ABSTRACT

The philosophy behind economic planning underlines the fact that markets and price system alone cannot ensure the welfare of the citizens of a state, while individuals are the best judge of what is good for them, the sum total of such judgment need not be the best option for the society as a whole. Moreover areas like infrastructure require larger investments without immediate tangible returns and therefore do not attract private investment. Finally Government provides for some goods such as the quality of environment and national defence, which can be enjoyed by one person without depriving others of similar enjoyment. Private Sector will not invest in public goods as there are no direct returns, all these factors justify Governments intervention in the economy though the degree of intervention is a matter of political ideology. The hindrances in the way of development of those countries which are poor is quite difficult to overcome, unless there is state intervention and through a process of systematic planning because steps have to be taken to raise the economy from the stagnant condition which is due to scarce capital, abundant labour and low productivity per worker. The Government is expected to take steps to raise the economy from stagnant condition by playing the role of entrepreneur and break the vicious circle of poverty and for this mobilization of resources is required which is the most important task before the Government.
Mobilization of resources is a dynamic concept and as the economic activities multiply its prospects become brighter. The potential resources become actual and is concerned with the creation of additional savings in the economy and directing them towards those form of savings which is desirable and then promoting the non-speculative and productive investment and for this the state has to play a dominant role because it is considered as a pious duty of the state to develop their economy and change the deplorable economic conditions of the people.

The expanding size of India's successive five year plans has greatly increased the importance and task of the resource mobilization because the mobilization of resources for securing an adequate rate of growth is the crux of the problem of planning in a developing economy. Any plan irrespective of its size can be implemented only when its scheme of financing is so devised that sufficient financial resources become available easily and for this the Government has to stretch to the utmost for squeezing the financial resources from every nook and corner and even from foreign countries.
1.5 Hypothesis

The study is based on the following hypothesis: Inadequate financing is the major constraint in achieving the objectives of Five Year Plans.

1.6 Objectives of the Study

To test the said hypothesis the main objectives of the study are as follows:

1. To examine the pattern of financing of the Five Year Plans.
2. To analyse the constraints associated with the raising of adequate resources for achievement of the objectives of the Plans.

1.7 Data Base and Methodology

Our study is based exclusively on secondary data which are published mainly by the Ministry of Finance, Government of India, other departments/offices of the Government of India and Reserve Bank of India. Thus, most of the relevant data have been taken from various issues of Indian Public Finance Statistics, Economic Survey and the various Five Year Plan Documents. The methodology used is simple, analytical and does not go beyond calculation of percentages and arithmetical averages and to know the level of Consistency in the behaviors of leading economic indicator / parameters, standard deviations and coefficient of variation have been calculated.
Outline of the Chapters

The Present research work is divided in Seven chapters. The First chapter primarily deals with a brief introduction on planning and its general significance. It also includes the relevance of the theme in the context of India's financial structure. Apart from these Objectives, Hypothesis, Data Base and Methodology have been taken into account as well as the chapter scheme.

The Second Chapter covers the background of the theoretical frame work followed by the general constraints in the raising of adequate resources from expected sources. This chapter also includes the relative merits and demerits of each source and the comparison between the plan and non-plan expenditure.

The Third Chapter of the present work reviews the plan by plan financing since the First Five Year Plan and its impact in the context of Indian economy and also includes the optimum combination of sources of finance for economic development.

The Fourth Chapter is related with the Ninth Five Year Plan and the Changing Scenario. In this Chapter we underline the objectives and strategy of the Ninth Five Year Plan. this chapter also concentrates on the impact of the new economic policies. since its inception. on economic development in the context of major dimensions of the state policy.
The Fifth Chapter of the research work presents a review of the Mid-Term Appraisal of the Ninth Five Year Plan and the constraints associated with choice of the optimum combination of the sources of finance.

The Sixth Chapter of the proposed research work will review the general impact of the pattern of the burden of economic development on different classes of people and the economy as a whole.

Chapter Seventh presents Summary, Conclusions and Recommendations having policy implications

SUMMARY AND CONCLUSIONS

Failure of the market-based economy in ensuring the welfare of the society has led to the adoption of economic planning in most of the developing countries of the world.

The financing of economic plans comprises of two important tasks i.e.

i. Planning for the sources of finance
ii. Planning for expenditure on different heads.

Since the volume of expenditure on different heads is dependent on the availability of resources the planning for the financing of plan has emerged as the most important aspect of planning process. Therefore the management of financial resources
occupies an important place in the scheme of financing of five year plans.

The major sources of finance used by the Government of India are broadly classified under three heads.

1) Domestic budgetary resources of which

   a) Balance from current revenues
   b) Contribution from public sector units
   c) Internal private savings through market borrowing. Small savings, provident fund etc.

ii). Additional resources in the form of additional taxes and additional funds from Government undertakings

2. If necessary Government uses deficit financing and

3. External Assistance of which

   a) Loans and grants from foreign countries b) Loans from international Institutions

The total budgetary resources including deficit -financing have supplemented nearly 90.0 percent of the total financial requirement of the plan outlay therefore the contribution made by external sources has been 10 percent on an average except during the two plans i.e. in the Second Five Year Plan and the Third Five Year Plan, when the financial aid provided by the external source was 22.5 percent, and 28.3 percent respectively. A General review of plan situation is being presented in the
third chapter and it is concluded that there has been a wide gap between estimated financial resources and its realization and the dependence on the capital receipt has increased. Due to this fact, the problem of mobilization of financial resources and its pattern became an integral part of plan implementation. There are a number of sources of financing the plan in which only a few are important in deciding the total resources mobilization for the economy.

The aggregated financial resources from the different sources are used to finance the public expenditure which is broadly classified into

i) Plan expenditure ii) Non-Plan expenditure

The Fourth Chapter of the present study concentrates on the evaluation of the Ninth Five Year Plan in the light of the strategy, objectives and impact of the new economic policies in the context of major dimensions of state policy.

The four identified major dimensions of state policy are i) Quality of life ii) Productive employment iii) Reducing regional imbalances and iv) Self-reliance

Regarding the impact of the new economic policy in the context of major dimensions of state policy it has produced mixed results. On the one hand there has been some improvement in the quality of life of the Indian people. On the other hand the goal of productive employment generation and reduction in regional imbalances have not been satisfactorily
realized, while the objective of self-reliance have remained more or less unfulfilled.

The Fifth chapter of the present study examines the Mid-Term Appraisal of the Ninth Five Year Plan and the constraints associated with the choice of optimum combination of sources of finance. The Mid-Term appraisal of the Ninth Five Year Plan revealed a realization of 6.1 percent of GDP growth rate during 1997-2000 against the targeted growth rate of 6.5 percent. There was a significant shortages in growth performance in agriculture, mining, quarrying and manufacturing.

The sixth chapter includes the impact of the pattern of burden of development on different classes of people and the economy as a whole. In India though the beneficiaries are the members of well-off societies the burden of the plan is borne by the least affluent societies. To promote exports, all kinds of incentives are offered to export houses that supports the rich people and reduce the financial resources for plan purposes that is ultimately taken from the common people through different means.

The choice of sources of financing has always been a matter of concern for the government, because the sources from which the financial resources are to be mobilized are as much important as their volume. The increasing reliance of the Government on borrowing for financing the plan outlay produced negative impact on the economy in the form of interest payment and consequently the burden of debt. Because of debt service
payments forming a higher proportion of both revenues and expenditures, all other activities of the Government suffer since wages and salaries, interest payments, defence expenditures, pensions, food subsidies are all committed expenditures with little or no flexibility. The main sufferer in this process is Governments capital expenditure in both social and infrastructural facilities.

The study makes the following recommendations having policy implications.

Expenditure management has to improve through appropriate prioritization and control is important for the Government. The tension between containing the deficit and providing adequate outlays for the relevant heads makes the priority of curbing expenditure, even more important issue in India than what it is in many other countries.

The share of interest payment must be brought down by limiting the fiscal deficit and by retiring some of the existing debt. Given the size of the debt, retirement would achieve only a relatively small reduction in the debt burden. However, through the sale of seized gold and some of the Government lands and through disinvestments of PSUs shares, a sizeable amount could be raised and used for the retirement of debt.

Subsidies have to be reduced mainly because the government cannot afford the luxury of providing wide ranging subsidies for production. Subsidies directly targeted at
consumers from the vulnerable Groups should be developed and implemented to safeguard the Governments objective of income distribution. Carefully developed small projects that are practical and implementable, with a clear beginning and a fixed termination are more likely to be successful than nationally announced mega projects short of sufficient funds and subject to wide misappropriation.

The most important fact revealed by the present study is that the unproductive expenditure has increased and is still increasing in the process of development planning. Now the need of the hour is to curtail the unproductive expenditure. In addition the expenditure over defence may also be minimized to get the desired results.

The process of disinvestments should be continued to lessen the burden of the mounting interest payments and debt servicing. It will be beneficial for the economy to reduce the burden of the external debt and if necessary some burden may be borne partly by the internal debt from the internal assistance because the payment for the internal debt is paid to the nationals after amortization and not to the foreign country. The bureaucratic and political control or dependence of the PSUs should be minimized and more control and greater autonomy should be given to the managers of the respective PSUs so as to take the right decision at appropriate time to make the unit more efficient and competitive.
Investment on agriculture sector has declined particularly after the economic reforms that lowers the growth rate of the agricultural sector than the projected. To get the desired result an improvement in the agriculture infrastructure is required.

The Government must clarify the objectives of the process of privatization and seek to forge a consensus. The objectives must be both the strengthening of these enterprises to enable them to grow and to contribute to the restoration of the fiscal health of the country. The return from privatization must not be used for current expenditures. They should be explicitly used for retiring public debt so that the interest burden is progressively reduced.