

Unit 34. Indian Economy : Issues Related to Planning

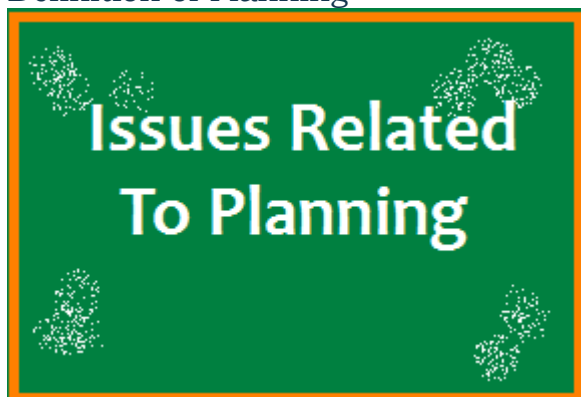


Indian Economy – Issues Related to Planning : Before understanding the issues related to planning, let us start with the broader domain – Indian Economy – first. What does the term economy mean? How is economy different from

economics? **Definition of the term Economy** : The term ‘Economy’ in the present sense denotes the *economic system* of an *area*. Economic system comprises of production, distribution and consumption of good and services between two agents. A simpler definition of economy: The wealth and resources of a country or region, esp. in terms of the production and consumption of goods and services.

[Extra: Why learn Indian Economy? A person who know Indian Economy well is a person who knows the financial balance sheet of India – he knows about the resources of India, what is good for India, what are the problems of India, what is required to make India a developed nation, future of India and so on. Impressed?:-)] Having done a brief overview of Indian Economy, let us focus on Planning.

Definition of Planning



Planning is the process of thinking about and organizing the activities required to achieve a **desired goal**. Planning involves the creation and maintenance of a **plan**. In the Indian economy context, the major plan we talk about is the Five Year Plan (FYP). The agency which formulates the FYP is Planning Commission which is chaired by Prime Minister of India.

FYP are visionary plans for a 5 year period. Plan provisions for each year are implemented through the **budget**. Budget has provisions for planned expenditure, which focuses on yearly expenditure according to FYP documents.

Planning vs Forecasting

Forecasting can be described as predicting what the future *will* look like, whereas planning predicts what the future *should* look like.

Need for Planning in an Economy

Resources in a country are limited – be it natural resources or human resources. The **scarcity of resources** necessitates the need for proper management – at production, distribution and consumption ends.

Issues relating to planning, mobilization of resources, growth, development and employment.

For any country to grow and develop, proper mobilization and utilization of resources is necessary. Resources of a country include – natural resources and human resources. For proper mobilization of resources, prior planning will be of great help for a holistic approach.

Issues with planning

1. Planning is central. Decentralized planning is still in nascent stages.
2. Planning commission is not a constitutional body. It has hijacked the role of finance commission.
3. Often planning commission fails to understand ground realities. Eg: Unrealistic data on poverty line.
4. Centralized planning may not touch the peripheral areas.
5. Coalition politics affects planning.
6. Planning for 125 crore diverse population is not easy.
7. Limited resources and funds available.
8. Lack of visionary leadership and technological expertise.
9. Lack of proper monetary mechanism to check the implementation of the plan.

Issues to be addressed in planning

Apart from the primary objective of growth and optimum resource utilization, these areas should be addressed in a proper plan.

- Population growth.
- Food production.
- Health.
- Vulnerable sections of the population.
- Transport, communication and energy self-sufficiency.
- Water conservation and air quality.
- Trade and investment.
- Peace, security and governance.



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