CHAPTER-II

INDIAN ECONOMIC POLICIES

Indian economy system has been structured with many polices and changes. Perhaps, Kautalya’s ‘Arthashastra’ had framed broad economic and socio-political policies of the Government, during Chandra Gupta Mourya’s empire. Since then Arthashastra was followed by almost all the successors with some modifications till Medieval era in which the economic policy had to be depended upon the King’s wishes. However, according to historians Akbar’s policy could satisfy the aspiration of people and therefore, was quite stable. The British rule in India, in fact, was the instrumental in bringing out the comprehensive national socio-economic policy. It had tremendous effect on Indian society. Therefore, the British era is regarded by some scholars as the root of Indian Modernism. However, it is believed that the policy devised by the British was superimposed upon Indians without taking them into confidence and therefore, was not taken the hopes and aspiration of people of India. Thus it is after India achieved its independence, the comprehensive economic and social policies were started to be devised by the Government through the representatives of people.

In this chapter the Indian economic policies have been critically reviewed under various sections as follows:

A. INDIAN ECONOMY DURING BRITISH RULE

India was rich in economy, culture and polity. But it was due to advent of foreigners that it gradually pushed into backwardness. This is what is believed by most of Indian national scholars. However, most British scholars attribute economic stagnation during British period to: over population, religion, caste, social attitude, value system and other social institutions. Their approach is called as colonial approach (Knowles1928; Anstey1952:474; etc.). On the other hand, nationalist scholars (Sarkar; Naorijit 1901; Chandra 1970; Dutt 1970; Ambadkar; etc.) rejected the explanation of British administrators and writers of colonial schools with
regard to India's economic under-development, and strongly argued with logical explanations and evidences that the economic policies of the British rule in India were primarily responsible for the country's economic backwardness. According to these scholars, the British rulers of India consciously shattered the country's economy, appropriated her wealth and drained it out to England and created all possible obstacles to its development. Nationalists concluded that the decay of traditional industries, inadequate development of modern industries and increasing dependence of the people on agriculture during the British period were largely due to the overall impact of British policies. Political leaders and thinkers (i.e., Nehru 1947), Scholar (i.e., Dutt 1970, Roy) have argued that India was in transitional phase of progress before the advent of the British and the capitalist development might have taken place in this country, if she could have escaped the colonial exploitation in the eighteenth and nineteenth centuries. However, D.R. Gadgil, disagreed with this argument as according to him a number of factors which acted in India's pre-capitalist economy would not have permitted its development along the capitalist path (Gadgil).

Below we discussed some of the British policies which hindered India's path of economic development.

**a) British Policy of land-system**

The growth of a new land system in India effected tremendously in India's economic and social life. In 1793 Lord Cornwallis introduced permanent settlement in Bengal and neighboring areas. Under this new Zamindari system, the peasants lost their ownership right over the which in the past were belonged to them. Since the Zamindars enjoyed the right to raise the rent they mercilessly exploited the tenants. Later the British extended the settlement policy to other states and created Zamindars there too but they changed one to 'temporary settlement' under which land revenue would be reassessed after a period ranging between 25-40 years. Another and totally different land system called ryotwari settlement was evolved for large parts of Bombay and Madras which subsequently extended to North-Eastern and North-Western India. Under this system, each peasant holding a plot of land
was recognized as the landlord and made directly responsible to the state for the annual payment of land revenue. The conditions of farmers under the ryotwari system should not have been as bad as under the Zamindari system. But in practice this was not so. The greed of the British rulers was responsible for the plight of farmers under this system.

It may be pointed out that in both cases, the land rents fixed were excessive and both the systems were instrumental in destruction of the organic village community based on customs and traditions (Dutt and Sundharam 2000: 21). Whereas the Zamindari system made the landlords the master of the village communities, the ryotwari system cut through the heart of the village communities by making separate arrangements between each peasant cultivators and the state (Daniel and Thorner 1974: 53). There was a built-in depressor and the economy failed to grow (Ibid: 567). The exploitation of peasant under the Mahalwari system in which all villagers collectively deposit land revenue, was somewhat less but this land tenure system was confined only to a small parts of the country.

Commenting upon the impact of land revenue on the peasant during the British regime, Bhatt remarks "The capacity of the Indian cultivators to save and invest for increasing the productivity of land was considerably reduced because of the excessive and uncertain land taxes (Bhatt 1963: 39). According to Mishra and Puri, ‘Due to defective land tenure system, virtually no investment were made in agriculture and the farm technology remained backward. Moreover, the size of holdings and the system of distribution of agricultural produce went against any improvement in agricultural production (Mishra and Puri 1989: 88).

b) British polices of Industry and Commerce

Apart from exploitative policy in agricultural system, British also ruined Indian economy through its industrial and commercial polices which favoured the Britishers at the cost of Indian economy. After the Industrial Revolution in England the political influence of the upper business class increased in that country. AT the
instance of this newly emerged class, the British Government levied protective tariffs on Indian manufacturers making their imports in England difficult. Until 1813, Indian cotton textiles sold to the British markets at about half the prices of the British cotton. Thus the British government felt it necessary to levy protection. Despite the protection levied when the Britishers failed to check entry of Indian cotton into it, it banned the use of Indian products. "Had this not been the case, had not such prohibitory duties and decrees existed, the Mills of Paisley and Manchester would have been stopped in their outset, and could scarcely have been again set in motion, even by the power steam. They were created by the sacrifice of the Indian manufacture" (Wilson : 335).

Similarly, a deliberate policy was pursued to destroy other industries in India. The Court of Director opposed the use of Indian ships in trade between England and India which not only obstructed to India’s export to British, but also on the other, the Indian shipping industry received a serious setback thereby it served twin purpose of British.

Tata wanted to set up an Iron and Steel plant in Central Provinces in 1880s but the government did not grant permission, preventing India to develop iron and steel industry. With the development of railways, iron and steel industries were developed in Western European countries and the UK. Hence, in India too this would have been easily possible, had the policy of the British Govt. been positive in this regard. But India lost this opportunity due to the negative approach of the government.

Another setback Indian economy received through British policy was commercialization of agriculture to supply raw materials to British manufacturers. It led into two negative consequences for the Indian. Firstly, it led to shortage of food grains especially during famine. In fact, according to historians the British created famine in India through its inhuman policy. Secondly, the manufactured engine goods with lot of incentives and privileges they received, flooded into Indian markets; Thus they destroyed Indian cottage and handlooms.
These are the important policies of British empire through which it exploited India. India could not oppose it. She was the mute spectator to her own destruction by some foreign power. Famous historian Wilson mentions “Had India been independent, she would have retaliated, would have proposed prohibitive duties upon British goods, and would thus have preserved her own productive industry from annihilation. This act of self-defence was not permitted to her, she was at the mercy of the stranger. British goods were forced upon her without paying any duty, and the Indian manufacturer employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms” (Dutt RC : 180-81).

**c) British Policy of Revenue and Expenditure**

For retaining political power, the British rulers always considered it was necessary to maintain a big army. In the nineteenth century, the expenditure on army was the largest single items, which accounted for roughly one-third of the total government expenditure. In addition to this the expenditure on the British army stationed in India had to be borne by the Indian government. Pensions of army officers, expenditure on the office of the secretary of state for India, salaries of the members of the Indian council, expenditure on the India office and payment to the Bank of England for debt management were some other expenditures which had little concern with India. Indeed, India had to pay even for the imperialist growth of Britain in other parts of the world.

Moreover, the British Government unscrupulously charged India for expenditures which were not even remotely concerned with the people of the country. All these expenditures were arbitrarily treated as the loans granted to India. “The burdens that it was found convenient to charge to India seems preposterous. The cost of the Mutiny, the price of the transfer of the company’s rights to the Crown, the expenses of simultaneous wars in China and Abyssinia, every government item in London that remotely related to India to fees of the char-woman in the India office and expenses of the ships that sailed out but did not participate in hostilities and the cost of Indian Regimens for six months training at
home before they sailed – all were charged to the account of un-represented ryot … It is small wonder that the Indian revenue swelled from L 33 million to L52 million a year during the first thirteen years of Crown administration and that deficit accumulated from 1866 to 1870 amounting to L11.5 million. A home debt of L 3,00,00,000 was brought into existence between 1857 and 1860 and steadily added to” (Jents 1927 : 223-24).

**Drain of Wealth**

Dadabhai Naoroji emphasized that the drain of wealth and capital from the country was responsible for absence of development of India. According to him “The drain consist of two elements – first, that arising from the remittances by European officials of their savings, and for their expenditure in England for their various wants both there and in India : from pensions and salaries paid in England, and second that arising from remittance by non-official Europeans” (Naoroji 1901 : 34). According to Naoroji, the drain amounted to L50 crores from 1835 to 1873 (Ibid : 24). C.N. Vakil has also estimated the drain. In his opinion the total drain from 1834 to 1839 amounted to L85 crore. In his estimates, the profits earned by the British capitalist from the capital invested in India have not been included (Vakil : ). K.T. Shah and K.J. Khambata presented estimates of drain in the early decade of the twentieth century. In their opinion Britain appropriated annually under one head or in the other over 10 percent of India’s Gross National Income. (Dutt 1970 : 32).

Due to inhuman and exploitative British policies, the people were adversely affected. It effected more on the life of poor and labour. It created devastated famine for their misery. Extensive descriptions of poverty under the British rule have been presented by the scholars such as Naoroji, Dutt, Ray etc. According to Naoroji: “India is suffering seriously in several ways and is sinking in poverty” (Naoroji 1901 : 1) and that “masses of India do not get enough to provide the basic necessiies of Life” (Ibid : 31). He further said “The fact that was that Indian Natives were more helots. They were worse than American slaves, for the latter were at least taken care of by their masters whose property they were” (Ibid : 652). Sir W. Hunter, the then
Director General of Statistics to the Government of India, wrote in his England's work in India that "forty million of the people of India habitually go through life of insufficient food" (Ray 1895 : 149). Sir Charles Elliot, the P.W. member of the Governor-General's Council, had remarked "I do not hesitate to say that half the agricultural population never knows from one year end to another what it is to have a full meal" (Joshi 1912 : 763). Radha Kamal Mukherjee, one of the founding fathers of sociology in India, has constructed an index of real wages for the United Provinces for various years during the period 1600 to 1938 on the basis of available historical material. According to his estimates, the real wages of both skilled and unskilled workers steadily declined during the British rule. Real wages of skilled workers in 1928 were roughly 50 percent of what they were in 1807. The decline in real wages of the unskilled workers was much more as they were not even 40 percent of the real wages in 1807 (Mukherjee 1978 : 54).

Hence, it can be concluded that the overall impact of British economic policies was disastrous for Indian economic development and it marred the life of all sections, particularly to the labour sections and put them into the life of poverty and destitutions.

B. INDIAN ECONOMY IN INDEPENDENT INDIA (TILL NEW ECONOMIC POLICY)

The Indian National Congress, under the inspiration of Jawaharlal Nehru and Subara Ch. Bose, set up the "National Planning Committee" to be chaired by Nehru in 1938. The committee undertook a series of studies on different subjects concerned with economic development. According to report of the Committee the state should own and control all key industries and services, mineral resources and railways, waterways, shipping and other public utilities and other those large-scale industries which were likely to become monopolistic in character.

Besides, the National Planning Committee, eight industrialists brought out "A plan of Economic Development" which was popularly known as "Bombay plan".
There was also the “Gandhian Plan” prepared by Shriman Narayan and the “People Plan” by the revolutionary M.N. Roy.

All the plans are of historical importance and provided insight to the later Planning and development in free India, though practically those plans were never implemented and remained as paper plan. After India attained the independence the India Constitution laid down “Economic and Social planning under the head of concurrent list of Schedule VII (Basu, 1994). Nehru took this as opportunity and therefore, the Government of India set up the Planning Commission in 1950 through resolution to assess the country’s needs of material capital and human resources and to mobilize resources and allocate outlays through plans for more balance and affective utilization and development. The Prime Minister of India becomes the Chairman of Planning Commission.

The Planning Commission defined the scope of it work in the following terms :

The Constitution of India has guaranteed certain Fundamental Rights to the citizens of India and enunciated certain Directive Principle of State Policy, in particular that the state shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice- social, economic and political, shall inform all the institutions of the national life, and shall direct its policy towards securing, among other things :

a) that the citizen, men and women equally have the right to an adequate means of livelihood.

b) that the ownership and control of the material resources of the community are so distributed as best to sub-serve the common good; and

c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

Having regard to these rights and in furtherrance of these principles as well as of the 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 services of the community. The Planning Commission will:

1. Make an assessment of the material capital and human resources of the country, including technical personnel, and investigate the probability of augmenting such of these resources as are found to be deficient in relation to the nation’s requirement;

2. Formulate a plan for the most effective and balanced utilization of the country’s resources;

3. On the determination of priorities, define the stages in which the plan should be carried out and propose the allocation of resources for the due completion of each stage;

4. Indicate factors which are tending to retard economic development, and determine the conditions, which, in view of the current social and political situation, should be established for successful execution of the plan;

5. Determine the nature of machinery which will be necessary for securing the successful implementation of each stage of the plan in all its aspects;

6. Appraise from time to time, the progress achieved in the execution of each stage of the plan and recommend the adjustment of policy and measure that such appraisal may show to be necessary;

7. And make such interim or ancillary recommendation as appear to be appropriate either for facilitating the discharge of the duties assigned to it; or on a consideration of the prevailing economic conditions, current policies, measures and development programmes; or an examination of such specific problems as may be referred it for advice by Central and State Governments (First Five Year Plan: 1-2).
The long-term objectives of economic planning in this country have been spelt out in various plan documents. Broadly, the main objectives are: 1) economic growth (approximately at an annual rate of 8 percent per annum), 2) self-reliance 3) removal of unemployment, 4) reduction in income inequalities, 5) removal of poverty and 6) modernization. Some of these objectives have been elaborately discussed in the Second and Third Five Year Plans. In the subsequent plans they have been simply reiterated. Various plans, however, do not place equal emphasis on these objectives. Whereas earlier plans laid stress on rapid economic growth more than any other objectives the later plans attached great importance to self-reliance and removal of poverty. In the Seventh Plan modernization has been stressed (Mishra and Puri 1989: 279).

Review of various Plans

At the time of the First Five year Plan (1951-56). India was faced with three problems – influx of refugees, severe food shortage and mounting inflation. India had also to correct the disequilibrium in the economy caused by the second world war and the partition of the country. Accordingly, the First Plan emphasized, as its immediate objectives, the rehabilitation of refugees, rapid agricultural development so as to achieve food self-sufficiency in the shortest possible time and control of inflation. Simultaneously, the First plan attempted a process of all-around balanced development which could ensure a rising national income and steady improvement in the living standards of the people over a period of time (Dutt and Sundharam 2000: 241).

The First Five year plan prepared the way for achieving the socialistic pattern of society – an economic and social order based upon the values of freedom and democracy without class, caste and privilege in which there will be a substantial rise in employment and production and largest measure of social justice attainable. The importance of agricultural production was sought and therefore, out of total outlay of Rs. 1,493 crores in the first part of the five year plan, Rs. 191.69 crores
and Rs. 450.36 crores were allotted for agricultural and rural development, and irrigation and power sector, respectively, together which constituted 43 percent (12.8+30.2) of the total outlay (First Five year plan).

The economy has responded well to the stimulus of the first plan. Both agricultural and industrial production have awarded substantial increases. Prices have attained a reasonable level. The country’s accounts are virtually in balance. The important targets prepared in the first plan have realized, and some of them in fact, been exceeded. Some seventeen million acres of land have been brought under irrigation in these five year plans, and the installed capacity for generation of power has been increased from 2.3 million KW to 3.4 million KW. Considerable progress has been done with the rehabilitation of railways. A large number of industrial plant both in the public and private sectors have gone into production.

Against this backdrop the principal objectives of the second five year plan were 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.

Unlike first five year plan, in the second five year plan there was a clear enunciation of a strategy of development by Indian planners. Prof. P.C. Mahalanobis, the architect of the second five year plan was responsible for introducing a clear strategy of development based on the Russian experience. This strategy emphasized investment in heavy industry to achieve industrialization which was assumed to be the basic condition for rapid economic development. Nehru stated “If we are to industrialize, it is of primary importance that we must have the heavy industries which build machines” (Nehru speech 1960). Further he said “There are some who argue that we must not go in for heavy industry but for lighter ones. Of course, we have to have lighter industries also but it is not possible to industrialize the nation rapidly without concentrating on the basic industries which produce industrial machines which are utilized in industrial development” (Govt. of India, Problems in Third Plan, A Critical Miscellany : 34-35).
According to the Plan frame "In the long run the role of industrialization and the growth of national economy would depend upon the increasing production of coal, electricity, iron and steel, heavy machinery, heavy chemicals and heavy industries generally- which would increase the capacity for capital formation. One important aim is to make India independent as quickly as possible of foreign imports of producer goods as that the accumulation of capital would not be hampered by difficulties in securing supplies of essential producer goods from other countries. The heavy industry must, therefore, be expanded with all possible speed" (Second Five Year Plan – The Framework).

The Second Five year plan (1956-61) was formulated with reference to the following objectives : (Second Five Year plan : 7) (a) a sizable increase in national income so as to raise the level of living in the country; (b) rapid industrialization with particular emphasis on the development of basic and heavy industries; (c) a large expansion of employment opportunities; and (d) reduction of inequalities in income and wealth, and a more even distribution of economic power.

The plan emphasized the socialistic pattern of society. It says "major decisions regarding production, distribution and consumption and investment and in fact, the entire pattern of socio-economic relationships must be made by agencies informed by social purpose. The benefits of economic development must accrue more and more to the relatively less privileged classes of society, and there should be a progressive reduction of the concentration of income, wealth and economic power. The state has to take on heavy responsibilities as the principal agency speaking for and acting on behalf of the community as a whole. The public sector has to play its part within the framework of the comprehensive plan accepted by the community (Ibid : 9).

By the beginning of the Third plan (1961-66) the Indian Planners felt that the Indian economy had entered the "Take off stage" and that the first two plans had generated an institutional structure needed for rapid economic development. Consequently the Third plan set as its goal the establishment of a self-reliant and self-generating economy. But the working of the second plan had also shown that
the rate of growth of agricultural production was the main limiting factor in India's economic development. The experience of the first two plans suggested that agriculture should be assigned top priority. The third plan, therefore, gave top priority to agriculture but it also laid adequate emphasis on the development of basic industries, which were vitally necessary for rapid economic development of the country. However, between the India's conflict with China in 1962 and with Pakistan in 1965, the approach of the Third plan was later shifted from development to defence and development (Dutt and Sundharam 2000: 241-42).

In 1960-67, following a severe drought, national income registered only nominal increase of 0.9 percent. However, the record harvest of 1967-68, marking a significant increase in agricultural output, was instrumental in raising national income by 9 percent on that year (Hantal 1996: 52).

The slow rate of growth in agricultural production not only depressed the rate of growth of the economy but also led to an alarming dependence on imports food grains and other agricultural commodities. During third plan, the country imported 25 million tones of food grains, 3.9 million bales of cotton and 1.5 million rates of jute. Similarly, industrial production was also slowed down. The index of industrial production (base 1960-100) increased by only 1.7 percent in 1966-67 and there was hardly any growth (0.3 percent) in 1967-68 (Ibid: 53).

This sharp deceleration was accompanied by an increased in unutilized capacity in a number of industries. Many factor constituted to it: decline in purchasing power because of the set back on the agricultural front; stagnation in investment; shortage of foreign exchange because of the need for abnormal high import of food grains and raw materials and for completion of number of projects started earlier. As a result of several measures taken by the government – such as imported liberalization following devaluation, decontrol of certain commodities like steel, coal, paper, fertilizers and commercial vehicles, de-licensing of a number of industries, some increase in the Public sector demand for domestic manufactures and as rise in the export of engineering goods; an all round industrial economy
began in Jan. 1968 and resulted in increase of 6.2 percent in industrial production in 1968-69 (Fourth Five Year Plan: 7-8).

Hence, the process of liberalization Policy in India began, though very slowly, during this period (Hantal 1996: 53).

The original draft outline of the fourth plan prepared in 1966 under the stewardship of Ashok Mehta had to be abandoned on account of the pressure exerted on the economy by two years of drought, devaluation of rupee and the inflationary recession. Instead, three Annual Plans (1966-69) euphemistically described as “Plan Holidays” were implemented (Datt and Sundharam 2000: 242).

The Fourth Plan (1969-74) aimed at acceleration of the tempo of development in conditions of stability and reduced uncertainties. It set before itself the two principal objectives “growth with stability” and “progressive achievement of self-reliance.” It aimed at average 5.5 percent of growth in the national income and the provision of national minimum for the weaker section of the community—the latter came to be known as the objectives of “growth with justice” and “Garibi Hatao” (Removal of poverty).

It was proposed to introduce safeguards against the fluctuations of agricultural production as well as the uncertainties of foreign aid in the period of the fourth plan. It proposed to reduce the dependency of Foreign aids. It was planned to do away with concessional imports of food grains under PL 480 by 1971.

In the process of development there was inevitably an increase in concentration of economic power. The Government has, therefore, formulated the new licensing policy to control and regulate the concentration of economic power. While continuing with efforts in intensive irrigated agriculture and basic modern industry, it proposed to pay special attention to certain fields of productive activity particularly in agriculture and related primarily production which had been relatively neglected. It proposed to chart the course of industrial development so as to provide for future technological advance and at the same time to bring about dispersal of industrial activity and enterprise. The plan proposed detail action.
through regional and local planning to help the very large numbers of the smaller and weaker producers and increase immediate employment and future employment potential.

It suggested steps to even out supplies of food grains and to stabilize prices through buffer stocks and through operation by public agencies in certain sensitive trading areas.

It looked to the monopoly legislation and appropriate fiscal policy to reduce concentration of economic power. It expected that the nationalization of banking would help in this and also contribute towards diffusion of enterprise and strengthening of weak producing units. The proposed utilization of Panchayati Raj Institution (PRI) in local planning and the gradual building up of an integrated cooperative structure for establishing social and economic democracy particularly in the countryside. It suggested reorganization of the management of public enterprises to achieve the twin aims of a strong well-knit public sector and the autonomous operation of responsible units. It emphasized the need for encouraging operation and decentralized decision making for the private sector-small and large, within this over all frame. Last but not least, it called for a more even distribution of benefits, a fuller life for an increasing large number of people, and building up a strong integrated democratic nation (Hantal 1996: 54-55).

The draft fifth five year plan was formulated in terms of 1972-73 prices and in the context of the economic situation obtaining in the first half of the fiscal year 1973-74. There after, two major development took place. The inflationary pressure gathered momentum till Sept. 1974; and the balance of Payment position worsened due to the steep rise in the prices of imported oil and other materials (Draft Fifth Five Year Plan :1)

It was, therefore, designed mainly to control inflation and increase production particularly in the key sectors. The plan outlay had to be kept at a modest level. Yet care was taken to ensure adequate provisions for agriculture including irrigation and fertilizers, energy (Power, coal and oil), on going payment is steel, non-ferrous
metals and certain basic consumer good industries. Emphasis was on fuller utilization of the unutilized capacities. The provision for social services was restrained but kept at a reasonable level (Ibid :2).

After having succeeded in containing inflationary tendencies and giving the economic situation a promising turn, the objectives laid down in this plan were: removal of poverty and achievement of self-reliance. The strategies related to growth in the three leading sectors, viz., agriculture, energy and critical intermediates and the creation of additional employment opportunities (Ibid :5).

The 20-point economic programme announced by the Prime Minister on 1st July 1975; the various constituents of the 20 point economic programme especially those which require financial investment, have been identified. Priority has been accorded to the implementation of the schemes falling under this programme (Fifth Five year Plan :53).

The fifth plan also permitted foreign capital participation where the technological gap could not be filled by indigenous technology. However, such participation was normally not expected to exceed 40 percent (Draft Fifth Five Year Plan : 136).

There were two sixth plans. The Janata Party’s Sixth Plan (1978-83) sought to reconcile the objectives of higher production with those of greater employment so that people living below the poverty line could benefit therefrom. The focus of the Janata’s Sixth Five year plan was enlargement of the employment potential in agriculture and allied activities, encouragement to household and small industries producing consumer goods for mass consumption and to raise the incomes of the lowest income classes through a minimum needs programme. When the sixth Plan (1980-85) was introduced by the Congress, the Planners rejected the Janata approach and brought back Nehru model of growth by aiming at a direct attack on the problem of poverty by creating conditions of an expanding economy.

The gradual process of liberal economic policy was followed in sixth five year plan to maintain growth with stability. It, therefore, called for flexible licensing
policy for private participation in the capital formation (Sixth Five Year Plan: 84). Though the key industries remained under the control of public sector, a little openness gradually started in country. The sixth plan policies stated attentions in following areas (1bid: 84):

(a) Removing the disadvantages, which exports suffer because of restrictions on imports.

(b) Removing obstacles to the expansion of capacity for exports.

(c) Streamlining the existing cash compensation and other schemes intended to remove the disadvantages suffered by exports on account of taxation and physical controls operating in the economy.

(d) Ensuring that Government intervention in the foreign trade policies is such as not to discriminate against exports and production for production for exports, there is a case for making exporting marginally more profitable than import substitution, in view of the need to diversify export trade which involves capturing new markets abroad and retaining them; and

(e) Maintaining adequate links with technological development abroad so that our export capability is not hurt by outdated technology.

The seventh five year Plan (1985-90) sought to emphasis policies and programmes which would accelerate the growth in food grains production, increase employment opportunities, and raise productivity—all these three immediate objectives were regarded as central to the achievement of long-term goals determined as far back as the first plan itself (Datt and Sundharam 2000: 242).

It the seventh plan the liberal economic policy was more encouraged. It says "in addition to the programme of public sector investment, the plan must contain a set of policies designed to bring about the desired pattern of investment in the private sector. Other policies lead supportive of the plan will be those which lead to efficiency and economy in resource use in both the public and the private sector. Thus, the success of the plan would depend among others on the choice of the **Current Policy Framework** (Seventh Five Year Plan: 68). The seventh plan stated
that a strenuous effort at non-planned expenditure control was required. Arguing that many of the subsidies are not beneficial to the poor, it called that the subsidy burden must be kept down to a reasonable level (1bid:70).

It justified the need of introducing the principle of zero-based budgeting which according to the plan could be applied to non-developmental expenditure as well as developmental expenditure. This would make possible for re-development of personnel, thereby cutting down new recruitment.

The seventh plan also argued that because of the development of economy and the industrial structure which were becoming more and more diversified and complicated, the licensing mechanism and other physical controls became more difficult to operate. Hence, it considered it is necessary to reduce the regular and range of physical controls and the plan greater reliance on Financial Controls which would give signals but would not involve inefficiency and delays (1bid:73).

The sixth five year plan had noted: “The Framework of Rules and Regulations relevant to the nascent stage of development are not necessarily appropriate to the complex industrial structure which has since been built up. Without sacrificing the basic principles of a planned economy, sufficient flexibility would need to be built into the system to impart a sense of dynamism to take advantage of the considerable technological and managerial capabilities that have been developed over the years (1bid:73).

During the sixth plan considerable liberalization was introduced in the rules and operations relating to industrial and import licensing. The level of investment below which licensing was not required was raised to Rs 5 crores. A sizable number of commodities were placed on the Open General Licenser (OGL). In the light of the experience gained during the sixth plan, substantial changes in the licensing policy been introduced. Several important industries have been de-licensed and broad-banding has been introduced to impart flexibility in regard to choice of product by the entrepreneurs (1bid:73).
It also called for liberalizing the import policy. It says: “Quantitative import restrictions, though no doubt effective, have also fostered a chronic disregard for productive efficiency by creating a protected domestic market. And in the absence of equally secure and commensurate incentives for sales abroad, they have discriminated against exports in the same way as a generalized exports duty. As a consequence, a large number of import products are replaced at a much higher domestic resource cost than would have been involved in acquiring equivalent foreign exchange through exports. In line with the sixth plan policy concerns, deliberate efforts were mounted to minimize this bias against exports; and the policy package for exporters from Domestic Tariff Area (DTA) consisting essentially import replenishment, duty drawbacks, cash compensatory support (CCS), concessional credit and provision for domestic intermediates was streamlined and liberalized (bid : 75). It also stated in subsequent para as “Discrimination against exports can be avoided as has been done through the establishing of Free Trade Zone (FTZ) or more percent of Export Oriented Units (EOUs) – a Foot Loose version of the former.

The policies of eighth and ninth five year plan dealt separately under chapter ‘New Economic Policy’. Various programmes and schemes were also devised for social upliftment of the poor sections, as per the direction of Indian Constitution.

**Evaluation of Indian Planning and Development**:

Reviewing the overall achievement of planning in India, draft five year plan (1978-83) under Janata regime stated: “It is a cause of legitimate national pride that over this period a stagnant and dependent economy has been modernised and made more self-reliant. Moderate rate of growth per capita income has been maintained despite the growth of population” (Draft Five Year Plan, 1978-83 : 1).

Among the major achievements of planning in India, increase in national and per capita income progress in agriculture, development of infrastructure, progress in industry, diversification of export and import, development of science and
technology and development of a huge educational system are some of the notable features.

The **Net National Product (NNP)** at 1980-81 prices in 1950-51 was Rs 40,450 Cr. which increased to Rs 1,86,450 Cr. in 1990-91 and further to Rs 2,58,470 Crores in 1996-97. Similarly, per capita NNP at 1980-81 prices increased from Rs 1,130 of 1950-51 to Rs 2,220 in 1990-91 and further to Rs 2,760 in 1996-97. This increase, despite huge population increase over the period, is praise worthy. (Economic Survey, 1998-99).

During the period, the government had spent on an average 23 to 24 percent of the plan outlay in each of the five year plans on the development of agriculture and allied activities and irrigation. This expenditure was in addition to the private sector investment on agriculture and minor irrigation. As a result food grains production rose from 51 million tones of 1950-51 to 108 mill. tones in 1970-71 and further to 199 mill. tones in 1996-97. In other words during 1950s, despite relative smaller size of population we had shortage of food, But now government claiming for bofor stocks of food grain (1 bid)

Another achievement of great significance is the creation of economic infrastructure which provides the base for the developmental programme and industrialization. According to Janata’s sixth plan: “A large infrastructure has been built to sustain this sub-continent economy: the network of irrigation storage works and canals, hydro and thermal power generation, regional power grids, a largely electrified and dieselised railway system, national and state highways on which a rapidly growing road transport fleet can operate and telecommunication system covering the most urban centres and linking India with the world”. (Draft Sixth Five Year Plan, 1978-83: 1)

Similarly, achievements in the field of industrial development in the country is appreciable, as the Janata’s Sixth Plan states: “A major achievement has been the diversification and expansion of India’s industrial capacity with the public sector...
playing the leading role. The country is self-sufficient in consumer goods and in basic commodities like steel and cement, while the capacity of other industries like fertilizers is rapidly expanding. The growth of capital goods production has been particularly impressive, and India can now sustain the likely growth of most of her industries, whether textiles, food processing or cement or chemicals, metallurgical industries, power and transport, by the domestic production of capital goods needed with marginal imports (Draft Sixth Five Year Plan, 1978-83 :1).

Diversification of export and import, development of science and technology and development of a huge educational systems are other notable features of achievement of Indian Planning. Reviewing national achievements after 40 years of planning Professor D.T. Lakdawala wrote: “There has been some satisfaction with the economic progress made by India on several fronts- the rate and diversity of economic growth, the increase in savings and investment, the almost entire self-reliance realized in food grains production, the high transformation in the structure of industry, the capacity in training highly skilled manpower so as to lead to an exportable surplus in certain lines, the extension of normal and special banking facilities to hitherto un-banked areas and sectors, the unprecedented expansion of state, quasi-state and cooperative institutions in marketing and technical aid and guidance, etc. Some indicators of the quality of life expectations of life at birth, death rate, infant mortality rate have also recorded a welcome change” (Lakdawala 1988 :1)

However, Planning was gross failure in the other aspects of development notably in respect to social equality and development in the country. It has been observed that it failed miserably in its goals of poverty eradication, providing employment, bridging inequalities, education to all, land reform, self-reliance and balance regional development and soon. Below, briefly these problems are discussed.

(a) Poverty:

India’s failure to eradicate poverty even after it achieved the independence attracted the mind of the scholars very seriously in 1970s. Various Scholars
therefore, did important studies on poverty (Dankekar and Rath 1971; Minhas 1970; Bardhan 1973; Bardhan 1970; Ahluwalia 1978; Ojha 1970; Vaidyanathan 1974; Minhas 1974) They found huge percentage of India's population living under the **below poverty line**. For eradication of poverty, Indian Government devised various schemes and programmes such as Integrated Rural Development Programme (IRDP), National Rural Employment Programme (NREP), Rural Landless Labour Employment Guarantee Programme (RLEGP), etc. In the mid-term appraisal of sixth plan, the Planning Commission has claimed that there has been a decline in the incidence of poverty between 1977-78 and 1983-84. The success on the front of poverty has been attributed to the above mentioned programmes, and made highly questionable assumption that the growths of per capita income help benefit the poor. Hence, various scholars sharply reacted to such claim. Rajkrishna asserts that the linking of the poverty ratio with per capita income is not justified. He also denounced the assumption of the Planning Commission that the expenditure on rural development schemes and reduction of poverty are correlated (Krishna 1983: 1975). Sundaram and Tendalkar also took exception to the claim of Planning Commission and opined that there was utter casualness in their approach of the Mid-Term Appraisal, which can not be uncritically accepted without close scrutiny (Sundaram and Tendulkar 1983: 1928-35). Other scholars however, have refuted the above criticisms (Rath 1985; Paul 1984; Bagchee 1987). According to Rath the IRDP strategy "is largely misconceived. Only a small proportion could be helped; what is equally true is that only a very small proportion can be helped in this manner. Putting more burden on this approach will discredit the line of attack, generate wastage, corruption and ultimately cynism. In a multi-pronged attack on rural poverty this approach surely has a legitimate place, but it can not be the mainstay of such a programme" (Rath 1985: 245). He favours a programme of creating wage employment on a massive scale (1bid: 245).

However, Hirway and Dantwala disagreed with Rath and advocated that in a programme for poverty alleviation the role of self-employment should not undermined (Hirway 1985; Dantwala 1985). According Hirway, self-employment is
amajor force of employment in the rural areas and this fact must not be ignored in
the strategy of poverty alleviation (Hirway 1985 : 562). Further, dependence on wage
employment alone to tackle the problem of poverty will lead to total dependence of
the poor on employers. It is also likely to accentuate the gap between the rich and
the poor by strengthening the asset base of the former (Dantwala 1985).

Among other causes there are three important causes such as rapid
population growth (i.e., Mellor 1986 : 21) concentration of wealth and inequality
(i.e., Griffin 1979: 61-79) and corruption and non-implementation of programmes
(Hantal 1996b) are the important factors responsible for accentuating poverty. But
for these, strong and careful policy and implementation of such policy with letter
and spirit is necessary, which so far is absent in our country. According to Kurien,
the existing social structure is the main obstacle against poverty alleviation. He
asserts “In some instances the structural elements can be so pervasive that even the
most carefully designed strategies may not only fail, but can turn out to be counter
productive (Kurien 1986 : 382). It has also been observed that anti-poverty policies
eventually help the rich and middle income groups more than they help poor

The people living below poverty is so massive that it can not be agreed with
the view point that poverty has been reduced or can be reduced with gradual
approach but radical move with target-based design is required. The soft policy of
Indian Indian Government, perhaps, responsible for this massive people living
under the clutch of poverty (Myrdal 1968). In following table 1 compilation of
poverty incidence by World Bank, Planning commission, Minhas etal, Gaurav Datt

Table 1:Compilation of Poverty Incidence by World Bank, Planning
Commission,Minhas et al,Gaurav Datt and Ravallion and Planning

<table>
<thead>
<tr>
<th>S.N</th>
<th>Year</th>
<th>Percentage of people below the poverty line</th>
</tr>
</thead>
</table>

53
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>53.0</td>
<td>44.9</td>
<td>41.7</td>
<td>45.5</td>
<td>36.4</td>
<td>52.4</td>
</tr>
<tr>
<td>2</td>
<td>Minhas et al</td>
<td>57.3</td>
<td>49.0</td>
<td>44.9</td>
<td>45.9</td>
<td>38.3</td>
<td>46.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>49.0</td>
<td>38.3</td>
<td>36.5</td>
<td>42.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Planning Commission</td>
<td>40.4</td>
<td>32.</td>
<td></td>
<td>28.1</td>
<td>19.4</td>
<td>29.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>45.07</td>
<td>40.03</td>
<td></td>
<td>43.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Datt and Ravallion</td>
<td>45.6</td>
<td>42.2</td>
<td>39.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Planning Commission</td>
<td>56.4</td>
<td>49.2</td>
<td>39.1</td>
<td>54.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expert</td>
<td>53.1</td>
<td>47.4</td>
<td>40.1</td>
<td>51.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Group Report3)</td>
<td>45.6</td>
<td>42.2</td>
<td>39.1</td>
<td>44.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SOURCES**


   Datt and Ravallion have also shown the regional disparities of poverty in India. According to them, largest numbers of people under below poverty line were in Bihar (60.76 percent), followed by Orissa (55.16 percent), and West Bengal.
(54.37) Percent. Lest numbers of people falling under this category were in Punjab (19.35 percent) followed by J & K (19.56 percent) and Haryana (21.69 percent) (Datt and Ravallion 1989 : 37). Minhas lamented that the rural poor despite being numerous were failed to catch as much attention as the urban poor (Minhas 1971 :102).

After taking the detail account of the rural poor, Bardhan has listed the following mechanism whereby 'trickle down' effects were prevented since the mid-sixties : (i) The adoption of labour-displacing machinery immiserized a section of wage labourers; (ii) The increased profitability of self-cultivation by large landlords led to eviction of small tenants; (iii) The increased dependence of agriculture on purchase inputs and privately managed irrigation drove resource-less small farmers out of cultivation; (iv) The emergence of the class of new rural rich after the green revolution caused a shift in the demand pattern away from local handicrafts and services and this led to the impoverishment of the village artisan; (v) Rapid agricultural growth in selected areas induced immigration of agricultural labour from backward areas; (vi) The increased use of pump sets by richer farmers has resulted in some areas in a drop in water tables and as a result traditional lift irrigation technology used by poorer farmers has become less effective. Further, the large farmer is no longer interested in the maintenance of old irrigation channels and the small farmers alone are not in a position to mobilize adequate resources for this purpose; (vii) The new technology has brought about a decline in the participation of women in the agricultural workforce and this has in most cases caused a decline in the earnings of the relatively poor households; (viii) The increased political bargaining power of the rural rich has resulted in higher administered prices of food grains while agricultural labourers have shown a tendency to lag behind the price rises (Bardhan 1986).

As stated already, the government has taken many measures to eradicate poverty but none of those were really successful in it's objective. The solution for eradicating poverty according to government and, of course, many politicians lies with providing employment and raising the productivity of law level of employment.
The Approach Document to the Fifth Plan states (1972): “Employment is the surest way to enable the vast numbers, living below the poverty level to rise above it. Conventional fiscal measures for redistribution of income can not by themselves, make significant impact on the problem (Towards an Approach to the Fifth Plan 1972: 8). Prof. Chakrabarty says: “The solution to the problem of rural poverty will require that small farmers must also be given access to land-augmenting innovation along with a programme of well-conceived public works. Both these make considerable demand on available services and organizational capabilities as they can not be merely directed from above- many of the specific task will need to be done on a decentralized basis “(Chakrabarty 1987: 88).

Suri and Gangadharan however, says: “The institutional malady needs to be rectified to completely eradicate poverty in the long-run. The effects of an initial unequal distribution of income yielding assets has been cumulative, resulting in the continuance and intensification of this skew ness, that is, we find two interconnected vicious circles, one of affluence and the other of poverty. Thus, any attempt to break the vicious circle of poverty without tampering with the vicious circle of affluence will not affect the cumulative process or halt the widening gap between the rich and the poor. It is in this context that Garivi Hatao (Removal of poverty) is incomplete as a drive in the eradication of poverty. In other words, it must be complemented with Amiri Hatao-Removal of Affluence”(Suri and Gangadharam 1997: 33).

Finally, it can be concluded, that the free-India’s economic policy too miserably failed like that of British economy policy in tackling poverty. In this context writing of Amartya Sen is worth to mention. He said: “The poor is not an economic class, nor convenient category to use for analyzing social and economic movements. Poverty is the common outcome of a variety of disparate economic circumstances and a policy to tackle poverty must, of necessity, go beyond the concept of poverty. The need for discrimination is essential”. (Sen 1977 : 246). He further asserted, “It is not sufficient to know how many poor people there are, but how exactly poor they are “(Ibid :247).
(b) **Unemployment**: Poverty and unemployment are mostly interrelated. Because there is unemployment, there is poverty or because there is poverty, there is unemployment. According to Committee of Experts on Unemployment, total number of unemployed were 18.7 million in 1973 which included 16.1 million from urban India (Committee of Experts on Unemployment 1973). Similarly, according to CMIE report, the number of educated unemployed increased from 22.96 lakhs in 1971 to 224.34 lakhs in 1991 (CMIE 1994).

The following **table 2** reveals the correlation between poverty and unemployment. As per the facts of table, nearly three-fourths of the unemployed belong to households with an income level less than Rs 200/- per month. All such families can be broadly classified as living below the poverty line. Obviously, unemployment is widely spread in poor families and as income levels improve the proportion of the unemployed to the total unemployed declines.

<table>
<thead>
<tr>
<th>Household monthly income level</th>
<th>Percentage of unemployment to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs.100 and less</td>
<td>45.4</td>
</tr>
<tr>
<td>Rs.101 – 200</td>
<td>29.5</td>
</tr>
</tbody>
</table>

**Table 2**

: Percentage of Unemployment (age group 15 and above) in the income group as percentage of total unemployment in all income groups.
Planning Commission has also stated **Usual Status** of unemployment through 32\textsuperscript{nd} round and two-sub rounds of 38\textsuperscript{th} round in the **National Sample Survey Organisation**'s study on Employment-Unemployment. On the basis of 32\textsuperscript{nd} round, the unemployed figures were 13.89 million, 13.25 million and 13.10 million for Age Groups 5+, 15+ and 15-59 respectively. Figures of 32\textsuperscript{nd} round has shown increase unemployment in 1985 in comparison to 1980. Hence, two quick 38\textsuperscript{th} rounds were made to show lesser numbers of unemployed. Because of this, it invited criticism from scholars. According to critics Planning commission wish to mislead the people through statistical guqqlery about the dimension of the problem (Jha 1986 : 150-52).

Scholars also criticized various employment generation programmes such as NREP, RLEGP, TRYSEM, IRDP etc. The criticism was based on three points such as, about the scheme itself, non implementation, and wrong identifications. On the basis of the NABARD surveys of IRDP, Rath concludes : "The NABARD (1984) surveys shows the percentage of beneficiaries wrongly classified to be 42 percent in Assam, 17.76 in Haryana, 35 percent in Punjab, 19 percent in M.P, and 13 percent in Maharashtra. As against this, the survey showed 11 percent misclassification in the surveyed districts of T.N. and Karnataka, 7 percent in A.P and hardly one percent or less in Orissa, Bihar and U.P.... On the whole, however, it would not be improper to suggest that at least 15 percent of those identified poor and helped under IRDP did not really belong to the category of the poor (Rath 1985).

Krishnan on the basis of his study in Kerala concludes : "The majority of the beneficiaries to the extent of 80 percent (based on annual family income of less than

| Rs.201-500 | 17.9 |
| Rs.500 and above | 7.2 |
| All levels | 100 |
Rs 3,500/- and 63.25 percent (based on monthly per capita income of less than Rs 76/-) were not eligible for assistance under the programme. Targets are fixed without realistically understanding the magnitude of poverty in a specific region resulting in benefits being liberally passed on the well-off sections (Krishnan 1984:265). Similarly, Hirway, on the basis of a study of four selected villages in Gujarat concludes: “Firstly, the non-poor households dominate among participants—about 55 to 75 percent of the participants are non-poor in the villages. And secondly, the non-participants mainly belong to the lowest three deciles of consumption levels (Hirway 1984: 282).

Ashok Rudra asserts that the government never had an employment policy. It also did not set a target date “by when any able bodied person who wants to work and make an honest living can be assured of a job that would offer him at least a minimum subsistence “(Rudra 1982: 473). Making his observations Tarlok Singh wrote in the mid-seventies, “lags in employment and inadequacy of various policies and measures adopted thus far are indications that the task of ensuring work for all has to be taken up in a much more fundamental way than in the past “(Singh 1974:115). It has also been observed that the employment programmes were not sufficient one to enable poor to increase his level of status but even non-sufficient for basic subsistence of life. According to Jha, therefore, “The employment to be generated must be gainful and if the wages earned are not to be a burden on the community and, therefore, in the nature of dole or charity of goods and services produced must have an effective demand for them out of their sale proceeds, reasonable wages can be paid preferably but not necessarily in all cases—without raising prices “(Jha 1984: 6-7). According to Choudhuri, there is lack of compatibility between employment and output. There is no serious concern in the formulation of the strategy for the compatibility of the employment targets with various output and investment targets (Choudhuri 1978: 221).

Bharadwaj in his writings of unemployment in India, emphasized on growing rate of urban unemployment in India (Bharadwaj 1969: 109-26). Sometime, the reason cited for such growing urban unemployment, particularly educated
unemployment, had been excessive supply of educated youth. “Supply has consistently moved ahead of demand so that educated unemployment as a fraction of the stock of educated man power has remained relatively constant” (Blaug et al 1969:234). According to Blaug et al, however, the educated unemployment in itself is no proof of over investment in education. Since it is caused by market imperfection. “the appropriate remedy, might, therefore, involve an active manpower policy designed to improve the functioning of labour markets rather than a contraction of upper secondary and higher education (Ibid: 234-35).

According to Myrdal, India’s educational policy does not aim at development of human resources rather it merely produces clerks and lower cadre executives for the government and private concerns. With the expansion in the number of institutions which impart this kind of education, increase in unemployment is inevitable. It is so because education in arts, commerce and science will not ensure employment to all those who have received it on account of its limited utility for productive purposes. Myrdal considers all those who receive merely this kind of education not only as inadequately educated but also wrongly educated (Myrdal 1966:1647).

Another reason mostly given for the growing unemployment in India is the backward economy of India. It is therefore, assumed by the Planning Commission that the growth of economy would generate employment and solve the crises of unemployment problem in the country. However, it does not satisfy to all economists. Some of them argued that even the high growth had not generated employment so it would not be possible to see that in future the high growth of economy would resolve the crises of unemployment in India (Brahmananda 1978:52). For Lewis, often wrong choice of technique, that is instead of labour-intensive, going for capital-intensive technique, is responsible for the rising trend of unemployment (Lewis 1955:356).

The possibility of an increase in unemployment is not completely ruled out in a rapidly developing economy. In fact, there exists a real conflict between the objectives of economic growth and employment in the early phase of development
(Stewart and Streeten 1973:367-84). Hazari and Krishnamurty have brought out the conflict between growth and employment inherent in the Mahalanobis strategy which guided India's development efforts for about two decades (Hazari and Krishnamurty 1970).

Apart from general unemployment, various scholars have also brought out of hidden or designed unemployment and under-employment in India, especially in rural agrarian society and accused the non-sensible Indian economic policies for such miserable situations (Sen 1977: 418; Mehra 1966 : 111-129; Bhattacharjee 1961; Rudra 1973; Uppal 1967 : 590-96). Hence, it may be summed up that the planning in India could not provide employment and forced the vast Indian poorer into clutch of poverty.

(c ) Inequality :

The income inequality in India is another social problem and policy failure of Indian government. Lydall estimated income distribution for the year 1955-56 on the basis of data obtained from income tax records and the NSS data on consumption expenditure. According to his estimates India's per Capita income in 1955-56 was Rs 255/- (at Current prices) per annum. He estimated that income of about 72 percent people whose incomes were above national average accounted for 51 percent of the national income while the poorest 25 percent population had to remain contented with a mere 9.5 percent of the national income (Lydall 1960). Other studies also supported the inequalities of income existent in India(RBI 1962 ; NCAER 1962). Other studies conducted in 1960s revealed further growth of inequalities in country (Ojha and Bhatt 1974 : 163-66; NCAER 1966; Ranadive 1973)

Pranab Bardhan Complied the above studies of income inequalities in his work. The compilation of his work is stated in following table 3.

Table3 : Percentage Distribution of Personal income by groups of population

61
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bottom 20%</td>
<td>7.50</td>
<td>7.000</td>
<td>7.80 7.60</td>
</tr>
<tr>
<td>Top 20%</td>
<td>47.49</td>
<td>48.000</td>
<td>45.47 46.60</td>
</tr>
<tr>
<td>Lorenz Ratio</td>
<td>0.39</td>
<td>0.375</td>
<td>0.351 0.367</td>
</tr>
</tbody>
</table>


The perpetuation of inequality of income distribution and its further widening of gaps in 1970s and 1980s, have been reported from various studies (NCAER 1980; Bhalla and Vashistha 1988: 50; Iyengar and Brahmananda 1987: 87; Tendulkar 1987: 123-25; Chelliah and Lal 1981:82). In 1975-76, according World Bank report, lowest 20 percent had 7 percent share of household income while 49.4 percent of household income was shared by highest 20 per people of nation (World Bank 1988: 272-73).

In term of assets distribution, especially in rural India, the inequality is much more high, in fact it is against the ethos of Indian Constitution. This is stated in following *table 4*.

**Table 4 : Distribution of Assets in Rural India (in Percentage)**
<table>
<thead>
<tr>
<th>Population</th>
<th>1961</th>
<th>1971</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest 10</td>
<td>0.01</td>
<td>0.1</td>
</tr>
<tr>
<td>Lower 30</td>
<td>2.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Top 30</td>
<td>79.0</td>
<td>89.9</td>
</tr>
<tr>
<td>Top 10</td>
<td>51.4</td>
<td>51.0</td>
</tr>
</tbody>
</table>

**SOURCE:** Sixth Five Year Plan (1980-850), Planning Commission, P-8

The above table indicates how inequality of assets holding is growing in rural India. There is marginal improvement in the lowest 10 and toppest 10 categories, but the inequality system in asset holding in the categories of lower 30 and 30 top is widening very much. Similar observation has been made by among others, sociologist A.R. Desai about rural land holding system and found that approximately 20 percent rural population held more than 80 percent of Indians cultivable land whereas 80 percent of rural population held only 20 percent of land (Desai 1987).

According to some scholars, usually in underdeveloped and developing countries inequality is more in comparison to developed nations in which inequality is in between low and moderate. In socialist countries, however the gap is less (Chenery et al 1974). However, according to World Development Report 1994, inequality was more even in advanced countries though it was Brazil who topped in the list of inequality distribution of income followed by Mexico. **Table5** states distributions of income in selected Countries (Percentage Distribution)
Table 5: Distribution of income in selected Countries(Percentage Distribution)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Year</th>
<th>Lowest 20</th>
<th>Highest 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>1989</td>
<td>2.1</td>
<td>67.5</td>
</tr>
<tr>
<td>Mexico</td>
<td>1984</td>
<td>4.1</td>
<td>55.9</td>
</tr>
<tr>
<td>U.K</td>
<td>1988</td>
<td>4.6</td>
<td>44.3</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1982</td>
<td>5.2</td>
<td>44.6</td>
</tr>
<tr>
<td>China</td>
<td>1990</td>
<td>6.4</td>
<td>41.8</td>
</tr>
<tr>
<td>U.S.A</td>
<td>1979</td>
<td>6.2</td>
<td>36.7</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1991</td>
<td>8.4</td>
<td>39.7</td>
</tr>
<tr>
<td>India</td>
<td>1989-90</td>
<td>8.8</td>
<td>41.3</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>1990</td>
<td>8.9</td>
<td>39.3</td>
</tr>
</tbody>
</table>


According to scholars like Kuznets, in the early stage of development the inequalities show a tendency to grow (Kuznets 1955: 1-28). However, after several decades of Indian planning and development, the inequality system, instead of getting narrowed, in fact widening. Moreover, As per World Development Report, as stated in Table 5, the developed nations like, U.K., USA and Switzerland also could not reduce the inequality system. Perhaps, Ambedkar was right in saying that, for only sake of humanistic point of view, no one is likely to give up the power and privillages he/she has been enjoying(Ambedkar). Hence, it is the state which should take appropriate decision with regard to reduction of inequality.

Though Indian government has enunciated various programmes for reduction of inequalities such as land reform, it has truly failed in its desired objectives-practical implementation of such principles. Perhaps, one of the biggest reasons of
perpetuation of inequality especially in rural India is it’s failure of implementation of land reform in letter and spirit. Various studies support this (Tendulkar 1987 : 87, Chakrabarty 1987 : 8; Desai 1987)

Baqchi has argued that tax structure in India is regressive and it has encouraged further concentration of economic power (Bagchi 1974 : 462-65). Thus fiscal policy, according to, further widened the inequalities in country. By criticizing Indian economic policy on income redistribution front, K.N. Raj stated: “Inequalities in income and wealth are also greater now than they were at the beginning of this period of planned development “(Raj 1969 : 47). It is rightly pointed out by some scholars that in a society with an unequal distribution of assets and power, growth of nation often failed to redistribute income and to eradicate poverty (Streeten et al 1981)

Paranjape argued that MRTP act which controls and restricts objectionable trade practices was rather inadequate and ineffective, yet the government, instead of making it more tightening, further liberalized on one pretest or the other, thereby indirectly supported to the perpetuation of inequalities in the country (Paranjape 1983). Similarly poverty eradications and generation of employment programmes have been rather ineffective tools to bring the gap of inequality (Srinivasan 1974 : 379; Dantwala 1973 : 44). Therefore, perhaps, Choudhari rightly asserted that Indian plans had never made any serious attempt to redistribute income and wealth (Choudhari 1971 : 26).

In its objective of self reliance also, the Indian plan failed miserably, for which it has attracted larger number of criticism. The detail discussion of this topic is not done here. However, following statement of Ezekiel is worth mentioning. According to him “Planning documents contain many examples of statements in which after declaring self-reliance to be the objective in one sentence, the next and subsequent sentences go on to show how it is proposed to achieve, self-sufficiency (Ezekiel 1992). Imbalanced regional development is another instance of Indian Planner’s failure of bringing the social equity. The imbalanced development has been highlighted
through various works of scholars (Lahiri; IEA 1969; IEA 1974; Chand and Puri 1983).

As stated already, it is not only due to lack of proper planning, it is more so due to lack of proper implementation of such that India could not attain its basic objectives, whether abolition of poverty, generation of employment, reduction of inequalities or balance regional development in country. Towards the end of 1980s the new global economic policy, after the 8th round of GATT (known as Uruguay Round talk), started spreading world wide. The new policy is known as liberal policy. More recently it is popularized ‘globalization’. In next chapter the emergence of global order of economy is discussed.

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