INTRODUCTION

The thesis is addressed to the main query:

How far and to what extent has the external assistance flow to India over the past two decades helped her to realise the conditions of a self-sustaining growth?

A self-reliant economic development is not merely a major goal of the international aid administration programme but at the same time it is also one of the basic objectives of Indian Planning.

The entire philosophy behind the public international capital flows in the post war years, politics and philanthropism apart, is to enable the aid recipients to sustain at least 5 per cent rate of growth within a reasonable time period. This is admittedly the joint responsibility of the donors and that of the recipients as well.

The U.N. Development Decade urges upon the fact that economic growth sustained over a reasonable period of time is an essential condition for achieving a rising standard of living in the recipient world. On 19th December 1961, the General Assembly designated the sixties as the United Nations First "Development Decade, in which member states and their
peoples will intensify their efforts to mobilise and to sustain support for the measures required on the part of both developed and developing countries to accelerate progress toward self-sustaining growth of the economy of the individual nations and their social advancement. The aim would be to attain in each underdeveloped country a substantial increase in the rate of growth, with each country setting its own target, taking as the objective a minimum annual rate of growth of aggregate national income of 5 per cent at the end of the decade. The current decade is the "Development Decade II" and the target rate of growth is stimulated at 6 per cent per annum. The objective of 5 per cent rate of growth for the underdeveloped countries as a whole was realized during the first Development Decade. According to the latest estimate by the U.N., developed countries as a group grew at an average of 5.2 per cent during the sixties, while the developing economies recorded a 5.1 per cent rate of growth in the same period. In contrast, India achieved a trend rate of growth of 3.7 per cent.

during this period?.

The present work makes a modest attempt to answer the central question: Is India poised for a self-reliant growth at the end of the Fifth Plan period? The Pearson Commission\(^2\) opined that India is a major test of whether development can be successfully accelerated through external assistance. To what extent the external assistance inflow in the past has helped India to mobilise and sustain measures to accelerate progress towards self-sustaining growth? This question has two facets, viz., quantitative and qualitative. In the quantitative framework, it refers to the profile of external assistance necessary for a long-term growth on a self-sustaining basis and in the qualitative dimension it implies the appropriate financial terms and conditions of external assistance flow. Accordingly, the thesis poses and examines the two ancillary but interrelated questions and these are:

1. Did India receive the right quantum of foreign aid in her Plans in the past? and

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India's economic development is taken as a test case, for she has received a fairly large sum of public international capital in absolute terms (though not on a per capita basis) in her plans with the explicit objective of sustaining a 5 to 6 per cent rate of growth beyond a certain time without resort to net external borrowings.

It is an admitted fact that the task of development is primarily the responsibility of the developing country — may the sole and ultimate responsibility lies with the recipient. But nevertheless, the move towards a self-sustaining growth could be such move facilitated through a correct perspective of international economic co-operation both in its quantitative and qualitative dimensions. It is the common goal both for the aid-giving as well as aid-receiving countries. The donor countries are interested, as such as the recipients are, in the productive use of aid in augmenting overall production, savings, and exports, so as to enable the latter group of countries to reduce their past debts.
With this as a background, the thesis is divided into three parts. In the first part, the numerous projections of foreign exchange gap for determining the external assistance requirement in India's Plans have been examined in the context of self-sustained growth. Part One, consisting of the first two chapters, is concerned with an analysis of gap projections in India's Plans. More specifically, it examines the dual gap thesis in the Indian background to find out which one of the two (viz., the savings or the balance of payments) has been more constraining on India's development process. In this connection, the hypothesis adopted in India's perspective Plan for projecting the two gaps has been tested.

The second part comprises two chapters, viz., Chapter Three and Four. In Chapter Three, the notion of "self-reliance" as developed by the Planning Commission has been examined so that a clearer picture of the problem might be arrived at. Four criteria for a self-sustained growth have been spelt out in Chapter Four. This chapter builds a simple micro-economic model for ascertaining the relative importance of the various key magnitudes in the process of self-reliance.
Part three of the thesis comprises four chapters beginning from Chapter Five. In all these chapters, a detailed analysis is made of the Planning Commission's assumptions in respect of these key variables and parameters and their behaviour in the past. More particularly, the numerous assumptions underlying the perspective formulated in India's Fourth Plan have been examined. In other words, this part analyses the extent to which the structural variations in these key variables have contributed to India's economic development on a self-sustaining basis? Chapter Eight examines the external assistance flow to India in its qualitative dimension. The study concludes that the country not only relies on India alone but also to a significant extent on her creditor countries and institutions. The work primarily relates to the period between 1951-52 and 1969-70 and in some cases, the statistical data have been updated to 1977-78.

Methodology: The study has primarily employed the method of library research and the available documentary data have been examined and analysed. The work is based on an extensive utilization of the relevant materials from the Planning Commission, the Ministry of Finance and the Ministry of Foreign Trade, Government of India.
and the U.S.A.I.O., New Delhi. Information obtained in course of discussions, which the author had with officials of the aforesaid Ministries and Institutions, has also been incorporated in the study.