

Unit 29. From Planning Commission To NITI Aayog: Evolution of Indian Planning



At the time of independence of India, there was a large proportion of impoverished people in the country. Poverty alleviation and improvement of life standards of people were the major considerations of the government. Indian economy needed a direction, which was crippled by foreign subjugation. India was still a geographic expression and a nation in making. Other than the spirit of the freedom struggle, factors required for binding the people were few. So the then politicians and think tanks opted for a planned economy and a centralized planning body to formulate a plan for socio-economic development. Thus, planning commission came into existence in March 1950 through a cabinet resolution which became a permanent body of experts.

About Planning Commission

The Planning Commission of India was set up by a Resolution of the Government of India in March 1950. Objectives of the government while starting PC were the following:

- Promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country.
- Increase production.
- Offer opportunities to all for employment in the service of the community.

Planning Commission of India (PC)

- Prime minister was the ex officio chairman of the planning commission assisted by a deputy chairman. It included 6 union cabinet ministers as its ex officio members. There was also a member secretary.
- The planning commission was an autonomous body, which worked closely with union and state cabinets and had full knowledge of their policies. Institutionally it was a part of the cabinet organization and the 'demands for grants' for the PC was included in the budget for the cabinet secretariat.

Functions and Responsibilities of the Planning Commission

- Make assessment of all resources of the country

- Augment deficient resources
- Formulate plans [Five Year Plans (FYP)] for the most effective and balanced utilization of resources and determining priorities.
- Determine the stages of plan implementation
- Determine the nature of machinery required.
- Indicate the factors which tend to retard economic developments.
- Monitor and evaluate.

Evolution of Indian Planning

The first Five-year Plan was launched in 1951 and two subsequent five-year plans were formulated till 1965, when there was a break because of the Indo-Pakistan Conflict. Two successive years of drought, devaluation of the currency, a general rise in prices and erosion of resources disrupted the planning process and after three Annual Plans between 1966 and 1969, the fourth Five-year plan was started in 1969.

The Eighth Plan could not take off in 1990 due to the fast changing political situation at the Centre and the years 1990-91 and 1991-92 were treated as Annual Plans. The Eighth Plan was finally launched in 1992 after the initiation of structural adjustment policies.

For the first eight Plans the **emphasis was on a growing public sector** with massive investments in basic and heavy industries, but since the launch of the Ninth Plan in 1997, the emphasis on the public sector has become less pronounced and the current thinking on planning in the country, in general, is that it should increasingly be of an **indicative nature**.

Planning Commission: Positives and Achievements

- PC laid emphasis on infrastructure developments and capacity building. As a result, huge investments were made in education, energy, industry, railways and irrigation.
- India became self-sufficient in agriculture and made great progress in capital sector goods and consumer sector goods.
- PC introduced many remarkable concepts like nationalisation, green revolution etc and transformed itself to align with new concepts like liberalisation, privatisation and inclusion.
- Planning commission made great emphasis on social justice, governance, employment generation, poverty alleviation, health and skill development.
- The transformation of India from a poor to an emerging economic power is credited to the orderly and phased manner in which planning was implemented.

Planning Commission: Negatives and Problems

There were many issues with planning methods followed in India. The drawbacks of the planning adopted via PC includes:

- No structural mechanism for regular engagement with states.
- Ineffective forum for the resolution of centre-state and inter-ministerial issues.
- Inadequate capacity expertise and domain knowledge; weak networks with think tanks and lack of access to expertise outside government.

- Failed to implement land reforms.
- It was a toothless body, was not able to make union/states/UTs answerable for not achieving the targets.
- Designed plans with 'one size fit for all' approach. Hence, many plans failed to show tangible results.
- Weak implementation, monitoring and evaluation.

Why does India need a change from PC?

- The contemporary world is governed by constitutional ethos like federalism rather than centralisation.
- India's population has almost tripled to 121 Cr, and many of the Indian states are as big as European nations.
- Indian economy has expanded from a GDP of 10,000 crore to 100 lakh crore (at current prices) – ie. from a poor nation to one of the largest economies. India ranks 3rd in GDP at purchasing power parity, has surpassed Japan and is now standing just below the US and China. The new economy needs institutions which can take India forward in a global competitive environment.
- Co-operative federalism and fiscal federalism will help to meet the diverse needs of different states/UTs in which planning commission had failed drastically. Plans have to be formulated by fulfilling the aspirations of states by tailoring the plans to suit their needs and requirements.
- The share of agriculture in GDP has been drastically decreasing while the share of the service sector to GDP is increasing in India. From 1991, as our economy is liberalised, private firms have been playing a major role in the economy. Today we are living in a globalised world connected by modern transport, media, communications and networked international institutions and markets. With the increasing levels of development, the aspirations of people have soared from survival to safety and surplus. So governance systems need to be transformed to keep up with the same.
- Change in the economic scenario where the government is supposed to be an enabler rather than a player or provider of first and last. PS: In the next article, let's see how the new institution, NITI Aayog can change the face of Indian Planning.



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