

## **Subject – Indian Economy - I**

### **Notes Unit 1 Part B**

**By -**

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### **India's Economic Development during plan period –**

#### **First Five Year Plan of India (1951-56)**

On December 8, 1951, the Prime Minister Jawaharlal Nehru presented the first five-year plan to the Parliament of India. This was based on the Harrod-Domar model. At that time, India was facing three problems – the influx of refugees, a severe shortage of food, and also mounting inflation.

India had to recover from the partition and the disequilibrium in the economy due to the Second World War. The First Plan, therefore, had the objectives of rehabilitating refugees, agricultural development, and self-sufficiency in food along with controlling inflation.

#### **Second Five Year Plan of India (1956-61)**

The focus of the Second Plan was rapid industrialization, especially the development of heavy industries and capital goods, like iron, steel, chemicals, etc. and the machine building industries. Professor Mahalanobis developed the plan.

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

The primary goal of the Third Plan was to establish India as a self-reliant and a self-generating economy. However, the Second Plan had slowed the rate of growth of agricultural production in the country which limited India's economic development.

Therefore, the Third Plan included agricultural development as one of its objectives to achieve balanced, regional development. Unfortunately, this period had many misfortunes which drained the funds – Indo-China war in 1961-62, Indo-Pak war in 1965-66, and also a severe drought-led famine in 1965-66. Therefore, this plan could not meet its objectives.

### **Three Annual Plans**

From 1966-69, three Annual Plans were devised. While the Fourth Plan was designed in 1966, it was abandoned under the pressure of drought, currency devaluation, and inflationary recession on the economy. Therefore, the government opted for an Annual Plan in 1966-67 and the subsequent two years. This period is also called – Plan Holiday.

### **Fourth Five Year Plan of India (1969-74)**

There were two principal objectives of this plan – 'Growth with Stability' and 'Progressive Achievement of Self-Reliance'. It aimed at a 5.5 percent average growth rate of the national income and also the provision of the national minimum for the weaker sections of the society (called 'Garibi Hatao' or 'Growth with Justice'). However, another Indo-Pak war in 1971-72 created a financial crunch for the plan.

### **Fifth Five Year Plan of India (1974-79)**

This plan had two main objectives – the removal of poverty and attainment of self-reliance. This was planned through the promotion of higher growth rates, better income distribution, and also a significant increase in the domestic rate of saving.

It also focused on import substitution and export promotion. Further, it included a National Program on Minimum Needs like housing, drinking water, primary education, etc.

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

Also called the Rolling Plan, it helped to achieve the targets of the previous years.

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

This plan focused on the socio-economic infrastructure in the rural areas. Further, it endeavored to eliminate rural poverty and reduce regional disparities through the Integrated Rural Development Program (IRDP – 1979).

### **Seventh Five Year Plan of India (1985 – 90)**

The country enjoyed a reasonable rate of economic growth (5.4 percent) during the Sixth Plan. The Seventh Plan focused on the rapid production of food grains along with an increase in the creation of employment and overall productivity. The guiding principles were growth, modernization, self-reliance, and social justice.

### **Eighth Five Year Plan of India (1992 – 97)**

The Eighth Plan was scheduled to be introduced in April 1990. However, there were many changes in the Government at the Center, which led to the reconstitution of the Planning Commission and the preparation of different versions of the approach to the Eighth Plan.

Finally, in 1992, the Eighth Plan was introduced (fourth version). At this time, the country was going through a severe economic crisis and the Government initiated fiscal reforms to provide a new dynamism to the economy.

### **Ninth Five Year Plan of India (1997 – 2002)**

The South East Asian Financial Crisis (1996-97) caused an overall slowdown in the economy of India too. While the liberalization process was still criticized, India was out of the fiscal mess of the

early 1990s. The Plan targeted a high growth rate of 7 percent and also directed itself towards time-bound social objectives.

Further, the Plan focused on the seven Basic Minimum Services (BMS) with a view to achieving complete population coverage in a time-bound manner. The BMS includes:

- Safe drinking water
- Primary health service
- Universalization of primary education
- Public housing assistance to shelter-less families
- Nutritional support to children
- Connectivity of all villages and habitations
- Streamlining the public distribution system

### **Tenth Five Year Plan of India (2002 – 07)**

Some major aspects of this Plan were:

- Double the per capita income in 10 years
- Higher growth rates must translate into better quality of life for people
- Set monitorable targets
- Consideration of governance as a factor of development
- Policy and institutional reforms in all sectors
- Declaring the agriculture sector as the primary moving force (PMF) of the economy
- Emphasis on the social sector (health, education, etc.)

### **Eleventh Five Year Plan of India (2007-12)**

The title of the 11th Plan was 'Towards Faster and more Inclusive Growth'. It envisaged a high growth rate of around 9 percent implying a growth rate of around 7.5 percent in the per capita GDP. It also ensured an overall improvement in the quality of life of people. The vision of the 11th Plan includes:

- Rapid growth with reducing poverty and increasing employment opportunities
- Easy access to essential services in health and education for the poor
- Empowerment through education and development of skills
- Using the National Rural Employment Guarantee Program to extend employment opportunities to all
- Environmental sustainability
- Reducing gender inequality
- Improving the overall governance

### **Twelfth Five Year Plan of India (2012 – 17)**

According to this plan, *'It must be guided by a vision of India moving forward in a manner that would ensure a broad-based improvement in the living standards of all the people through a growth process which is faster than in the past, more inclusive, and also more environmentally sustainable.'* The objectives of this Plan are as follows:

- A growth rate of 9 percent
- Focus on the agricultural sector and have an average growth of 4 percent during the Plan period
- Restrain inflationary pressure

- For the growth of GDP, ensure that the commercial energy supplies grow at a rate of 6.5-7 percent per year.
- Develop a holistic water management policy
- Suggest new legislation for the acquisition of land
- Continue focus on health, education, and skill development
- Large investments in the development of the infrastructure sector
- Emphasis on the process of fiscal correction
- Efficient use of available resources

## **NITI Aayog –**

The Planning Commission which has a legacy of 65 years has been replaced by the **NITI Aayog**. The utility and significance of the Planning Commission had been questioned for a longer period. The replacement seems to be more relevant and responsive to the present economic needs and scenario in the country.

The NITI Aayog is a very important topic for the UPSC civil services exam. It is a pivotal organisation that is bound to play a vital role in the country's development process. Hence, you should read about the NITI Aayog in detail as questions can be asked on it both in the UPSC prelims and mains exams.

- **NITI Aayog Chairman** – Narendra Modi
- **NITI Aayog Vice-Chairman** – Dr. Rajiv Kumar (September 2017 – present) is the current Vice Chairman of the NITI Aayog.

## **NITI Aayog Evolution -**

The NITI Aayog was formed on January 1, 2015. In Sanskrit, the word “NITI” means morality, behaviour, guidance, etc. But, in the present context, it means policy and the NITI stands

for “**National Institution for Transforming India**”. It is the country’s premier policy-making institution that is expected to bolster the economic growth of the country. It aims to construct a strong state that will help to create a dynamic and strong nation. This helps India to emerge as a major economy in the world. The NITI Aayog’s creation has two hubs called “**Team India Hub**” and “**Knowledge and Innovation Hub**”.

1. Team India: It leads to the participation of Indian states with the central government.
2. The Knowledge and Innovation Hub: it builds the institution’s think tank capabilities.

NITI Aayog is additionally creating itself as a State of the Art Resource Center, with the essential resources, knowledge, and skills that will empower it to act with speed, advance research and innovation, bestow crucial policy vision to the government and manage unforeseen issues. The reason for setting up the NITI Aayog is that people had expectations for growth and development in the administration through their participation. This required institutional changes in administration and active strategy shifts that could seed and foster substantial scale change.

#### **Objectives of NITI Aayog -**

1. The active participation of States in the light of national objectives and to provide a framework ‘national agenda’.
2. To promote cooperative federalism through well-ordered support initiatives and mechanisms with the States on an uninterrupted basis.
3. To construct methods to formulate a reliable strategy at the village level and aggregate these gradually at higher levels of government.
4. An economic policy that incorporates national security interests.
5. To pay special consideration to the sections of the society that may be at risk of not profiting satisfactorily from economic progress.
6. To propose strategic and long-term policy and programme frameworks and initiatives, and review their progress and their effectiveness.
7. To grant advice and encourage partnerships between important stakeholders and national-international Think Tanks, as well as educational and policy research institutions.

8. To generate knowledge, innovation, and entrepreneurial support system through a shared community of national and international experts, etc.
9. To provide a platform for resolution of inter-sectoral and inter-departmental issues to speed up the accomplishment of the progressive agenda.
10. To preserve a state-of-the-art Resource Centre, be a repository of research on good governance and best practices in sustainable and equitable development as well as help their distribution to participants.
11. To effectively screen and assess the implementation of programmes and initiatives, including the identification of the needed resources to strengthen the likelihood of success.
12. To pay attention to technology improvement and capacity building for the discharge of programs and initiatives.
13. To undertake other necessary activities to the implementation of the national development agenda, and the objectives.

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