target rate of growth of five and a half per cent which is higher than the rate of which the economy has
grown over the fourth plan. Achievement of this objective requires a higher level of investment apart from higher level of efficiency. Greater emphasis on self-reliance implies that a higher level of saving has to be generated domestically to correspond to the required level of investment. The fifth plan aimed at controlling inflation and stabilising economic situation. After covering four years of implementation this plan came to an abrupt halt, and a fresh plan with new priorities and programmes was launched.

By achieving an annual growth rate of 5.2 per cent the plan started on confident note towards steady rise in the growth rate. The annual rate of growth of GDP was 5.2 at 1970-71 prices and of per cent income 2.7 to 2.9 at 1970-71 per cent.

**Sixth Five Year Plan (1980-85)**

Its principal objectives were: (a) significant steep in the rate of growth of the economy, (b) achievement of economic and technology of self-reliance, (c) progressive reduction in poverty and unemployment, (d) speedy development of indigenous sources of energy, (e) minimum needs programme to improve the quality of life of the people, especially of the economically and socially backward sections, (f) checking population growth. The sixth plan largely focused on the eradication of poverty. The strategy was essentially to strengthen the infrastructure of both agriculture and industry so as to create conditions for a sustained and accelerated growth in investment output and exports. The major thrust of the sixth plan included poverty alleviation, development of infrastructure and
expansion of investment and employment outlets. By fully achieving the target of 5.2 per cent annual growth rate this plan showed an encouraging prospect of reaching a higher growth trajectory.\textsuperscript{56}

**Understanding Poverty and Unemployment**

Poverty and unemployment are the biggest challenges to development administration in India. The draft five year plan 1978-83 has rightly emphasized that the principal objective of planning should be defined as achieving within a period of 10 years; removal of unemployment and significant under-employment; an appreciable rise in the standard of living of the poorest sections of population; provision by the state of some of the basic needs of the people in these income groups, like clean drinking water, adult literacy, elementry education, health care, etc.\textsuperscript{57}

Much has been written on poverty and its alleviation. There has been a considerable debate in India since the initiation of economic reforms in July 1991 about their possible impact on the poor.\textsuperscript{58} Since independence the proportion of the population living in poverty has reduced substantially but remains high. Prior to the mid 1970s the proportion below the poverty line remained fairly static at about 55% between 1975 and 1987 there was a steady decline to 38% coinciding with an increase in the economic growth rate 4% to 5% a year and strong rural growth. Although India has made significant progress in reducing poverty over the last two decades, the incidence of poverty is still much higher than in most other regions of the world, except far part of sub-Saharan Africa. Countries in East Asia,
including China, have had considerably success in reducing poverty, despite having comparable levels of poverty in the 1960s and 1970s (around 605 below the $1 per day poverty line). The challenges for India will be to emulate the success of East Asian countries and reduce poverty much further.\textsuperscript{59}

**Impact of Poverty**

A.R. Bandyopadhyay devoted considerable attention to the structural programmes and its impact on poverty. The New Economic Policy emphasised the need for increasing the productivity in the economy. At the same time, it does not provide for enough safety for large sections of the rural poor. The New Economic Policy suggest that the benefit of economic reforms would reach the poor.\textsuperscript{60} The Government of India recognized and began attending to the problem of poverty, both institutional and economic, almost from its inception and that at present there are in the field a vide variety of specific antipoverty programmes. All of them have fulfilled their annual targets. They do not make an impact on poverty. One reason, is that the specific antipoverty programmes are only less than ten years in the field and that it must take sometime for the results to show.\textsuperscript{61} The other and the more important reason is that the size of these programmes is too small in relation to the size of the programme they are meant to tackle. In table given below the outlay on the antipoverty programme is shown during the sixth plan.\textsuperscript{62}

**Table 3.1: Outlay on antipoverty programmes during the sixth plan (1980-85)**

<table>
<thead>
<tr>
<th>Programmes</th>
<th>Outlay (Rs. million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme</td>
<td>Figures</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Integrated Rural Development Programme</td>
<td>15,000</td>
</tr>
<tr>
<td>National Rural Employment Programme</td>
<td>18,000</td>
</tr>
<tr>
<td>Rural landless Employment Guarantee Programme</td>
<td>4,000</td>
</tr>
<tr>
<td>Total</td>
<td>37,000</td>
</tr>
</tbody>
</table>

**The Scenario : 1983**

One of the major objectives of planning is to reduce poverty and unemployment. The draft five year plan (1978-83) has specifically mentioned the removal of unemployment and significant under-employment within a period of ten years as one of the primary objectives. As already mentioned, in 1978 the estimated backlog of unemployment was 19.5 millions. During the sixth plan (1978-83) industrial growth registers an increase of 5 per cent per annum, employment in the organized sector will increase by 5 million leaving as many as 48 million (53 minus 5) of employment generation in the unorganised sector. In the pre and post green revolution period, public sector provided jobs to the graduates coming out from the universities but during eighties and nineties of the last century the employment scenario in the above sector was grim. However, cooperative and private sectors provided some relief to the job seekers.

**Higher incidence of unemployment amongst casual labour**

Poverty and unemployment are twins which cannot be separated. Besides, with the continuing high rate of population growth coupled with limited availability of additional land, the proportion of landless labourers in the labour force is bound to grow. Since independence, India has secured many notable
social and economic achievements including the near eradication of famine, a reduction in population growth and magnitude of poverty. But India still remain one of the most protected economies in the world. But unemployment in India is at 4.8 per cent which may seem lower as compared to jobless figures in many developed countries - there is widespread underemployment. Unemployment is now a serious problem because the economy is not growing fast enough.

**Seventh Five Year Plan (1985-1990)**

The investment programmes and the policy at initiatives for the seventh and subsequent plans must be related to the goals that the nation has for the year 2000, as it steps into the 21st century. In more concrete terms this means the elimination of poverty and creating condition of near full employment, the satisfaction of the basic needs of the people in terms of food, clothing and shelter, attainment of universal elementary education, and access to health facilities. The attainment of these goals requires: action to sustain and enhance the momentum of economic expansion and technological development; adoption of effective, promotional measures to raise the productivity and incomes of the poorer section of the population, poorer regions and poorer states; and measures for bringing about a sharp reduction in the rate of population growth.

**Plan outlay and Allocations:**

In the Indian economy, the growth in the national income has largely been determined by the trends in agriculture production. The poverty abolition (Garibi Hatao) objective secured a place of pride in the seventh plan. The plan
indicated that in 1983-84, the percentage of population below poverty line in rural areas and all India total were lower (40.4, 28.1 and 37.4 per cent respectively) than what they had been in 1977-78. The seventh plan sets a target of 5 per cent per annum rate of growth and assumed the Incremental Capital Output Ratio (ICOR) to be around 5:1. During the seventh plan the anti-poverty programmes were restructured on the basis of the experience gained during the sixth plan. During the post-green revolution period, 1967-68 to 1987-88, agriculture grew at the rate of around 2.60 per cent per annum. The compound growth rate of agriculture during 1949-50 to 1987-88 was 2.65 per cent per annum. India's Seventh Five Year Plan covering the period, April 1985-March 1990, aims at achieving an annual growth rate of 5 per cent. The growth rate of agriculture output is expected to be around 4 per cent and that of industrial production 8.3 per cent. The plan projects a current account deficit of $ 16.8 billion at 1984-85 prices and exchange rates.

**Eighth Five Year Plan (1992-1997)**

The Eighth Five Year Plan aimed at raising the standard of the living of the people and also opening out to them new opportunities for a richer and more varied life. The death and birth rates have declined literacy has improved, educational base widened. The public sector investment of the order envisaged in the eighth plan requires that the dissavings of the government must come down sharply. Improve fiscal management, leading to the generation of more saving by government, is one of the basic promises underlying the financial pattern of public sector investment in the eighth plan. The plan also emphasized evaluation of
plan programme and projects. It points out that "feedback through evaluation result is an important requirement for assessing the performance, comparing the intended with the actual operations." During the eighth plan, an area of 28 lakhs was targetted to be covered with an allocation of Rs. 1100 crores. A new scheme, "application of remote sensing technology for social survey and land use planning" was launched during the plan period. Programmes of child survival and safe motherhood were also launched in collaboration with World Bank and UNICEF. During the plan period the public sector is to become selective in its coverage, which would be focussing on the strategic, high technology and essential infrastructure. In a way, it paved way for the New Economic Policy.

**Ninth Plan (1997-2002)**

The Ninth Plan envisaged a growth rate of 7 per cent, but some unforeseen circumstances created impediments. In 1997-98, the growth rate plummeted to 5 per cent. Subsequently, more disturbing factors like political instability, kargil conflict (1999) and oil price hike (2000) inhibited progress so much so that the achievement of the revised target of 6.5 per cent appeared to be very doubtful. However, a revival of growth rate which touched the level of 6.4 per cent in 1999-2000 reflected some resilience of the economy. The revised public investment target of Rs. 270400 crores fixed for the last two years of the ninth plan (aiming at the growth target of 7 per cent) looks a bit ambitious (vide mid term appraisal of Ninth Five Year Plan 1997-2002, Planning Commission); but all the same it may be well within reach by exploiting successfully the yield potential of taxation, borrowing and IEBR (Internal and Extra Budgetry
The ninth plan aimed at providing telephone on demand, achieving universal convergences, and ensuring the world standard services, and emerging as a measure manufacturing base for telecom equipments and their exports. Rural connectivity had also been an important goal for Ninth Five Year Plan. The plan earmarked 13 per cent of GDP to be invested on telecommunication infrastructure. In 1989, the Tele-Com Research Centre (TRC) formulated some guidelines for rural telecom sector with plans to make available a phone line in every village by 1999. With the opening of the economy in 1991 the requirement for telecommunication services changed rapidly and the plans were redrafted in 1994 under the caption national policy.


The Common Minimum Programme (CMP), announced in June 1996, by the United Front Government at the Centre forms the king-pin of the development strategy of the ninth plan because it represents a consensus that binds and cements into a coalition of 13 to 14 political parties which have their nominees in the government, supported from outside by the Congress party. The coalition agreed on July 4-5, 1996 to make an all out effort for the provision of the basic minimum services, such as safe drinking water, primary health services, public housing assistance to the shelterless families, mid-day meal, connectivity to all unconnected villages. During the ninth plan, the GDP is stipulated to grow at an average annual rate of 7 per cent, as compared to 5.9 per cent (at market).
during the eighth plan. The Planning Commission is reported to have suggested earlier a 7 per cent growth scenario on the assumption that:

(1) rate of investment would grow from 26.2 per cent to 28.6 per cent of the GDP.

(2) The ICOR would come down from 4.24 to 4.08 per cent.

(3) Domestic saving would grow at the rate of 26 per cent.

(4) Fiscal deficit would come down to 4 per cent.

**Highlights of the Tenth Plan approved by the Planning Commission on 5 October 2002**

* Annual 8 per cent GDP growth during 2002-07.

* Annual FDI flows of US $ 7.5 billion

* Disinvestment target of Rs. 78,000 crores in 5 years

* 50 millions jobs in five years.

* Reduction in poverty ratio to 21 per cent from 26 per cent by 2007.

* Literacy rate to increase to 75 per cent by 2007.

* Infant mortality rate to be reduced to 45 in 2007.

* Maternal mortality ratio to be halved to 2 in 2007.

**Mixed Economy in India**

In a mixed economy, the government has a positive role to play in the field of economic activity. Some industries may be completely state owned, and some may be jointly owned and managed by the state and private enterprises. In developing countries with mixed economies, there are many areas of activity in which both public and private enterprises co-exist and face competition. Gone are
the days of exclusive capitalism and socialism. The market today is dominated by 'Mixed Economy' or the middle of the road, which neither wholly capitalist nor wholly socialist, on the other hand it is the mixture of two. It accommodates both public and private sectors. The public sector stands for the socialistic element in the economy and the private sector for the free enterprises element in it. Most countries of western Europe have also, in recent years, been moving towards the mixed economy. This trend has been all the more pronounced in the case of under developed countries like India.  

Public Sector Policy

The Industrial Policy Resolution of 1956 gave the public sector a strategic role in the Indian economy, massive investment to the tune of Rs. 1,13,234 crores have been made for 246 central public sector enterprises by the end of March 1991. In the past four decades, the public sector has played a commanding role in the economy. The Indian economy has been passing through liberalization on globalised norms, since July 1991. Now the economic liberalization has already entered into its second phase of progress in Indian economy. The economic liberalization aims at improving the sectoral and overall growth of Indian economy with the help of efficient and effective mobilization of resources both in domestic and international markets. In the process of economic liberalization, the private enterprises and public sector undertakings are affected directly but the cooperative sector is indirectly affected.
Coming to the Mixed Economy, it has the advantages of both public and private sectors and seek to eliminate the evils of both. It recognises; co-existence of the public and private sectors, role of price system and Government directives, Government regulation and control of private sector, protection of labour, reduction of economic inequalities and control of monopoly. In a mixed economy, pursuing planned economic development, fiscal policy plays a central and multidimensional role.  

Restructuring of Indian Economy

Industrial Policy Resolution (the 6th April, 1948)

There was well-defined industrial policy before 1947. In Indian economy, both the public and private sector were in operation. The foundation of mixed economy in India was laid by the Industrial Policy Resolution of 1948 which was slightly modified in 1956. The Industrial policy Resolution of April, 1948 was primarily meant for large industries, but it also laid down that 'cottage and small scale industries have a very crucial and important role in the national economy. It also suggested that cottage and small scale industries are "particularly suited for the better utilization of local resources and for the achievement of local self sufficiency in respect of certain types of essential consumer goods like, food, cloth, agricultural implements etc". The resolution being the first official announcement of government policy aimed to achieve much without outlining any broad line of approach except that in certain fields more reliance would be placed on cottage and small scale industries. The Industrial Policy Resolution of (1948)
had a mixed reaction. There were some who welcomed it as a great advance towards the socialistic pattern of the society. They found in it seeds of increasing interference by the state to curb the expansion of capitalism in the country. On the contrary, the leading industrialists attacked the policy as 'one sided' and strongly biased against private enterprises. Their contention was that private enterprise had contributed a great deal to the industrial development of the country. The 1948 Industrial Policy Resolution emphasised the need for carefully regulating as well as inviting foreign capital. In the earlier years of planning foreign capital was looked upon as a means to supplementing domestic investment. In a formal pronouncement on April 6, 1949, Nehru, the then Prime Minister of India, enunciated a (liberalised) policy towards private foreign capital. In short, the statement on private foreign capital was as follows:

1. On admission foreign capital would be treated at par with indigenous capital - it would receive national treatment.

2. Facilities would be given for the transmission of profit on foreign capital.

3. Major ownership and control would vest in Indians.

4. Foreign firms could be acquired only on payment of a fair and equitable compensation.

5. On merit, control too could vest in a foreign firm for a limited period.
In brief, the aim of the new policy was a continuous increase in production and rapid rise in the living standard of the people by increasing production. These industries were open to the private sector.96

**Industrial Policy Resolution (30 April, 1956)**

The IPR of 1956 was adopted on April 30, 1956 replacing the earlier one aiming at accelerating the rate of industrialisation and economic growth, development heavy and machine making industries; building up a large and growing public sector; reducing disparities in income and wealth; and preventing monopolies and concentration of economic power.

The attainment of these objectives will provide gainful employment, and improve the standard of living and working conditions of the people.97 According to the Policy Resolution, industries have been divided into three categories. There are 17 industries in first category, which are the exclusive responsibility of the government of the state. The establishment of new enterprises in this category is the responsibility of state, railways, air transport, arms and ammunition and atomic energy will be developed as state monopolies. In the second category, there are 12 industries which will be progressively state owned. At the same time, private enterprise will also have the opportunity to develop either on its own or with state participation. The remaining industries fell under the third category where development of such industries is left to the initiative and enterprise of the private sector. But it will be open to the state to start any industry even in this category.98

The Resolution emphasised the significance to the economy of securing a
continuous increase in production and its equitable distribution, and pointed out that the state must play a progressively active role in the development of industries. It laid down that besides arms and ammunition, atomic energy of the Central Government, the state would be exclusively responsible for the establishment of new undertakings in six basic industries except where, in the national interest, the state itself found it necessary to secure the co-operation of private enterprises. Five decades have passed since the declaration on industrial policy, but very little progress was made in this direction. However, the Industrial Policy Resolution of 1956 was a definite improvement over that of 1948. Both the policies laid down increasing responsibility and participation of the Government in the country's industrialisation. While the 1948 Resolution envisaged an increasingly active role for the public sector, the 1956 policy assumed a direct responsibility for the future development of industries over a wide area, the 1948 policy established three government monopolies; manufacture of arms and ammunition, production and control of atomic energy. The 1956 policy was more clear so far as the private sector was concerned.

In the 1948 Resolution, there was an overall programme to nationalize private industries falling within the public sector. The 1956 policy promised to private industries 'as much freedom as was consistent with the target and objective of the national plan.' The Industrial Policy Resolution of 1956 gave the public sector a strategic role in the Indian economy, massive investments to the tune of Rs.1,13,234 crore have been made for 246 Central Public Sector Enterprises by
the end of March 1991. In the past four decades the Public Sector has played a decisive role in the economy.\textsuperscript{101}

**Second Re-Structuring of the Indian Economy:**


The New Economic Policy which was initiated in the country in the middle of 1991 is an amalgam of several policy statements and measures, relating to devaluation, industrial policy, commerce and trade policy, banking policy, budgeting policy, etc. These steps constitute a package deal - devaluation, liberalisation, deregulation, privatisation, marketisation, globalisation, and so forth.\textsuperscript{102} In the words of A.R. Bandyopadhyay, the New Economic Policy has three main components, liberalisation, globalisation and privatisation, aiming at creating a more competitive environment in the domestic economy.\textsuperscript{103} The New Economic Policy opened up new avenues for the establishment and development of industries. The delicensing and deregulation of industries was a welcome sign. The new economic policy comprises many policy measures and changes introduced since July 1991. There is a common thread running through all these measures.\textsuperscript{104} The objective is simple and that is to improve the efficiency of the system. The thrust of the new economic policy is toward creating a more competitive environment in the economy as a means to improving the productivity and efficiency of the system. The private sector is being given a larger space to operate in as some of the areas reserved exclusively for the public sector are also now allowed to the private sector.\textsuperscript{105} The policy of liberalization and globalization
provided a holistic angle to the economic structure in the country. In sum, it is a welcome departure from the previous regulatory regime.106

The public sector continued to play an important role in the core sector of the economy up to the end of the seventh plan period. It was as early as in 1975 that liberalisation with respect to industrial policy began.107 The 1980 industrial policy conceived of an economic federalism and advocated adoption of a pragmatic approach.108 The industrial policy was further liberalised in 1982. However, some economists fear that political greed may prove the greatest enemy of the new economic policy. Other economists think that the pace of reforms has become a hostage to political uncertainty. According to them, the reforms programme would be successful only if it is politically feasible.109 Despite the criticism the NEP did make some radical changes in the field of trade, foreign investment, exchange rate, industry, fiscal affairs, etc. It succeeded in promoting liberalisation, privatisation of the public sector, globalisation, and market friendly state. The thrust of the policy is the freedom for the entrepreneur to enter any industry/trade/business. The approvals for any new venture including any change in the existing venture are almost automatic. Licenses are no longer needed to start a business as has been the case so far. The capital market too have been freed and opened to the private enterprises seeking capital. A new company can now be floated with new issue of shares/debentures etc. without seeking the permission of the Government. In case imported equipment is needed for an industry, the
entrepreneur need not approach the government for foreign exchange or seek import licence.\textsuperscript{110}

The private enterprises were given a boost out of the 17 industries reserved for the public sector, 11 have been thrown open to the private sector.\textsuperscript{112} One reason for this shift is the dismal performance of the public sector to usher in dynamism in the economic arena. On the contrary, the state had to incur loses on account of the public sector, which is evident from the fact that even some of the public sector undertakings have also been privatised. The NEP seeks to introduce a blend of domestic economy and world economy. Devaluation of the rupee in July 1991 was intended to do away with the artificially controlled overvalued exchange rate of the rupee, and to bring it down to realistic level in terms of the domestic price level and the world price level. The removal of licensing of a large number of import items has also liberalised the economy to a large extent. The role of the state is confined to selected non-market areas, and to ensure smooth functioning of the market economy and accordingly the five year plans were adjusted to the new scenario to make the private sector more capable and resourceful.\textsuperscript{111} The realisation of the ineffectiveness of the public sector and promoting economic growth is writ large on the powers that be. Despite best human resources available to the public sector, its functioning was punctuated by bureaucratic hurdles, political interference and lack of commitment.

The public sector in India was launched with lot of vigour after independence to undertake rapid economic development in the country. They
remained major instruments of development for more than four decades, after which, there was a shift in the policy, when private enterprises were brought into the field and many public enterprises were replaced. But still, in some of the key areas, it has a decisive voice.

For instance, there were only 5 PSUs with a total investment of Rs. 29 crores at the commencement of First Five Year Plan (April 1, 1951). Reserve Bank of India, Industrial Finance Corporation of India, Post and Telegraphs and the Damodar Valley Corporation. In 1996, there were 243 public sector undertakings in India with a total investment of Rs. 1,78,629 crores. These 243 PSUs are having nearly 20.51 lakh regular employees with an average per capita emoluments of Rs. 1,05,879 per annum. In the First Five Year Plan the investment was a little over Rs. 1,500 crores. During the Sixth Five Year Plan, a monthly investment of Rs. 97,500 crores has been allocated to the public sector out of the total plan outlay of Rs. 159,000 crores.

Table 3.2: Growth in Public and Private Sector enterprises (1951-85)

<table>
<thead>
<tr>
<th>National Plan</th>
<th>Investment Rs. in crores &amp; percentage (in brackets)</th>
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<tbody>
<tr>
<td></td>
<td>Public</td>
</tr>
<tr>
<td>First Plan</td>
<td>1,5600</td>
</tr>
<tr>
<td>1951-56 - Actuals</td>
<td>(46.4) (53.6)</td>
</tr>
<tr>
<td>Second Plan</td>
<td>3,650</td>
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<tr>
<td>1956-61 Actuals</td>
<td>(54.1) (45.9)</td>
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Third Plan

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<tr>
<td>1961-66</td>
<td>6,100</td>
<td>4,300</td>
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<tr>
<td>(58.6)</td>
<td>(41.3)</td>
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Three Annual Plans

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<tr>
<td>1966-69</td>
<td>6,571</td>
<td>9,518</td>
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<tr>
<td>(40.8)</td>
<td>(59.2)</td>
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Fourth Plan

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<tr>
<td>1969-74</td>
<td>13,655</td>
<td>9,980</td>
</tr>
<tr>
<td>(60.3)</td>
<td>(39.7)</td>
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Fifth Plan

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<tr>
<td>1974-79</td>
<td>31,400</td>
<td>16,161</td>
</tr>
<tr>
<td>(66)</td>
<td>(34)</td>
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Sixth Plan (Revised)

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<tr>
<td>1980-85</td>
<td>97,500</td>
<td>74,710</td>
</tr>
<tr>
<td>(57)</td>
<td>(43)</td>
<td></td>
</tr>
</tbody>
</table>

Despite the mushroom expansion of the public sector, its performance has failed to achieve the desired results, which prompted the Government of India to undertake reforms.\textsuperscript{114} Time and again, there were suggestions for its restructuring of organisational set-up, financial restructuring, greater autonomy to PSUs, disinvestment and privatisation etc. The demands of such structural readjustment are being thought of in the light of global experience and the recently announced new economic policy.\textsuperscript{115} In pursuance of the industrial policy, a statement of public sector policy was announced by the Government of India on July 24, 1991. The policy attempts at improving the performance of PSUs. The statement highlighted the importance of receiving the public sector investment with a view to focus the public sector on strategic, high-tech and essential
Whereas some reservation for the public sector is being retained, there would be no bar for selective private sector. It was also urged that in order to mobilise resources and encourage wider public participation, a part of the Government's share holding in the public sector would be offered to mutual funds, financial institutions, general public and workers, and that the Boards of public sector companies could be made more professional and given greater autonomy.

An analysis of the Disinvestment Policy of the Government reveals that it has been successful to a large extent. The Government has already set-up the Disinvestment Commission to regulate the sale of Government share-holdings as well as to restructure the PSUs. The Commission has suggested revamping of PSUs before disinvestment. It does not, however, mean complete liquidation of public sectors, which still has to contribute to the economic development of the country. There is a need to bring in private culture of administration in the PSUs. The best option under the present circumstances is to have a blend of public and private enterprises. It is imperative for the private sector to have a public purpose, there is no such thing as completely unregulated and free private enterprise. Private enterprise functions within the conditions created largely by the state. The concept of private enterprise, as, indeed, of private property, has undergone a change, it cannot remain aloof from the larger economic interests of the nation.

Problems like health, drinking water, should engage the attention of both public and private sectors. And if in an areas, the public sector fails, it should be
replaced by private sector. There is no need to politicise the issue as has been done in the case of Balco.\textsuperscript{120}

In a recent report, the Comptroller and Auditor-General of India has expressed concern over the colossal loss of Rs. 37,970 crores incurred by public sector undertakings including Indian Airlines, Fertilizer Corporation, IISCO and Hindustan Fertilizers, resulting in erosion of government equity. Other PSUs whose accumulated losses were less than Rs. 1,000 crores but they too had eroded government equity include Cement Corporation, Indian Airlines and IISCO. In view of these losses, the Disinvestment Commission was entrusted with the task of finding out whether the public sector has succeeded in carrying out the public purpose for which it was created, whether it is necessary to retain the PSU under the present circumstances and if so whether it requires any restructuring. The need for transparency was also felt.\textsuperscript{121}

Disinvestment is an effective instrument for restructuring of the PSUs if it is done properly taking into account the employment needs of the country. The working of private sectors in India is not all that bad and, infact, they have helped the growth of economy for instance, during 1960's, when Andhra Pradesh Paper Mills was in doldrums, the Government of A.P. sold a part of its equity to the Bangurs and also handed over the management to them. Later, it become a blue chip company. Similar exercises were launched in other states. The state of U.P. announced privatisation of three public sector units, U.P. Auto Tractors Limited, U.P. State Cement Corporation Ltd., and U.P. Tyres and tubes Ltd. Even the state
of Kerala had to go in for privatisation of its Tourism Development Corporation, which owns over a dozen luxury hotels and transport fleets.\textsuperscript{122} There is nothing wrong in privatisation it successfully delivers the goods. But then everything cannot be entrusted to them. The key areas should be included in the public sector like electricity, railways etc. as private enterprises may not venture to undertake these gigantic tasks. The need of the hour, therefore, is to strike a just balance between private and public sector, without jeopardising the economy of the country.\textsuperscript{123}

References


55. J.C. Aggrawal, *op.cit.*, p. 15.


62. *Ibid*.


64. Uma Kapila, *op.cit.*, p. 468.


67. *Ibid*.


76. J.C. Aggrawal, *op.cit.*, pp. 49-51.


89. *India Planning Commission, Eight Five Year Plan*, (New Delhi, 1992-97), p. 16.


121. *The Hindustan Times*, (New Delhi, June 20, 2001).


Chapter - 3

Development Planning in India : Retrospect and Prospect