



# Indian Economic Planning

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**ABSTRACT** - India is a sizable nation with numerous issues that its people must deal with. The country was completely impoverished as a result of the British Empire's nearly 200-year reign and resource exploitation. Except for "independence," there was nothing to be glad or proud of when the British left India in 1947. Before the Indian government, there were numerous challenges. There were issues with food inflation and scarcity in addition to severe poverty. Other significant issues affecting the nation included illiteracy, a lack of access to healthcare, a lack of infrastructure, etc. as an extended strategy. The solution to these issues was to "plan" for economic development.

**Keywords:** Economic Planning, Labour Forces, Unemployment, Liberalization, Privatization, Globalization, Industrialization

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The process of economic planning includes following –

- (i) Compiling a list of the problems the economy is now experiencing.
- (ii) Reordering list according to priority. Number one should be the most urgent issue that needs to be addressed right away, and so forth.
- (iii) The following stage is to determine which issues need to be resolved right away and which ones need to be dealt with over long term.
- (iv) Setting a goal to accomplish intended objective. The deadline by which the issue must be resolved could serve as the aim. How much of the issue will be resolved in the initial time frame (For example, 6 months or a year) must be made clear & so on, if issue is to be resolved over the long term. Second, the goal can be to reach a specific amount. The government may set a quantity objective, for example, in the case of production.
- (v) Making an estimate of the resources required to reach the goal. Resources include money, people, and physical things, among others.
- (vi) Another crucial step is gathering the resources. To arrange the necessary resources, the planners must be aware of the sources. For instance, if the strategy requires finance, the planners must create a budget and include all available funding options. When the government creates plans, tax money is one of its main sources of funding. A bank loan is one of the sources of funding for business owners.

When there are multiple sources of funding, the amount of money that will be acquired from all of these sources must also be determined by the planner.

Another crucial responsibility for carrying out the suggestion for the strategy is the use of human resources. The task's planner must make an estimate of the sort of labour and personnel needed to complete it. This requirement should be well estimated at the onset. Physical resources should also be properly estimated and given. Physical resources include things like offices, cars, furniture, and office supplies.

- (vii) Following the organisation of the resources, the implementation and execution process begins in a planned manner in order to accomplish the intended result. Periodic reviews must be conducted until the desired outcome is realised to ensure that everything is going according to plan, to correct any errors that may have occurred, or to adapt the working style to account for any changes.

India created a five-year planning strategy to handle its many socioeconomic issues. The issues facing the Indian economy at the time of independence have already been discussed. In case you forgot, these problems include pervasive inequality and poverty ineffective food storage and agricultural output, a lack of infrastructure and industrial development, etc. Since it will take time to address these problems, the Indian government created a five-year plan, starting the first year plan in 1951–1952. Making a list of significant issues that needed to be resolved while taking into account the available resources and the ability to organise those resources was the goal. After five years, conduct an assessment of what has been accomplished and, as necessary, make corrections in the following five-year plan term.

The great Indian planners P.C. Mahalonobis, Jawaharlal Nehru, V.K.R.V. Rao & V.R. Gadgil are only a few of them. In 1950, Nehru, who had just been elected India's first prime minister, created Planning Commission, which had main responsibility was to make plans while taking the nation's resources into consideration and offering the best strategies for their efficient and balanced use. The first five-year plan (FYP) was created by the planning commission for the years 1951–1956. India had previously undergone more than 60 years of planning by 2014, with the completion of the eleventh and ongoing implementation of the twelfth five-year plans (FYP).

The many goals of economic planning in India are created with consideration for its socioeconomic issues. Consequently, the following goals:

1. Economic growth
2. More people are employed
3. Reducing Income Inequality
4. A decrease in poverty
5. Economic modernization
6. Ensuring equality and social justice.

Let's go over each of these goals individually.

**1. Economic Growth:** To achieve economic growth, there must be a specific rate of annual growth in per capita income & real national income. Real national income is the amount of money measured at a certain price or at a fixed price. Income per capita is the term used to describe the average annual income of the population. Both per capita income and national income are said to need to increase in real terms in order to

improve each individual's/and household's society's overall quality of life. Since income is a measure of purchasing power, an increase in income will boost people's and the nation's purchasing power. People can purchase more goods and services to fulfil their needs when their purchasing power grows. The entire nation may pay for its imports, or purchases made overseas. A rise in real income also indicates that output has increased in both quality and quantity. Here, output encompasses output from several economic sectors, including agriculture, industry, and services, in order to meet the demands of India's expanding population. A rise in output must be attained annually. The economy must invest more money to build infrastructure and capital stock in order to raise output rates. Infrastructure consists of building projects, roads, railways, ports, airports, and telecommunications systems, among other things. Plant, machinery, banking, insurance, and other capital assets are included. Investment in each of these areas is important to produce real earnings growth in the economy is what the nation's planners aim for in every five-year plan while taking population growth, demand for goods and services, etc. into consideration.

**2. More people are employed:** Employment is the term used to describe the participation of the working population engaged in economic activity that is profitable, such producing services and goods. As a result of the employment of production components that households supply, income is produced through the production process. You are aware that the four main production components are labour, land, business/entrepreneurship & capital. The households in the nation own these components. Since factors are limited resources that are required to generate services & goods, it is essential for government to establish possibilities for their efficient utilisation. The quantity of the factor resources that a country has affects how much it can produce. If these production factors are employed, the necessary amount of output can be produced. The output's worth can then be divided among the constituent parts as revenue in form of interest of capital owners, wages for labour, rent to property owners of land & buildings & profit of business owner. The requisite level of output and consequently money cannot be produced if the nation is unable to develop jobs available to profitably use the factor of production. Consider nation's labour supply as an example. You are aware that the country's population produces labourers between the ages of 15 and 59. Individuals working in the workforce as a percentage are growing annually as a result of population growth. Most of them have degrees as well. They will continue to be unemployed and underutilised if there are insufficient opportunities for employment. In truth, India has a terrible unemployment crisis. In addition to increasing consumption without increasing output, unemployment also contributes to a number of societal issues, including crime, poverty, and other issues. Therefore, the Indian economy's strategists made the creation of jobs a key goal of their five-year plans.

**3. Reducing Income Inequality:** The people of India come from a variety of economic backgrounds. This implies that India lacks homogeneity with regard to income. While a huge portion of "India's population" is classified as poor and belongs to a lower income category, a small number of people are extremely wealthy and have high levels of income. Women, regardless of caste or religion, are the most severely impacted in terms of living standards, which is a big societal problem. Similar to how they are at the base of the development pyramid, members of scheduled castes and tribes are considered to be marginalised within Indian society. The uneven distribution of assets, like holding of moveable & immovable property through inheritance, per capita land ownership, etc., is one of the main causes of income inequality. The majority of

people in India are farmers and live in rural areas. But only a small percentage is large landowners, and the bulk is small or marginal farmers and agricultural labourers. Because they do not possess land on which to grow, agricultural labourers are defined as people who travel from moving from one place to another in search of work paying a weekly or daily income. Their lack of literacy and ability to organise themselves has made their position worse. Due to their low income, the next generation does not have anything to start with. In contrast, landlords receive higher returns from their properties and the property is passed down to subsequent generations due to the existence of the law of inheritance. Due to ownership and absence of private property, respectively, the rich stay rich and the poor stay poor in the nation. This inequality has a serious negative impact on India. Lack of purchasing power among the poor prevents them from supporting the market, whereas excessive purchasing power among the wealthy has led to a rise in wasteful consumerism. Inequality is the primary cause of the majority of social ills. As a result, our planners sought to lessen economic inequality through planning.

**4. A decrease in poverty:** It is another important planning goal in India. More than 50% of Indians were living in poverty at the time of the country's independence. According to government forecasts, between 27 and 28 percent of Indians will be living in poverty by 2014. In the lesson on poverty and employment, you will learn about how poverty is measured in India. For the time being, let's limit our definition of poverty to the circumstance in which a person cannot meet even the most basic requirements for survival. Many citizens of the nation do not even receive a square meal each day. One of the main causes of poverty is a lack of job. Uneven national wealth and income distribution contributes to it. Poverty is referred to as a "curse on human dignity," & it has significantly damaged India's reputation abroad. India is not taken seriously by developed nations because it cannot end poverty. To entirely eradicate poverty from the nation is sound planning.

**5. Economic modernization:** Foreign powers have continuously exploited India, among them were the Mughals, who governed for more than 2 centuries, as well as the British, who maintained power for another 2 centuries. The British particularly left the country in a state of acute underdevelopment and poverty when they handed over sovereignty to the Indian government in 1947. Due to historical factors, the Indian economy was unable to progress beyond its current state of operation. It continued to have a rural economy and a lagging industrial sector. Modern technology and technological advancement did not advance. One of the main causes of the Indian economy's poor industrial development and low agricultural production is a lack of contemporary technologies. Due to an underdeveloped industrial and service sector, it was a significant contributor to India's GDP during the independence period and for a long time following. Along with the population's lack of increased skill development & education, agriculture has continued to be favourably favoured in the occupational structure. As a result, improving human resource quality, extending the service sector & growing industries, are all important to changing the structure of India's GDP and reversing this trend. The economy can be modernised to achieve this.

**6. Ensuring equality and social justice:** Socialistic societal patterns were another goal of Indian planning. By guaranteeing social fairness and equity for its populace, it can be accomplished. In actuality, achieving social justice requires achieving all of the aforementioned goals. To maintain social justice as well as a fair distribution of income, reforms must be implemented in a number of sectors by tearing down long-standing structures that have aggravated inequality and poverty prevented the development of the industrial as well as

service sectors, or caused low agricultural productivity. Therefore, the planners had the idea to implement changes to economic and agricultural policy in order to promote development and a fair distribution of its benefits.

The definition of planning as it is used here provides a significant portion of the answer to the question of whether planning is necessary. There, we stated that planning necessitates a number of actions for successful implementation and execution. In truth, there are a lot of issues with the Indian economy. Each issue is intricate in nature and cannot be resolved quickly. Consider the issue of poverty as an illustration. There isn't a procedure that can solve this problem right now. To determine the amount of people who are poor and the reasons why they are poor, the government must gather statistics. The collection of data is an extremely difficult task in and of itself, especially given the size of India's territory and the difficulty of accessing many places. Governments are essential to create policies in democracies, following thorough deliberation & discussion, which takes time. Then, the two most crucial steps in resolving the poverty issue are the mobilisation of sufficient resources and the availability of resources to sustain the programme over an extended period. It cannot be accomplished without careful planning. Planning is also required to save costs, meet deadlines, and make the most use of available resources.

Strategy is the appropriate course of action, procedure, or formula being used to reach the planned goal. No specific strategy was adopted during the 1951–1956 first plan period, but the Indian government did place a greater emphasis on agriculture because the majority of the country's population relies on agriculture and because there was a pressing need for a sufficient supply of food grains to alleviate the food deficit. The initial five year plans met with great success since it allowed India to embrace a long-term planning strategy because the desired growth rate was attained. Accordingly, the second plan era (1956–1961) specifically outlined the development approach. The plan was to put more of an emphasis on two things: industrialization and heavy industries inside it.

The nation's industrialization agenda was chosen by Indian strategists as a whole and the establishment of heavy and basic industries in particular to address the problems related to unemployment, poverty, self-reliance, economic development, etc. The following are justifications put up in favour of heavy industry strategy & industrialization:

1. Given that there is only a limited quantity of land accessible for farming, India's population is overly dependent on agriculture, which results in overcrowding in rural areas, fragmentation of land holdings, pressure on the land, unemployment & underemployment. As population increases, the amount of land available per person decreases or disappears entirely. This has had a negative impact on agricultural production in the long run by causing inequalities in the distribution of land. The only way to divert the extra labour from agriculture to other industries and relieve the strain on the environment is through industrialization.
2. Industrial rather than agricultural operations offer more employment chances. Therefore, industrialization will aid in providing jobs for the nation's unemployed.
3. Industrialization is essential to the expansion of agriculture. Agriculture provides the raw materials for industries, and the sector needs industrial machinery and equipment including pump sets, tractors, power, etc.

4. The development of heavy and basic industries must be prioritised. Aluminium, iron & steel, heavy electrical, heavy chemicals & other sectors are examples of basic and heavy businesses. These sectors produce capital goods. Such businesses are essential to every economy because they process the apparatus and equipment required to develop other sectors that may generate consumer items to satiate consumer demand. Therefore, heavy industries form the basis of the economy. It is important to note that Indian government established the public sector to construct and administer such industries after adopting the heavy industry policy. The Bharat Aluminium Company (BALCO), National Aluminium Company (NALCO), Steel Authority of India Limited (SAIL) & Bharat Heavy Electrical Limited (BHEL) are a few examples.

5. The expansion of micro, small, & medium-sized firms has received significant attention from the Indian government in addition to the development of heavy & basic industries. These sectors can be started by private individuals and are determined based on the maximum investment. These industries have the following benefits: they encourage self-employment while also creating new jobs; they make use of local resources; they lessen income disparity because they can be held by private individuals; etc.

As was already said, the public sector owned and managed the heavy industry strategy's implementation. Budgetary allowances were granted by the government for the public sector to develop enterprises and build infrastructure. Over three decades were spent on the procedure. However, a government-run assessment of the public sector's performance revealed that, with a few exceptions, more than half of the units have been losing money. Gross mismanagement and labour issues plagued the public sector organisations. Finding all these shortcomings in the public sector came as a huge shock to the government. One of the main causes of the nation's lack of overall progress in the areas of industrialization, the eradication of poverty and unemployment, etc. was deemed to be the public sector's failure on a number of fronts. As a result, the central government released a new economic policy resolution in 1991. This policy's key characteristics are: Liberalization, Privatization & Globalization. It is also known as the LPG model of development.

**The Purpose and Benefits of Liberalization-** Liberalization entails the government's removal of restrictions on the formation and operation of industries in the nation. Even though they were referred to as autonomous agencies, all public sector organisations remained virtually under the government until 1991. The government's ministries frequently interfered with how the public sector operated. It led to politization, a decline in professionalism, and inefficiency as a result. By ratifying an agreement in writing, the government decided to resolve this issue by putting an end to political interference in the management of the public sector organisations. In accordance with this, management in the public sector will have autonomy but also be held accountable.

Eliminating the licencing system is a crucial aspect of liberalisation. Before, any private person or group had to request authorization from the government before beginning any industrial operation. Prior to the applicable government department's door, there was a lengthy line and a frenzied rush to obtain a licence. Delays in obtaining a licence gradually increased under this method. Government employees began accepting bribes to have their files cleared. Such dishonest actions damaged the government's reputation. In order to let people who were interested to start their industrialization with no permission, the government agreed to abolish the licencing system in 1991. Only strategic enterprises like those in healthcare & defence, however, still need permission.

**The Purpose and Necessity of Privatization-** Privatization entails letting the private sector participate in industrial operations that were previously only available to the public sector, with the exception of nuclear defence and terrorism. There was no room for competition because the heavy and fundamental sectors were wholly governed by the governmental sector. Due to a lack of other businesses' rivalry, the quality of the goods and services declined. The main losers as a result were the consumers who did not receive high-quality products and who also had subpar shipping and other services. Therefore, the government made the decision to encourage and permit private sector participation into previously public sector-only domains. As a result, the private sector entered industries including civil aviation and telecommunication. The government also made the decision to sell a portion of the assets of some public sector firms.

**The Purpose and Necessity of Globalization-** Globalization is a process in which nations around the world work to promote free trade in commodities, labour, services, investments, technology, etc. India is a participant in the World Trade Body (WTO), the central organisation for advancing globalisation. To foster competition, India's industrial policy softened its stance toward foreign corporations doing business there in 1991. Additionally, it pledged to eliminating or lowering tariffs on the import of goods. India, on the other hand, also implemented policies to encourage exports. In order to allow international firms to collaborate with Indian firms freely and as owners, the government also permitted them to hold 51 percent or more of the total shares. Additionally, this will make it easier to introduce cutting-edge technology to India.

**In 1951, India's economic planning process was launched-** As was previously said, economic planning has specific goals, such as achieving economic growth as measured by a rise in the per capita & real national income, eliminating income inequality, increasing the level of employment, eradicating poverty, and ensuring social and economic fairness. India had been planning for 63 years by 2014, when the 12th plan period began. Understanding planning's outcomes while keeping its objectives in mind is essential. Let's talk about them.

**1. Progress on Economic Growth-** Economic expansion was one of planning's primary goals. In order to accomplish growth, it is required to raise per capita income, national income, as well as agricultural and industrial sector production. A comparison of many plans reveals that the first five-year plan was successful since it exceeded its aim of 2.1 percent national income growth by achieving a growth rate of 3.6%. With the exception of the sixth & fifth plans, the other plan periods, from the 2 to the 11 five-year plans, did not allow for the achievement of the desired growth rate in the national income.

Similar to this, although the rate of growth has been extremely modest, per capita income has increased. As an illustration, the annual rise in per capita income was quite low at 1.2% throughout the first 30 years of planning. This growth rate has somewhat accelerated recently. Agriculture-wise, 51 million tonnes were produced at the beginning of the first phase, and 257,4 million tonnes were produced in 2011–12. The yield of other crops such as pulses and oil seeds, however, has lagged behind that of rice & wheat.

The diversification of Indian industry has been a significant achievement in terms of industrial development. Transport and communications have grown, as have electricity production and distribution, and there has been significant advancement in the production of steel, aluminium, engineering items, chemicals, fertilisers, and petroleum products.

The per-person accessibility to consumer goods as well as other resources necessities has significantly grown during the planning period. Cereals, sugar, milk, eggs, edible oil, tea, clothing, and power are some of the products worth mentioning.

**2. Development of Infrastructure-** India has made significant progress when it comes to building infrastructure. Road and railroad networks have undergone significant expansion. Domestic aviation travel has considerably increased. Increased irrigation and hydroelectric project development has increased agricultural output. Due to a rise in urban infrastructure, the number of towns and cities has grown. The internet and mobile telephone have both greatly increased the communication network.

**3. Change in Education-** The advancement of education in India has been one of planning's most notable successes. The number of students enrolled in schools has significantly increased. In India, there are 18 064 colleges and 378 universities, which is a positive trend for higher education. There are 10.43 million primary and upper primary schools and 1.52 lakh higher secondary institutions in India.

**4. Science and technology development-** The advancement of science and technology, including the rise of the technical and skilled labour force, is another noteworthy accomplishment. The developed nations have taken note of India's advancements in space exploration. Additionally, it has had an effect on nuclear energy. India's reliance on outside specialists for advice has decreased today. On the other hand, it may now dispatch technical experts to a large number of foreign nations in the Africa, Middle East, etc.

**5. Increased Foreign Trade-** India's reliance on the import of capital goods has paid off as a result of the nation's industrialization. Many goods that were previously imported are now manufactured domestically. India is now able to export manufactured and engineering items as a result of its industrial development. In addition to the accomplishments already mentioned, there are still numerous tasks that India's planning has not fully completed.

**1. The failure to totally eradicate poverty and inequality-** India has attempted to end poverty for more than 60 years, but has not been totally successful. Official estimates place the number of people living in absolute poverty at about 240 million. Rural areas experience worsening conditions. Many anti-poverty initiatives have been launched by the government. However, they have not had much success thus far.

Similar improvements in the distribution of income and asset ownership have not been made, leading to inequality. When compared to the population of landowners, the number of agricultural labourers without a licence is relatively large. Some large industrial houses have benefited from the industrialization process. As a result, economic power and wealth have been concentrated in a select few. If India intends to attain fairness and social justice, this trend must be reversed.

**2. The Unemployment Issue Is Still an Issue:-** India's employment situation has not significantly improved despite increases in revenue and output. The issue has gotten worse as a result of the population and labour force growing more quickly. The official estimates for India's jobless rate put it at 6.6%. Due to the failure to create the necessary number of new jobs each year, there is also a sizable backlog of unemployed people.

**3. Failure to stop the flow of black money and corruption:-** In India, the widespread corruption that exists in many governmental offices is a cause for serious worry. The average person has a difficult time getting things done without paying a bribe. In fact, during elections, corruption has emerged as a crucial political issue. Corruption can take many different forms, including as offering or taking bribes, failing to pay taxes to the



government, influencing politics to get contracts, hidden agreements between sellers to raise prices, etc. Black money, which is widely used but not accounted for, is a result of corruption. The GDP of India has a sizable unaccounted portion. Inflation and pressure in society are caused by black money. Additionally, it is the main driver of income disparity because those who have access to black money benefit at the expense of average citizens.

**Conclusion-** After India's independence, the condition of India's economy was very bad. The British had hollowed out India's economy. At such a time, the government of India was in great need of money for the development of the nation, whereas at that time agriculture was the main source of India's income. Gradually, after the formation of the government, the Government of India made an economic plan, only after which the wave of development started moving slowly in India. But then in 1991, India's economy faltered badly, for which India adopted the policy of liberalisation, privatization and globalization, after which there was a radical change in India's economy. In this way India's economy came back on track to a great extent. But even today black money, unemployment, etc. are prevalent in India, which needs to be curbed.

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