CHAPTER II

HISTORY OF PLANNING PROCESS

2.1. INTRODUCTION

Deliberate and conscious pursuit of the economic planning had enabled the Soviets in the 1930s to transform a country with a weak and agrarian economy into a powerful industrial nation within a time span of just over a decade. Russia in the early 1920s, on the eve of the Five-Year Plans was a backward agricultural country in many respects similar to, if not worse than, the then India. The successful implementation of the Soviet Plans made economic planning appealing to other nations. A lot of debate and discussion on the planned economy for India took place during the decade of 1935-1945. Different groups of people formulated various plans for the development of India\(^1\).

Planning as an instrument of economic development in India goes back to the early 1930s. Sir M. Visvesvaraya’s (1934) book, “Planned Economy for India”, is a constructive blueprint for a ten year programme of planned economic

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\(^1\) One can refer to at least five such documents:
(i) The plan prepared by the National Planning Committee of the Congress Working Committee, 1938;
(ii) Government of India, Committee for Planning, the Second Report on Planning, 1945;
(iii) Bombay Plan, 1944;
(iv) People’s Plan, 1944; and
(v) Gandhian Plan, 1944.
development of India. The “Bombay Plan”, an autarkic Indian Plan published in January 1944, is a 15-year plan that envisages economic development of India in various sectors like agriculture, industry, social services, etc. to attain in fifteen years-time, ‘a general standard of living which would leave a reasonable margin over the minimum requirements of human life’. The Bombay Plan proposed to utilise cottage and small scale industries for employment generation and to save on capital and machinery which all subsequent Indian plans have tried to achieve”. The publication of the Bombay Plan embodying a scheme for the economic development of India has evoked country-wide discussion and enthusiasm. In fact, the realization of the need for a comprehensive scheme of national planning that could provide for an integrated development of heavy and key industries, medium-scale industries and cottage industries, keeping in view of India’s national requirements and resources; to reduce poverty, as also the peculiar circumstances prevailing in the country, as early 1930s, made the leaders of the Indian National Congress to take up steps to establish a Planning Committee. The national planning initiated by the Congress was sponsored by the Provincial Governments wherever Congress Ministers had accepted office. The personnel of this Planning Committee included Congress members, independent experts and representatives of some princely states, if any. A conference of the Provincial Ministers of Industries and their advisers held in Delhi during October 2-3, 1938 on the initiative and leadership of the then President of the Indian National Congress, Subhas Chandra Bose, and Mahatma Gandhi came to the conclusion that the problems of poverty and of unemployment, of national defence or of economic regeneration in general, could not be solved except
through large-scale industrialization\textsuperscript{2}. A Planning Committee called “the National Planning Committee” was appointed in 1938 under the dynamic and inspiring chairmanship of Pandit Jawaharlal Nehru and with the veteran economist, Prof. K. T. Shah as General Secretary\textsuperscript{3}. The formation of National Planning Committee was the very first attempt to examine the fundamental economic problems of the country and to draw up a co-ordinated plan for India’s national economic regeneration. The relevance of the Planning Committee was lost shortly due to the resignation of the Congress Ministers in 1939.

The World War II compelled the National Planning Committee to abandon its work. The Government of India began the exercise of post-war reconstruction as early as 1941 with the establishment of a Committee under the Chairmanship of the Commerce Member in June, 1941\textsuperscript{4}. In the post-war period, new problems and complications affected the country already convulsed by the tremendous impact of a global war, and the Government as well as industrialists and political parties began to formulate and publicize their own separate plans for the reconstruction of the country. The Colonial Government had established the Planning and Development Department with Sir A. Dalal as Member-in-Charge on 1\textsuperscript{st} June, 1944\textsuperscript{5}. Non-official economic development plans proposed during this

\begin{itemize}
  \item \textsuperscript{2} Nag, D. S., (1949). \textit{A Study of Economic Plans for India}, Bombay: Hind Kitabs Ltd., P. 7.
  \item \textsuperscript{3} History of Planning Commission - http://planningcommission.nic.in/aboutus/history/index.php
  \item \textsuperscript{5} Sovani, \textit{Ibid.}, P. 2.
\end{itemize}
period were the Bombay Plan, the People’ Plan, etc. The Second Report on Reconstruction Planning issued by the Government of India in 1944 laid down the general principles regarding the objectives, methods, priorities and finance providing the general lines for drawing up of provincial and state plans. There were 31 panels appointed by the Planning and Development Department for the planning and development of individual industries or group of industries, location, organization government regulation and control in consultation with the Provincial and State Governments. The Industrial Policy of the Government was issued on 23rd April, 1945. The end of WW II in September 1945 witnessed quickening of political developments in the country. By 1945 the Central Departments had drawn up their own plans. The Advisor regimes in the provinces were replaced by elected ministers in the early part of 1946. The Committees and experts in the various Central Departments had produced various reports by the end of 1946. 22 out of the 31 industrial panels had drafted their reports. The Railways had prepared a plan for re-organization and expansion while the Adarkar Report had been drawn up to facilitate a plan for the ailing insurance of industrial workers. The Jayakar Committee had drawn up a plan for construction of roads. The Bhore Committee had surveyed the whole field of public health and had made recommendation of a comprehensive character. The Planning and Development Department was abolished early in 1946 after the resignation of Sir Ardesir Dalal. Pandit Nehru became the Prime Minister soon after the

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9 Road Plan, MoRTH, Gol, P.
reorganization of the Central Government in September, 1946. On 26th October, the advisory Planning Board was set-up under the chairmanship of Shri K.C. Neog to review the planning that had been done to make recommendations for co-ordination and improvements and in respect of objectives, priorities and machinery of planning. The report submitted by the Board by the end of 1946 remained the only comprehensive document regarding the economic planning in India before India’s independence in 1947\(^\text{10}\). The general objectives of planning are to raise the general standard of living of the people as a whole and to ensure useful employment for all. These objectives could be achieved through development of the resources of the country to the maximum extent possible and by distribution of the wealth produced in an equitable manner. A balanced economy to each distinct region of the country by ‘Regionalisation’, i.e. a dispersal of industrial and other economic activity, to a certain degree, as far as physical conditions permit would *ipso facto* make the country better prepared for defence. However, the Board, recognizing the scarcity of trained personnel with sufficient knowledge and lack of statistical information, refused to fix any targets. Eventually, the Board set specific targets for individual industries for certain branches of agriculture and for the development of shipping and of railroad and other forms of communication.

The nation has to develop and since there has to be a simultaneous advance in all fields there would be no exclusive preference for anyone. The Board suggested to accord first preference to Defence Industries and to

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industries relating to the prime necessities such as food, clothing and housing, to coal and to transport. Further, the Board recommended equal weightage to irrigation, as the handmaid of agriculture, and hydro-electric power, iron and steel, and chemicals, which subserve all industries as well as agriculture. The manufacture of machinery of all descriptions should find the next place, industries producing consumer goods, other than essential food and clothing, coming last on the list. The Board did not go into the methods of implementing the aims, objectives or targets. The Board recommended the setting up of a Planning Commission at the Centre helped by a Consultative Body, the establishment of a Central Statistical Office, a permanent Tariff Board and a Priorities Board, etc.  

Despite the efforts made during and after the Great War, the India of 1947, under British rule, showed all the signs of what is today called an under-developed country. The economy was faced with the problems of mass poverty, ignorance and diseases which were aggravated by the unequal distribution of resources between groups and religions. The low degree of economic development, as judged, from the relative importance of various industrial activities in terms of their contribution to national income and the workforce engaged in these activities shows agriculture as the primary source of Indian economy. 49.1 per cent of India’s national income (estimates of national income 1948-49 to 1955-56) comes from Agriculture, 17.1 per cent from Mines,  

Manufacturing Industries, Small Enterprises, 18.5 per cent from Trade, Transport and Communications, 15.7 per cent from Other Services, Professions, etc. The contribution in 1950-51 from these four sectors - Agriculture; Mines, Manufacturing Industries, Small Enterprises; Trade, Transport and Communications; Other Services, Professions, etc. in occupational distribution are 72.3 per cent, 10.7 per cent, 7.7 per cent and 9.3 per cent respectively. This scenario explains the low agricultural output, little industrialization, low figure of national income per capita, and underemployment which in fact represents the characteristics of India’s social and economic situation at Independence.

India's leaders adopted the principle of formal economic planning soon after India's independence on 15th August, 1947, as an effective way to intervene in the economy to foster growth and social justice. It is now well over six decades since India embarked on a policy of “planed economic development”. The economy of India is based in part on planning through its Five-Year Plans, which are under a comprehensive plan framework keeping in line with the overall approach to economic policy and development planning, executed through the State Governments and monitored by the Planning Commission of India. The Tenth Five-Year Plans covering the period from 2002-07 had completed in March 2007. The Eleventh Plan also completed its term in March 2012 and the Twelfth Plan is currently underway. Planning was a “precious gift” from Jawaharlal Nehru, India's first Prime Minister, who had been an admirer of Soviet economics. It was

the considered view of the then planners of India that rapid growth was the only means for rapid poverty reduction and social justice. The Indian economy after independence can be seen through the kaleidoscope of the Five-Year Plans and Annual Plans over the years. The economy and changes thereto as a result of the Five-Year Plans has to be seen from the background of formulation of the Five-Year Plans, objectives and achievements.

2.2. BACKGROUND FOR FORMULATING FIVE-YEAR PLANS IN INDIA

The economic planning of India at the time of Independence had to be started with the physical, social and economic foundations prevailing at the time of partition of India into two distinct Dominions i.e., India and Pakistan. A Partition Council consisting of the representatives of both the future Governments was set up to implement the decision pending at the time of independence. A number of Expert Committees, on which both the future Governments were equally represented, were appointed to work out the administrative and other consequences of the partition. The important issues before the Committee were like the valuation of the Railways, the division of the assets of the Reserve Bank and the division of the movable stores held by the Army, the long range fiscal, financial and economic relations between the two Dominions. This was one of the important backgrounds towards the formulation of development planning in India.
The division into two dominions affected the socio-economic life of the people. There had been large scale migration from the two newly established free nations. Thousands of innocent lives had been lost in the two Dominions. This unexpected and unprecedented instance of human movement had further aggravated the severe economy of the country inflicted by the Great War. The immediate effect of these tragic developments had affected the normal functioning of the newly independent Government. The basic human needs like food, shelter, medical care were almost lacking. Also basic economic needs like extremely poor roads communications created imbalanced market facilities. The building of the Indian Armed Force into a strong force was considered as an inevitable consequence of the partition of the country. The Indian leaders stressed to build up a compact security system in the country for safeguarding her national boundaries and maintaining peace and harmony within the country for faster economy growth.

2.3. **Rationale and Objectives of Planning in India**

It was inevitable that during India’s struggle for freedom, the political aspect of Independence overshadowed everything else. Freedom was considered the indispensable means to overcome mass poverty, to protect the farmer and the artisan, to create modern industry, to remove privilege and injustice and to reconstruct the entire fabric of India’s social and economic life. When independence came in 1947, India had an economy weakened by the burdens of World War-II, a slender industrial base, a long period of economic stagnation, an
increasing pressure of population and widespread poverty. Economic planning appeared to be the only way to secure a high rate of growth, to reconstruct the institutions of economic and social life and to harness the energies of the people to the tasks of national development. The National Planning Committee defines the objective of Indian Planning as "the establishment of an egalitarian society in which equal opportunities is provided for every member for self-expression and self-fulfillment and an adequate minimum of a civilized standard of life is assured to each member so as to make the attainment of this equality of opportunity a reality."\textsuperscript{14}

To realize the basic objective of India’s development means to provide an opportunity to the masses of the Indian people to lead a good life, peace becomes of paramount importance and an essential pre-requisite for national progress, in the larger context of the world. India recognized that the welfare and peace of the world require the extermination of poverty and disease and ignorance from every country, so as to build up a liberated humanity. This Indian philosophy for development has been reaffirmed by the United Nations’ Millennium Declaration dated September 8, 2000 which is reproduced below:

\textit{"We have a collective responsibility to uphold the principles of human dignity, equality and equity at the global level. As leaders we have a duty therefore to all the world’s people, especially the most vulnerable and, in particular, the children of the world, to whom the future belongs"}\textsuperscript{15}.

\textsuperscript{14} Nag, D. S. (1949). \textit{A Study of Economic Plans for India}, \textit{ibid.}, pp. 2-3.

\textsuperscript{15} United Nations Millennium Declaration Resolution was adopted by the General Assembly in its 8\textsuperscript{th} Plenary Meeting, dated the 8\textsuperscript{th} September, 2000.
The directive objectives appeared under the ‘Preamble’ of the Constitution, ‘to ensure - social and economic justice and equality of status and opportunity’\(^{16}\) can be achieved only when there is a democratic approach to the solution of economic problems, which inevitably implies planning 'of the people, by the people and for the people'. Hence, the objective of Planning should be for a National Minimum consisting of adequate food, shelter, clothing, medical-aid, education, secured against unemployment, ill health and old age. This National Minimum and economic and social security should be guaranteed as of right and not out of charity. The minimum would, no doubt, be irreducible but it should never be considered in static terms. Successive plans must provide for a progressively rising scale of amenities and comforts.

The efforts to secure a National Minimum for all must lead to national self-sufficiency. National requirements will be the first charge on the country’s production and the surplus would enter the international market to meet the obligations of reciprocal trade with foreign countries. Planning should also make the country better prepared for defense. In the perilous international situation obtaining today an infant republic like India cannot for a moment relax her efforts at organizing her defense, for ultimately economic planning itself largely depends on peace and security within and without the country. The long term fulfilling of social and development goal led to sustained mixed economy with domestic foundation.

2.3.1 BRIEF OUTLINE OF INDIA’S PLAN FORMULATION

Indian planning is an open process with broad political participation. From original formulation through successive modifications to parliamentary presentation, plan making in India has evolved as a responsive democratic political process\(^{17}\). In the Indian Planning process, besides the Planning Commission\(^{18}\) and Economic Ministries, there are groups formally charged with economic planning responsibilities, such as the National Development Council, the advisory committees on problems of individual sectors, and a consultative committee of members of Parliament. There are also informal groupings such as the consultative committee of the Prime Minister.

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 is responsible for making assessment of all resources of the country, augmenting deficient resources, formulating plans for the most effective


\(^{18}\) History of Planning Commission - http://planningcommission.nic.in/aboutus/history/index.php
and balanced utilisation of resources and determining priorities. Besides the process of plan formulation for an investment planning, at the Union level, the Commission oversees the development programmes of the central ministries and the state governments with a view to achieve coordination at the highest level. Proper planning procedure is followed while formulating the Five-Year Plans for the most effective and balanced utilisation of the material, capital, and human resources.

The Indian national plan comprises of the plans of the central government, the state governments, the central and state public-sector undertakings, and the private sector of the economy. The amount of money proposed to be invested in the proposed five year plan under various plan heads during the specific period, is broken down into various outlays, *inter alia*, public sector outlay and private sector plan outlay. Modes of financing of specific schemes are worked out for the Union and each State, indicating clearly the additional resources, and mobilisation efforts that would need to be undertaken. These are integrated with the overall scheme of flow of funds for the economy. The national plan must have the involvement and consent of the parties concerned.

In the process of plan formulation the first step / preliminary stage involves the preparation of a paper on 'approach to the plan'. The approach paper is prepared on the basis of preliminary exercises undertaken in the Planning
Commission, projecting the growth profile of the economy over a period of 15-20 years including the ensuing five-year plan period. The draft of the approach paper is first considered and discussed in the meeting of the full Planning Commission, and then by the union Cabinet and finally by the National Development Council (NDC)\(^\text{19}\). After being approved by the NDC, the draft plan is laid on the tables of both Houses of Parliament. The draft plan is subjected to public scrutiny in the final stage of plan formulation. It is discussed with and commented upon by the 'Central Ministries and State Governments. The draft plan is published for public discussions. The draft plan is discussed by the Parliament in a general way, and then in greater detail through a series of Parliamentary Committees. Simultaneously, the Planning Commission also holds discussions on the plans of individual States to have a consensus and better understanding between the Commission and the States, discussions being held at the experts level as well as at the political level with the Chief Minister of the State concerned. On the basis of discussions at different levels, and on the basis of reactions from elected representatives, experts and the public, the Planning Commission prepares the final plan document. The final plan after thorough scrutiny of the full Commission, the Union Cabinet, and the NDC is presented to the Parliament for its assent. The general approval of the Parliament is considered to be sufficient for the formulation of the Plan.

\(^{19}\) The National Development Council (NDC) was set up on August 6, 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, which was reconstituted on October 7, 1967, is the highest decision-making authority in the country on development matters. It is the apex body for decision making and deliberations on development matters, presided over by the Prime Minister of India and comprising of all Union Ministers, Chief Ministers of all the States and Administrators of Union Territories and Members of the Planning Commission.
In the course of actual implementation, the annual plan is an effective instrument. The annual plan becomes an integral part of the budgeting exercise, both at the centre and state levels. The procedure for the formulation of the annual plan has been the same as for the five-year plan till 1993-94, especially in the case of the states. However, while formulating the Annual Plan 1993-94 the resource evaluation was made first on the basis of which the size of the plan was to be decided in the discussion between the Deputy Chairman and the Chief Ministers20.

The detailed sectoral allocations were worked out where greater flexibility was provided in the state sector (by limiting the earmarking of funds to about 50 per cent of total outlay) to the states to meet the local requirements. As the financial year in the government starts on 1st of April and the budget is prepared by February end, work on the annual plan normally starts a few months earlier, generally around September of the preceding year.

2.4. Five Year Plans of India

Since independence on 15th August, 1947, it was very important for India’s political leaders, planners and economists to decide of what should be accomplished in the next few years to make a start and formulate a Plan for an

accelerated growth consistent with the objective of social justice. No conceptually satisfactory techniques of planning, or more generally, of making economic policy for development were readily available at hand when the Indian plans were first being made in haste\textsuperscript{21}. The need of the hour then, for the political leaders, planners, and economists were to commit themselves without delay to formulate a plan for an accelerated growth consistent with the objective of social justice. The many particular and frequently contradictory interests of each of these groups have to be recognized and to the possible degree, accommodated within the framework of the plans. This implied that a succession of Five-Year Plans has to define the overall contours within which economic and social efforts have to be undertaken. The First Five-Year Plan was to run from 1951 to 1956, with others following in continuous succession.

By 1954, Nehru got Parliament to accept the “Socialist pattern of Society” as the aim of economic development, and in early 1955, at the Avadi session of the Indian National Congress, the resolution now known as the Avadi Resolution was passed. The Indian Congress at the Avadi session had resolved the ‘Establishment of a socialistic pattern of society’ where the principal means of production are under social ownership or control and there should be equitable distribution of the national wealth. While the Industrial Policy Resolution of 1948 made it seem that India would have a mixed economy, the 1956 version permitted only the Government to undertake new ventures in several sectors such as textiles, automobiles, and defence. The Government would also exercise

exclusive control over many other sectors. As for the rest of private enterprise, the state would “progressively participate” and would not “hesitate to intervene” if it found progress to be “unsatisfactory.” India’s development plans, in fact, are to be drawn by the Planning Commission to establish the economy of the country on a socialistic pattern in successive phase of five year periods called the Five-Year Plans.

2.4.1. THE FIRST FIVE-YEAR PLAN (1951-56)

The First Five-Year Plan: 1951-56\(^{22}\) (First Plan) was essentially a process of summarizing, rationalizing and coordinating separate schemes of development and presenting them together around an aggregate growth model. To quote Chanasarkar: “the ‘Harrod-Domar’ was used merely as a curve fitting technique in the First Plan for projections into the future”\(^{23}\). Thus the First Five-Year Plan, which was essentially a collection of several projects, contained at the same time a Harrod-Domar type exercise which sought to examine the growth rates that would be achieved by specification of the (feasible) marginal savings rate and the resulting average savings ratio\(^{24}\). A financing gap between the required investment and available resources was calculated. The ‘financing gap’ was often

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\(^{22}\) India’s fiscal year starts on April 1 and ends by March 31 and each Five-Year Plan period covers five fiscal years. For instance, the First Five-Year Plan spanned the years 1951-52 to 1955-56 and this period is denoted either by “1951-56” or 1951-52 to 1955-56, end point years included. The same notation applies to all other time periods.


filled-up with foreign aid. The main thrust of the Plan was to build infrastructure and outlay on development was Rs. 2069.00 crores\(^{25}\). This amount was assigned to different development programme of the public and private sector.

### 2.4.1.1. BRIEF REVIEW OF THE PERFORMANCE OF THE FIRST PLAN

The sectors which were considered important and provided relatively large outlays were Irrigation & Power (27.14 per cent), Transport & Communication (24.03 per cent), Agriculture & Allied (17.42 per cent), Social Services (16.43 per cent). Expenditure incurred on Irrigation & Power was 29.74 per cent, 26.42 per cent on Transport & Communication, 16.13 per cent on Social Services, 14.79 per cent on Agriculture & Allied. The actual expenditure incurred, Rs 2,069 crores against the approved outlay of Rs. 1,960 crores\(^{26}\) was 5.26 per cent less than the approved outlay.

The emphasis accorded in the First Plan for correcting and controlling inflationary pressures and bringing a stable economy had helped to bring the national income increased by 18.55 per cent and per capita income by 11 per cent. Food grains production had gone up by 20 per cent; the output of cotton and

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of major oilseeds had shown improvement. Over 6 million acres of land had been brought under irrigation through major works; another 10 million had benefited through smaller works. Industrial Policy Resolution, 1948 was introduced for speedy growth of industries in the country. India’s average GDP growth rate was 3.50 per cent against the target of 2.10 per cent\textsuperscript{27}. The Government set up 5 Indian Institute of Technologies (IITs). Irrigation projects started during this period were: i). Metttur Dam, ii). Hirakud Dam and iii). Bhakra Dam. Considerable efforts were put to improve posts and telegraphs, railway services, road tracks, civil aviation. Grants were made available to the landless workers, whose main occupation was agriculture for rehabilitation, for experimenting and undergoing training in agricultural know how in various cooperative institutions.

\textbf{2.4.2 Second Five-Year Plan (1956-61)}

The Second Five-Year Plan:1956-61(Second Plan) carried the basic policies initiated under the First Plan a step further and aimed at rapid industrialization, a larger increase in investment, production and employment. The Plan defined more clearly the key role that the public sector had to play in the economic development of the country. The Second Plan placed before the nation the goal of the socialist pattern of society ‘to secure a more rapid growth of the national economy and to increase the country’s productive potential in a way that will make possible accelerated development in the succeeding plan periods’. The special emphasis on the development of basic and heavy industries and

strengthen the industrial base of the economy, with the advantages in natural resources which India already possessed, was an essential element of the Second Plan. The Second Plan relied on what is now called the ‘Feldman-Mahalanobis’\(^{28}\), which emphasised the physical aspect of investment. Certain restrictive assumptions made about transformation possibilities domestically and through foreign trade to the proposition that raising the rate of investment to increase domestic manufacture of capital goods\(^{29}\). Professor P. C. Mahalanobis, Director of the Indian Statistical Institute and member of the Planning Commission, prepared two-sector model and four-sector model to illustrate the direction of development, desired thrust in critical sectors, designed over-all growth rate that ultimately will decide in drawing up the Plan. The models also served the purpose of answering questions about the strategy of resource allocation to such broadly defined sectors as agriculture and industry. The detailed program of the Second Plan consisted of a collection of projects including unfinished First Plan undertakings and proposals for new ones. To quote Eckaus: “Though the sum total of the investment costs of these projects was subjected to over-all constraints derived from the aggregative projections, including those from the four-sector model, there were nonetheless enough residual or ‘buffer’ sectors to reduce the constraining influence of aggregate resource limitations on these projects\(^{30}\). The exception was the limitation imposed by the scarcity of foreign exchange; however, this restriction operated primarily not as aggregate


constraint but in terms of availability of foreign exchange financing for separate projects. Thus the Second Plan intended the initiation and subsequent intensification of two basic pillars of policy that were strongly to influence the economic efficiency of the regime: i) industrial targeting and licensing and ii) exchange control over all current transactions, resulting in the licensing of imports of capital goods, intermediates and consumer goods. The approved outlay for the Second Plan was Rs. 4,800 crores\textsuperscript{31}.

2.4.2.1. BRIEF REVIEW OF THE PERFORMANCE OF THE SECOND PLAN

Approved outlay for Transport \& Communication, Social Services, Irrigation \& Power, Industries \& Mining and Agriculture \& Allied comprised of 28.85 per cent, 19.69 per cent, 19.02 per cent, 18.54 per cent and 11.83 per cent respectively of the total outlay. Plan expenditure for Transport \& Communication, Industries \& Mining, Irrigation \& Power and Social Services and Agriculture \& Allied accounted for 26.99 per cent, 24.07 per cent, 18.89 per cent, 15.11 per cent and 11.75 per cent of the total expenditure respectively. The provision under Social Services and Irrigation \& Flood Control were not fully utilized. Expenditure on these two sectors were 25 per cent and 11.42 per cent less than the approved outlays. The actual expenditure against the provision of Rs 4,800 crores was Rs 4,671.80 crores, which is 2.67 per cent less than the approved outlay\textsuperscript{32}.


National Income increased by almost 18 per cent but per capita income rose only by 8 per cent. More than 16 million acres were added to the irrigated land. The average GDP growth rate during the Plan was 4.20 per cent against the target of 4.50 per cent. The rate of growth of GDP per capita during the same period averaged 2 per cent. The output of food grains increased by 20 per cent, that of cotton by 45 per cent and major oilseeds by 8 per cent.

The Industrial Policy-1948 was revised and Industrial Policy-1956 was enacted. The new Industrial Policy-1956 proposed reduction in general imbalance through provision of infrastructural facilities in relatively backward area of the country. India was able to build a steel mill at Bokaro (Bihar) with assistance from the USSR and another at Rourkela (Orissa) with help from West Germany. As many as five steel plants including the ones in Durgapur, Jamshedpur as well as Bhilai were set up. Hydroelectric power plants were constructed. The output of electricity rose from 6,575 kwh in 1945-51 to 11,000 million in 1955-56. There was considerable increase in the production of coal. The Atomic Energy Commission was established in the year 1957 and the Tata Institute of Fundamental Research (TIFR) was born during the Second Five-Year Plan. The North eastern part of the country, witnessed increase in the number of railway tracks. Large industries including locomotive factory at Chittaranjan and Coach Factory at Perambur were major projects of this period. Many irrigation projects including Bhakra Dam and Hirakud Dam were started.

2.4.3 Third Five-Year Plan (1961-66)

The Third Five-Year Plan: 1961-66 (Third Plan) continued the process initiated in the First and Second Plan periods and made ways to uplink the plan objectives to the Fourth and subsequent Plans linking backward and bridging to the forward for better and improved better social and economic life. As a matter of policy a clearer recognition of the planning purposes, of realistic assessment of the value of parameters of the macro-models was mentioned in the official document, the approaches used in the Third Plan. The Third Five-Year Plan marked a shift away from the simple decision-models that were obvious in the first two Plans: the achievement of inter-industrial consistency was attempted in some detail this time. The shift to inter-industrial exercises not only underlay plan formulation but was also the characteristic of planning exercises undertaken by economists and teams associated with the Indian Planning Commission. To quote Chansarkar, “The Third Five-Year Plan document and material related to it, does not explicitly bring out the mathematical framework used in formulation of the Plan. It seems that the formulation was significantly influenced by the Four-Sector Model developed by Prof. Mahalanobis”. In the Third Plan, interplay of ministerial and state and local ambitions appeared in some cases to have had as much influence as any over-all direction from the Planning Commission itself. John Lewis pointed out: ‘a framework was not provided by the Planning

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35 Chansarkar, ibid., P. 77.
Commission or by any of the ministries in which these various interests could be reconciled in a drive toward coordinated objectives.

The specific objectives of the Third Five-Year Plan were indicated below:

i) An over five percent annum increase in the national income;

ii) Self-sufficiency in food grains and increased agricultural production to meet the needs of industry and of the export market;

iii) The development of basic industries in such a way that India could meet, from her own resources, within a period of ten years, the further requirements of industrialization;

iv) A substantial expansion of employment opportunities; and

v) A reduction in inequalities of wealth and a more equal distribution of economic power.

The most significant feature among the objectives of the Third Plan was the degree of priority given to agriculture and attention given to investable resources to be allocated to Agriculture. The systematic supply-demand exercises for many industries conducted by Reddaway by putting together different target outputs, imports and demands to test for simple consistency for the year 1965-66, were the basis for the logical framework of the Third Plan. The Third Plan marked a shift to examination of consistency at the inter-sectoral level and was

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taken with an explicit attention to the role of foreign aid to break the notion that ‘foreign aid might be a bottleneck to increasing the rate of investment’ and the possible desirability of ‘using aid to end aid’ and reach self-sustained growth at some feasible future date\textsuperscript{39}. The approved outlay for the Third Five-Year Plan was Rs. 7,500 crores\textsuperscript{40}.

2.4.3.1. \textbf{Brief review of the performance of the Third Plan}

Approved outlays for Industries & Mining, Irrigation & Power, Transport & Communication, Social Services and Agriculture & Allied were 23.79 per cent, 22.16 per cent, 19.81 per cent, 17.33 per cent and 14.24 per cent respectively. Actual Plan expenditure exceeded over the outlay on the two sectors - Transport & Communication sector and Industries & Mining - by 24.62 per cent and 22.94 per cent respectively. Actual expenditure in respect of Irrigation & Power, Social Services and Agriculture & Allied sectors were 22.35 per cent, 15.38 per cent and 12.70 per cent respectively\textsuperscript{41}. Actual Plan expenditure exceeded by 15.34 per cent and 10.26 per cent in respect of Irrigation & Power and Industries & Mining over the approved outlays. There was a quantum jump in Plan expenditure under Transport & Communication with 42.11 per cent over the approved outlay. The

\textsuperscript{39} Chansarkar, \textit{ibid.}, P. 93.


\textsuperscript{41} \textit{Op. cit.}
actual expenditure incurred was Rs. 8,576.50\textsuperscript{42} crores against the provision of Rs. 7,500 crores, registering a 14.35 per cent increase in Plan expenditure over the approved outlay.

The GDP growth rate actually achieved (2.80 per cent) during the Third Plan was much lower than the target set (5.60 per cent) in the Plan\textsuperscript{43}. India’s GDP growth rate was 4.5 per cent per annum during the first four years of the Third Five-Year Plan. The Plan fixed a target of 30 per cent increase in food and non-food crops output but the actual production remained far behind due to wars with China (1962) and Pakistan (1965) and because severe droughts hit India between 1965 and 1966. Food grain production recorded an increase of 8.5 per cent during the first 4 years of the Plan but fell sharply – registering a decline of 19 per cent – during the concluding year. It rose from 82 million tons in 1960-61 to 89 million tons in 1964-65 but plummeted to 72.3 million tons in 1965-66. Fluctuating trends were also seen in the output of oil seeds, cotton and jute. The only advancing trend was noticed in the production of sugarcane. It gave a new thrust to the country’s agriculture by launching the Intensive Agricultural District Programme (IADP), the Intensive Agricultural Area Programme (IAAP) and marked a step towards self-sufficiency.


Later, in 1965, the advent of Green Revolution triggered by the improved irrigation facilities, increased use of fertilizers and the introduction of high-yielding varieties of seeds improved the economic conditions of the country and enabled a better link between industry and agriculture in India. Most importantly there were land reforms - consolidation of land holdings, rural electrification, improved rural infrastructure, supply of agricultural credit etc. All these led to a modest overall growth in agriculture\textsuperscript{44}. Increased in production was between 8 to 10 per cent in the organized industry, except the last year of the Third Plan. In 1965-66, the growth of industrial production slowed down to 5.3 per cent. Growth rate of only 2.2 per cent achieved as against a target of 5 per cent per annum. Inflation (36 per cent) ate up much of the achievement and there was devaluation of rupee (1966)\textsuperscript{45}. The disastrous experience of the Third Plan amidst hostility with China (1962) and Pakistan (1965) and drought for two successive years (1965-66 and 1966-67) led to declaration of a plan holiday for three years (1966-69) during which Annual Plans (1966-69) were formulated.

\textbf{2.4.4 Fourth Five-Year Plan (1969-74)}

The basic planning model for the Fourth Five-Year Plan: 1969-74 (Fourth Plan) was emerged from two exercises: the quantitative plan frame formulated by the Economic Division of the Planning Commission tracing the real flows to be


embodied in the plan and the exercise conducted by the Perspective Planning Division. The need for sectoral balances as a check on overall consistency of plan targets, the backward planning principle with a well defined objective specified at five yearly and fifteen to twenty years intervals and the room for an explicit treatment of the Indian foreign trade sector were recognized. A consistency model for India’s Fourth Plan built in 1965 by Bergsman and Manne (1965) provided a framework for the setting-out of the actual plan targets. A 30-Sector consistency model was built based on the conventional Leontief inter-industry ‘open’ system, of which the base year and terminal year were 1960 and 1970 respectively. The Planning Commission drew arithmetical projections of growth variables up to 1980-81. The long term projections were based on the future assessment of population prospects, growth of agricultural production, mobilization of internal savings, efficiency of investment, growth of exports and import substitution. It was assumed that the population would grow at the rate of 2.5 per cent per annum during Fourth Plan and the rate would fall thereafter at 1.7 per cent a year by 1980-81. The targets of income and investment were based on the assumption that there would be no significant increase in foreign debt beyond the Fifth Plan. It implied that internal savings after the Fifth Plan would be sufficient to finance investment and liabilities on foreign debt, and the economy would enjoy a foreign trade surplus equivalent to interest on foreign debt. The latter pre-supposed the growth in exports at the rate of 7 per cent per annum and in non-food imports at the rate of 5.5 per cent per year.

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The total approved outlay, Rs. 24,880 crores\(^{47}\) included Rs. 15,902.16 crores as public sector outlay. The broad objectives of the Fourth Plan were i) to achieve stability and progress towards self-reliance, ii) to achieve an overall growth rate of 5.7 per cent annually and iii) to raise exports at the rate of 7 per cent annually.

The national income registered only a nominal increase of 0.9 per cent due to the severe drought in 1966-67. However, the record harvest of 1967-68, marking a significant increase in agricultural output which resulted positive impact in raising national income by 9 per cent that year. The estimated national income in 1968-69 has been put at 1.8 per cent higher than in the previous year.

2.4.4.1 Brief review of the performance of the Fourth Plan

It may be fair to examine the performance of the Fourth Five-Year Plan against the backdrop of the failure of the Third Five-Year Plan. The failure of the previous plan put the Fourth Plan under duress and the continuation of poor performance of agriculture in the Fourth Plan period pulled down the growth of the country. The inflationary pressure, appeared in the wake of drought in 1972-73 followed by severe shortages in essential items and industrial input, turned into a full-blown crisis in 1973-74 and continued unabated till September 1974.

The inflation rose by 31.8 per cent. Food grains and industrial raw materials accounted for about two-thirds of the price rise. Industrial production nearly came to a grinding halt. The inflation was added to by increased money supply in the market partly due to large deficit financing and partly due to increased liquidity because of expansion of bank credit to the commercial sector which encouraged speculation. The Balance of Payment (BoP) situation worsened even more as food and other essential commodities and industrial inputs had to be imported when there was a fourfold increase in the international oil prices.

Outlays on Industries & Mining, Irrigation & Power, Transport & Communication, Agriculture & Allied and Social Services were 22.83 per cent, 22.23 per cent, 20.36 per cent, 17.16 per cent and 16.22 per cent respectively. Plan expenditure against the approved outlay on Irrigation & Power, Industries & Mining, Transport & Communication, Social Services and Agriculture & Allied sectors were 27.51 per cent, 19.94 per cent, 19.77 per cent, 16.10 per cent and 14.71 per cent respectively. Excess expenditure incurred in respect of Irrigation & Power was 21.24 per cent over the approved outlay. Plan expenditure on the sectors - Agriculture & Community Development, Industries & Mining, Transport & Communication were less than the earmarked. Total Plan expenditure was Rs 15,778.80 crores against the provision of Rs 15,902.16 crores, registering a 2.03 per cent decrease in Plan expenditure over the approved outlay\(^{48}\).

Important achievement during the Fourth Plan periods includes successful tackling of emergency created by famine in Bihar, development of industries producing fertilizers, pesticides and agricultural machineries, building up of buffer stock of food grains necessary to secure insurance against the vagaries of the monsoon. During the period various Committees were established for the streamlining of the Indian Economy, *inter alia*, to look into the problem of tax evasion and establish the income on which tax was to be evaded to fight evil of tax evasion towards streamlining fiscal policy in the country. During the Plan period the Government of India passed Bonded Labour System (Abolition) Act, 1976 for the welfare of bonded labours and rehabilitation of free bonded labours. The Government nationalized 14 major Commercial Banks of the country in July, 1969. An actual growth rate of GDP, 3.20 per cent, lower than the target growth rate set for the Fourth Five-Year Plan, i.e., 5.70 per cent was achieved by the end of the Plan. The rate of inflation came down from 9.28 in 1979 to 3.53 in 1985 signifying a massive change in the economy of the country. The Fourth Plan could not reduce the poverty rate to the desired target of 38.93 per cent by the end of the stipulated period.

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2.4.5 Fifth Five Year Plan (1974-79)

When the Fifth Five-Year Plan: 1974-1979 (Fifth Plan) took off, the world economy was in a troublesome state\(^52\). Prices in the energy and food sector skyrocketed and as a consequence inflation became inevitable. The priority in the Fifth Five-Year Plan was given to the food and energy sectors. In the later stages the increase in the supply of food grains and the export of minerals and oil reserve earned quite a good amount of foreign exchange to the Indian Economy. The Fifth Five-Year Plan model was based on the document “Technical Note on the Approach to the Fifth Plan of India 1974-79” prepared by the Perspective Planning Division of the Planning Commission. The model was built around the twin objectives of the removal of poverty and attainment of self-sufficiency by 1979 and used a 66-Sector input-output model\(^53\). The Plan outlay was Rs.38,853.24 crores\(^54\).

\(^{52}\) The Fifth Plan was terminated in 1978, a year earlier due to change of Govt in the Centre. Janata Party & its allies won the General Election to the Sixth Lok Sabha. The newly formed Government had felt the need to re-formulate Plan objectives and restructure investment priorities and decided to re-launch a new medium term investment Plan (1978-83) from April, 1978. Due to political instability, the 6\(^{th}\) Lok Sabha was dissolved before the end of its term. Annual Plans were implemented during 1978-79 and 1979-80. cf. Annual Report 1977-78, Planning Commission, GoI, P.2 & Annual Report 1979-80, Planning Commission, GoI, P.3


The Fifth Five-Year Plan was designed in a way to meet the needs of the time and the following issues were emphasized:

- Reducing the discrepancy between the economic development at the regional, national, international level. It emphasized on putting the economic growth at par with each other.
- Improving the agricultural condition by implementing land reform measures.
- Improving the scope of self-employment through a well integrated program.
- Reducing the rate of unemployment both in the urban and the rural sectors.
- Encouraging growth of the small scale industries.
- Enhancing the import substitution in the spheres including chemicals, paper, mineral and equipment industries.
- Applying policies pertaining to finance and credit in the industrial sector.
- Stressed on the importance of a labour intensive production technology in India.

2.4.5.1. BRIEF REVIEW OF THE PERFORMANCE OF THE FIFTH PLAN

Investment on Irrigation & Power, Industries & Mining, Transport & Communication, Social Services and Agriculture & Allied were 28.60 per cent, 24.30 per cent, 17.43 per cent, 17.33 per cent, and 12.34 per cent respectively of the total expenditure. An excess expenditure of 5.12 per cent and 5.05 per cent
over the outlay was incurred on Social Services and Irrigation & Power respectively. Plan expenditure was Rs. 39,426.20 crores\textsuperscript{55} against the provision of Rs.39,303.24 crores registering an increase of 0.31 per cent over the Approved Outlay\textsuperscript{56}.

An actual growth rate of 4.70 per cent, nearer to the target growth rate set (against a target of 4.40 per cent) for the Fifth Five-Year Plan, was achieved by the end of the Plan\textsuperscript{57}. Twin objectives of poverty eradication and attainment of self-reliance were nearly achieved. A National Programme for Minimum Needs including elementary education, safe drinking water health care, shelter for landless, and slum up-graduation were successfully taken up. Agricultural production increased by 4.2 per cent - the highest so far. Industrial growth rate was 5.9 per cent and inflation was moderate at 2.1 per cent per annum during the Emergency years (1975-1977). The Janata Government terminated the Plan in 1978.

Although the performance in agriculture sector was in upward trend, self sufficiency of the agricultural products continued to be dependent on monsoon. There were an overall increase in the industrial output and the Capacity utilization of the most of the industries, particularly, steel, fertilizers and yarn


\textsuperscript{56} Total Outlay for Fifth Five-Year Plan was Rs. 38,853.24 crores. This excludes Rs. 450 crores approved for Hills and Tribal Areas under the Fifth Plan.(cf. Note ii. Table. 3.1, \textit{Ibid., P. 29})

industries during the Plan period. The National Income was 5.2 per cent. Agricultural Production grew at 4.2 per cent, Industrial Production grew at 5.9 per cent and per capita consumption rose at 2.3 per cent per annum.

2.4.6 Sixth Five Year Plan (1980-85)

The Sixth Five-Year Plan: 1980-85 (Sixth Plan) referred to as the Janata Government Plan was revolutionary since it marked a change from the Nehruvian model of Five-Year Plans. The concept of family planning was introduced in India in the form of an awareness campaign and not as a forceful obligation. The tourism industry and Information Technology sector were improved in India under the Sixth Five-Year Plan which started from 1980 and covered a timespan of another five years that is till 1985. Under Rajiv Gandhi at the later part of the plan period, emphasis was given to industrial development. The approved outlay was Rs. 97,500.00 crores.


The broad objectives of Sixth Plan as approved by the NDC were:

i. a progressive reduction in the incidence of poverty and unemployment;

ii. a speedy development of indigenous sources of energy, with proper emphasis on conservation and efficiency in energy use;

iii. improving the Quality of life of the people in general with special reference\textsuperscript{a} to the economically and socially handicapped population, through a minimum needs programme whose coverage is so designed as to ensure that all parts of the country attain within a prescribed period nationally accepted standards;

iv. strengthening the redistributive bias of public policies and services in favour of the poor contributing to a reduction, in inequalities of income and wealth;

v. a progressive reduction in regional inequalities in the power development and in the diffusion of technological benefits;

vi. promoting policies for controlling the growth of population through voluntary acceptance of the small family norm;

vii. bringing about harmony between the short and the long term goals of development by protection and improvement of ecological and environmental assets; and

viii. promoting the active involvement of all sections of the people in the process of development through appropriate education, communication and institutional strategies.

2.4.6.1. **Brief Review of the Performance of the Sixth Plan**

The highly invested sectors, in descending order, were Energy (27.22 per cent), Transport & Communication (15.94 per cent), Social Services (14.40 per cent), Irrigation & Flood (12.47 per cent), Industries & minerals (15.40 per cent) and Agriculture & allied (5.84 per cent). Sectors where investments were highest, in descending order were - Energy Sector with 28.14 per cent, Transport & Communication with 16.17 per cent, Industries & Minerals with 15.51 per cent, Social Services with 14.56 per cent, Irrigation & Flood with 10.00 per cent and Agriculture & allied with 6.06 per cent. Plan expenditure was higher than the provision in most of the sectors except Irrigation & Flood Control where Plan expenditure was 10.12 per cent less than the provision. Against the provision of Rs. 97,500.00 crores, expenditure incurred during the Plan was Rs. 1,09,291.70 crores, an increase of 12.09 per cent in Plan expenditure over the Approved.

A GDP growth rate of 5.50 per cent, against target growth rate of 5.20 per cent set for the Sixth Five-Year Plan was achieved by the end of the Plan. The rate of inflation came down from 9.28 per cent in 1979 to 3.53 per cent in 1985 signifying a massive change in the economy of the country. The Sixth Five-Year

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Plan could not reduce the poverty rate to the desired target of 38.93 per cent. The family planning yielded good results in certain privileged areas of India where the birth rate was sizably controlled. However, in many underprivileged areas of the country, high birth rate was still a major problem to address.

2.4.7. SEVENTH FIVE YEAR PLAN (1985-90)

The Seventh Five-Year Plan: 1985-90 (Seventh Plan) started off on a strong ground. The Sixth Plan had paved the way for economic development by increasing the production in the agricultural and industrial sector, curbing the rate of inflation and maintaining a balance in the transaction of goods, services and money. This plan strove to achieve socialism and expand the production of energy. The Plan outlay was Rs. 1,80,000.00 crores\(^6\). The main objectives of the Seventh Five-Year Plan as approved by the NDC\(^6\) are indicated below:

i) To grow agricultural sector at an average annual rate of 4.0 per cent in terms of gross output and 2.5 per cent in terms of value added;

ii) To implement effectively land reforms for achieving higher agricultural growth and also for the successful attack on poverty and unemployment;

iii) To ensure rapid expansion of irrigation, power, transport and industry facilities;

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iv) In the Industrial sector, to give special emphasis on:

(a) improvement in infrastructural facilities particularly power;

(b) greater attention to modernization and maintenance of assets;

(c) up-gradation of technology;

(d) improvement in productivity;

(e) reduction in cost and improved competitiveness;

(f) introduction of new products; and

(g) a special effort at accelerated development in selected industries in which the country has comparative advantage;

v) To ensure adequate power supply to industrial consumers to rise at 12.6 per cent per annum, a rate which is well above the 7.8 per cent growth rate of power supply to industry observed during the Sixth Plan;

vi) Under Social Services to emphasize on human resources development and a major component in this is the expansion of the social infrastructure for education, health care, water supply and sanitation. Moreover, there will be special emphasis on raising the quality of education and health care service for general development;

vii) To ensure reduction of inter-regional disparities in levels of development; and

viii) To streamline the transfer of resources from the Central Government to the State Governments for meeting Plan expenditure.
2.4.7.1. **Brief Review of the Performance of the Seventh Plan**

Energy (30.63 per cent), Social Services (17.53 per cent) and Transport & Communication (15.07 per cent) Industries & Minerals (12.28 per cent), Irrigation & Flood (9.43 per cent), Agriculture & Allied (5.85 per cent) sectors received highest investments. Expenditure were relatively high in the sectors - Energy Sector with 28.20 per cent, Transport & Communication with 17.36 per cent, Irrigation with 7.58 per cent, Agriculture & Allied with 5.85 per cent, Social Services with 15.98 per cent and Industries & Minerals with 13.36 per cent. Plan expenditure was higher than the provision in most of the sectors except Irrigation and Flood Control where Plan expenditure was 2.29 per cent less than the provision made. Against the provision of Rs.1,80,000.00 crores, the expenditure incurred, Rs 2,18,729.60 crores was 21.52 per cent over the approved outlay.\(^66\)

A GDP growth rate of 6.02 per cent, higher than the target growth for the Seventh Five-Year Plan (5.00 per cent) was achieved by the end of the Plan.\(^67\) The food grains produced (172 million tonnes) during the Seventh Plan was a little short of the target set (180 million tonnes). Taking all the sectors into consideration, there was an increase of 3.23 per cent in terms of productivity


during the Seventh Five-Year Plan. Social injustice was reduced to a substantial level. The final year of the Seventh Plan (1989-90) saw the growth of National Income by 4 per cent which was largely a contribution of Secondary (manufacturing) and Service Sector.

2.4.8. EIGHTH FIVE-YEAR PLAN (1992-97)

The Eighth Five-Year Plan: 1992-97 (Eighth Plan) also called the ‘Rao-Manmohan model’ of economic development was being launched at a time when both the international and domestic economy had passed through difficult circumstances. Centralized economies were disintegrating, economies of several regions were getting integrated under a common philosophy of growth, guided by the market forces and liberal policies, all over the world. The emphasis was on autonomy and efficiency induced by competition. Measures such as privatization and liberalization which had a far reaching impact were introduced during the Eighth Five-Plan. The Plan was formulated after a period of political instability which gripped the country for two years, after the plan holiday during economically and politically difficult days of 1990-91 and 1991-92 that came after the completion of the Seventh Five-Year Plan. The foreign exchange crisis of 1991 also made the economic position of the country very vulnerable. The overall public sector plan outlay during the Eighth Five-Year Plan (1992-97) amounted to Rs. 4,34,100 crores at 1991-92 prices. The share of the Central Plan in this amount was Rs. 2,47,865 crores (57.1 per cent), whereas the share of State Plans
accounted for Rs. 1,79,985 crore\(^68\) (41.5 per cent). The main objective of the Eighth Five-Year Plan was to generate employment and modernize the industrial sector. The approach to the Eighth Plan had focused on the following objectives\(^69\):

i. Clear prioritization of sectors/projects for investment in order to facilitate operationalization and implementation of the policy initiatives taken in the areas of fiscal, trade and industrial sectors and human development;

ii. Making resources for these priority sectors available and ensuring their effective utilization; and completion of projects on schedule avoiding cost and time overruns;

iii. Creation of a social security net through employment generation, improved health care and provision of extensive education facilities throughout the country; and

iv. Creation of appropriate organizations and delivery systems to ensure that the benefits of investment in the social sectors reach the intended beneficiaries.


Based on the above mentioned approach, the following objectives were accorded priority:

i. Generation of adequate employment to achieve near full employment level by the turn of the century;

ii. Containment of population growth through active people’s cooperation and an effective scheme of incentives and disincentives;

iii. Universalization of elementary education and complete eradication of illiteracy among the people in the age group of 15 to 35 years;

iv. Provision of safe drinking water and primary health care facilities, including immunization, accessible to all the villages and the entire population, and complete elimination of scavanging;

v. Growth and diversification of agriculture to achieve self-sufficiency in food and generate surpluses for exports;

vi. Strengthening the infrastructure (energy, transport, communication, irrigation) in order to support the growth process on a sustainable basis;

2.4.8.1. BRIEF REVIEW OF THE PERFORMANCE OF THE EIGHTH PLAN

Sectors on which large investments were made under the Eighth Plan were- Energy (26.62 per cent), Transport & Communication (18.67 per cent), Social Services (18.20 per cent), Irrigation (7.49 per cent) and Agriculture &
Allied (5.18 per cent). Plan expenditure against the outlay was highest on Energy Sector with 26.55 per cent, Transport & Communication with 20.92 per cent, Social Services with 18.29 per cent, Industries & Minerals with 9.86 per cent, Irrigation with 6.47 per cent and Agriculture & Allied with 5.13 per cent. Plan expenditure was higher than the provision in most of the sectors. Against the provision of Rs.4,34,100 crores, the actual expenditure incurred, Rs 4,85,457.20 crores was 11.83 per cent over the approved outlay.

The Eighth Plan also saw the opening up of the Indian economy to counter the foreign debt burden which was a major threat to the country. India became a member of the World Trade Organization (WTO) during this Plan period. The industrial sector was modernized through modern technology during the Eighth Plan. The Plan had ended with an average gross domestic product growth rate of 6.50 per cent, as against 5.60 per cent estimated for the entire plan period (1992-1997). The Eighth Plan achieved an increase in the rate of employment and a reduction in the poverty rate. However, the inflation rate rose from 6.7 per cent to 8.7 per cent. The rate of growth in the agriculture sector increased from 3 per cent to 4.8 per cent.

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2.4.9. **Ninth Five Year Plan (1997-2002)**

The Ninth Five-Year Plan: 1997-2002 (Ninth Plan) which came after 50 years of India’s Independence, was formulated to act as a tool for solving the economic and social problems existing in the country. The Plan was born out to utilize the overall development and benefit of the Indian economy by exploring the latent economic reserves of the country in the coming five years. Taking into consideration the past weaknesses, the Ninth Five-Year Plan endeavored to formulate fresh actions to initiate improvement in the overall economic and social sectors of the nation. To this effort, there was mutual contribution from the general population of India as well as the governmental agencies. This joint public and private partnership (PPP) attempt ultimately assured development of the Indian economy. The main objective of the Ninth Five-Year Plan was to correct historical inequalities and increase the economic growth in the country. Total outlay was Rs 8,59,200 crores\(^{73}\). The development strategy of the Ninth Plan has been tailored to the requirement of the specific objectives of the Ninth Plan as approved by the NDC\(^{74}\). The objectives of the Ninth Plan are:

i) Priority to agriculture and rural development with a view to generating adequate productive employment and eradication of poverty;

ii) Accelerating the growth rate of the economy with stable prices;

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iii) Ensuring food and nutritional security for all, particularly the vulnerable sections of society;

iv) Providing the basic minimum services of safe drinking water, primary health care facilities, universal primary education, shelter, and connectivity to all in a time bound manner;

v) Containing the growth rate of population;

vi) Ensuring environmental sustainability of the development process through social mobilization and participation of people at all levels;

vii) Empowerment of women and socially disadvantaged groups such as Scheduled Castes, Scheduled Tribes and Other Backward Classes and Minorities as agents of socio-economic change and development;

viii) Promoting and developing people’s participatory institutions like Panchayati Raj institutions, co-operatives and self-help groups; and

ix) Strengthening efforts to build self-reliance.

2.4.9.1. **Brief Review of the Performance of the Ninth Plan**

Outlay was highest under the sectors: i) Energy (25.88 per cent), ii) Social Services (21.33 per cent), and Transport & Communication (19.40 per cent). Agriculture & Allied 4.94 per cent, and Irrigation & flood 6.45 per cent did not receive the importance desired. Actual Plan expenditure against the outlay was highest under i) Transport & Communication with 24.95 per cent, ii) Energy with 22.26 per cent, and iii) Social Services with 23.52 per cent. Expenditure on
Irrigation was 7.74 per cent and that on Agriculture & Allied was 4.52 per cent. Plan expenditure of Rs. 8,13,997.90 crores against the outlay provided, Rs. 8,59,200 crores was 5.26 per cent decrease from the approved outlay\textsuperscript{75}.

The Ninth Five-Year Plan, which ended on March 31, 2002 had come close to achieving the growth targets set at the outset of the Plan by the Planning Commission. The Plan had ended with an average GDP growth rate of 5.50 per cent\textsuperscript{76}, as against 6.50 per cent\textsuperscript{77} estimated for the entire plan period (1997-2002). However, the performance of various sectors including agriculture, health and education has failed to meet the Plan targets. The average growth for the agriculture sector during the Ninth Plan period was estimated at 2.1 per cent, which was below the desired level of 4.2 per cent for the period. Industry and the services sectors had performed well. Industry grew at nearly 4.5 per cent and services grew by around 7.8 per cent in the Ninth Plan. Growth in Service Sector clocked an average of 8.2 per cent, despite industrial growth of only 4.4 per cent against target of 3 per cent. The services sector accounted for almost 70 per cent of all growth in this period.


\textsuperscript{77} Op. cit.
2.9.10 TENTH FIVE-YEAR PLAN (2002-07)

The Tenth Five-Year Plan: 2002-07 (Tenth Plan) was formulated when Shri Atal Bihari Vajpayee was the Prime Minister of India in 2002 with a clear perspective of development objectives defined not only in terms of an increase in Gross Domestic Product (GDP) but also in terms of human well being. The Tenth Plan marked the return of visionary planning. The Tenth Plan aimed to take India to the position of “the fastest growing nation in the world”. The National Rural Employment Guarantee Scheme (NREGS) and many other important programmes were initiated during the Tenth Plan were the Guru Golwalkar Jan Bhagidari Vikas Yojana (GGJBVY) and the Swavivek District Development Scheme (SDDS). The Special Economic Zones (SEZs) were also introduced to encourage industrial growth, increase employment opportunities and investment in social infrastructure. The Total outlay was Rs. 15,25,639 crores\(^78\). The Tenth Plan aims at a very The Tenth Plan as approved by the NDC, envisages an ambitious indicative target of 8.0 per cent GDP growth rate for the period 2002-07\(^79\). Recognizing that economic growth cannot be the only objective of the national plan, the Tenth Plan has established specific and monitorable targets for a few key indicators of human development in addition to the average annual 8.0 per cent GDP growth rate.

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\(^79\) Government of India, Planning Commission, the Tenth Five-Year Plan: 2002-07, Vol.-I (Dimensions & Strategies), New Delhi, pp. 5-6.
The Monitorable targets for the Tenth Plan and beyond are:\(^80\):

- Reduction of poverty ratio by 5 percentage points by 2007 and by 15 percentage points by 2012;
- Providing gainful high-quality employment to the addition to the labour force over the Tenth Plan period;
- All children in school by 2003; all children to complete 5 years of schooling by 2007;
- Reduction of gender gaps in literacy and wage rates by at least 50 per cent by 2007.
- Reduction in the decadal rate of population growth between 2001 and 2011 to 16.2 per cent;
- Increase in Literacy rate to 75 per cent within the Plan period;
- Reduction of Infant mortality rate (IMR) to 45 per 1000 live births by 2007 and to 28 by 2012;
- Reduction of Maternal mortality ratio (MMR) to 2 per 1000 live births by 2007 and to 1 by 2012;
- Increase in forest and tree cover to 25 per cent by 2007 and 33 per cent by 2012;
- All villages to have sustained access to potable drinking water within the Plan period;

\(^80\) *Op. cit.*
2.4.10.1. **Brief Review of the Performance of the Tenth Plan**

The Tenth Plan, which ended on March 31, 2007 had come close to achieving the growth targets set at the outset of the Plan. The Plan ended with an average gross domestic product growth rate of 7.7 per cent, as against the target of 7.9 per cent, achieving a high GDP growth rate, the highest ever in any Plan period\(^8\). The average growth on agriculture sector (3.4 per cent) was below the desired level of 4 per cent. Industry and the services sectors performed well compared to the Ninth Plan. Industry grew at nearly 8.74 per cent and services grew by around 9.3 per cent in the Tenth Plan, as compared to 4.6 per cent and 8.1 per cent, respectively, in the previous Plan. However, the performance of various sectors including agriculture, health and education had failed to meet the Plan targets.

Outlay was highest in the sectors: i) Energy (26.48 per cent), ii) Social Services (22.77 per cent), Transport & Communication (21.30 per cent). Outlay in Agriculture & Allied 3.86 per cent, and Irrigation & flood 6.77 per cent were nominal. Plan expenditure was highest under i) Social Services with 32.05 per cent, ii) Transport & Communication with 18.87 per cent, and iii) Energy with 16.49 per cent. Expenditure on i) Irrigation with 8.12 per cent, and ii) Agriculture

& Allied with 4.50 per cent were more than the outlay. The expenditure incurred in the Tenth Plan, Rs.12,55,783 crores\textsuperscript{82} against the outlay of Rs. 15,25,639 crores was 17.69 per cent less than the total outlay.

The investment rate also improved to 28.1 per cent of GDP, which was close to the 28.41 per cent target set for the Plan. Investments had gone up by 5.1 per cent from the Ninth Plan period. The plan period witnessed the rise in the investment rates due to the fiscal correction mainly in the states and better performance of the states than expected. A pleasant surprise was the domestic savings rate, which was not estimated to have performed as well as it actually did. The savings rate rose to 26.62 per cent in the Tenth Plan period, as compared to 23.1 per cent in the Ninth Plan. The rise in the savings was driven mainly due to higher public investments. Significant changes also occurred in the financial sector as the interest rates came down. Inflation remained near the 5 per cent set for the Tenth Plan. The average inflation during the five-year period stood at 5.02 per cent.

2.5. CONCLUSION

The Five-Year Plans of the nation have helped in strengthening the foundations of economic and social life of the Indian people. It not only stimulated Industrial and Economic Growth but also promoted Scientific and Technological advancement. The Five-Year Plans seek to translate the aspirations and ideas of the millions in the country into practical action and also generate employment opportunity, which in turn will act as the common cause of elimination of poverty and raising standards of living. While the First and the Second Five-Years Plans had helped in strengthening the foundations of the Economy, the Third Five-Year Plan sought to give a more precise content of the social objective of the constitution. The Third Plan marked a shift to examination of consistency at the inter-sectoral level. It took into account the successes and failures in the first two Five-Year Plans and set a task to be fulfilled in the perspective development in the subsequent years. The Third Plan however, made it clear that planning is not a static concept and each five year plan had reflected the changing imperatives of the times.

The utter failure of the Third Plan due to severe drought and two wars had India to reform and restructure its expenditure agenda in the coming Fourth Plan. The modest achievement of targets on growth of agriculture during the Fourth Five-Year Plan enabled other sectors to move the country forward which brought
the nation to stability and progress towards self-reliance. The impressive achievement of the Fifth Plan brought a massive change in the economy of the country. The fulfilment of the twin objectives: 'removal of poverty' (Garibi Hatao) and 'attainment of self-reliance' to a desirable degree under the Fifth Five-Year Plan paved a solid foundation for the Sixth Five-Year Plan to plan for an increase in the national income by modernization of technology and to decrease in poverty and generation of employment besides population control through family planning. The realization of the goals set to achieve a rapid growth in food-grains production and increase employment opportunities and productivity within the framework of basic tenants of planning under the Seventh Plan put the country to a fast developing economy. The drastic policy measures undertaken during the Eighth Plan to combat the bad economic situation was a grand success.

The achievement of Eighth Plan’s ambitious target for a 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 took the nation among the fastest economy of the world. The Ninth Plan developed in the context of four important dimensions: Quality of life, Generation of productive employment, Regional balance and Self-reliance was successful in achieving the target growth. The Tenth Plan was a grand success. An average GDP growth rate of 7.9 per cent per annum against the ambitious target GDP growth rate of 8 per cent per annum under the Tenth Plan was achieved.
The Tenth Plan, considering its performances in, inter alia, a high GDP growth rate, reduction of poverty ratio by 5 percentage points by 2007, providing gainful high quality employment to the addition to the labour force over the tenth plan period, universal access to primary education by 2007, reduction in gender gaps in literacy and wage rates by at least 50 per cent by 2007, reduction in decadal rate of population growth between 2001 and 2011 to 16.2 per cent, increase in literacy rate to 72 per cent within the plan period and to 80 per cent by 2012, reduction of Infant Mortality Rate (IMR) to 45 per 1000 live births by 2007 and to 28 by 2012, increase in forest and tree cover to 25 per cent by 2007 and 33 per cent by 2012, all villages to have sustained access to potable drinking water by 2012, cleaning of all major polluted rivers by 2007 and other notified stretches by 2012, can be considered as a modest success. However, planning, as agreed in general by the policy makers, economists and planners, is not a static concept and each five year plan had reflected the changing imperatives of the times.