**India’s Economic Plans: History, Characteristics and Objectives:**

**1. History of India’s Economic Plans:**

Independence came to India with the parti­tion of the country on 15 August 1947. In 1948, an Industrial Policy Statement was an­nounced.

It suggested the setting up of a National Planning Commission and framing the policy of a mixed economic system.

On 26 January 1950, the Constitution came into force. As a logical sequence, the Planning Commis­sion was set up on 15 March 1950 and the plan era started from 1 April 1951 with the launch­ing of the First Five Year Plan (1951-56).

How­ever, the idea of economic planning in India can be traced back to the pre-independent days.

“The idea of economic planning gained currency in India during and after the years of the Great Agricultural Depression (1929-33). The then Government of India was by and large guided by a policy of leaving economic mat­ters to individual industrialists and traders.”

**(i) 1934:**

It is rather surprising that blue­prints for India’s planning first came from an engineer-administrator, M. Visvervaraya. He is regarded as the pioneer in talking about planning in India as a mere economic exer­cise. His book ‘Planned Economy for India’ pub­lished in 1934 proposed a ten-year plan. He proposed capital investment of Rs. 1,000 crore and a six-fold increase in industrial output per annum.

**(ii) 1938:**

In 1938, the Indian National Con­gress headed by Pandit J.L. Nehru appointed the National Planning Committee (NPC) to prepare a plan for economic development. The NPC was given the task of formulating a com­prehensive scheme of national planning as a means to solve the problems of poverty and unemployment, of national defence, and of economic regeneration in general. However, with the declaration of the World War II in September 1939 and putting leaders into prison, the NPC could not march ahead.

#### (iii) 1944:

The Bombay Plan, the People’s Plan and the Gandhian Plan: One of the most widely discussed plan during the 1940s was the Bombay Plan prepared by the Indian capi­talists. It was a plan for economic development under considerable amount of government intervention.

It emphasised the industrial sec­tor with an aim of trebling national income and doubling of per capita income within a 15-year period. Under this plan, planning and industrialisation were synonymous.

An alternative to the Bombay Plan was given by M. N. Roy in 1944. His plan came to be known as People’s Plan. His idea of plan­ning was borrowed from the Soviet type plan­ning. In this plan, priorities were given to ag­riculture and small scale industries. This plan favoured a socialist organisation of society.

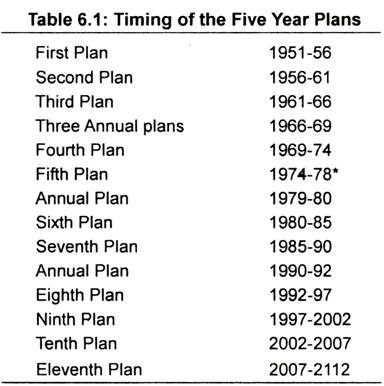
In the light of the basic principles of Gandhian economics, S. N. Agarwal authored ‘The Gandhian Plan’ in 1944 in which he put emphasis on the expansion of small unit pro­duction and agriculture. Its fundamental fea­ture was decentralisation of economic struc­ture with self-contained villages and cottage industries.

#### (iv) 1950 Planning Commission:

After in­dependence, the Planning Commission was set up by the Government of India in March 1950. The Commission was instructed to (a) make an assessment of the material capital and human resources of the country, and formu­late a plan for the most effective and balanced utilisation of them; (b) determine priorities, de­fine the stages for carrying the plan and pro­pose the allocation of resources for the due completion of each stage; (c) identify the fac­tors which tend to retard economic develop­ment; and (d) determine the conditions which (in view of the then current socio-political con­ditions) should be established for the execution of the plan.

The planning process was initiated in April 1951 when the First Five Year Plan was launched. Since then ten five year plans have been completed and the Eleventh Plan is in progress.

**The Timing of These Eleven Plans are Given here in a Tabular Form:**

**[](http://cdn.economicsdiscussion.net/wp-content/uploads/2015/04/clip_image00242.jpg)**

### 2. Characteristics of Indian Plans:

There is a long history of the evolution of eco­nomic thinking and approach to planning in India and, therefore, its features are changing with the change of the economy. Structure and objectives of each and every country never remain uniform as well as linear. One can also see a wide difference in the political viewpoint as well as political approaches. Such differ­ences lead to different approaches to plan­ning varying from country to country.

In other words, every country has its own pecu­liarities of economic planning, and India is no exception to this. Further, such characteristics of Indian planning are not uniform. It is to be noted here that the features relate to the initial situation that shape the future of plan­ning. Again, the objectives of planning are not static in the sense they need to be changed according to the needs and opportunities of the country.

Indian history of planning can be divided into three periods: pre-independent, 1951- 1991 and 1991 onwards. We will, however, concentrate on planning of independent In­dia down from 1951 till date. Now we will present some of the essential features of Indian planning so as to understand the me­chanics of planning both in a controlled and planned economy, and planning in a market- friendly economy.

#### (i) Five Year Planning:

Though India’s plans are of a 5-year period, such planning is linked with a long term view. Sino-India War (1962), Indo-Pak War (1965), and the unprecedented drought in the mid-60s forced to adopt the approach of ‘plan holiday’ from the Fourth Five Year Plan. Instead of a regular Five Year Plan, planning was discontinued through three ad hoc Annual Plans during the period 1966-69.

Again, with the assumption of power by the Janata Government in 1977, rolling plan on a year to year basis or the Sixth Plan had been formulated for the period 1978-83. In 1980, this rolling plan concept was discontin­ued by the Congress (I) Government much ahead of the scheduled time and the Sixth Plan came into operation from 1980 and continued till 1985. Because of unprecedented political crisis in New Delhi and frequent changes of power, the Eighth Five Year Plan scheduled for the period 1990-95 could not be launched.

The Eighth Five Year Plan was delayed by two years, though the years 1990-91 and 1991-92 had not been projected as ‘plan holiday’. The Eighth Five Year Plan came into operation in 1992. Since then there has been no break from the five year planning system.

#### (ii) Developmental Planning:

Indian plan­ning is of the developmental variety. To build up a self-reliant economy, overall economic development of the country received top pri­ority. However, short term problems like refu­gee rehabilitation, food crises, foreign ex­change shortage also got due attention from the planners.

#### (iii) Comprehensive Planning:

Indian plan­ning is comprehensive in character in the sense that it not only undertakes economic pro­grammes but also puts emphasis on changes in institutional structures and cultures. It emphasies both on the development of agri­culture, industry, transport and commu­nications and physical infrastructures and so­cial infrastructures such as literacy, health, population control, environment, etc. Plan­ning programmes are also initiated for the development of lower castes and backward classes so that these people are involved in the development processes.

#### (iv) Indicative Planning:

Indian planning before 1991 was of the nature of directive plan­ning and averse to the role of market mecha­nism. As far as resource allocation in the gov­ernmental sector was concerned, the govern­ment did not rely on the market but gave directions so that resources could be utilised by all the states efficiently. Private initiative and freedom was allowed but not in an un­hindered way. Private industrialists were en­couraged for making investments but, at the same time, they came under strong control and regulation.

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Thus, planning in India during 1951-91 was not strictly ‘planning by direction’ like the socialist plan and not strictly ‘planning by inducement’ like capitalist planning.

This old system of Indian planning of the comprehensive nature was to be replaced by an integrative approach that combines both planning and market mechanism. Thus, the Indian planning became indicative in nature with the launching of the Eighth Five Year Plan in 1992. As plans roll on, its indicative nature gets strengthened.

Under it, the role of the government becomes passive and the gov­ernment sheds some of its functions at the al­tar of the market principles. It is indicative planning as it merely outlines the directions to which the country is expected to run as well as talks about the means for achieving these aims.

To improve efficiency and productivity of the economy, reliance on market principles is attached and planning mechanism then act as a pathfinder or a leader instead of putting more emphasis on the long term goals of the country.

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Thus, flexibility is one of the impor­tant hallmarks of indicative planning. Earlier, Indian planning was also of indicative char­acter. But the Eighth Plan had made it more so and had redefined the role and functions of the Planning Commission.

#### (v) Democratic Planning:

Indian planning is democratic planning. The chief building block of laying down the national plan is the Planning Commission. It is a decision-making body that formulates five year plans and implement them in a democratic spirit and frame. Discussions are held periodically be­tween the people’s representatives, industrialists, chambers of commerce, educationists, and many other bodies as well as the mem­bers of the Planning Commission.

The National Development Council is there to make decisions relating to planning in con­sultation with the Union and State Govern­ments. In fact, the NDC is the apex body for coordination of policies and plans of the Cen­tral and the State Governments.

After getting the stamp of approval from the NDC, the plan document is placed before the Parliament for consideration. Though one finds some sort of centralise, planning decisions Indian planning may be called a decentralised one, if not bottom-up planning.

#### (vi) Decentralised Planning or Planning from Below:

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Being democratic planning, In­dian planning is essentially a decentralised type of plan. Until the Fourth Plan, planning at the national level was essentially macro planning. In other words, there was very lit­tle or no provision for microplartning, i.e., planning from below. While ‘macroplan’ pro­vides a broad framework, a ‘microplan’ chalks out all the details in and fixes priorities for dif­ferent regions depending on their specific needs.

A macroplan cannot deal with the problems of the remotest regions of the coun­try. A macroplan does not involve people straightforward. However, for an allround growth of every region—small or big—plan­ning has to be decentralised in which local people, local institutions and local governance are asked to participate. This is called ‘partici­patory development’. Participation of the com­munity is needed to deal with the local prob­lems, local resources, local priorities, etc. In this way, the concept of planning from bottom-to-top rather than top-to-down is more popular in India.

#### (vii) Present Role of the Planning Commis­sion:

The nature and content of the Eighth Plan (1992-97) was different from earlier plans since this plan had been greatly influenced by the liberalised economic policies of the gov­ernment and the changing world situation. From a rather centralised planning system, the country moved gradually towards indicative planning.

However, as market forces gathered strength as contrasted to planning, India’s Planning Commission became somehow re­dundant. Earlier, the Planning Commission behaved something like a ‘super-cabinet’ in propagating and implementing plan policies and programmes.

Against the backdrop of embracing market philosophies, the Planning Commission could no longer act as a policy­making body as it did earlier. The role of the Planning Commission indeed needs to be di­luted in the light of changes in the Indian sce­nario. In other words, Planning Commission needs to be married to the market economy.

Most importantly, the present UPA gov­ernment has been facing challenges from dif­ferent quarters because of coalition politics. And the Planning Commission has been reorienting itself to accommodate the compul­sions of the coalition Government.

In view of this, Dr. M.S. Ahluwalia articu­lated relating to the role of the Planning Com­mission that currently the two roles of the Planning Commission are more important. First is the role of principles that needs to be changed regularly according to the exigencies of the situation. Different ministries will play such roles in their policies and principles.

Since no neutral standpoint could be maintained by the respective ministries, the Planning Com­mission would then play a more bigger role in the realm of perspective or long term plan­ning. Secondly, market, in case of long term of planning, has very little say. Herein lies the importance of the Planning Commission. Thus, the planning methodology must change so as to reflect the new economic realities and the emerging requirements.

It is, thus, obvious that the features of Indian planning are not static. The role of the Planning Commission has changed to a dif­ferent form. Above all, the above features of Indian plans are just the reflection of the coun­try’s socio-eco-politico philosophies and view­points.

### 3. Objectives of Indian Plans:

In LDCs like India, the paramount objective of an economic plan is to bring into new forms of productive capital, which will raise the overall productivity of the economy and, thus, raise people’s income by providing them ad­equate employment opportunities and, thereby, remove the twin problems of desti­tution and mass poverty.

**In an underdevel­oped country like India, these objectives may be broadly grouped under:**

1. A higher rate of growth than was being realised in the absence of the plan;

2. A greater degree of economic equality than was possible under free enterprise;

3. Full employment opportunities for the growing labour force of the country;

4. Economic self-reliance; and

5. Modernisation.

It is to be remembered that the above said objectives are long term objectives of India’s Five Year Plans.

**Now these objectives will be explained:**

#### 1. Economic Growth:

Of all the objectives, the objective of economic growth has received the strongest priority in all the plans. Economic planning in India aims at bringing about a rapid economic development in all sectors. The key sectors are agriculture, power, industry and transport.

Through development of the economy, the country aims at increasing national and per capita incomes. Thus, poverty will be removed and the standard of living will be improved. National income in the First Plan increased by 18 p.c. against the targeted growth rate of 11 p.c.

National income during the Second Plan period increased by 20 p.c. against the target of 21 p.c. On the other hand, per capita income grew at a rate of 2.1 p.c. per annum as against the contemplated rate of growth of 3.3 p.c. The Third Plan sought to increase national income by 5.6 p.c. per annum. But the progress card of the Third Plan showed that national income increased by only 2.5 p.c. per annum. Per capita income during this time failed to rise.

The Fourth Plan aimed at achieving the growth rate of national income and per capita income by 5.7 p.c. per annum and 3 p.c. per annum, respectively. In reality, the actual achievement of national income was merely 3.4 p.c., while per capita income rose by only 1.1. p.c. The Fifth Plan proposed a growth rate of 3.5 p.c. per annum, but later revised it to 4.37 p.c.

However, the economy now fared well and attained a growth rate of 5.2 p.c. per annum. The Sixth Plan aimed at an annual growth rate of 5.2 p.c. Actually, this growth rate was achieved. The Seventh Plan (1985-90) achieved an annual growth rate of 6 p.c. The average growth rate during the Eighth Plan was better (6.8 p.c.) than the Sev­enth Plan. This growth rate slipped down to 5.4 p.c. in the Ninth Plan against a contem­plated growth rate of 6.5 p.c. An ambitious target of 8 p.c. GDP growth rate has been achieved in the Tenth Five Year Plan.

#### 2. Economic Equality and Social Justice:

The twin aspects of social justice involves, on the one hand, the reduction in economic in­equalities and, on the other, the reduction of poverty.

A rise in national income with concentra­tion of economic power in the hands of a few people is not desirable. In India’s socio-politi­cal set-up, vast inequalities exist. Indian plans aim at reducing such inequalities, so that the benefits of economic development percolate down to the lower strata of the society.

The objective of removal of poverty got its clear-cut enunciation only in the Fifth Plan for the first time. Due to the defective planning approach, income inequality widened and poverty became rampant. The incidence of poverty was on the rise.

In view of this para­doxical development, the slogan of ‘Garibi Hatao’ was raised in the Fifth Plan for the first time. It was estimated that approximately 30 per cent of the total population was below the poverty line in 1974. In 1983-84, 44.5 p.c. of the total population were below the poverty line. By 1993-94, it declined to 37.3 p.c. It has been estimated that 28.3 p.c. of the popula­tion lived below the poverty line during 2004- 05—so far the latest estimate.

Though the poverty ratio declined over time, the number of poor people remained at more than 260 million during 1999-2000 due to a countervailing growth in population.

#### 3. Full Employment:

Removal of unem­ployment is considered another important objective of India’s Five Year Plans. But, un­fortunately, it never received the priority it deserved. In the Sixth Plan (1978-83) of the Janata Government, employment was ac­corded a pride of place for the first time. How­ever, the Seventh Plan treated employment as a direct focal point of policy. As a result, the employment generation programme in India received a rude shock and the problem of un­employment is mounting up plan after plan.

#### 4. Economic Self-Reliance:

Self-reliance, or for that matter, self-sufficiency, refers to the elimination of external assistance. In other words, it means zero foreign aid. India is typi­cally a dependent economy. She is used to import huge food grains, fertilizers, raw ma­terials and industrial machinery and equipments. But this objective could not be concertised before the launching of the Fourth Plan.

The basic aim of the Fifth Plan was the attainment of self-reliance. To achieve this goal, the Fifth Plan aimed at increasing pro­duction of food grains, necessary consumption goods and raw materials and the level of ex­ports. While emphasising the increase in ex­ports, the Plan emphasised the need for es­tablishing import substitute industries as an important facet of economic self-reliance.

In the new era dating from July 1991, the objec­tive of self-reliance lost its the then interpre­tation. No longer it refers to self-sufficiency in the present globalised environment. Still then, it is an important component of India’s devel­opment policy.

#### 5. Modernisation:

This objective is com­paratively a newer one. This objective was categorically mentioned for the first time in the Sixth Plan. Modernisation means such variety of structural and institutional changes in the economic activities that can change the feudal and colonial economy into a progres­sive and modern economy.

The important component of modernisation is the develop­ment of a diversified economy that produces a variety of goods. This requires the setting up of a variety of industries. It also refers to an advancement of technology. No doubt cer­tain technological advances have taken place in agriculture, energy, etc. But there is a real danger of this objective in the present context.

The country now faces an alarmingly high un­employment problem and, hence, poverty. But modernisation will definitely arrest the em­ployment generation activities. Hence the con­flict between the objective of modernisation and the objectives of unemployment and pov­erty eradication.

Besides these long term objectives, each Five Year Plan in India has some short term objectives. For instance, the First Plan stressed agricultural development, control of inflation and rehabilitation of refugees. The Second Plan aimed at rapid industrial growth, spe­cially basic and heavy industries. The Third Plan emphasised an expansion of basic indus­tries, but shifted to defence development.

### 4. Evaluation of Objectives:

The objectives of Indian planning are quite comprehensive and its scope is wide.

**But it has various short­comings:**

(a) First, Indian Plans are ambitious. Most of the plan objectives remain unfulfilled. Again, some of the objectives are not quantifiable, Furthermore, desired objectives never match with the actual results. Actual results lay be­hind targets.

(b) Secondly, Indian plans suffer from incon­sistency of the objectives that are set. For in­stance, the objective of accumulation of capi­tal is inconsistent with the objective of reduc­tion of income disparities.

(c) Finally, there are conflicts between objec­tives. Higher economic growth objective may not commensurate with the employment gen­eration objective. Rapid economic growth requires the use of capital-intensive technol­ogy which is, by nature, labour-displacing. Thus, any attempt to improve GDP growth rate is most likely to frustrate the objective of removal of unemployment.

Despite these shortcomings of Indian plan­ning, we must say that the objective of higher economic growth is the most fundamental of all. Plan objectives must be spelt out as to make them consistent with the country’s needs.

### Essentials of Economic Planning

In order that economic planning might be successful, certain essential conditions are to be fulfilled.

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**These conditions are:**

**i. Well-Defined Aims and Objectives:**

Every plan must be associated with certain well defined aims and objectives. In democratic planning there must be a large measure of agreement in the community with regard to these aims and objectives.

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**ii. Emerge Out of the Conscious Decisions:**

Planning must emerge out of the conscious decision of a determinate authority.

**iii. Purposive Direction:**

In a federal structure, where there is the diffusion of power and responsibility, there must be an overall unity of policy. The purposive direction, which planning involves, must come from the Central Government.

**iv. Carefully Fix the Targets:**

The planning authority must carefully fix the targets without illusions as to what is possible. If the targets are fanciful, the whole plan will be fanciful. And this is as true whether the targets are too large or too small. Planners, who promise more than they can perform, throw everything out of gear, so that the economy might use as well not be planned at all. Over-fulfilment is just as much a sign of bad planning as is under-fulfilment.

**v. Flexibility:**

There should be some measure of flexibility in planning, which means that the plans can be revised and rephrased if circumstances demand it.

**vi. Appropriate Duration:**

Planning very far ahead is not desirable. A general five-year plan for the whole economy is no more than a game, because it is not possible to foresee what will happen to productivity in five years.

**vii. Scrupulously Earnest and Determined:**

Once the targets are carefully fixed, the government must be scrupulously earnest and determined to achieve the targets.

**viii. Adoption of Judicious Price Policy:**

In order that the objectives and targets, laid down in the plan, might be achieved, there must be a judicious price policy, which will not only secure an allocation of the resources for making the fulfillment of the targets possible, but will also maintain a certain balance between the various classes of the community.

**ix. Enthusiasm:**

In a democracy the government should make the objectives and targets known to the people and make the final acceptance or rejection of the plan, dependent on the will of Parliament. When the plan emerges in its final shape, the government must try to enlist the active cooperation of the citizens in implementing the plan. Popular enthusiasm is both the lubricating oil of planning, and the petrol of economic development,a dynamic force that almost makes all things possible.

**x. Efficient Administrative System:**

Finally, there must be an administrative system with efficiency and unimpeachable integrity, capable of discharging its responsibilities in connection with the execution of the plan.

An overview of all Five Year Plans implemented in India is highlighted below:

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| **List of Five Year Plans in India [1951-2017]** | | |  |
| **Five Year Plans** | **Years** | **Assessment** | **Objective** |
| First Five year Plan | 1951- 1956 | Targets and objectives more or less achieved. With an active role of the state in all economic sectors. Five Indian Institutes of Technology (IITs) were started as major technical institutions. | Rehabilitation of refugees, rapid agricultural development to achieve food self-sufficiency in the shortest possible time and control of inflation. |
| Second Five year Plan | 1956-1961 | It could not be implemented fully due to the shortage of foreign exchange. Targets had to be pruned. Yet, Hydroelectric power projects and five steel mills at Bhilai, Durgapur, and Rourkela were established. | The Nehru-Mahalanobis model was adopted.‘Rapid industrialisation with particular emphasis on the development of basic and heavy industries Industrial Policy of 1956 accepted the establishment of a socialistic pattern of society as the goal of economic policy. |
| Third Five year Plan | 1961-1966 | Failure. Wars and droughts. Yet, Panchayat elections were started.• State electricity boards and state secondary education boards were formed. | ‘establishment of a self-reliant and self-generating economy’ |
| Annual Plan | 1966-1969 | A new agricultural strategy was implemented. It involved the distribution of high-yielding varieties of seeds, extensive use of fertilizers, exploitation of irrigation potential and soil conservation measures. | crisis in agriculture and serious food shortage required attention |
| Fourth Five year Plan | 1969-1974 | Was ambitious. Big failure. Achieved growth of 3.5 percent but was marred by Inflation. The Indira Gandhi government nationalized 14 major Indian banks and the Green Revolution in India advanced agriculture. | ‘growth with stability’ and progressive achievement of self-reliance Garibi HataoTarget: 5.5 pc |
| Fifth Five year Plan | 1974-1979 | High inflation. Was terminated by the Janta govt. Yet, the Indian national highway system was introduced for the first time. | ‘removal of poverty and attainment of self-reliance’ |
| Sixth Five year Plan | 1980-1985 | Most targets achieved. Growth: 5.5 pc.Family planning was also expanded in order to prevent overpopulation. | ‘direct attack on the problem of poverty by creating conditions of an expanding economy’ |
| Seventh Five year Plan | 1985-1990 | With a growth rate of 6 pc, this plan was proved successful in spite of severe drought conditions for the first three years consecutively. This plan introduced programs like Jawahar Rozgar Yojana. | Emphasis on policies and programs that would accelerate the growth in foodgrains production, increase employment opportunities and raise productivity |
| Annual Plans | 1989-1991 | It was the beginning of privatization and liberalization in India. | No plan due to political uncertainties |
| Eighth Five year Plan | 1992-1997 | Partly success. An average annual growth rate of 6.78% against the target 5.6% was achieved. | Rapid economic growth, high growth of agriculture and allied sector, and the manufacturing sector, growth in exports and imports, improvement in trade and current account deficit. to undertake an annual average growth of 5.6% |
| Ninth Five year Plan | 1997-2002 | It achieved a GDP growth rate of 5.4%, lower than the target. Yet, industrial growth was 4.5% which was higher than targeted 3%.  The service industry had a growth rate of 7.8%. An average annual growth rate of 6.7% was reached. | Quality of life, generation of productive employment, regional balance and self-reliance.Growth with social justice and equality. growth target 6.5% |
| Tenth Five year Plan | 2002 –2007 | It was successful in reducing the poverty ratio by 5%, increasing forest cover to 25%, increasing literacy rates to 75 % and the economic growth of the country over 8%. | To achieve 8% GDP growth rate,Reduce poverty by 5 points and increase the literacy rate in the country. |
| Eleventh Five year Plan | 2007-2012 | India has recorded an average annual economic growth rate of 8%, farm sector grew at an average rate of 3.7% as against 4% targeted. The industry grew with an annual average growth of 7.2% against 10% targeted. | Rapid and inclusive growth.Empowerment through education and skill development. Reduction of gender inequality.Environmental sustainability.  To increase the growth rate in agriculture, industry, and services to 4%,10% and 9% resp. Provide clean drinking water for all by 2009. |
| Twelfth Five year Plan | 2012-2017 | – | “faster, sustainable and more inclusive growth”.proposes a growth target of 8 percent. Raising agriculture output to 4 percent. Manufacturing sector growth to 10 %  The target of adding over 88,000 MW of power generation capacity. |