- 1947 to the mid 1950s - preparatory phase in planning for development
- Mid 1950 to mid 1960 - rapid industrialization phase in planning
- Late 1960 to 1970 - plans tried to focus on agriculture
- 1980 to 1990- initialization of liberalization in plans
- 1991 to present- liberalization in progress

During the first phase, the main concern was to work out a broad framework for planned development. The Industrial Policy Resolution of 1956 outlined Nehru's vision of a socialistic pattern of society, making the public sector the pivot of Indian Economy. From the third plan, focus shifted to agriculture sector followed by 'Green Revolution' eventually to the trade liberalizations and economic reform.

13.4.1 The Planning Commission

Planning Commission was established on 15th March 1950, as a non-constitutional body with the help of document of government of India. It helps the government in planning procedure and acts as an advisory body. Pandit Jawaharlal Nehru was appointed as the first chairman of planning commission. The prime minister of India is the ex-officio chairman of the commission. There is no fixed tenure for its members and vice chairman. The commission comprises of eight members

Functions

The main functions of planning commissions are as follows:

- It helps in estimating and recognizing the physical, human, and capital resources in the economy and investigates the possibilities of augmenting resources.
- It formulates the plan for the balanced and rapid economic development in the country.
- It helps the government in the allocation of resources to the most needed and weak sector in the country.
- Evaluates plans in its different stages and determines the plans priorities accordingly.

13.2 INTRODUCTION

The present thought of economic planning is comparatively new somewhat rooted in Marxian Socialism. The idea of economic planning has been developed by Soviet Union for the first time in 1928 which was given to transform the country in industrial super power. Idea of Economic Planning got strength during the period of great depression in 1930 and Keynes writing also advocated worth of economic planning. The occurrence of Second World War also necessitated the proper and efficient planning of economic resources for the successfully handling aftereffects of war.

13.3 SOME BASIS CONCEPTS IN PLANNING

13.3.1 Need for Planning

In India, the need and importance of planned and coordinated economic development under government supervision was recognized all along the freedom movement. In the 1930's when the freedom struggle was on rise, socio- economic aims also became well defined. The then congress president, Subhash Chandra Bose laid great stress on national planning and appointed a National Planning Committee with Jawaharlal Nehru as its Chairman. The Planning Commission was set up in March, 1950 with Nehru as its Chairman. By 1951, India started planning critically for the future. India adopted a flexible plan strategy in order to bring about a structural and functional transformationunder the leadership of Jawaharlal Nehru.

Overall objectives of Planning in India: Since, India is a developing country achieving full employment with economic development is the prime focus. Accordingly, in almost all the 5 year plans the following objectives are mentioned.

In all developing countries, increase in the state of economic development is the basic objective of economic planning. The level

of Income, saving and investment should be increased to augment the level of capital formation which helps in raising the rate of economic development. Most of the people in developing countries are poor and their income level is also low which reduces the capacity of the people to save. Low saving results in lower level of capital formation. Due to scarcity of capital and lower productivity the rate of investment is low. In this situation two methods can be used one is planned development by importing capital from out of the country which Zweig Calls "Supported industrialization" and the other is by enforced saving which he characterizes as "Self Sufficient Industrialization."India wants to select the second option and therefore some related objectives are formulated as follows.

- **To Eradicate Unemployment:** The need for planning is more stressed by need for eradicating the unemployment in economies. In underdeveloped countries problem of unemployment arises because of capital being limited and labor being abundant. Due to excess labour available, there arises involuntary unemployment in the economy. It can be solved by placing well powerful authority at central level and giving more power to this authority can solve this problem.
- **To Improve and Strengthen Market Mechanism:** The need for planning is to improve and strengthen market mechanism .The market mechanisms works improperly in underdeveloped countries because of the lack of knowledge and unfamiliarity with it. The major parts of economy of under developed country consistof non-monetized sector. The production factors and monetary markets are not organized properly. The price system exist only at very basic level .Therefore planning is required bring a match between demand and supply side of the economy and other resources.
- **Fair progress of the Economy:** In absence of effective efficient planning there is a greater need of setting up institution which is dedicated to only planning of economy. For faster growth of an

in the country. The authority fixes target for all industries and fix priorities for all sectors. It takes all the investment decisions according to the goals and targets set in the plan. Central authority fixes price for all products.

Faults of Centralized planning:

- Centralized planning has the characteristics of authoritative and undemocratic - bureaucratic control and regulation.

- **Decentralized Planning:** In decentralized planning the plans are executed at grass root level. In this type of planning plan is prepared by central authority with discussion with all the administrative units in the country whether at state level, district level. Similarly, plans for industries are prepared with full conversation with all the major representative stakeholders in the industries. But individual firm are free to take decision on their investment and output prices. There is a freedom of production and consumption under decentralized planning.

Faults of Decentralized Planning:

- Its reliance on the market mechanism leads to shortages or surpluses in the production of goods and services.
- It requires lot of adjustment from government to solve the problems in supply side.
- It is sometimes, difficult to have coordination between planned & unplanned sectors.

13.4 ECONOMIC PLANNING IN INDIA

Economic planning becomes part of Indian political system much before the introduction of first five-year plan. Book named 'Planned economy for India' written by M. Visheshvraya which is fairly a theoretical development towards economic planning. In his book he published his own suggestions for a ten-year plan for India. He proposed under the Plan to double the income of the country within ten years. The economic history of Indian Planning can be subdivided in the following manner:

government in power directs and control all the economic activities and resources in the economy. All resources are used with high efficiency to complete set targets of the plan. In such planning consumer get fixed amount of a commodity at fixed price. Since government decision and policymaking is very rigid they are to be followed by the players. This kind of planning is in use in countries like Russia and China.

- **Democratic planning:** In Democratic planning, plans are prepared according to the requirement and needs of the people. A democratic plan is characterize by discussion with various parties involved in the economy whether different government agencies, private parties or enterprises. This discussion will take place at level of preparation the plan. The plan will be debated at parliament of a country. Main motive of democratic planning is to eradicate inequalities of income and wealth. People enjoy social, political and economic freedom.
- **Fixed planning:** In this type of planning, plans are prepared for fixed period of time. The objectives and targets of fixed plan are to be achieved with in the plan period. While finalizing the budget outlay the physical targets should be keep in the mind because targets and spending on these targets are often not changed except during an emergency.

  Faults of Fixed Planning:

  - There is lack of correlation between available resources and targets of planning. The main aim is to complete financial targets by foreign aid, heavy taxation, large borrowing irrespective of itsailing effects on economy.
  - This system of planning does not take into account future changes in the world economy or any other natural calamity.
  - This type of planning is not so suitable for projects with long execution time frame.
- **Centralized Planning:** Under centralized planning the centralized authority plans and formulates all planning activities

economy the agriculture and industrial sector need greater investment,attention, effective policies from the government. Import and Export needs to be kept on checked condition and there should be an effort to balance both import and export so that foreign exchange can be managed effectively.

- **Progress of Agricultural and Industrial sectors:**The necessity for developing the agricultural sector with industrial sector arise from the fact that agriculture and industry are dependent on each other. Growth of agricultural sector will provide plentiful and required raw material to industries.
- **Progress of Money and Capital Market:** Growth of trade depends not only on agricultural and industrial sector, but also with stable growth of other financial institutions. Capital & money markets are undeveloped all the developing countries.The growth of these markets depend on international markets and world economic conditions.
- **Progress in Infrastructure:** For the growth of agricultural and industrial sector the infrastructure need drastic improvements at very high pace.If the Infrastructure lags behind, it will impact the growth of other sectors. For achieving high growth rate in infrastructure in countries like India, public private model can be used more extensively for faster completion of infrastructure projects.

13.3.2 Types of Planning

- **Directional planning**: Countries with socialism beliefs followed the directional type of planning. The targets of plans are pre-determined and executed with the help of the government in power. In this form of planning all the important decisions are taken by the state. In this type of planning all things are under control of state including, financial institutions, industrial sector, transport, and infrastructure.

Faults of Planning by direction:

- It involves bureaucratic system, which is time consuming. Also, there is lack of clarity.
- Markets are under State controls.
- Planning by direction is very inflexible process and there is absence of accountability towards consumers and producers.
- Planning by direction is goal oriented and wants to achieve that at any cost. As a consequence, it becomes very tough to implement and sometimes there is exploitation of resources and manpower which may cause unrest.
- Planning by direction can lead to standardization of process resulting into similar production capacities and processes which diminish innovation.

➢ **Planning by inducement:** Planning by inducement is sovereign planning. The government in power forms various monetary and fiscal policies to effectively regulate the economy. If the authority want to promote any industry it can subsidy to that industry and its ancillary industries. If authority finds that there is black marketing or scarcity of a particular commodity in market they can take measures to control price and starting rationing of that commodity. To increase the capital it can take up investment and encourage private investors. It can adopt a suitable monetary policy and can fine tune taxation in the system to increase or decrease consumption.

Faults in planning by Inducement:

- Sometimes the situation of scarcity of commodity arises and measures of rationing and price control is taken by authority.
- Monetary and fiscal policies are immaterial to induce development of the economy by raising the rate of capital formation.

➢ **Perspective planning:** Perspective planning is a plan for longer period of time, 20 to 25 years. It is an outline of development to

be undertaken over a longer period in a phased manner. A perspective plan does not mean that a single plan will continue for entire period of 20 years. In this type of planning targets are framed for particular time period for example five years like five years plan in India they are also known as short period plan. They can further divided into annual plans. These five-year plans generally maintain continuity. They can be further bifurcated as regional plan which pertains to state and districts.

Faults of Perspective planning:

- In perspective type of planning, plans are generally made for long period. Therefore, it is very tough to do necessary adjustment for advancement of the plan.
- Administrative problems are major concern for this kind of planning as it requires highly efficient bureaucracy to implement the plans.

➢ **Indicative Planning:** Indicative planning is a flexible kind of planning. It is different from comprehensive or imperative planning. It is a decentralized type of planning. There is very less stringency in this structure of planning.

In Indicative planning the targets for public sector are compulsory while for private sector they are only indicative. But it does not mean that government cannot use its power to influence the private sector in desired direction.It was initially used in countries like France and Japan.

Fault of Indicative Planning:

- Indicative planning can only influenced the players involved economic planning.
- Indicative can turned out to be disaster if not monitored.
- As in this planning there is not much to do by the authority, some monopolistic players can go for personal benefit without caring about over all system which can cause inflation in the economy.

➢ **Imperative Planning:** Under imperative planning, the