CHAPTER XIX

PLANS AND PROSPECTS

I. Objectives and Strategy

The Government resolution announcing the setting up of the Planning Commission in March 1950 started with a reference to the constitutional provisions bearing on the socio-economic objectives of the Constitution. The Fundamental Rights and the Directive Principles of the Constitution assure every citizen, among other things, adequate means of livelihood, opportunities for employment and a socio-economic order based on justice and equality. Thus, the basic objectives of planning were already given in the provisions of the Indian Constitution. These were stated in the First Five Year Plan in the following words:

> "The urge to economic and social change under present conditions comes from the facts of poverty and of inequalities in income, wealth and opportunity. The elimination of poverty cannot obviously, be achieved merely by redistributing existing wealth. Nor can a programme aiming only at raising production remove existing inequalties. These two have to be considered together....."

This concern for the removal of poverty has been basic to our approach and social development all through the last two decades and more. Where the bulk of the people live so close to the margin of poverty, the claim of social justice, of the right to work and equal opportunity and of a minimum level of living has obvious urgency.

The inter-relatedness between growth and social justice has been repeatedly emphasized in the Plans. It was also seen to extend to specific objectives as well. It was realized, for instance, that employment and development cannot be treated as independent of each other. This is how the First Plan viewed the problem: "In a country with vast reserves of unutilised manpower, the problem of employment has two aspects in relation to development. There is, in the first place, the need to make the maximum use of idle labour for the purpose of development. Here it is not so much a question of providing employment at existing or higher real wages but rather one of effectively mobilising all the available resources at minimum social cost. The second aspect of the problem is that of increase in productivity of labour so that larger employment can be provided at rising levels of real income. This is, obviously, linked with the whole question of capital accumulation and technical efficiency.'' If productivity of labour cannot be increased in the short run, and particularly if the availability of basic essentials like foodgrains cannot be increased, a programme of full employment, designed primarily to put to work all idle labour, runs the risk of breaking down on account of excessive pressure of money incomes on available supplies. It was, therefore, the approach of the First Plan that in the first few years of development the accent should be on mobilization of idle manpower with as little increase in money incomes as possible rather than on full employment which, to be meaningful, must provide higher money as well as real incomes all round. The Plan, therefore, envisaged considerable expansion in irrigation, power, basic industries and transport and other services which would provide directly and indirectly new avenues of employment. It was foreseen that there would be problems of adjustment in the interim period when there would be a conflict between the need to reduce the social cost of maintaining unemployed labour and the need to raise productivity of labour, or the emergence of disparities between those classes in whose hands the new purchasing power went and those who had fixed incomes. These could be resolved only in the process of growth over time.

The planners were aware that a plan of development in the given conditions must in the main rely on domestic resources. There were obvious risks in excessive reliance on foreign aid. It was, however, recognized that there would be certain shortages which would tend to restrain the whole pace of development and that external resources were useful in meeting them. External assistance was envisaged to serve a two-fold purpose in this context: it would make available adequate supplies of foreign exchange, and, secondly, it would supplement the domestically generated investible resources. With a view to restricting the needs of external assistance to the minimum, the Plans accorded high priority to those lines of production which helped to reduce import requirements and increase export surpluses.

Taking into account the different objectives mentioned and taking note of the fact that in a given situation, it is necessary to assign certain relative priorities for determining an appropriate mode of action, the Plan decided to accord the top-most priority to agriculture including irrigation and power. This priority ensued partly from considerations of completing the schemes already in hand. It was further supported by the consideration that, without a substantial increase in the production of food and agricultural raw materials, it would be impossible to sustain a higher rate of industrial growth. The high priority to agriculture and to basic items of infrastructure like power and transportation inevitably limited resources available for industrial development in the public sector as well as for expansion of social services. On the whole, the specific accent in the Plan on increase in production limited the scope for increase in social services.

The transformation of the economy that was envisaged called for an expanding and crucial role for the State. While it was appreciated that this need not result in wholesale nationalization of the means of production or elimination of private agencies in agriculture and industry, it was envisaged that there would be a progressive expansion of the public sector and a reorientation of the private sector to the changing needs of the economy. In the industrial sphere the roles of the two sectors were already defined in terms of the Industrial Policy Statement of 1948. The Government's industrial policy did not see any conflict between the two sectors. However, it underscored that private enterprise should have a social purpose and that the two sectors should function as interdependent organs of the national economy.

The analytics of the First Five Year Plan rested on a very simple model of growth. This was not explicitly presented; but it was implicit in the long-term perspective incorporated in the Plan. Such a model assumed that the rate of growth can be progressively stepped up if the proportion of the additional income that is saved and invested can be made to increase over time. It did not consider the structural difficulties inherent in the process of converting the available savings into investment. The selection of projects for Government expenditure seemed to be inspired by the ideas of providing the overhead facilities for promoting further economic development.

At the time of the formulation of the Second Five Year Plan, the objective of the socialist pattern of society came to be adopted. For the attainment of this goal it was realized that the State would have to play an increasingly active role even in areas outside infrastructure. It was deemed essential to expand public sector in the industrial field not only to initiate developments which the private sector was either unwilling or unable to undertake but also to shape the nature and pattern of investment decision in the entire economy througha acquisition of the so called "commanding heights". The public sector had also to play a special role in the context of acquisition and development of modern sophisticated technology. Since this technology required large-scale production and unified control and allocation of resources in certain major lines of activity, such as exploitation of resources in certain major lines of activity, minerals and basic and capital goods industries, it was decided that the State would have to bear the responsibility for new developments in these fields. It was implicit in this argument that public ownership and public control in these areas would present large scale and undesirable concentration of economic power.

These considerations called for a basic revision of the industrial policy initiated in 1948. The new Industrial Policy Resolution of 1956 declared that all industries of basic and strategic importance or in the nature of public utility services would be in the public sector. It also made the State responsible for the development of these industries which were essential and required investment on a scale which only the State could undertake. Thus, the State was expected to assume direct responsibility for the future development of industries over wide areas.

The basic objectives of planned development incorporated in the First Five Year Plan were reiterated in the Second Five Year Plan. There was, however, a significant departure in that rapid industrialization and diversification of the economy was adopted as the core of development. As a logical corollary of this, it was expected that it was essential to provide for the development of basic industries and industries which make the machines needed for further development. This is how the strategy of the Second Five Year Plan emerged which reflected itself in the programmes of substantial expansion in iron and steel, non-ferrous metals, coal, cement, heavy chemicals and other industries of basic importance.

Though employment was included among the bosic objectives of the Plan, it does not seem to have received as much attention as it deserved in matter of investment allocation although the 'draft outline' prepared by the late Professor Mahalanobis sought to take the facts into account through proposing special allocations to highly labour intensive activities such as the handlooms. To quote the Second Five Year Plan: "The question of increasing employment opportunities cannot be viewed separately from the programmes of investment in the Plan. Employment is implicit in and follows investment, and it is, of course, a major consideration in determining the pattern of investment." The Plan, however, further stated: "Basically, it has to be remembered, unemployment in an under-developed economy is only another aspect of the problem of development. The same factors which limit the scale of effort a community can make by way of increasing the rate of development limit also the advance in the direction of employment." Thus the Plan to a large extent relied on the expansion of employment opportunities to emerge as a fall-out from the development process after allowing for possible improvements in productivity.

While the Second Five Year Plan envisaged a substantial injection of purchasing power into the economy, the balance between the supply and demand for consumer goods was taken care of through postulating higher levels of utilization of the existing skills and equipment. In addition, it was assumed that technical improvements in the village and small scale industries sector would take place, partly through organizing them on a co-operative basis.

The objective of reduction in inequalities of incomes and wealth was sought to be achieved through fiscal devices and various institutional changes. This was, however, qualified by the observation that in the process no damage should occur to the productive system, thus endangering the task of development itself or harm the processes of democratic change. The main thrust in this respect was in the direction of progressive taxation, expansion of social services and institutional changes in the sphere of land ownership and management, regulation of the private corporate sector, including the managing agency system, and extension of co-operative enterprise. In regard to regional disparities, the Plan claimed that these were kept in mind while formulating the programmes of development; but this was not quite explicit in the scheme of resource allocation or in the various programmes of development. In regard to industrial location, it was stated that while location of some industries was oriented towards raw material in view of the transport costs involved there was a certain amount of flexibility in respect of quite a few major industries even after allowing for the relevent economic considerations. If certain areas did not seem to qualify for a industry, it was often a reflection of the lack of an adequate infrastructure. Spatial planning for industries was consequently linked up with wider creation of infrastructural facilities.

It was realized that the magnitude and the pattern of investment in the Second Plan would involve a heavy strain on foreign exchange resources in view of the accent on accelerated industrialization. However, the foreign exchange budget presented in the Plan did not go into an explicit discussion of all the implications.

While the model underlying the First Five Year Plan was a simple variant of the one-sector growth model currently fashionable in the literature on economic development, the Second Five Year Plan was clearly based on the two-sector model of Prof. Mahalanobis. This model assumed that by increasing the ratio of current investment going into capital goods sectors it is possible to achieve a higher rate of saving and hence a higher rate of growth. The model also assumed a closed economy in the sense that it did not see the possibility of foreign trade as a source of investible funds supplementing domestic resources.

In the course of the Third Five Year Plan, there was considerable thought given to the need for ensuring a basic minimum level of consumption to the poorest sections of the society. The Plan did not adopt this as an objective to be achieved over a specified period of time. But it did get down from the general objectives of the first two Plans to more specific problems of certain sections of people and regions of the country. In an under-developed economy failure to provide "full employment" can be traced to certain fundamental deficiencies in the economic structure. Until the industrial base has been greatly strengthened, and education and other social services developed, the economy is unable to achieve a rate of growth sufficient to provide work at an adequate level of remuneration to the labour force. Poverty is most acute in areas which have heavy pressure of population or in which, on account of scanty development of local resources, low levels of productivity persist and there is lack of continuous work. In such areas it is essential to provide for special schemes to meet the minimum needs of the people there. It was for this reason that in addition to the programmes of development for large and small industries, for agriculture and for economic and social services, the Plan provided for a large-scale programme of rural work.

Social services can be helpful in bringing about a measure of redistribution of incomes through ensuring a wider provision of certain basic necessities. This was the rationale behind the Third Plan approach to the problems of the backward areas and the weaker sections. Extension of free and universal education at the primary level, grants of scholarships and other forms of aids, and improvement in conditions of health, sanitation, water supply and housing, came to occupy a central position. Thus, programmes for the welfare of scheduled castes and tribes and other backward classes, for the provision of minimum amenities in rural areas, for local development at the village level and for the housing of industrial workers were considered as not merely extensions of social services but as vital ingredients in the scheme of economic development.

The apparent lack of emphasis on raising agricultural output in the Second Plan and the high priority accorded to it in the Third Plan must be understood in the immediate context of the two Plans. The Second Plan started with a relatively comfortable position in respect of supplies of agricultural commodities. However, two bad harvests and the shift in the pattern of investment in favour of heavy industry as well as the scheme of financing involving a significant level of deficit financing, generated considerable imbalances in the economy in the course of the Second Plan period. The Third Plan, therefore, aimed at a significant increase in agricultural output, leading to self-sufficiency in foodgrains. Significantly, the Plan laid emphasis on improvement in productivity through the Intensive Agricultural Programmes and through greater attention to applied research. This proved to be the beginning of the later Green Revolution.

The Plan recognised that inequalities arose mainly from the long established features of a traditional society, such as feudal rights and tenures or privileges and handicaps associated with the social structure. The programme of land reforms with its stress on the abolition of intermediary rights, security and rent reduction for tenants, and enforcement of ceilings on agricultural holdings was calculated to release the productive forces of the rural economy. As for income inequalities, the thinking was that though there was scope to limit the higher incomes, the disparities could be effectively reduced mainly by providing minimum incomes to the people. Ensuring minimum incomes was, however, only a part of the programme of meeting the minimum needs of the people. It was important that the prices of essential commodities were stabilized and social services, especially, education, health and housing were brought within easy reach.

The Third Plan was much more explicit on the goal of self-reliance than the Second Plan. To quote the Plan : "Development effort in India over the Third and the Fourth Plan has to concentrate on expansion of capital goods and machine building industries—together with corresponding development of mining, power and transport—on a scale that it would enable the country to build up in this period sufficient capacity to produce domestically the bulk of the capital goods and machinery that it will require in subsequent periods for supporting high levels of investment. This is a priority that follows as much from the objective of maximising the rate of growth of the economy as from the need to attain a viable external accounts position within a forseeable future." In other words, the objective of the Plan was to reduce substantially the dependence on assistance from abroad after a period of 10 years or so. After this period of 10 or 12 years it was expected that normal inflows of foreign capital would continue but reliance on special forms of external assistance had to be reduced progressively and eliminated. Thus, the Third Plan represented a crucial stage in the process of attaining self-reliance.

As compared to the Second Plan, the Third Plan showed much greater awareness regarding the possibility of foreign trade becoming a bottleneck to increasing the rate of investment. As a result, the investment decisions in the Third Plan were taken with an explicit attention to the role of foreign aid in breaking this bottleneck and the possible desirability of 'using aid to end aid' and reach self-sustained growth at some foreseeable future date. The Third Plan investments which continued the shift to heavy industrial sector were taken against the notion that foreign aid should enable the economy, by permitting these investments, to cross over the hump from the low growth rate equilibrium to a high growth rate equilibrium.

The conflict with Pakistan in 1965, subsequent suspension of foreign aid and devaluation of the rupee, and two successive droughts in 1965-66 and 1966-67 not only obscured the prospects for planned development, but called for a drastic review of Plan priorities. In the plans of development for the years 1966-69, as well as in the Fourth Five Year Plan, self-reliance in the sense of doing away with foreign aid in general and food aid in particular assumed particular urgency. There was also a dramatic change in the political climate of the country when the Fourth Plan was being launched. Inevitably the Plan reflected this new mood of the nation.

This is also evident from the fact that the Fourth Plan was quite specific in regard to the progress to be made in the attainment of self-reliance, It set the target of doing away with concessional imports of foodgrains under P.L. 480 by 1971. It further aimed at the reduction of foreign aid net of amortization and interest payments to about half by the end of the Fourth Plan compared to the level prevailing on the eve of the Plan.

It was observed in the Fourth Plan that the most notable lesson to be learnt from planning in the past was that the current tempo of economic activity was insufficient to provide productive employment to all, to extend the base of social services and bring about significant improvement in living standards of the people. It also showed an awareness of the dilemma which arose in the given phase of our development. It was possible to increase employment and income opportunities for people employed in traditional industries by restricting the expansion of the modern sectors. But in the long run, increase in productivity and income of traditional industries required large capital investments for building overheads and industries supplying basic raw materials and capital goods.

The Fourth Plan observed that in the light of experience it could be stated that the basic strategy of Indian planning as defined at the beginning of the Second Plan was sound but certain new problems had cropped up in the course of further development. These indicated the need for firmer policy direction and the use of a number of supplementary measures and instruments to carry out the necessary adjustments. The most important lesson was the need to adopt measures which would maintain relatively stable conditions while development proceeded. This was particularly true in regard to agricultural production and more so in the case of supplies of food. This also related to the need for price stability.

The high priority given to agricultural production in the Fourth Plan may be understood, as observed earlier, in the context of the development which preceded the formulation of the Fourth Plan. These developments indicated the need for a shift in investment allocation away from the capital goods sector to the consumer goods sector (primarily agriculture). Two successive droughts during 1965-66 and 1966-67 exposed the inadequate growth of agricultural production in relation to the growth of population and income, and the consequent reliance of the country on P.L. 480 imports. Moreover, there was a decline in investments in the capital goods sector as a result of the fall in the availability of project aid for new projects and the slow completion of the old ones. Public investments had suffered also on account of these two successive droughts.

In keeping with the approach of giving particular attention to specific problems, the Plan provided for schemes for the correction of regional imbalances. The general approach to this problem was in terms of providing the necessary infrastructure facilities in the backward areas and certain fiscal incentives for attracting industries to these areas. The Third Plan had mentioned the need for ensuring a national minimum within the foreseeable future. The Fourth Plan further stressed this objective and indicated that as a result of development in the Fourth Plan and the Fifth Plan it should be possible to guarantee a reasonable level of average per capita income by the end of this decade. The consumption standards of the poor would, however, remain unduly low and it was for tackling this problem that the Plan suggested a number of special schemes for small farmers, landless labourers, and people in backward areas.

The broad objectives of the Plan could thus be defined as rapid economic development accompanied by continuous progress towards equality and social justice. It was to bring a balance between growth and justice that the Fourth Plan suggested a number of special measures and programmes in those areas and for those sections which were comparatively neglected in the past. The Plan proposed detailed action through regional and local planning to help the very large numbers of the smaller and weaker producers and increase minimum employment and future employment potential.

II. Review of Performance

Progress and performance of economic planning during the last two decades and more can be assessed in the light of the objectives set out in the preceding section and the various targets, qualitative and quantitative, set by Indian planners. On this basis, the most obvious conclusion is that Indian planning is both a success and a failure. Targets and achievements diverged in varying degrees. This was true both of the overall rates of growth as well as of the sectors and individual industries and commodities.

The First Plan envisaged that the national income, at constant prices, would increase by 11 per cent during the Plan period as a result of the increase in production provided for in the Plan. The planners thought that, out of the annual rate of increase of about 2 per cent in national income that was projected, it was necessary to plough back into investment about one fifth of it every year to achieve the required rate of capital formation. The Plan provided for an increase of abont 17 per cent in the production of foodgrains, 42 per cent in cotton and 63 per cent in jute. In the case of industry no rate of growth was explicitly mentioned; but some significant developments were expected to take place during the Plan period. The development programme in the public sector provided for a new iron and steel project and a heavy electrical equipment plant.

The pattern of development expenditure envisaged in the Plan broadly underlined the priority given to agriculture. Mòre than a quarter of the public sector outlay was earmarked for agriculture, community development and irrigation. Further, there was another 13 per cent provided for multi-purpose irrigation and power projects. The share of industry was a bare 8 per cent. About one-sixth of the outlay was meant for social services. As for the priorities in the field of industries, about 26 per cent of the total investment in the public and the private sector was expected to go into the metallurgical industries, 20 per cent into petroleum refining, 16 per cent into engineering industries and 8 per cent into the manufacture of heavy chemicals, fertilizers and pharmaceuticals. Thus, relatively small investments were envisaged in other industries, mainly consumer goods. About 80 per cent of the private sector investment envisaged in industry was in respect of capital goods and producer goods. In the field of health, the priorities centred round preventive health care by way of provision of water supply and sanitation and control of epidemics like malaria. And in the field of education the highest priority was accorded to the Constitutional directive of universal primary education.

The actual performance of the Plan proved to be highly encouraging in certain fields while not so in certain others, such as social services. National income increased by about 18 per cent and per capita income by 11 per cent; foodgrains production went up by 20 per cent and the production of cotton and of jute went up by 45 per cent and 64 per cent respectively. The index of industrial production registered an improvement of 22 per cent. However, the work on the construction of the public sector iron and steel plant and the heavy electrical equipment plant could not be started in the Plan period. This was perhaps a serious lapse, considering the growing requirements of the economy for steel and electrical machinery. The rate of investment as a proportion of national income rose significantly from 4.9 per cent to 7.3 per cent. This was a major breakthrough in an economy which was stagnant for decades before.

In spite of these encouraging developments, the overall problem of poverty remained unaltered at the end of the Plan. The investment undertaken in these five years was not on a scale sufficient to absorb the estimated new entrants to the labour market which added to the backlog of unemployment and under-employment.

The principal task as defined by the planners for the Second Five Year Plan period was to secure an increase of national income by 25 per cent, to enlarge employment opportunities at a rate sufficient to absorb the increase in labour force and to take a major stride in the direction of industrialization. While the Second Five Year Plan was a continuation of the development effort initiated by the First Plan, there was a major shift in priorities with a larger accent on industrialization, especially on the development of heavy industries and the necessary infrastructure like transport and power. It was expected that by the end of the Plan period investment as a per cent of national income would go up from 7.3 per cent to 10.7 per cent and domestic savings from 7.0 to 9.7 per cent. The crucial role that the public sector was expected to play was also clear in that the ratio of public to private investment in the Second Plan was expected to be 61:39 as against the parity postulated in the First Plan.

Over the Second Plan period foodgrains output was estimated to grow by 15 per cent and the overall agricultural production by 18 per cent. These ratios were to be compared with 20 per cent and 15 per cent achieved in the preceding five years. The Second Plan, however, placed more emphasis on diversification of production in keeping with the changing requirements. With a special priority given to industrial development, it was expected that the net output of factory establishments would increase by 64 per cent in the Plan period. The emphasis on capital goods industries could be seen from the fact that the net output of these industries was expected to increase by 150 per cent. However, it must be remembered that their base level of production was particularly low.

The change in priorities was entirely reflected in the pattern of outlays and investment envisaged in the Plan. Of the public sector outlay about 12 per cent was provided for agriculture and community development as against over 15 per cent spent in the preceding five years. On the other hand, the provision for industry and mining was as much as 18.5 per cent as against 7.6 per cent in the First Plan. It must be appreciated that the Second Plan ratios related to a total public outlay which was more than double the outlay in the First Plan. In absolute terms the step-up in the outlay on industries and mining was very large—nearly 400 per cent. It may also be observed that the actual outlay under this head in the first Plan was less than 50 per cent of the allocation. The Plan provided for an increase of over 190 per cent in the output of iron ore, over 230 per cent in finished steel and aluminium, 300 per cent in machine tools (graded) and substantial increases in various types of machinery, heavy chemicals and fertilizers.

The Plan ran into unexpected balance of payment difficulties from the very start and had to be reappraised in 1958. Stringent restrictions had to be imposed on less essential imports. As a result, many of the targets of the Plan could not be achieved. There were serious slippages in the construction schedules of a number of major industrial projects. The increase in national income achieved during the Plan proved to be only 20 per cent against a target of 25 per cent. There were similar shortfalls in the crucial sectors of agriculture and industry. The index number of industrial production recorded a cumulative rate of expansion of about 7 per cent. This was significantly lower than what was envisaged, *viz.*, 11 per cent; but still quite high in comparison with the achievements at any time in the past. There were large shortfalls in some of the individual industries. Unfortunately, they occurred in areas which were of crucial importance for future growth. The actual production of finished steel was barely half of the Plan target. The production of nitrogenous fertilizers was only about 35 per cent of the target. There were similar shortfalls in respect of various categories of industrial machinery and industrial products like heavy chemicals, cement, and newsprint. Another important deficiency in the implementation of the Plan was in regard to the escalation of cost estimates of many important projects.

While the rate of capital formation realized in the terminal year of the Plan at 11.5 per cent of national income was higher than the anticipated rate, *viz.*, 10.7 per cent, the targeted rate of domestic savings was not achieved. It turned out to be only 8.5 per cent of national income against the target of 9.7 per cent. This implied a substantial draft on external assistance.

Considering the first ten years of planning, it can be seen that, while there were many ups and downs in the economy, the overall progress was quite substantial. Agricultural production expanded by about 41 per cent and output of foodgrains by 46 per cent. The net output of organized manufacturing industries nearly doubled. There was a significant accretion of strength to the public sector in the field of industry. National income increased by about 42 per cent and per capita income by 16 per cent. The production of steel ingots went up by 150 per cent. There was a major break-through in the field of oil and petroleum refining. The total investment in the economy exceeded 10,000 crores. The total public outlay on agriculture, community development, and irrigation amounted to Rs. 1550 crores or close to 25 per cent of the total public outlay. Net area irrigated went up from 15.5 million acres in 1950-51 to 70 million acres in 1960-61. There was all round development in the field of education. The number of students attending schools increased substantially, though the target of universal primary education was still far off. There was also considerable success in the provision of health services. Considerable success was achieved in regard to the control of communicable diseases. The employment situation apparently worsened as even the additions to labour force could not be provided jobs out-side agriculture. Some limited effort was made in the direction of development of backward areas through the location of large Central projects. The location for the three new steel plants, *viz.* Bhilai, Rourkela and Durgapur, the Heavy Machinery Plant at Ranchi, the Heavy Electricals Project at Bhopal and the Neyveli lignite complex were examples of this approach.

The Third Five Year Plan aimed at an increase of 5 per cent per annum in the national income. For achieving this rate of growth the Plan estimated that the rate of investment would have to go up from 11.5 per cent to 14 per cent at the end of the Plan period. This called for raising the rate of domestic savings from 8.5 per cent to 11.5 per cent. The per capita income was in the meanwhile expected to increase from 330 in 1960-61 to Rs. 385 at the end of the Plan period *i.e.* by about 17 per cent. One of the major objectives of the Plan was to achieve self-sufficiency in foodgrains.

The sectoral targets set by the Plan were indicative of relative emphasis on different objectives of the Plan. The high priority given to agriculture was clear from the fact the agricultural production was expected to go up by 30 per cent and foodgrains production by 32 per cent. Industrial production was expected to go up by 70 per cent or at the rate of 11 per cent per annum. Significant increases were envisaged in the output of steel, aluminium, machine tools, etc. The most significant development during the Plan period, as far as the industrial sector was concerned, was the rapid growth of machine-building and engineering industries. It was estimated that the development programmes in the Plan would create additional employment opportunities to the extent of about 14 million as against the increase in labour force of 17 million. The balance was proposed to be taken care of through large scale rural works programme, village and small industries, etc.

The pattern of investment adopted by the Plan reflected the set of priorities discussed above. The high priority given to agriculture was to be seen in the fact that 20 per cent of the total investment was earmarked for agriculture, community development and major and medium irrigation as against 18 per cent spent in the Second Plan. Considering the substantial step up in the investment proposed in the Third Plan as compared with Second, the absolute increase in the provision becomes evident. The share of organized industries and minerals in the Third Plan at 25 per cent of the total investment was only marginally higher than that in the Second Plan at 23 per cent but in the absolute terms the provision was higher by over Rs. 1,000 crores.

The actual progress achieved during 1961-66 fell much below the targets. In the last year of the Plan there was actually a fall in the national income as a result of serious drought and the conflict with Pakistan. Except for 1964-65, agricultural production did not show any increase and large imports of foodgrains had to be continued. Food imports amounted to 25 million tonnes during the five years of the Plan. Cotton and jute imports amounted to 3.9 and 1.5 million bales respectively. The slow rate of growth in agricultural production depressed the rate of growth of the entire economy. The production of organized industry increased by 8 or 10 per cent during the first 4 years ; but slowed down to 5.3 per cent in the last year. Over the Plan period as a whole the annual rate of growth turned out to be 8.2 per cent compared to the target of 11 per cent.

These shortfalls in domestic production occurred at the same time as total spending in the economy was rising both in the public and the private sector. As a result, there was a steep increase in prices especially in prices of agricultural commodities. The rate of domestic savings rose to 10.5 per cent of national income by the end of the Plan as against the ratio of 11.5 per cent anticipated in the beginning. The rate of capital formation rose from 11.5 per cent of national income to about 14 per cent. The effort at resource mobilization was, however, quite impressive. The ratio of tax receipts to national income which had increased from 6.6 per cent in 1950-51 to 9.6 per cent in 1960-61 rose further to 14 per cent in 1965-66. However, non-developmental expenditure increased much faster eating away resources so mobilized. In addition, there was serious pressure on exchange reserves and greater resort to external credits for financing capital formation.

Thus the planning process suffered a serious setback by the events of the early sixties. However, certain encouraging long term trends were perceptible in the economy. For example, the rate of growth in the First Five Year Plan period was 3.4 per cent, in the Second Five Year Plan period 4 per cent and in the Third Five Year Plan period, 4.2 per cent (excluding 1965-66 which was an abnormal year). These statistics belied the thesis of stagnation and lack of growth of the Indian economy. This growth must be seen in historical perspective. It must be remembered that for decades prior to the adoption of planning the rate of growth was barely 1 per cent per annum. Even in agriculture, where the progress had been unsteady, the compound rate of growth achieved between 1950-51 and 1964-65 was 3 per cent as against an average rate of less than ½ per cent per annum in the preceding decades. Thus the Five Year Plans had certainly broken the stagnation of the economy even though the rates of growth were below the targeted levels and would appear modest and even unsatisfactory in the light of the actual requirements of the people. It is also to be remembered that the population of the country had been increasing at the rate of, over two per cent per year neutralizing a large part of the recorded growth. If national income registered an increase of 69 per cent during this period, the increase in per capita income was only 28 per cent.

The difficulties created by the drought of 1965-66, the conflict with Pakistan, devaluation of the rupee and suspension of foreign aid were further multiplied by another drought and the industrial recession that followed. While some of the factors responsible for these events were beyond the control of the nation, there were a number of lapses which could have been avoided. Despite large outlays there were serious shortfalls in achieving the Plan targets. Delays in construction, escalation of costs and the failure to utilize capacities fully further contributed to our difficulties. The three Annual Plans (1966-69) were more in the nature of a holding operation. The record harvest of 1967-68 and the signs of industrial recovery evident in 1968-69 prepared the ground for launching the Fourth Five Year Plan.

The launching of the Fourth Plan was delayed by three years on account of the setback to the economy during the period 1965-66 to 1968-69. The Plan became operative only when the economy was restored to satisfactory health comparable to that which it enjoyed towards the end of the Third Plan. There was recovery in agricultural production starting from 1967-68 and in 1969-70, there was a record production of 100 million tonnes. The industrial recession of 1966 and 1967 was also overcome by the beginning of 1968 and there was an increase of over 6 per cent in industrial production in 1968-69. The price situation also had achieved a measure of stability. During 1966-67, which was a drought year, wholesale prices increased by 16 per cent. They rose further by 11 per cent next year. However, they were relatively stable during 1968-69 on account of the substantial increase in foodgrains production. Thus the conditions augured well for a fresh phase of stable growth.

The economy was expected to achieve an overall annual increase of 5.5 per cent in total production during the Fourth Plan. Consistent with this overall rate of growth, agricultural production was expected to rise at an annual average rate of 5 per cent while industrial production at about 9 per cent. It was estimated that aggregate savings would rise from 8 per cent of the national income in 1968-69 to 13.2 per cent in 1973-74. A significant increase in public savings was expected. From 1.4 per cent of the national income in 1968-69 they were estimated to rise to 4.5 per cent by the end of Plan period. A total outlay of Rs. 24,882 crores was envisaged for the Fourth Plan. Of this Rs. 15,902 crores were in respect of the public sector plan and Rs. 8,980 crores for the private sector. Public sector outlay consisted of Rs. 13,655 crores of investment and Rs. 2,247 crores of current development outlay. Thus the total investment in the economy during the five years of the Plan was estimated at Rs. 22,635 crores. The scheme of financing was envisaged to be non-inflationary since the Plan only provided for Rs. 850 crores by way of deficit financing.

The Plan started off on an optimistic note. Against the projected overall rate of growth 5.5 per cent per annum, the economy experienced a rate of growth of 5.2 per cent in 1969-70. Soon, however, the deceleration set in. The growth rate fell to 4.2 per cent in 1970-71 and plummetted to 1.7 per cent in 1971-72 and 0.6 per cent in 1972-73. The year 1970-71, however, recorded the highest ever production of foodgrains of 108 million tonnes but the rate of growth was depressed because of the poor showing in mining and manufacturing and transport sectors. In 1971-72, on the other hand, the rate of growth of industrial production picked up but was offset to some extent by a sharp setback and overall decline in agricultural output. This trend was further reinforced in 1972-73 while the industry showed a further modest improvement.

Agriculture had a very bad year on account of widespread drought. It is estimated that the rate of growth recorded during 1973-74 was around 4 per cent which was mainly accounted for a revival of agricultural production. The improvement in agricultural production in the terminal year of the Plan must, however, be viewed in the context of two bad years.

In fact, the level of output in 1973-74 did not even reach the level attained in 1970-71.

In respect of savings and investments also, the tempo does not seem to have been sustained after the initial recovery registered during the early years. Both savings and investment in the economy seem to have reached their peak levels in 1965-66. After that the savings ratio tended to decline in 1969-70 when it picked up again and is estimated to have reached the level of 11 per cent in 1971-72. Probably there was some further increase in the ratio in 1972-73. The ratio of net investment to net domestic product at market prices reached 14.7 per cent in 1965-66. Thereafter, it declined to 10.8 per cent in first year of the Plan. The fall in the investment ratio during this period was steeper than the fall in the savings ratio because of the simultaneous decline in net inflow of foreign resources. There was, however, an increase in the investment ratio after 1969-70 and it reached the level of 12.2 per cent in 1970-71. It is estimated to have remained stable at this level in 1972-73. It is unlikely that it would have improved in 1973-74.

It can be observed from the annexed Table that there were serious shortfalls in the Fourth Plan in regard to the achievement of the various targets. In spite of the improvement in agricultural production in 1973-74 the output levels in most cases were not significantly different from the corresponding levels in 1970-71. This constitutes a cause for serious concern. It has been observed that while the growth of productivity in the case of wheat has slowed down, there has been no acceleration in the productivity of other foodgrains. The new high yielding varieties of seeds have not so far made any significant impact on the production of rice and coarse grains. There has also been no breakthrough in the production of oil seeds and pulses.

In the industrial sector, performance in certain critical areas such as steel, power and fertilizers was particularly unsatisfactory. Apart from normal factors like inadequate availability of raw materials, transport bottle-necks, labour unrest and low level of industrial investment and management problems which have restrained industrial activity in the recent past, there has been widespread shortage of power during 1973-74. Inadequate maintenance and insufficient attention to operational efficiency in generation and transmission of power have been the major causes of fall in power production.

These crucial shortfalls combined with large non-developmental expenditure which the Government had to incur on account of Bangla Desh and famine relief exerted continuous strain on prices. While prices rose on an average by 7.8 per cent in 1972 the wholesale price index went up by as much as 19.2 per cent in 1973. The rise in prices during 1973 was led by the prices of food articles and industrial raw materials, but in the middle of 1973 prices of manufactured goods emerged as a more important factor in price inflation. Prices of both intermediate products and finished products increased substantially during the period. The prices of intermediate products increased partly because of a steep increase in international prices of non-ferrous metals as well as due to a substantial increase in the prices of iron and steel. The energy crisis leading to sharp increase in imported oil prices added a fresh and substantial dimension to the price problem.

On the balance of payments front the performance of the Plan presented once again a mixed picture. A bright spot in the picture was provided by buoyancy in our exports witnessed during the second half of the Plan period. Exports increased by about 22 per cent in 1972-73 and by about 24 per cent in 1973-74 as against the increase of only 4.8 per cent in 1971-72. So far the year 1974-75 points in the same direction. There is no doubt that certain special factors have played their part in what would appear to be a piece of very impressive performance on the export front. It cannot, therefore, be taken for granted that a break-through has been achieved on the export front. However, as a result of current world inflation and consequent increase in wage levels in developed countries, our competitive strength in a number of manufactured commodities has increased.

The imports fell by 1.5 per cent in 1972-73, but there was a spectacular rise of over 45.0 per cent in 1973-74 mainly because of the very sharp rise in prices of such items as crude oil, non-ferrous metals and foodgrains. As a result, the balance of payments position is under considerable pressure.

Recent developments in the international economy have to be viewed alongside with a sharp increase in the domestic price level. There is no doubt that the economy is at present under severe strain. The improvement in agricultural production has followed two successive lean years. The rising trend in our exports is certainly an encouraging factor in the situation but by itself may not be adequate to cope up with the balance of payments problem. We need a sharp increase in production to tide over the present difficulty. An encouraging factor is the improvement in the working of some of the major public sector undertakings. However, there is still considerable unutilized capacity in some major public sector undertakings such as steel and fertilizers. These represent important potentialities that need to be tapped effectively.

As a result of the uncertainly created by the unfavourable developments mentioned above, finalization of the Fifth Plan has so far been held up. Draft Plan has been formally inaugurated and is being implemented through Annual Plans. Decision relating to the finalization of the Fifth Plan will have to be taken fairly soon. There is little justification for any talk about a plan holiday. Those who argue in favour of withholding the Fifth Plan till such time as normal conditions are restored may be taking an unduly short-sighted view of the planning process, while there is no doubt that no effective planning is possible unless a certain measure of economic stabilization has been achieved.

A balanced view will need to be taken which will combine the short term imperatives of the situation with the requirements of medium and long term growth as worked out in the Draft Plan.

III. An Assessment

In the light of the review of performance of development Plans so far, an overall balance sheet of successes and failures may now be attempted. On the success side one can point out that India has recorded substantial increases in the production of foodgrains. The rate of growth in the output of foodgrains in the last 20 years has far exceeded the compound rate experienced in the preceding half century. Similarly an enormous degree of diversification of the industrial base has been achieved during these years. Coupled with this there has been considerable expansion of infrastructure in terms of transport, general education as well as in technical education. In spite of all these achievements, it has to be admitted that improvement in the living standards of the general population leaves a great deal to be desired. This is particularly true with respect to production of essential commodities that sustain life for the vast masses of the people as well as their ability to appropriate to themselves a significant share of the incremental output.

Many of the failures of Indian planning are ascribed by some to the wrong strategy and priorities adopted by the planners. It may, however, be pointed out that the basic strategy of planning in this country has stood the test of time. If an impression still persists that these failures have been due to wrong objectives or strategy, it is mainly because of misunderstanding of certain essential problems inherent in the business of Plan formulation and implementation in a developing economy which has accepted the political framework of democratic planning.

It is, for instance, argued by some that Indian planning was concerned more with growth than with the redistributive aspect with the result that the latter has suffered grievously in the process. It has been made abundantly clear in the foregoing discussion that the Five-Year Plans were never designed to achieve the maximum rate of growth of national income nor were they fashioned in such a way that one could expect a radical transformation of the society in terms of property relationship within a specified time range. Indian planning has always had a variety of objectives before it, which included things such as a rapid rise in the level of national income, deconcentration of economic power, balanced regional development and wider diffusion of social services, such as education and health.

It will be, therefore, appropriate to review the progress of planning in India with reference to these various objectives. While any proposition involving the rate of growth over a long period of time is beset with many difficulties, quite apart from the fact that no single rate of growth in itself can measure the production performance of an economy, the Indian Planning has been only a modest success in terms of the recorded rate of growth. The rate of growth over the planning period as a whole has been below 4 per cent. Judged by the fact that population has been growing at a rate somewhat above 2 per cent it is quite clear that per capita income has increased at very modest rate. It is only when one takes into account significant increases in the industrial potential created by the large scale investment in strategic sectors that one can say that a basis has been laid for sustained growth in the future. Similarly in agriculture the rate of growth has been subject to considerable vicissitudes and the compound rate of growth on a long term basis has not exceeded 3 per cent. Moreover, there have been distinct phases in the growth experience of the country. Income from agriculture and allied activities increased at an annual rate of 2.8 per cent where as industry including construction, electricity, etc., increased at a rate of 6.5 per cent over the period 1950-71. Within the category of industry, large scale manufacturing increased at the rate of 7.4 per cent whereas electricity grew at the rate of 12.6 per cent. Gross production levels for the industrial sector naturally increased at faster rates. From 1965-66 onwards the growth process has been subject to considerable fluctuations in terms of the rate of growth and, in the case of agriculture, in terms of absolute levels as a whole. These fluctuations can be seen for a few major sectors from the following Table :

TABLE I

Income by Industrial Origin

(Rs. Crores at 1960-61 prices)

	1964-65	*1965-66*	*1966-67*	*1967-68*	*1968-69*	*1969-70*	*1970-71*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Agriculture	7747	6695	6675	7791	7803	8195	8633
2. Mining and manufacturing	3010	3058	3136	3210	3342	3514	3656
3. Electricity, gas and water supply	146	161	175	195	221	242	261
4. Construction	777	744	771	846	820	875	927

It is interesting to analyse the trends in sectoral productions, as revealed in the above Table. First, change in agricultural production in a downward direction have influenced activities in other sectors to a great extent. Secondly, revival in agriculture has not had as much of a trigger effect on the rest of the economy as one would have predicted. Thirdly, economic policy has not been able to offset the outside disturbances which have been fairly pronounced over this period. And lastly the average rate of growth of agricultural output as a whole has not been significantly different during the last 7 or 8 years as compared with the earlier decade and a half.

The story of savings and investment is no different. There has been a retrogression from 1964-65 onwards in the rate of savings and investment. Leaving out the year 1965-66, which was somewhat unusual, net domestic saving as a percentage of net domestic product was 9.8 per cent in 1964-65 whereas in 1970-71 it was only 8.6 per cent. It is clear from these figures that the revival of national income in recent years has been accompanied by a falling saving-income ratio.

What are the reasons for this complex situation ? Analysing the economic factors, the major factors in the situation appear to be the shift in the distribution of income from urban to rural areas, growth in public consumption and failure of the fiscal system to mop up the extra incomes generated. There are critics who are inclined to put the blame on the strategy for industrialization that was adopted at the time of the Second Plan. There is no clear and comprehensive study by the critics which show that a different strategy for industrialization would have served our needs better. It is not clear that the planners had chosen an inappropriate product for the economy. The argument that there has been a relative neglect of agriculture is not borne out by statistical evidence that we have at out disposal.

It has been observed earlier that agriculture enjoyed increasingly high priority in the First Three Plans. In recent years the urgency to increase agricultural production has further increased and the importance of this has been recognized by the planners in as much as the farmer is guaranteed of minimum prices, high yielding seeds, adequate fertilizers, and irrigation facilities. A break-through has been achieved in wheat cultivation with the introduction of the high yielding varieties. This has removed the limitations set by the existing crop varieties to the package programme introduced in the early sixties. The new strategy in agriculture is concerned not only with higher yield, but with greater intensity of cropping. Entirely new crop relations have been made possible by the development of short duration varieties of paddy, maize, *jowar* and *bajra*. The new multi-cropping programme was introduced in 1967-68 and has been strengthened from year to year. Agricultural technology as a major input of agriculture production has received special emphasis. During 1951-69 the total public expenditure on agriculture and allied services amounted to Rs. 4930 crores out of a total of Rs. 21,892 crores. In addition, there was sizeable private investment. The significant expansion in agriculture inputs during the last two decades is evident from the following Table:

TABLE II

Progress in Use of Agricultural Inputs

		1950-51	1960-61	1968-69	1973-74
1. Nitrogenous (N)	'000 tonnes	55	210	1208	1835
2. Phosphatic P_2O_5	,,	neg.	70	382	634
3. Potassic K_2O	,,	nil	26	170	314
4. Plant protection	'000 hectares	n.a.	6400	27800	60594
5. Tractors	'000 nos.	8.6	31.0	91.0	203.0
6. Power tillers	,,	nil	nil	6.0	10.0
7. Pump sets (electric)	,,	18.7	191.9	1088.7	2439.0
8. Pump sets (Diesel)	,,	65.8	230.0	837.0	1510.0
9. Short and medium term loan	Rs. crores	22.9	203	504	750
10. Long-term loan	,,	1.33	12	148	200

As a result, significant improvements in production and productivity have been achieved during the last two decades. The improvements in production and productivity are brought out in the following Table:

TABLE III

All-India Compound Rates of Growth of Agricultural Production, Area under Crops and Agricultural Productivity during 1949-50 to 1968-69

(per cent per annum)

Crop (1)	*Production* (2)	*Area* (3)	*Productivity* (4)
1. Rice	3.02	1.22	1.78
2. Wheat	4.20	2.26	1.90
3. Cereals	3.00	1.17	1.82
4. Pulses	1.16	1.26	(−) 0.10
5. Foodgrains	2.79	1.19	1.65
6. Oilseeds	2.86	2.31	0.53
7. Cotton	3.93	1.91	1.98
8. Jute	2.29	2.03	0.27
9. Fibres	3.49	1.94	1.52
10. Non-foodgrains	3.18	2.19	0.97

It can be seen that aggregate agricultural production rose at an average of 2.92 per cent per annum, foodgrains at 2.79 per cent and nonfoodgrain crops at 3.18 per cent. Over half of the increase in total crop production was derived from higher yields per hectare. The remainder represents the contribution of area growth estimated at about 1.37 per cent per annum. Judging by the relative movement of area and production in the last few years there would appear to be a marked deceleration in area growth. As regards yield rates, there seems to be a significant difference between food and non-food crops. Even among the foodgrains the output of pulses has increased only about less than half as fast as that of cereals. What is more disturbing is the decline in the average output of pulses per hectare.

Critics have also found fault with the policy of import substitution *vis-a-vis* export promotion. The import substitution pattern of development, where the growth of so-called heavy industries has played an important part, has been criticized as being especially expensive. It is argued that if the same amount of investment had been used for developing industries with high potential for exports, the resulting allocation would have proved much more beneficial for the economy. On the abstract plane, such an argument is maintainable if it could be assumed that the basic aim of the Indian planners was maximization of current level of consumption. However, given the fact that Indian planning had a multiplicity of objectives before it, which included among other things, a desire for self-reliance with a need for a structural transformation of the technological base, the purely abstract argument does not clinch the issue.

If the progress towards self-reliance appears tardy and insubstantial, the reason does not seem to be that the basic strategy in this regard was faulty. This must be attributed to three factors : (1) misdirected investments in the private sector; (2) failure of public sector projects to materialize as planned; and (3) changing needs of the economy, particularly in respect of sophisticated equipment and materials, and inadequate progress in catching up with advancing technology. It was expected that the country's capability of meeting its investment requirements through import substitution, internal surpluses and export earnings would be adequately developed to eliminate or substantially reduce the balance of payments deficit. However, today we have on hand substantial unutilized capacity in the heavy investment sector. Failure to adopt proper maintenance practices; disturbed labour relations and lack of co-ordinated development in different sectors have been responsible for this phenomenon. As a result, the economy is facing serious shortages of steel, power, fertilizers, cement and non-ferrous metals which have enlarged the balance of payments gap beyond the unavoidable level. The encouraging spurt in non-traditional exports has received a setback because export availabilities have been reduced by scarcity of key raw materials which were expected to be produced by the core sectors.

With regard to the problems of balanced regional development, it must be admitted that the Indian planners did not operate on the basis of a well-formulated strategy in this regard. The absence of a strategy has been particularly conspicuous with respect to the location of industrial projects and the highly selective nature of the growth process initiated in agriculture. There is no doubt that the existing disparities with which the era of planning began have been changed in the course of the planning process. Whether this has led to an accentuation of the index of regional inequality compared with the base level, is not, however, clear. Even then, it is necessary to be extremely careful in this respect, from a long range of point of view. It can be seen from the following Table that more recently certain States have grown much faster than the others, a process which does not appear to have been reversed even according to the latest indications.

TABLE IV

Disparities in Per Capita Income in Different States

[Rs. current prices]

	1964-65	*1969-70*
Punjab	575	1002
Maharashtra	526	756
Gujarat	523	740
Haryana	504	902
West Bengal	498	706
Assam	441	586
Andhra Pradesh	438	544
Tamil Nadu	434	591
Karnataka	420	571
Kerala	393	643
Uttar Pradesh	376	497
Madhya Pradesh	373	495
Rajasthan	336	478
Orissa	347	545
Jammu and Kashmir	141	503
Bihar	229	402

It is difficult to assess objectively the performance of the economy with regard to the objectives of reducing concentration of income, wealth and, more generally, economic power. It may, however, be instructive to make a selective survey of trends perceptible in certain vital sectors. In the agrarian sector, the role of non-functional intermediaries like the zamindars has been considerably reduced. In regard to the tenancy legislation, the net gain for the under-privileged sections does not seem to be significant. Much of the tenancy has gone underground. Two types of tenancy changes have been observed, one from the 'big'. Usually the poor have gained much less than the rich in the process of leasing out land. In the wake of the Green Revolution, insecurity of tenancy seems to have increased resulting in a considerable number of cases of eviction. There has been some increase in capitalist farming, though its nature and scope would appear to be limited. The relatively slow growth of non-agricultural economy has only further led to the pressure on land, increase in gross sown area has not led to any reduction in the numbers seeking jobs on the farms since the benefits of irrigation facilities, especially irrigation water available from private sources, have mostly gone to the richer farmers. The initial beginning in the direction of mechanization of agriculture has further accentuated the problem of pressure on land.

Summing up, one can say that though there have been some significant structural changes resulting in a considerable increase in agricultural production, there does not seem to have been any material change in the distribution of incomes or wealth in rural India. Probably this observation might have to be modified with reference to different periods. For instance, in the initial decade of planning, with the abolition of intermediary tenures and a step-up in public investment in agriculture, there was some improvement in the distribution of income and wealth in favour of the poorer sections. From the middle sixties, however, there has been considerable private investment supported by liberal Government credit to the more well-to-do sections of the rural society. This seems to have resulted in the accentuation of economic inequality.

In regard to the distributional issues connected with the industrial sector, there are several inter-related problems. There has been considerable public discussion about the increasing economic power of the large business houses. Several commissions and committees have looked into this matter in some detail. One factor contributing to this phenomenon of the big becoming bigger, it is stated, is that in the very process of planning there is an accentuation of disparities. It is quite clear that the system of industrial licensing that has been operated has proved neither particularly efficient nor egalitarian. However, in carrying out a complete assessment of this situation it is very important to keep in mind a few related phenomena. First of all, one should remember that the whole structure of institutional finance has altered in the course of the last two decades of planning. This indicates significant possibilities for achieving reduction in concentration of economic power. Secondly, the scope of the public sector has expanded considerably. With better management and an improved framework for decision making in public enterpsises, the public sector can play an important role in the economy which it has not done so far. Thirdly, if the rate of growth of output in the core sectors in the economy can be stepped up, small scale sector can play a very important role in generating additional income and employment to a larger number of people.

In the field of education we now have a pool of well qualified and technically trained personnel. In recent years certain categories of skilled manpower have had great difficulties in securing jobs. Some others have placed the blame for this on faulty planning in this sector. However, a large part of this criticism would appear to be misplaced. The emergence of unemployment in this area is very closely co-related with the slowing down of the rate of growth of industrial production. Mistakes in demand forecast can be largely explained by a series of decisions taken in sectors which lie outside the educational system. There are, however, some very glaring failures in the field of education. The Constitutional Directive regarding universal elementary education has not been fulfilled, even after 25 years of independence. The rate of growth of literacy has been lower than the rate of growth of population with the result that there is an increasing number of illiterates in the country. The rate of growth of enrolments at higher levels of education has exceeded the rate of growth at lower levels which has affected the structure of the educational climate adversely, given the fact that higher education is meaningful only if sufficient quality is maintained. There is a large degree of wastage and stagnation in the educational system. And, finally, the whole process of educational expansion has been marked by an indiscriminate use of subsidies much of which has accrued to the more affluent sections of the community. The total result of this has been that the contribution of the educational sector towards the equalization of economic and social opportunities has been very modest. It is, however, necessary to recognize one significant change brought about by the educational expansion. The closely-knit largely Anglo-Brahminic elite of the pre-independence era has now been replaced by a somewhat wider elite which includes more affluent sections of our rural society.

However, it is also quite clear that despite this wider coverage of the education system vast masses of our population have so far remained untouched.

Some of the significant achievements and major changes affected by last two decades' planning may now be summed up. While there has been a long shadow between plans and performance, there have been basic changes in our economy and in the social structure which have been brought about by planning. New production relationships have emerged coupled with the emergence of new skills and new focal points of power. There is also no doubt that the Indian economy today has a structural composition which can in principle lead to better performance in the future. In spite of this, if our survey indicates that Indian planning has met with only limited success, it is necessary to discover the reasons for it. There are two possible inferences that can be drawn. One is that Indian planners have been unrealistic in setting the targets and the other is that Indian planners have not been able to devise a set of instruments which would be adequate to meet these targets. These two explanations are by no means exclusive. In fact, it may be more reasonable to argue that deficiencies of the Indian planning process have arisen from the joint operation of both these factors. It would, however, appear that the deficiencies would appear to be more due to the failure to develop appropriate instruments than to the inherent infeasibility of the targets.

On the side of target setting, Indian planning has suffered from two basic defects. Given the multiplicity of objectives, there has been no clear ranking of these objectives, which has resulted in somewhat contradictory set of policies being attempted at least on occasions during the planning period. As a result, concessions and compromises have been made without any compensatory advantages. Moreover, there has been frequent failure to distinguish between targets and instruments within a given context of decision-making.

As regards the choice of instruments, Indian planning seems to have largely relied on certain financial allocations sector-wise, fortified by a mass of administrative decisions. These are fairly blunt instruments if one would consider the nature of the job that was being attempted. Certain studies dealing with the magnitudes of low-end poverty in the country have helped us to realize how inadequate our instruments have been when it came to having any impact on the conditions of living of the people. Some people have drawn the conclusion from these studies that the investment allocations ratios adopted in the course of the different Plans have been basically misconceived. This does not seem to be the case. What appears to be the position is that for carrying out adequate planning in a mixed economy we have hardly developed mechanisms to influence the production and distribution decisions within the private sector so that they conform to the national priorities. This failure is very serious considering the crucial role the private sector plays in the national economy.

The failure of the planners to devise appropriate instruments may be ascribed to their inability to identify the levers of change in terms of an appropriate set of institutions. Given the nature and magnitude of the job that has been attempted, it is rather remarkable to observe the very cursory analysis that Indian planners and policy makers have carried out in appraising the suitability of alternative institutional arrangements. This would be true whether one talks of education or fiscal policy or the management of public enterprises.

IV. The Prospects

The Fifth Five-Year Plan, 1974-79 : Our analysis in the preceding sections has shown that despite some growth and considerable diversification in the structure of production, living standards have not risen commensurately. Part of the explanation no doubt lies in the acceleration of population growth. But in part this has been due to the adoption of the aggregative approach in terms of growth rates. The Draft Fifth Plan has tried to evolve a somewhat more disaggregative approach by proposing a simulatenous attack on under-development and inequality. The latter aspect is as important as the first one as the perspective Plan contained in the Fourth Plan document made quite clear. It was estimated at that time that if gross national product during the Fourth Plan grew at a compound rate of 5.5 per cent followed by a compound rate of growth of 6.2 per cent over the period 1974-75 to 1980-81, the per capita consumption of the second poorest decile of the population would rise to Rs. 27 per month (at 1968-69 prices) by the end of the period. Thus even a fairly high rate of growth sustained over a dozen years would not lift this section above what was described by an earlier committee as the "poverty line". It would, therefore, follow that if poverty is to be removed in any significant way, measures promoting equality have to be undertaken and intermeshed with the growth process itself.

On the growth side, emphasis has been laid on a step up in the rate of growth of agricultural production, in power generation, and in production of steel and non-ferrous metals. Mass consumer goods industries have been envisaged to expand with a view to securing a better balance between demand and supply. To promote self-reliance in the energy sector, a very sharp increase in the level of coal production has been envisaged.

On the distribution side, a three-pronged attack has been contemplated involving the generation of incomes, accrual of incomes and the channelization of a mobilized part of additional incomes into savings, more especially into public savings. From the point of view of generation of incomes, it is quite clear that no substantial improvement in the level of living of the poorest 30 per cent of the population is possible unless the strategy for increasing agricultural production is so conceived as to benefit the small farmers and agricultural labourers.

Specific schemes have been worked out in the agriculture plans to bring about the desired increase in the income levels. These include schemes for drought prone areas, schemes for development of animal husbandry and fisheries, schemes for sericulture and schemes for small farmers and marginal farmers which would help in substantially increasing the income levels of 26 million households in rural areas. All these schemes emphasize the fact that without an increase in the production base of small and marginal farmers, it is not possible to increase their income. Accordingly, these schemes are not to be viewed as so many programmes of social welfare but should be viewed as an integrated attempt to increase the volume and the share of output of these categories of *population* through planned provision of necessary credit infrastructure and other organizational facilities.

Land reforms can help the cause of income distribution to great extent not merely through improving the share of the cultivators in total produce but also through increasing the total produce itself. For this purpose land reforms should be conceived as integral to programmes embracing measures relating to credit flows, marketing of produce and distribution of essential inputs. Modern agricultural technology can be adopted regardless of the size of the operational holding and, provided credit and other facilities are made available, a small farmer can be enabled to improve his productivity considerably. Improvement of tenurial conditions is another important instrument leading to both higher output and better distribution of the gains of such output. While efforts have been made in this respect in the past, there is sufficient scope for further action.

Larger employment and income to the poorer sections of the population will not be enough to ensure them a minimum standard of consumption. It will, therefore, be necessary to supplement these programmes by providing social consumption, at least upto a minimum standard, in the form of education, health, nutrition, drinking water, housing, communications and electricity. This is how, then, emerges the rationale of the National Programme for Minimum Needs.

While employment programmes and land reforms are likely to generate a more balanced distribution of incomes by different size classes, fiscal policy assigned an important role in checking concentration of incomes at the accrual stage. In addition, public distribution of essential commodities has been visualized to prevent the possibility that real consumption of the poorer sections can fall as a result of failure of production to come up to the requisite level. Special measures have been contemplated which make savings more attractive on the margin than consumption.

Inflow of net aid has steadily declined during recent years. The objective of self-reliance will be carried a step further during the Fifth Plan by reducing further the economy's dependence on foreign aid. This would be in keeping with the objective of dispensing with gross concessional aid altogether.

The maintenance import requirements of the economy have been steadily increasing over the years. The major items in this regard are fertilizer and fertilizer materials, chemicals, non-ferrous metals, special varieties of steel, components and spare parts of machinery. It is estimated that of the estimated imports during the Fifth Plan period about 80 per cent will be on account of maintenance needs of the economy. Import substitution, thus, becomes a crucial factor in the speedy realization of the goal of self-reliance. It, therefore, becomes of supreme importance that the production targets in agriculture and mineral and industrial sectors are achieved according to schedule. Non-essential imports must be cut down to the minimum.

By developing domestic production, it may be possible to altogether avoid imports in some cases, such as, most categories of mild steel, nitrogenous and phosphatic finsihed fertilizers and many items of plant and equipment and reduce and restrain them in other cases like non-ferrous metals. There would also be cases where the requirements can be met by domestically produced substitutes, as for example, coal and hydro-power may be substituted for imported liquid fuels and aluminium for imported copper. Restructuring of the energy base of the economy has become extremely urgent in view of the energy crisis. All opportunities, for economy, and import substitution must be availed of if the balance of payment problem is to be kept manageable. This would be a major thrust of policy during the coming decade.

Given the size and diversity of our resource endowment, import substitution and export promotion can be regarded as complementary objectives. In fact, certain major areas, such as steel and aluminium are prime examples of the complementary nature of these two objectives. It makes considerable economic sense to argue that India should concentrate its efforts on exporting finished steel rather than iron ore. In fact, in the growth profile of the Fifth Plan as well as in the perspective Plan such a possibility has been visualized.

The import substitution contemplated in the Fifth Plan is selective and not indiscriminate. In the past, the cost of domestic manufacture has sometimes been inordinately high compared to the landed cost of similar items. In such cases, import substitution may lose much of its significance, if the cost level cannot be brought down quickly. In the Fifth Plan, the main thrust for import substitution has to be in the fields in which the country is favourably placed for production at reasonable cost. In the past, in several cases, an industry initially nurtured through the policy of import substitution, has in due course acquired a level of efficiency that enabled it to grow into an export industry. Import substitution policies for the Fifth Plan will have this perspective. This means that cost and quality must be given as much attention as the quantity of production.

It has been found that a lower rate of growth does not involve commensurate relief on the balance of payments account. This is because the impact of a lower rate of growth falls more than proportionately on certain basic industries when the degree of manoeuvreability on the balance of payments front is very limited because of the heavy debt service obligations and the needs for maintenance imports which are crucial for the economy. Import substitution through fuller utilization of existing capacities and creation of necessary capacities therefore assumes great importance.

While import substitution is going to remain an essential ingredient of our policy, it is quite clear in view of the increased costs of liquid fuels and other essential inputs such as fertilizers, export promotion must be given a very prominent place in the strategy for self-reliance.

What is urgently called for is a comprehensive review of export policies and potential so as to impart the necessary dynamism to our export effort. Industries producing luxury goods constitute sizeable constraints on our foreign exchange and domestic resources. However, the existing capacities in these industries cannot be scrapped without causing unemployment at least during the transition period. Effort, therefore, must be made to utilize them for export purposes as far as possible.

The rate and pattern of growth for the Fifth Plan follows from the objectives and strategy of the Plan. After trying out several variants, the Planning Commission has adopted the one providing for a 5.5 per cent average annual rate of growth. The composition of growth has been worked out on the supply side by postulating a reduction in the inequality of consumption. The extent to which the reduced inequality level will be realized depends not only on our ability to produce the needed quantities on the margin but also, as mentioned earlier, in generating additional incomes in the hands of the poorer sections of the community.

The Plan takes note of some special problems and makes provision to tackle them. The backward and hill areas present in essence a problem in area development and call for an area approach. It will be our effort in the Fifth Plan to formulate integrated development programmes for these areas. The National Programme for Minimum Needs will have to be integrated with the overall programme. Institutional arrangements for integrated development programmes for backward areas as well as their mode of financing are being worked out. Since the primary responsibility for developing the backward areas lies with the States, they are taking steps to strengthen the machinery required for undertaking this responsibility.

The Fifth Plan will seek to intensify the efforts for the development of the backward classes. It will lay emphasis on the role of the "general sector" in providing major development programmes for these classes. Priority will be accorded to these classes in the implementation of the National Programme for Minimum Needs. The Plan will provide for integrated child care services to the most needy families. There will also be programmes to improve the competitive capability of talented students. The working and living conditions of those engaged in unclean occupations would receive priority. Areas with concentration of tribal population will receive special attention.

There is need to attain and maintain a reasonable balance as between wages, prices and incomes. With this in view, the scheme of financing seems to avoid generating excess demand. The provision for deficit financing would be restricted to a level only where money supply would not exceed the requirements of the economy arising from growth in real terms. As mentioned already, an adequate public procurement and distribution system for assured supplies of essential consumption goods, at least for the poorer sections, at reasonably stable prices is envisaged.

A sensitive area in regard to the problem of stabilization of prices is the one relating to agricultural production, particularly food. It has been our experience in the past that even a marginal surplus or deficit may make all the difference between adequacy and scarcity. The reasons for this are not far to seek. Nearly 60 per cent of total household consumption and 85 per cent of the commodity consumption of households is comprised of agricultural products or manufactures based on agricultural raw materials. Data from the N.S.S. suggest that the overall elasticity of demand for food products is quite high. The prospect of achieving the projected growth in incomes under conditions of stability is almost entirely the function of the prospects of growth of agricultural production and the skillful management of the available surpluses.

While agriculture has enjoyed a high priority in our Plans, the importance and need of continued emphasis on agriculture in the coming years is only too obvious. In the meanwhile, however, the problem of management of food and other agricultural surpluses becomes extremely important. We must build up effective procurement and distribution system for the foodgrains. It will be necessary to give adequate attention to the difficulties of feeding the distribution system even in a lean year.

It will be necessary to ensure that rises in wages, unrelated to improvement in productivity, will not be allowed. It will be necessary to evolve an equitable national wage structure covering the public and private sectors. It will be necessary to enforce proper discipline on those who draw their income from property and enterprises, particularly with a view to checking conspicuous and inessential consumption. The prices-wages-income policy has to be viewed as a consistent whole.

Indian planners have recognized from the beginning that science and technology have a major role to play in the transformation of the economy. Development is a process of utilizing more and more effectively resources of the community in the achievement of the socio-economic objectives. These resources are partly given by nature, but they have to be transformed by the application of new skills and technical know-how. In a sense these skills and know-how are more important than even capital formation proper. A continuous and progressive increase in the conditions of living of the people presupposes not only more effective utilization of known resources and better application of known techniques, but it also calls for increasing search for discovery of new resources and adoption or development of new productive techniques.

Some economists, notably Kuznets, have maintained that the most important single factor contributing to economic development is the community's readiness to develop and apply modern technology to processes of production. Advances in this field are taking place rapidly and they are of direct significance not only to the organization of production, transport and other economic activities but also to the wider issues relating to economic and social organization. Under-employment is from one point of view a consequence of insufficient technological progress and adaptation. Countries which start late in industrial development have this advantage in that they have to tap, so to say, the technology already developed in the advanced countries, but there is need for keeping abreast of the latest developments and for continuous innovation to adapt the technology to the needs and conditions of developing countries of today.

Investment in scientific research, therefore, becomes an important prerequisite for ensuring speedy development. That is why the successive Five Year Plans made steadily increasing allotments for scientific research and development of technology. Through improvement in agriculture, medical and health facilities, techniques of locating and processing raw materials, providing substitutes and evolving new materials, appliances and techniques for industry, transport, power communications and other essential utilities, investment in research yields a return many times more. This has been abundantly proved by the results of research in high yielding varieties of crops. It will be only through a technological breakthrough in rice production and techniques of dry farming that a real agricultural revolution can be achieved in the Indian economy.

In the context of the urgency to achieve the objectives of self-reliance and social justice, the need for rapid strides in science and technology is only too obvious. Although scientific research has been a part of national planning during the last two decades, the efforts so far have been rather limited. The goals of Research & Development programmes and projects have often not been derived directly from the technological needs of development projects. At the same time, the scope of science planning has not covered the whole of the 'innovation chain'. As a result, successful research results at the laboratory level have often failed to be linked to such elements as pilot plan work, design engineering, plant erection and commissioning and marketing which are essential if a nation is to secure real and substantial benefits from science and technology.

It is for this reason that in the Fifth Plan for the first time a comprehensive science and technology plan covering the entire economy has been prepared as an integral part of the Plan. The National Committee on Science and Technology was set up to undertake the task of formulating the programme content for such a Plan, as also advising Government on the policy framework, organizational and managerial structure and other measures needed for its implementation. The science plan is not a plan merely for education and research but a plan to harness science and technology for achieving the goals and programmes of the Fifth Plan. The basic objective of the science and technology plan is to support the drive for self-reliance in the core sector of the economy such as, agriculture, energy, mining, metallurgy, heavy engineering and chemicals ; to make further progress in areas such as atomic energy, space and electronics and to contribute to meeting the basic needs of the people such as housing, health and education.

Great stress will be laid on proper and effective implementation of plan programmes and policies. We have to improve the performance of the administrative apparatus, to avoid delays and to cut out waste and to stop leakages. Special attention will have to be given to project formulation. Lack of well formulated projects has been one of the serious handicaps in the fulfilment of the Fourth Plan production targets. There has to be a greater utilization of capacity and urgent steps will have to be taken to correct the persisting imbalances and inter-sectoral distortion in the economy and for better maintenance of plant and equipment. The delays and inefficiency have been found to be due to inadequacies of management and lack of harmony in industrial relations. This is true of both the public and private sectors and their operation calls for marked improvement.

The objectives and strategy for the Fifth Plan call for considerable work towards evolution of a policy-frame for the successful implementation of the development programmes. A detailed policy-frame covering agricultural policy, policy for resource mobilization and for achieving regional balance in development is being worked out.

The Long-Term Perspective : 1974-86. The Fifth Plan has been formulated in the background of a long-term perspective extending to 1985-86. The perspective plan envisages a rate of growth of 5.5 per cent in the Fifth Plan, 6 per cent in the Sixth Plan and 6.2 per cent in the first two years of the Seventh Plan. The sectoral rates of growth have been worked out keeping in view, the priorities of sectoral outputs in final demand and the feasibility of domestic production at economical costs which in turn depend upon resources endowment and the market conditions. As a result of the differential sectoral growth rates, there would be a structural change, even if on a modest scale. The share of mining and manufacturing in the gross domestic product is expected to improve from 15.39 per cent in 1973-74 to 19.98 per cent in 1985-86; of electricity from 1.13 per cent to 1.79 per cent; of construction, from 5.62 per cent to 7.75 per cent; of transport from 4.42 per cent to 4.56 per cent, and of services, from 27.70 per cent to 30.39 per cent. As it should happen in the course of development, the share of agriculture and allied sectors would decline from 45.76 in 1973-74 to 35.73 per cent in 1985.86. This is fully in line with the experience of the developed countries in comparable stages of the development.

The population growth is one of the most crucial variables influencing the rate of growth in per capita income. On certain assumptions in regard to the success of the family planning programmes which will require substantial organizational efforts in themselves, the total population has been estimated to increase from 547 million in 1971 to 581 million in 1974 and 705 million in 1986. The increase in population in the 12 year perspective period has thus been estimated to go down from 35.57 per thousand during 1971-76 to 29.57 during 1976-81 and further to 24.82 during 1981-86. As a result of the expanding public health programmes and improvement in the standard of living of the people, the death rate is also expected to go down from 15.23 per thousand during 1971-76 to 12.8 during 1976-81 and 11.14 during 1981-86. As a result of the comparatively steep fall in the birth rate, the growth rate of population is, however, expected to decline from 2.03 per cent per annum during the first period to 1.68 during the second and finally to 1.37 per cent in 1981-86.

As a result of the decline in the birth rate, there will be an improvement in the age structure of population. The progressive decline in the share of 0-14 age group from 41.4 per cent of the population in 1971 to 33.3 per cent in 1986 will mean a welcome reduction in the dependency ratio which will have a beneficial impact on the living standards and capacity to save. The age group 5-14 representing the school going children will go down in its share from 25.6 per cent in 1971 to 22.7 per cent in 1986. This is expected to facilitate the achievement of the target of universal, elementary and middle school education. The fall in the rate of growth of population will affect the labour force with a time lag of about 15 years. The higher rate of growth of population during the last 15 years will, therefore, reflect itself in the increased size of labour force during the next 12 years. It is estimated that the participation rate would increase from about 31 per cent in 1971 to 32.6 per cent in 1979, 34.4 per cent in 1984 and the end of the Sixth Plan and 35.2 per cent two years later. The participation rate would, however, still be lower than in the advanced countries. The addition to labour force would thus be 65 million or more than 3½ times the present level of employment in the entire organized sector, both public and private. Considered along with the huge backlog of unemployment and under-employment, providing jobs to the growing labour force is going to present the single most important problems in the years to come.

This makes the problem of removal of poverty particularly difficult as poverty has been the result of unemployment and under-employment on a large scale. As a result of the shortfalls in the growth rates postulated in the Fourth Plan, it has been necessary to lower our sights in the Fifth, Sixth and the Seventh Plan. At the projected rates of growth the object of removal of poverty can be realized only if there is considerable reduction in the inequalities of consumption. The share of the bottom 30 per cent of the population has been estimated at present at 13.46 per cent of total private consumption. If this share remains unchanged, the average per capita consumption of this section would rise from Rs. 25 per month (at 1972 prices) in 1973-74 to Rs. 29 in 1978-79 to Rs. 35 in 1983-84 and to Rs. 38 in 1985-86. Thus even by the middle of the Seventh Plan per capita consumption of the poorest 30 per cent would be below the minimum desirable level of consumption of Rs. 40.6 per month at 1972-73 prices. Such a state of affairs cannot, of course, be tolerated. The Fifth Plan exercises show that if the private consumption norm in respect of the poorest 30 per cent has to be met by 1978-79, their share in total private consumption will have to be raised from the present 13.46 per cent to 18.85 per cent. If, on the other hand, the objective has to be reached by 1983-84, that is the end of the Sixth Plan, their share will have to go up to 15.64 per cent and, if the deadline is extended to 1985-86, there will have to be only a marginal upward change to 14.44 per cent. This gives an idea of the order of redistributive effort that is required for achievement of the goal of removal of poverty. The growth strategy in our perspective must, therefore, mean not only a higher rate of growth than in the past but also progressive redistribution of incomes and consumption. It will not only be the rate but also the content of growth that will be crucial in this connection as has been already mentioned. The pattern of production must lay emphasis on articles of mass consumption. There will have to be employment creation on a fairly increased scale. It will also be necessary to increase social consumption and investment with a view to maximizing the efficiency and productivity of vast numbers to improve the quality of their lives. The institutional reform and the fiscal policy must be oriented to reduce the inequality along with increased productivity. The backward regions and classes have a higher incidence of poverty. Their development must receive priority.

Keeping the above consideration and the inherent constraints in view the perspective of development for the next 12 years provides for a structure of production consistent with the emerging requirements. The basic objectives of self-reliance and removal of poverty call for restructuring of output in favour of goods and services that go into investment, exports and essential private and public consumption or serve as crucial intermediate inputs for final production. This will be clear from Table V which sets out the selected output projections for the period 1973-74 to 1985-86.

TABLE V.

Selected Output Projections

Item (1)	*Unit* (2)	*1973-74* (3)	*1978-79* (4)	*1983-84* (5)	*1985-86* (6)
1. Foograins	million tonnes	114	140	162	170
2. Coal	mill. tonnes	79	135	203	238
3. Iron ore	mill. tonnes	37	58	75	83
4. Crude petroleum	mill. tonnes	7.7	12	15	15.5
5. Sugar	mill. tonnes	4.3	5.7	7.4	8.2
6. Cotton cloth	mill. metres	7800	10000	12750	14100
7. Petroleum products	mill. tonnes	21.5	34.6	48.0	55.2
8. Nitrogenous fertiliezrs (N)	'000 tonnes	1162	4000	6300	7000
9. Phosphatic fertilizers (P_2O_5)	'000 tonnes	350	1250	2600	3000
10. Sulphuric acid	'000 tonnes	1400	3200	7800	9500
11. Caustic soda	'000 tonnes	450	785	1250	1500
12. Soda ash	'000 tonnes	500	880	1350	1650
13. Drugs and pharmaceuticals	Rs. crores	300	500	800	950
14. Cement	mill. tonnes	16	25	38	44.7
15. Mild steel (finished)	mill. tonnes	5.44	9.4	17.1	20.5
16. Aluminium	'000 tonnes	190	370	600	740
17. Copper	'000 tonnes	18	45	90	95
18. Agricultural tractots	'000 nos.	40	80	110	140
19. Machine tools	Rs. crores	65	137	230	271
20. Hydro turbines	mill. kw.	0.53	1.4	2.0	2.3
21. Thermal turbines	mill. kw.	1.7	2.2	3.0	3.2
22. Power boilers	mill. kw.	1.1	2.5	3.0	3.2
23. Electric transformers	mill. kva.	12.5	20	35	40
24. Electric motors	mill. H.P.	3.6	5.8	9.5	11.5
25. Electricity generation	GWH	72	120	200	245

The projections beyond 1978-79 are in their very nature much more tentative and would undergo revision and improvement as more data become available and further studies are undertaken. But as long as the basic objectives of development remain the same, it is unlikely that there will be any significant change in the broad profile of the sectoral growth indicated in the Fifth Plan perspective.

It will be necessary to ensure that the structure of demand harmonizes with the pattern of output envisaged in the perspective. The structure of demand will have to change keeping in view the need of rapid growth, reduced inequality and progressive self-reliance. In other words, it will have to change in favour of investment and social consumption and in the direction of reduction in dependence on foreign aid. This implies a progressive decline in the share of private consumption. It is projected that private consumption as a percentage of gross national expenditure would decline from 75.9 per cent in 1973-74 to 67.5 per cent in 1985-86. Public consumption will go up marginally from 11.9 per cent to 12.5 per cent over the same period. Capital formation is, however, estimated to rise from 13.7 per cent to 19.7 per cent. As the rate of capital formation approaches 20 per cent, the economy will be in a position to substain a rate of growth of 6.5 per cent per annum, thus, doubling its G.N.P. every 11 years.

The improvement in the rate of capital formation will be accompanied by progressive reduction of inflow of external assistance. Gross foreign aid is estimated to decline from Rs. 783 crores in 1978-79 to Rs. 100 crores in 1983-84 and altogether disappear in 1985-86. This would call for a vigorous and substained export drive. With its enormous reserves of high grade iron, the country has a good potential for production and export of iron and steel. Among the non-ferrous metals, aluminium has substaintial export potential. Engineering goods is another area with a very large export potential. In recent years there has been a rapid expansion in the export of pearls and precious stones, jewellery and handicrafts. We have great advantage of skill and abundant manpower in this field. We have also great potential in marine products. The varied resource endowment of the county and the size of the internal market make it possible to produce economically a large number of items which will effect substantial import substitution. The object of self-reliance requires that all such opportunities for import substitution are exploited. This would be a major thrust of policy during the next two Plans.

The growth in public consumption is needed and justified in view of the need for further expansion of social services. It is also envisaged that the growing public consumption and investment will have to be supported by progressive expansion of public savings. The policy of reliance on public savings has a sound logic. Public savings is not only very necessary but also a very desirable means of stepping up domestic savings. If the resources at the disposal of the Government can be increased by reducing the disposable incomes of the well-to-do, this will be very desirable in itself. Moreover, higher private savings means higher capital formation by the better off sections of the people and this would lead to further inequality of incomes and wealth. Increasing savings in the hands of the public authorities would also facilitate their direct investment into socially desirable channels. Thus increasing public savings would be an effective instrument of securing growth with social justice.

The projected improvement in the rate of savings implies a marginal rate of saving of over 26 per cent in the Fifth Plan and about 28 per cent thereafter. For the entire perspective period, the marginal rate of saving works to 27.3 per cent. This is doubtless a rate which exceeds our past record in this area but given the proper political will, it is not beyond the capacity of the economy to achieve.

Thus, at the end of the perspective period, there will be a distinct progress in the realization of our basic objectives of removal of poverty and self-reliance. But, as postulated above, realization of the above perspective depends upon a number of conditions being fulfilled. The rate of savings and investment in the economy must be substantially raised and a growing proportion of this will have to be channeled into the public sector. This constitutes a serious challange in as much as the rate of savings and capital formation in the economy as a whole and particularly in the public sector has been not only stagnant but decelerating. The production targets must be achieved as scheduled. Or else, the disproportionalities between the changing requirements of the society and the emerging pattern of production will get further accentuated, defeating the twin purpose of reducing inequality and attaining self-reliance through import substitution and export promotion. Population growth is another crucial parameter in the growth process and its control depends very much on the success of the family planning programmes which are being envisaged.

To sum up, one may say that the tasks outlined in the perspective plan for development are not merely very urgent but also quite formidable. Yet it must be clearly understood that we are engaged in a race against time. Any delay in getting over the basic disproportionalities in the economy which have arisen largely from inadequate development in sectors such as food and fuel will compound our difficulties further. This is all the more true because of the rapid increase in population levels which has been experienced in the past. Partly as a result of "demographic inertia" and partly because of continued population growth at fairly substantial rates though on a gradually diminishing basis, the land-man ratio is getting increasingly unfavourable. If this growing demographic pressure is not counteracted by an increase in capital stock per head as well as in energy consumption per capita, we are likely to remain caught in a low level equilibrium trap. It should also be borne in mind that this low-level equilibrium is not a stable configuration either. Hence, danger of slippage is a very great.

To carry out the structural changes in the economy, far-reaching changes in the social sphere will be needed. There are a very large number of complex issues involved. But changes in attitudes as well as in methods of economic organization are going to prove very crucial if India has to develop an egalitarian economy accompanied by progressively higher levels of social and economic welfare.

ANNEXURE

Selected Output Target/Projections and Achievements

Item	*Unit*	*Fourth Plan Target Projection*	*1973-74 estimated actual*
(1)	(2)	(3)	(4)
1. Foodgrains	mill. tonnes	129.0	103.6
2. Pulses	mill. tonnes	15.0	9.7
3. Oilseeds	mill. tonnes	10.5	8.7
4. Sugarcane (in terms of *gur*)	mill. tonnes	15.0	14.0
5. Cotton (unit)	mill. bales *	8.0	5.8
6. Jute	mill. bales	7.4	6.2
7. Coal	mill. tonnes	93.5	81.2
8. Iron ore	mill. tonnes	51.4	34.4
9. Crude petroleum	mill. tonnes	8.5	7.2
10. Sugar	mill. tonnes	4.7	37.7
11. *Vanaspati*	thou. tonnes	625	450
12. Cotton yarn	mill. kgs.	1150	970
13. Cotton cloth	mill. metres		
14. Mill-made	mill. metres	5100	7770
15. Decentralized	mill. metres	4250	
16. Jute manufactures	thou. tonnes	1400	1074
17. Paper and paper board	thou. tonnes	850	709
18. Newsprint	thou. tonnes	150	49.5
19. Leather footwear	mill. pairs	25.0	14.5
20. Automobile tyres	mill. nos.	6.0	4.6
21. Bicycle tyres	mill. nos.	35.0	19.3
22. Petroleum products (incl. lubricants)	mill. tonnes	26.0	19.9
23. Nitrogenous fertilizers (N)	thou. tonnes	2500.0	1062
24. Phosphatic fertilizers (P_2O_5)	thou. tonnes	900.0	323
25. Sulphuric acid	thou. tonnes	2500.0	1212
26. Caustic soda	thou. tonnes	500.0	467
27. Soda ash	thou. tonnes	550.0	478
28. Drugs and pharmaceuticals	Rs. crores	250.0	420
29. Cement	mill. tonnes	18.0	14.6
30. Mild steel	mild steel	8.1	4.7
31. Tool, alloy and special steel	thou. tonnes	220	400
32. Aluminium (ingots)	thou. tonnes	220	146
33. Copper (ingots)	thou. tonnes	31	13
34. Steel castings	thou. tonnes	225	68
35. Steel forgings	thou. tonnes	220	95

*Bale—180 kg.

ANNEXURE *(Cond.)*

Selected Output Target/Projections and Achievements

Item	*Unit*	*Fourth Plan Target/ Projection*	*1973-74 estimated actual*
(1)	(2)	(3)	(4)
36. Agricultural tractors	thou. no.	50.0	24.2
37. Machine tools*	Rs. crores	65.0	73.4
38. Metallurgical and heavy equip.	thou. tonnes	75.0	30.0
39. Cotton textile machinery	Rs. crores	45.0	35.0
40. Cement machinery	Rs. crores	19.0	6.3
41. Sugar machinery	Rs. crores	21.0	20.4
42. Printing machinery	Rs. crores	8.0	0.9
43. Rubber machinery	Rs. crores	12.0	1.5
44. Paper and pulp machinery	Rs. crores	13.5	4.7
45. Coal and other mining machinery	Rs. crores	13.0	6.9
46. Hydro turbines	mill. KW	1.65	0.7
47. Thermal turbines	mill. KW	1.30	1.4
48. Power boilers	mill. KW	1·30	0.8
49. Electric transformers	mill. KVA		
50. Above 33 kva	mill. KVA	6.4	11.7
51. 25 kva and below	mill. KVA	5.5	
52. Electric motors	mill. h.p.		
53. Above 200 h.p.	mill. h.p.	0.68	2.9
54. 200 h.p. and below	mill. h.p.	2.72	
55. Dry batteries	mill. no.	600.0	602.0
56. Storage batteries*	thou. nos.	1800.0	1272
57. Commercial vehicles	thou. nos.	85.0	42.7
58. Motor cycles, scooters mopped and 3-wheelers	thou. nos.	210	162
59. Diesel locomotives	nos.	1985	
60. Railway coaches	nos.	—	
61. Railway vehicles	thou. nos.	21.5	
62. Bicycles*	thou. nos.	3200.	
63. Electricity generation	GWH	86.0	66.4

*Organized sector only.