# EPILOGUE.

In the foregoing chapters an exhaustive account has been given of different sectors of the economy and different aspects of activity in each sector. These chapters have dealt in each case with historical trends of the past, the present status, and also future prospects. We have, thus, had a view of each aspect or sector considered separately. In the course of this discussion we have had an adequate idea of the inter-relationships of each aspect or sector of the economy with closely related aspects and sectors. Even so, it should be useful to compose these parts into a whole for a broad overall perspective of the status, the state, and the prospects of the Indian economy. We propose, thus, to focus attention on the overall position of the Indian economy as it is today. We would not, therefore, unduly dilate upon the current problems which are of transitory nature. We attempt here to take stock of the basic strength and the weaknesses of the economy as an on-going and functioning entity. In doing so, we first consider the present status of the Indian economy by directing attention to its comparative position among the countries of the world. Next, we consider the stage of the economy reached today in the course of its evolution since independence. Thereafter, we proceed to examine the nature of development effort that has been going on since then, directing attention to the strategies that have been evolved to nurse this process. We finally indicate the course which the economy is likely to pursue in future, thanks to the direction that is being given through centralized planning.

Let us first identify the economy in terms of its extent, its size and broad structure. The economy must be considered as co-extensive with the nation, or the country, as a whole. Its geographical extent is nearly 3.3 million sq. kilometres inhabited at present by some 600 million people. Within the populous vastness of the economy, there no doubt obtains considerable diversity of resource endowment and in socio-cultural milieu. The economic activity of this mass of people yields an annual per capita income of around Rs. 600 (at current prices). The distribution of the income, however, is very skewed and a substantial proportion of the population live, in abject poverty, in dire want of basic necessities of life. The second interesting feature which should be mentioned here is that more than two-thirds of the population depend on agriculture for their livelihood. This predominance of agriculture is also reflected in the composition of what has been called the gross domestic product, which represents the aggregate outcome of the economic activity of the population as a whole. Agriculture accounts for nearly half of this aggregate; industry, including mining and construction, for about one-fifth; trade and commerce for about one-tenth; and services, including both public and private, for the remaining about one-fifth. This nature of composition of the gross domestic product reflects the large scope for development effort which remains to be undertaken in this economy which has been developing for over two decades now at a significantly higher pace than before. The effort of these decades represents in effect only the first steps on the path of development leading to the emergence of a viable modern economic structure based on 'optimum' utilization of our resource endowments.

## I

For an idea of the present status of the Indian economy in the world context we must confine attention to selected variables indicating the size of the economy. The variable which we have chosen for this comparison are area, population and national income or gross national product. We will also refer to per capita national income and the composition of gross domestic product for indicating differences in the character of economic activity among these countries.

For the purpose of this comparison, it is not necessary to consider the entire list of over 200 countries for which the United Nations compiles statistics in their annual publications. We have taken from this list all countries which have a population of more than 10 million. Applying this criteria, we get a list of 51 countries.* It may be noted, however, that taken together these 51 countries account for nearly nine-tenths of the world's population.

In terms of area, India is the seventh largest country in the world. The largest country is, of course, the U.S.S.R. which occupies about one-sixth of the aggregate area of all nations of the world. India accounts for only around 0.5 per cent of the world aggregate. The geographical extent of our country is less than a tenth of that of U.S.S.R. and about one-third of that of Canada, China or U.S.A. Among the countries occupying positions adjacent to India in this order, Brazil extends over

*All data for international comparison are taken from the latest *United Nations' Statistical Year Book, 1973*: Tables 18, 143, 178 and 182.

8.5 million, Australia over 7.7 million, and Afghanistan over 2.8 million sq. kilometres, as compared to 3.3 sq. kilometres of India. The smallest amongst these 51 countries is the Netherlands spread over only 41,000 sq. kilometres, which measures just over 1 per cent of the Indian areal extent. Similar is the comparative position of India with reference to the neighbouring Sri Lanka, which is almost as small as the Netherlands.

In population, India occupies the second position in the world, preceded in that order only by China. It is also notable that the U.S.S.R. with third position in the order, has a population measuring only 40 per cent of that of India. The U.S.A. with around 210 million people closely follows U.S.S.R. in that order. It is striking that each of the countries with a larger geographical extent has a much smaller population than India, with the only exception of China. It must be mentioned, however, that the difference between India and China is much greater in area than in population, with the result that in terms of density China is much lower down in the scale; China has 83 persons per sq. kilometre as against 172 persons per sq. kilometre in India. Among the 10 largest countries of the world we have also Indonesia, Japan, Brazil, West Germany, Nigeria, Bangla Desh, and Pakistan. As compared to the first three of these countries India's population is more than 5 times as large, while when compared to the latter four it is around 10 times as large.

Ignoring the differences in the level of development, we may compare these countries in terms of population density representing a very crude measure of the relative pressure of population on land. In the descending order arranging these countries according to density, Bangla Desh evidently occupies the top position; from the available figures for 1963 it is shown that Bangla Desh then had a density of around 370 persons per sq. kilometre Notable among the countries with densities much higher than India are the Netherlands, South Korea, United Kingdom, Sri Lanka and Italy. India occupies the ninth position in this order with a density of about a half of that of Bangla Desh, South Korea or the Netherlands. Leaving aside the countries in the North and Latin America, Middle East and Africa, where densities are very low, it is notable that India's density is much higher even as compared to some of the European countries like Czechoslovakia, France, Hungary, Poland, Romania, Spain and Yugoslavia.

With regard to gross national products (G.N.P.) we do not have figures for several of these countries, including Argentina, China and U.S.S.R. Arranging the remaining 38 countries, India is found to occupy the eighth place among them. This order is led by the U.S.A. whose G.N.P. is 23 times as large as that of India. Canada precedes India in this order in the seventh place with a G.N.P. as much as twice that of India. Spain follows India in the ninth place with a G.N.P. smaller than that of India by only about 8 per cent. The smallest G.N.P. amongst these countries, that of Nepal, is only a fraction of that of India.

An interesting feature of India's position in the world is that while manufacturing activity accounts for a comparatively much smaller proportion of the G.N.P. as will be shown later, in absolute terms manufacturing output of India is larger than that of most countries of the world barring some of the leading industrial countries like the U.S.A., Japan, the U.K., West Germany and France. This comparative position is reflected in manufacturing employment in the organized sector which is around five million in India. This measures less than a third of the corresponding figure of the U.S.A., less than a half of that in Japan and much less than three-fourh of that of Germany or the U.K. But it is comparatively much larger than that of other countries like Poland, Italy, East Germany, Spain, Brazil, Argentina and Canada. India can be included in effect amongst the leading producers of manufactured goods.

It seems clear thus that the Indian economy commands a position of relative importance in the world in terms of its geographical extent, its population, size, its gross national product, and the size of its manpower engaged in organized manufacturing sector.

But once we turn to per capita national income, the position is drastically reversed. The per capita income of India amounts to only about 90 dollars per annum. Among the 39 countries for which the requisite comparable data are available, India occupies thirty-fifth position. It takes precedence, by a sizable margin, over Nepal, Ethiopia, Afghanistan and Nigeria. It is in turn preceded, by a small margin, by such countries as Zaire, Tanzania, Sudan, Indonesia, and by a significantly larger margin by Uganda, Sri Lanka, Kenya, Thailand, South Vietnam and Egypt. At the other end of the scale we have the well-known prosperous nations of the world, including Australia, Canada, West Germany, France, Japan, the Netherlands, the U.K. and the U.S.A. The Indian per capita national income of around 20 dollars per annum measures 1.8 per cent of that of the U,S.A., 2.1 per cent of that of Canada, 2.4 per cent of that of West Germany, 2.6 per cent of that of France, 2.8 per cent of that of the Netherlands, 3.1 per cent of that of Australia, 3.5 per cent of that of the U.K., and 3.6 per cent of that of Japan. This comparison is not adequate as corresponding figures of major countries like U.S.S.R. and China are not available. Even so, all available indications suggest that the Indian per capita national income is below that of China and very much lower than that of the U.S.S.R.

The indication of the great extent of relative under-development of the Indian economy provided by comparative meagreness of its per capita national income is equally reflected in the structure of its economic activity. The share of agriculture in gross domestic product in the case of India is 45 per cent. This compares favourably with the corresponding figures for a few of the other under-developed countries. This proportion is higher than in India only in Uganda, Ethiopia and Nepal. In contrast it is much lower in most of the so-called developed countries. Agriculture accounts for only 3 per cent of the G.N.P. in the U.S.A., the U.K. and West Germany, 4 per cent in Canada, 6 per cent in Australia, France and Japan, and 7 per cent in the Netherlands and Venezuela.

If we consider in contrast the proportion of G.N.P. derived from manufacturing, mining and construction activities, India's position is sharply different. Only 19 per cent of our G.N.P. is derived from such manufacturing activity. This proportion is a little higher than the corresponding proportions shown by Tanzania, Uganda, Sudan, Sri Lanka, Nepal, Kenya and Ethiopia. The corresponding proportion of several other countries are very large. The share of this sector in G.N.P. is 32 per cent in Canada, 34 per cent in the U.S.A., 35 per cent in Argentina, 37 per cent in the U.K. and 41 per cent in Japan. It is even higher for several countries of Eastern Europe; here it measures 62 per cent of tke G.N.P. in Poland, 63 per cent in the U.S.S.R. and 73 per cent in Czechoslovakia.

We may also refer to the relative position of the Indian economy in the world market. For this purpose, we will refer separately to its position in the export market for commodities and the corresponding import market. Here again our comparison is limited to countries for which relevant data are available from United Nations' sources. According to these statistics, India does not figure among the leading countries in either of these markets. The value of either exports or imports measures only about 5 per cent of the G.N.P. The ratio of the aggregate value of foreign commodity trade (exports plus imports) to G.N.P. is very much smaller for India when compared to most countries of the world. This ratio amounts to 10 per cent for India and also the U.S.A. It represents a small fraction of the corresponding ratios for industrialized countries like West Germany, France, the United Kingdom, Japan and also Canada on the one hand, and of the corresponding values of the developing countries like Iran, Iraq, Morocco, Nigeria, Tanzania, Venezuela and Zaire, on the other.

Arranging these countries in a descending order of importance according to the value of annual exports, we find India placed at almost the end of the order. The value of its annual commodity exports measures less than 5 per cent of that of the U.S.A. or West Germany, and less than 7 per cent of that of Japan, France or the U.K. The comparative position of India as an importer is similar. On the whole, it is clear that this large economy of ours commands little importance in the international trade.

The comparatively low level of development of the Indian economy is even more strikingly reflected in the level of consumption of certain key commodities. From a large list of these consumption items, we need refer in per capita terms to only three selected ones, namely, energy and steel, reflecting the degree of industrialization and sugar, reflecting the level of people's living. Among the 51 countries of our list, India occupies thirty-seventh position in the descending order of per capita energy consumption. Our annual consumption of all types of energy amounts to only 186 kilograms of coal equivalent. This is somewhat larger than the corresponding amount of Kenya, Pakistan, Sri Lanka, North Vietnam, Indonesia or Sudan, and very much larger than that of Zaire, Tanzania, Uganda, Nigeria, Afghanistan, Ethiopia or Nepal. Even so, it represents only a small fraction of the corresponding amounts of the countries at the top of the order. Our per capita energy consumption measures only 1.6 per cent of that of the U.S.A., 1.8 per cent of that of Canada, 3.1 per cent of that of Czechoslovakia and between 4 to 5 per cent of that of the Netherlands, Australia, the United Kingdom, West Germany, the U.S.S.R., Poland, France or Japan.

Our per capita consumption of steel is about 16 kilograms per annum. Our comparative position in the order is about the same, the same countries taking here precedence over us as in respect of the consumption of energy. Our lead over Kenya here is marginal, but it is substantial when compared to several other countries including Pakistan, Indonesia and Sri Lanka. The insignificance of our per capita steel consumption is again indicated by the fact that it measures only around 2.5 per cent of that of the U.S.A., Czechoslovakia, West Germany, Japan or Australia. Thus, while we may claim some importance in the industrial world on the basis of the size of employment in organized manufacturing activity, the level or degree of our industrialization is shown to be of little significance in terms of per capita consumption of basic items of energy and steel.

Similar is the comparative position of our level of living as shown by our per capita consumption of sugar. It amounts to only 7 kilograms per annum and this is amongest the lowest in the world. Among the fourty countries of our list for which comparable figures are available, our consumption is higher than that of only China and North Korea. The highest sugar consumption, recorded here for the U.K., amounts to 52.3 kilograms. It is followed by 50.3 kilograms of the U.S.A., 47.0 kilograms of Canada, 46.4 kilograms of Australia and 44.2 kilograms of Hungary. Included among the other countries whose annual per capita sugar consumption is five times or more than that of India are Poland, Czechoslovakia, Argentina, the U.S.S.R., Venezuela, Brazil, East Germany, South Africa and Mexico.

Thus, we may conclude that the Indian economy in terms of both area and population is one of the largest in size among the economies of the world but it is nonetheless one of the most under-developed among them as shown by the level of its per capita national income and by per capita consumption of key items like energy, steel and sugar or by the relative preponderance of primary, particularly the agricultural activity in the structure of its production.

## II.

Today, the Indian economy is decidedly on the march. For a better appreciation of its new dynamism it is necessary to recall briefly the historical context in which the process of infusing it into the economy was launched soon after independence. In the course of history stretching back over about two hundred years from that date, the western nations had achieved, through industrial revolution and technological progress, their transformation into highly developed modern economies of affluence. During the same period, it was India's lot to endure colonial status within the British Empire and subserve interests other than her own. The lifting of the British rule in 1947 removed at one stretch the basic all-pervasive constraint on our potential for economic growth. It was, however, accompanied by the partition of the country which disrupted beyond repair the economic structure that had emerged during the era of British imperialism in India.

That era was one of economic transition induced by our contact with the West. The first phase of this long drawn out process of transition lasted up to the middle of the nineteenth century. Its focus was on external commerce which grew rapidly on account of the discovery of new sea routes and progress of maritime transportation. It was, at the same time, a period in which the British virtually eliminated the rival colonial powers, the French and the Portuguese, and progressively extended their political rule and influence over the entire sub-continent. Those who came to trade with us became thus our rulers.

The next was the phase of consolidation of the colonial rule. It extended upto the First World War. In the course of this period, a viable administrative, judicial and fiscal superstructure was imposed all over the country for achieving a semblance of political unification and for preserving law and order. Internal peace and security were apparently maintained all through this period.

The prime motivation of the rulers then was to render utmost help to the progress of their country towards industrial supremacy in the world. This was eminently fulfilled by operating a set of colonial policies which, on the one hand, invoked *laissez faire* in a manner involving not merely neglect of indigenous needs and interests but also a large scale decay and destruction of native crafts, skills and enterprise and, on the other, vigorous promotion of British capital, know-how and enterprise in the opening up of the country through an extensive network of railways and roads, and the 'mining' of the colony through trade, commerce and finance. British capital established the tea and coffee plantations and the jute industry to supply the needs of their expanding empire and also pre-empted a sizable part of the growth of the premier cotton textile industry to which the nascent indigenous enterprise was attracted by the opportunities of catering to domestic demand created by the changing conditions of the international market after the Civil War in America. There did thus appear during this phase rudiments of modern industry oriented overwhelmingly to the needs of Great Britain in particular and of the western nations in general.

There was correspondingly a great expansion of foreign trade of India. This came to reflect her changed role as a primary producer, sending out agricultural produce and other raw materials and taking in manufactures fabricated outside, often from her own raw material exports. The resulting decline in traditional industry increasingly threw craftsmen and artisans out of employ to swell the ranks of pauperized peasantry.

But agriculture had kept on groaning under the new dispensation of revenue and judicial procedures which served only to facilitate the oppression of the peasantry by landlords, moneylenders, middlemen and the like parasites. Apart from the emergence of cash crops, like cotton, in a few places, there was nowhere, in the vastness of India's agriculture, any sign of change in the traditional low productive subsistence agrarian structure. On the whole, this phase was marked by steady deterioration of agricultural conditions and indeed in the general economic position of the country.

The third and final phase of the transition under the British began with the First World War and ended with the end of their rule after the Second. This period is more remarkable for the rise of Indian nationalism and for its political progress that culminated in independence in 1947 than for any significant advancement in the economic field. However, we must note that some progress was made by the process of industrialization on account of the two wars and the grudging adoption and practice of 'discriminating protection' by the colonial Government in the inter-war years. The wars, the second much more than the first, witnessed heightened economic and industrial activity but their success in promoting industrial growth was counter-balanced by the dilapidation of the basic infra-structure of overhead facilities and services coupled with a great accumulation of industrial wear, tear and obsolesence. The discriminating protection had succeeded, however, in promoting the growth, especially during the period of the great depression, of some of the major industries of pre-independence India including the iron and steel, sugar, cement and paper industries. There was also noteable growth of mining particularly of coal and iron ore during this period. Some progress was concurrently witnessed in internal and external trade, banking, insurance etc. But in the preponderant agricultural sector, no redeeming signs had as yet appeared. New cash crops had emerged, market economy had made further inroads, co-operative credit had made a beginning, and research, extension and demonstration were given some attention. But all these proved much too inadequate to stem the continuing secular deterioration of agrarian conditions all over the country. Pressure of population had kept on increasing to damage the viability of outmoded traditional structure, while the great depression had added to the misery of the peasantry. Before the end of the phase, it became clear that Indian agriculture which had traditionally generated surpluses of grain for export could not be relied upon to meet the domestic requirements in full.

On the whole, achievements of the British rule in the economic sphere were not at all impressive. As one of the most charitable assessments of the British impact on the Indian economy concludes, "In 1939, after a hundred years of British investments, peace, order and modern commercial law, after nearly a century of modern railways, after eighty years of Indian enterprise in a vast internal market of 300 million souls, India still had an industrial establishment of only 2 million workers, a steel output of less than a million tonnes and a population which still depended for as much as 80 per cent of its livelihood on a static, over-crowded, agrarian economy. Not by any stretch of imagination can this be called a record of dynamic growth. It is simply the first sketch of a first beginning."*

It is this economy that was called upon to contribute its utmost to the mobilization of men and materials in favour of Great Britain and her allies in the Second World War. The relentless pursuit of this overriding purpose resulted to wholesale dilapidation and obsolesence of the economic structure, including its agricultural component which failed to prevent the forgotton scourge of famine which afflicated populous Bengal in 1943.

Before anything could be done about this general dilapidation of the economy, there followed, as mentioned earlier, the partition to disrupt it beyond repair. The disruption was wholesale in character. It disrupted trade, fiscal, banking and financial structures, which had emerged to serve undivided India as a unified whole. A significant part of internal trade became external with a clear possibility of its diversion away from India. There was considerable aggravation of the balance of payments position.

More fundamental were the sudden dislocation of the transport and communication systems, the disruption of the bigger industries like jute and cotton textiles involving separation of the manufacturing processes in India from important sources of raw materials left in Pakistan. Similar was the loss of certain minerals like gypsum, salt and sulphur. Indian consumer industries suffered also the loss of sizable consumer markets in the provinces now constituting Pakistan.

Indian agriculture was likewise disrupted on account especially of disproportionate loss of area under irrigation. India's share in the production of food and commercial crops too was comparatively smaller. India became comparatively poorer also in the quality of its livestock.

In any case, India was burdened with a larger proportion of population as compared to its share in total area and a larger proportion also

*Ward, Barbara, *India and the West*, Hamish Hemilton, London, 1961, p. 131.

of urban population. In addition, there were the immediate problems associated with the exchange of population on a mass scale, which in quantum and quality was unfavourable to India.

Immediately, the new Government of India had thus to address themselves to the gigantic tasks of rehabilitating nearly 20 million displaced persons and reorganizing its economic and industrial structures on a narrower base. These were accomplished to a large measure in the immediate post-independence years, during which the Government successfully ushered in the new policy based on a constitution providing for a liberal democratic rule. It proceeded further to institutionalize Central planning for economic and social development, which had to begin almost from a scratch.

## III

Planning for comprehensive social and economic development began thus in 1951. It has been continuously pursued since then on the basis mainly of quinquennial Plans. The first three Plans were successively undertaken. At the end of the Third Plan, however, the situation warranted postponement of the introduction of the fourth quinquennial Plan by 3 years, during which the process had continued on the basis of Annal Plans. The Fourth Plan was consequently undertaken from 1969 to 1974 and the Fifth Plan is now at the close of its stage of formulation.

The Plans represent a conserted effort undertaken by the Government on a massive scale. The outcome of this effort can be easily seen by comparing the position of the economy in 1951 with that of the latest year for which relevant data are available. We will take for our comparison here the period of two decades from 1950-51 to 1970-71. In the course of this period, national income, as measured in constant 1960-61 prices, increased at an annual average rate of 3.6 per cent, from Rs. 92,420 million to Rs. 1,87,550 million. It had thus more than doubled over the period. But the population too had increased during the same period at an annual average rate of 2.1 per cent, from 358 million to 540 million. Consequently, per capita income at constant prices increased at a rate of only 1.5 per cent, which is much less than half the rate of growth in the national income.

To indicate the structural change that accompanied this expansion of the economy we may refer to the sectoral distribution of the gross domestic product at factor cost measured in constant in 1960-61 prices. The relevant figures are given in Appendix, Table II. It may be noted that the figures for 1950-51 are not strictly comparable as they do not distinguish between the shares of commerce, transport and communications. Adequate idea, however, is given by the comparison between 1955-56 and 1970-71. The structural change indicated by this comparison is one of significant decrease in the relative contribution of agriculture to rgoss domestic product. The corresponding increase has been shared by all the remaining sectors. The difference of 11.4 points representing the decrease in the share of agriculture is corresponded by an increase of 3.6 points in the share of manufacture, 3.4 points in the share of other services, including communications, and 1.6 points in that of construction. Substantial gains appear to have accrued also to the transport sector and to the combination of public utilities representing electricity, gas and water supply. To take a broader view of this broad structural change in the economy, it may be said that the share of primary production, including agriculture, mining and quarrying, was reduced by 11.2 points, while the secondary sector recorded a gain of 7.8 points and the tertiary sector, of the remaining 3.4 points.

A closer view indicates that the pace of growth differed cosiderably between different constituents of each sector in the economy. The output of agriculture increased at an annual rate of 3.3 per cent but within agriculture production of foodgrains recorded a rate of 3.5 per cent. A part of the increase in foodgrains production accrued significantly from improvement in productivity; foodgrains production per hectare increased during the period by 1.9 per cent per annum. In the industrial sector, the output of capital goods increased at a rate of 10.6 per cent per annum, as against the overall rate of 6.5 per cent.

Detailed figures of physical output for the terminal years of the period indicate a significant process of diversification of the domestic product. Growth has been the characteristic of almost all types of industries and mining. But major gains have been in the field of basic development. Irrigation potential, for example, has nearly doubled during the period and it is now estimated that nearly a half of the ultimate irrigation potential has already been harnessed. In mining, the production of coal increased from 33 million tonnes to nearly 75 million tonnes and of iron ore from 3 million tonnes to 23 million tonnes. In metallurgical industries the production increases recorded by different items over the period were from 1.7 million tonnes of 7.0 million tonnes of pig iron, from 1.5 million tonnes to 6.1 million tonnes of steel ingots, and from 1 million tonnes to 4.5 million tonnes of finished steel. Most remarkable here has been the growth of aluminium output, which increased from 4 million tonnes to 167 million tonnes.

A variety of engineering industries have come up during this period. Machinery and tools of all kinds are now produced within the country. For example, the new lines are sugar mills and cement plants; their combined production increased in terms of value from Rs. 6 million to Rs. 180 million. Railway wagons, automobiles including the new lines of moter-cycles and scooters, power driven pumps, diesel engines, bicycles and sewing machines have recorded manifold increases.

Power generation has multiplied several times and considerable progress has been made in enveloping the entire country by a unified electric grid system. Electrical engineering industries have, therefore, received a considerable boost. Production of power transformers increased from 179 thousand kva to 886 thousand kva and of electrical motors from 99 thousand h. p. to 2721 thousand h. p. Production of electric fans and lamps and a variety of electronic products, including radio receivers and television sets, has tremendously increased.

In the field of chemical and allied industries, the fertilizers have led the pace. In 1950-51, the production of nitrogen fertilizers amounted only about 9 thousand tonnes of Neptha and that of phosphatic fertilizers, 2 thousand tonnes of $P_2O_5$. In 1970-71 the production of the former was 830 thousand tonnes of Neptha and of the latter 229 thousand tonnes of $P_2O_5$.

Within textiles the traditional jute industry recorded a nominal progress. But the cotton textiles have witnessed significant expansion. Here, rayon yarn and other synthetic fabrics have grown much more rapidly; production of rayon yarn increased, for example, from about 2 thousand tonnes in 1950-51 to 98 thousand tonnes in 1970-71.

It would appear, thus, that one of the basic initial weaknesses of the economy, namely, lack of basic development, that is, the absence of capital goods industries supplying the needs of immediate and final consumer goods industries, has been overcome to a significant extent. Today, the Indian economy is much more balanced. Its production base has been greatly diversified. The scale of its activity is correspondingly larger and its content much more elaborate and complex. Its external relations too have enlarged in scale and they are different in character and in direction.

All these represent considerable achievements of Indian planning, though it is true that economic development has as yet failed to acquire self-sustaining momentum. Overall rate of 3.5 per cent economic growth cannot indeed be viewed as quite satisfactory from the point of view of the needs of the people. Even so, it appears very remarkable in the light of the odds that the process had to face in the initial stages and in comparison to what happened during the preceding period of agrarian stagnation coupled with sluggishness of industrial growth under the British rule. It is remarkable also for the fact that the effort has been pursued by the Government within the framework of a liberal democratic polity.

## IV.

Even so, it is readily admitted that these achievements fell below the targets set by planning. For example, the First Plan was conceived as a first step towards the doubling of per capita income in real terms at the end of 25 years of continual planning in 1976. By 1971, however, per capita real income had risen only about 33 per cent and the date of its doubling seems to have receded far into the future. The explanation of this grievous shortfall does not lie in the fact of population growth alone; it must extend to recurring acts of omissions and commissions on the part of ruling Governments wilfully committed at times in the larger interests of the nation and to pre-existing and newly emerging factors beyond their control.

What is beyond any doubt is the firm commitment of the Government to undertake the development effort on a continuing basis and on an ever-enlarging scale. This is adequately reflected in the investment outlays of the different Plans given below:

**Total Plan Outlay**

| *Plan* | | *Rs. Million* |
|---|---|---|
| First Five Year Plan | (1951-56) | 38,600 |
| Second Five Year Plan | (1956-61) | 79,720 |
| Third Five Year Plan | (1961-66) | 129,765 |
| Three annual plans combined: | (1966-69) | 103,467 |
| Fourth Five Year Plan | (1969-74) | 257,540 |
| Fifth Five Year Plan (Draft) | (1974-79) | 534,110 |

These outlays are expressed in current prices. A part of the rise in outlays represents inevitably the impact of price changes which have consistently maintained upward direction during the period in question. But the successive enlargements in outlays are so very sizable as to clearly indicate a progressive intensification of the development effort in real terms.

Mobilization of financial resources on such an increasing scale called for generating savings from within the economy that was characterized by generally very low levels of consumption. This was attempted from year to year with varying success. Domestic savings measured somewhat less than 5 per cent of the national income at the beginning of planning. This proportion rose to 8 per cent by 1955 and 12 per cent by 1964. Thereafter, it fell back 8 per cent in the difficult years of 1967 and 1968 to rise again to 10 per cent in 1971. This was supplemented by inflow of capital from outside in order to increase net investment as a proportion of national income to 8.5 per cent in 1955, 14.9 per cent in 1964, 11.6 per cent in 1967, 11.1 per cent in 1968 and also in 1971. Inflow of foreign capital into the economy had increased during the sixties to a level of 3.6 per cent of national income in 1967 but its relative importance has progressively decreased all through the subsequent years. It is in any case clear that a high level of capital formation was maintained all through planning period. This is to be admitted even while conceding that a higher rate was indeed necessary to avoid recurring needs, difficulties and bottlenecks in the progress of development.

The manner in which the task of channelizing investment in conformity with the goals of development was handled by planning is reflected broadly in the sectoral distribution of aggregate outlays noted above. The relevant figures are given in Appendix, Table V. It must be noted in this connection that a distinguishing feature of Indian planning has been the limitation of the direct responsibility of the Government to basic development, including the infra-structure of overhead facilities and services, heavy and basic capital intensive industries and also key industries involving defence and security considerations, in the public sector. For the rest, their job evidently was one of promoting, guiding and monitoring growth and development in the private sector. The share of public sector in the aggregate Plan outlays has progressively increased for the very reason that basic development attracted priority even from the point of view of facilitating growth in the private sector. Even so, it is clear that the quantum of private sector outlays has consistently increased from less than Rs. 15 billion in the first to nearly Rs. 90 billion in the Fourth Plan and further to the proposed outlay of Rs. 162 billion in the Draft Fifth Five Year Plan.

The sectoral distribution of outlays for each successive Plans rested on the assessment of objective conditions under which the planning goals of income growth, employment generation and social justice had to be sought. In the first Plan the urgency of rehabilitating the economy, and strengthening in particular the base of food production, led to an emphasis on the agricultural sector. It was essentially a rehabilitation plan and as such it was quite successful. Thereafter, the main focus of concentration has been on industrialization and on the supporting infra-structure, where emphasis was increasingly placed on power development. Agriculture reasserted to claim high priority after especially the Third Plan when a succession of draughts had suddenly exposed its vulnerability. On the whole, it is clear that Plan priorities and the derivative sectoral distribution of investment outlays reflected a concern mere with growth of gross national product than with either employment or social justice, in other words, a concern more with the size of national income than with its equitable distribution.

The course of planning so pursued has not, in any case, been an easy one. The Second Plan's concentration on the promotion of industrial sector, particularly on the rapid increase in steel making capacity, was quite sound and logical but it met with frustration in the foreign exchange crisis to which it had contributed. It was during the more difficult later half of this Plan that the easier course of the deficit financing of development process was adopted. Then followed the border war with China in the beginning of the Third Plan and the war with Pakistan towards its end. The end of that Plan coincided with the draught in Bihar and there followed a succession of poor harvests. The worsening of the situation in the agricultural sector led to a partial industrial recession in a period of inflationary pressures induced by the persistence with deficit financing. Recovery of agriculture and the success of the new agricultural strategy in initiating the Green Revolution in parts favoured with irrigation facilities helped to launch the Fourth Plan in an atmosphere of considerable optimism. Once again, however, an unanticipated influx of refugees on a mass scale into West Bengal led to the second more successful war with Pakistan, leading inevitably to aggravation of the inflationary pressures which have continued to characterize the present economic situation.

The succession of disturbing events beyond control of planning need not excuse all the shortfalls in the achievement. Planning was taken up in a spirit of adventure and it tended to raise anticipations much above the potentialities that could, in fact, be harnessed. It is also evident that the liberal democratic political frame under which it was consistently pursued, not only left considerable scope for uncertainty but also invoked a spirit of compromise in permitting extra-economic political considerations to influence the Plan decision-making processes.

It reveals also a number of deficiences that characterized the development effort. Most of these deficiencies relate implementation of Plans and programmes of development. It can be said, for example, that it should have been possible to operate a much better co-ordination between industrial growth and agricultural development. Further, it should have been possible to evolve a strategy of resource mobilization through more imaginative uses of fiscal, monetary, banking and financial policies in a manner that would have provided greater encouragement to generation of savings and avoided tax evasion and diversion of resources into unhealthy speculative and non-economic channels.

Criticism can be made with justification of the host of controls and regulations that were introduced for the purpose of channelizing the growth in the private sector on appropriate lines. Further, it can be deplored that adequate attention was not paid to the creation of technical and scientific capabilities within the country for handling the tasks of management in general and of project formulation and appraisal in particular. It can also be said that there was lack of co-ordination between policies of exports and imports and that in general the performance of foreign trade and exchange controls was not consistently up to the mark.

Concern with economic growth *per se* and the manner in which it was pursued appear to have resulted also in unequal sharing of the gains of development between different sections of the community. In the industrial sphere, concentratian of power could not be entirely avoided; while in agriculture the gains have been unequally shared between different regions and within each region between different classes. In general, the relatively more prosperous sections of the community were able to pre-empt the gains of development.

## V

Democratic planning remains in India a 'going concern', displaying a large measure of resilience in meeting the demands of changing times. It has shown remarkable flexibility in its approaches and strategies and has taken from time to time corrective action in the light both of its own experience and of critical public opinion which has all along been unsparing in debating the role of the Government in the process of development. Such a process of rethinking began with the experience of agricultural adversity in the middle sixties and was carried forward during the years of stagflation, when the performance of planning was viewed to be at its lowest ebb. The succeeding Green Revolution further revealed the possibility of development leading to accentuation of social inequalities. It was apparent that planning had not made any dent on the deteriorating employment situation and on the widespread incidence of mass poverty.

This reconsideration went beyond the functional aspects of planning to the need of reformulating the basic goals of development. This is well reflected in the preparation of the Draft Fifth Five-Year Plan. This Draft suggests an endeavour to highlight the goals of employment and social justice and to reduce the over-emphasis on economic growth *per se*, This document seeks to redirect the development effort in the light of an assessment of the course that the inhibiting growth of population may take. It enunciates removal of poverty and attainment of economic self-reliance as the two strategic goals of development. It spells out a long-term perspective of development up to 1986 in the light of these considerations and proposes a policy-frame for implementation, which planning has hitherto been lacking. With this, it displays its determination to consolidate the gains that have so far accrued and a sense of realism in dealing with the problems faced in administration, execution and implementation of the programmes of development.

The Draft Plan in defining its 'long-term perspective' suggests that in 1986 our population would be of the order of 705 million as compared to 547 million in 1971. Its structure would be somewhat different; proportion of infants, or of persons below 4, would decrease between these two dates from 16 to 11 per cent and that of children of 5 to 14 years in age would decrease from 26 to 23 per cent, while the corresponding increase would be from 53 to 60 per cent in the adult population and from 5 to 6 per cent in the old age group of persons above 60. It is anticipated that the proportion of the urban in the total population will advance over the period from nearly 20 to 24 per cent. With regard to employment, the perspective envisages the growth of labour force to operate during the period at a higher pace; the numerical strength of the labour force is anticipated to increase from 170 million in 1971 and 183 million in 1974 to 248 million in 1986. The tasks of supplying the needs of 705 million persons at improved levels of living and of gainfully employing 248 million of them call for undertaking development on a scale substantially higher than the scale it has ever attained in the course of planning so far.

And at the same time, planning must realize the strategic goal of self-reliance. This goal has been emphasized ever since it was concretized by the Third Plan which said, "The aim must be to make the economy more and more self-reliant, so that it is able to support within a period of 10 to 12 years an adequate scale of investment from its own production and savings. Normal flow of capital may continue but reliance on special forms of external assistance has to be reduced progressively and eliminated." The Draft Plan envisages to achieve this aim over the next 12 years by 1986 and emphasizes that what it seeks "is a dynamic self-reliance where the rate of growth is accelerated, while, at the same time, developing the capability to sustain it essentially from our own resources. It is thus envisaged that by 1985-86 economic growth would be basically self-sustaining at a rate of 6.2 per cent per annum, which would be the highest ever attained by the economy on a sustained basis."

On the other strategic goal of removal of poverty, which too magnifies the size of development effort, the Draft Plan is equally emphatic. "The existence of poverty," it says, "is incompatible with the vision of an advanced, prosperous, democratic, egalitarian and just society implied in the concept of a socialist pattern of development. In fact, it holds a potential threat to the unity, integrity and independence of the country. Elimination of poverty must, therefore, have the highest priority." Elaborating its approach to the problem of poverty, the Draft Plan enunciates its development strategy as follows :

> "Our professed goal of removal of poverty requires that the growth strategy must seek not only a higher rate of growth than observed in the past but also reduced inequality in the distribution of income and consumption. The composition of growth must be such as favours the rural and urban poor. This calls for efforts in several directions. The pattern of production must lay emphasis on food and other articles of mass consumption. There must be massive employment generation which will sustain and will be sustained by greater availability of wage goods. It is also essential to augment social consumption and investment with a view to maximizing the efficiency and productivity of vast numbers as well as to improve the quality of their life. The institutional reform and the fiscal policy must be oriented to reduced inequality alongside increased productivity. The backward regions and classes have a high incidence of poverty. Their development must receive high priority. Every effort must be undertaken to carry family planning to the strata who need it most.

"In India, poverty is too big and complex, a problem to be overcome within the span of a single Five-Year Plan. But the compulsions of the present situation dictate that the Fifth Plan should be so oriented as to speed up the process of removing poverty and fulfilling people's expectations. In situations involving massive under-utilization of human resources, a higher growth rate and in increased equality in terms of consumption are mutually compatible objectives if planning and implementation are conceived along appropriate lines. The postulated rate and pattern of growth, the concern for freeing the development process from dependence on foreign aid, the stress on a more effective and integrated population policy, the emphasis on employment opportunities, the provision for a National Programme of Minimum Needs, the accent on uplift of backward classes and development of backward regions, and the envisaged public procurement and distribution system to ensure availability of essential goods to the poorer sections of the population at reasonably stable prices have all been conceived as mutually reinforcing instrument of policy. Removal of poverty over a reasonable period of time is thus a key task which the country must accomplish well within the perspective period."

## VI

The Fifth Plan is conceived as the first definitive phase of progress on the path of ushering in a self-reliant poverty-free economy by the end of the perspective period terminating in 1986. The Plan's target is to secure during the next five years a rate of growth of five and a half per cent, which is higher than the rate at which the economy has grown over the Fourth Plan.

The Draft duely recognizes that the absence of a policy-frame indicating co-ordination between instruments and targets had resulted in the past in "less-than-full achievements in the targets and, devises a policy frame presumably as an integrated part of the Plan. The need for this policy-frame derives justification from two specific anomalies of the prevailing situation, namely, the growing incidence of structural disproportionalities on the production side and the existence of a highly skewed distribution of property rights. Accordingly, it takes into account both the long-term objectives of development and the short-terms needs of dealing with a host of problems like the accentuation of the inflationary spiral and under-utilization of productive capacities occasioned especially by paucity of external finance required for procuring inventories. Specifying the nature of policy actions required the Draft Plan notes :

"Instruments of economic policy must consequently cover a wider ground. They fall into four major categories: (a) appropriate allocations of investment outlays to different heads of development in the plans drawn up for the various public agencies; (b) a package of measures consisting of incentives and disincentives designed to direct the flow of private investment into preferred uses and away from areas of low social profitability; (c) institutional reforms which will release productive forces which would otherwise lie dormant, leading to higher levels of production, and a more equal distribution of the benefits of extra production, and (d) finally, a set of measures which may be described as fiscal and monetary in character which can help the process of development to be carried out in a non-inflationary manner while minimizing the need for administrative actions, wherever they may tend to create unintended distortions in the resource allocation process."

This enunciation of policy measures may be taken to reflect a sense of realism which planning has begun to display in taking note of the needs of the broad masses of people. It remains to hope that this sense of realism will lead to more effective and efficient implementation of development programmes and that shortfalls in the achievement of targets will not recur so frequently as in the past. It is possible that confidence is replacing mere enthusiasm in India's endeavour to develop.