

STUDY MATERIAL

B A ECONOMICS PART 2

PAPER 3

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First Five-Year Plan (1951-1956)

The first Indian Prime Minister, Jawaharlal Nehru presented the First Five-Year Plan to the Parliament of India and was launched in 1951 which mainly focused in the development of the primary sector. It was based on the Harrod-Domar model with few modifications.

The most important feature of this phase was active role of the state in all economic sectors, problems which India was facing soon after independence.

The First-Five Year Plan expressed clearly the long term objectives or goals of economic planning in India as follows:

- A. Maximum production and full employment
- B. The attainment of economic equality or social justice which constitute the accepted objectives of planning under present day conditions are not really so many different ideas but a series of related aims which the country must work for.

Socio-Economic objectives:

- A. **Economic Planning and removal of poverty** - The basic aim of economic planning in India is to bring about rapid economic growth through development of agriculture, industry, power, transport and communications, and all other sectors of the economy. The basic measure of economic growth of a country is the continuous expansion is the continuous expansion, year after year, of real national income. Economic growth, should also include improvements in quality of life consisting of life expectancy, infant mortality, literacy, etc.
- B. **Economic Planning and Social Justice** - In an unplanned society, various types of retrogressive forces operate such as inequalities of income, poverty, absence of equal opportunities for progress. Therefore it was planned for Reduction of inequality of income, establishment of a Socialist society.
1. Five Indian Institutes of Technology (IITs) were started as major technical institutions.
 2. Rehabilitation of refugees,
 3. Rapid agricultural development to achieve food self-sufficiency in the shortest possible time and control of inflation.

Second Five-Year Plan (1956-1961)

The Second Plan focused on the development of the public sector and "rapid Industrialisation". The plan followed the Mahalanobis model, an economic development model developed by the Indian statistician Prasanta Chandra Mahalanobis in 1953.

1. The plan attempted to determine the optimal allocation of investment between productive sectors in order to maximise long-run economic growth.
2. Hydroelectric power projects and five steel plants at Bhilai, Durgapur, and Rourkela were established with the help of Russia, Britain (the U.K) and West Germany respectively. Coal production was increased. More railway lines were added in the north east.
3. The Tata Institute of Fundamental Research and Atomic Energy Commission of India were established as research institutes. In 1957, a talent search and scholarship program was begun to find talented young students to train for work in nuclear power.
4. In the second Five-Year Plan the main focus was on power and irrigation, social services, communications and transport, and miscellaneous. The second plan was a period of rising prices. The country also faced foreign exchange crisis. The rapid growth in population slowed down the growth in the per capita income.
5. The target growth rate was 4.5% and the actual growth rate was 4.27%.
6. It could not be implemented fully due to the shortage of foreign exchange. Targets had to be pruned.

Third Five-Year Plan (1961-1966)

1. The Third Five-year Plan stressed agriculture and improvement in the production of wheat, but the brief Sino-Indian War of 1962 exposed weaknesses in the economy and shifted the focus towards the defence industry and the Indian Army. In 1965–1966, India fought a War with Pakistan. There was also a severe drought in 1965. The war led to inflation and the priority was shifted to price stabilisation.
2. The construction of dams continued.
3. Many cement and fertilizer plants were also built.
4. Punjab began producing an abundance of wheat.
5. Many primary schools were started in rural areas.
6. In an effort to bring democracy to the grass-root level, Panchayat elections were started and the states were given more development responsibilities.
7. State electricity boards and state secondary education boards were formed. States were made responsible for secondary and higher education.
8. State road transportation corporations were formed and local road building became a state responsibility.
9. The target growth rate was 5.6%, but the actual growth rate was 2.4%.

Fourth Five-Year Plan (1969-1974)

At this time Indira Gandhi was the prime minister.

1. The Indira Gandhi government nationalised 14 major Indian banks and the Green Revolution in India advanced agriculture.
2. India also performed the Smiling Buddha underground nuclear test (Pokhran-1) in Rajasthan on May 18, 1974.
3. The target growth rate was 5.6%, but the actual growth rate was 3.3%.

Fifth Five-Year Plan (1974-1979)

1. The Fifth Five-Year Plan laid stress on employment, poverty alleviation (Garibi Hatao), and justice.
2. The plan also focused on self-reliance in agricultural production and defence.
3. The Electricity Supply Act was amended in 1975, which enabled the central government to enter into power generation and transmission.
4. The Indian national highway system was introduced and many roads were widened to accommodate the increasing traffic.
5. Tourism also expanded. The twenty-point programme was launched in 1975. It was followed from 1974 to 1979.
6. The Minimum Needs Programme (MNP) was introduced in the first year of the Fifth Five-Year Plan (1974–78). The objective of the programme is to provide certain basic minimum needs and thereby improve the living standards of the people.
7. The target growth rate was 4.4% and the actual growth rate was 4.8%

Sixth Five-Year Plan (1980-1985)

The Janata Party government rejected the Fifth Five-Year Plan and introduced a new Sixth Five-Year Plan (1978–1980). This plan was again rejected by the Indian National Congress government in 1980 and a new Sixth Plan was made.

The Rolling Plan consisted of three kinds of plans that were proposed. The First Plan was for the present year which comprised the annual budget and the Second was a plan for a fixed number of years, which may be 3, 4 or 5 years. The Second Plan kept changing as per the requirements of the Indian economy. The Third Plan was a perspective plan for long terms i.e. for 10, 15 or 20 years. Hence there was no fixation of dates for the commencement and termination of the plan in the rolling plans.

The main advantage of the rolling plans was that they were flexible and were able to overcome the rigidity of fixed Five-Year Plans by mending targets, the object of the exercise, projections and allocations as per the changing conditions in the country's economy. The main disadvantage of this plan was that if the targets were revised each year, it became difficult to achieve the targets laid down in the five-year period and it turned out to be a complex plan. Also, the frequent revisions resulted in the lack of stability in the economy.

Family planning was also expanded in order to prevent overpopulation?

Seventh Five-Year Plan (1985-1990)

The Seventh Five-Year Plan was led by the Congress Party with Rajiv Gandhi as the prime minister.

1. The plan laid stress on improving the productivity level of industries by upgrading of technology.
2. The main objectives of the Seventh Five-Year Plan were to establish growth in areas of increasing economic productivity, production of food grains, and generating employment through "Social Justice".
3. The Seventh Plan had strived towards socialism and energy production at large.
4. The thrust areas of the Seventh Five-Year Plan were: social justice, removal of oppression of the weak, using modern technology, agricultural development, anti-poverty programmes, full supply of food, clothing, and shelter, increasing productivity of small- and large-scale farmers, and making India an independent economy.
5. The plan expected the labour force to grow by 39 million people and employment was expected to grow at the rate of 4% per year.
6. Under the Seventh Five-Year Plan, India strove to bring about a self-sustained economy in the country with valuable contributions from voluntary agencies and the general populace.
7. The target growth rate was 5.0% and the actual growth rate was 6.01%.
8. This plan introduced programs like Jawahar Rozgar Yojana. Emphasis on policies and programs that would accelerate the growth in food grains production, increase employment opportunities and raise productivity.

Annual Plans (1989-1991) - It was the beginning of privatization and liberalization in India.

Eighth Five-Year Plan (1992-1997)

1. At that time Dr. Manmohan Singh (later prime minister of India) launched India's free market reforms that brought the nearly bankrupt nation back from the edge. It was the beginning of liberalization, privatisation and globalization (LPG) in India.
2. Modernization of industries was a major highlight of the Eighth Plan. Under this plan, the gradual opening of the Indian economy was undertaken to correct the burgeoning deficit and foreign debt. Meanwhile, India became a member of the World Trade Organization on 1 January 1995.
3. The major objectives included, controlling population growth, poverty reduction, employment generation, strengthening the infrastructure, institutional building, tourism management, human resource development, involvement of Panchayati raj's, Nagar Palikas, NGOs, decentralisation and people's participation.
4. Energy was given priority with 26.6% of the outlay.
5. The target growth rate was 5.6% and the actual growth rate was 6.8%.

Ninth Five-Year Plan (1997-2002)

The Ninth Five-Year Plan focused on the relationship between the rapid economic growth and the quality of life for the people of the country. The prime focus of this plan was to increase growth in the country with an emphasis on social justice and equity. The Ninth Five-Year Plan placed considerable importance on combining growth oriented policies with the mission of achieving the desired objective of improving policies which would work towards the improvement of the poor in the country. The Ninth Plan also aimed at correcting the historical inequalities which were still prevalent in the society.

The main objective of the Ninth Five-Year Plan was to correct historical inequalities and increase the economic growth in the country. Other aspects which constituted the Ninth Five-Year Plan were:

1. Population control.
2. Generating employment by giving priority to agriculture and rural development.
3. Reduction of poverty.
4. Ensuring proper availability of food and water for the poor.
5. Availability of primary health care facilities and other basic necessities.
6. Primary education to all children in the country.
7. Empowering the socially disadvantaged classes like Scheduled castes, Scheduled tribes and other backward classes.
8. Developing self-reliance in terms of agriculture.
9. Acceleration in the growth rate of the economy with the help of stable prices.
10. The target growth was 7.1% and the actual growth was 6.8%.

Tenth Five-Year Plan (2002 -2007)

The main objectives of the Tenth Five-Year Plan:

1. Attain 8% GDP growth per year.
2. Reduction of poverty rate by 5% by 2007.
3. Providing gainful and high-quality employment at least to the addition to the labour force.
4. Reduction in gender gaps in literacy and wage rates by at least 50% by 2007.
5. 20-point program was introduced.
6. Target growth: 8.1% – growth achieved: 7.7%.
7. The Tenth Plan was expected to follow a regional approach rather than sectoral approach to bring down regional inequalities.

Eleventh Five-Year Plan (2007-2012)

It was in the period of Manmohan Singh as a Prime Minister.

1. It aimed to increase the enrolment in higher education of 18–23 years of age group by 2011–12.
2. It focused on distant education, convergence of formal, non-formal, distant and IT education institutions.
3. Rapid and inclusive growth (poverty reduction).
4. Emphasis on social sector and delivery of service therein.
5. Empowerment through education and skill development.
6. Reduction of gender inequality.
7. Environmental sustainability.
8. To increase the growth rate in agriculture, industry and services to 4%, 10% and 9% respectively.
9. Reduce total fertility rate to 2.1.
10. Provide clean drinking water for all by 2009.
11. Increase agriculture growth to 4%.

Twelfth Five-Year Plan (2012-2017)

The objectives of the Twelfth Five-Year Plan were:

1. To create 50 million new work opportunities in the non farm sector.
2. To remove gender and social gap in school enrolment.
3. To enhance access to higher education.
4. To reduce malnutrition among children aged 0–3 years.
5. To provide electricity to all villages.
6. To ensure that 50% of the rural population have accesses to proper drinking water.
7. To increase green cover by 1 million hectare every year.
8. To provide access to banking services to 90% of households.

Reference: Datt and Sundaram, 'Indian Economy', 68th edition, S. Chand and Sons, New Delhi.