

# Political Economy of Planning, Poverty and Reforms in India

# **THE CONSTITUTION OF INDIA**

## **PREAMBLE**

**WE, THE PEOPLE OF INDIA**, having solemnly resolved to constitute India into a '**[SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC]**' and to secure to all its citizens :

**JUSTICE**, social, economic and political;

**LIBERTY** of thought, expression, belief, faith and worship;

**EQUALITY** of status and of opportunity and to promote among them all;

**FRATERNITY** assuring the dignity of the individual and the <sup>2</sup>[unity and integrity of the Nation];

**IN OUR CONSTITUENT ASSEMBLY** this twenty-sixth day of November, 1949 do **HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.**

1. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Sovereign Democratic Republic" (w.e.f. 3.1.1977)
2. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Unity of the Nation" (w.e.f. 3.1.1977)

# Introduction

- The guiding principles of India's Five Year Plans are provided by the basic objectives of growth, employment, self-reliance and social justice. In addition, each Five Year Plan takes into account the new constraints and possibilities faced during that period and attempts to make the necessary directional changes and emphasis.

# National Planning

- Planning Commission established in 1950 by a resolution of the Cabinet.
- The Planning Commission has enormous power in the decisions of resource allocation of the Central and State Governments.
- A consensus across the political spectrum on the state playing a major role in the Indian economy had emerged - Report of the National Planning Committee of the Indian National Congress, appointed in 1938 by Subhash Chandra Bose, President of the Congress and chaired by Pandit Jawaharlal Nehru (IIAPR, 1938); the group of Bombay businessman with their Bombay Plan (Thakurdas et al, 1944) and trade union leaders with their People's Plan (Bannerjee et al, 1944) played a vital role in this context.
- The followers of Mahatma Gandhi were exceptions. Their conception of planning was of a (largely self-sufficient) village-based process with industrial enterprises as mostly village-based labor-intensive handicrafts, cottage industries and the few large enterprises run as trusts by the entrepreneurs as trustees of the capital they managed (Agarwal, 1944).

# Five Year Plans

- The First Five-year Plan (1951-56), consisted primarily of the projects that were being considered for implementation by the Colonial Planning Board.
- The Second Five-year Plan (1956-61) forward-looking analytical foundation for planning was laid and the development strategy was authored by Professor P.C. Mahalanobis.
- After independence, national sample surveys (NSS) had been established in Indian Statistical Institute (ISI established in 1931) and a round of successive socioeconomic surveys was started.
- Planning Commission requested State Governments to arrange for the preparation of district and village plans, especially in relation to agricultural production, rural industries and co-operation.

- In the Third Plan (1961-66), it was felt by Planners that the first two plans had generated an institutional structure needed for rapid economic development. The focus was on development of the country's natural resources, agricultural and industrial advancement.
- The Fourth Plan (1969-74) set before itself the two principal objectives '*growth with stability*' and '*progressive achievement of self-reliance*'.
- The Fifth Plan (1974-79) proposed to achieve the two main objectives, '*removal of poverty*' and '*attainment of self-reliance*', through promotion of a higher rate of growth, better distribution of income and a very significant increase in the domestic rate of saving.
- The problem of rural poverty was brought into a sharper focus during the Sixth Plan (1978 -83) and the Seventh Plan (1985-90) equally emphasised growth with social justice.

- The Seventh Plan sought to emphasise policies and programs which would accelerate the growth in food grains production, increase employment opportunities and raise productivity
- The development perspective of the Eighth Plan (1992-97) was framed with the objectives of fulfilling the social and human aspirations of the people, meeting the essential requirements of living, raising income levels and improving their quality of life. There was an increased recognition of disparities across States, between the urban and the rural areas, between males and females and between those working in the organised and those in the unorganised sector.
- Improvements in basic social services and reductions in infant mortality were considered pre-conditions for realising the desired restraint on population growth. Improved literacy rates, improvement in the health status of the people, availability of electricity, availability of safe drinking water and providing rural and urban sanitation were some of the priorities set.

- In the Eighth Plan, an employment-oriented growth strategy was thought to achieve this goal only in the medium- and long-term
- Short- term employment, particularly among the poor and vulnerable sections, would have to be provided through the existing special employment programmes, i.e. the Integrated Rural Development Programme (IRDP) and Jawahar Rozgar Yojana (JRY).



# The Ninth Five Year Plan (1997-2002)

- Priorities

- agriculture and rural development with a view to generating adequate productive employment and eradication of poverty;
- accelerating the growth rate of the economy with stable prices;
- ensuring food and nutritional security for all, particularly the vulnerable sections of society;
- providing the basic minimum services of safe drinking water, primary health care facilities, universal primary education, shelter, and connectivity to all in a time-bound manner;
- containing the growth rate of population;
- ensuring environmental sustainability of the development process through social mobilisation and participation of people at all levels;
- empowerment of women and socially disadvantaged groups as agents of socio-economic change and development; (Women's Component Plan)
- promoting and developing people's participatory bodies, like the Panchayati Raj institutions, co-operatives and self-help groups;
- and strengthening efforts to build self- reliance.

# Tenth Plan (2002-2007) The Reform Era

- The National Development Council (NDC), headed by Prime Minister Atal Behari Vajpayee constituted four sub-committees to remove trade and investment barriers and improve governance.
  - One to deal with governance reforms as the “best policies and programmes can flounder on the rocks of poor governance and implementation” Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005;
  - the second to consider all barriers to internal trade on merits and to decide what would be the most appropriate steps that could be taken;
  - the third to look into the wide range of controls and restriction from the past which hindered the creation of an investor-friendly climate and work out ways to dismantle such barriers, and
  - the fourth to look into problems faced in transferring functions and resources to the Panchayati raj institutions.

# Eleventh five year plan (2007-2012)

- The basic theme of this plan period is “Inclusive Growth”.
- In order to make growth more inclusive, the Eleventh Plan proposed to increase the agriculture sector growth rate to 4% from 2.13% in the previous plan period.
- The growth targets for industry and services sectors were pegged at 9 to 11 percent.

# Twelfth five year plan (2012-17)

- The aim of the **12th Five Year plan** is to achieve “faster, sustainable and more inclusive growth”. For this purpose it seeks to achieve 4% growth in agriculture sector and 10% in manufacturing sector.
- Recognising that health is a contributory factor in the utilisation of manpower and the uplifting of the economic condition of the country, the Broad objectives outlined were:
  - Control or eradication of major communicable diseases
  - Strengthening of basic health services
  - Population control
  - Development of health manpower services

# Thirteenth five year Plan (2017-22)

- With the Planning Commission dissolved, no more formal plans are made for the economy, but Five-Year Defence Plans continue to be made. The latest is 2017–2022. There will be no Thirteenth Five-Year Plan.

# Economic Reforms in India (1991 onwards)

- High fiscal deficit, debt trap and low foreign exchange reserves. Government expenditure exceeded the revenue from various sources such as taxation, earning from public sector enterprises, etc, due to high spending on social sector, infrastructure and defence. Govt was borrowing excessively and taking fresh loans to repay the previous loans and getting caught in a debt trap. Foreign exchange reserves used to meet consumption needs, thus unable to finance imports.
- High inflation (long term rise in general price level). Prices of essential goods rose sharply due to high demand and low output growth.
- IBRD loan of \$7 billion to manage the crisis on the condition that India would liberalise and open up the economy by removing trade restrictions. New Economic Policy announced (liberalization, privatization and globalization).

# Reforms during Vajpayee Government

- Disinvestment – Privatisation of various public sector entities, BALCO, Hindustan Zinc, HPCL and BPCL
- Golden Quadrilateral connecting Delhi, Mumbai, Chennai and Kolkata provided a huge boost to manufacturing activity and productivity in districts located within 10 kms of the road network. The project resulted in 49% increase in overall output for average district located along the network.
- Pradhan Mantri Gram Sadak Yojana launched to provide all weather road connectivity to every rural habitation with a minimum of 500 population, leading to increased productivity.

- Telecom - National Task Force on Information Technology and Software Development - brought about a telecom revolution in the country by replacing fixed license fees for telecom firms with a revenue-sharing arrangement.
- Telecom Disputes Settlement Appellate Tribunal - It was constituted in 2000 by the Vajpayee government in order to strengthen the regulatory framework.
- The Fiscal Responsibility and Budget Management (FRBM) Act was introduced in 2003 with the aim to check fiscal profligacy. The decision was taken on the back of India's mounting debt burden, which in turn affected the country's fiscal deficit and financial health of the states. The move resulted in public sector savings, which surged from 0.8% of GDP in fiscal year 2000 to 2.3% in 2004-05.



- Goods and Services Tax proposed
- Air India and Indian Airlines merged and attempts at disinvestment in 2007 – no suitable offers
- Sarva Shiksha Abhiyan - The social scheme aimed to provide universal access to elementary education for children aged 6-14 years. Within four years of its launch in 2001, the number of out-of-school children dropped by 60%.
- North East Policy - several autonomous councils in the region were set up, a separate ministry for development of the region and earmarked 10% of funds from each ministry for the development of the north eastern states.

- US India relations – The relationship was precarious as India had carried out the nuclear tests in Pokhran in 1998 and there was a huge resentment in the US against the move. In 2004, the government signed Next Steps in Strategic Partnership (NSSP) initiative with the US on the liberalisation of high-technology transfers to India.

- <https://www.slideshare.net/abbyvarghese/what-after-five-year-plans-niti-ayog>
- <https://www.slideshare.net/alka2519/5-yr-plans-of-india-amp-niti-aayog>