AN EVALUATION OF INDIA'S FIVE-YEAR PLANS

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CHAPTER I

INTRODUCTION

This Report reviews the literature on the study of the effects of planning on the socio-economic situation in India with reference to the Five-Year Plans during the period 1951-85. When India acquired independence from the British, the economy was weak as a result of a long period of economic stagnation. The industrial base was small, and the people suffered under the weight of a traditional agrarian structure. The need for a social and economic change that would result in growth and development was imminent. In order to raise living standards and provide to the people new opportunities for a richer and more varied life, the Indian leaders decided to plan the economic development in India.

The history of modern planning in India began with the Grow More Food Campaign which was undertaken after the Bengal Famine in 1942. Since then there has been a continuous flow of plans with achievements of little or no consequence, culminating into the Five-Year Plans. The central objective of planning has been to initiate a process of development which will raise the standards of living of the people. A re-adaptation of social institutions and social relationships, the strengthening of the foundations of economic growth, and scientific and technological advance, have been foremost in the minds of the planners in India. In planning for a better economic order, the planners have kept in view the close interrelation between the technical and social aspects of the process of development.

In order to bring about social and economic change, the Indian government resorted to the Five-Year Plans. Economic planning has resulted in significant changes in the economy and in the living standards of the people. Although there have been advances in science and technology, the problem of hunger and poverty still exists on a wide scale. There are large segments of the population that still cannot share in the benefits of the progress, or participate in the process of development. The purpose of this paper is to report on literature regarding the effect of the Five-Year Plans on the Indian socio-economic conditions. Information on the Five-Year Plans has been gathered from the studies of various economists and social scientists.

Meaning and Significance of Planning:

In a country like India, the collection of all forms of economic regulation and activity by the government is often called planning. Yet, although governmental controls and operations are extensive and complex, only a part of the government program can be called planning in the more specific sense of a centrally calculated design for resource allocation.[1]

Planning refers to the design of a program for the basic government functions. These basic functions include: (1) producing services which cannot be produced by the market mechanism; (2) producing goods and services that markets will not produce without taxation, subsidy, regulation, or similar market intervention; (3) improving the working of the market by such measures as increasing the mobility of resources or improving the information available to decision makers. Drawing up a five-year plan of public receipts and expenditures, aimed at growth targets and other social objectives, and based on forecasts of available inputs, technology, and performance of the private sector, is one approach to the formulation of a program for the government's functions.[2]

There are two major divisions of India's economy: the public sector, and the private sector. The public sector is the government, providing services that include utilities, law enforcement, etc., and firms that are regulated wholly by the government. The private sector consists of

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1 Gerald Sirkin, The Visible Hand: The Fundamentals of Economic Planning. (McGraw Hill Book Company, 1968), p. 45.

2 Ibid., pp. 174-175

agricultural producers, artisans, small producers, traders, other self-employed and small industrialists whose number may run into millions in a large populated country like India. How far the government can motivate the private sector enterprises to follow a planned course can best be left to imagination. Hence, in a five-year plan, broad targets of production and investment are laid down for the public sector, and the public sector enterprises are to follow the path defined for them in the plan. The private entrepreneurs remain free to reach economic decisions which suit them most. The state tries to mould their decisions to the plan requirements by adopting different types of controls, and a system of subsidies. Some of the controls are permits, quotas, tariffs and duties.[3]

A firm in the public sector in India, is one which, within the limits set by government pricing policy and control of the investment total and subject to various regulations and interventions, responds to market forces and maximizes profits or minimizes losses.

A private sector enterprise is privately managed, and the calculations and decisions of the managers are based on the price signals of the market system. Its investment pattern is subject to various controls and regulations by the

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3 I.C. Dhingra, <u>The Indian Economy</u>(Sultan Chand & Sons, 1983), p. 152.

government, although the government does not set any policy limits as is done with public sector enterprises.[4]

Theory Behind Planning

In every economy, where there is division of labor, actions of one person can influence another person. The wants of one person can be fulfilled more completely if the amount of services performed by others increases, and if the amount of products diverted to the satisfaction of the wants of others decreases. Planning in India is concerned with problems raised by the interdependence of different people's satisfactions and actions.

Another important economic factor which planners in India emphasize, is equity. Economic organization is efficient whenever competition among consumers is perfect, since in such a case the price of each consumers' good equals and expresses its marginal valuation by all its consumers. When the consumer is a price taker, he always equates his marginal rate of substitution between any two goods he buys to their relative market prices. When all consumers are price takers, and they all face the same prices in the market, the budget lines of all consumers have the same slope; and each consumer proceeds to a point in his indifference map where one of his indifference curves has the same slope as the budget lines

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[4] Gerald Sirkin, op.cit., pp. 133-136.

each consumer adopts a consumption pattern which makes his marginal rate of substitution between any two goods the same as that of any other consumer who also consumes the same two goods. But in a society in which incomes and expenditures are unequally distributed, and where each consumer's preferences are weighted by his expenditures, the prices of consumers' goods express the unequally weighted preferences of consumers. Imperfect competition among consumers may allow a consumer to bargain and so exert a conscious influence over price. Planning in India, therefore, is directed towards the achievement of economic efficiency as well as equity.

Through planning, the government tries to improve economic efficiency by advocating suitable corrective interference with the market mechanism. In an economy, when the welfare of the society is affected by the preferences of a single individual, resulting from a difference in the social marginal value of a commodity and its private marginal value, even perfect competition among consumers fails to lead to an efficient organization of the economy. The various forms of corrective interference can be stated as follows: (1) rules and regulations designed to keep one person's consumption from interferring with other people's welfare -- an example of this kind of corrective interference is the prohibition in certain apartment houses of playing radios at night. In a wider sense all laws and customs belong in this category, since they inhibit individual freedom to protect society's welfare. (2) The artificial distortion of prices aimed at making them more nearly equal to social marginal value -- the simplest example is excise taxes and the payment of subsidies. An excise tax on intoxicating beverages lowers the drinkers welfare, and raises the welfare of his family and neighbors. The excise tax discourages consumption by raising the price paid by the consumer, and discourages production by lowering the price received by the producer as compared to the price paid by the consumer. A subsidy can be considered a negative excise tax. For example, a subsidy on medical services can raise both the supply of and the demand for such services. A subsidy encourages production by raising the price received by the producer over the price paid by the consumer. (3) The provision of certain goods and services outside market mechanism -- an example is the provision of free medical service. Free medical service can be regarded as medical service with a 100 percent subsidy. Another example is the service provided by the police and the military. The demand for public safety and military security is collective. Hence the market cannot be relied upon to meet such demand. The machinery of political action and that of the government can ascertain and satisfy society's demand for such services.

Corrective measures can also be used by the government in cases where the activity of a firm affects directly and without the intermediary of the market either the activities of other firms or the welfare of other people. For example, the working of a factory may pollute the air in its vicinity with smoke, or offensive smells.

The unpleasantness that is caused must be deducted from the value of the firm's output sold in the market. In this case, the firm's social marginal product is lower than its private marginal product. When the social product of a firm differs from its private product, government has to intervene in order to achieve efficient allocation and utilization of resources. Measures like zoning regulations aimed at keeping the noise, dirt, and smell of factories out of residential districts, can be carried out by the government. Subsidies and other forms of protection can be used, on the ground that the social usefulness of the firms exceed their private profitability. For the same reason, the state sometimes takes up the task of building industries that may be unprofitable for private enterprise to establish.[5] In India, the planners have aimed at carrying out such corrective measures by way of the Five Year Plans.

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[5] Tibor Scitovsky, Welfare and Competition, (George Allen & Unwin Ltd., 1958), pp. 181-187.

The Economic Transformation

The process of economic development involves increases in the efficiency of the provision of desired goods and services by the population, resulting in an increase in the per capita levels of living and general well-being. It is a dynamic process, involving constant change in the structure and procedures of the economy. In early stages of development, 60 to 80 percent of the population is engaged in agriculture, and 50 percent or more of national income is generated in the agriculture sector. Therefore the agricultural sector commands a high proportion of the total capital resources of the developing nations.

While development occurs, the population grows and per capita incomes rise. Agricultural production has to be increased to feed the increasing number of people. In addition, the production of non-food commodities has also to be increased. Thus economic development also requires the expansion of the nonagricultural sector. This requires capital that is raised largely from the agricultural sector. For this reason, in the initial stages of development, development objectives should include plans which increase production and incomes across a wide area of the agricultural sector.

The process of development results in increases per capita income and rising levels of living. In low income countries the agricultural sector cannot absorb all of the increasing labor force, thus calling for a rapid expansion of the nonagricultural sector which can absorb the labor freed from agriculture. This, in turn, requires that productivity of agricultural labor be increased. Engels' Law states that the higher the per capita income, the lower the proportion of income spent on food. Higher proportions of income are spent on non-food items, bringing about the need for a larger supply of such commodities.

The migration of labor from the agricultural sector to the nonfarm sector and the relative decrease in the importance of agriculture call for increases in agricultural labor productivity. This can be achieved by the introduction of labor-saving machinery and yield increasing innovations, such as fertilizers and improved crop varieties. The increasing demand for non-food items requires an expansion of the nonfarm sector. Therefore, simply increasing the efficiency and productivity of the agricultural sector is not a sufficient condition for economic development and rising levels of living. The effort must be associated with a rapid expansion of the nonfarm sector.

The Take-off into Self-sustained Growth

Economic growth can be regarded as taking place over a brief time interval of two or three decades during which time society and the economy are transformed in such ways that economic growth is, subsequently, self-sustaining. This transformation is called the take-off. During this period, the rate of investment increases in such a way that real output rises, carrying with it changes in production techniques and the flows of income which help in maintaining the new scale of investment, in turn maintaining the rising trend in output. This type of sustained growth requires a society prepared to respond actively to new possibilities for productive enterprise; and it requires political, social, and institutional changes which will both perpetuate an initial increase in the scale of investment and result in the acceptance and absorption of innovations.

Sustained growth requires preconditions involving changes in three areas of the economy. First, the economy needs to build up overhead capital, especially in the fields of transport and communication. This would help in creating an economical national market, and allowing natural resources to be productively exploited. Second, there needs to be a technological change in agriculture. Growth is accompanied by an increase in per capita income, resulting in a migration of rural labor to urban areas. There is also a general rise in population. In order to maintain the output, increased productivity in agriculture becomes a necessary condition.

Third, the more efficient production and marketing of some natural resourcces should finance the expansion of imports. Imports of certain equipment and industrial raw materials which the economy cannot supply in its initial stage of development, can help in the development process and maintain the level of real income while overhead capital is being created.

These three forms of sectoral development, yielding new markets and new inputs for industry, help in the expansion of modern industry, and in sustaining this expansion, largely by re-investing profits.[6]

The Need for Planning:

In the wake of independence, India was faced with a difficult task of overcoming the legacy of colonial policies. The income level and the standard of living were miserably low in the country. It had a small industrial base. Millions of people suffered under the weight of a traditional agrarian structure. The use of outdated technology resulted in low levels of productivity in industry and agriculture. The economy was weakened by a long period of economic stagnation. To overcome these problems, the level of

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6 W.W. Rostow, The Process of Economic Growth, (Clarendon Press, 1960), pp. 43-45.

investment had to be raised. Domestic savings required to raise the level of investment were meagre. The increasing population had to be provided with the means of sustenance.

Indian trade was stuck in the age-old structure. India traded in a few traditional commodities and with a few selected countries, in particular with England. Thus both the domestic and the external sector of the economy posed a serious challenge and made the task of development extremely difficult.

India had been subjected to a long period of foreign domination. The British rulers were content to keep the country as a colonial appendage of the empire. The whole system of agriculture and industry was geared to meet the external needs of their home market. After independence, the Indian government sought to lift the economy out of degradation. The big and unique character of the development made it imperative that the government had to direct available resources in line with development needs. The State had to regulate, control, and participate in the economic activity. The State chose to do so through the instruments of development plans. The five-year plans provided the outline for the allocation of investment.[7]

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[7]I.C. Dhingra, op.cit., pp. 153-154.

Role of Planning in Economic Development:

Economic planning refers to economic decision-making -- what to produce, how to produce, and for whom to produce. A plan lays down broad objectives and specific targets to be attained during a given period of time. The main purpose of planning is to make optimum use of available resources in order to achieve economic well-being by allocating the available resources in accordance with the order of preferences laid down by the planning authority. The Planning Commission makes a comprehensive survey of the available physical and financial resources and brings to surface many of the unused or unknown resources.

Economic decisions in a planned economy are directed towards the goal of achieving social welfare, and reducing the possibility of private gains. A private entrepreneur, whose economic activities are not regulated by the government, can amass maximum profits without considering social welfare. In an unplanned economy, valuable resources could be diverted to the production of luxuries and other non-essential goods aimed at higher profits. Private entrepreneurs could create an artificial scarcity of goods in order to earn higher profits at the expense of consumers. Economic planning can stop such irregularities by way of different types of controls such as permits, quotas, tariffs and duties.

A planned economy can dispense with certain costs that are otherwise inflicted upon society by private enterprise. These costs include industrial diseases, industrial accidents, overcrowding, misuse of valuable resources, price hikes due to artificial scarcity of certain goods, etc. the private entrepreneurs pass the burden of such costs to society. A planned economy bridges the gap between private and social costs.

The government can provide a balanced development program of agricultural, industrial, and other economic activities with a view to bring about maximum social welfare. The private entrepreneur is only concerned with maximizing his profits. The government can mobilize resources required for financing the various developments needs of the country on a large scale. This may be beyond the capacity of individual entrepreneurs in a developing economy. Investment on a large scale can be done by the government. The government acts as an agent of economic growth and development by way of economic planning, and in India, the government tries to achieve this by using a multi-year planning system -- the five-year plans.[8]

Objectives of the Paper

This paper deals with an evaluation of studies on the effect of planned development in India. The objectives of Indian economic planning are reviewed. The performance of the economy during the Plans is also reviewed. Emphasis is made on the study of the effect of planning on the growth of national income, the incidence of poverty, the distribution of income, and wealth in rural and urban areas, the growth in exports, the technological changes in agriculture, and the degree of dependence on imports.

A note is also made on the importance of agriculture to the Indian economy, as a supporting part of this paper. Justification for the emphasis by planners on the development of the agricultural sector is given by way of explaining the importance of agriculture to the Indian economy.

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[8] Ibid., pp. 25-28.

CHAPTER II

THE STRUCTURE FOR PLANNING

The Indian Constitution came into force on January 26, 1950. The government's intention to create a Planning Commission was announced to the Lok Sabha on February 28, 1950, by the Minister of Finance in his budget speech. The Commission was established on March 15, 1950 by Cabinet resolution.

The resolution began by recounting the history of planning in India and explaining the circumstances which demanded a better coordination of development programs: "The need for comprehensive planning based on an objective analysis of all the relevant economic factors has become imperative. These purposes can be best achieved through an organization free from the burden of day-to-day administration, but in constant touch with the government at the highest level."[9] The Planning Commission was created to meet this need.

The Type of Planning

As mentioned earlier in this paper, in a country like India, the collection of all forms of economic regula-

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9 A.H. Hanson, The Process of Planning, (Oxford University Press, 1966), p. 50.

tion and activity by the government is often called planning. Yet, only a part of the government program can be called planning in the more specific sense of centrally calculated design for resource allocation.

The five-year plans are essentially outlines for the allocation of investment. The central government (N.Delhi), the State government and those of the Union Territories compile proposals for outlays on their development programs, and for outlays on investment by the private sector. The concept of investment includes not only additions to physical capital, but also additions to intangible capital -- knowledge, skills, information, and new social arrangements intended to increase economic productivity.

The Plan expenditures are given in broad sectoral groupings: agricultural programs, community development and cooperation, irrigation and power, industries and minerals, transport and communications, and social services. A further breakdown of expenditures by a small number of subclassifications within each sector is provided. Finally, the Plans discuss the proposed projects within each of subclassifications.

The planned expenditures and projects are arrived at by a process of consultation between the Planning Commission and representatives of the various ministries of the central government and state governments. The main function of the

Planning Commission is to construct a pattern of investment which will in the aggregate fit within the limits set by the available resources, and which will be internally consistent -- the investment in each industry should enable that industry to provide the additional inputs required by the other industries to fulfill their planned expansion.[10]

The Plan document also lists production target for specific goods and services. These targets are used as the basis for deciding on the allocation of investment. The implementation of the investment projects and the management of production are left to the government agencies concerned with the public sector's part of the Plan and to the managers of the private sector. While the agencies and managers are subject to various pressures and controls through which the central government and the Planning Commission can seek to secure conformity to the broad outlines of the Plan, most economic management other than investment decisions is decentralized. The production targets are, therefore, not binding requirements imposed on producers, but are guidelines for the planners in allocating investment. The targets are set up to be achieved by the end of a period of five years. These targets are based on existing economic and social conditions, as also on previous economic trends, and as such are not enforced on producers. They are set up as guidelines

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[10] Gerald Sirkin, op. cit., pp. 133-136.

and the producers may exceed them if they could, given their capabilities.

The Indian economy is, therefore, planned with respect to investment. Other economic decisions are primarily in the hands of management which follows the signals of the market, though circumscribed by a variety of regulations and, in the case of public enterprises, by direct intervention from the controlling ministries.[11]

Structure and Working of the Planning Commission:

The Planning Commission is a non-political advisory body and plays two roles in Indian planning: (i) to initiate development bodies, and (ii) to integrate ideas and schemes for economic development formulated by other agencies into a coherent whole.

The Secretary heads the permanent staff and is assisted by Advisers each of whom has a group of States allocated to him. The Adviser maintains contact between the Commission and the States allotted to him. This is done by the help of the Program Administration division.

Various subject branches such as Agriculture, Irrigation, Power, Transport, etc., collect, analyze and process data required for the formulation, processing and evaluation of the plans.

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[11] Ibid., pp. 133-136.

A number of working groups are appointed during each Plan to coordinate the work formulating the plans. These groups include administrators, scientists, economists, and others representing various disciplines. Each groups works in specialized areas like Finance, Power and the like. Task forces are also appointed to deal with education, forestry, etc..

At the State level, a number of Planning Boards have been set up. The State formulates its plan based on general guidelines received from the Planning Commission. At the District level, the planning work is done jointly by the officers of the various departments, who assess the resources and needs of their areas in conjunction with the planning authorities.

Plan Formulation:

At the outset, a prospective framework covering ten or fifteen years is prepared, taking into account physical targets based on the state of the economy and the availability of resources. The targets are set on the basis of econometric and sectorial studies carried out by the officials in the Perspective Planning division and other divisions of the Commission.

For each five-year plan a few cruicial parameters such as population, national income, and investment are arrived at within the Commission based on feasibility analysis. Next, from the projections of the different working groups at the Center and in the States, a tentative sectoral and regional olans are formulated.[12]

The Planning Commission then "indulges in an exercise of detailed balancing: supply of raw materials versus the requirements of finished products of those materials, financial and physical resources, exports and imports, employment creation versus unemployment backlog and so on."[13]

A draft plan is prepared for discussion. The final plan is prepared after discussion and comments about the draft.

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12 V.T. Krishnamachari, Planning in India, (Orient Longman Ltd., 1977), pp. 15-18.

13 Ibid., pp. 15-18.

CHAPTER III

OBJECTIVES OF PLANNING

The objectives of planning in India can be grouped into the following six categories:

1. Securing an increase in national income -- this objective is expressed both in terms of economic growth, and of the level of per capita income. The national income target is set both in terms of desirable rates of growth and of a rate by which the objective is to be attained. "This objective is usually embodied in the concept of self-sustaining growth."[14]

2. Achieving a planned rate of investment within a given period to bring the actual investment as a proportion of national income to a higher level -- such an increase in output capacity is necessary in order to bring about the planned increase in output. It can also bring the capital stock of the country up to planned levels to ensure the growth of future output capacity.

3. Reducing inequality in the distribution of income and wealth, and reducing the concentration of economic

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14 I.C. Dhingra, op. cit., pp. 157-158.

power over resources -- this is to be brought about not so much by a redistribution of existing incomes as by channelling increasingly to the low income groups the incremental benefits of growth. The objective of reducing regional disparities has also been stressed.

4. Providing additional employment -- this objective is seen less as a question of providing full employment as that of providing a given and sufficient number of jobs within a particular period, so as to make it possible to absorb a proportion of the backlog of unemployment and increase in the labor force in that period.

5. Adopting measures to alleviate the three areas regarded by the planners as being of critical importance,viz., agriculture production, the manufacturing capacity for producers' goods, and the balance of payments -- the importance of the agricultural sector is seen as the one from which the bulk of the population derives its livelihood, and as source of food and raw materials for the rest of economy. The industrial sector is supplier of essential non-agricultural goods, and in the long run, an alternative source of jobs to the agricultural population.

6. Removal of poverty -- this objective was added to the Fifth Five Year Plan (1974-79). By the end of the past decade, the extent and urgency of poverty problem was amply driven home by the studies that threw up

quantitative measures of poverty -- the proportion of people living below a specified minimum level of consumption. The sixth Five Year Plan (1980-85) emphasizes a progressive reduction in the incidence of poverty as its primary objective.[15]

Public versus Private

The delimitation of the respective roles of public and private enterprise in the formulation and implementation of India's plans has generated controversy. This controversy has been particularly acute since 1954, when Congress and Parliament endorsed the concept of the socialist pattern of society. Closely related to it is the question of the right methods of regulating, encouraging, and guiding the private sector, so as to enable it to make its maximum appropriate contribution to the development of the economy. The degree of emphasis given to the various kinds of industry is another associated issue.

In a mixed economy, delimitation between the two sectors is based on certain considerations. In a developing economy, investments in roads, schools, and hospitals, are almost entirely in the public sector, since they yield no direct monetary return. Investments in power, transport, and irrigation are mainly in the public sector because even the

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15 Ibid., pp. 157-158.

potentially profitable ones have a very slow yield, and are too difficult and heavily capitalized for the private investor to be interested in them. Public intrastructural investment brings about two conflicting forces. On the one hand, resources that might otherwise be devoted to private investment are withdrawn into public, thus limiting opportunities for private investment. On the other hand, investment in new infrastructural improvements provides private enterprise with new markets, and creates external economics.

Direct investment in industry and agriculture depends on how far private enterprise is capable of achieving the contemplated rate of growth. That, in turn, depends on the quantity, quality, and distribution of entrepreneurial talent and the availability of funds for investment in private undertakings. Private enterprise is encouraged by the existence of a market for stocks and shares, and by a pattern of income distribution that increases the propensity to save. Investment in the private sector depends largely on the private entrepreneur's ability and honesty. Private entrepreneurship and investment habits are strongly affected by the capacity of the government to preserve economic and political stability, and by its provision of incentives. Government provided incentives such as tariff protection, tax concessions, and provision of facilities (industrial estates, etc.) do not ensure that private entrepreneurs will not fail. If the private sector fails to deliver the goods, then investments have to be made in the public sector.

If public opinion is hostile to the private businessman, which is often the case when the business activities are concentrated in the hands of unpopular groups, such as the incompletely indigenous communities, the government is naturally nervous about leaving key areas of economic activity to the private sector. The concept of a socialist pattern of society provides the Indian government with a very different set of policy guides. The socialist pattern would indicate that economic activity should be subject to democratic control of the community, as represented by the organs of the state. This would imply that the public sector should be large enough to play a major role in the economy, since the operations of private enterprise, particularly in a developing country, cannot be effectively controlled. Another purpose would be to eliminate large private fortunes by way of giving emphasis to the public sector at the expense of the private, since private enterprise creates inequalities in income distribution, and demands them as a condition of its effective operation.[16]

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16 A.H. Hanson, op. cit., pp. 444-446.

The Industrial Policy Resolution of 1956 referred to the adoption of socialist objectives, suggesting the need to develop heavy industries, to reduce disparities of income and wealth and to 'prevent private monopolies and the concentration of economic power in the hands of a small number of individuals.'[17] This involved the assumption by the state of 'a predominant and direct responsibility for setting up new industrial undertakings and for developing transport facilities.'[18] The private sector would have the opportunity to develop and expand. The resolution made the following statement of general principle:

"The adoption of the socialist pattern of society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector. Other industries which are essential and require investment on a scale which only the State could provide, have also to be in the public sector."[19]

The resolution did not restrict the expansion of existing privately owned units or the possibility of the

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[17] Ibid., p. 460.

[18] Ibid., p. 460.

[19] Ibid., p. 460.

State securing the cooperation of private enterprise in the establishment of new units whenever the need arose. Several industries, including machine tools, fertilizers, antibiotics, synthetic rubber, road transport, sea transport, etc, would be developed through the initiative and enterprise of the private sector. The State would facilitate and encourage the development of these industries by the provision of services, the adoption of appropriate fiscal measures, and the granting of financial aid. The government would have a monopoly in such industries as railways, air transport, arm and ammunition, and atomic energy.[20]

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20 Ibid., p. 460.

CHAPTER IV

THE FIVE-YEAR PLANS

First Five-Year Plan:

A serious move towards self-sustained growth was made with the launching of the First Five Year Plan on April 1, 1951. This First Plan envisaged a rise in the national income by 11 percent over the five years Of the total development expenditure in the public sector, agriculture and rural development got 15 percent , while the combined allocation for irrigation, electricity, transport, and communications was more than 50 percent. Table 1 shows that expenditure in the public sector was directed mainly to creating an infrastructure for economic development in the form of large-scale irrigation projects, electricity, and transport. Good harvests led to a decline in food prices during the plan period. Consequently, general wholesale prices also fell. Thus, the Second Plan was framed in an optimistic atmosphere.

Second Five-Year Plan:

The Second Plan aimed at rapid industrialization with particular emphasis on the development of basic and heavy industries. The output of heavy industry increased substantially. But poor harvests during 1953-54 and 1957-58 resulted in a shortage of foodgrains and consequent rise in food prices. Foodgrains had to be imported on a larger scale than earlier anticipated, resulting in a balance of payment crises.

Third Five-Year Plan:

The Third Plan brought out sharply how a lagging agriculture could slow the progress of the entire economy. Good and bad harvests affected the Indian economy during the Plan period. In 1964-65, the fourth year of the Plan, exceptionally good harvests resulted in an increase of national income by 7.6 percent. The following year, due to a drought and subsequent poor harvests, the national income declined 4.2 percent. National income was expected to increase at a rate of 5.6 percent by the end of the Plan period. Food shortages, due to poor harvests and drought, led to an increase in prices. The Chinese aggression in 1962 and the war with Pakistan in 1965 resulted in increased defense expenditure and consequent cuts in planned productive investment.

Two successive years of drought (1965-67) aggravated the inflationary pressure that had started earlier. India's price level got seriously out of adjustment with the price-level abroad, and the rupee was devalued in 1966.

As a result, the cost of essential imports increased. The country had to wait until 1968 for any noticeable improvement in exports. It was decided to launch the Fourth Plan in 1969 by which date the economy had regained its normal level. The period 1966-69, thus marked a Plan holiday during which the country had to do with three successive Annual Plans.

<u>Fourth Five year Plan</u>:

The Fourth Plan aimed at the acceleration of the tempo of development in conditions of stability and reduced uncertainties.

The target of an annual increase of 5.7 percent in national product was set. The actual performance of the economy during the plan period showed a substantial shortfall in the targeted rate of growth. There was a setback in industrial growth during 1973-74.

<u>Fifth Five year Plan</u>:

The financial and physical magnitudes of the Fifth Plan got distorted due to inflationary pressures that started in 1972-73 and gathered momentum in 1973-74. The draft of the Fifth Plan was formulated in terms of 1972-73 prices, and thus the finalization of the Plan had to wait the emergence of a more stable situation. The Plan was finalized in 1975, a year that brought stability, industrial discipline, and con-

Table 1: Pattern of Investments in India's Plans by Type of Investment.

Type of Investment	I	II	III	IV	V (1974-79)	VI (1980-85)
	(Percentages)					
Agriculture & Allied Sectors, Irrigation & Flood Control	37.0	20.9	20.5	23.3	23.0	25.33
Electricity	7.6	9.7	14.6	18.6	19.0	27.21
Industry	4.9	24.1	22.9	19.7	25.0	15.40
Transportation & Communications	26.4	27.0	24.6	19.5	17.0	15.94
Social Services	24.1	18.3	17.4	18.9	16.0	16.12*
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

* Includes 0.90 percent on Science and Technology.

Source: I.C. Dhingra, The Indian Economy, (Sultan Chand & Sons, 1983).

trol on prices. The Plan was terminated a year ahead of schedule.

Sixth Five Year Plan:

Relative price stability, accumulation of large buffer stocks of foodgrains in the wake of bumper food crops during 1975-78, and accumulation of large foreign reserves created an atmosphere of great optimism and expections during the finalization of the Sixth Plan in 1978. The Plan was reformulated in 1980 due to political turmoil in 1979. The Plan period will terminate in 1985. It aims at an average annual growth rate 5.2 percent in the national income. The main objectives of the Plan is to constitute modernization for the achievement of economic and technological self-reliance and progressive reduction in the incidence of poverty and unemployment.[21]

Size of the Plans*

The First Plan was a modest one and was framed within the limits imposed by available resources. The successful implementation of the Plan encouraged the planners to launch on more ambitious programs that characterized the subsequent plans. As a result the financial appropriation

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21 I.C. Dhingra, op. cit., pp. 32-35.

* Size of the Plan refers to the financial expenditure allocated to that Plan.

Table 2: Financial Appropriation and Expenditure in Real Terms in Plans (At 1960-61 Prices)

Plan	Financial Appropriation (Nominal)	Plan Expenditure (Real)	Percentage Variation Over the Previous Plan
		(10 Million Rupees)	
I (1951-56)	1,960	1,805	---
II (1956-61)	4,600	3,679	103.8
III (1961-66)	7,636	5,405	46.0
IV (1969-74)	16,188	6,091	12.7
V (1974-79)	40,018	9.585	57.4

Source: CSO: Basic Statistics Relating to the Indian Economy and The Sixth Five-Year Plan (1980-85).

increase. The approved financial appropriations for the First Plan was only Rs. 19,600 millions. It was raised to Rs. 46,000 millions during the Second Plan. The financial appropriations in the Third Plan was 66.7 percent over the Second Plan, that in the Fourth Plan was 112 percent over the Third Plan, and in the Fifth Plan it was 147.2 percent over the Fourth Plan. The financial appropriations in the Sixth Plan (1980-85) is projected at Rs. 975,000 millions which represents an increase of about 148 percent over the Fifth Plan. The actual expenditure on the Plan programs, however, has been much less, as would be seen from Table 2. Table 2 shows that although the expenditure on the Plan programs has risen over the different plan periods, the real increase has been limited; much of the increase has been accounted for by inflation. Plan expenditure figures presented in absolute terms tend to be illusory. A very low base of the First Plan caused the expenditure in the Second Plan to be 103.8 percent over the First Plan. Table 2 also shows that the rate of growth of plan expenditure had considerably slackened after the Second Plan.

<u>Financing of the Plan Expenditure</u>:

The various sources from which financial resources are arranged for the Plans, can be classified into (i) domestic sources, (ii) external sources, and (iii) deficit financing. Domestic sources include taxation, public borrowings, domestic savings, and surpluses of the public enterprises. External sources include grants, loans, and investments received from abroad. Deficit financing refers to all those methods by which the deficit between the planned expenditure and expected revenue is met. Table 3 illustrates the scheme of financing different Plans in India.

The financial needs of the first three Plans were met by heavy dependence on external sources and deficit financing. In the later Plans, self-reliance came to be accepted as the most desired objective.[22]

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[22] Ibid., pp. 159-162.

Table 3: Financing of Plans In India by Source

Source	I	II	III	IV	V	VI
			(Percentages)			
Domestic Sources	74.0	57.1	58.5	54.0	78.0	83.67
External Sources	9.0	22.5	28.2	35.9	12.8	11.21
Deficit Financing	17.0	20.4	13.3	10.1	19.2	5.12
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Source: CSO: Basic Statistics Relating to the Indian Economy and The Sixth Five-Year Plan (1980-85).

CHAPTER V

EXPENDITURES IN INDIA'S FIVE YEAR PLANS

The First Five Year Plan (1951-56):

The appropriation of the First Plan was originally set at Rs. 20,690 millions in the public sector. Table 4 shows the breakup of the actual expenditure incurred in the public sector (Rs. 19,600 millions).

The allocation emphasized agricultural development. 44 percent of the total appropriation was allocated to agricultural development. "The purpose of the Plan was to improve yield in agriculture so as to generate an agricultural surplus fundamental to economic development."[23]

Large scale industries were given a low priority, and the development of large-scale consumer goods was left entirely to the private sector. In order to facilitate the process of development, 27 percent of the total outlay was allotted to the development of transport and communications. Also, 23 percent of the total appropriation was allotted to development of social services like education, technical training, health, etc., with a view to improving the human capital.

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23 Ruddar Dutt, K.P.M. Sundharam, Indian Economy, (S. Chand & Company Ltd., 1983), pp. 182-192.

The Second Five Year Plan (1956-61):

"The basic philosophy of the Second Plan was to give a 'big push' to the economy so that it entered the take-off stage."[24]

Originally, in the Second Plan, an appropriation of Rs. 48,000 millions was allotted to the public sector; but the actual expenditure was Rs. 46,000 millions. On the whole, with an estimated private sector investment of Rs. 31,000 millions the total expenditure (public & private) aggregated to Rs. 77,000 millions over the plan period. A break-up of the public sector expenditure is given in Table 4.

Agriculture was given a lower priority, whereas, industries and minerals were accorded a high priority. Only 20 percent of the total appropriation was spent on agriculture and irrigation as compared to the First Plan appropriation of 31 percent on these items. The relative share of industries and minerals rose to 20 percent as compared to just 4 percent in the First Plan. Expenditure on social services was reduced to 18 percent in the Second Plan, as compared to 23 percent of the total expenditure in the First Plan.

The expenditure of the Second Plan was more than double that of the First Plan, and the absolute expenditure

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24 Ibid., pp. 182-192.

Table 4: Distribution of Public Sector Expenditure by Type of Investment

Type of Investment	First Plan		Second Plan	
	Expenditure	Percentage	Expenditure	Percentage
	(10 Million Rupees)			
Agriculture & Community Development	291	15	530	11
Major & Medium Irrigation	310	16	420	9
Power	260	13	445	10
Village & Small Industries	43	2	175	4
Industry & Minerals	74	4	900	20
Transport & Communications	523	27	1,300	28
Social Services & Miscellaneous	459	22	830	18
TOTAL	1,960	100	4,600	100

Source: Third Five-Year Plan, p. 33.

on each item was greater in the Second Plan than in the First Plan.

The Third Five Year Plan (1961-66):

The backbone of Indian economy is the rate of growth of agricultural production in the country. In the Second Plan, low priority was given to agriculture, while high priority was given to Industry. This resulted in a setback in economic growth, since agricultural failure led to a decline in real income, leading to a decline in investment. The unfortunate experience of the Second Plan suggested that, in Indian economic development, agriculture be assigned top priority. Therefore, while giving top priority to agriculture, the Third Plan also laid stress on the development of basic industries such as steel, fuel, power, and machine building.

An appropriation of Rs. 75,000 millions was proposed to be allotted to the public sector. Private sector investment was estimated to be Rs. 41,000 millions. Table 5 shows the break-up of expenditures in the public sector.

Table 5 shows that in the Third Plan, agriculture, irrigation, and electricity were allotted 36 percent of the total expenditure, as compared to 30 percent in the Second Plan. High priority was thus given to agriculture. Transport and communications received a relatively small share, viz., 20 percent in the Third Plan, as compared to 28 percent in the Second Plan. Due to an increase in prices, the actual expenditure of the Plan rose to Rs. 85,000 millions.

<u>The Fourth Five Year Plan (1969-74)</u>:

The total expenditure in the Fourth Plan was proposed at Rs. 248,820 millions of which the public sector was allotted Rs. 159,020 millions while the private sector investment was estimated at Rs. 89,800 millions.

Table 6 shows the distribution of the total public sector expenditure in the Fourth Plan. Agriculture and irrigation were allocated 24 percent of the total outlay as compared to 20 percent in the Third Plan. Industry and minerals (including village and small industries) received an allocation of 23 percent of the total expenditure. Under Social Services, the Family Planning Program received a large increase and it was allotted Rs. 2,780 millions as compared to Rs. 250 millions during the Third Plan.

<u>The Fifth Five Year Plan (1974-79)</u>:

The original draft of the Fifth Plan showed an expenditure of Rs. 372,500 millions for the public sector, while the private sector was allotted Rs. 161,610 millions. The calculations, based on 1971 prices, were soon upset by

Table 5: Financial Expenditures in the Third Plan by Type of Investment

Type of Investment	Appropriation Total	Appropriation Percentage	Expenditure Total	Expenditure Percentage
	(10 Million Rupees)			
Agriculture & Community Development	1,068	14	1,090	13
Major & Medium Irrigation	650	9	665	8
Electricity	1,012	13	1,250	14
Village & Small	264	4	240	3
Organized Industry & Mining	1,520	20	1,725	20
Transport & Communications	1,486	20	2,115	25
Social Services & Miscellaneous	1,500	120	1,495	17
TOTAL	7,500	100	8,500	100

Source: Fourth Five-Year Plan Draft, p. 33.

Table 6: Fourth Plan Expenditure by Type of Investment

Type of Investment	Expenditure	Percent
	(10 Million Rupees)	
Agriculture	2,385	15
Irrigation & Flood Control	1,431	9
Electricity	2,448	15
Industry & Minerals	3,631	20
Transport & Communications	3,237	20
Social Services & Miscellaneous	2,771	18
TOTAL	15,902	100

Source: Fourth Five-Year Plan.

the rise in prices during subsequent years. Soon afterward, the public sector expenditure was raised to Rs. 393,030 millions and the private sector expenditure was raised to Rs. 270,500 millions. The sectoral break-up of the total expenditure is given in Table 7.

The industry and minerals sector was allotted the largest percentage of the total expenditure in the public sector--26 percent. Agriculture, irrigation, and flood control was given a share of 21 percent in the revised plan.[25]

<u>The Sixth Five Year Plan (1980-85)</u>:

The Janata Government came into office in 1977. The new government terminated the Fifth Plan in 1978 and formulated a Plan for the period 1978-83. With the fall of the Janata government and its replacement by Indira Gandhi's government in January 1980, the new government terminated the Sixth Plan of the Janata Government and formulated the new Sixth Plan for the period 1980-85.[26]

The total public sector expenditure in the Sixth Plan (1980-85) is of Rs. 975,000 millions at 1979-80 prices. Table 8 reveals an increase of 37.3 percent in Indira Gandhi's Sixth Plan (1980-85) compared to the Janata Government's Sixth Plan (1978-83), in the total public sector

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[25] Ibid., pp. 182-192.

[26] Ibid., p. 212.

Table 7: Allocation of Expenditure During the Fifth Plan by Type of Investment

Type of Investment	Draft Fifth Plan* Total	Draft Fifth Plan* Percentage	Revised Fifth Plan** Total	Revised Fifth Plan** Percentage
	(10 Million Rupees)			
Agriculture & Allied Sectors	4,935	13	4,644	12
Irrigation & Flood Control	2,475	7	3,434	9
Power	6,190	17	7,016	18
Industry & Minerals	8,490	24	10,201	26
Transport & Communications	7,115	19	6,881	18
Social Services & Miscellaneous	7,595	20	7,127	17
TOTAL	37,250	100	39,203	100

Source: Fifth Five-Year Plan (1974-79) and Draft Five-Year Plan (1978-83), p. 33.

* At 1972-73 prices.

** The estimates for 1974-75 are at current prices while those for subsequent years are at 1975-76 prices.

expenditure. Both Plans give high priority to energy, science, (including irrigation and flood control), which receives a little over 25 percent of the allocation. Out of the 15.4 percent share of industry, village, and small-scale industry receive only 1.8 percent, as against the 2 percent allocation in Sixth Plan (1978-83). The pattern of allocation indicates that "the deviations in the Sixth Plan (1980-85) from that of the Sixth Plan (1978-83) in any major sector range from 0.1 percent to 0.5 percent.[27]

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27 Ibid., pp. 220-221.

Table 8: Sixth Five-Year Plan--Public Sector Expenditure by Type of Investment

Type of Investment	1978-83 Plan* Total	%	1980-85 Plan** Total	%
	(10 Million Rupees)			
I. Agriculture & Allied Activities	9,125	12.8	12,539	12.8
1. Agriculture	6,665	9.4	5,695	5.8
2. Rural Development	1,500	2.1	5,364	5.5
3. Special Area Programs	960	1.3	1,480	1.5
II. Irrigation & Flood Control	9,019	12.5	12,160	12.5
III. Energy, Science & Technology	20,267	28.5	27,400	28.1
1. Power	15,112	21.3	19,365	19.8
2. Petroleum	2,600	3.7	4,300	4.4
3. Coal	1,900	2.6	2,870	0.9
4. Science & Technology	655	0.9	865	0.9
IV. Industry & Minerals	10,902	15.4	15,017	15.4
1. Village & Small Scale	1,410	2.0	1,780	1.8
2. Large & Medium	9,492	13.4	13,237	13.6
V. Transport & Communications	11,178	15.7	15,546	15.9
1. Railways	3,400	4.8	5,100	5.2
2. Roads & Road Transport	3,350	4.7	4,634	4.7
3. Other Transport	1,827	2.6	2,678	2.7

Table 8 (Continued):

4. Communications, Information & Broadcasting	2,601	3.7	3,134	3.2
VI. Social Services	10,509	14.8	14,838	15.2
1. Education	1,986	2.8	2,524	2.6
2. Health & Family Welfare	2,028	2.8	2,831	2.9
3. Housing & Urban Development	2,133	3.0	2,488	2.6
4. Water Supply & Sanitation	2,711	3.8	3,922	4.0
5. Social Welfare, Nutrition & Labor Welfare, etc.	1,651	2.3	3,073	3.1
GRAND TOTAL	71,000	100.0	97,500	100.0

Source: Ruddar Dutt, K.P.M. Sundharam, Indian Economy, (S. Chand & Company Ltd., 1983), p. 221.

* At 1977-78 prices.

** At 1979-80 prices.

CHAPTER VI

PERFORMANCE OF THE ECONOMY DURING THE PLANS

National Income as a Measure:

Real national income and per capita income are the criteria used to assess the performance of an economy over a period of time. Even though India's real national income and per capita income have increased over the years (Table 9). It is necessary to evaluate these changes by comparing the achievements with the targets. Table 10 shows that the rate of increase in national income has always fallen short of the targets laid down in different plans, except during the First and the Fifth Plans. Hence, one could conclude that India'a performance has been none too impressive. Agriculture and industry are considered the commodity producing sectors in the economy. Due to the very slow growth of both agriculture and industries, the growth in national income and product in the economy has been slow.

Employment as an Indicator:

Creation of employment opportunities for the rising labor force has been another important objective of economic planning in India. Unemployment in India dominates in the

Table 9: India's National Income and Per Capita Income During Selected Years at Constant Prices (1970-71)

Year	National Income	Per Capita Income
	(10 Million Rupees)	(Rupees)
1950-51	16,731	466.0
1955-56	19,953	507.7
1960-61	24,250	558.8
1965-66	27,103	558.8
1970-71	34,235	632.8
1975-76	40,064	661.1
1980-81	47,490	700.4
1981-82	49,887	719.9
1982-83	50,153	706.6

Source: Economic Survey, 1982-83, p. 77.

Table 10: Target and Actual Increase in National Income During Plans

Plans	Target Rate of Increase	Actual Rate of Increase
	(Annual Percentage)	
I	2.1	3.6
II	4.5	4.0
III	5.6	2.2
IV	5.7	3.3
V	4.4	5.2
VI	5.2	---

Source: Sixth Five-Year Plan, p. 1.

rural sector, since a large proportion of the population resides in the rural areas. The major forms of unemployment are (i) disguised unemployment, and (ii) seasonal unemployment. Unemployment has been caused by (i) a slow growth in expansion of the manufacturing sector in the economy, and (iii) the concentration of investment in the capital goods industry. The investment in the Plans has concentrated on heavy capital goods industries. With rising population and the fast rising labor force, this strategy of growth has largely failed to meet the requirements.

Self-Reliance:

This objective includes a reduction in the dependence on foreign aid, a reduction in the imports of foodgrains and certain critical commodities like fertilizer and labor-saving machinery, and a promotion of exports of indigenous products to acquire foreign exchange. The ultimate goal of planned economic development in India, is to make the country self-reliant. Elimination of foreign aid is an important objective.

In spite of the fact that considerable progress has been made towards the achievement of self-reliance with respect to foodgrains and a number of agricultural crops, India still depends on advanced countries for imports of technology. The industrial sector imports modern equipment rather than produce it indigenously. Slow progress towards self-reliance in the industrial sector is due to (i) misdirected investments in the private sector, (ii) failure of public sector projects to materialize as planned, and (iii) changing needs of the economy in respect of modern equipment, and inadequate progress in catching up with advancing technology.

During the planning era, emphasis has been placed on self-reliance and import substitution in critical areas. Import substitution refers to the objective of reducing imports and producing indigenously. Table 11 shows that in the initial years of growth, the dependence on imports increased, but later this dependence declined because of increased indigenous production of items that were previously imported. With an increase in growth, dependence on imports increased; this dependence has subsequently declined, with build-up of domestic production. Table 12 shows the country's performance with regard to to export promotion. Since 1971, export growth has been impressive, in comparison to export growth during the first three plans.

Price Stability:

Stability in the economy is a pre-requisite to economic growth, and its source lies in the general price level. The biggest failure of economic planning in India has been its inability to arrest the rising prices. Ever since the beginning of the Second Plan, the general price level has been rising continuously. This type of price behavior has adversely affected the rate of saving and real investment in the economy, which in turn can adversely affect the future economic growth.

Growth Performance in the Plans:

Table 13 presents the growth performance of the economy in different plan periods. This table shows that, except for the Third Plan, the rate of growth of national income has ranged between 3 and 5 percent .

There was a substantial rise in the rate of gross investment during the 1950's, and between 1972 and 1979. The current rate of capital formation has been financed largely by domestic savings, comprising mainly of the savings of the household sector. "Public sector and corporate savings have grown much more slowly than anticipated."[28] Table 14 presents the rates of gross savings and investment at the end of each plan period.

Public investment in a mixed economy can be more effectively regulated by the government than the overall level of investment. Gross fixed investment in the public

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28 Government of India, Planning Commission, Sixth Five Year Plan, pp. 1-16.

Table 11: Percentage Share of Imports in Indigenous Supplies

	Pre-Plan	End of First Plan	End of Second Plan	End of Third Plan	End of Annual Plan*	End of Fourth Plan	End of Fifth Plan
	1950-51	1955-56	1960-61	1965-66	1968-69	1973-74	1978-79*
				(Percentages)			
Foodgrains	5.9	1.7	4.7	9.5	5.6	4.3	0.2
Iron & Steel	25.2	39.9	35.7	16.7	9.3	18.5	1.1
Machinery*	68.9	41.0	40.7	27.8	24.6	17.0	15.3
Petroleum	92.5	93.8	94.6	76.6	66.2	70.8	63.1
Nitrogenous Fertilizers	72.5**	39.8	80.3	58.3	60.9	38.3	27.5

* Imports as a percentage of machinery component of gross investment.

** For 1951-52.

Source: Government of India, Planning Commission, Sixth Five Year Plan, pp. 5-16.

Table 12: Growth Rate in Exports

Region	First Plan 1951-56	Second Plan 1956-61	Third Plan 1961-66	Annual Plan 1966-69	Fourth Plan 1969-74	Fifth Plan 1974-79*
			(Percentages)			
India	1.8	0.7	4.8	1.5	10.7	17.3
All Developing Countries of Which	5.1	2.8	5.9	6.2	20.3	21.6
(a) Major petroleum exporters	12.3	5.3	6.6	7.9	24.3	27.2
(b) Fast Growing Exporters of Manufacturers	NIL	1.0	5.5	7.0	24.7	19.4

Note: These compound growth rates are based on an end-to-end comparison of calendar year data reported in "Handbook on International Trade and Development Statistics, UNCTAD, 1979".

* For the time period originally envisaged for the Fifth Plan

Source: Government of India, Planning Commission, Sixth Five Year Plan, pp. 5-16.

Table 13: Growth Performance in the Plans

Items	First Plan 1951-52 to 1955-56	Second Plan 1956-57 to 1960-61	Third Plan 1961-62 to 1965-66	Annual Plan 1966-67 to 1968-69	Fourth Plan 1969-70 to 1973-74	Fifth Plan* 1974-75 to 1978-79	1950-51 to 1978-79
	(Percentages)						
Annual Growth Rates							
National Income	3.6	4.0	2.2	4.0	3.3	5.4**	3.5
Agricultural Production	4.1	4.0	(-)1.4	6.2	2.9	4.2	2.7
Industrial Production	7.3	6.6	9.0	2.0	4.7	5.9	6.1
Per Capita Consumption	1.7	1.8	0.1	2.0	0.4	2.3	1.1
Gross Fixed Investment	3.0	5.8	8.7	1.5	3.1	6.6	5.5

NOTE: Column 8 gives the trend rate calculated from a semilog regression. All other columns give compound growth rates between the base year before the Plan and the last year of the Plan.

* For the time period originally envisaged for the Fifth Plan

** This is the growth rate for net national product (national income). The growth rate of gross domestic product over this period was 5.2 percent.

Source: Government of India, Planning Commission, Sixth Five Year Plan, pp. 5-16.

sector, as a percentage of GNP, rose from 2.3 percent in 1950 to 8.5 percent in 1966. After 1966, there was a sharp decline in the rate, which eventually started rising only in the recent years to reach 9.2 percent in 1979. Due to a lack of some kind of mechanism to protect public sector resources and investment against inflation, the level of public investment "has generally exceeded plan provision in nominal terms but fallen short in real terms."[29]

Public investment has a great impact on the overall pace of expansion. "A high level of public investment ...... is a pre-condition for development in the private sector."[30] Investment in infrastructure (roads, highways, etc.) and key industries (railways, power, telecommunication) needs high capital which can be provided by the government. This public investment creates external economies for private enterprise. Private enterprises depend on the orders which flow from public activity and their growth and profitability depend directly on the expansion in public sector investment. Thus it can be concluded that the inability of the government to ensure adequate growth in public investment has led to a shortfall in growth targets.

The level of public investment is determined largely by plan expenditure which has generally exceeded plan

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29 Ibid., pp. 1-16.

30 Ibid., pp. 1-16.

Table 14: Gross Savings and Investment at End of Plan Period

Items	Pre-Plan	End of First Plan	End of Second Plan	End of Third Plan	End of Annual Plan*	End of Fourth Plan	End of Fifth Plan
	1950-51	1955-56	1960-61	1965-66	1968-69	1973-74	1978-79*
				(Percentages)			
				Percentage of GDP at Current Market Prices			
Gross Capital Formation	10.0	14.3	16.9	18.2	15.4	20.0	23.7
Gross Domestic Savings	10.2	13.9	13.5	15.6	14.1	19.3	23.9
				Share in Domestic Saving (Percentage)			
Household Saving in Financial Assets Other Than Claims on The Government	10.0	15.3	19.1	31.1	20.5	28.3	32.9
Public Sector Savings	18.9	10.6	23.3	23.1	17.3	12.9	19.0
Private Corporate Cooperative Sector Savings	6.8	6.2	8.8	3.9	2.6	5.7	2.8

* The figures given are for the originally envisaged terminal year of the Fifth Plan.

Source: Government of India, Planning Commission, Sixth Five Year Plan, pp. 5-16.

provisions in nominal terms but fallen short in real terms. This is because there has been no built-in mechanism to protect public sector resources and investment against inflation and natural calamities.

The growth in national income has been affected by trends in agricultural and industrial production (Table 13). The level and pact of agriculutral development has been varying from region to region due to the uneven rate of agricultural production in different regions. Also, agricultural production has fluctuated widely over the years, depending on the weather conditions. Industrial production growth has also shown a decline, particularly during the period 1966-79. Growth of national income has thus been uneven over the years.

<u>Modernization</u>:

Modernization refers to a shift in the sectoral composition of production, diversification of activities, an advancement of technology, and institutional innovations. Modernization in agriculture is in the form of investments in irrigation projects and the introduction of high yielding varieties, and fertilizers. Table 15 shows that the share of productive infrastructure in the national income has increased from 18.8 percent in 1950-51 to 29.9 percent in 1978-79.

Table 15: Composition of Gross Domestic Product (at 1970-71 prices)

Items	Pre-Plan 1950-51	End of First Plan 1955-56	End of Second Plan 1960-61	End of Third Plan 1965-66	End of Annual Plan* 1968-69	End of Fourth Plan 1973-74	End of Fifth Plan 1978-79*
				(Percentages)			
Agriculture & Allied Sectors	58.9	57.3	54.2	45.6	46.3	45.2	41.6
Mining, Manufacturing & Construction	14.9	15.9	17.7	22.0 (20.0)	21.2	21.6	22.5
Electricity, Gas, Water Supply, Transport, Storage & Communication	3.9	4.2	4.9	6.1 (5.4)	6.4	6.8	7.4
Services	22.3	22.6	23.2	26.3 (24.5)	26.1	26.4	28.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Figures in brackets are for 1964-65 which may present a more correct picture since agricultural output in 1965-66 was badly affected by the drought.

* The figures given are for the originally envisaged terminal year of the Fifth Plan.

Source: Government of India, Planning Commission, Sixth Five Year Plan, pp. 5-16.

The effort to modernize began with the Second Plan which emphasized rapid industrialization. There was "a shift in the industrial sector towards industries producing basic materials and capital goods, and the growth of the public sector in industry."[31] The share of the public sector in the value added in mining and organized manufacturing grew from 8.1 to 28.9 percent between 1960 and 1978.

Modernization in agriculture as shown in Table 16 increased irrigation projects in all the plans, though the rate of expansion in irrigation has been higher in the recent years. The use of high yielding varieties and fertilizers spread rapidly after 1965.

<u>Social Justice</u>:

Social justice refers to improvement in the standard of living of the poor and reduction in inequality of income and consumption.

Private consumption per capita grew by 46 percent between 1950 and 1979, indicating an improvement in the quality of life over the planning period. There was some improvement in the distribution of private consumption, as shown in Table 17. The improvement in consumption expenditure of the poor has not been large enough to result

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Ibid., pp. 1-16.

in a reduction of the percentage of population below the poverty line. In 1972-73, this was 54 percent (rural) and 41 percent (urban); in 1977-78, the figures reduced to 51 percent (rural) and 41 percent (urban).

The inability of the government to "restructure the distribution of assets and to provide a sufficiency of employment for a growing work force" resulted in limited impact of the Plans on the well-being of the poor. An individual obtains an income from the ownership of assets and from employment. The principal productive asset of the poor (namely, the rural population) is land. In India, small farmers (owning less than 2 hectares of land) constitute over 70 percent of landholders, who operate barely 24 percent of the land. Improvements in agricultural productivity improve (yield per unit area) directly the earning power of agricultural land, and only indirectly that of agricultural labor. Hence agricultural growth has to be combined with employment generation and diversification of occupations, in order to increase the incomes of the poor. Figures in Table 18 indicate a very low level of asset holdings of the poorest 30 percent in rural areas. The table also shows the structure of asset ownership has not been changed during the sixties.[32]

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[32] Ibid., pp. 1-16.

Table 16: Technological Change in Agriculture

Items	Pre-Plan 1950-51	End of First Plan 1955-56	End of Second Plan 1960-61	End of Third Plan 1965-66	1966-67	1967-68	1968-69	End of Fourth Plan 1973-74	End of Fifth Plan 1978-79*
Percentage of Gross Irrigated Area to Gross Sown Area	17.1	17.4	18.4	19.9	20.8	20.3	22.2	23.7	28.0
Fertilizer Consumption (Kg/ha)	0.5	0.9	1.6	5.1	7.0	9.4	11.0	16.7	29.5
Percentage of Rice & Wheat Under HYV (a) Rice	-	-	-	-	2.5	4.9	7.3	26.1	41.8
(b) Wheat	-	-	-	-	4.2	19.6	30.0	59.2	71.1
Average Yield (a) Rice (qtl/ha)	6.7	8.7	10.1	8.6	8.6	10.3	10.8	11.5	13.3
(b) Wheat (qtl/ha)	6.6	7.1	8.5	8.3	8.9	11.0	11.7	11.7	15.7

* The figures given are for the originally envisaged terminal year of the Fifth Plan.

Source: Government of India, Planning Commission, Sixth Five Year Plan, pp. 5-16.

Table 17: Distribution of Household Consumer Expenditure

	1958-59	1961-62	1965-66	1970-71	1972-73	1977-78
			(Percentages)			
RURAL						
Bottom 30%	13.1	14.7	15.1	15.4	15.4	15.0
Middle 40%	34.3	33.2	34.3	35.1	33.7	33.1
Top 30%	52.6	52.1	50.6	49.5	50.9	51.9
URBAN						
Bottom 30%	13.2	12.9	13.6	13.7	13.8	13.6
Middle 40%	31.7	31.4	31.9	31.8	31.9	32.4
Top 30%	55.1	55.7	54.5	54.5	54.3	54.0

Source: Government of India, Planning Commission, Sixth Five Year Plan, pp. 5-16.

Table 18: Distribution of Assets in Rural Areas

	1961	1971
	(Percentage)	
Percentage of share in assets of		
Lowest 10%	0.1	0.1
Lower 30%	2.5	2.0
Top 30%	79.0	81.9
Top 10%	51.4	51.0

Source: Government of India, Planning Commission, Sixth Five Year Plan, pp. 5-16.

Evaluating the Effect of Planning and The Performance of the Public Sector

Indian planning has been criticized in having laid greater emphasis on the establishment of a heavy industrial base than on agriculture, the backbone of an overpopulated, food deficit country. Underfulfillment of targets with a wide gap between promise and fulfillment, increasing income inequalities, high taxation, heavy foreign indeptedness, and other factors have contributed to the feeling that planning has failed to achieve any significant positive results.

Foreign aid to India, principally economic, has produced a new industrial class whose outlook and aspirations are too modern for the politicians. The more rapid the technological advance, the more difficult it becomes for the politicians to communicate effectively with the new industrial segment of the society. This situation has adversely affected the implementation of the plans in the industry's sector, both public and private.

Policy variables in Indian planning have sprung mainly from two sources. One, the objective of social equality and two, the regional demands for development. The planners have had to make adequate allowances for the speed of growth being affected by policies which they hold to be socially imperative regardless of whether or not they are economically viable for growth.

The objectives of Indian planning have been too ambitious. In most cases, the objectives have not been realized, probably due to the inadequacy of resources or defective implementation. Very little attention has been paid to agricultural development. With their emphasis on capital-intensive industries, development of the rural sector has been given less importance. While industrialization was desirable, reality demanded that the agricultural economy be developed and labor-absorbing technologies be chosen. This has not been done to the extent needed as is evident from the existing rural poverty and massive unemployment. Thus, the objectives have been unrealistic.

Indian planning has emphasized social welfare considerations as against efficiency considerations. Instead of production and efficiency in terms of costs, prominance has been given to distributive considerations. This has led to inefficient allocation of investments and thus to inefficient production.

The problem of Indian planning has been to make the public sector economically responsible and the private sector socially responsible. The government is more favorably placed than the private sector is for raising domestic finance and foreign exchange resources for new enterprises. The real problem is not so much the starting of new industries as running them efficiently and economically. It is here that the public sector has generally failed to come up to expectations.

Most public sector projects show significant returns to investments after long periods of time, usually more than five years. Investments in such projects have not yielded desirable returns during the Plan periods. This has sometimes led to a misinterpretation of the efficiency of such projects, leading to reduced investments in such projects. Thus, long term public sector projects have not appeared to operate efficiently.

Most government undertakings depend on foreign collaborators or foreign credits. Most public sector projects depend on credits which can be used for purchases only in the concerned creditor country, thus restricting the scope for buying capital equipment from the cheapest source. Most public undertakings lack professional management and are burdened with considerable surplus labor. Thus has led to inefficiency both in the allocation and in the economical utilization of resources.

A striking feature of the organization of the public sector in India has been the large number of Central Government Ministries among which the undertakings have been distributed. There is a lack of oneness among the various industrial and commercial undertakings. This has led to a concentration of the benefits of planning in areas where the industrial establishments are located.

As part of the mixed economy planning, the public sector in India has been given importance. Although heavy investments have been made in the public sector, the planning has met with very little success. This could be attributed to the various drawbacks within the public sector as those mentioned above, as well as fact that the population has been growing at a rate so great that the real increase in growth as well as in social welfare has been overshadowed by the number of people in the country. One could also attribute the failure of planning to the fact that the public undertakings were not necessarily based on profitability but to serve economic as well as social needs.

Evaluating the Role of the Public and the Private Sector

The basic distinction that must be drawn, in India, between private and public undertakings is that public investments have not necessarily been based on profitability. The socialistic pattern of planning has led to policies that decrease the efficiency of capital investment in the public sector Not only for their capital but also for their working funds, the public undertakings have depended on funds from the public treasury. This has made them less efficient, since they lack the kind of discipline which a private company has to practice in order to attract bank finance.

The private sector has been faring better than expected. Continuity of service of administrators in an undertaking is conducive to promoting cost-consciousness in it. This is the strength of the private sector, where the same group of persons is engaged in an enterprise for so long as to develop a sense of belonging to it and to be personally involved in its reputation for economy and efficiency. A private sector company can advance or retard its investments according to circumstances. In the public sector, investments are governed by plan allocations. Investment in the public sector involves economic and social constraints that do not operate in the private sector to the same extent. Public sector investments in human capital have led to an increase in the returns to investments in the private sector by way of reducing the costs in the private sector. Also, since part of the costs of the private sector, namely industrial diseases, pollution, etc., are paid by society, investments in the private sector can yield higher return as a result of reduced costs.

The private sector predominates in agriculture and allied activities, manufacturing, construction, hotels and restaurants. The contribution of the private sector to national product has been much greater than that of the public sector. The working of the private industrial sector has been efficient in terms of the rate of return on investment. Employment in the private sector has been greater than that in the public sector. Although heavy investment has been made in the public sector, the plans have not been successful in achieving fast growth rates or improvements in social welfare. Public sector enterprises have tended to be less efficient mainly due to government policies based on social justice. Greater investments in the private sector could result in greater success in the fulfillment of plan objectives, especially in the consumer goods sector. As regards social welfare, since not much has been achieved inspite of the socialistic pattern of planning, a greater concentration of economic power in the private sector may not necessarily lead to greater inequalities of income distribution.

The Indian planners have felt that the only way for the government to make certain that heavily capitalized projects can get under way without delays is to allocate them in the public sector. But over the plan periods, the private sector has shown that it can grow as fast as the public sector. This has increased the government's appreciation of the private sector's capacity for making and implementing expansion decisions. Also, in the private sector, the entry of foreign private enterprise has provided access to foreign exchange as well as technical assistance that could not be secured by other means. Thus, greater investments in the private sector and a slackening of government regulations could help in enhancing the growth in the economy, by providing more freedom to the private sector than has been done before.

CHAPTER VII

AGRICULTURE AND ECONOMIC DEVELOPMENT

Agricultural Development: A Prelude to Industrialization

Agriculture can be regarded as a prerequisite of economic development. Industrialization is normally associated with economic development, but agricultural development is considered a prelude to industrialization. Agriculture contributes to industrialization in various ways.

Agriculture is the sole supplier of food items. A scarcity of food acts as a check on economic development, in two ways: A scarcity of food results in an increase in food prices. An increase in food prices justifies a demand for higher wages in the inndustrial sector. Higher wages lead to cost escalations, making it difficult for the producers to make any precise lead to grain imports. Such imports may adversely affect the country's balance of payments. Essential imports of capital goods may have to be foregone. This may narrow the potentials of growth.

The agricultural sector provides raw materials and labor for the industrial sector. Failure of agricultural crops during a particular year results in a decreased supply of agricultural raw materials like cotton, jute, sugarcane, etc., spelling disaster for industry that uses such raw materials. The increasing demand for labor in the industrial sector can be met by drawing labor from the agricultural sector. A decrease in agricultural labor force must accompany an increase in agricultural productivity -- the productivity of the remaining workers must be increased to maintain vital food supplies.

The foreign exchange needed by the industrial sector for machinery, technology, and other import items, can be provided by the agricultural sector from the export sales of agricultural products. Agriculture has to be developed so that it may provide the necessary foreign exchange; otherwise the country may be confronted with a balance of payments deficit.

A large share of India's national income is generated in the agricultural sector. An increase in agricultural productivity resulting in an increase in agricultural income above the susbsistence level, can help in increasing savings by way of setting aside resources from present consumption needs and making them available for investment purposes.

The industrial sector needs a strong, well-developed market to operate efficiently. In a developing economy the industry finds its market in the agricultural sector. To furnish a market for industrial goods, the people in the agricultural sector would have to earn an income over and above their subsistence needs. Thus to ensure continuous growth for industry, agriculture needs to be developed.

Thus, increasing agricultural productivity contributes to the programs of industrialization and general economic development. Hence, emphasis is laid on the development of the agricultural sector in a developing country like India.

Role of Agriculture:

Agriculture has a vital role to plan in India's economic development. It provides food and raw materials, employment, capital for its own development, and surpluses for national economic development.

The share of the agriculture sector to the national income of India has always been more than 40 percent for the period 1950-1983. More of available resources should be chanelled into development programs in the agricultural sector, so as to raise the productivity and level of output in the sector. Development programs in agriculture may include irrigation projects, development of high yielding varieties of seeds, technological improvements in agricultural implements, and such like.

Agriculture has been, and is, a major source of livelihood in India. About 65 percent of the increase in the labor force in India is absorbed in agriculture. This increasing labor force would add to the already existed low productivity and disguised unemployment in the agricultural sector, unless steps are taken to raise the level of productivity and create alternative employment opportunities to the increasing labor force. Thus, the agricultural sector presents a challenge for the planners in India.

The agricultural sector exports commodities like tea, tobacco, spices, coffee, cotton, cocoa, sugar, hides, and skins. There has been a gradual decline in the proportion of imports of wheat, rice and cotton, due to an increase in the domestic production of these commodities. The agricultural sector is thus a net earner of foreign exchange needed for capital and technolgy required in the non-agricultural sector.

Agriculture is the largest source of national income, and hence the primary source of savings and capital formation in the economy. The rate of capital formation determines the pace of economic development. Hence the Indian planners have to lay emphasis on increased agricultural productivity.[33]

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[33] I.C. Dhingra, op. cit., pp. 260-265.

CHAPTER VIII

SUMMARY AND CONCLUSIONS

The process of planned development in India began thirty years ago with the start of the First Five year Plan in April 1951. Broadly, the basic objectives of Indian planning fall under four groups: growth, modernization, self-relaince, and social justice. Inspite of a general trend of improvement, the Indian plans have failed to meet with great success. One could point out various reasons, but there are two possible explanations for the limited success of the Plans.

First, the Indian planners have been unrealistic in setting the targets. Given the multiplicity of objectives, there has been no clear ranking of these objectives, resulting in a contradictory set of policies being attempted during the planning period. There have been frequent failures to distinguish between targets and instruments within a given context of decision making. Realistic targets are those targets that are set up based on inflationary trends, changes in income and investment due to natural calamities (floods, droughts), and the potential capabilities of the economy to maintain or increase public and private investment as per the Plan recommendations.

Secondly, the planners have not been able to devise a set of instruments which would be adequate to meet the targets. Instruments include incentives by the Government to increase investments. They also include regulations, taxes and otherr corrective measures used by the Government to bring about efficiency and the equitable distribution of income. Indian planning has relied largely on sector-wise financial allocations fortified by a mass of administrative decisions. Such allocations have had little impact on the conditions of living of the people. Mechanisms to influence production and distribution decisions within the private sector, so that they conform to national priorities, have not been developed.

Thirdly, long term investments in the public sector have produced a gap between investment and returns. Public investments in human capital have favored the private sector by way of reducing the costs of the private entrepreneurs and thus improving their returns to investment.

Suggestions to Revitalize Economic Planning:

In order to revitalize economic planning in India, efforts should be made to determine realistic targets. If achievements match targets, the Plans can arouse popular interest. The targets that are fixed should be based upon the potentiality of a particular sector into which investment is made.

The instruments of economic policy must be broad. The allocation of investment outlays to different heads of development in the plans must be appropriate, and drawn up for the various public agencies. Private investment should be directed towards preferred uses and away from areas of low social profitability, by way of providing incentives and disincentives. Social profitability refers to the impact of certain production on society. For example, social profitability can be low where the production of a product does not benefit the society as a whole. Disincentives can be provided by way of issuing excise taxes on intoxicating beverages to discourage consumption and production of such beverages--thus raising the welfare of individual families and the society as a whole--increasing social profitability. Idle resources should be put into productive use, leading to higher levels of production, and a more equitable distribution of the benefits of extra production. Idle resources are those that are not used. For example, in agriculture, seasonal labor is employed only at certain times (harvest, sowing). At other times this labor is unproductive and can be employed in different uses to be productive. Alternate employment can be introduced notably in the nonfarm sector, to absorb such idle labor. Another example is the use of land. Land that is kept idle (unused), especially in rural areas, can be used for the construction of necessary institutions (schools) if it is not essentially an agriculturally productive land. There should be appropriate fiscal and monetary measures that would curb inflation and minimize the need for adminsitrative actions which may tend to create distortions in the resources allocation process.

Faced with a formidable task of maintaining and accelerating the rate of economic growth, the planning needs to be carried out with utmost caution. With regard to growth and modernization, resources must be mobilized to increase the rate of investment and to protect the size of the Plan "against inflation and external disturbances."[34] Efficiency has to be improved in key infrastructural and industrial sectors. Fluctuations in the growth rate should be reduced. Agricultural technology should be extended to all areas and farming systems and the incomes of the poor should be increased in the process of agricultural development. A vigorous expansion of exports and an increase in domestic production to restrain growth of imports is a necessary step toward reducing the balance of payments problem.

With regard to self-reliance, there is a continuous need to replace imports in critical areas where there are sudden and sharp changes in prices and availability. Export earnings need to be increased substantially, in order to finance increasing import requirements.

The five year plans have emphasized the development of the agricultural sector and the industrial sector. The First Plan gave more importance to agricultural and rural development. In order to achieve the objective of self-sustained growth, emphasis was also laid on electricity, transport and communications. The subsequent increase in Agricultural productivity combined with good harvests led to a decline in food prices during the First Plan period. Consequently, general wholesale prices also fell. The Second Plan emphasized rapid industrialization, which resulted in a setback in agricultural development. This was the probable cause of the slow progress of the entire economy, due to the fact that in a developing economy, agricultural development is a pre-requisite to the development of the industrial sector, and consequently to the progress of the entire economy. The Third Plan, therefore, laid increased emphasis on agricultural development, in addition to the development of basic industries.

The performance of the economy has not been as planned, and the targets have not been completely met, because the population has been increasing at a rapid rate, resulting in a very slow increase in per capita incomes. There is a need to revitablize the family planning program, to bring about a decline in the birth rate by adopting the small family norm. Also, the government has depended heavily on the public section to achieve the planning goals. Although large investments have been made in the public sector , this sector has failed to perform as expected. The private sector which has shown a better performace in terms of efficiency and economy, has not been given as much importance as the public sector.

Very little has been achieved with regard to social justice. There are large segments of the population that still cannot share in the benefits of progress, or participate in the process of development. The impact of planning on asset distribution, employment, and consumption, among the weaker sections, is still limited. What is required is an improvement in the productivity and earning power of the poor, a supplementary employment in new activities, and training, credit and support systems to assist them in their activities.[35]

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35 Ibid., pp. 1-5.

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AN EVALUATION OF INDIA'S FIVE-YEAR PLANS

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ABSTRACT

In the year 1947, India acquired indebendence from the British. The economy was weak and there was a need for a social and economic change that would lead to growth and development. In the attempt to raise the living standards of the people, the Indian leaders resorted to a process of planned economic development. The effect of the Five-Year Plans on the Indian socio-economic conditions, during the period 1951 - 1985, is reviewed in this Report.

The Five-Year Plans are essentially allocations of expenditure. The First Plan (1951-56) emphasized the development of the sectors essential to economic growth, namely, transport and communication, electricity, and large-scale irrigation projects. The Plan also laid emphasis on agricultural development. Low priority was given to large-scale industries.

The Second Plan (1956-61) aimed at rapid industrialization, and emphasized on the development of basic and heavy industries. Less emphasis was laid on agricultural development. The output of heavy industries increased while poor harvests led to a shortage of foodgrains.

The Third Plan (1961-66) assigned top priority to agriculture and laid stress on the development of basic

industries such as steel, fuel, power, and machine building. Food shortages due to drought and poor harvests during the Plan period, led to an increase in the price level.

The Fourth-Plan (1969-74) gave equal emphasis to agricultural and industrial development. Under social services the family planning program received a large increase. The Fifth Plan laid greater emphasis on the industries and minerals sector than on agriculture. During the plan period (1974-79) the ruling government lost power and the plan was terminated a year ahead of schedule. During the last three years of the Fifth Plan, there was relative price stability, and a control of prices as a result of large harvests. Due to political turmoil in 1979, the Sixth Plan was formulated in 1980. The Plan period will terminate in 1985. The plan has aimed at achieving economic and technological self-reliance and progressive reduction in the incidence of poverty and unemployment.

The basic objectives of Indian planning fall under four broad groups: growth, modernization, self-reliance, and social justice. Although there has been a general trend of improvement, the plans have failed to meet with great success. The objectives of the plans have been set up without regard to inflationary trends and natural calamities which can influence the level of income and investment in the economy. Thus, unrealistic targets have been set. The targets have not been based upon the potential of a particular sector into which investment is made.

In order to revitalize economic planning in India, efforts should be made to set realistic targets. By providing incentives and disincentives, public and private investment should be directed towards preferred uses and away from areas of low social profitability. Efficiency has to be improved in key infrastructural and industrial structures. Agricultural technology should be extended to all regions and farming systems. To reduce the balance of payments problem, exports have to be increased, while the growth rate in imports must be reduced.

There is a need to revitalize the family planning program so as to bring about a decline in the birth rate. The rate of population growth has to be reduced by way of incentives set by the government to encourage the adoption of the small family norm. The productivity of the earning power of the poor has to be improved. Adequate training, credit, and support systems have to be provided to the poor to assist them in their activities.