

PLANNING FOR ECONOMIC DEVELOPMENT

I. Concept of Planned Economy and Welfare State

In India the movement for political advance was always linked up closely with ideas of social and economic development; and the national leadership was conscious of the importance of planning for raising standards of living. Leading public men like Dadabhai Naoroji (1825-1917), M. G. Ranade (1842-1901) and R. C. Dutt (1848-1909) wrote and spoke extensively on social and economic problems. Their main theses were the growing poverty of the people and the recurrence of famines which they attributed to the defective land revenue policies of the government, the cost of administration, deficits in the balance of payments, and generally to policies framed not in the interests of India but those of Britain. It was their considered view that no solution could be found for the social and economic backwardness of India by the British Government pledged to a policy of *laissez-faire*, but that only a national government which actively promoted development by direct government action could bring about improvement in living standards.

As part of the Montague-Chelmsford Reforms following the First World War, 'nation-building' activities like local self-government, agriculture, co-operation and education were entrusted to ministers responsible to provincial legislatures. But this constitution worked only in some of the provinces and, even in those, no national policies could emerge owing to financial and other limitations. Further constitutional discussions followed with the Simon Commission and during the Round Table Conferences. The resolutions of the Indian National Congress from 1929 onwards emphasized the need "to make revolutionary changes in the present economic structure of the society and to remove grave inequalities in order to remove poverty and ameliorate the condition of the masses." A resolution passed in 1931 stated that "political freedom must include real economic freedom of the starving millions" and set out the fundamental rights which, from this point of view, should be included in the Constitution.

The Government of India Act of 1935 introduced provincial autonomy. This led to the formation of Congress governments in eight Provinces. Soon after this, in August, 1937, the Congress Working Committee passed a resolution suggesting that an inter-provincial committee of

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experts should be set up to consider "urgent and vital problems, the solution of which was necessary to any scheme of national reconstruction and planning" and "to suggest how and in what order those should be tackled". This was followed later in the year by the constitution of the National Planning Committee of which Jawaharlal Nehru became Chairman. The Committee consisted of 15 members including well-known industrialists, economists, financiers, professors and scientists in addition to representatives of the provincial governments (the non-Congress Provincial Governments of Bengal, the Punjab and Sind also co-operated) and those of the Indian States of Hyderabad, Mysore, Baroda, Travancore and Bhopal.

Jawaharlal Nehru has reviewed the work of the Committee in *The Discovery of India*. Though the view was held that "planning under a democratic system should be considered not merely from the point of view of economics but cultural and spiritual values and the human side of the life", and that "such planning could only take place in a free National Government strong enough to be in a position to introduce fundamental changes in the social and economic structure", it was found that the Committee could formulate useful programmes by considering each individual problem in concrete terms. The Committee decided that it would be practical to aim at a minimum increase of 200 to 300 per cent in 10 years, of the per capita national income as it then stood—Rs. 65 for the country as a whole and somewhere around Rs. 35 for rural areas. Along with this, certain important objectives were borne in mind—increase in agricultural and industrial production; reduction of unemployment; liquidation of illiteracy; increase in public utility services; provision of medical facilities and increase in the average expectation of life. Emphasis was laid on heavy and basic industries as strategic factors for the development process. From the point of view of employment, it was felt that cottage industries should also be encouraged. The improvement of agriculture, which was the mainstay of the people, had necessarily to be given high priority.

Twenty-nine subcommittees were formed to deal with specific problems. In these were about 350 members, many of whom were specialists in their subjects. The work of the Committee was interrupted when the war broke out and many of the members including the chairman were arrested. Between 1940 and 1945, the Committee had only a nominal existence. A series of valuable reports were, however, published which brought together the constructive thinking done by the Committee and the subcommittees and the material collected in the course of their work. The importance of the National Planning Committee lies not so much in these reports as in the wide interest it created throughout the country in co-ordinated planning as the only means of bringing about a rapid

increase in standards of living and its emphasis on the need for fundamental changes in the social and economic structure.

In the course of the war, serious short-comings became apparent in the country's economy, and in June, 1941, the Government of India took up the consideration of plans for post-war reconstruction. It was, however, only in 1944 that a Planning and Development Department was created under a separate member of the Viceroy's Executive Council, for organizing planning work in the country and co-ordinating it. More than 20 panels of experts were set up and the Central departments and the Governments of Provinces and Indian States were invited to prepare detailed plans for industrialization. It was estimated that about Rs. 1,200 crores would be available as resources for plans. The plans actually put forward were estimated to cost Rs. 1,300 crores. When planning had advanced and sufficient experience had been gained, the Government of India found it necessary to explain to the country their industrial policy. Accordingly, the 'Statement of Government's Industrial Policy' was issued on April 26, 1945.

This was an important pronouncement, as the last one to be made by a government responsible to the Secretary of State for India. It marked a complete departure, as a result of the lessons of the war, from the policies followed until then. The statement began by pointing out how the continuance of the existing policy of *laissez-faire* would not meet the objectives of sound post-war development.

"Though industrially stronger than in 1939, India will find herself in a position of relative inferiority. In other countries technological advance has been immense and, as a result of the nature of modern warfare, there has been a striking increase in the total volume of skilled industrial labour. If India is to make rapid headway and if the standard of living of the masses is to be effectively raised, a vigorous and sustained effort is necessary in which the State no less than private industry must take part."

It then proceeded to say: "The Government of India have decided to take positive steps to encourage and promote the rapid industrialization of the country to the fullest extent possible. They attach particular importance to the development of those industries which constitute the foundation of modern industrial life, such as iron and steel industry, the heavy engineering industries, the machine tool industry, the heavy chemical industry and so on. But while the development of these industries must take high priority, it must form part of a balanced plan in which due place is given to consumption goods industries. It is clear that if progress is to be achieved, the development of industry must be planned by Government in co-operation with industry and every effort made to make the

Plan effective. Industrial development, however, cannot stand itself. There should be balanced development in industry, agriculture and the social services and inside the field of industrial development a balance should be kept between the manufacture of capital and consumer goods."

The resolution then pointed out that important industries must be brought under 'central control' in the interests of co-ordinated development. Twenty industries were specified including iron and steel, aircraft, ship-building and marine engineering, heavy machinery, heavy chemicals and fine chemicals, cotton and woollen textiles, cement, etc. In addition to ordnance factories, public utilities, generation of electrical power and railways, which were largely State-owned and State-operated, basic industries of national importance could be promoted by the State if found necessary. The State was also to have the power to license industrial undertakings, the object being to prevent concentration of industries in certain areas and to divert private capital to schemes deserving priority. The resolution finally envisaged controls for the achievement of the following objectives:

- (i) to secure balanced investment in industry, agriculture and the social services;
- (ii) to secure for industrial workers a fair wage, decent conditions of work and living and a reasonable security of tenure;
- (iii) to prevent excessive profits to private capital;
- (iv) to ensure the quality of industrial products in the interest of both internal and external markets;
- (v) to ensure that unhealthy concentration of assets in the hands of a few persons or of a special community would be avoided: 'this may be secured by a judicious exercise of controls, such as capital issues control and the licensing machinery for the regionalization of industry';
- (vi) to acquire necessary technical training of personnel and to extend the benefit of such training to minorities and backward communities".

The Planning and Development Department was abolished in 1946.

When the Government of India was formulating these policies, prominent industrialists of Bombay published a plan in 1944 in which they envisaged the doubling of per capita income over a 15-year period and an outlay of Rs. 10,000 crores. The Bombay plan recognized that during the period of planning, controls might have to be instituted similar to those which were in force under war conditions. The plan also defined the respective fields of ownership, control and management of economic enterprises by the State. In its view, State ownership should have a place in two categories of cases: "(i) where the State finances an

enterprise which is important to public welfare and security, and (ii) where the State ownership is a necessary means of enforcing State controls". As for the planning organization, it proposed that a national planning committee representing different interests should be set up to prepare a detailed plan and that the execution should be the responsibility of a supreme economic council under the Central Government.

In October, 1946, the Government of India appointed a committee called the 'Advisory Planning Board' to review the planning that had already been done by the government, the work of the National Planning Committee, and other plans and proposals for planning and to make recommendations regarding the future machinery of planning and also in regard to objectives and priorities. This Board made recommendations for the setting up of a Planning Commission and its composition and functions.

Prior to independence, there was thus a large measure of agreement in the nation—the Government of India under the Secretary of State, the Indian National Congress, prominent industrialists and others on the following principles: (i) There should be central planning, in which the State should play an active part, for social and economic development to bring about a rapid rise in standards of living; (ii) There should be controls and licensing in order, among other things, to direct investments into the desired channels and ensure equitable distribution; (iii) While there should be balanced development in all sectors of the economy, the establishment of basic industries was specially important. In this, State-owned and State-managed enterprises have an important role. There were, however, differences of approach in regard to the specific fields to be allocated to the public and private sectors.

The plans prepared by the Government of India, the Bombay industrialists and others suffered from serious limitations. When they were prepared, it was known that transfer of power was to take place quite soon; but the exact form of the future government was not known. The plans consisted largely of proposals of experts which were not effectively co-ordinated. They had no social philosophy behind them. With the advent of independence, they become inadequate, though the thinking that had taken place on planning generally and its techniques was useful for the future.

Constitutional Background : Though the Constituent Assembly met in December, 1946, its real work, apart from the 'objectives resolution' began after the discussions in regard to transfer of power were concluded. These discussions eventually resulted in independence on 15th August, 1947 on the basis of the separation of the predominantly Muslim areas in the eastern and western regions and their formation into a separate unit, Pakistan. After partition, elections in the areas that constituted

India were completed and the newly elected representatives joined the Constituent Assembly. With the advent of Independence, the Constituent Assembly became a sovereign body representing the people of India, with functions exactly the same as those of the Constituent Assemblies in other countries. The Constituent Assembly had to face more complicated problems than similar assemblies in other countries in the past.

There were the difficulties inherent in the framing of a constitution which would meet the needs of over 360 million people differing in race and religion and speaking different languages, and with standards of living among the lowest in the world. Such a constitution had, besides, to bring into a common political and economic framework the 'Provinces' and the 'Indian States'. Moreover, the war had made a deep impact on India. India had recruited, trained and sent nearly two million men to the several theatres in the war—'the largest volunteer army in history'. Supply missions and operation commands for South-East Asia were established and worked all through the war in the country. India had thus a crucial role in the war efforts in this region. Owing to these causes, the economy of the country was subjected to serious stresses and strains and inflationary pressures were generated. More than this, there was the ferment in people's minds. Hopes and aspirations were raised for a better social order due to the war aims proclaimed by the Allies—pronouncements like the Atlantic Charter (August, 1941) and the Philadelphia Declaration (May, 1944) gave promise of intensive efforts by governments for promoting plans for social security, raising human dignity and improving welfare. Moreover, while the talks for the transfer of power were in progress, grave communal disorders occurred in parts of the country in the wake of partition which involved the loss of many lives and the uprooting of several millions of people from their homes in the western and eastern regions, creating intractable problems of resettlement and housing.

These incidents shook the nation to its depths. An extremely difficult human problem faced the Constituent Assembly—how to assist the revolutionary urges and hopes and aspirations for a better life felt by over 360 million people to find constructive expression in a free society. Everywhere in Asia and Africa and other under-developed regions, there was a resurgent nationalism, with people taking pride in their past history and achievements and seeking to take an equal place among the free nations of the world. This had its economic side also. These nations saw the steadily widening gulf between their living standards and those of the developed countries. They were not prepared to accept this state of things as inevitable. They knew that science and technology could assist them to modernize their economies and were determined to make efforts to achieve, in a comparatively short period, rates of growth which took a much longer time in the past.

In the case of India, there were also other factors mentioned already—its special part in the war, the coming of independence and the aftermath of partition. Further, the stage of development India had already reached held out hopes of much more rapid advance than ever before. Reviewing the entire situation, in the light of the social philosophy evolved over decades as already explained, the Constituent Assembly came to the conclusion that to guide this 'revolution of rising expectations' into constructive channels, India should make determined efforts, through carefully planned large-scale social and economic development and the application of modern scientific and technological improvements, to bring about a rapid and appreciable rise in the standards of living of the people, with the maximum measure of social justice attainable. Solutions for the pressing problems of resettlement of displaced persons—while the Constituent Assembly was in session between five and six million persons had come into the country in the western and eastern regions—and of demobilized army personnel, the rehabilitation of the economy run down by the war and the economic dislocation due to partition could be found only in this wider setting. In other words, India should become a welfare State.

The provisions of the Constitution have been described elsewhere. It is sufficient here to bring out three of its features which are important for national planning. First, 'Economic and social planning' is a concurrent subject. Also, in framing lists of 'Union', 'State' and 'Concurrent' subjects and the other provisions, the Constitution vests power in the Union to ensure co-ordinated development in essential fields of activity while preserving the initiative and authority of the States in the spheres allotted to them. Secondly, the Constitution includes provisions for promoting co-operation on a voluntary basis between the Union and the States and among States and groups of States in investigation of matters of common interest and in legislative procedures and in administration, thus avoiding the rigidities inherent in federal constitutions (Articles 249, 252, 257, 258, 258-A, and 312). In other words, the objective is co-operative federalism. Thirdly, the Constitution also sets out in broad outline the pattern of the welfare State envisaged and the fundamental principles on which it should rest.

Pattern of Welfare State : The importance attached by the Constituent Assembly to the inclusion in the Constitution of basic ideas on the pattern of the welfare State which the nation should establish can be seen from the long discussions that took place on the relevant portions of the Constitution: the Preamble, Fundamental Rights (Articles 12 to 35), Directive Principles of State Policy (Articles 36 to 51), and the special provisions for Scheduled Castes and Tribes and Backward Classes (Articles 330 to 342). The keynote was struck in one of Jawaharlal Nehru's speeches

in the Constituent Assembly. In this, the two sides of this problem were emphasized. The first was that India should move into the modern world of science and technology for bringing into existence a social order in which there could be a rapid rise in standards of living with equitable distribution and equality of opportunity. The second was that the new social order should be built on the foundations of, and derive its strength from the nation's cultural heritage. The Preamble set out the basic objectives of the new social and economic order which the nation had 'solemnly resolved' to bring into existence, *viz.*, to secure to all its citizens : 'Justice, social, economic and political; Liberty of thought, expression, belief, faith and worship; Equality of status and of opportunity and to promote among them all Fraternity assuring the dignity of the individual and the unity of the Nation.' The Fundamental Rights and the Directive Principles of State Policy set these objectives out in greater detail.

While the Preamble emphasized the development of a free society based on the dignity of the individual in which there would be equality of status and opportunity and justice, social, economic and political, Article 38 defined the aim as follows: "The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political shall inform all the institutions of the national life". In Article 39, stress was laid on the right to adequate means of livelihood equally for men and women (Article 39-a); equal pay for equal work for both men and women (Article 39-d); conditions of work ensuring health and strength (Article 39-e) and protection of children and youth against exploitation and against moral and material abandonment (Article 39-f). It is also laid down that the State should ensure that 'the ownership and control of the material resources of the community are so distributed as best to subserve the common good' (Article 39-b); and that 'the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment' (Article 39-c).

The duty is enjoined on the State that 'it should within the limits of its capacity make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want' (Article 41). The State should also 'secure just and humane conditions of work'; and 'secure to all workers—agricultural, industrial and otherwise—work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities' (Articles 42 and 43). Particular stress is laid on special assistance to the weaker sections of the people, including the Scheduled Castes and Scheduled Tribes, with a view to promoting their educational and economic interests and to protecting them from social injustice and all forms of exploitation. In

regard to the rural economy, Articles 40 and 48 enjoin the application of modern scientific methods to agriculture and animal husbandry and the implementation of programmes and improvements through self-governing panchayats. Article 43 requires the promotion of cottage industries on an individual and co-operative basis.

The only Article in which a definite time limit has been fixed is Article 45 under which 'The State shall endeavour to provide, within a period of ten years from the commencement of this Constitution, for free and compulsory education for all children until they complete the age of fourteen years'. The programme laid down in this Article is of vital importance to the nation.

These general principles were given a more precise direction when Parliament accepted in December 1954 the socialist pattern of society as the objective of social and economic policy. The Second Five-Year Plan report explains this approach to planned development in the following terms: "Essentially, this means that the basic criterion for determining lines of advance must not be private profit, but social gain...Major decisions regarding production, distribution, consumption and investment—and in fact all significant socio-economic relationships—must be made according to social purpose. The benefits of economic development must accrue more and more to the relatively less privileged classes of society, and there should be progressive reduction of the concentration of incomes, wealth and economic power. The problem is to create a *milieu* in which the small man...is enabled to put in his best in the interests of a higher standard of life for himself and increased prosperity of the country... The accent of the socialist pattern of society is on the attainment of positive goals, the raising of living standards, the enlargement of opportunities for all, the promotion of enterprise among the disadvantaged classes and the creation of a sense of partnership among all sections of the community. These positive goals provide the criteria for basic decisions...." India's Five Year Plans follow and are based on these principles.

Important principles of public social policy are embodied in Article 31 as amended. As India's Plans envisage a large extension of State activity in the economic field, the reconciliation of the claims of property with those of the community is left to Parliament in each case of nationalization on its merits. Assurance has been given in Parliament that the basic principles of 'justice, equity and good conscience' would guide the Union and State Governments in fixing compensation. Moreover, laws coming under the following categories cannot be called in question on the ground, among others, of property rights being infringed:

- (i) land reform laws for defining tenancy rights, modifying rents, etc;
- (ii) company reform laws containing provisions for modifying rights

of managing agents, secretaries and treasurers, managing directors, etc.;

- (iii) laws for extinction or modification of rights under lease of minerals or mineral oil where such rights impose undue burdens on the community or are opposed to national interests in any other manner; and
- (iv) laws for the taking over of property by a State for a temporary period in the public interest to secure proper management.

Laws falling under these heads have an important place in programmes for social and economic welfare. Their aim is to prevent abuses and bring about institutional and other changes which are essential for speeding up the pace of development.

II. The Planning Commission

Composition and Functions: The industrially advanced democracies in North America and Western Europe have accepted the idea of planning, in some form or other, in order to secure high rates of economic growth. In all of them, planning is restricted to specific fields and has limited objectives: and the planning authority advises governments responsible to Parliaments. In Communist countries, there is comprehensive planning of the entire economy and the planning body has a dominant position, as an integral part of the executive machinery, with power to supervise implementation. India's plans cover a wider field than the plans of the advanced democracies though they are less comprehensive than those in the Communist countries. The planning body in India is advisory and plans have to be accepted by Parliament before they become effective. Implementation also rests with the Union and State Governments. Planning in India has thus distinctive characteristics of its own. India has, therefore, to find by a process of trial and error its own solutions to questions of democratic planning—the composition of the Planning Commission and its relations with the Cabinets in the Union and the States—and strike its own balance between liberty and progress, central control and private initiative and national planning and local authority.

The Planning Commission was established by an order of government in March, 1950 which defines its functions. The order says:

“The Planning Commission will

- (i) make an assessment of the material, capital and human resources of the country, including technical personnel, and investigate the possibilities of augmenting such of those resources as are found to be deficient in relation to the nation's requirements;

- (ii) formulate a Plan for the most effective and balanced utilization of the country's resources;
- (iii) on a determination of priorities, define the stages in which the Plan should be carried out and propose the allocation of resources for the due completion of each stage;
- (iv) indicate the factors which are tending to retard economic development, and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the Plan;
- (v) determine the nature of the machinery which will be necessary for securing the successful implementation of each stage of the Plan in all its aspects;
- (vi) appraise from time to time the progress achieved in the execution of each stage of the Plan and recommend the adjustments of policy and measures that such appraisal may show to be necessary; and
- (vii) make such interim or ancillary recommendations as appear to it to be appropriate either for facilitating the discharge of the duties assigned to it; or on a consideration of the prevailing economic conditions, current policies, measures and development programmes; or on an examination of such specific problems as may be referred to it for advice by Central or State Governments".

The Planning Commission consists of the Prime Minister as chairman, the Finance Minister and the Minister for Planning and some other Cabinet Ministers on a part-time basis and also full-time members. There is also a deputy chairman whose main function is to co-ordinate the work of the Commission. The deputy chairman is usually a full time member without parliamentary duties though there have been exceptions. The Commission works in close touch with the Union and State Cabinets and with full knowledge of their policies. At the same time, it is an autonomous body entitled to form its own views on important issues and place them before the governments. The Commission is also invariably consulted on changes proposed in social and economic policies. To ensure free and full exchanges of ideas, the Planning Commission has established a convention that it will not give publicity to differences of views between the Commission and the Union and State Governments. The link with the Union Cabinet also exists at the secretariat level. The Planning Commission is part of the Cabinet organization and the 'demand for grants' for the Planning Commission is included in the budget demand for the Cabinet Secretariat. The Commission has a staff of Secretaries and Advisers and also a research organization. The duties assigned to the Planning Commission in the order quoted

above bring out the scope of the continuous studies it should undertake. It is obvious that, in important sectors, the Commission will have to plan for longer periods than five years and fit the five year plans into these long range programmes. Example of such sectors are: (i) General education based on free and compulsory education for boys and girls of age 6 to 14 upto and including university education, technical education of all grades and manpower requirements of projects and programmes; (ii) Assessment of natural resources, land and water resources mineral resources, etc. and their conservation and utilization (iii) Financial resources—internal and external—and price levels and consumption patterns; (iv) Studies of demands for commodities and products based on the anticipated growth in national income and other factors. Perspective planning has thus a major role and its technique have to be progressively improved. The Commission has also to evolve criteria for fixation of priorities and the reconciliation of competing claims. It should also scrutinize projects and programmes from the economic and financial points of view. Other studies it has to undertake are:

- (i) Policy reviews: The broad strategy of the Plans should be worked out along with long-term objectives and economic fiscal, and other policies on which they should be based. Policies should also be worked out in regard to individual sectors of the economy.
- (ii) Institutional changes and social change: Studies should be made of changes in the social order which are needed—land reforms, labour laws, etc., and of the changes that have to be brought about in attitudes and outlook.
- (iii) Public co-operation: Studies should be made of the steps which should be taken for making the people feel a sense of participation in the Plans so that efforts on a national scale might be made for their implementation.
- (iv) Administrative machinery: The changes in the administrative structure needed from time to time for efficient implementation of the Plans should be studied.
- (v) Appraisal of progress: There should be appraisal of progress achieved from time to time with an analysis of the factors which hinder development. The Commission should recommend such adjustments of policies and improvements in administration as may be needed to secure successful implementation.
- (vi) Evaluation and research: There should be evaluation of results from time to time; and research should be organized to study social and economic results of legislative measures and for other connected purposes.

In its work, the Commission obtains the assistance of the Union and

State Ministries including their technical experts. It has evolved arrangements to ensure that in the formulation of proposals for plans and in working out policies and programmes, consultations take place continuously with the Union and State Ministries, the Reserve Bank of India, organized bodies in different sectors and panels of experts as detailed below :—

- (i) **Union and State Governments:** Consultations take place at the secretariat level as well as at the level of members of the Commission and Ministers. There is very close touch with the Ministry of Finance and Economic Affairs and the Reserve Bank of India. The Planning Commission has three 'Programme Advisers', senior administrative officers to whom groups of States are assigned. They visit the States and discuss the working of the plans with officials and Ministers, explaining to them the Commission's points of view and resolving difficulties.
- (ii) **Conferences of States' Ministers and meetings of Advisory Committees to Union Ministries:** The members of the Commission attend conferences of States' Ministers (Education, Health, Co-operation, Agriculture, etc.) convened by the Union Ministries concerned. They also attend the annual conference of Development Commissioners at which the working of the community development movement is discussed. The members of the Commission also attend the meetings of the Advisory Committees attached to Union Ministries.
- (iii) **Consultative Committee of Parliament:** Parliament constitutes a Consultative Committee consisting of about 80 members to be in touch with the Commission at all stages commencing from the stage of formulation of the plan. The Planning Commission meets the Consultative Committee frequently. Arrangements for consultation with parliamentary Committees at the stages connected with the formulation of the plan are dealt with later.
- (iv) **Panels:** The Commission has set up panels consisting of the best persons available in different fields both within and outside government, to advise it on general questions of principle and policy. There are now a panel of economists, a panel of scientists, and also separate panels of persons qualified to advise on agriculture, land reforms, education, health and housing. These keep the Commission in touch with the best thinking in the country on the different subjects.
- (v) **Federation of Industries:** All-India boards, etc. The Planning Commission keeps in close touch with the Federation of Indian

Chambers of Commerce and Industry and other representative organizations for industries and commerce. It also meets representatives of all-India boards for discussions—the Khadi and Village Industries Board, Handloom Board, Handicrafts Board, etc.

- (vi) Experts from other countries and the World Bank Missions: The Commission also has the advantage of discussions on planning problems with delegations from other countries, the representatives of the United Nations agencies, the United States A.I.D. experts, experts obtained under the Colombo Plan, etc. The opportunities it has of detailed talks with the missions sent by the World Bank to review the progress of India's economic development from time to time are also of great value to the Commission in its work.
- (vii) Universities and other research institutions in India: The Commission is assisted in its work by research and other work done in research institutes, attached to Universities or working independently, which examine general issues connected with planning and important aspects of India's plans and publish books and papers on them. Eminent economists from other countries are often associated with these institutions in research on problems in which they have special interest.

The Planning Commission prepares the plans for the Union and the States. The plans show the financial resources available and their allocation among the different sectors of the economy both in the Union and the States with details of the projects. The Planning Commission also prepares plans for important industries in the private sector, co-ordinating them with those for industries in the public sector and those for small scale industries. Plans are prepared for five year periods. The First Plan was for the period April 1, 1951—March 31, 1956, the Second Plan for April 1, 1956—March 31, 1961 and the Third Plan for April 1, 1961 to March 31, 1966. Plans, once published, are revised as conditions change. Every year, annual plans are prepared for the Union and the States after reviewing progress made and taking into account the latest revised financial prospects—internal and external. The annual plans are incorporated in the Union and State budgets and are passed by Parliament and State legislatures. Similarly, the private sector plans are also revised from time to time as conditions change in regard to likely demand and availability of raw materials and of internal finance and foreign exchange. Planning is thus a continuous process. The Commission prepares progress reports and advises Union and State Ministries on the working of plans. It also undertakes evaluation of projects and programmes, and organizes research.

States have their own planning arrangements. In every State, there is a Cabinet Committee which is in close touch with the preparation of the plans and the manner in which they are carried out. This committee is assisted by a committee of officials working under it for co-ordinating plans made by different Ministries and supervising implementation. In many States, there are Advisory Committees of non-officials consisting of members of Legislative Assemblies and others whose advice is likely to be useful. The Planning Commission has made suggestions for strengthening the planning organizations in States, as they should undertake larger responsibilities for the preparation of long-term plans in fields of development in the subjects allocated to them and economic and technical investigations and also watch implementation and publish progress reports. The need for adequate arrangements for planning at district and block levels, including preparation of village plans, has also been stressed.

Mention should be made here of the National Development Council which was established in 1952. This Council consists of the Prime Minister (Chairman), the Chief Ministers of all States and the members of the Planning Commission. The Union Ministers in-charge of subjects that come up for discussion are also invited to attend meetings. The functions of the Council are: (i) to consider the proposals formulated for plans at all important stages and accept them; (ii) to review the working of plans from time to time; (iii) to consider important questions of social and economic policy affecting national development; and (iv) to recommend measures for the achievement of the aims and targets set out in the national plan, including measures to secure the active participation and co-operation of the people, improve the efficiency of the administrative services, ensure the fullest development of the less advanced regions and backward sections of the community and through sacrifices borne equally by all citizens, build up resources for national development. The vital role of this body is obvious. It promotes collective thinking and joint action by the Union and States and emphasizes the national character of the plans. Through its deliberations, uniformity is brought about in social and economic policies where national interests requires this, without in any manner impairing local initiative and responsibility.

The other committees should also be mentioned. The Central Committee for Community Development, which consists of the Prime Minister as chairman and members of the Planning Commission and the Ministers of Agriculture and Community Development as members, meets regularly to review the progress of the community development movement and guide the policies to be followed. The Committee for Land Reforms also consists of the Prime Minister as chairman and members of the Planning Commission and the Minister of Agriculture as members. It advises on proposals for land reforms received from States and reviews the progress made in legislation.

Evolution of a National Plan: In democracies, plans can be effective only if there is the widest participation by interests concerned at all stages of their preparation and the largest measure of public support is obtained for their basic aims and the patterns of growth envisaged. This is particularly vital in regard to rural programmes: these can have no chance of success unless "the millions of farmers in the country accept their objectives, share in their making, regard them as their own and are prepared to make the sacrifices necessary for implementing them." Considerable thought is devoted to these aspects and methods and procedures are revised from time to time in the light of experience. It might be useful to explain briefly the main steps taken with these ends in view.

The first stage is the formulation of the broad strategy and the basic objectives, including the aggregate and inter-sectoral financial allocations and the targets in terms of employment opportunities provided and increase in per capita national income. For working these out, the Commission holds frequent discussions with Central and State Ministries, the Reserve Bank of India, the panel of economists and other advisory bodies already referred to, including the Consultative Committees of Parliament. Questions connected with resources for the plan—from current revenues, public loans, small savings, etc.—and the limits of deficit financing are examined with the Finance Ministries of the Union and States and the Reserve Bank of India. Proposals on all these issues are placed before the Union Cabinet and discussed at several meetings. They are also considered by the National Development Council. The decisions reached form the basis for preparing the plans.

While these discussions are in progress, as the second stage in the preparation of plans, working groups are set up for different sectors of the economy—agriculture, education, health, industry, railways, etc. These consist of representatives of Ministries including technical officers and of the Planning Commission. In State subjects, working groups are set up in each State to work in close touch with the concerned Central group. These working groups indicate targets of production which can be achieved, with the technical and other resources available, irrespective of financial limitations—with specific projects, costs, etc. In the chapter on community development, it is explained how schemes for rural development and welfare are built up from the village upwards, for being incorporated in the State working groups' proposals. The programmes for industries in the public sector are initiated by the respective wings under the Ministries concerned. Those for the private sector are prepared by organized bodies representing individual industries. The Planning Commission considers these proposals, in consultation with the development councils for the industries for which these exist—these councils consist of representatives of the employees, labour and consumers and are set up under the Industries (Development Regulation)

Act, 1951—and with organized bodies of industries for which there are no such councils. Plans for industries in the public and private sectors are carefully co-ordinated. Plans for small scale and cottage industries are framed by State Governments and the autonomous bodies already referred to and are discussed with them before they are finalized. For example, an informal all-party Parliamentary Committee was set up in December, 1958, to consider issues relating to the Third Five-Year Plan and advise on them. It comprised leaders of political parties in Parliament, the Union Ministers of Home, Finance, Planning and Community Development, and the Deputy Chairman of the Planning Commission. Papers relating to the Plan were placed before the Committee from time to time and its views formed part of the material considered for the draft outline.

At the third stage, the financial and physical targets are brought together and a plan is prepared embodying priorities. For this, there are frequent discussions with the Ministries and with the Federation of Industries and other representative organizations. The plan, as settled, is placed before the Cabinet and the National Development Council, in the form of a 'Draft Outline'. When approved, the draft is published for public criticism. It is also placed before committees—five in number—of Members of Parliament of all parties, appointed by Parliament to consider it:

Committee 'A'—Policy, resources and allocations.

Committee 'B'—Industry, power and transport.

Committee 'C'—Agriculture and rural economy.

Committee 'D'—Social services.

Committee 'E'—Technical manpower and scientific research.

The observations made by the members are explained carefully.

At the fourth stage, detailed plans prepared by the Union Ministries and States are discussed. These plans show the expenditure on schemes and projects to be carried over from the previous plan and new ones. The financial resources to be provided by the States themselves and the quantum of Central assistance are also discussed. These discussions last several months. Efforts are made to ensure that the allocations to individual States are equitable and that special attention is given to backward regions and classes. The draft outline, revised in the light of these discussions and such further material as might be available, is again placed before the National Development Council for approval.

At the fifth stage, the preparation of the detailed report is taken in hand. Every chapter is sent in draft to the Ministries and edited. When completed, the report is placed before the Cabinet and the National Development Council. Finally, the report is placed before Parliament and resolutions are moved in both Houses by the Prime Minister. Discussions in both the Houses last for several days and many members take part

in them. Similarly, the plans for the States are discussed in local legislatures. The plans become effective after they are approved of in Parliament and the State legislatures.

Discussions take place in Parliament and State Assemblies at practically all the sessions on subjects connected with the plans—progress in implementation; working of important projects included in plans—irrigation, power, industrial and transport undertakings, price levels, etc. During the budget sessions in Parliament and State Assemblies, the working of the plan in the Union and the States is systematically reviewed as the annual plans form part of the budgets in the Union and the States. The reports of the Estimates Committees and Public Accounts Committees of the Parliament and State legislatures devote much attention to the working of the plans in individual sectors of the economy and these are discussed at considerable length. In these and other ways, interest in the plans is always maintained at a high level. The Planning Commission publishes periodical progress reports on the working of the plan. It published six such reports for the First Plan and five for the Second including a special appraisal report in May, 1958. These reports are invariably discussed in Parliament and in State legislatures.

Planning in India thus represents a great co-operative effort. Many agencies participate in the formulation of a plan at all stages. When the broad social aims and strategies of the plan and the allocations of financial resources among the sectors of the economy have been approved by the Cabinet and the National Development Council, detailed projects and programmes are prepared by technical and other officers of the Union Ministries and State Governments who are entrusted with the duty of implementing them. Similarly, the plans in the private sector are worked out with the co-operation of organized representatives of industries. Targets are fixed for industries as a whole. The distribution of the targets among the units is made on definite criteria and the units are free to carry out their expansion programmes in accordance with the laws and regulations applicable to all industries. In the distribution of resources available among detailed heads, projects and programmes, Union Ministries and State Governments naturally have much discretion; the Planning Commission co-ordinates their decisions in order to ensure that the Central and State programmes fit into one another. A national plan accepted by Parliament thus emerges with defined social and economic objectives and provides for a rate of growth which is thought necessary in the national interests. In the implementation of the plan, the Union and State Governments function in the respective spheres assigned to them in the Constitution.

Priorities and Patterns of Development: When the First Five-Year Plan was published, a long-term objective was placed before the nation. This was slightly revised in 1956 and accepted by Parliament. The objective is

the doubling by 1975-76 of the per capita national income as it stood in 1956 (approximately Rs. 280 in 1956 to about Rs. 550 before 1976 at 1952-53 prices). After the Census of 1961, forecasts of population growth showed net annual increases larger than in the estimates of 1956, as the result of an appreciable reduction in death rates.

	Population in (millions)			
	1961	1966	1971	1976
1956 estimates	408	434	465	500
1961 estimates	438	492	555	626

It has been decided that the nation should make the increased efforts needed to achieve the per capita rate of growth envisaged in 1956. This means a cumulative annual increase of 6 per cent in the years 1961 to 1976. The difficulties involved are understood; but there is absence of a sense of urgency in the nation—a conviction that, in modern conditions, even this rate of growth may not provide the minimum social and economic base required for the efficient working of democratic institutions.

In India's plans, the sectors of the economy are grouped under the following heads:

- (i) Agriculture and community development (including minor irrigation).
- (ii) Irrigation projects—multi-purpose, major and medium.
- (iii) Power—hydro-electric and thermal.
- (iv) Industries and minerals—heavy and producer goods industries, large-scale organized consumer goods industries, small-scale industries, and cottage industries.
- (v) Transport and communications—railways, ports, roads, etc.
- (vi) Social services—education, health, relief and rehabilitation, etc.

It might be useful to describe the patterns of growth evolved in the ten years covered by the First and Second Plans.

The basic aim of all planning is the improvement of the quality of life of men and women. In the plans, therefore, high priority is assigned to education—expansion of facilities at all levels to the maximum limit possible. Special importance was attached to the completion in the Third and Fourth Plans of the programme for free and compulsory education for boys and girls of the age group 6-14. Similarly, health plans—like those for eradication of malaria, provision of wholesome drinking water supplies, etc.—have high priority. From the outset, the Government of India accepted the need for family planning. In all the plans, there are financial allocations for assisting voluntary workers to carry on propa-

ganda and for government and other clinics to offer facilities to those who seek them.

High priority is assigned to increased agricultural production by scientific utilization of land and water resources and the spread of the community development movement. It is recognized that 'an agricultural revolution—marked rise in productivity per worker in agriculture—is a pre-condition of the industrial revolution.' Before planning commenced, multi-purpose projects and large and medium irrigation projects had been started in several States. These were included in the plan. Later, more such projects were added. Provision is also made for research in agriculture in the widest sense, animal husbandry and allied fields, and for teaching institutions. The community development movement, which provides a centrally-aided extension service for establishing contact with all families in the countryside, was steadily expanded to cover the entire country by 1963. In these sectors, the aim is to see that finance is made available for all useful schemes that can be carried out and to enlist for them the widest possible measure of public participation.

Power production is also given priority. At the end of the Second Plan, the total power generated was divided almost equally between hydro-electric and thermal power. The Third Plan target was 12.7 million kw. against 5.7 million kw. in 1960-61 and 3.4 in 1955-56.

Coming to industries and minerals, the Second Five-Year Plan sought to initiate the process of decisive transformation which Rostow calls the "take off", "when the economy, and the society of which it is a part, transform themselves in such ways that economic growth subsequently is more or less automatic". The industrial policy resolution of 1956 defined the roles of the public and private sector in industries. The resolution is worked in a flexible manner. The aim is that both sectors should work together, developing to the maximum extent possible. The First Five-Year Plan had included projects for additional production of iron and steel in the public and private sectors and for a plant for heavy electrical equipment. These were not started in the First Plan period and were carried over to the Second Plan. After a survey conducted in 1954, a target of six million tons of ingot (4½ millions of finished steel) was fixed for the Second Plan with coal, managanese and other targets to match. Among non-ferrous metals the production of aluminium for which raw materials are available had an important place. There were also allocations for a heavy machine building industry—a plant for heavy electrical machinery and plants for other machinery for which demand existed in the country. Provision was also made for heavy chemical and drug projects, after a survey of internal needs. India is advantageously placed for the production of iron, as it has high grade iron-ore, coking coal and other raw materials available in close proximity in certain regions, and manufacturing costs can be lower than in many other countries.

In the course of the Second Five-Year Plan, explorations showed the existence of petroleum reserves. The establishment of refineries and exploration in further areas were, therefore, accorded high priority. At the same time, the organized consumer goods industries had to be expanded to meet growing demands. These are almost entirely in the private sector. Investments in such industries increased steadily from plan to plan (Rs. 325 crores in First Plan, Rs. 850 crores in the Second and Rs. 1,056 crores in the Third). For planning and setting up heavy industries and those requiring modern technology, agreements for collaboration with foreign interests have been concluded; these provide foreign credit for purchase of equipment and machinery and expert technical assistance and training facilities for local staffs in India as well as outside. To give examples, the three steel plants in the public sector have such agreements with the U.S.S.R., West Germany and Britain; the heavy machine building project at Ranchi with the U.S.S.R., and the heavy electrical plant at Bhopal with British interests. There is foreign collaboration in oil exploration and for setting up of oil refineries. Technical collaboration agreements with foreign interests are encouraged for private sector projects as well.

From the point of view of employment, much importance is attached to small-scale and cottage industries. Special organizations have been evolved for assisting the growth of small-scale industries. (i) There are service institutes and extension centres in all States with technical personnel advising on projects, giving training, etc. (ii) Industrial estates have been set up in which developed sites or buildings are made available with power and other facilities. (iii) The National Small Industries Corporation supplies machinery on hire-purchase. (iv) The State Bank of India has a special scheme for giving credit to small industries. Autonomous Boards have been set up—the Khadi and Village Industries Commission; the All-India Handicrafts Board and the Handloom Board—which are doing good work in their respective spheres. The Handloom Board, for example, has brought about half the looms in the country into co-operatives (10,414 co-operatives with 1.3 million looms employing 1.6 million persons).

This industrial pattern was continued in the preparation of the Third and Fourth Plans with larger targets for iron and steel, petroleum exploration and refining, and heavy machinery manufacture including electrical, to meet the growing needs of the country as ascertained by surveys. Obviously, the definite programmes to be undertaken from time to time will have to be formulated on the basis of the foreign aid and technical co-operation available. Preliminary arrangements including training programmes have, however, to be organized with this broad objective in view. The provision under railways and ports is related to the volume of traffic to be handled and is increased steadily from year to year.

III. The Five-Year Plans

The First Plan: The First Five-Year Plan had the following aims in view:

- (i) to restore the economy which had run down as a result of the war; to resist the inflationary pressures that were prevalent; to build up the transport system; and to ease the food and raw materials position;
- (ii) to formulate and execute programmes of development which would be substantial in themselves while laying the foundation for larger efforts in the coming years;
- (iii) to initiate measures of social justice on a wide scale, thus taking the first steps in the direction of the pattern of society placed before the nation by the Constitution in the Directive Principles;
- (iv) to build up administrative and other organizations which would be equal to the large programmes of reconstruction to which the nation is committed.

As there were inflationary pressures in the economy, the Planning Commission proceeded with caution in determining the size of the Plan. In the draft outline, the expenditure in the public sector was fixed at Rs. 1,793 crores which included deficit financing of the order of Rs. 290 crores. In the course of the Plan, the size was increased from time to time as inflation was being checked. Ultimately, the allocations under the heads in the public sector were as follows:

	(Rs. crores)
Agriculture and community development	372
Irrigation and flood control	395
Power	266
Industry and minerals	179
Transport and communications	556
Social services: education, health, housing and rehabilitation and miscellaneous	588
Total ..	2,356

Over and above this, were the credits—short, medium and long-term—to agriculture given through the Reserve Bank of India, which were Rs. 60 crores in June, 1956. These were outside the Plan. Investments in organized industries in the private sector amounted to nearly Rs. 325 crores.

The table below shows the way in which the Plan in the public sector was expected to be financed and the way in which it was actually financed:

	(Rs. crores)	
	Expected in the Plan	Actuals
Total expenditure in the public sector under the First Five-Year Plan	2,186	2,022
Resources under various heads	1,286	1,287
A. Budgetary Resources	769	699
Receipts from current revenues	599	584
Receipts from railways	170	115
B. Other sources	517	588
Loans from the public	115	204
Small savings and unfunded debt	270	304
Other debt heads	132	80
Gap in resources	900	735
External assistance	300	203
Deficit financing	600	532

As a result of the First Five-Year Plan, there was an increase of 18 per cent in the national income or on the average of 3 per cent every year and direct employment was provided for 4.5 million persons. It is estimated that, in this period, population increased at the rate of 1.5 per cent a year.

The Second Plan : The size of the Second Plan was a subject to which much thought was given by the Planning Commission. It was first proposed that the public sector outlay might be of the order of Rs. 4,300 crores. It was soon found, however, that as the needs to be met were large and the technical and administrative organizations at the disposal of the Central and State Governments were capable of executing programmes of larger magnitude, the aggregate size could be increased to Rs. 4,800 crores. The increase was due largely to the requirements of the development of heavy industries, including iron and steel production, additional coal production and the improvement of the railway system. The net investment on the Second Plan was of the order of Rs. 6,100 crores—Rs. 3,800 crores in the public sector and Rs. 2,300 crores in the private sector. The 'current' expenditure amounted to another Rs. 1,000 crores. The aims of the Second Plan were formulated as follows:

- (i) an increase of 5 per cent every year in the national income;
- (ii) provision of employment to about 10 million persons;
- (iii) rapid industrialization with particular emphasis on the production of iron and steel and development of basic and heavy industries and on their co-ordination with a planned expansion of large-scale consumer goods and cottage and small-scale industries;
- (iv) reduction of inequalities in income and wealth and more even distribution of economic power, thus helping in the creation of a socialist pattern of society.

It was expected that an industrial plan of the nature envisaged would cause strains and stresses in the economy, especially on the side of foreign exchange. Actually the situation in the initial years was less favourable than anticipated owing to the set back in agricultural production caused by adverse seasonal conditions in the rice-growing eastern regions, a rise in prices in countries in which orders were placed for machinery, and the short-term effects of the Suez crisis.

It soon became clear that the financial resources required for completing the Plan would be significantly higher than the total of Rs. 4,800 crores envisaged initially. In May, 1958, therefore, the Planning Commission made a reappraisal of the Plan taking into account the progress made until then and the likely trends and requirements for the remaining years of the Plan. This survey also included a review of the foreign exchange resources already committed and likely to be available. The conclusion was reached that the expenditure in the public sector should be fixed at Rs. 4,500 crores. The private sector remained unaffected. Actually, the expenditure in the public sector came to Rs. 4,600 crores divided as follows:

	(Rs. crores)
Agriculture and community development	530
Irrigation and flood control	420
Power	445
Industry and minerals	900
Village and small industries	175
Transport and communications	1,300
Social services: education, health, housing and rehabilitation and miscellaneous	830
	4,600

To this should be added credits—short, medium and long-term—given to agriculture through the Reserve Bank of India, which were Rs. 132 crores in June, 1959, as against Rs. 60 crores in June, 1956.

The total investment in the private sector was as follows:

	(Rs. crores)
Agriculture and community development	675
Power	40
Organized industry and minerals	725
Village and small industries	225
Transport and communications	135
Social services and miscellaneous	1,000
Inventories	500
Total	<u>3,300</u>

The estimate of financial resources against the outlay of Rs. 4,800 crores and the actuals (Rs. 4,600 crores) was as follows:

	(Rs. crores)	
	As expected in the Plan	According to actuals
Balance from current revenues excluding additional taxation	350	—50
Contribution of Railways	150	150
Loans from the public (net)	700	780
Small savings (net)	500	400
Provident funds (net)		
Steel equalization fund: balance of miscellaneous capital receipts over non-plan disbursements	250	230
Additional taxation (There was a gap of Rs. 400 crores left to be covered by additional internal effort)	450	1,052
Budgetary receipts corresponding to external assistance	800	1,090*
Deficit financing	1,200	948
	<u>4,800</u>	<u>4,600</u>

*Includes investment of P.L. 480 funds in special securities.

There is no doubt that in the ten years covered by the First and Second Five-Year Plans the economy gained considerably in strength. The industrial base was broadened and a large and growing class of skilled technicians and industrial managers came into existence. On the other hand, there were also some disquieting features. There was an upward trend in prices during the Second Plan period, though part of the rise was a corrective to an earlier decline. The index of wholesale prices (1952-53=100) rose from 98.1 in 1956 to 127.5 in 1961; food articles from 91.8 in 1956 to 117.6 in 1961 (cereals and pulses, however, were 100 and 93 in 1961); and industrial raw materials from 109.4 in 1956 to 159.1 in 1961. Also agricultural production lagged behind owing partly to administrative and technical short-comings, especially cotton (5.4 million bales as against 6.5), jute (4 million bales as against 5.5) and oilseeds (6.5 million tons as against 7.6). Further, exports were more or less stagnant; the annual average in the period of the Second Plan being Rs. 614 crores as against an annual average of Rs. 609 crores in the First Plan.

The deficit in the balance of payments over the First Plan period was Rs. 318 crores. This was financed by external assistance of Rs. 196 crores and the running down of foreign exchange reserves by Rs. 122 crores. For the Second Plan period, the balance of payments deficit was about Rs. 2,100 crores. This was met by external assistance, including P.L. 480, of Rs. 1,410 crores, using the foreign exchange reserves for Rs. 600 crores and drawings from the I.M.F., the net amount being Rs. 55 crores. The total foreign assistance authorized during the Second Plan period came to Rs. 2,450 crores, including P.L. 480 to the extent of Rs. 545 crores.

The national income and per capita income in the years covered by the Second Plan is shown below:

Year Financial	National income at 1948-49 prices (Rs. 100 crores)	Per capita income in Rs. (1948-49 prices) based on 1941, 1951 and 1961 census figures
1950-51	88.5	247.5
1955-56	104.8	267.8
1956-57	110.0	275.6
1957-58	108.9	267.4
1959-60	118.6	279.2
1960-61	127.3	293.2

The rise in national income in real terms during the Second Plan period was 21.5 per cent as against 18.4 per cent in the First Plan period. The Planning Commission calculated that in the course of the Second Plan, employment opportunities created amounted to about 8 millions of which 6.5 millions were outside agriculture. The backlog of employment at the end of the Second Plan was estimated at 9 millions. The details of these "admittedly rough" estimates can be seen in chapter X of the Third Plan report. The report adds that "in addition, under-employment in the sense of those who have some work but are willing to take up additional work cannot be precisely estimated, but is believed to be of the order of 15-18 millions."

The Third Plan : The Third Five-Year Plan represented a crucial stage in the fulfilment of India's social and economic objectives. Taking into account the experience of the first two plans, the Third Plan was formulated with the following aims:

- (i) to secure a rise in national income of 5 to 6 per cent per annum, the pattern of investment being designed so as to sustain that rate of growth during subsequent plan periods;
- (ii) to achieve self-sufficiency in foodgrains and increased agricultural production to meet the needs of the growing population and also the requirements of industry and of exports;
- (iii) to expand basic industries like steel, fuel and power, and chemical industries and also establish machine building capacity, so that the requirements of further industrialization could be met within a period of 10 years or thereabouts largely from the country's own resources;
- (iv) to utilize to the fullest possible extent the manpower resources of the country and ensure a substantial expansion in employment opportunities; and
- (v) to establish progressively greater equality of opportunity and to bring about reduction in disparities in income and wealth and a more even distribution of economic power.

As already stated, revised forecasts of population on the basis of preliminary census figures showed figures of 438 millions in 1961 and 492 in 1966. The doubling of the per capita income before 1975-76 which is the objective of India's plans has, therefore, to be achieved under less favourable conditions.

The National Development Council fixed the aggregate financial outlay for the Third Plan at Rs. 7,500 crores for the public sector and Rs. 4,100 crores for the private sector distributed as follows:

	Public Sector			Private Sector investment	Total investment
	Plan outlay	Current outlay	Investment		
Agriculture, minor irrigation and community development	1,068	408	660	800	1,460
Major and medium irrigation	650	—	650	—	650
Power	1,012	—	1,012	50	1,062
Village and small industries	264	114	150	275	425
Industry and minerals	1,520	—	1,520	1,050	2,570
Transport and communications	1,486	—	1,486	250	1,736
Social services and miscellaneous	1,300	678	622	1,075	1,697
Inventories	200	—	200	600	800
Total ..	7,500	1,200	6,300	4,100	10,400

To this should be added credits—short, medium and long-term—given to agriculture through the Reserve Bank of India. It was estimated that these would rise to about Rs. 390 crores by the end of the Third Plan. The level of investment, public and private, was expected to rise from about Rs. 1,600 crores in 1960-61 to Rs. 2,600 crores in 1965-66. In the public sector alone, the corresponding investment figures were Rs. 800 crores and Rs. 1,700 crores respectively.

The tentative estimate of financial resources against the estimates outlay of Rs. 7,500 crores in the public sector was as follows:

Item	Rs. crores
Balance from current revenue (excluding additional taxation)	550
Contributions of Railways	100
Surpluses of other public enterprises	450
Loans from the public (net)	800
Small savings (net)	600
Provident funds (net)	265
Steel equalization fund (net)	105
Balance of miscellaneous capital, receipts over non-plan disbursements	170
Total of above items	3,040
Additional taxation including measures to increase the surpluses of public enterprises	1,710
Budgetary receipts corresponding to external assistance	2,200
Deficit financing	550
Total ..	7,500

The levels of investment in the private sector were later slightly revised as follows:

Group	Rs. crores
Agriculture including irrigation	850
Power	50
Transport	250
Village and small industries	325
Large and medium industries and minerals	1,100
Housing and other construction	1,125
Inventories	600
Total ..	4,300

The pattern of development in the Third Plan followed the pattern of the Second Plan with higher rates of investment and larger targets.

The cost of the programmes included in the public sector was estimated at Rs. 8,300 crores, as against the total outlay of Rs. 7,500. The greater part of the gap related to Central Government's schemes. Their total cost was Rs. 4,076 crores, the actual financial provision being Rs. 3,600 crores. In addition, supplementary items were mentioned in the Plan, notably programmes for creating additional employment opportunities, for which no financial provision was made.

The foreign aid needed for the Third Plan was estimated at Rs. 2,600 crores, exclusive of P.L. 480 imports. (Under P.L. 480 agreements entered into with the U.S.A. foodgrains valued at about Rs. 600 crores were to be imported during the plan period). This estimate was made on the basis that annual exports during the years covered by the Plan would amount, on an average, to Rs. 740 crores, i.e., aggregate exports of Rs. 3,700 crores for the five years of the plan. The need for concerted efforts for expanding was emphasized in the Third Five-Year Plan report, which also made specific proposals for the purpose, based on special studies undertaken in consultation with the Ministries and representatives of organized industries.

It was estimated that the plan programmes will provide employment opportunities for about 14 million persons during the Third Plan; the addition to the labour force could have been of the order of 17 millions—about a third of the increase being in urban areas. In the result, therefore, leaving aside the earlier backlog of unemployment, additional employment opportunities were required for 3 million persons. For this purpose, a special rural works programme for giving employment to 2.5 million persons, on an average of 100 days in the year, was prepared and financial allocations made for carrying it out. It was also expected that the impetus given to small-scale, cottage and other industries by

extending electricity to small towns would add to the employment potential of the plan.

It was expected that over the Third Plan period, the national income would increase by about 30 per cent. But because of two wars on India's borders in 1962 and 1965 and failure of monsoons, the Third Plan ended with the actual achievement being only half this target i.e. 15.5 per cent. The increase in population reduced the rate of increase in per capita income (in real terms) to 2.8 per cent for the entire plan period.

The difficulties encountered in the implementation of the Third Plan and the inadequate rate of growth in the economy, delayed the start of the Fourth Plan for three years until March, 1969. The interval was covered by three annual plans in which the level of investment was stabilized at the level of the last year of the Third Plan, to continue or complete the work on projects under construction and to consolidate the economy before expanding investment further. This limited objective of economic policy during the three year period was largely achieved by 1969. The recovery in agricultural production in 1967-68, marking the beginning of the "green revolution", and gradual revival of industry after a period of recession imparted considerable strength to the Indian economy and helped to achieve a fair degree of stability in the price level. which encouraged increased efforts to mobilize additional resources and step up outlays under the Fourth Plan.

IV. Other Functions of the Commission

Institutional Changes: Social Change. Reference has been made to institutional and other changes necessary for promoting large scale social and economic growth. It might be useful to mention the main changes briefly; these are dealt with in greater detail elsewhere.

The changes in the rural sector brought about by the land reforms laws and the panchayat and co-operative organizations are described in the chapters relating to these subjects. A new pattern of rural society is being evolved, with changes in attitudes and outlooks.

There have been reforms in the field of banking and life insurance to make them efficient instruments for planning. The Reserve Bank of India has been nationalized. Similarly, "The Imperial Bank of India" and its subsidiaries have been nationalized and reconstituted as "The State Bank of India" with units in States. With the nationalization of 14 major banks in July, 1969, nearly 83 per cent of the Indian banking has come under the public sector. Also, life insurance has been made a State monopoly under the Life Insurance Corporation of India. These new institutions have broad social objectives. The Reserve Bank of India, among other programmes, is supporting rural credit on an impressive

scale. The State Bank of India has a large programme for opening branches in order to spread the banking habit. During the five years 1955-60, it opened 400 new branches. It has also initiated schemes for financing small-scale industries. Similarly, the Life Insurance Corporation is spreading the habit of insurance in new areas and its investment policy is guided by the priorities in the plans.

To ensure that the private sector industries subserve the wider social purposes envisaged in the Constitution, the Industries (Regulation and Control) Act of 1951 was passed. Under it, development councils were set up to promote efficient working. There is provision in this law for management being taken over on specified grounds. A system of licensing of industries has been introduced to direct investment in accordance with plans. Mention should be made of the measures taken for improving conditions of labour; labour laws have been enacted including one for fixing minimum wages in agriculture; the setting up of bipartite machinery for adjusting differences; and laws providing for provident funds and retrenchment benefits. Lastly, there are special programmes included in all the plans for the welfare of backward classes and tribal areas and for colonization of agricultural labour. The social and economic changes initiated in these ways are gaining in momentum.

Administration : Research and Evaluation. From 1951 onwards, special studies have been made of questions relating to administration at all levels and the necessary reforms introduced. Mention may be made of the special reports submitted by A. D. Gorwala (1951), Paul Appleby (1953 and 1956), and V. T. Krishnamachari (August, 1962). The steps taken for improvement may be grouped under the following heads: (i) the expansion of the cadres of administrative and technical services and changes in training schemes and institution of refresher courses in India and abroad in order to meet the requirements of the plans; (ii) continuous 'audit' of efficiency through Organization and Methods divisions, vigilance units, etc; (iii) creation of new services required for planning and for industrial and other projects in the public sector like the Economic (Advisory) Service, the Statistical Service, the Industrial Management Service, etc; (iv) creation of new All-India Services in important fields of activity—Engineering, Forest, Medicine and Public Health—which, under the Constitution are State subjects. The district administration, which holds a key position, has been changed radically under the community development programme. Much thought is also devoted to such subjects as co-ordination of inter connected activities in the Ministries, relations between Cabinets and Civil Services, etc.

Research is entrusted to the Research Programmes Committee which was set up in 1953. It has 30 to 35 expert members drawn from the

fields of economics, sociology, political science and public administration. The committee meets twice a year. It has a Standing Committee and Regional Committees which meet off and on. The functions of the committee are to select subjects for research, invite schemes from universities and research institutes and scrutinize and approve them. The committee also guides research on the technical side—suggests standard concepts and definitions, illustrative schedules, etc. Upto the end of 1961, about 90 studies had been sanctioned on such subjects as social and economic effects of land reforms legislation in different regions; economics of farm management; social and economic problems of rapid urbanization; direct and indirect benefits of irrigation; resources for development—rural incomes and savings, mobilization of small savings, etc. Many of these studies have been completed and the reports published.

Two bodies have been set up for evaluation. The first is the Programme Evaluation Organization. This was set up in 1952 as part of the community development movement for making objective assessments of its impact on the economic and social life in rural areas. It has an economist at its head, with an advisory body of economists and sociologists. Though it is attached to the Planning Commission, the organization is autonomous. It is entitled to form and publish its own conclusion on the basis of studies conducted on the spot through its regional staff. The studies cover a wide range of subjects—the impact of specific programmes on rural life; acceptance of improved agricultural practices by farmers; progress of cottage industries; organizational aspects, etc. There are also studies of the working of panchayats and co-operatives at all levels. In all these studies, attempts are made to assess the extent to which the movement is achieving its main objectives—the development of self-reliance and community feeling among the people; their active participation in common programmes; and the measure in which its benefits reach the weaker sections of the community. The reports of the organization are considered at the annual conferences of Development Commissioners. The reports arouse wide interest and are discussed in Parliament and legislative assemblies and in the press.

The second is the Committee on Plan Projects which was set up in 1956. This committee consists of the Union Minister of Home Affairs as chairman and the Union Minister of Finance and Planning and the deputy chairman of the Planning Commission as members. When particular projects are taken up for investigation, the Union Minister concerned and two Chief Ministers of States are co-opted. The committee organizes investigations, including inspection of important projects or classes of projects through specially selected teams of experts recruited in the country and from outside, with the object of suggesting ways of securing maximum efficiency and economy in planning and execu-

tion. The teams make recommendations which are of general applicability. Investigations on these lines have been made in regard to: (i) buildings—multi storeyed office buildings, factory and residential buildings and for technical institutions and colleges; (ii) urban water supply schemes, etc; (iii) major irrigation projects; (iv) minor irrigation projects; (v) road transport schemes in States; (vi) groups of industrial undertakings in the public sector, etc. Other investigations are in progress. In all cases, reports of teams are considered by the Committee and steps are taken through the Union and State Ministries concerned to give effect to the recommendations.

V. Appraisal and Prospects

The period of the Third Five-Year Plan has been a period of slow economic growth. The annual rate of increase in national income was only 3 per cent against the 5 per cent increase envisaged. This shortfall is due to a setback in agricultural production owing to bad seasons and to a slowing down in the rate of growth in important industries. Then, there was also the serious threat to national security and the continuing emergency the nation has to face. All development is inextricably linked up with national security, as the organization of defence in modern times needs a broad based agricultural and industrial foundation. The National Development Council which met in November, 1962, viewed the plan from this angle and readapted it so as to meet the urgent requirements. The 'annexure' shows the progress made in important sectors of the economy during the three plan periods. The conclusion that emerges is that a great national effort should be made to obtain, through highly increased administrative and technical efficiency, the best returns possible from investments that have been already made and that will be made from time to time on irrigation, power, industrial projects in the public and private sectors, transport systems, etc. The aim should be to secure the largest production possible as well as raise the maximum resources for investment in future development programmes. This means hard and sustained internal efforts in coming years. Much will also depend on the availability of foreign aid in suitable forms and the building up of export markets to the level of the targets envisaged in the plan. The realization of the objective of doubling by 1975-76 the per capita national income as it stood in 1955-56 has now become much more important than ever before. This means an annual cumulative rate of growth of a minimum of 7 per cent in the coming years. The nation has to meet this challenge unitedly and in a spirit of determination.

ANNEXURE *

Achievements under the Plans

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Item	Unit	1950-51 Actuals	First Plan 1951-56 Actuals	Second Plan 1956-61 Actuals	Third Plan 1961-66 Actuals	Fourth Plan Targets 1973-74
I Education						
(i) General education						
Students in schools	Million numbers	23.50	31.50	43.54	67.52	99.03
Primary stage (6-11 years)	Million numbers	19.15	25.17	34.99	50.47	68.58
Middle stage (11-14 years)	Million numbers	3.12	4.29	6.70	10.53	18.10
Higher secondary stage (14-17 years)	Million numbers	1.22	1.88	3.03	5.28	9.69
University stage (17-23 years)	Thousand numbers	360	634	740	1,240	2,660
(ii) Technical education						
Engineering & Technology						
Degree (annual intake)	Numbers	4,120	5,890	13,692	23,315	25,000
Diploma (annual intake)	Numbers	5,900	10,400	23,736	43,984	48,600
Agriculture & Animal Husbandry						
Degree (annual intake)	Numbers	1,497	3,260	6,935	11,648	N.A.
Medical college (annual intake)	Numbers	2,500	3,500	7,008	11,079	13,000
II Health						
Hospital and dispensaries	Thousand numbers	8.60	10.00	12.60	14.60	N.A.
Hospital beds	Thousand numbers	113.00	125.00	185.60	240.10	281.60
Primary health units	Numbers	—	725	2,800	4,631	5,427
Family planning centres (Rural & Urban)	Numbers	—	147	1,649	5,057	7,081

Item	Unit	1950-51 Actuals	First Plan 1951-56 Actuals	Second Plan 1956-61 Actuals	Third Plan 1961-66 Actuals	Fourth Plan Targets 1973-74
III Agriculture and Community Development						
(i) Agricultural production:						
Foodgrains	Million tons	52.20	65.80	79.30	72.00	129.00
Cotton	Million bales	2.90	4.00	5.10	6.30	8.00
Oil Seeds	Million tons	5.10	5.60	7.10	7.50	10.50
Jute	Million bales	3.30	4.20	4.00	6.20	7.40
Tea	Million kgs.	277	308	322	376	475
(ii) Agricultural services:						
Area irrigated (net total)	Million acres	51.50	56.20	24*	26.4*	42.6* (Gross)
Land reclamation (additional area)	Million acres	—	2.70	1.20		1.0*
Soil conservation (additional and benefited area)	Million acres	—	0.70	2.00		5.6*
(iii) Community development						
Blocks	Numbers	—	1,064	3,137	5,260	} N.A.
Villages covered	Thousands	—	150	366	567	
Population served	Million numbers	—	78	247	405	
IV Power						
Installed capacity	Million kws.	2.3	3.4	5.7	10.2	14.3
Generated	Million kwh.	6,575	10,777	20,123	36,825	51,700
Towns and villages electrified	Thousand numbers	3.7	7.4	24	43	N.A.

Million hectares

P.T.O.

Item	Unit	1950-51 Actuals	First Plan 1951-56 Actuals	Second Plan 1956-61 Actuals	Third Plan 1961-66 Actuals	Fourth Plan Targets 1973-74
V Industries and Minerals						
(i) Metallurgical industries						
Iron & Steel						
Steel ingots	Million tons	1.4	1.7	3.4	6.5	10.8
Finished steel	Million tons	0.98	1.3	2.4	4.5	8.1
Aluminium	Thousand tons	3.7	7.3	18.5	62.1	220
(ii) Mechanical Engineering industries						
Heavy machinery building (steel & chemical machinery)	Thousand tons	—	—	—	11.0	95
Coal mining machinery	Thousand tons	—	—	—	5.1	20.0
Structural fabrication (including heavy structural shop)	Thousand tons	—	90	150		
Railways						
Locomotives: Steam	Numbers	7	179	272	205	} 562
Diesel	Numbers	—	—	—	30	
Electric	Numbers	—	—	—	32	
Automobile and ancillary industries						
Passenger cars	} Thousand numbers	16.5	23.3	*225	333*	N.A.
Commercial vehicles						
Jeeps and station wagons						
				5.5		

P.T.O.

Item	Unit	1950-51 Actuals	First Plan 1951-56 Actuals	Second Plan 1956-61 Actuals	Third Plan 1961-66 Actuals	Fourth Plan Targets 1973-74
Shipbuilding (expansion of Hindustan Shipyard, dry dock and second shipyard)	Thousand GRT	—	50 (5 years)	20	38	N.A.
Heavy electrical equipment in the public sector	Million kw.	—	—	—	Neg.	4.25
(iii) Chemical and allied industries						
Fertilizers						
Nitrogenous (in terms of nitrogen)	Thousand tons	9	79	101**	232**	2,500**
Phosphatic (in terms of P ₂ O ₅)	Thousand tons	9	12	53**	123**	900*
Dyestuffs & organic intermediates						
Dyestuffs	Thousand tons	—	4.0	5.0	7.2	14.0
Intermediates	Tons	—	—	—	—	—
Paper and paper board	Thousand tons	114	187	350	558	850
Newsprint	Thousand tons	—	4.2	25	31	165
Cement	Million tons	2.7	4.6	8.0	11	18
Petroleum products	Million tons	—	3.6	5.8	9.4	26.0
Lubricating Oils	Hundred tons	—	—	—	100	—

* Rebate to buses and trucks only

** Metric tons.

P.T.O.

Item	Unit	1950-51 Actuals	First Plan 1951-56 Actuals	Second Plan 1956-61 Actuals	Third Plan 1961-66 Actuals	Fourth Plan Targets 1973-74
Cotton						
Yarn	Million lbs	1,179	1,640	801 @	907 @	1,150 @
Cloth (mill made)	Million metres	3,720*	5,102*	4649	4,401	5,100
Jute	Thousand tons	892	1,150	1097	1,399	1,400
(iv) Food industries						
Salt	Million tons	2.7	3	3.7	5.4	N.A.
Sugar	Million tons	1.12	1.86	3.0	3.5	4.7
VI Transport Communications						
(i) Transport services						
Railways: freight carried	Million tons	91.5	114	156	203	265
Roads: surfaced, including national highways	Thousand miles	97.5	122	236**	284**	367**
Road transport: commercial vehicles on road	Thousand number	116	166	225	333	585
Shipping	Lakh GRT	3.9	4.8	8.6	15.4	35
Major ports: handling capacity	Million tons	20	25	40	50	55
(ii) Communications						
Post offices	Thousand numbers	36	55	77	97	128
Telegraph offices	Thousand numbers	3.6	5.1	6.5	8.8	9.0
Number of telephones	Thousand numbers	168	280	463	858	1,618

@ Million kg.

* Million yards

** Thousand km.