Physical Planning

Physical planning refers to the technique of allocating resources in terms of mens, materials& machinery. It implies that the size of the development plans should not be based on the saving of the community but by the potential physical sources in terms of men & material.

The physical balance consists of proper evaluation of the relations between investment and output. Investment co-efficient are computed. These co-efficient indicate the amount of investment and also the composition of that investment in terms of various kinds of goods needed to obtain an increase in output of a product by a given amount. For instance,how much iron, how much coal, how much electric power is needed to produce an additional tone of steel .On this basis , the planned increase in output of various product is balanced with the amounts and types of investments. It is also necessary to balance the output of various sections of the economy because the output of one branch of the economy serves as an input for producing output for another. The financial planning is restored as a means of achieving these objectives.

In physical planning, an overall assessment is made on the available real resources like raw materials,manpower etc. and how all these have to be obtained so that bottlenecks may not appear during during the functioning of the plan. It requires the fixation of physical targets of production with regard to agriculture and industry ,trade, transport etc. However, it also makes an assessment of the overall available assessment of the overall available resourcres and then their allocation between different programmes of development.

Physical planning suffers from certain shortcomings in underdeveloped countries.These are:

1.Lack of reliable adequate statistical data & information may be the greatest obstacle in drawing up a physical plan. Should physical targets be fixed on the basis of inaccurate data, planning is deemed to be a failure.

2.Balancing of different segments of the economy poses certain problems and it may involve unmanageable calculations. As a result, it is not possible to attain internal consistency of high order in a backward and underdeveloped economy.

3.It leads to inflationary pressures through an increase in prices.An inflationary process is quite harmful backward and underdeveloped countries as a level of income and saving are incredibly below.

4.Physical panning ,without financial planning, is impossible in underdeveloped countries. For instance ,in Indi size of the second plan was prune to the extent of rs.290 crores in the closing year which was due to the lack of financial resources.