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Planning In India

Introduction:

At the time of independence India was a backward underdeveloped country. There was a lot of exploitation of India during the British colonial rule.

This made Indian people very poor. The aim of freedom struggle was not mere gaining political freedom from the British rule but also to attain economic freedom for the Indian people. Economic freedom implies the removal of mass poverty that prevailed in India.

At the time of independence there was deficiency of good entrepreneurs who could use the natural resource endowment of India for economic development. To improve living standards of the people, it was necessary to accelerate rate of economic growth. It was thought that the private sector lacked the necessary resources and the proper mindset to bring about rapid economic growth.

Inspired by the Russian experience, planning as an instrument of economic development was adopted. The Planning Commission was set up to prepare five year plans which would indicate directions in which the Indian economy should move. Resources were to be allocated both at the Centre and in the States according to the plan priorities decided in a five year plan.

The basic objective of Indian planning has been acceleration of economic growth so as to raise the living standards of the people. Further, various five year plans also gave high priority to generation of employment opportunities and removal of poverty. In what follows we will explain the role of planning in India and then explain the development strategies adopted in various plans to achieve the objectives.

Role of Planning In India:

Accelerating Economic Growth:

There were two main features of India's economic policy that emphasized the role of planning and intervention by the State in the development process of the Indian economy in the first three decades of planning. First, to accelerate economic growth economists and planners recognized that raising the rate of saving and investment was essential to accelerate the rate of economic growth.

It was thought that the private sector on its own would not be able to achieve a higher rate of saving and investment required to break the vicious circle of poverty. Therefore, the state had to intervene to raise resources and increase the rate of saving and investment. This made the planning and the expansion of the public sector essential to accelerate economic growth.

Emphasis on Industrialisation, Second, the strategy of development, adopted since the adoption of Second Five Year Plan which was based on Mahalanobis growth model, laid stress on the industrialisation with an emphasis on the development of basic heavy industries and capital goods industries.

This model implied allocating a higher proportion of investible resources to capital goods industries than to consumer goods industries. Private sector which is driven by profit motive could not be expected to allocate sufficient resources to the growth of capital goods industries.

Therefore, the role of planning and the public sector was considered essential for rapid growth of basic heavy industries. Mahalanobis growth model was wrong in neglecting the role of agriculture and importance of wage goods for accelerating growth of output and employment. In fact, shortage of food, a cheap wage good, rather than machines could act as a constraint on the growth process.