UNIT - 1

Introduction to Economic Planning

Index :
1.0 Objectives
1.1 Introduction
1.2 Subject Analysis
   1.2-1 Meaning & Need of Planning
   1.2-2 Types of Economic Planning
   1.2-3 Planning in Mixed Economy
1.3 Summary
1.4 Glossary
1.5 Check your progress (Questions for self-study)
1.6 Answers of questions for Self Study
1.7 Self Study Questions.
1.8 References for further reading.

1.0 Objectives

The study of this unit will enable us to

➢ Understand the meaning of Planning
➢ Understand the Need of Planning
➢ Understand the types of Planning
➢ To study the planning in Mixed Economy

1:1 Introduction :

Economic development has been closely linked with planning. Planning has become a craze in modern times, especially in under-developed and developing
countries. The idea of planning acquired a tremendous support after the end of World War II when advanced but disrupted economies had to be rehabilitated and the under-developed economies were fired with the ambition of rapid economic development.

The idea of planning was not kindly taken up in some countries by some people. It was perhaps due to the fact that planning came to be most actively associated with socialist economies. Hatred of socialism was most actively transferred to planning too. But such unreasoned opposition to planning has now almost vanished. Even in capitalist countries, where the economy is governed and directed by market incentives, planning are being practiced more or less in one or the other sector of the economy. About 20% of the American economy may be considered as planned because to this extent current resources are controlled and disposed of by the State.

Although the distinction between planned and the unplanned economy is there, yet planning has been universally accepted and the planned sector is expanding almost everywhere. For the underdeveloped countries, desirous of accelerating development, planning is sine qua non of progress. As Robbins says, “Planning is the grand panacea of our age” It is no longer a forbidden fruit.

1.2 Subject Analysis

The concept of economic planning attracted the attention of most of developing countries since its first experiment made by then Soviet Union in 1928. Since then it was adopted by number of countries in various forms. For having enough understanding of the concept, it is felt essential to study its basic doctrine.

1.2.1 Meaning of Planning:

The term “planning” is now so much in common use that it seems to be unnecessary to define it or to explain its meaning. In fact, it is not possible to give it any precise or universally acceptable definition. There is no unanimity among political thinkers and economists about the concept of planning. As Raymond Burrows remarks, “Planning as a modern panacea is as perplexing to a pedant as it is popular to a protagonist”.

B Definition of Economic Planning :

It is rather difficult to give a concise definition of economic planning with a fair
degree of precision and acceptability to one and all. Hence different economists have
defined economic planning in a variety of ways by keeping in mind the goals to be
achieved and the techniques for achieving them. Apart from stating that planning is a
method, a technique or a means to an end, the end being the realization of clearly set
targets, we discuss the number of definitions which in their totality convey the full meaning
and content of economic planning.

Mrs. Barbara Wooton defines it as “Economic planning is system in which the
market mechanism is deliberately manipulated with the object of producing a pattern
other than which would have resulted from its own spontaneous activity”.

Herman Levy defines it as “Economic planning means securing a better balance
between demand and supply by conscious and thoughtful control either of production
or distribution”.

Dr. Dalton says, “Economic planning in the widest sense is the deliberate direction
by persons in charge of large resources of economic activity towards chosen end”

Lewis Lorwin defines a planned economy “as a scheme of economic organization
in which individual and separate plants, enterprises and industries are treated as co-
ordinate units of one single system for purpose of utilizing all available resources to
achieve for maximum satisfaction of the people’s needs within a given time”

National Planning Commission of India- “Planning under a democratic system
may be defined as the technical co-ordination, by disinterested experts, of consumption,
production, investment, trade and income distribution, in accordance with social
objectives set by bodies representative of the nation. Such planning is not only to be
considered from the point of view of economics and the raising of the standard of living
but must include cultural and spiritual and the human side of life”.

H.D. Dickinson defines economic planning as below:

“Economic Planning is the making of major economic decisions what and how
much is to be produced, how, when and where it is to be produced, and to whom it is to
be allocated by the comprehensive survey of the economic system as whole”.

This is by far the most comprehensive definition as it describes the anatomy of
planning. The planning is done by central authority like state possessing the powers
for implementation. It is to be preceded by a comprehensive survey of economic conditions which will point out the defects and deficiencies of the prevailing economic system. After this survey, definite goals are fixed. The manner and timing, quantitative aspects of achieving these goals are then outlined; finally, the benefits accruing from such action are to be shared for the maximum satisfaction of the largest number of people through deliberate decision, control and direction.

To sum up, planning comprises the following essential features:

1. Predetermined and well defined objectives or goals.
2. For economic planning deliberate control and direction of the economy by a central authority, e.g., the state.
3. Optimum utilization of natural resources and capital which may be scarce and labour that may be abundant.
4. The objectives are to be achieved within a given interval of time – 5 years, 7 years, etc.
5. The performance of the economic functions of increasing production, maximizing employment and controlling population growth so that production outstrips population growth.

**B Need For Planning in Underdeveloped Countries:**

Planning is beneficial for both the developed and underdeveloped countries for the developed countries to maintain or accelerate growth already achieved and for underdeveloped countries to overcome poverty and to raise the standard of living. Unless the underdeveloped countries wake up and follow the planning, they will be left far behind in the race of economic well-being. The following arguments reveals an urgent need of planning in underdeveloped and developing countries:

1. **Remove the poverty and inequalities**:

   The economic vicious circle of poverty arising due to low income, low savings and high propensity to consume, and further lower investment and low capital formation, low productivity, low income and poverty must be broken and it can be done only by planning. Planning is like a shot in the arm which enables a sick person to overcome
his sickness. Planning alone can create more jobs and remove the wide spread unemployment and disguised unemployment which is a common feature of underdeveloped countries. It is the sovereign remedy for raising national and per capital income, for reducing inequities in income and wealth, for increasing employment opportunities and for achieving as all round rapid economic development. It is commonly said that the pendulum has swung too wide in favor of planning that is cannot swing back against planning.

2. Development of Agriculture and Industrial Sector:

Planning alone can transform an agricultural and primary producing economy into a more balanced economy with heavy, medium and light industries. Agriculture and industry stimulate production in each other by creating demand for their products. Development of agriculture is also essential to supply the raw material to the industrial sector. Economic planning held in designing the plans of agricultural and industrial sectors of developing economies.

3. Development of Infrastructure:

Planning alone can help an underdeveloped economy to build up its infrastructure – irrigation and power, transport and communication and schools and hospitals. The establishment of these social economic overheads is essential for an all-round harmonious and integrated development. The private enterprise is guided by profit motive and is not interested in these items of social gain.

4. To increase the rate of Economic Development:

One of the principle objective of the planning in underdeveloped countries is to increase the rate of economic development. In the words D.R.Gadgil “Planning for economic development implies external direction or regulation of economic activity by the planning authority which in most cases identify with the government of state.” It means planning increases the rate of capital formation by raising the levels of income, saving and investment. It is only a central planning authority which can control banking and other credit institutions when these are under private enterprise they have a tendency to crowd in urban areas. The vast rural areas are completely neglected and thrown to the wolves, the indigenous money-lender. A planned economy can revolutionize the economy by providing financial institutions and by mobilizing savings and investments.
in the rural areas. Planning alone can remove the imbalance in foreign trade which is generally unfavorable to the underdeveloped countries that are the exporters of primary produce and imports of produced goods.

5. To improve and Strengthen Market Mechanism:

The rationale for planning arises in such countries to improve and strengthen the market mechanism. The market mechanism works imperfectly in underdeveloped countries because of the ignorance and unfamiliarity with it. A large part of the economy comprises the non-monetized sector. The product, factor, money and capital markets are not organized properly. The market mechanism is required to be perfected in underdeveloped countries through planning.

6. Balanced Development of the Economy:

In the absence of sufficient enterprise and initiative, the planning authority is the only institution for planning balanced development in the economy. For rapid economic development, underdeveloped countries require the development of the agricultural and industrial sectors, the establishment of social and economic overheads, the expansion of the domestic and foreign trade sectors in a harmonious way. All this requires simultaneous investment in different sectors which is only possible underdevelopment planning.

7. Development of Money and Capital Markets:

The expansion of the domestic and foreign trade requires not only the development of the agricultural and industrial sectors along with social and economic overheads but also the existence of financial institutions. Money and Capital market are underdeveloped countries are primary stage. This factor acts as an obstacle to the growth of industries and trade. The planning authority which can control and regulate the domestic and foreign trade in the best interests of the economy.

1:2:2 TYPES OF PLANNING:

There are various types of Economic Planning. There are so many types of plans as there are patterns of economic systems. There are some plans which are functional, structural, Indicative, Democratic and Decentralized planning, Physical planning, Regional and National Planning. The following are the main types of economic planning.
B Democratic Planning :

Individual Freedom is soul of democracy but central control is important in planning. Therefore democracy and planning were different concepts, yet for the nation’s economic development plan is implemented with co-operation of peoples. That we say that democratic planning is one of important types of economic planning in democratic system of Government.

In democratic planning representatives of peoples control the economy. Economic planning is being implemented by representatives. Government of a country like India has democratic form of constitution with a Parliament elected by the people. The decisions regarding planning are finally taken by the people through Parliament. The technical bodies like the Planning Commission prepare the draft outline of the Plan which is widely circulated amongst peoples, economist, social worker, political leaders and consider their advice regarding plan. Each state considers these plans and prepares its own master plan and all these things are processed and placed before Parliament. Only when the Parliament approves and votes funds under various heads, planning is implemented. Thus the party in power can modify, alter and improve the plan.

The Government takes the opposition into confidence for preparing the plans which would meet with whole-hearted support and co-operation of people.

Prof. Hike, Mr. Lipmann and other Experts said that, planning didn’t control under democracy. Their opinion was Democracy and Planning were mutual unrelated concepts, but democratic government and democratic administration were important part of democratic planning and people’s role important in democratic planning.

B Decentralized Planning :

In Decentralized planning, the central authority only fixes the overall targets of production and investment, but considerable freedom is given to various bodies like State Government. On the different levels like state level and district level they fix their own production targets within national framework. There is freedom to fix the prices and wages. Such types of planning prevail in Great Britain and France.

In Decentralized planning, the planning authority may endeavour to influence economic activities indirectly through incentives. Country like India having conflicting interests and great differences in economic resources and backwardness of the people,
a regional decentralization planning may became inevitable. This type of planning is done for each region or authority for implementation is delegated to regional authorities like state level, district level and they carry out the work within the framework of national planning. Decentralize planning is conceived as a more efficient and more productive in attaining desired result.

B Planning by Inducement

In this kind of Planning, there is no compulsion. The government uses persuasion to implement certain schemes of projects and tries to influence investment decisions by offering incentives to the entrepreneurs through fiscal and monetary policies. There is freedom for private enterprises to produce and to consume with suitable controls. This kind of planning may exist in a democratic set-up of a capitalist economy.

Planning by inducement is also called flexible planning. Because, there is a lot of freedom for the economy to undertake developmental programmes. Although there might be fixed objectives in the public sector, targets are suggested for the majority of industries in the private sector. The government may encourage private investment through subsidies and may offer tax concessions. The private sector may contribute substantially to capital formation. Even in this type of planning the government can step in, when the market mechanism is being manipulated to the detriment of the economy. The government can introduce price control and rationing whenever considered desirable.

Planning by inducement requires less sacrifice of individual liberty. The private sector coexists with the public sector and has a sense of participation in economics development of the country. However, it may take longer time to achieve the same results as achieved by planning by direction.

B Defects of the Inducement Planning:

Naturally planning by inducement has certain deficiencies as compared with planning by direction.

1. The private sector, which is more motivated by profit, may not always carry out the programmes efficiently as there is no compulsion to do so.
2. The incentives and subsidies offered by government may not be adequate. One cannot be sure that the carrot alone will do the trick of making the stubborn donkey to work without the stick.

3. There is no way of controlling consumption, and productive activities being carried out by private sector.

B Regional and National Planning:

A national plan is a plan for the country as a whole, whereas a regional plan comprehends a particular region. In a vast country like India with a diversity of climate and physical resources, regional planning, concerned primarily with the economic development of a region, becomes inevitable. “Every country”, says Zewing, “whose area is large needs a high degree of regional decentralization”. For each region a separate authority is set up for formulating and implementing the regional plan. It is really decentralised planning as national planning represents centralised planning.

Even a regional plan must form an integral part of the national plan and must be carried out within the framework of the overall plan and be in conformity with its priorities and objectives. As J.R.Ballerby says, “A regional plan must conform to the larger plan”.

The regional plan of course takes into consideration regional potentialities and requirements and ensures balanced regional development of the country. As Dr.Balkrishna observes, “Though national planning may achieve the wider territorial balance in respect of economic progress is not well within its reach. Besides, the unit cost of production will not be at its minimum unless there is a correct regionalization of industries. Therefore, economic planning ought to provide for inter-provincial justice and unless this assured, the distributive aspect of planning cannot be made to function”.

It should be born in mind that, regional planning is not to be designed to secure regional independence of self-sufficiency of directed to achieve rival claims and local ambitions which cannot be justified on economic grounds. The object on the other hand, is to secure maximum efficiency in the utilization of the community’s resources and to diminish regional inequalities. They are really intended to remedy the regional inequalities which may result from an overall plan.

B Functional Planning and Structural Planning

Planning may be attempted within the existing socioeconomic framework or it
may seek to change the economic structure radically. The former is known as functional planning and the latter structural planning. Functional planning attempts to modify or improve the existing structure or repair or rehabilitate it, if it is damaged of disrupted, e.g. Indian economy after the partition.

Functional planning assumes that planning is possible even in a capitalistic economy whereas advocates of structural planning think that planning and capitalism are incompatible. Quite respectable opinions have taken sides on this question. For instance Dr. Ludwig Von Mises is of the view that “planning and capitalism are utterly incompatible” On the other hand, Professor Landauer holds the opinion that planning and capitalism could be reconciled.

We are inclined to agree with the latter view and hold that even capitalist countries can have measure of planning and benefit from its progress or eliminate serious imbalances in the economy.

Structural planning is therefore revolutionary, whereas functional planning is evolutionary.

Planning in India so far is functional. Even though the avowed object of Indian planning is to establish a socialistic pattern of society but no drastic or revolutionary steps have been taken to change radically the existing economic order. In the U.S.S.R. and China, on the other hand, planning has been structural because the very structural changes have been made in those economies. Ultimately in India, too, planning may turn out to be structural as the Planning Commission observe, “The problem, therefore, is not one of merely rechanneling economic activity within existing socio-economic framework; rechanneling economic activity within existing socio-economic frame work; that framework has itself to be remodeled”

The fact is that a country desirous of accelerating economic development may begin with functional planning and end with structural planning. Country may start with structural planning and having established a new economic order may have to be content later merely with functional planning, e.g. in Russia and China

Functional and structural planning may go on side by side in an economy at the same time. When an economy is undergoing rapid economic development some major economic changes (e.g. change in the Indian land system, abolition of Zamindari
and other land reforms) are inevitable along with minor shake up (i.e. Functional Planning) here and there. There will be structural changes in some spheres and only minor adjustments elsewhere in the economy.

B Financial Planning: The planning is also classified as Functional planning and physical planning.

In financial planning the allocation of resources and measurement of resources is made in terms of money. Physical planning implies the allocation of resources in terms of men, material and machinery, which we generally call the natural and human resources. In the first, finance is the key to economic planning. If sufficient finances are not available, the physical targets of any plan may be difficult to achieve. The outlay is fixed in terms of money and the estimates are made regarding the growth of the national income arising out of this outlay in financial planning. The finances are raised through taxation, savings and borrowings. In financial planning, a number of balances are worked out. First, efforts are made to establish equilibrium between the incomes of people-wages of workers, incomes of peasants and others and the amount of consumer goods which will be available to the population. In the private sector equilibrium has to be established between the parts of incomes of the population which will be used for private investment and the amount of investment goods made available to private investors. Similarly, in the public sector, a balance must be established between funds made available for investment purposes and the amount of investment goods which will be produced of imported. In addition to these three balances, balance should be established between foreign payments and receipts. Thus financial planning consists in securing balance between demand and supply. The fixing of targets of increase in national income and of increase in savings and investment rate and thus estimating the growth of income are the major problems in financial planning.

B Limitations of Financial Planning

Financial Planning has many limitations, they are as below:

1. Financial resources are not unlimited. Very heavy taxation may adversely affect the propensity to save.

2. There is a vast non-monetized sector in underdeveloped economies as the
people live on subsistence level and much of the produce is not brought to the market in such economies. The monetized sector is small. On account of the imbalance between these two sectors, shortages in supply are likely to result in an inflationary rise in prices thus upsetting physical targets.

3. If the shortages in supplies are made up through imports, the problem of balance of payments will become serious.

4. As Prof. Dobb says “The problem of industrialization in backward countries is essentially not financial but a problem of economic organization” and availability of physical resources.

B Physical Planning:

In physical planning, on the other hand, an attempt is made to measure development effort in terms of factor allocations and product yields, so as to maximize income and employment. Here, we have to maintain physical balances between investments and outputs. Investment co-efficient are calculated. These co-efficient indicate the amount as well as the composition of investment in terms of various kinds of goods needed for obtaining a desired increase of output of a kinds of goods needed for obtaining a desire increase of output of a product. For example, we may be interested in knowing how much iron, how much coal, how much electric power are needed in order to produce an additional tone of steel. Obviously the output of one industry or branch of economy becomes the input for producing the output of another industry or branch of economy. Thus in physical planning, an overall assessment is made of the available real resources such as raw materials and manpower and how they are to be mobilized for avoiding bottlenecks. In short, physical planning concerns itself with physical targets with regard to agricultural and industrial production and transportation services. On the other hand financial planning deal with fixing of financial targets of incomes and investments.

B Limitations of Physical Planning:

Financial planning has its own limitations, so also physical planning suffers from certain drawbacks. The limitations of physical planning may be summarised as below.

(1) To estimate the available physical resources, accurate statistical data must be available. Underdeveloped countries do not have an efficient statistical data collection mechanism.
(2) Unexpected shortages of power supply and unexpected failures of harvests may upset the physical balances between different segments of the economy. Unless there are large reserves stocks, the underdeveloped countries lack in these reserve stocks.

(3) When shortages in physical factors occur, prices rise and control and rationing are introduced. These cause much hardship to the people.

1:2:3 Planning Under Mixed Economy:

Mixed economy represents a half-way house between capitalism and socialism. If the private sector is wider, as in India, the system is akin to capitalism. But as the public sector expands, it approximates more and more to socialism. It is recognized that both the private and public sectors have a vital role to play in the growth of the economy. Not only does one assist the other but each exercises a check on the other. The private sector acts as a breaker on the bureaucratic tendency of the public sector and the latter on the monopolistic tendencies on the former.

In mixed economy a very comprehensive planning is out of the question. It is possible to plan the public sector programmer. Even in the organized private sector as in major industries, the plan can work. But in the organized rural sector, the planning authority feels seriously handicapped. That is why in India, the planners have been terribly let down by agriculture.

But British Government set an example in mixed economy when it nationalized the Bank of England in 1946 and also nationalized some services, e.g. civil aviation, inland transport, coal mines, electricity and gas etc. The system of mixed economy was ushered in France when it was liberated in 1945 and the Ministry of National Economy was established to work out a national plan. A General Planning Commission was also set up plan. We find in France decentralized control of production and investment over a wide field as well as centrally planned and coordinated programme of investment and development in basic and strategic industries. The State attitude is indicative in the former and imperative in the latter.

Mixed economy is a special feature of the underdeveloped countries. Democratic planning which is a cardinal principle of planning has a special appeal to the people in
the emerging economies. It embodies virtues of both capitalism and socialism. In the former Government owns and manages business enterprises and in the latter private enterprise is given a free hand subject to the requirements of the overall plan.

As the First Five year Plan observes: “It is clear that in the transformation of the economy that is called for the state will have to play the means crucial role …… This need not involve complete nationalization of the means of production or elimination of private agencies in agriculture of business and industry. It does mean, however, a progressive widening of the public sector and a reorientation of the private sector to the needs of a planned economy” Again, “the private and the public sector cannot be looked upon as anything like two separate entities ; they are and they must function as parts of a single organization”. The foundations of mixed economy in India had been laid by the Industrial Policy Resolution of the Government of India in 1948 when certain industries were reserved to function in unison and are to be viewed as parts of single mechanism. The plan as a whole can go through only on the basis of simultaneous and balanced development in the two sectors…… In fact it is appropriate to think more and more in terms of interpenetration of the public and private sectors rather than of two separate sectors”

B Limitations of Planning Under Mixed Economy :

Even a mixed economy suffers from a number of limitations as shown below:-

(1) Simply because an industry is nationalized it does not mean the labor efficiency increases of there is a change in the attitude of labor for the better. On the contrary, experience shows that industries in the public sector are always in the red, incurring heavy losses.

(2) Planning in a mixed economy may not succeed, because public sector will always expand at hte expense of the private sector which is subject to all kinds of control.

(3) As Arthur Lewis says, “ The nationalization of industry is not essential to planning; a government can do nearly anything it wants to do by way of controlling industry without resorting to nationalization as in Nazi Germany.
(4) Unless there is a very strong government, the private enterprise has the power to disrupt the economy.

(5) Nationalization is like wine. The workers want more and more nationalization as they are not satisfied with private management.

1:3 Summary:

The study of different types of planning help in focussing its strength and weakness in implementing it. The developing and developed countries have vider options in selecting the particular types of economic planning on the ground of their resources, types of Government and socio economic phenomena in the country. The economic planning in mixed economy is considered as a more challenging activity.

1.4 Glossary

Rehabilitated :- re settled
Capitalist :- A person to believe in the practice of capitalism
Forbidden :- Denial
Perplexing :- Confusing
Indicative :- Suggesting

1.5. Check your progress. (Questions for self-study)

A) Choose the correct alternative and fill in the blanks

1. __________ is the first country in the world implemented Planning for economic development.
   a) Russia    b) England    c) America    d) India

2. __________ is beneficial for both the developed and underdeveloped countries
   a) Capital    b) Planning    c) Market mechanism    d) Saving

3. Principle objectives of the planning in underdeveloped countries __________ the rate of economic development.
   a) fixed    b) increase    c) decrease    d) maintain
4. In mixed economy ———— is developed the economic plan.
   a) private sector  b) public sector
   c) central planning commission  d) State

5) In India the planning started during the year——————
   a) 1951  b) 1947  c) 1991  d) 1961

1.6 Answers of check your progress (Self-study questions)
   1. Russia
   2. Planning
   3. Increase
   4. Center Planning Commission
   5. 1951

1.7 for Self Study Questions.
   1. Explain the Meaning and Need of Planning in economic development
   2. Describe the types of planning and its limitations
   3. Discuss the role of economic planning in mixed economy

1.8 References for Further Reading:
2.0 Objectives:

The study of this unit, will help in attaining following objectives.

- It will help in understanding meaning and uses of the concept of ‘Input-output Analysis’ used in development planning.
- The meaning and importance of the issue pertaining to ‘Capital-Output Ratio’ will be understood, which is considered important by planning authority, while dealing with development planning.
- The issue of ‘problem of choice of Techniques of production’ including it’s meaning and importance in development planning will be learned.
2.1 Introduction

Economic planning is being considered as an useful tool for mitigating the problems of unemployment, poverty, economic inequality, regional imbalances and number of other socio-economic backwardness's in the economy being generated in the economy based on functioning of market mechanism that exists in the capitalist economy. Further it help in capturing rapid rate of economic growth in developing as well as developed countries. Hence majority of developing and also developed countries in the world have been engaged in applying the economic planning as their economic policy perspectives. So the study of Economic planning in development economics is being highly insisted. For tapping number of objectives of development planning process, planning authority has to deal with some important issues, that arises while designing and implementing various socio-economic development programmes and major projects in the economy. The precision and scientific studies in the issues belonging to development planning provides better efficiency to planning authority in activating the process of economic planning in a better way.

2.2 Subject Analysis :

We have taken the review of concept of economic planning relevant to its meaning, definitions and need and types in unit No. I. Along with it unit No I has helped in understanding the role and importance of development planning in the mixed economies. While designing, choosing and implementing various programmes and projects under development planning, the very basic need pertaining to dealing with certain important issues belonging to economic planning are considered highly important from the point of view of planning authority. The unit No. II aims at studying and explaining these issues in detail. This unit deals with the understanding the major problem needs clarification pertaining to use of certain technical tools on the basis of which development plans must be designed. These issues includes input-output analysis, capital output ratio, choice of techniques of production and project evaluation report. Thorough knowledge and understanding about these technical issues and tools help in building confidence.
of planning authority in applying development planning more accurately and strongly aimed at attaining the settled objectives of economic planning.

2.2.1 Input-Output Analysis: Meaning and uses:

B Introduction:

With the help of process of economic planning, an efforts are being performed for capturing rapid economic growth momentum. For this, planned economic development programmes are prepared by planning authority. The planning authority has to go through the review of available resources utilized and production generated in each sector. The production taken place in a particular sector due to resource investment is used as inputs by other sectors. In such circumstances, inter-dependence of different productive sectors, pertaining to resource utilization and phenomena of demand and supply of resources leading towards generating general equilibrium in a economy are considered important study areas from the point of view of planning authority. The sectoral interdependence regarding capital and other resources and decisions pertaining to resource allocation among different sectors by planning authorities are analysed by using input-output analysis technique developed by Wassily W. Leontief in his famous books “The structure of American Economy” in 1951. An input-output analysis is a basic tool of analytical technique, which provides a descriptive set of social accounts for the whole dynamic economy and thereby reflects the interdependence of sectors and sub-sectors. It provides analysis of sectoral interdependence of sectors and sub-sectors. It provides analysis of sectoral interdependence and general equilibrium of the economy as a whole. The technique of input-output analysis is being considered important for planning authority in decision making process regarding resource allocation in a economy.

B Meaning and Explanation of the concept:

Input–output analysis is also known as ‘inter-industry analysis’ or input-output table. It is considered essential to understand the meaning of the terms, of input and output frequently used in the analysis. According to J. R. Hicks, an input is something which is bought for the enterprise, while an output is something which is sold by enterprise unit. An input is obtained but an output is produced. The purchase of resources for the purpose of productive activities by any particular enterprising unit or sector is called as
input. Input expresses the monetary expenditure incurred on purchase of factors of production and other resources by enterprising unit or any particular sector. While output expresses the production of good and services being produced by utilizing the input.

According to William J. Baumol, “Input-output analysis is the name given to the attempt to take account of general equilibrium phenomena in the empirical analysis of production” Thus input-output analysis belong to the phenomena of productive activities of enterprising units in utilizing certain resources as a inputs and with the help of it, transforming them into as a production or output. It reveals the demand for and supply of resources by each productive sector and interdependence of sectors regarding resource utilization, ultimately leading towards creating general equilibrium in a economy.

The input-output analysis tells us that there are industrial inter-relationships and inter-dependencies in the economic system as a whole. The inputs of one industry are the outputs of another industry and vice versa, Their mutual relationships, ultimately lead towards creating equilibrium between supply and demand in the economy as a whole. Coal is an input for steel industry and steel is an input for coal industry. Though both are the outputs of their respective industries. Thus, input-output analysis implies that, in equilibrium, the money value of aggregate output of the whole economy must equal the sum of the money values of inter-industry inputs and the sum of the money values of inter-industry output.

B Input-Output Table :

Wassily W. Leontief has explained input-output analysis with the help of input-output table. Input-output table contains or includes the demand for inputs of each sector and output of the sector further used by other sectors as inputs. Which leads towards creating general equilibrium in the economy as whole. It also contains the demand of household sector for final consumption purpose in the economy. It ultimately explains the inter-dependencies of various sectors. That can be explained by with the help of example of input-output table as prepared by beontief. Table is prepared on the assumption that there are only three sectors in an economy functioning at equilibrium level. These three sectors are entitled as agricultural sector, industrial sector and household sector. Thus three sector input-output table is shown in table No. 2.1 to provide simple picture of such economy.
Table No. 2.1 : Input-output Table

(Price in Rs. Crores)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Inputs to Agriculture</th>
<th>Inputs to Industry</th>
<th>Final demand (Inputs to household Sector)</th>
<th>Total output (Total Revenue)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture Generating</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture Value Added*</td>
<td>150</td>
<td>100</td>
<td>00</td>
<td>250</td>
</tr>
<tr>
<td>Selling Sectors</td>
<td>Total input or Total cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>300</td>
<td>500</td>
<td>250</td>
<td>1050</td>
</tr>
</tbody>
</table>

* Value Added refers to payments to the factors of production.

In this table, the total output of the industrial, agricultural and household sectors is set in rows which may be read horizontally. The total output of these three sectors has been divided into the agricultural, industrial and final demand sectors. The inputs of these sectors are set in columns which may be read vertically. The table assumes one year activities of these sectors. The first row (horizontal) total shows that altogether the agriculture output is of value of Rs. 300 crores per year of this total output of agricultural sector; Rs. 100 crores directly goes to final consumption by household sector.

The remaining output from agriculture goes as inputs; 50 to itself and 150 to industry. Similarly the second row shows the total output of the industrial sector as Rs. 500 crores per year out of it Rs. 100 crores are used by agricultural sector as inputs Rs. 250 crores are used in industry itself as inputs and Rs. 150 crores goes to household sector as it's final demand.
Now let us take the review of columns shown in table. The first column explain that the input i.e. cost structure of the agriculture and industry sector. Agricultural output valued of Rs. 300 crores is produced with the use of agricultural inputs worth of Rs. 50 crores, industrial inputs (good) worth of Rs. 100 crores and factors and production of value of Rs. 150 crores. It means agricultural sector generates production i.e. output of Rs. 300 crores, by using the inputs of Rs. 300 crores. It is the cost of agricultural sector. It also means that these is equilibrium in demand for inputs and supply of output in agricultural sector. Similarly, the second column explain the input structure of industrial sector. Which itself explains the cost incurred by household and government sector for utilizing goods and services for final consumption purpose. Thus input-output table reveals that, there is trend of having equilibrium pertaining to inputs demanded and output supplied by each sector. Hence appears a general equilibrium phenomena for economy as a whole.

Input-output table reflects two types relationship and pattern of flows of resources in the economy. In the first instance, it describes functional behaviour of the economy along with sectoral flow of resources. And secondly it describes sectoral internal stability and sectoral relationships in generating external stability in the economy.

Assumptions:

Input-output analysis is based on the following assumptions.

1) The whole economy is divided into two sectors i.e. inter-industry sectors and final-demand sectors.

2) The output of each sector is homogeneous and one in nature.

3) No two products are jointly produced by sectors.

4) Output of one sector can be used as inputs by other sector.

5) Technique of production is given and there is constant returns to scale.

6) There does not appear external economies and diseconomies in production activities performed by sectors.

Uses in Development Planning:

The development planning requires consistency for achieving the settled objectives.
For having consistency in planning, inter-industry transaction matrix, which is the core of input-output analysis, help in providing information to the planner on quantities of various commodities and resources that would be required to all the sectors. Even in countries, where reliance on planning is minimal and market plays major role, big corporations use input-out technique for projection and forecasting purpose. Thus government planning machinery as well as private corporate sectors plan for their investment and productive activities based on input-output analysis.

Secondly, in development planning, the decision pertaining to selection of projects and development programmes are made on the basis of their economic feasibility. It is called the simulation purpose. The planners with simulation purpose determines projects. For the purpose input-output analysis help in understanding economically feasible plans.

Input-output analysis help planners in knowing as to how will be production requirements of the economy changes, if a new heavy industrial units with a certain output capacity are setup.

The knowledge of both the fundamental relationship of flow coefficients of static model and of capital coefficients of the dynamic model is required for the development plans. The input-output table tells planner, about the inter-relationships between various sectors and the structural relationships within each sector. On the basis of it planners can determine the effects of the change in one sector, on all other sectors of the economy.

Further, input-output analysis is used by planning authority for augmentation and allocation of various available resources and capital for achieving the settled the objectives of growth and development of economy.

Input-output analysis also help in making estimates of funds and resources required by each sector in planning period and in help it taking account of domestic resources as well as raising the foreign capital investment required for fulfilling needs of development planning in the economy.

According to Ajit K. Dasgupta, from the point of view of planned development, the dynamic input-output model has much appeal, it helps in recognizing a moving equilibrium of outputs. The planners are helped to see more clearly the implications of raising the level of investment in a particular sector, given the requirements of inter-sectoral balancing.
The United Nations study has listed certain uses of input output analysis in development planning as below.

1) Input-output table provides for individual sectors in the economy about estimates of estimates of production and required inflows of foreign capital in the economy.

2) Input-output analysis helps in the allocation of the investment required to achieve the production levels in the development planning programs. It provide more accurate estimates of available resources and their utilization requirements sectors.

3) The estimates of requirement of skilled labour are accurately prepared with the help of input-output technique.

4) Regional input-output table can also be constructed for planning purpose particularly in micro level planning in the economy.

2.2.2 Capital – Output Ratio : Meaning and Importance

B Introduction :

In development planning process, capital investment plays crucial role in capturing particular development as well as growth rate in the developed and also developing economies. Such capital investment is made by public and private sectors in a economy. Especially planning authority is interested in understanding the volume of capital investment, being required to attend a particular determined rate of economic development and growth. The planners in developing countries, having scarcity of capital are engaged in performing efforts for having maximum production returns from investment of available limited capital sources. In such circumstances, while designing and also selecting development planning programmes, planners insists on understanding the concept of ‘capital-output ratio’ in different sectors of the economy. The capital-output ratio is the concept which is used to measure sector wise output being occurring due to investment of a particular volume and size of capital in a economy. Capital-output ratio is one of the important issue in development planning and study of it help in making decisions pertaining to augmentation as well as allocation of capital for different programmes being undertaken in planning process.
B Meaning

The concept of capital-output ratio is also called as ‘Capital-output proportion’ or ‘Capital-output coefficient.’ It was first introduced by prof. Harrod and prof. Domar for analyzing business cycles and growth model developed by themselves. Further Colin Clark, Simun kuznets and Liedenstein have used the concept of capital-output ratio (COR) in their empirical studies of developed economies pertaining to explaining the relationship between capital investment and output occurred due to it. In development planning, the concept is being used to take decisions of capital investment in various sectors.

The concept of capital-output ratio expresses the relationships between the value of capital investment and the value of output. Prof George Rosen has defined it as “the relationship between the investment in a economy or industry and the output of that economy or industry in a given particular period” It explains the given relationship between the investment that are to be made and the annual income resulting from these investments.

In development planning, it is considered essential to understand the required capital investment in various sectors and projects being run the sectors, to attend the settled objective of rise in output in the economy. The capital-output ratio help in searching phenomenal relationship between capital investment and output occurring due to it. For example, if capital investment of value of Rs. 5 crores is essential to secure an output i.e. income worth of Rs. 1 crores. Then the relationship between the capital investment and output is put as (COR) or said to be 5:1. The different sectors in the economy may have different capital-output ratio.

B Types of capital-output Ratio

Generally two type of capital-output ratio are used to measure the COR in various sectors and projects undertaken in these sectors.

B Average capital-output Ratio

The average capital output ratio refers to everything that indicates the relationship between the existing stock of capital investment and the resultant flow of current output. Prof Gerald Meier has defined it as, the relationship between the value of the total stock
of capital invested in a particular given period divided by the total value of annual production income being generated due to it. The following equation is used to calculate the average capital-output ratio in the any particular sector or project.

\[
\text{Average capital-output Ratio} = \frac{\text{Total value of capital stock invested in a economy}}{\text{Total value of output or income in a economy}}
\]

For example, in a given period, i.e. for one year, if total stock of capital invested in an economy is worth of value of Rs. 100 crores and production or income generated due to is of value of Rs. 20 crores, then the average capital-output ratio in such economy is said to be 100/20=5, i.e. it said to be 5:1. Average capital-output ratio is static concept.

B Marginal Capital-output Ratio

Marginal capital-output ratio is also called as the incremental capital-output ratio. According to Gerald Meier, it expresses the relationship between the amount of increase in output i.e. income, resulting from a given increase in stock of capital. If the amount of increase in output is shown by by \( \Delta Y \), and the increase in stock of capital by \( \Delta C \), then, marginal capital-output ratio is calculated as \( \frac{\Delta C}{\Delta Y} \) i.e. \( \Delta C \) is divided by \( \Delta Y \). The marginal capital-output ratio refers to all that has been added in a recent period to the capital or income. The marginal capital-output ratio is a dynamic concept, Especially, planners, while managing the capital resource and its allocation in various projects or programmes, are mostly interested in understanding the marginal capital-output ratio being resulting in development planning process. The equation used for calculating marginal capital-output ratio is shown as below.

\[
\text{Marginal Capital-output Ratio} = \frac{\text{Net Increase in stock of capital}}{\text{Net Increase in National Income/output}}
\]

For example, in a given period, i.e. for one year, if the net increase in stock of capital (\( \Delta C \)) is in any particular project/sector is worth of value of Rs. 100 crores and resultant net increase in the income or output, due to it is of worth of value of Rs. 50 crores (\( \Delta Y \)), then marginal capital-output ratio is 100/50=2 i.e. 2:1 in a economy.

The marginal capital-output ratio is generally used for setting the objective of particular rate of rise in national income in a economy.
Thus, the marginal capital-output ratio help in determining the rate of rise in the national income or output in various sectors.

B Trends in Capital-output Ratio

The various empirical studies, being performed by Colin clerk, Simun kuznets, and Liebenstein in developed countries, have revealed certain results about the capital-output ration in those economies. According to these studies, at the beginning capital-output ratio tends to increase for some period. Then further, it tends to reduce. In the long run, capital-output ratio tends to have stabilization. The empirical studies pertaining to capital-output ratio in various types of economies have revealed that, it remains as 3:1 in the economies. In a depression period, capital-output ratio, remains to 4:1. Thus studies in capital-output ratio changers according to the phenomenal fluctuations in the economy and time period. Capital–output ratio is closely associated to with the choice of techniques selected for the purpose of attending required growth rate in the economy.

In a sector using capital-intensive techniques, the capital-output ratio would be high and in other sector using labour-intensive techniques the capital-output ratio would be low. In a capital goods industries, transport, communications and housing, very high capital-output ratio is experienced. While in sectors like, agriculture and manufactured consumers goods industries and services, capital-output ratio is being experienced at low level.

B Factors Determining Capital-output Ratio

The size of the capital-output ratio is being considered as an important determinant in development planning, while utilizing and also augmenting the capital resources for different projects, undertaken in planned economic development. The size of the capital-output ratio in the economy depends upon number of factors. Such as level and nature of technological progress, efficiency in utilization of new types of capital equipments, managerial and organizational quality human resource, pattern of demand, factor prices speed of industrialization and other factors in the economy some of the important Factors, that plays crucial role in determining size of capital output ratio may be discussed as below.

1) Nature and Availability of Natural Resources :

The nature and availability of natural resources in a economy greatly determines
the capital-output ratio. These natural resources includes quality and quantity of land, water resources, minerals, energy sources in the economy. A country with abundant natural resources has low capital-output ratio. For such countries prefers to substitute natural resources for capital. For example, Japan is a country which has a very high capital output ratio compared to India, because India has abundant natural resources compared to Japanese economy.

2) Size and Growth of Population:

The higher size and growth rate of population in the country lead towards more supply of labour at lower wage rates. It impacts into substituting labour use for capital resources. It tends to utilizing human labour in place of capital investment in different sectors. So the countries having higher size and growth rate of population has lower capital-output ratio compared to the countries having less size and growth rate of population.

3) Availability and cost of productive capital:

The amount of capital employed in a country and cost of utilization of available capital in a economy is considered as an important factor in determining the capital output ratio. The availability and size of capital depends upon the proportion of national income invested annually. Prof. Aurther Lawis says that, countries investing much the same proportion of national income annually have much the same capital output ratio in their economies.

4) Level and Nature of Technological Progress:

The technological advances and progress tends towards it’s utilization in a economy greatly influences the capital-output ratio. The level and nature of technological progress includes application of capital-intensive and labour-intensive innovation in the economy. If technological advances are more capital intensive rather than labour intensive, then is such countries, capital-output ratio will tends to rise on the other hand, if technological inventions are labour-intensive in nature, then there will be lower capital-output.

5) Quality of Managerial and Organizational skill:

It is again one of the important factor, that determines the size of capital-output ratio in the economy. It mainly includes quality and quantity of skilled human resource in
the economy. The countries having high quality of managerial and organizational skilled labour supply may experience high level capital-output ratio. For such skilled labour performs and contains higher potential in efficient use of available capital resources in the economy. Thus quality and quantity of skilled human resources in the sphere and managerial and organizational activities determines the size of capital-output ratio.

6) Socio-Economic policy of Government:

The socio-economic policy perspectives pertaining to composition of investment of government also determines the size of capital-output ratio in a overall economy. If the government plans for heavy social expenditure investment in public work and public utilities like school, hospital (education and health services) railway and roads, power project, then the capital-output ratio would be high in these areas. It would be also high in the case of the development of basic and heavy industries. But government investment pattern, if inclined more towards the development of agricultural and cottage industries sectors, there tends to have lower capital-output ratio.

Along with these Factors, capital-output ratio also depends upon rate of investment, pattern of demand, factor prices, employment policy of government and its foreign trade policy. It is said that, it is not possible to arrive at any definite conclusion about the behaviour of the capital-output ratio, because number of other socio-economic and also abroad factors impact on the size of capital output ratio in the economy.

B Importance of capital-output ratio:

In underdeveloped, developing and also developed economies, under the development planning process, the capital output ratio plays crucial role in determining the decision pertaining to selection of projects and development programmes. Even by taking into consideration the less accurate predictability of the capital-output ratio, it is analytically useful in calling attention to the importance of capital in economic development. Especially, where it is necessary to check the consistency of targets for the growth of national income, the additional requirement of capital can be at least roughly calculated with the device of the capital output ratio. It help in estimating the financial requirements of growth needed to attain a given target of output. Harrod-Dommar Models of growth are based on the concept of the capital output ratio. Thus
The capital output ratio is being considered as an important device in development planning from the points of view of the following areas.

1) To Determine the Growth rate:

Each type of development planning is primarily indicates the growth rate of the economy due to be captured through a development plans. The capital output ratio in the economy help in fixing the targeted growth rate of national income in the economy in a given period. It also helps in understanding the requirement of financial sources to attain the fixed prospective growth rate.

2) Allocation of financial Resources and its Mobilisation:

Generally, all the developed economies face the problem of shortage of capital and financial funds compared to the demands of it. In such circumstances, under development planning, allocation of financial resources and mobilization of these resources requires skillful decisions by planning authorities. The capital output ratio guides in determining the most productive sectors in the economy. The precision decisions pertaining to proper allocation of capital the various sectors and need of right directed mobilization of resources can be handled with the aid of the concept of the capital output ratio.

3) Augmentation of capital and other Resources:

The importance of the concept of the capital output ratio is also focused from the points of view of augmentation of capital and other resources needed for rapid development of the economy. Once the probable capital output ratio is estimated and targets of growth are determined, it becomes rather easy to recognized the requirements of capital and other resources for fulfilling the development programmes designed under development planning. That help in planning about how to augment capital and other resources. It also help in understanding the size of deficit in the available capital compared to the requirement of planned programs.

4) Foreign capital policy making:

The importance of capital output ratio also may be considered from the point of view of taking decisions relevant to foreign capital policy. Generally all the developing countries face, the problem of inadequate domestic capital compared to the requirement
of development planning programmes. It may be fulfilled by the way of attracting and utilizing the foreign capital. By considering the phenomenal size of capital-output ratio in the domestic economy, the decisions pertaining to Foreign capital policy can be taken and implemented for increasing capital inflow in the economy.

Thus, the concept of capital-output ratio is being considered useful in dealing with the issue of requirement of capital in the economy for starting and completing the programmes under development planning. An issues and problems associated with targeted production growth rate and mobilization of capital is systematically analysed with the help of concept of capital-output ratio. It help in understanding the need of utilization of scarce capital efficiently.

2.2.3 The Choice of Techniques:

B Introduction:

The planning authority face certain problems relevant to the issue of taking proper decisions about in which manner, the development planning programmes may be launched? The choice of techniques is one of such problem. Especially the developing economies having scarce capital and abundant labour supply has to determine the proportion of capital and labour, that can be used for targeted objectives of development planning. The problem of decision making pertaining to it, is called as the problem of choice of techniques. The capital-intensive technique of production and labour-intensive technique of production are being considered as alternative choice of techniques to each other, which may be applied for capturing the settled objectives of production under development planning. In this sub-unit, we will study the meaning of the concept of “choice of techniques” and comparative advantages and disadvantages of two types of choice of techniques i.e. capital-intensive technique and labour-intensive techniques, which can be used for the purpose of attaining the development programmes launched by planning authority.

B The problem of Choice of Technique: Meaning:

The projects or programmes framed under development planning may be started with making combination of labour and capital in a specific way or manner. The problem of choice of techniques refers to the type of combination of these two factors of
production for any particular project or programme being launched by planning authority.
A combination of these two factors (capital and labour) implies proportion of capital and
proportion of labour being used to perform any particular productive activity. By determing
certain proportion of each factor of production and making combination it to each-other,
planning authorities come across to have two types of choice of techniques of production,
entitled as ‘Capital-Intensive Technique of production’ and Labour-Intensive Technique
of production. From between these two techniques, which technique of production is to
be selected ? is the issue and problem, that arises in front of planning authority. And
that problem is called as ‘problem of choice of techniques’ in development planning. A.
K. Sen in his book entitled as “choice of Techniques” says that, these two techniques
often imply quite different strategies in economic development with very different efforts
on the performance of the economy. The ultimate object in front of planning authority is
to choose that technique, which is more efficient than another technique, keeping in
view the existing factor proportions. An efficient technique of production in development
planning is being considered one that minimize the costs of a given output or maximize
the output from given inputs.

B  Labour – Intensive Technique of Production :

The problem of choice of techniques of production may solved by either labour-
intensive technique or capital-intensive technique of production. Especially the
underdeveloped and developing countries having abundant supply of labour and scarce
capital has more scope for applying the labour-intensive technique of production in
development planning. For solving the problem of larger unemployment in
underdeveloped and developed economies, economists like Prof. Nurkse, Lewis and
Meier have supported and advised for applying labour-intensive technique under
development planning.

B  Definition and meaning :

For understanding the meaning of the labour-intensive technique, some definitions
can be taken into consideration.

Prof. Reddaway : Labour-intensive technique of production is one in which a
large amount of labour is combined with a small amount of capital for given targeted
output level in the economy.
Prof. H. Myint: Labour-intensive method of production is one, in which a large quantity of labour is utilized with a given units of capital.

Thus in labour-intensive technique of production, in any types of productive activity, more units/quantity of labour is used compared to the quantity or units of capital being used in productive activity. As labour-intensive technique implies minimum utilization of capital for production purpose, it is called as ‘capital saving technique of production’. The proportion of utilization of labour is greater than the proportion of capital, in labour-intensive technique under development planning, by applying labour-intensive technique. In, development planning, by applying labour-intensive technique of production an efforts may be performed for capturing the prospective growth rate of production in a given period. It can be explained with the help of diagram. The diagram No. 2.2 shows working or functioning mechanism of the labour-intensive technique of production.

Figure No. 2.2: Labour-Intensive Technique

Figure No. 2.2 explains the impact of labour-intensive techniques on output. In this diagram, IQ and I'Q' are isoquant curves. And BP and BP are the price lines pertaining
to the capital and labour combination used for the purpose of having output. On the isonquant curve IQ, the price line BP touches at point S and on the isonquant curve I'Q', price line BP touches at the point S1. On isoquant curve IQ and price line BP explains that at point S, the quantity of capital utilized is OC and quantity of labour utilized is OL. Now with the new technique the amount of capital (OC) helps in producing a larger output represented by the a higher isonquant curve (I'Q') and at the same time it uses more amount / quantity of labour i.e. OL'. It explains capturing higher output from the point OL to the point OL', because isonquant curve I'Q' is at higher level comparing to the isonquant curve IQ. It simply means that in labour intensive technique, with the same amount (given) of capital and more amount / quantity of labour employed for the purpose of output, higher output is obtained. The developing economies having scarce capital resource and abundant labour supply, can employ labour at lower wages, and hence it can prefer to employ more units of labour instead of employing costly capital for the purpose output under development planning.

B Arguments in favour of Labour-Intensive Technique:

An application of labour-intechnique in development planning supported by some eminent economists in developing economies. Prof. Nurkes has clearly said that, the countries having abundant and cheap labour and having unemployment problem must choose the technique of labour-intensive method for their development planning programmes and projects. The labour intensive technique of production mostly suits such countries than the reliance on capital-intensive technique of production. The major advances, benefits of applying labour-intensive technique of production may be explained as below.

1. Remedy on Unemployment Problem:

Underdeveloped and developing countries, having larger size of population and labour supply face the problem of unemployment. In such countries abundant labour supply is easily available at cheaper wage rate. By applying labor-intensive technique of production in development planning, the problem of unemployment can be solved. Prof. Nurkse has insisted the application of labour intensive technique in such countries as there is larger supply of labour compared to the capital available for solving the problem of unemployment.
2. The Overcome the problem of scarcity of capital:

Generally in all the developing countries, the planning authority, faces the problem of scarcity of capital in launching various development projects. Scarce capital is required to use in selected priority sectors. The projects and programmes aimed at agricultural and rural development through planned development may started with employing more labour and substituting labour for scarce capital. So labour-intensive technique of output help in reducing the reliance on the capital sources.

3. Less cost of production:

The labour-intensive technique of production is beneficial, as it employs more labour rather than capital. The cheap labour is used for the purpose of production. It help in substituting costly capital and using cheaper labour. Hence, in labour-intensive technique, cost of production may be kept at lower level. Capital-intensive technique requires larger capital at the beginning to be invested. It increases the cost of production. But labour-intensive technique help in keeping the cost of production at lower level.

4. Latent Resource Argument

Underdeveloped and developing economies experiences shortage of capital, entrepreneurial resources and capacity of applying costly technology. The use of labour-intensive technique should be more appropriate for releasing these scarce resources to be used in more important uses. Thus the labour intensive technique of production is supported on the ground of latent resource argument.

5. Import-Light Argument:

Labour-intensive technique requires simpler tools and low cost technology having developed in domestic economy. So labour-intensive technique do not requires the most costly imported technology. Hence labour-intensive technique considerably help in saving foreign exchange, further leading towards reducing the burden of foreign debt.

6. For controlling Inflationary Pressures:

Labour-intensive technique are considered important in counteracting inflationary pressures in development economies. By using labour-intensive techniques, it becomes
quickly possible to increase the supply of consumable goods. It help in obviating the
danger of inflation in the economy.

In addition to it, labour-intensive technique, can be utilized at village level and in
small towns easily. This would obviate the necessity of making heavy expenditure on
the basic infrastructural facilities urgently. This leads towards making considerable
saving in the community’s expenditure on social overheads also. Labour-intensive
technique of production creates advantages of decentralization and avoids the
unfavourable effects of rapid industrialization in urban areas. Labour-intensive technique
impacts into equal and just distribution of national income, which in the long run help in
avoiding the concentration of economic power in the hands of capitalists and
industrialists in the economy. Thus labour-intensive technique mostly suits for
underdeveloped and developing economies in various perspectives.

B Capital-Intensive Technique of production :

Labour intensive technique, in underdeveloped and developing economies is being
urged on the background of abundant supply of labour and scarcity of capital in these
countries. But labour-intensive technique has limitations in capturing the rapid rate of
growth as insisted in development planning process. Hence economists like Galenson
and Leibenstein have supported for using capital-intensive technique of production for
developing countries to attend and motivate the process of rapid growth rate in a
economy. According to Galenson and Leibenstain” for a continuing and compound effect
on the growth rate of income, capital-intensive technique, containing advanced
technologies are considered indispensable. For transforming from backwardness to
advance developed countries, and for having successful development, developing
countries has to choose the technique of capital intensive in a economy. The issue of
choice of technique as faced by developing economies as a problem may be overcome
by applying capital-intensive technique of production by such countries.

B Definition and Meaning :

It is felt essential to deal with some of definition of capital-intensive technique of
production for understanding it’s meaning. Prof. H. Myint has defined the concept of
capital-intensive method as a use of larger size or units of capital for each unit of labour
for the purpose of production. In capital-intensive technique more quantity of capital
utilization is preferred and less or minimum quantity or units of labour are used while completing the projects and programmes under development planning process in the economy. Thus in capital-intensive technique combination of capital and labour is designed in such manner, that it insist on employing more units of capital and minimum units of labour in any particular productive activity being undertaken in development planning. It is used as a alternative to labour-intensive technique of production. Capital-intensive technique implies the use of modern advanced technology and it is used as alternative to labour. Thus it is called as labour saving technology, and it is used as alternative to labour. Thus it is called as labour saving technique of production. Especially, in the countries having scarcity of supply of labour and abundant supply of capital, capital-intensive method of production is considered most suitable in attending the targets of development planning. In recent period, developing economies have also choosen the capital-intensive technique of production for their planned economic development in number of projects, the heaving depends upon the use of advance technology.

The capital-intensive technique can be explained with the help of diagram. The diagram No. 2.3 is shown to explain the concept of capital intensive technique.

**Diagram No. 2.3 : Capital-Intensive Technique of production.**
The diagram No. 2.3 depicts the use of advanced technology which is capital-intensive in nature. CK and C1K are the price lines which describes different combinations of units of capital and units of labour, that can be utilized for the purpose of having output. IQ nad I'Q are the isoquant curve to which Ck and C’k price lines touch at the points S and S’ respectively. The isoquant curves touching at the price lines at S and S’ indicates the equilibrium level of output being occurred due to quantity of capital and quantity of labour. Figure indicates that by keeping constant of units of labour (OL) and increasing the units of capital for production from OC of OC' help in obtaining the increased production from ON to ON'. Thus in capital intensive technique of production, with given/constant units of labour and higher/more units of capital use impacts into raising the level of output in the economy.

B Arguments In-Favour of Capital-Intensive Technique

The advantages and importance of capital-intensive technique of production in development planning is urged by some economists like Prof. Leibenstein, Prof. Paw Brain, Prof. Hirschman and M. Dobb. The arguments put infavour of capital intensive technique in developing and developed countries for their planned economic development may be explained as below.

1) For Accelerating Rapid Economic Growth:

It is said that, for accelerating rapid economic growth, the capital-intensive technique must be used. The capital-intensive technique leads to generating more output and it’s most share belongs to entrepreneurs and less share of output or income belongs to labour. Hence, the propensity to save is higher on the part of entrepreneurs. An increased saving by entrepreneurs is further utilized for investment it ultimately leads to further increase in the output or national income in the economy. The process further helps in accelerating the rapid economic growth rate in the economy.

2) Improvement in Standard of Production:

As capital-intensive technique of production pays for utilizing advanced technology in number of production process, which help in improving the standard of consumerable and other products in the economy. It is being experienced that labour-intensive technique has limitations in improving the standard of products and thus it leads towards inadequate fulfillment of consumer wants. But capital intensive technique overcomes that problem.
Hence capital-intensive technique is more preferable than labour-intensive technique in that respect.

3) It Reduces the Cost of Production:

The capital-intensive technique is urged on the ground of reducing the cost of production in the long run. The use of capital along with the advanced technology has a phenomenal advantage of maintaining the consistancy in production. It further leads towards reducing the average cost of production.

The capital-intensive technique, in the ongoing process of continuity in the output helps in generating internal and external economies of scale. It further help in reducing the cost of production. It makes possible for selling the output at lower prices in the economy. Thus the capital intensive technique generates twin benefits of reducing the cost of production and lowering the prices of output in the economy in the long run.

4) Helps in Raising Labour-productivity:

Prof. Hirschman has raised the argument in favour of capital-intensive technique. He says that use of advanced technology and capital offers an opportunity of raising the productivity of labour used in the capital-intensive technique of production. Especially where the use of capital and advanced technology is considered as an invariable, along with use of minimum labour units, it impacts into improving the skills of labour and efficiency of labour. All there goes to raising the labour-productivity in the economy. The capital-intensive techniques possess the twin-property of efficiency-enhancing and coordination promoting pertaining to labour uses in the capital-intensive techniques of production.

5) Compensating of Ill Impact of Labour-Intensive Technique:

Even labour-intensive technique of production has limitations in removing all the disguised unemployment. Hence, due to limitations in providing employment to all the unemployed force in rural areas, labour migrates towards urban areas. It generates stress on providing basic social facilities like drinking water, shelter, health, education and transport in the urban areas. For compensating these ill impacts of labour-intensive technique, application of capital-intensive technique possess the capacity of rapid fulfillment of social wants generated due to the migration of rural population towards urban areas.
6) Helps in Inspiring Technological Development:

Generally, all the developing countries tend to use the simple technology in labour-intensive technique of production. It tends to neglect the use of advanced technology. It impacts in limiting the economic growth rate. Hence for having rapid economic growth, developing economies needs to concentrate on using capital-intensive technique since beginning. That helps in generating inspiration in applying advanced technology for production. Prof. Paul Baran has advised for using capital-intensive technique for tapping the benefits of it since beginning of development planning.

7) Spread-Effect Benefits:

The spread-effects being created due to the development process are more broader and effective about capital-intensive technique rather than labour-intensive technique of production. For example, by using capital-intensive technique for production of chemical fertilizers (Fertilizers industries) supply of fertilizers is being used by the farmers, which ultimately leads towards increase in the agriculture output. It is spread-effect of starting fertiliser industries. Thus the capital-intensive technique used in the heavy industries, energy sectors, construction of dams generates larges spread-effects, which can be used for overall development of the economy. The concept of spread-effects introduced by Gunnar Myrdal in his growth theory, is experienced in using the capital-intensive techniques of the production.

Thus, the arguments infavour of capital-intensive technique focuss on the advantages and benefits of capital-intensive technique may be used in the development planning. The benefits of capital-intensive technique may be rightly assessed with comparing it with labour-intensive technique of production. Though capital-intensive technique is considered more beneficial in some respect, comparing to labour-intensive technique, developing economies should use if by considering phenomenal economic condition pertaining to availability of capital and technology, size of labour force, and environment factors in the economies.

2.2.4 Project Evaluation: Meaning and Importance

B Introduction

The development plans are designed and implemented to achieve determined
objectives of economic development in economic planning. For this, number of development projects are prepared by planning commission. For such projects, expenses are made through Government treasury. It is felt essential to calculation the prospective benefits of projects to civil society in the country. The precision calculate of investment expenditures being incurred on projects and prospective benefits being generated through the projects helps in taking efficient and effective decisions of planning authority. An analysis of project evaluation is being considered as one of the best techniques of calculating the costs incurred and benefits being generated through such projects. Hence since, more than two decades, criterion of project evaluation analysis is being applied in developing and developed countries in the world. The technique of project evaluation analysis is being practiced for calculating costs incurred and prospective benefits being generated in such a scientifit and systematic manner, the it helps in precision selection of a projects for hunting the determined objectives of development plans under economic planning. Hence, an analysis of project evaluations is also called as “Cost-Benefit Analysis of projects in consideration.”

B Definition and Meaning

Project evaluation is considered as an integral part of any development programme under development planning. It helps in assessing its success or failure and pointing out further improvement in it, required if any. Project evaluation contains broader meaning and it is difficult to define it by any single definition. Still some of the efforts in defining it, may help revealing the meaning of the concept ‘project evaluation.’

B Hyman, Wright and Hopkins’s Definition

Project evaluation refers to the procedures of fact finding about the results of planned social action which in turn move the spiral of planning over upward. The proper methodological accompaniment of rational action about the project is called as project evaluation.

B Mishra and puri’s Definition.

Mishra and puri in their book entitled as “Development and planning : Theory and practice” has put project evaluation as project appraisal. According to them ‘project evaluation or project appraisal is a technique, which is used as a standard approach to
public investment analysis. It involves understanding a number of important aspects of appraisal of the economic costs and benefits of the projects relevant to the society and national economy. In investment planning it is related to calculations of costs incurred on project and benefits being generated by the projects.

B A.R. Prest and R. Turvey’s Definition

A.R. Prest and R. Turvey in their book entitled as ‘Survey of Economic Theory: Resource Allocation’ say that an appraisal of a project is made from the society’s point of view. Apart from the money costs incurred and direct benefits accruing from it, external economies and diseconomies and secondary benefits are considered by the way of project evaluation.

According to various definitions of project evaluation, it involves project appraisal. An analysis of costs – Benefit technique is used in a project evaluation. It takes in to consideration importance and utility perspectives of a project from society's and national point of view. A project evaluation helps planning authority in selecting projects and in following optimum criterion in investment of resources and capital investment in the economy. It is a systematic and scientific method in determining the volume of capital investment in a project in a proper and rational way.

B Methods of Project Evaluation

A project evaluation is done on the basis of ‘Costs-Benefit Analysis’ and it is related to project appraisal. For understanding the procedures involved in it and for having enough explanation of it, it is felt essential to deal with methods of project evaluation. The methods of project evaluation mainly deals with costs and benefits considered of a particular project. The methods of project evaluation belongs to preparation of a project appraisal being done with considering some of stages and steps involved in it. They are as below.

- The description of the technical and economic characteristics of each project.
- The estimation of the influence and impacts of a project on the society and national economy. It involves searching costs and benefits accruing from completion of project and to determine the methods of measurement of benefits.
Further in a project evaluation, classification of favourable and unfavourable influences of project undertaken are made and are analysed by using discount rate method.

To determine criterion for a project selection and reveal some of the major obstacles may created while the implementation of a project.

**A Capsul History of Project Evaluation**

In a recent period, project evaluation has been considered as one of the important technique in development planning. It is being rapidly used while selecting and implementing the various prorammes under development planning in developed as well as developing economies. It is used as a ‘Standard approach’ towards determing the public investment on various projects. The historical review of concept of project evaluation states that it was first introduced in American economy, in analyzing it as cost – Benefit Analysis in the ‘New Deal policy’ programmes launched by U.S.A. Government on the background of economic depression occurred in 1929-30.

The first systematic study belonging to the project evaluation was made by united nations. Organisation in Latin America in the year 1958. Then the technique of project evaluation was applied by United Nations Organisation For Economic co operation and Development : (UNOED) for evaluating the outcome of various project indertaken by them. Since then at national and international level number of agencies and institutions have been practicing the method of project evaluation in a more systematic and scientific methods to deal with designing, determing and implementing the projects for its better outcome. In India prof. D.R.Gadgil has studied selected six projects as project evaluation under planning procedures in 1958. It was first systematic efforts in that direction.

**Project Evaluation : Stages of Preparation and Presentation**

Various types of projects belonging to agricultural, industrial, construction, communication sectors are started under development planning. The larger amount funds and resources are being invested through public revenue by planning authority. For having accurate estimates of costs to be incurred on such projects and prospective benefits of it, planning commission in India and elsewhere goes through the evaluation of such projects. For this project appraisal reports is prepared. It is somewhat complex job. For that purpose, services of eminent technicians, engineers, statisticians and
economists are used. The project appraisal report at the earlier stages is prepared as ‘pre-feasibility report of projects’ under consideration. The pre-feasibility report contains the broader objectives and various alternative substitutes of launching a particular project under development planning. Hence some time project report is also called as ‘Project Feasibility Report.’ Then afterwards, it is prepared by taking into consideration some of the important aspects required to take into consideration. Then it is presented to the respective planning authority. There may be some slight differences in project evaluation report as per the nature and types of projects. Still, every project evaluation report includes some general characteristics and features, while it passes through preparation phases. These phases or stages of preparation of project report may be summarized as below.

I) Terms of Reference:

It is considered as first step or stage of project evaluation report. On the basis of pre-feasibility report of project, planning commission provides the major objectives definition of the project to the technical committee or expert group appointed for project report preparation. Thus terms of reference includes major guidelines provided by planning commission or authority to expert group for making the project evaluation report of project under consideration. It is used as general outline of project, on which expert group has asked to prepare report. Terms of references help expert group in determining the line and length, according to which expert group is being asked to work on project.

II) Engineering study:

The committee or expert group, appointed for evaluation of project includes various technical personalities, in which some engineering experts are appointed. Those expert personalities are being asked to search out number of technical feasibilities and engineering nature of projects being launched. The engineering study of project help in determining physical aspects of the project from the point of view of engineering perspectives. In an engineering study of project, desing of project, its construction, size of project, technical nature of product being produced by such project are studied by project evaluation expert group. It mentions the time period required to complete the project work. An engineering study takes into consideration the feasibility of project
with reference to its engineering aspects, which help planning authority for planning of physical resources required for projects.

III) Financial study:

It is one of the important stage in preparation of project evaluation report. In financial study of project, the estimates of projects pertaining to its costs are prepared by expert groups. It provides cost estimates of the project in budgetary terms. It examines the direct costs of construction of plant at market price and presents a financial evaluation on an accounting basis. The financial study of project helps planning authority for determining the allocation of funds and mobilizing resources for construction of plants.

IV) Cost – Benefit Analysis:

It is also one of the important step or stage in preparation of project evaluation report. Basically, the project evaluation report aims at analysing costs incurred on plant construction and benefits being accruing from it. It includes appraisal of the economic costs and benefits of the project and alternatives and its impact on the economy and on the welfare of civil society who are directly or indirectly affected by the project being undertaken and included in programmes of development planning. The cost-benefit analysis thus provides the basis on which the project should be accepted, modified or rejected. Generally all the projects under consideration has to go through the stage or step of cost – benefits analysis as it is the crux of preparation of project evaluation report.

V) Implementation of project:

An implementation perspective project evaluation report contains some of the important aspects pertaining to the project. It mainly deals with the demands of the project that will be created while launching the projects and at implementation level. Some types of projects evaluation report also examines the social and environmental implications of the project. It help for administering the project properly. It reveals important probable hurdles that will be come across at implementation level for the consideration of planning commission and relevant machinery engaged in project activation.

VI) Recommendations:

This part of the project evaluation report presents the brief summary of the project
with specific recommendations for consideration at the decision-making level. The recommendation part of the report help in taking the decision regarding whether a particular project is viable from the point of view of financial and physical perspectives. The socio-economic and environmental aspects and its impact on economy are presented in a brief manner in recommendation part/section of project evaluation report.

The project evaluation report is prepared by taking into consideration all the steps indicated as above. The report, thus prepared is then usually submitted to the planning authority, the relevant ministry and also the project financing agency. Then the project evaluation report is accepted, then it is undertaken.

B Importance in Development Planning

Various projects are started through public expenditure to achieve determined objectives of development policy. Thus the projects started through public revenue, must aimed at fulfilling the needs of society and national priorities. Hence it is considered essential to evaluate the projects in a manner that costs incurred on it and benefits generated through the projects. The project evaluation system help planning authority in taking efficient and precision decisions regarding the selection of projects. It also help raising the efficiency of programmes being undertaken under development planning. The project evaluation based on cost – benefits analysis, with considering its limitation, may be applied for various programmes of economic planning for having efficient and successful implementation of development planning in developing and developed economies. The major important aspects and role of project evaluation can be summarized as below.

1) Comparative Study of Projects:

The importance of cost – benefit analysis involved in project evaluation is being considered gainful in availing opportunity in comparative study of projects. Some times settled objectives under development planning may be achieved by certain projects which are alternative to each-other. In such cases, question arises pertaining to selection of project. In such circumstances, the comparative study of project help in revealing comparative costs and benefits of projects. Further it help in decision making process of most beneficial project from the points of view of society and national interest. For
example, for fulfilling the rising demand of energy, energy may be generated by utilizing coal or solar energy and other sources. The comparative study of each types of energy generation project, help in determining, most suitable project, pertaining to energy generating plants.

2. Determination of Investment Expenditure:

The projects, undertaken by private as well as public sectors require huge capital investment expenditure. It belongs to land purchase, construction, machinery, technology and raw materials. In such situation, the number of activities, on which investment expenditure is being considered essential, is revealed in project evaluation process. They are submitted to planning commission. It help in understanding the probable capital investment required for each types of project. That further help in planning the resources and funds available for project implementation. The cost-benefit analysis used in project evaluation help in determining the investment expenditure required for projects undertaken.

3. Identification of Non-beneficial Projects:

The planning commission aims at launching such projects to fulfill demands of civil society and national priorities. Sometimes for fulfilling political interest, politicians pressures for having inclusion of projects in development planning. But the procedure of project evaluation reveals the costs incurred on project and benefits being generated through the projects. It help in identifying the projects, which are not viable in economic sense. The planning commission, thus identifies non-beneficial projects.

4. Identification of Unfavourable Impacts of Projects:

The project evaluation process deals with the various types of costs and all types of impacts of project on the economy. In such procedure, different aspects of impact of project on economy are revealed. So it help in understanding the advance, unfavourable effects of the concerned projects are brought into discussion on the table of planning commission. The problems and hurdles in implementing any project are understood at the very beginning of the projects. Thus project evaluation help in revealing and measuring the important problems and unfavourable impacts associated with the projects due to be undertaken.
5. Efficient Monetaring of Project:

The project evaluation analysis functions as a light-house in sea for planning authority in taking decision of selection of projects and implementation of projects. The fund allocated for project and monetary and physical resource requirement for project is calculated time to time. The precautions in certain aspects are also dealt with successfully. Thus project evaluation analysis help in efficient monetaring of project.

Thus the project evaluation help in creating and maintaining efficiency and dynamism in the process of launching the projects by planning authority.

2.3 Summary:

The number of issues belonging to development planning, are required to be dealt with seriously while designing, launching and implementing the projects under development planning. Input-output analysis, capital output ratio, choice of techniques and project evaluation are considered as important issues, while taking decision of whether any particular project be included or rejected in development planning.

The issues and problems arising out of it, if considered sincerely and studied by planning authority time to time, then even broader and critical objectives settled in economic planning can also be achieved. The issues of development planning discussed in the unit must be essentially viewed on the ground of phenomenal socio-economic characteristics of the economy and nature of economic objectives determined to capture through development planning process in the short-run as well as in the long-run. The assessment and review of every programme and project due to be included in the economic planning must go through these issues by planning authority. As these issues are technical aspects of scientific planning process must be dealt with carefully.

2.4 Glossary:

1) Flow coefficients: The term is used to denote the relationship between the flow of inputs and output from one sector to another sector in the static economic analysis. It help in accounting the flow of output from one sector as it is used as inputs by another sector.

2) Capital coefficients: In dynamic economic analysis structural changes occurs
along with the change in the size of output. The term capital coefficient is used to denote and measure these changes in a particular given period.

3) Capital: The capital is one of the factor used for the purpose of production. It includes the money value of machinery and other resources being purchased for performing any productive activity for having output.

4) Planning strategy: The term is used to denote the purposeful decisions and programmes designed for having multiple solutions on various socio-economic problems in the economy. For example, the selection of labour-intensive technique not only solves the problem of unemployment but it help in reducing poverty in the economy.

5) Spread-Effects: The favorable socio-economic impacts of the any particular economic activity performed as an economic development programme. The concept of spread effect is introduced by prof Gunnar Myrdal in his growth model of economic development.

2.5 Home work for self-study (check your progress)

2.5.1 By choosing correct alternatives given below, complete the sentences.

1) __________ has collected the empirical data of capital-output ratio in the developing economies.
   a) Leibenstein  b) Simun Kuznets  c) Paul Baran  d) Gunnar Myrdal

2) The ratio between the total stock of capital and total output in a given particular period is called as ____________.
   a) Average capital-output Ratio   b) Marginal capital-output Ratio
   c) Constant capital-output Ratio   d) None of these

3) Input-output Analysis has invented by __________ first.
   a) Author Lewis  b) Prof Hirschman  c) W.W. Leontief  d) Paul Baran.

4) The project evaluation containing cost-Benefit Analysis was used in __________ country very fast.
   a) India  b) England  c) Japan  d) America (U.S.A.)
5) _________ has first used the method of project evaluation of development plans in India.
   a) Prof Mahalnobis    b) Prof Raj
   c) D. R. Gadgil       d) Dr. Ram Narayan.

6) The study of _________ is considered beneficial for having comparative study of projects.
   a) Input-output analysis b) project evaluation
   c) choice of techniques   d) None of these.

7) In capital intensive technique by keeping _________ constant, amount of capital is used increasingly.
   a) Quantity of labour    b) Quantity of other inputs
   c) Foreign capital       d) Non of these.

8) _________ has supported the labour-intensive technique of production for developing economies.
   a) Leontief    b) Prof. Nurkse    c) Leibenstein    d) Galenson.

9) _________ technique of production is considered more suitable for having rapid economic growth rate.
   a) Capital-intensive   b) Labour-intensive
   c) Constant or proportional d) A & B

10) For capturing benefits of spread-effects _________ technique of production is considered essential in development planning.
    a) labour-intensive   b) capital-intensive
    c) answer A and B     d) proportional

2.5.2 State, whether following statements are true or false.

1) An isoquant curves technique is used for input-output analysis.

2) Labour-intensive technique help is solving the problem of unemployment in developing countries.
3) Prof. Paul Boran has not supported the capital-intensive technique.
4) The cost-Benefit Analysis is used for measuring capital-output ratio.
5) Project evaluation includes pre-feasibility report.
6) Prof Gunnar Myrdal has first introduced the concept of spread-effects.

**2.5.3 Self-study questions.**

**A) Long answers question.**

1) define ‘Capital-output Ratio’ and explain its importance in development planning.

2) What is ‘Input-output Analysis’? Explain it with the help of table.

3) What is meant by ‘Problem of choice of Techniques’? State the arguments in favour of Labour-intensive techniques.

4) What is ‘project Evaluation’? Take the account of steps involved in it.

5) Define ‘Capital-Intensive Technique’, and state the arguments in support of capital-intensive technique.

**2.5.4 Write short Notes on following.**

1) Importance of capital-output ratio in development planning.

2) Average capital-output ratio and Marginal Capital-output Ratio.

3) Benefits of Capital-Intensive Technique.

4) Table of Input-output Analysis.

5) Stages in the Project Evaluation.

**2.5.5 Answers of Home work for self-study Questions (Check your progress)**

2.5.1  
1) b  
2) a  
3) c  
4) d  
5) c  
6) b  
7) a  
8) b  
9) a  
10) b  

2.5.2  
1) false  
2) correct  
3) false  
4) false  
5) correct  
6) correct
2.6 Field work.

1) Prepare the project evaluation report of the project launched under development planning in your village or city.

2) Take the comparative review of the public/private project launched in your village or city.

2.7 Reference for Additional Reading.


3) Benjimin Higgins : Economic Development.

4) Dr. J. F. Patil, Tamhankar : विकास आणि विकासाचे निर्माण.


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INDEX

3.0 Objectives
3.1 Introduction
3.2 Subject Matter
  3.2.1 Planning
  3.2.2 Process Of Planning
  3.2.3 Role of Planning Commission
  3.2.4 Role of National Development Council
  3.2.5 Need for Balanced Regional Development
3.3 Summery
3.4 Glossary
3.5 Self-learning Questions
3.6 Answers of Self-learning Questions
3.7 Questions for Self Study
3.8 Field Work
3.9 Reference for further Reading

3.0 Objectives :

Following objectives will be attained by studying this unit.

B Understanding meaning and process of planning.
B It will help in understanding role of planning commission and National Development Council in Indian Planning.
B It will help in understanding meaning and the need for balancing regional development in India.
3.1 Introduction:

‘Economic planning has become a craze in modern times especially in under developed or developing countries. The idea of planning has acquired a tremendous support after the end of World War II on the background of disrupted economies needed rehabilitation then. Though at the beginning the concept of planning was mostly activated in socialist economies i.e. in Russia, Further it is popularised in democratic Government having accepted capitalist system for economic development. The planning in India is it’s best example.

3.2 Subject Matter :

In preceding unit, we have taken review of various issues belonging to the development planning. In the present chapter we are going to study the planning and process of planning, the vital role played by planning commission and National Development Council in development planning in India and need of Balanced Regional Development in India.

3.2.1 Economic Planning in India :

Economic Planning is essentially a way of organising and utilising economic resources to maximum advantage in terms of well-defined socio-economic goals.

The concept of economic planning in India was not altogether new. Even under British Rule, there had been good deal of thinking on the subject of economic planning in India. The first idea of planning for India was advocated by Sir Vishvesvarayya who published the book on economic planning entitled as “Planned Economy For India” in 1934.

In 1937, the Indian National Congress set up the National Planning Committee under the chairmanship of Late Pandit Jawaharlal Nehru. But owing to the great political changes, the work of the committee remained suspended from 1944 to 1946. The committee submitted its report in 1949.

In Addition to this several other plans were drawn up. They were as below:

A. Bombay Plan :

It was published in January, 1944 & came to be known as Bombay Plan. It is prepared by eight leading industrialist of Bombay. The cost of the plan was Rs. 10,000
crores. The period of the plan was of 15 years. It aimed at doubling per capita income & trebling the national income in that period. It proposed to increase agriculture output by 130%, industrial output 500% & services 200% of the 1944 figures during 15 years.

B. People’s Plan :

It was drafted by M. N. Roy. It was The Tata Birla Plan provoked the Indian Federation of Labour to put forth an alternative plan which was christened as the People’s Plan. It was a Rs. 15000 crores plan; spread a period of ten years. It laid special emphasis on agriculture development through nationalisation of land.

C. Gandhian Plan :

A plan on Gandhian principles was put forward by Principal S.N. Agrawal of Wardha Commercial College. It was very modest plan with an estimate cost of Rs. 3,500 crores. It was aimed at developing a decentralised self-sufficient agricultural society with emphasis on the development of cottage industries. However, it was essentially an idealist plan which neglected the development of basic & heavy industries.

D. Post -War Reconstruction Plan :

The British Government of India set up a Planning Development Council under the chairmanship of Sir Ardeshir Dalal in 1944. This development was able to formulate several schemes, short-term as well as long term, to be enforced after the Second World War.

In 1946 the Interim Government set up an Advisory Planning Board to review the whole problem of planning and to make recommendations to the government as regards the action to be taken thereon in India.

E. Colombo Plan for India :

In March 1950, the Government of India appointed a Planning Commission with the Prime Minister as its Chairman. The Colombo Plan was a six-year plan. It aimed at improving the living standards of the people of South and South-East Asia by stepping up the production of food grains, industrial raw materials and finished goods. As regards India the plan proposed to spend Rs. 1,839 crores on plan Development projects during the 1951-56.
F. Planning Commission & the Plans:

The Government of India set up planning commission under the chairmanship of Late Pandit Jawaharlal Nehru, the then prime minister of India in 1950 prepared the plan for the most effective and balanced utilization of the country’s resources. The Planning commission presented a draft outline of the First Five Year planning July 1951. Since 1951, India has completed Eleven Five Year Plans and the current twelfth Five Year plan (2012-2017) is in progress which will be completed by 2017. In the 11 plan important aspect of “inclusive growth” was considered as the target of government. For development of excluded society and sectors in Indian economy.

3.2.2 Process of Planning:

The development planning in India is being implemented by structuring five year plans. The design and implementation of planning passes through Process of planning in India takes place in six stages. These are briefly discussed as below

B First Stage:

The first stage, begins about three years in advance of the commencement of the Plan. The planning commission attempts a thorough appraisal of the existing state of economy of the country and also makes detailed suggestions to remove the social, economic and institutional weakness which may be retarding the country’s progress. This report of the ‘Planning Commission’ is then submitted to the central Cabinet and the ‘National Development council’ (NDC) for the examination and consideration. The National Development Council, on its part, after having considered the report, makes certain preliminary suggestions to the Planning Commission regarding the rate of growth to be assumed and the objectives and consideration which should receive special emphasis in the five year plan.

B Second Stage:

The second stage consists in arranging various types of studies which form the basis of a Draft Memorandum on the physical contents of the Five year Plan. The Planning Commission constitutes a series of working groups, composed of its specialists and those of the Ministries concerned at the centre. Each Working Group is concerned with a particular sector at field of the economy. In 1965 The Planning Commission appointed separate Working Groups to study financial Resources, Agriculture irrigation,
Power, steel Fuel, General Education, Technical Education, Scientific Research, health, and family planning, Housing, Rural planning, Welfare of Backward Classes. The Working Group on Financial Research was concerned with the estimation of financial resources, both external, internal and resources for the public sector as well as the private sector. Each working group is expected to review the performance of the economy in its particular field and to point out the deficient that may have been observed. As the working groups at the Centre begin their work, state governments are also advised to constitute similar working groups of their own. On the basis of reports of the working groups and suggestions of the various panels, the Planning Commission drafts a Memorandum known as Draft Memorandum. This includes the principle magnitudes of the next plan. The Draft Memorandum is submitted to the central cabinet which discusses the document detail. The document is then placed before the National Development Council, forms the basis for the next stage in the formulation of plan, namely, the preparation of a Draft outline.

B Third Stage:

In the third stage the Draft Outline is a much more detailed document than the Draft Memorandum. It gives fuller details of the various plans envisaged for the different sectors and brings out clearly the main policy issues and objectives and the approach which is proposed to be adopted. The Draft Outline is prepared by the Planning Commission and is circulated among the various Ministries and state Governments for comments. It is considered by the Central Cabinet before being submitted to the National Development Council. With the approval of the National Development Council the Draft Outline is published as a document for the widest public discussion and comments are invited from all sections of public opinion. At the national level, both Houses of Parliament discuss the Draft outline, first in a general way for a few days at a time and then in greater detail through a series of Parliamentary Committees.

B Fourth Stage:

In the fourth stage, while the Draft Outline is under discussion throughout the country, the Planning Commission in association with the Ministers at the centre holds detailed discussion regarding the plans of individual states. These discussions involve a study of their financial resources, proposals for rising additional resources and their detailed plans of development.
With each state, the discussions are held both at the expert level and at the political level. But the final conclusion is reached in consultation with Chief Ministers of individual states. These conclusions are regarded as understandings between the Planning Commission and the states for the size and composition of each states plans, the main targets and programs to be fulfilled and the obligations undertaken by the centre to provide a given quantum of financial assistance and by each state to find its share of resources and to observe the agreed priorities.

B Fifth Stage:

In this stage, the Planning Commission on the basis of detailed discussions with state governments comments from organised bodies and more detailed recommendations of the various Working Groups and panels prepares a fresh Memorandum in which it brings together the principle features of the plan, the policy directions to be stressed and the issues which may require further consideration before report on the Plan is finally drawn up. This Memorandum is then submitted to the Central Cabinet and the National Development Council for consideration.

B Sixth Stage:

In the sixth stage, the Planning Commission on the basis of the conclusions reached on the Memorandum by the National development Council prepares the final report on the Five Year Plan. This is detailed report containing the objectives, programmes and projects, in the plan. This report in again commented upon in draft by the Ministers at the centre and by the state Governments and finally submitted to the Cabinet and the National Development Council for final approval. With the approval of Council, the report is published and presented to Parliament, by the Prime Minister. After discussion lasting for several days, each house of Parliament accords its general approval to the plan and gives a call to the nation for its implementation and for achievement of the objectives and targets embodied in it.

3.2.3 Role of Planning Commission:

Elementary economic planning, deriving the sovereign authority of the state, first began in India in 1930 under the British Raj and the colonial Government of India formally established a Planning Board that functioned in 1944. Private industrialist and economists formulated at least three development plans in 1944.
1. After India’s independence a formal model of Planning was adopted and the Planning Commission reported directly to the Prime Minister of India. Accordingly, the ‘Planning Commission’ was set up on 15 March 1950 with Prime Minister Jawaharlal Nehru as the chairman. Planning Commission is a non-statutory, non constitutional body.

2. The Planning Commission was set up by the Union Government to promote rapid rise in the standard of living of Indian people by efficient exploitation of national resources increasing production and offering opportunities to all for employment in the service of the community.

3. The Planning Commission has been shouldered the responsibility of making assessment of all resources in the country, augmenting deficient resources, formulating plans and the most effective and balanced utilisation of resources and determining priorities.

4. The Planning Commission works under the overall guidance of the ‘National Development Council’, India’s Prime policy-making body which guide the nation on the development process.

5. The commission advises and provides guidance for the formulation of India’s Five Year Plans, Annual plans and state government plans. It also monitors plan programs, projects and schemes.

6. The Planning Commission plays an integrative role in the development of a holistic approach to the policy formation in critical areas of human and economic development.

7. In the social sector, schemes require co-ordination and synthesis like rural health, drinking water, rural energy needs, literacy and environment protection have yet to be subjected to co-ordinated policy formulation. It has led to multiplicity of agencies. As integrated approach can lead to better results at much lower costs.

   The commission concentrates on maximising output by using our limited resources well.

8. Instead of looking for mere increase in plan outlays, the efforts are to look for
an increase in the efficiency of utilisation of the allocations being made.

9. With the emergence of several constraints on available budgetary resources, the resource allocation system between the states and Union Ministers is under strains. The planning commission studies these issues and solves the problems associated with it.

10. This requires the commission to play mediatory and facilitating role, keeping in view the best interest all concerned. It has to ensure smooth management of change and help in creating a culture high productivity and efficiency in government.

11. The key to efficient utilisation of resources lies in the creation of appropriate self-management organisation at all levels.

In this area, the Planning Commission attempts to play a systems change role and provide consultancy with in government for developing better system.

12. In order to spread the gains of experience more widely, the Planning Commission also disseminates information.

3.2.4 Role of National Development Council:

The National Development Council (NDC) was set up for the first time in 1951 with a view for bringing about a co-ordination of plans between Central Government and state Governments.

In its original form it comprises the Prime Minister as the Chairman, Chief Ministers of the state Governments and the members of the Planning Commission as members of National Development Council.

The permanent constitution of the Planning Commission comprising eight members viz. chairman, Vice Chairman, four Fulltime members, secretary and deputy secretary. Prime Minister of India is the ex-officio Chairman and remaining seven members consist of central Ministers, economist, bureaucrats etc. Apart from these permanent members, other part-time members and experts are also appointed as per requirement. No hard and fast rule is there about such appointments.

The economic policy is not framed only merely by Planning Commission but as
decentralisation policy adopted, India’s planning is deemed to be ‘Multi-level planning.’ Initially plans are made at district level then at state level and finally national economic policy is framed for the entire country. This policy is the instigation of various plane and state and Union Government. The economic Draft policy so checked out through various processes is published for public opinions and recommended as well as tabled at both the houses. After considerable discussion, the draft is submitted to National Development Council for sanction wherein it receives its final accord.

So long as the same political party remained in power at the centre as well as in the state Governments, the National Development Council did not perform any effective role and only a general election when different political parties acquired power to become more effective and centralised planning became very difficult to achieve.

The Study team made a number of recommendations regarding organization and functions of the Council which were endorsed by the Reforms Committee and were later on accepted by the Government of India with minor modifications by a resolution issued on 7 October 1967.

In the reconstituted Council, the secretary of the Planning Commission acts as Secretary to the National Development Council and the Commission is expected to provide such administrative and other support as may be necessary.

The revised function of India National Development Council are:

1. To strengthen and mobilize the efforts and resources of the nation in support of the plan to promote common policies in vital spheres and to ensure the balanced and rapid development of all parts of the country.

2. National Development Council looks into review of the working of the Notational Plan from time to time.

3. The National Development Council recommends measures for the achievement of the aims and the targets set in the National Plan, including measures to secure the active participation and co-operation of the people, improve the efficiency of the administrative services, ensure the fullest development of the less advanced regions and sections of the community and, through sacrifice born equally by all citizens, build up the resources for national development.
4. The Lt. Governor and the Chief Executive Councillor of the remaining Union Territories. It also provided that other Union and state Ministers may be invited to participate in the deliberations of the National Development Council.

A. To prescribe guidelines for the formation of the National Plan, including the assessment of sources for the Plan;
B. To consider the National Plan as formulated by Planning Commission;
C. To consider the important questions of social and economic policy affecting national development.

In this way, the National development Council has emerged as the top-most policy-laying agency in the Government. The National Development Council played vital role in the planning Process of India.

3.2.5 Need For Balanced Regional Development:

Every country, whether developed or underdeveloped has economically advanced and backward regions. Instances are not lacking when a country is divided in to regions based on linguistic or racial differences. Still others are divided in to coastal, forest, and mountains regions. For the purpose of our study we shall have an economic division of region in India rich and poor or advanced and backward.

Region, in the Indian context, mean a state within the Union of India which is formed on linguistic basis. But for the purpose of planning, it may imply an economically backward area with a state, such as Bihar, up northern Bengal or desert areas of Rajasthan and dry areas of Haryana. A region may thus be viewed as an economic entity within a state -it may be adistrict town or village.

Balanced regional development does not mean equal development of the regions in the country. It simply implies the fullest development of the potentialities of an area, according to its capacity so that the benefits of overall economic growth are shared by the inhabitants of all the regions. Balanced regional development does not mean self-sufficiency in each state or region. Neither does it mean equal level of industrialization nor a uniform economic pattern for each state. Rather it means wide spread diffusion of industry in backward areas so far as it is economically feasible. The ultimate aim is to raise the standard of living of the people in the backward regions to those of the
advanced. It may be through the development of agriculture, industry, trade and commerce.

**Importance of Balanced Regional Development:**

1. **To Minimise Backwash Effects:**

   Underdeveloped countries are characterised by regional differences in income and employment. According to Professor Myrdal, the main courses of regional inequalities have been the strong backwash effects and the weak spread effects in such economies. Genesis of regional inequalities has a non-economic basis which is associated with the capitalist system guided by the profit motive. The profit motive results in the development of those regions where the prospects of profit are high while other regions remain underdeveloped. Myrdal attributes the phenomenon to the free play of market force. The letter tend to concentrate economic and social overheads in certain regions leaving the rest of the country in a backward regions will favour the advanced region and depress economic activity in the former, capital will move into developed regions thereby creating capital shortage in the backward. The development of Industries in former regions may ruin the existing industries of the latter regions. So the backwash affects regional inequalities area accentuated. Thus the need in underdeveloped countries is to minimise the backwash effects through the deliberate state action for a balanced region of development.

2. **Rapid Development of Economy:**

   Balanced regional development is essential for a rapid development of the economy because the progress of the entire economy depend on the development of all regions in keeping with their factor endowments. As has been aptly put: “The progress of the national economy will be reflected in the rate of growth realized by different regions and in turn greater development of resources of the regions must contribute towards accelerating the rate of progress for the country as a whole.”

3. **Smooth Economic Development:**

   Balanced regional development helps in the smooth development of the economy. If all regions are equally developed they can be mutually helpful to each other. If however, there are regional inequalities, the low levels of income in the backward regions will
retard the development of the developed regions due to lack of adequate demand for the products of the latter. Moreover balanced regional development also avoids transports and supply bottlenecks and minimise inflationary pressures within the economy.

4. **To Develop and Conserve Resources**:

Balanced development of each region helps to develop its resources to the maximum extent. In the words of the Dr.Balkrishna, ‘The aim of regional development should be to secure maximum efficiency in the utilisation of available resources.’ Moreover, when a region develops its resources, at the same time, it avoids their destructive use. The establishment of varied industries leads to the fuller utilisation and conservation of the minerals.

5. **To Defend the Country**:

Regional Development is essential for proper defence of the country from foreign attack. If all regions are equally developed and there is widespread dispersal of industries, the country can face all Ariel attacks without disrupting its war efforts. On the other hand, development of the few areas and concentration of industries, in them will bring the entire economy to a stand-still in the event of their destruction by the enemy. Thus balanced regional development is essential for national security and defence.

7. **To Overcome Social Evils**:

Regional development helps in overcoming social evils associated with the localisation of industries in big towns and cities. In such industrial centres, there is overcrowding, congestion and noise which undermine the health and efficiency of the inhabitant, cost of living being high, such censers breed poverty and increase discontentment among the masses. Therefore, the need arises for balanced regional development to a void these social evils.

8. **To Promote and secure Employment Opportunities**:

Regional inequalities lead to low income, employment and output levels in underdeveloped countries with the dispersal of industries in different regions. The development of infrastructure in the backward regions will not only promote but also secure larger employment opportunities in all areas their per capita output and income.
3.3 Summary:

If India expects faster economic development, it is only possible through economic planning. Even before independence during British period, planning was carried out, by submitting plans like Bombay Plan, People’s Plan, Gandhian Plan, Post-War Reconstruction Plan, Colombo Plan etc. First book on planning ‘Economic Planning for India’ written by Sir. Vishveshwarayya was published, in view of importance of economic planning, ‘National Committee was established in 1934. For that purpose then in 1950 ‘National Planning Commission,’ was formed under the Chairmanship of Pandit Jawaharlal Nehru. In true sense of the systematic work of Planning Commission began while preparing the draft plan. The Planning Commission has to pass through various processes. The plans are made on both the levels i.e. State as well as central. Simultaneously the work of preparing draft is made by Planning Commission. The Planning Commission not only prepare the plan but also implements and evaluation too. Hence the Planning Commission has to play a number of roles. Through the draft of the plan is prepared by Planning Commission, final sanction is given by National Development Council. Hence National Development Council has to carry out the key role in guiding the final nature of five year plans in India.

Balanced Regional Development is necessary for the development of developing countries. If any regional imbalance is observed, it create hurdles in the overall economy of country. Hence balanced regional development is strictly considered as an important issue since first five year plan in India.

3.4 Glossary:

Planning: It is Comprencive term which focuss on augmentation, allocation and utilisation of resources in a planned way to capture settled objectives of development.

Nationalization: It is process or system of bringing private resources under control of Government.

Memorandum: A report comprising of detailed draft plan.

Resources: All kinds’ resources available in country

Decentralisation: Setting of industries in different regions instead of clustering at the same place.
Conserve: Conservation and optimum utilization of resources the available in the country.

3.5 Self-study questions (Check your progress)

A. Fill in the blanks with appropriate options given below:

1. The Planning Commission was set up by Indian Congress under the Chairmanship of............
   A. Sir. Vishveshvaryya        B. Pandit Jawaharlal Nehru
   C. M. Gandhi                   D. Tata Birla

2. Indian Planning Commission drafted First Five Year Plan in ............

3. The Planning Commission was established in ............

4. The permanent constitution of the Indian Planning Commission includes .......... total members.
   A. Eight          B. Seven         C. Five         D. Four

5. The ............. is the Chairman of the Planning Commission.
   A. President        B. Prime Minister        C. Chief-Minister        D. State Governe

6. Structure of the Indian Planning Commission is ............... levels.
   A. Tri-level        B. Multi-levels        C. Bi-level        D. None of these

B. Answer the following questions in one sentence:

1. Who has written the book entitled as Planned Economy for India?
2. What was the period of Mumbai Plan?
3. Who drafted Gandhian Plan?
4. Which is period of Eleventh Five Years Plan?
5. To which council draft of the Planning Commission is submitted as last?
6. Who is Chairman of the National Development Council?
7. What is the meaning of the Balanced Regional Development?

3.6 Answers of Self study Questions:

A. Select Correct Answer:
1. Pandit Jawaharlal Nehru 2. July 1951
3. 15. March 1950 4. Eight
5. Prime Minister 6. Multi-levels

B. Answer the following questions in one sentence:
1. “The Planned Economy for India” was written by Sir Visvesvarayya.
2. Mumbai Plan was made for 15 years.
3. Gandhian Plan was Drafted by Principal S. N, Agrawal.
4. The period of Eleventh Five Years Plan is from 2007 to 2012.
5. The Draft of Planning Commission is submitted to National Development Council.
6. Prime Minister is the Chairman of National Development Council.
7. Balanced Regional Development means wide spread diffusion of industry in backward areas so far as it are economically feasible.

3.7 Questions for Self Study:
1. Take the review of the plans drafted before 1950 in India?
2. Explain various steps involved in plan formulation.
3. Explain the role of Indian Planning Commission in Indian plan formulation.
4. Explain the role of National Development Council in Indian plan formulation.
5. Why does India needs Balanced Regional Development?
3.8 Field Work:

Take the review of the various activities of Grampanchayat and Municipal Corporation launched in Eleventh Plan, near by your village or urban area.

3.9 References for further reading:


6. Dr. Ravindra Doshi: Vikasanshil Bharat; Phadake Prakashan, Kolhapur.


***
UNIT - 4

Economic Planning in India. Part – II

INDEX

4.0 Objectives

4.1 Introduction

4.2 Subject matter

4.2.1 Objectives of Indian Planning
4.2.2 Evaluation of Indian Planning
4.2.3 Financing Pattern of Ninth Five year plan
4.2.4 Financing pattern of Tenth Five year plan.
4.2.5 Eleventh Five year plan.

4.3 Summary

4.4 Glossary

4.5 Questions for Self learning (Check your progress)

4.6 Answers for self-study questions.

4.7 Self-study Questions

4.8 Field Work

4.9 References for further Reading

4.0 Objectives

➢ The study of this unit will enable us
➢ To understanding major objectives of planning in India.
➢ To take review of major, achievements and failures of planning in India.
➢ To study in brief financing pattern of Ninth and Tenth Five year plan in India.
➢ Understanding overall nature of Eleventh Five year plan in India.

4.1 Introduction:

For having systematic economic development, India has accepted the way of economic planning since 1951. By realising the various adverse impacts of non-planned economic development process, India has emphasised the way of planning economic development for developing it’s under developed economy. Economic planning has helped in achieving some important objectives of socio-economic development in India.

4.2 Subject Matter:

The term plan or a planning is used today everywhere. To plan means to think about future and to do the things accordingly. Every man and women have to plan in his daily life. Without plan or a planning no body can achieve good deal of success. For example – A teacher plans about to complete syllabus at beginning of the year i.e. in the month of June and if he complete his work so on, then planning of that particular teacher is to be fulfilled.

So planning in every area of life is considered very important. In the unit No. 3 we have taken the review of certain aspects of planning process in India. In this unit we will deal with major objectives of planning in India. An overall evaluation of economic planning in India is explained for assessing the major objectives determined at the beginning of economic planning. Further the brief review of ninth, tenth and eleventh five year plan has taken into account.

4.2.1 Indian planning:

Govt. of India adopted planning technique from 1951. From 1950-51 to 2011-12 Govt. of India implemented totally eleven five year plans and five one year plans which are shown in following table –

142
Table No. 4.1 : Plans and plan period

<table>
<thead>
<tr>
<th>Plans</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st five year plan</td>
<td>1951-56</td>
</tr>
<tr>
<td>2nd five year plan</td>
<td>1956-61</td>
</tr>
<tr>
<td>3rd five year plan</td>
<td>1961-66</td>
</tr>
<tr>
<td>Annual Plan for 3 years</td>
<td>1966-67 to 1968-68</td>
</tr>
<tr>
<td>4th five year plan</td>
<td>1969-74</td>
</tr>
<tr>
<td>5th five year plan</td>
<td>1974-79</td>
</tr>
<tr>
<td>6th five year plan</td>
<td>1980-85</td>
</tr>
<tr>
<td>7th five year plan</td>
<td>1985-90</td>
</tr>
<tr>
<td>Annual Plan for two years</td>
<td>1990-91 to 1991-92</td>
</tr>
<tr>
<td>8th five year plan</td>
<td>1992-97</td>
</tr>
<tr>
<td>9th five year plan</td>
<td>1997-2002</td>
</tr>
<tr>
<td>10th five year plan</td>
<td>2002-2007</td>
</tr>
<tr>
<td>11th five year plan</td>
<td>2007-2012</td>
</tr>
<tr>
<td>12th five year plan</td>
<td>2012-2017</td>
</tr>
</tbody>
</table>

Under planning period Govt. of India spelt out some long term objectives up to seventh plan the main objectives were –

4.2.1 Objectives of Indian Planning :

1) Economic Growth :

The First objective of Indian planning is to achieve economic growth approximately 5% per annum increase in the net national product. Economic growth has always remained in focus as the main objectives. There are number of problems which are faces by the Indian Economy. It has often been assured that the gain of economic growth would percolate downwards and thus property, inequalities would be decline and poverty problem would automatically be solved. The growth of employment was also taken for granted.
High priority to economic growth in Indian plans looks justified from beginning. The economy of the country had received severe jolt under the British rule on account of massive drain of wealth from India. In this period while the Europian countries developed, India suffered underdevelopment. So, once this country got Independence, the major choice of decision makers was for economic growth. It was shown in a following table No. 4.2.

Table No. 4.2

<table>
<thead>
<tr>
<th>Plans</th>
<th>Growth rate Objectives / target</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>2.1</td>
</tr>
<tr>
<td>II</td>
<td>4.5</td>
</tr>
<tr>
<td>III</td>
<td>5.6</td>
</tr>
<tr>
<td>IV</td>
<td>5.7</td>
</tr>
<tr>
<td>V</td>
<td>4.4</td>
</tr>
<tr>
<td>VI</td>
<td>5.2</td>
</tr>
<tr>
<td>VII</td>
<td>5.0</td>
</tr>
<tr>
<td>VIII</td>
<td>5.6</td>
</tr>
<tr>
<td>IX</td>
<td>6.5</td>
</tr>
<tr>
<td>X</td>
<td>8.00</td>
</tr>
<tr>
<td>XI</td>
<td>9.00</td>
</tr>
</tbody>
</table>

2) Self-reliance:

Self reliance means independent from other. But in case of country like India self-reliance is elimination of dependence on foreign aid and capital also. But India was dependent on foreign countries at least in there respects. First, despite the fact that Indian economy was agricultural basis, the output of food grains was not adequate and the country was imported foodgrains from the U.S.A. and some other countries. Second is on account of virtual non-existence of basic industries, transport facilities, machine tools, engineering industries, electricity plants, other capital goods had to be acquired
from developed countries. Third and last is saving rate being low, foreign aid had to be obtained in order to step up the investment rate in the country.

In planning period our import was increased but export doesn’t increased sufficiently. So Balance of payment disequilibrium was increased, it was affecting the countries dignity and economic position. So our planners considered about this objectives.

It is now seen that in the field of self reliance, India succeed in almost self-sufficient in food and in case of production of iron and steel, machine tools heavy engineering industries our country has made considerable advancement towards self-realiance.

3) Removal of unemployment :

Generally unemployment means people able and willing to work in a prevailing wage rate but not get adequate work. Number of underdeveloped countries facing the problem of unemployment. India is facing the problem of unemployment. So our planner given more attention to the removal of unemployment in the country. In each and every plan in India the main objective was removal of poverty.

For the purpose of this objectives, Government of India adopted different programmes for increase employment opportunities i.e. S.F.D.A., M.F.A.L., E.G.S. IRDP, Swarnjaynti Gram Rojgar Yojana, Jawahar and Nehru Yojana, Priminister employment assurance scheme etc.

4) Reduction of Income Inequalities :

Another objectives of Indian planning is a reduction of income inequalities in the country. However in case of priority it always got a very low place. According to experts, Indian plans have never made any serious attempt to redistribute income and wealth.

From fourth plan Government of India given a priority to this objectives. In its opinion, fiscal measures at best can reduce disposable income at the top and thus their importance for eliminating income inequalities is limited. For this purpose number of programmes started for poor people for improving their economic conditions. From rapid growing big business houses like Tata, Birla, Dalmiya, Jain, Chougule etc, it is obvious that income inequalities have been increasing in urban areas as well. Anti-
monopoly measures can reduce inequalities in income and wealth, but from this point of view, Government passed the act like M.R.T.P. and adopted progressive tax system policy etc.

5) Elimination of Poverty:

Poverty problem is also main problem of under developed countries. India is facing the problem like poverty. Poverty means people doesn’t fulfils their minimum needs i.e. food clothing, shelter, safe drinking water, education, health etc. Poverty can be two types one is absolute poverty and second is relative poverty. In our country both types are prevailing. So our planners and government has given a priority for elimination of poverty in some plans.

From first to Eleven five year plan, Government has given more attention to the cottage and small scale industries, agricultural development, social security programmes, welfare programmes for labour farmers etc. under fifth five year plan. ‘Garibi Hatao’ programmes has been introduced under these programmes numbers of sub programmes were started.

6) Modernization:

After Independence, Indian economy required structural and institutional changes to cope with the modern world. So our planners adopted modernization is an important objective of planning up to sixth plan this objective was never on the agenda of any plan. But in the Sixth, Seventh, eight and eleventh five year plans modernization is main objective modernization we mean to improve existing industrial, agricultural, transport, communication system in the country.

Modernization also in case of Banking sector, public sector also. In case of modernization our country like India made considerable progress in all means and all sectors in the economy.

B Criticism:

Government of India adopted planning process from 1950. Till today Eleven five year plans were completed. But some critics criticized on India planning as follows…

1) Conflicting and Inconsistent objectives.
2) Over Dominance of welfare consideration etc.
3) Few priority for unemployment problem.
4) Neglect of Agriculture Sector.
5) Too Ambitions and unrealistic objectives.

4.3.2 Evaluation of Indian Planning :

B Introduction :

Indian planning is now completed sixty years. So it is very essential to have an evaluation or to see achievement and failures of the plans. Actually planning is a process, under which some objectives are fixed and targets also fixed and government authority or planning commission implemented all the planning process. Financial support is also essential. Russian Government adopted planning techniques firstly in 1928 and made spectacular achievements within twenty years. After five plans Government of Russia stopped the planning. So experience of planning in India is to be evaluated in following way.

B Achievements of planning in India :

1) Increase in national and per capita Income : One of the main objectives of Indian planning is to increase national and per capita income. In planning era Indians national and per capita income increased considerably. Following table shows growth of both the income up to 2001-2002.

Table No. 4.3
National Income and per capita Income of India

<table>
<thead>
<tr>
<th>Year</th>
<th>National Income (Rs. In crores)</th>
<th>Per Capita Income (figures in Rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>1,32,367</td>
<td>3,687</td>
</tr>
<tr>
<td>1960-61</td>
<td>1,92,235</td>
<td>4,429</td>
</tr>
<tr>
<td>1970-71</td>
<td>2,70,597</td>
<td>5,002</td>
</tr>
<tr>
<td>1980-81</td>
<td>3,63,417</td>
<td>5,352</td>
</tr>
<tr>
<td>1990-91</td>
<td>6,14,206</td>
<td>7,321</td>
</tr>
<tr>
<td>2001-02</td>
<td>11,15,171</td>
<td>10,754</td>
</tr>
</tbody>
</table>
Table No. 4.2

Average Annual Growth Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>National Income</th>
<th>Per Capital Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51 to 1980-81</td>
<td>3.4</td>
<td>1.2</td>
</tr>
<tr>
<td>1980-81 to 1996-97</td>
<td>5.5</td>
<td>3.3</td>
</tr>
<tr>
<td>1996-97 to 2001-02</td>
<td>6.2</td>
<td>3.6</td>
</tr>
</tbody>
</table>

From table No. 1 shows that, decade wise statistical information between 1950-51 to 2001-2002. Here net National Income and per capita Income increased considerably.

From table No. 2 shows that, average annual growth rate and per capita income. Indias NNP growth rate is greater than PCI, the reason of low growth rate of PCI is increasing the population of the country.

2) Increased Agricultural Production:

Since 1950-51 to till the date Government of India spent more and more amount on agricultural sector. So Green Revolution, milk production, Eggs production was increased. So India became Self-sufficient in food production since 1990. Our food grains like Rice, wheat, Sugar cane, Milk, Oil seeds production increased rapidly. Since 1950-51 to 2001-02 per capita availability of food grains, milk, sugar etc. are increased and the problem of hunger of Indian people is to be solved to some extent.

3) Increased Industrial Production

During five year plans, the Government had invested heavily on industrial sector especially major and prime industries like Iron and steel, Power, transport, communication, chemical industries, metallurgical industries etc. As a result, there has been considerable progress in such industries as steel, aluminium, engineering goods, chemicals, fertilizers, petroleum products etc. So increasing industrial production became helpful to employment activities in the economy and total production, consumption and welfare of the country. Progress of Industrial production is shown in following table.
Table No. 4.3

Progress of Industrial sectors by Types of production

<table>
<thead>
<tr>
<th>Industries</th>
<th>1950-51</th>
<th>1970-71</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Coal (m. tones)</td>
<td>32</td>
<td>76</td>
<td>353</td>
</tr>
<tr>
<td>2) Iron ore (m. tones)</td>
<td>3</td>
<td>32</td>
<td>76</td>
</tr>
<tr>
<td>3) Fertilizers (m tones)</td>
<td>0.02</td>
<td>1</td>
<td>15</td>
</tr>
<tr>
<td>4) Alluminium (Thousand tones)</td>
<td>4</td>
<td>169</td>
<td>552</td>
</tr>
<tr>
<td>5) Petroleum (M. tones)</td>
<td>0.3</td>
<td>7</td>
<td>32</td>
</tr>
<tr>
<td>6) Electricity (billion kwh.)</td>
<td>5</td>
<td>56</td>
<td>579</td>
</tr>
</tbody>
</table>

4) Infractural Development:

Another achievement of planning in India is an infractural development in the country. The expansion of roads and road transport helpful for the development of market. Irrigation, power etc. development leads to agriculture and industrial sectors in the economy. The infrastructure has opened the possibilities of modernization of semi-urban and rural areas. In ninth plan period Vajapai Govt. has given more priority to ‘Chatushakon Prakalp’ for infrastructure development such as road development. So development of transport to be inexperienced.

5) Development of International Trade:

Since 1950, in planning era Indians international trade had increased. The size and composition of our imports and exports also increased. Before planning period India imported food grains, manufacturing goods etc and exported raw materials, tea, coffee, cashew etc. In half century of planning India’s dependency on foreign countries for the import of food-grains and capital goods has declined. This has leads to the policy of import substitution. In short, Indians foreign trade had increased and in the same time composition of exports has changed in favour of manufactures mineral ores and engineering goods.

6) Development of Science and Technology:

After Independence especially under planning period India’s development of science
and technology also upper level. Our management technique, physics, chemistry, space science became advanced. Now India has been providing experts services in science and technology to the countries like middle East and African countries. This is matter of proud for the country.

7) **Increase in standard of living** :

Another achievement of Indian planning is increased standard of living of the people in the country. Before planning period per capita availabilities of essential goods such as Sugar, Milk, food grains, clothes, edible oil etc, is to be small quantity but it has to be increased in planning period shown in following table.

**Table No. 4.6**

**Per capita Availability of Commodity**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Sugar (Kgs)</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>2) Food grains (kgs)</td>
<td>395</td>
<td>494</td>
</tr>
<tr>
<td>3) Edible oil (kgs)</td>
<td>3</td>
<td>7.2</td>
</tr>
<tr>
<td>4) Cloth (C.meters)</td>
<td>14.4</td>
<td>32</td>
</tr>
</tbody>
</table>

8) **Development of Education** :

One of the grate achievement of Indian planning said by the thinker is Educational Development since 1950. During planning period primary, secondary, higher secondary educational facilities had increased subsequently. India ranks third country in the world in the terms of educational system. The total number of students enrolled in colleges and universities increased from 3.6 lacks to 43 lacks between 1951 to 1997

B  **Failures of Indian planning** :

For out of a size decades near about five decade congress Government had ruling in center. The Government have been proclaiming measures to achieve growth with justice, abolition of poverty or Garibi hatao, removal of exploitation and inequality of incomes etc. But it is not slogans. Indian planning has achieved significant
success in various area’s, but planning also failed in some area e.g. shown in following ways.

1) Failure in Elimination of Poverty :

The basic objective of planning is the provision of national minimum level of living. From first plans to eleventh plan Government of India adopted number of programmes for poverty elimination. But poverty has not eliminate completely. Till today 27% of people living below the poverty line.

2) Failures to Solve Unemployment Problem :

Generally, poverty and unemployment are the co-related problems. The widespread unemployment is another important failure of our planning. According to planning commission, the backlog of unemployed Persons were 5.3 milion at the end of first plan and 7.5 million at the end of the Eight plan. Taking unemployment and under employment together, at the begining of the Tenth plan i.e. 2001-02, 9.2 percent of the labour force or 35 millions person were unemployed.

3) Failures to Reduce Inequalities :

During planning period, the redistribution of income in favour of poor people is unequal nature. In the year 1991 also 50% of share of national Income owned by only 10% of the people and 40% of income owned by 70% of the people. In planning period Govt. adopted policy like Abolition of Jamindari system. Redistribution of land etc. But distribution of income and wealth is to be an uneven. This is important failure of planning.

4) Failure to check black money :

During planning period, various controls has been made for speculation. But shortage, black-marketing, speculation don’t control to the Government. The fiscal measures adopted by the Govt. failed to check black money. This is also another failure of planned economy.

5) Failure of reduce concentration of Economic Power :

One of the objectives of our planning is to reduce concentration of economic power. But in actual practice big business houres like Tata, Birla, Jain, Ambani, Chougule families are became very rich and richer. This is also important failures of Indian Planning.
6) Inefficiency:

During planning period, number of programmes for employment generation and rural development etc. are to be started. But in actual practice number of programmes are working inefficient manner. So planning achievement is limited. This is also another failure of Indian planning.

In above discussion we can conclude that, India’s planning policies and strategy were sound but there was crisis of implementation due to the existence of a gap between the theory and practice of socialist planning.

4.3.3 Financing Pattern of Ninth Five year plan (1997 to 2002)

B Introduction:

Success of any plan depends on two things, one is the targets laid down in the plan and second is the financing resources available for this purpose. In short, when targets specified in the plan are higher, larger resources will be needed to achieve them. Absence of adequate financial resources, Govt. can not complete his plans and to secure targets and achievement.

For development of plans, resources may be raised from various sources which may broadly be classified in the domestic sources budgetary surpluses, contribution of public enterprises, market borrowings, small savings deserves particular mentions. At the same time external assistance is obtained from International financial institutions and developed countries. Sometimes deficit financing may be used for completion of plan.

B Sources of Financing of Five-year plan:

Broadly speaking there are three sources of the public sector plans. These are follows –

i) Internal source
   a) current revenue balance
   b) Public borrowings
   c) Small savings.
   d) Surplus of public enterprises
ii) Deficit financing

iii) Foreign Aid

B Nineth Five year plan :

Govt. of India completed nineth five-year plan between the year 1997 to 2002. At that time, political instability was in central Govt. So actual plan was started two year late. The main objectives of this plan was as follows –

1) Priority to Agricultural and rural Development.
2) Stabilisation of internal price level and to strengthen the growth of economic development
3) Food security to weaker section people.
4) Provide the facilities like food, shelter, drinking water, health etc. to the needy people.
5) To control population growth.
6) Environmental awareness is to be created among the people,
7) Empowerment of women’s of SC., S.T., O.B.C. sufficiency and self Realiance in the world.

Financing of the Ninth Plan :

The financing of Ninth five year plan is given in following table. (Rs. In crores)

<table>
<thead>
<tr>
<th>Resources</th>
<th>Projected</th>
<th>Realised</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Balance from Current revenue</td>
<td>-(1406)</td>
<td>(2,63,752)</td>
</tr>
<tr>
<td>2) Resources from Public Sector enterprises</td>
<td>3,40,409</td>
<td>2,80,902</td>
</tr>
<tr>
<td>3) Borrowings</td>
<td>4,60,179</td>
<td>6,71,216</td>
</tr>
<tr>
<td>4) Net inflow from abroad</td>
<td>60,018</td>
<td>17,452</td>
</tr>
<tr>
<td>Aggregate Resources</td>
<td>8,59,200</td>
<td>7,05,818</td>
</tr>
</tbody>
</table>
In above table, we have seen that, 53.6% of resources get from debt resources. The plan had projected (-) 1406 crore of balance from current revenue, where as the actual BCR was as high as (-) Rs. 2,63,752 crores. It means that non plan expenditure has been increasing very fast rate.

**Table No. 4.8**

**Inter sectoral Growth rate in Ninth plan.**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Agri. &amp; Allied Activities</td>
<td>3.9%</td>
</tr>
<tr>
<td>2) Mining</td>
<td>7.2%</td>
</tr>
<tr>
<td>3) Engineering goods</td>
<td>8.2%</td>
</tr>
<tr>
<td>4) Power and Gas</td>
<td>9.3%</td>
</tr>
<tr>
<td>5) Production</td>
<td>4.9%</td>
</tr>
<tr>
<td>6) Trade and commerce</td>
<td>6.7%</td>
</tr>
<tr>
<td>7) Railway</td>
<td>3.9%</td>
</tr>
<tr>
<td>8) Other transport</td>
<td>7.4%</td>
</tr>
<tr>
<td>9) Communication</td>
<td>9.5%</td>
</tr>
<tr>
<td>10) Fiscal services</td>
<td>9.9%</td>
</tr>
<tr>
<td>11) Public</td>
<td>6.6%</td>
</tr>
<tr>
<td>12) Other services</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

| Average Growth Rate during 9th plan | 6.5% |

**4.4.4 Financing Pattern of Tenth Five year plan (2002 to 2007)**

The tenth five year plan officially started on 1st April, 2002 and covered the period 2006-07. This is first plan in twenty first century. The tenth plan kept the objective of achieving 8% growth per annum over the plan period. Besides it sme objectives determined in the Tenth five year plan were as below.
B Objectives

1) Reduction in poverty ratio by 5% points 2007 and by 15% points by 2012.
2) Providing gainful and high quality employment.
3) All children in school by 2003;
4) Reduction in gender gaps in literacy and wage rates by at least 50% by 2007.
5) Reduction in population growth rate 16.2% between 2001 to 2011.
6) Increase in literacy rate to 75% during planning period.
7) To decrease the infant mortality rate 45 per thousand to 28 per thousand between the year 2007 to 2012.
8) Reduction of maternal mortality ratio 2 per thousand to 1 per thousand between the year 2007 to 2012.
9) Increased forest covered area in India 25% to 33% in planning period.
10) Providing drinking water in all villages in the country.
11) Cleaning the major polluted river.

Table No. 4.9 : Financing of the Tenth Plan

<table>
<thead>
<tr>
<th>Resources</th>
<th>Amount</th>
<th>Share in total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Balance from current Revenue</td>
<td>20,193</td>
<td>1.3%</td>
</tr>
<tr>
<td>2) Borrowing in Market</td>
<td>9,46,667</td>
<td>59.4%</td>
</tr>
<tr>
<td>3) Foreign Aid</td>
<td>27,200</td>
<td>1.7%</td>
</tr>
<tr>
<td>4) Total (1 + 2 + 3)</td>
<td>9,94,060</td>
<td>62.4%</td>
</tr>
<tr>
<td>5) Revenue from Public enterprises</td>
<td>5,98,240</td>
<td>37.6%</td>
</tr>
<tr>
<td>6) Central Govt Resources</td>
<td>9,21,291</td>
<td>57.9%</td>
</tr>
<tr>
<td>7) State Govt. Resources</td>
<td>6,71,009</td>
<td>42.1%</td>
</tr>
</tbody>
</table>

with the help of above table we conclude that ——
1) For the tenth five year plan 62.4% of amount or funds came from balance from current revenue, Borrowing in the market and foreign aid. It means that majority of funds collected from fiscal measures only.

2) Under tenth five year plan 37.6% of resources or funds collected from revenue of public enterprises.

3) Under Tenth five-year plan 57.9% of resources given by central Govt.

4) For continuation of Tenth plan 42.1% of resources given by different state Govt.

Table No. 4.10 : Sector wise Investment

(Rs. In crores)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Investment Amount</th>
<th>Share in total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Agri &amp; Allied Activities</td>
<td>58,933</td>
<td>3.9%</td>
</tr>
<tr>
<td>2) Rural Development</td>
<td>1,21,928</td>
<td>8%</td>
</tr>
<tr>
<td>3) Special programmes</td>
<td>20,879</td>
<td>1.3%</td>
</tr>
<tr>
<td>4) Irrigation and flood control</td>
<td>1,03,315</td>
<td>6.8%</td>
</tr>
<tr>
<td><strong>Total (1+2+3+4)</strong></td>
<td><strong>3,05,055</strong></td>
<td><strong>20%</strong></td>
</tr>
<tr>
<td>5) Power</td>
<td>4,03,927</td>
<td>26.5%</td>
</tr>
<tr>
<td>6) Mining Industries</td>
<td>58,939</td>
<td>3.9%</td>
</tr>
<tr>
<td>7) Transport</td>
<td>2,25,977</td>
<td>14.8%</td>
</tr>
<tr>
<td>8) Communication</td>
<td>98,968</td>
<td>6.5%</td>
</tr>
<tr>
<td>9) Science, Technology and Environment</td>
<td>30,424</td>
<td>2%</td>
</tr>
<tr>
<td>10) Public Services</td>
<td>38,630</td>
<td>2.5%</td>
</tr>
<tr>
<td>11) Social Services</td>
<td>3,47,391</td>
<td>22.8%</td>
</tr>
<tr>
<td>12) General Services</td>
<td>16,328</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total Allocation</strong></td>
<td><strong>15,25,638</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

with the help of above table we conclude that …
1) Out of total plan resources 20% amount is allocated to the Agriculture and allied sector only, which is lesser than nineth five year plan.

2) In case of Energy and power considerable amount is spent or allocated in this plan which is higher than ninth five year plan.

3) Under Tenth five-year plan resources allocated to the transport is 14.8% of total plan allocations.

5) In tenth five year plan amount allocated to the social services has been higher than ninth five year plan i.e. 22.8%

Table NO. 4.11 : State wise Resource Allocation

<table>
<thead>
<tr>
<th>States</th>
<th>% of Beneficiaries</th>
<th>Total Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comparatively developed States</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Punjab</td>
<td>2%</td>
<td>5.4</td>
</tr>
<tr>
<td>2) Maharashtra</td>
<td>16.2</td>
<td>174.3</td>
</tr>
<tr>
<td>3) Haryana</td>
<td>2%</td>
<td>4.8</td>
</tr>
<tr>
<td>4) Gujarat</td>
<td>2%</td>
<td>11.2</td>
</tr>
<tr>
<td>5) West Bengal</td>
<td>18.3%</td>
<td>159.7</td>
</tr>
<tr>
<td>6) Karnataka</td>
<td>7.9%</td>
<td>45.6</td>
</tr>
<tr>
<td>7) Keral</td>
<td>3.6%</td>
<td>12</td>
</tr>
<tr>
<td>8) Tamilnadu</td>
<td>6.6%</td>
<td>44.1</td>
</tr>
<tr>
<td>9) Andraparadesh</td>
<td>8.5%</td>
<td>68.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>525.2</strong></td>
</tr>
</tbody>
</table>

| **Comparatively less developed states** | | |
| 1) M.P.                   | 29.5%              | 266.5               |
| 2) Assam                  | 33.3%              | 97.1                |
| 3) U. P.                  | 24.7%              | 484.4               |
| 4) Rajasthan              | 12.1%              | 77.9                |
| 5) Orissa                 | 41%                | 162.7               |
| 6) Bihar                  | 43%                | 136.1               |

Source : Planning commission Report.
4.4.5 Eleventh Five Year plan (2007 to 2012)

B **Introduction :**

The National Development council approved eleventh plan draft in December 2006. The vision of new plan i.e. Eleventh plan was ‘Faster and more inclusive growth’. Because the last four years of the tenth plan recorded a rate of growth of as high as 8.6% per annum making India one of the fastest growing economies of the world. However, according to the plan, a major weakness in the economy is that the growth is not perceived as being sufficiently inclusive for many groups especially, SCs, STs and minorities. Gender inequality also remains a pervasive problem and some of the structural changes taking place have an adverse effect on women. The lack of inclusiveness is borne out by date on several dimention of performance.

B **Objectives of Eleventh plan :**

The plan envisages a high growth of GDP of the order of 9% for the country as whole. This implies that per capita GDP would grow at about 7.5% per year to double in 10 years.

However the plan document hasten to add that the target is not just faster growth but also inclusive growth which ensures broad based improvement in the quality of the people, especially the poor SCs, STs, OBCs and the minorities etc. Besides the broad objectives, ‘Faster and inclusive growth’, it has set 27 monitorable targets, classified in to Six categories and are given below.

B **Targets set to Achieve the objectives :**

1) **Income and poverty**
   i) To achieve average GDP growth rate 9% per year.
   ii) To achieve agricultural GDP growth rate of 4% per year
   iii) Increase employment opportunities upto 58 millions in five years.
   iv) 5% reduction of educated employment in the country during planning period.
   v) To increase approximately 20% wage rates of unskilled workers.
   vi) Reduction in poverty by 10%.
2) **Education**:
   i) Reducing the drop out rate of children at the elementary level from 52.2% to 20%
   ii) To ensure quality education and developing minimum standard in elementary school.
   iii) Increasing literacy rate up to 85% by 2011-12.
   iv) Reducing gender gap in literacy to 10% points by 2011-12.
   v) Increasing the enrollment ratio in higher education from 10% to 15%.

3) **Health**
   i) To reduce Infant mortality rate up to 28 and maternal mortality rate to 1 per 1000 by 2011-12
   ii) To reduce total fertility rate to 2.1% by 2011-12
   iii) Providing clean drinking water facilities to all by 2009.
   iv) Reducing the malnutrition among children of age group i.e. 0-3.
   v) To Reduce Anaemia problems of women and girls 50%.

4) **Women and Children**:
   i) Increase sex ratio for age group 0-6 to be raised to 935 by 2011-12.
   ii) Ensuring that at least 33% of beneficiaries of all Govt. Schemes are women and girl children.
   iii) Ensuring that all children enjoy a safe childhood and are not forced to work.

5) **Infrastructure**:
   i) To ensure electricity connection to all villages and BPL households by 2009.
   ii) Connecting all habitation with population 1000 and above (500 and above for hilly areas) by 2009.
   iii) To connect every village by telephone and broad band facility to all villages up to 2012.
iv) To provide homestead site to all by 2012 and set up the pace of house construction for rural poor so far as to cover all the poor by 2016-17.

6) Environment:

i) Forest and tree cover to be increased by 5%

ii) To attain WTO standards of air quality in all major cities by 2011-12.

iii) To treat all urban waste water by 2011-12 to clean river waters.

iv) To increase energy efficiency by 20% points.

B Financing the Eleventh plan:

Table No. 4.12

The table No. 4.12 provides us an idea of the Eleventh plan projections of financing.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Eleventh Centre</th>
<th>Plan Sate</th>
<th>Projection Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Balance from Current Revenues</td>
<td>6,53,989</td>
<td>3,85,050</td>
<td>10,39,039</td>
</tr>
<tr>
<td>2) Borrowing</td>
<td>7,67,722</td>
<td>6,49,423</td>
<td>14,17,145</td>
</tr>
<tr>
<td>Including MCRs</td>
<td>(35.6)</td>
<td>(43.6)</td>
<td>(38.9)</td>
</tr>
<tr>
<td>3) Net inflow from abroad</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>4) Gross Budgetory support</td>
<td>14,21,711</td>
<td>10,34,473</td>
<td>24,56,184</td>
</tr>
<tr>
<td>(1 + 2 + 3)</td>
<td>(65.9)</td>
<td>69.5)</td>
<td>67.4)</td>
</tr>
<tr>
<td>5) Central Assistance</td>
<td>(-) 3,24,851</td>
<td>(+) 73,24,851</td>
<td>—</td>
</tr>
<tr>
<td>To states &amp; UTs</td>
<td>(-) 15.1</td>
<td>(21.8)</td>
<td></td>
</tr>
<tr>
<td>6) Resources from Public</td>
<td>10,59,710</td>
<td>1,28,824</td>
<td>11,88,534</td>
</tr>
<tr>
<td>Public</td>
<td>(49.2)</td>
<td>(8.7)</td>
<td>(32.6)</td>
</tr>
<tr>
<td>7) Total Resources</td>
<td>21,56,771</td>
<td>14,88,177</td>
<td>36,44,718</td>
</tr>
<tr>
<td>For Public Sector</td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
</tr>
</tbody>
</table>
Sectoral Allocation of Resources:

The size of eleventh five year plan as compared to Tenth five year plan is an increased by 125% i.e. Rs. 16,18,460 crores in Tenth plan and Rs. 36,44,718 crores in Eleventh plan. However, sectoral Allocation of resources are shown in following table.

**Table No. 4.13**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount in crores (Crores)</th>
<th>Share in total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Agri. &amp; Allied activities</td>
<td>1,36,381</td>
<td>3.7%</td>
</tr>
<tr>
<td>2) Rural Development</td>
<td>3,01,069</td>
<td>8.3%</td>
</tr>
<tr>
<td>3) Special Area Programmes</td>
<td>26,329</td>
<td>0.7%</td>
</tr>
<tr>
<td>4) Irrigation &amp; Flood control</td>
<td>20,10,326</td>
<td>5.8%</td>
</tr>
<tr>
<td><strong>Total Agriculture (1 to 4)</strong></td>
<td><strong>6,74,105</strong></td>
<td><strong>18.5%</strong></td>
</tr>
<tr>
<td>5) Energy</td>
<td>8,54,123</td>
<td>23.4%</td>
</tr>
<tr>
<td>6) Industry &amp; Minerals</td>
<td>1,53,600</td>
<td>4.2%</td>
</tr>
<tr>
<td>7) Transport</td>
<td>5,72,413</td>
<td>15.7%</td>
</tr>
<tr>
<td>8) Communication</td>
<td>95,380</td>
<td>2.6%</td>
</tr>
<tr>
<td>9) Science, Technology And environment</td>
<td>87,933</td>
<td>2.4%</td>
</tr>
<tr>
<td>10) General Economic services</td>
<td>62,523</td>
<td>1.7%</td>
</tr>
<tr>
<td>11) Social Services</td>
<td>11,02,327</td>
<td>30.9%</td>
</tr>
<tr>
<td>12) General Services</td>
<td>42,283</td>
<td>1.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36,44,718</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Evaluation of Eleventh Five year Plan:

In the year June 2007 the U.S. economy came under recession as a result of sub-prime lending crises. The financial stress soon extended to other countries as well and on September 14, 2008 with collapse of the US investment Bank Lehman Brothers, the
U.S. economy entered into recession. The collapse of major financial institutions in Europe as well. As a result, there was a full blown global financial crisis.

The effect on Indian economy was not significant in the beginning. But from October 2008, adverse effects of American recession on Indian stock market, export and number of sectors were experienced to some extents. So results of Eleventh five-year plan were against the favour of Indian economy. Most of the sectors of the economy witnessed a market slow down in the year 2008-09. This would be clear from the following facts.

1) Growth rate of economy in the year 2007-08 was 9.7%. It was gone down up to 6.7% in the year 2008-09.
2) Rate of growth in agriculture was 4.7 in the year 2007-08. It was also reduced up to 1.6% in the year 2008-09.
3) Manufacturing industries growth also experienced slow down ward from 10.3% to 3.2%
4) Rate of growth of electricity, gas decreased upto 3.9% from 8.5% in 2007-08.
5) Under Eleventh plan period rate of growth of the construction sector decreased 5.9% which was10.6% in the year 2006-07.
6) In this planning period growth rate of Six core industries for example oil, petroleum, coal, electricity, cement and finished steel also go down.
7) India’s growth of export also decreased up to 3.6% as against 29% in the year 2007-08.
8) Indias current account deficit widened to 2.4% of GDP in 2008-09 from 1.3% of GDP in 2007-08.
9) The portfolio flows to India which were as high as $27,433 million in 2007-08 turned negative and stood at - $14,030 million during 2008-09.
10) The average annual exchange rate of the rupee was Rs. 45.99 in terms of dollar in the year 2007-08. It was also decreased by 12% in the year 2008-09
11) Another failures of eleventh five year plan was money and credit markets were also affected.
12) The most adversely affected were the IT sectors that are closely linked up to the global economy like the IT sector with the number of qualified engineers being forced to sit out. Many employees had to bear wage cuts while many were obliged to go on ‘forced leave’

4.3 Summary:

After discussion regarding economic planning in India we can say that planning technique had been used by Russia in 1928 for economic development. Afterwards it was followed by number of countries in the Europe. In India planning process is started before independence. But systematic planning for economic development adopted by the Govt. in the year 1950 upto 2011-12. India has completed Eleven five year plans. In this topic some major objectives of planning have discussed firstly. Secondly evaluation of planning is made. Thirdly Ninth and Tenth five year plans financing pattern was explained and lastly Eleventh five year plan is also explained.

4.4 Glossary:

B Planning Commission: The machinery established for making draft five year along with finalised and implementing five year plans.

B National Development council: The body of reviewing the draft plan and making some suggestion and sanctioning in five year plans.

B One year plan: Some times five year planning is not possible at that time plan is make for one year only. It is called as one year plan.


B Bharat Nirman Yojana: The Govt. of India adopted the policy of rural electrification and the policy of free of charge electric connection to the weaker sections e.g. S.C., S.T., B.P.L. families, triable people family etc.

4.5 Questions for self-learning (Check your progress)

A) Choose the correct alternatives given below –

1) Planning technique is used firstly in ............... Country.
   a) India b) America c) Russia.

   163
2) Indian planning commission was established in 1950 under the chairmanship of ……………
   a) Dr. Rajendra Prasad   b) Pandit Neharu   c) M. K. Gandhi
3) In first five year plan first priority was given to …………… sector.
   a) Industry   b) Energy   c) agricultural
4) In India five year planning was firstly brake down in the year ……………
   a) 1966-69   b) 1978-80   c) 1990-02
5) Tenth five year period in India was ……………

B) Write whether following the statements are true or a false.

1) Before 1950, planning process was started in India.
   1) True
2) Under Second five year plan in India priority was given to agriculture sector.
   2) False
3) The objectives like ‘Garibi Hatao’ was especially designed in fifth five year plan.
   3) True
4) The Sixth Five year plan was started before New economic policy in India.
   4) False
5) ‘Bharat Nirman Yojana’ has been especially launched in tenth five year plan.
   5) True

4.6 Answers for self-study questions. (Check your progress)

A) Answer for self study questions

1) Russia
2) Pandit Neharu
3) Agriculture
4) 1966-1969
5) 2002-2007

B) Write whether following the statements are true or a false.

1) True
2) False
3) True
4) False
5) False

4.7 Self-study questions.

1) Explain the major objectives of Indian Economic planning.
2) Discuss the achievements of economic planning in India.
3) Explain critically the achievements of economic planning in India.
4) Discuss the targets set in Eleventh Five year plan in India.

4.8 Field work.

1) Visit to your nearby village grampanchyat or panchyat samitee and discuss the objectives of 11th five year plan being implemented by them.

4.9 References for Further Reading?

3) Datta, Sundaram : Indian Economy; S. Chand and Company, New Delhi (2011)
4) Dr. Ravindra Doshi : Vikasanshil Bharat, Phadake Prakashan, Kolhapur.

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