

## **ECONOMIC PLANNING IN INDIA & NITI AAYOG**

### **ECONOMIC PLANNING**

Economist H. D. Dickinson defines economic planning as "the making of major economic decisions-what and how much is to be produced and to whom it is to be allocated by the conscious decision of a determinate authority, on the basis of a comprehensive survey of the economic system as a whole.

### **TYPES OF PLANNING**

#### **CENTRALISED PLANNING**

Centralized planning is the process of economic planning in which there is central agency or government which creates holistic plans for the development of the nation.

#### **DECENTRALISED PLANNING**

- On the other hand, Decentralized planning is economic planning in which Sub-national agencies such as state government, local government participates.
- In other words, decentralized planning ensures participation of people in local development.

#### **REGIONAL PLANNING**

- Regional planning is a form of planning defined by geographic area— usually comprising a land area that encompasses multiple cities and counties.
- The United States was the first country to begin regional planning in 1916, and it was a huge success in achieving its well-defined goals.

## **NATIONAL PLANNING**

- It all started with the Soviet Union, which implemented its first five-year plan from 1928 to 1933, giving the world its first taste of national planning.
- It was certain from the start that India needs national planning. The government sought national strategy in order to take an active role in resource allocation and mobilization for equitable growth and development as a result of the

## **OBJECTIVES OF ECONOMIC PLANNING IN INDIA**

However, the following are some of the broad objectives of planning in India.

### **Economic Growth**

It aims for a sustainable growth in the economy's output levels. Sustained growth in economic output, is one of the primary goals of planning in India.

### **Poverty Alleviation**

One of the goals of Indian planning is to alleviate poverty. Several programs aimed at alleviating poverty have been introduced in India, by all governments, till date.

### **Employment Generation**

One of the most fundamental goals of planning has been to reduce unemployment. Employment generation in India has therefore been an integral aspect of poverty alleviation programmed in India.

### **Social justice and reducing the inequalities**

Economic disparities have far-reaching negative consequences in any society. By the time India started planning, economic planning was widely acknowledged, as a technique for addressing all types of economic inequities and injustices.

### **Self-reliant economy**

A self-reliant economy is one that does not require any aid, support, interaction or trade with the outside world.

### **Modernization of the economy**

India's plans prioritized the industrialization of the conventional sector. It began with agriculture, a traditional sector that necessitated the quick integration of modern farming, dairying, and other practices.

### **PLANNING COMMISSION**

- The Planning Commission was an institution in the Government of India, which formulated India's Five-Year Plans, among other functions.
- The Planning Commission was reporting directly to the Prime Minister of India. It was established on 15 March 1950, with Prime Minister Jawaharlal Nehru as the chairman.
- The Planning Commission's plans are approved for implementation by the National Development Council (NDC), which is chaired by the Prime Minister.

### **HISTORY OF ECONOMIC PLANNING IN INDIA**

- India has a centralized planning procedure that offers a broad framework for the economy's developmental and investment requirements.
- It also aims for equal resource mobilization to accomplish targeted socioeconomic progress. The Planning Commission has been in charge of planning in India since 1950.

### **Five-year Plan**

- In five-year, plan government of India prepares a document with all its income and expenditure for five years.

- India launched a series of Five-Year Plans after independence to build its economy and attain development.

### **First Five-year Plan (1951- 1956)**

This plan was in effect from 1951 until 1956.

- Rehabilitation of refugees
- Rapid agricultural development to achieve food self-sufficiency in the shortest possible time.
- Control of inflation
- The target growth rate was 2.1% and the achieved growth rate was 3.6%.

### **Second Five-year Plan (1956-1961)**

- The plan was in effect from 1956 until 1961.
- Second Five-year Plan stressed rapid industrialization and the public sector.
- It emphasized quick structural transformation.
- The government-imposed tariffs on imports to protect domestic industries under this plan.
- The target growth rate was 4.5% and the actual growth rate was slightly less than expected, 4.27%.

### **Third Five Year Plan (1961-66)**

- The Plan spanned from 1961 to 1965.
- The focus was on agriculture and improvement in the production of wheat.
- States were entrusted with additional development responsibilities. Ex- States were made responsible for secondary and higher education.
- Panchayat elections were introduced to bring democracy to the grassroots level.
- The target growth rate was 5.6% and the actual growth rate only achieved 2.4%.



### **Three Annual Plans (Plan Holiday)**

The Sino-Indian War and the Indo-Pak War, which caused the Third Five Year Plan to fail and the government had to declare "Plan Holidays"

The three successive Annual Plans extended from 1966 to 1969.

### **Fourth Five-Year Plan:(1969-74)**

- The Plan lasted from 1969 until 1974.
- It was introduced under the Prime Ministership of Indira Gandhi and attempted to correct the previous failures.
- Based on Gadgil Formula, a great deal of emphasis was laid on growth with stability and progress towards self-reliance.
- The government nationalized 14 major Indian Banks and the Green Revolution boosted agriculture.
- The target growth rate was 5.6%, but the actual growth rate was 3.3%.

### **Fifth Five-Year Plan (1974-78)**

- It laid stress on increasing employment and poverty alleviation (garibi hatao).
- In 1975, the Electricity Supply Act was amended, enabling the central government to enter into power generation and transmission.
- The Indian National Highway System was introduced.
- The Minimum Needs Programme introduced in the first year of this plan, aimed to provide basic minimum needs.
- The target growth rate was 4.4% and the actual growth rate turned out to be 4.8%

### **Rolling Plan (1978-80)**

This was a period of instability. The Janata Party government rejected the fifth five-year Plan and introduced a new Sixth Five-Year Plan. This, in turn, was rejected by the Indian National Congress in 1980 upon Indira Gandhi's re-election.

### **Sixth Five Year Plan (1980-85)**

- It underlined the beginning of economic liberation by eliminating price controls.
- It was seen as the end of Nehruvian Socialism.
- To prevent overpopulation, family planning was introduced.
- On the recommendation of the Shivaraman Committee, the National Bank for Agriculture and Rural Development was established.
- The target growth rate was 5.2% and the actual growth rate was 5.7%, implying that it was a success.

### **Seventh Five Year Plan (1985-90)**

- This plan was led by the Prime Ministership of Rajiv Gandhi.
- It laid stress on improving Industrial productivity levels through the use of technology.
- Other objectives included increasing economic productivity, increasing the production of food grains and generating employment by providing Social Justice.
- It emphasized on the use of modern technology, and the need to make India an independent economy.
- The target growth rate was 5.0%. However, the actual growth rate grew to reach 6.01%

### **Annual Plans (1990-92)**

- The Eight Five Year Plan was not introduced in 1990 and the following years 1990-91 and 1991-92 were treated as Annual Plans.
- This was largely because of the economic instability. India faced a crisis of foreign exchange reserves during this time. Liberalization, Privatization, Globalization (LPG) was introduced in India to grapple with the problem of the economy under prime minister P.V Narasimha Rao.

### **Eighth Five Year Plan (1992-97)**

- The Eighth Plan (1992-97) was implemented under typically unstable economic circumstances.
- The Eighth Plan promoted the modernization of Industries.
- India became a member of the World Trade Organization on 1 January 1995.
- The goals were to control population growth, reduce poverty, generate employment, strengthen the development of infrastructure, manage tourism, focus on human resource development etc.
- It also laid emphasis on involving the Panchayats and Nagar Palikas through decentralization.
- The target growth rate was 5.6% but the actual growth rate was an incredible 6.8%.

### **Ninth Five Year Plan (1997-2002)**

- It offered support for social spheres to achieve complete elimination of poverty and witnessed the joint efforts of public and private sectors in guaranteeing economic development.
- The focus was also to balance the relationship between rapid growth and the quality of life for the people.
- The objectives, further included, empowering socially disadvantaged classes, developing self-reliance and primary education for all children in the country.
- Strategies included enhancing the high rate of export to gain self-reliance, efficient use of scarce resources for rapid growth etc.
- The target growth rate was estimated at 7.1% but its actual growth rate fell shorter to 6.8%

### **Tenth Five Year Plan (2002-07)**

- The features of this plan were to promote inclusive growth and equitable development.

- It aimed at reducing the poverty by half and creating employment for 80 million people. Further, it aimed to reduce regional inequalities.
- It also emphasized reducing the gender gaps in the field of education and wage rates by 2007.
- The target growth rate was 8.1% while the actual growth was 7.6%.

### **Eleventh Five Year Plan (2007-2012)**

- The Eleventh Plan was significant in its aim to increase enrolment in higher education and focused on distant education as well as IT institutes.
- The Right to Education Act was introduced in 2009, and came into effect in 2010, making education free and compulsory for children aged between 6-14 years.
- Its main theme was rapid and more inclusive growth.
- It is aimed at environmental sustainability and reduction in gender inequality.
- The focus was also laid on providing clean drinking water for all by 2009.
- The target rate was 9% and the actual growth rate was 8%.

### **Twelfth Five Year Plan (2012-17)**

- The last Five-Year Plan had "Faster, More Inclusive and Sustainable Growth" as its theme.
- The plan aimed at strengthening infrastructure projects, and providing electricity supply in all villages.
- It also aimed at removing the gender and social gap in admissions at school and improved access to higher education.

### **ASSESSMENT OF FIVE-YEAR PLAN PERFORMANCE**

- To recap, the fundamental goal of India's five-year plans was to raise national income as well as per capita income. However, both national



and per capita income growth were quite modest during the planning era.

- Seven Of the twelve five-year plans experienced lower growth rates than expected. Growth rates were modest during the first three decades of planning, but then picked up. Massive fluctuations were another aspect of growth story.
- Agriculture growth has indeed been highly volatile, due to the change in environmental factors. The green revolution of the 1960s and the government's efforts to promote agriculture via different programmes have worked splendidly for the country. Today, India, has not only attained self-sufficiency in food grains production, but also a leading exporter of many agricultural products.

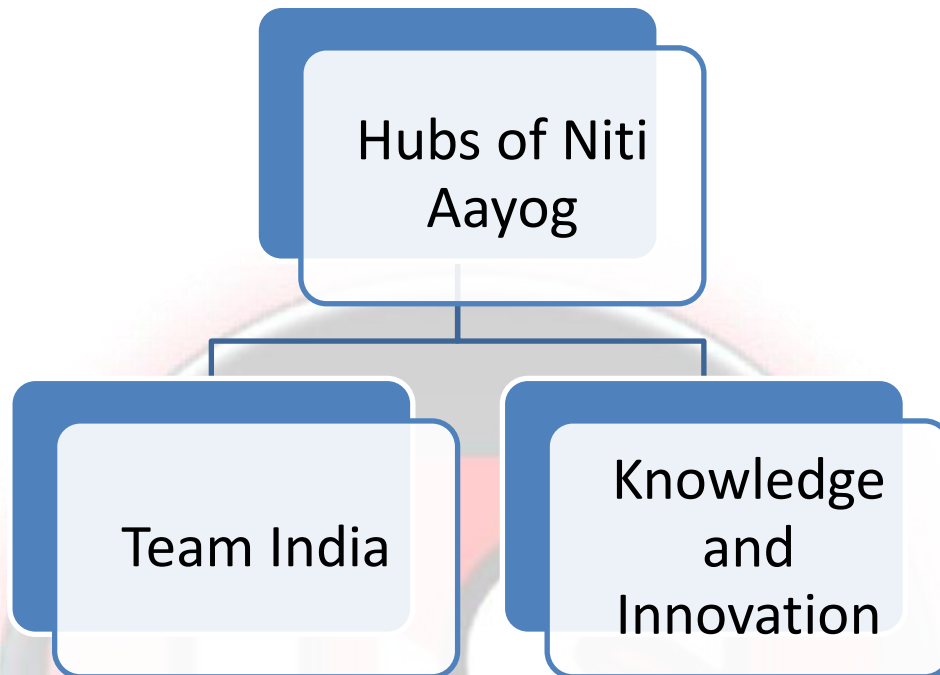
### **NATIONAL INSTITUTION FOR TRANSFORMING INDIA (NITI AAYOG)**

- The National Institution for Transforming India, known as NITI Aayog, was established on January 1, 2015, by a resolution of the Union Cabinet.
- NITI Aayog is the Government of India's top policy "Think Tank," offering both directional and policy suggestions.
- NITI Aayog gives relevant technical assistance to the Centre and States in designing strategic and long-term policies and programmes for the Government of India.

### **HUBS OF NITI AAYOG**

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### **Team India**

The Team India Hub coordinates state involvement with the central government.

### **Knowledge and Innovation**

The Knowledge and Innovation Hub strengthens NITI's think-tank capabilities.

## **COMPOSITION OF NITI AAYOG**

### **Chairperson**

Prime Minister

### **Vice-Chairperson**

To be appointed by Prime-Minister

### **Governing Council**

Chief Ministers of all states and Lt. Governors of Union Territories.



**Regional Council**

To address specific regional issues, Comprising Chief Ministers and Lt. Governors Chaired by Prime Minister or his nominee.

**Ex-Officio membership**

Maximum four from Union council of ministers to be nominated by Prime minister.

**Chief Executive Officer**

Appointed by Prime-minister for a fixed tenure, in rank of Secretary to Government of India

**Special Invitees**

Experts, Specialists with domain knowledge nominated by Prime-minister.

**PILLARS OF NITI AAYOG**

***NITI Aayog has been built upon 7 pillars of effective governance.***

**Pro-people**

It accomplishes the needs of society and its people

**Pro-activity**

It is active in its anticipation and response to the needs of citizens

**Participation**

It involves the participation of all citizens

**Empowering**

It empowers the citizens, especially women, in all spheres

**Inclusion of all**

It includes all citizens, irrespective of their gender, race, or caste

**Equality**

It provides equal opportunity to all, especially to the youth of the country

**Transparency**

It aims to make the government visible and responsive to all citizens.

## **FUNCTIONS OF NITI AAYOG**

***NITI Aayog has following important functions to perform:***

- To develop a shared vision of national development priority sectors and strategies, with active state participation, in the light of national objectives.
- To promote cooperative federalism on a constant basis through organized support programmes and processes with the states, understanding that strong states make a strong nation.
- To create procedures for developing viable plans at the village level and gradually aggregating these at higher levels of government.
- To ensure that national security considerations are included into economic strategy and policy in areas explicitly referenced to it.
- To give special attention to those segments of our society, who may be at danger of not benefiting adequately from economic advancement.
- Create strategic and long-term policy and program frameworks and initiatives, as well as track their development and efficacy.
- To give guidance and foster collaboration between important stakeholders and like-minded think tanks on a national
- To establish a collaborative network of national and international specialists, practitioners, and other partners to encourage knowledge, innovation, and entrepreneurship.
- To provide a forum for the resolution of cross-sectoral and cross-departmental issues in order to expedite the execution of the development plan.
- Actively monitor and assess program and initiative execution, including the identification of required resources, in order to increase the likelihood of success and scope of delivery.



- To concentrate on technological advancement and capacity building for program and initiative execution.
- To carry out any additional actions that may be required to enhance the implementation of the national development strategy and the previously indicated goals.

### **NITI AAYOG STRATEGY FOR NEW INDIA @75**

- In 19 December 2018, NITI A ayog published its comprehensive national Strategy for New India, including clear objectives for 2022-23.
- It is a full exposition spanning 41 critical areas that recognises previous accomplishments, identifies binding restrictions, and recommends a path ahead to achieve the explicitly defined objectives.

### **The document's 41 chapters are divided into four**

#### **DRIVERS**

The first section on Drivers focuses on employment, doubling of farmers' incomes, upgrading the science, technology, and innovation and promoting sunrise sectors like fintech and tourism.

#### ***Some of the key recommendations the section on drivers include:***

- Accelerating the economy to achieve a GDP growth rate of about 8 per cent on average, to make-\$4 trillion economy by 2022-23.
- Gross fixed capital formation will be increased from 29 per cent in 2018 to 36 per cent in 2022.
- To enhance public investment, increasing the tax to GDP ratio to at last 22 per cent of GDP, by 2022-23, from 17 per cent in 2018.
- To raise the export of goods and services to \$800 billion a year by 2022-23, as against \$478 billion in 2018.

- Continued exit of the government from non-strategic public sector units and further liberalizing the FDI regime.
- To converting farmers to "Agripreneurs", by further expanding e-National Agriculture Markets (NAM).
- Promoting "Zero Budget Natural Farming" techniques that reduce costs, improve land quality, and increase farmers' incomes.
- Replacing the Commission on Agricultural Costs and Prices (CACP) by an agriculture tribunal.

### **INFRASTRUCTURE**

The second section on Infrastructure has 11 chapters that elaborate physical foundations of growth that are crucial to enhancing the competitiveness of Indian business and also ensuring the citizens' ease of living.

#### ***Following are the recommendations under this head:***

- Establishing Rail Development Authority (RDA) and the main function of RDA will be advising or making informed decisions on an integrated, transparent, and dynamic pricing mechanism for the railways.
- Doubling the share of freight transported by coastal shipping and inland water ways.
- Developing an IT-enabled platform, for integrating different modes of transport and promoting multi-modal and digitised mobility.

### **INCLUSION**

The section on Inclusion deals with the urgent task of investing in the capabilities of all of Indian citizens.

***Following are the key recommendations under this head:***

- Successfully implementing the Ayushman Bharat program including the establishment of 150,000 health and wellness centers across the country and rolling out the Pradhan Mantri Jan Arogya Abhiyaan (PM-JAY).
- Creating a focal point for public health at the central level with state counterparts. Promote integrative medicine curriculum.
- Upgrading the quality of the school education system and skills, including the creation of a new innovation ecosystem.
- Providing push to affordable housing in urban areas to improve workers' living conditions and ensure equity, while providing a strong impetus to economic growth.

**GOVERNANCE**

The fourth and final section on Governance dwells in depth, as to how the governance structures can be streamlined and the processes optimized, to achieve better developmental outcomes. Some of the key recommendations in the section on governance include.

**FINANCIAL RESOURCES FOR ECONOMIC PLANS**

***In India, there are three key sources of funds available for funding Economic Plans:***

**DOMESTIC BUDGETARY SOURCES**

- Domestic budgetary resources contributed the most to plan financing among the three primary sources.
- Taxation is among the most significant domestic budgetary resources for channelizing funds for planning.

- Aside from revenue, additional domestic fiscal resources such as public borrowing, small savings, and public enterprise surplus also contribute significantly to supporting our programmes.

### **DEFICIT FINANCING**

- Deficit Financing can happen when the total income of the government (revenue account + Capital account) falls below its total expenditure.
- The government resorts to withdrawing money from its cash deposited in the RBI or orders the RBI to print new currency notes or borrows money from the public in the form of bonds and other securities.
- The deficit is financed by borrowing loans from the central bank, commercial banks, and even state governments through Ad-hoc Treasury Bills.
- The deficit financing is the second most important source of plan financing.
- In deficit financing surplus money of the taxpayer is lent to the government and hence it does not bother the taxpayer.

### **The different types of deficit financing are:**

- Borrowing from Public and Foreign Governments.
- Withdrawing Cash Balances held with the Reserve Bank of India
- Borrowing from the Reserve Bank of India (RBI)

### **FOREIGN ASSISTANCE**

External or foreign assistance contributes greatly to India's financing strategies.

India has been accessing funds from the World Bank mainly through and International Development Association (IDA) for various development projects.



**International Bank for Reconstruction and Development (IBRD)**

- IBRD loans though non-concessional are offered relatively on favorable terms compared to commercial sources.
- IBRD Sovereign loans are primarily utilized for infrastructure, poverty alleviation, rural development and human resource development projects.

**Q:1 On which date, NITI Aayog was established?**

- a) 1 January 2015
- b) 25 January 2016
- c) 14 May 2014
- d) 1 July 2015

**Q:2 Who serves as Chairman of NITI Aayog?**

- a) President of India
- b) Prime Minister of India
- c) Finance Minister
- d) Planning Minister

**Q:3 Who is the current CEO of the NITI Aayog?**

- a) Rajeev Kumar
- b) Parameswaran Ayer
- c) Amitabh Kant
- d) Narendra Modi

**Q:4 Which of the following statement is correct about the NITI Aayog?**

- a) NITI Aayog was Formed 25 January 2016
- b) NITI Aayog comes under the Ministry of Commerce and Industry
- c) The full form of NITI Aayog is National Industry for Transforming India
- d) The NITI Aayog is a policy think tank of the Government of India

**Q:5 Who of the following is the part of Governing Council of NITI Aayog?**

- e) All Chief Ministers of the states
- f) Chief Ministers of Delhi and Puducherry
- g) Lieutenant Governor of Andaman & Nicobar Island
- h) All of the above