

ACHIEVEMENTS OF PLANNING IN INDIA

24.1 INTRODUCTION

In the previous lesson you have studied how the Indian economy was in need of economic development. Economic planning was adopted to ensure economic development. The objectives of economic planning were to be achieved with the help of five year plans. India has already completed around forty-five years of planned economic development.

In this lesson you will learn about the achievements of economic planning in India. You will be familiarised with some of the achievements in terms of increase in per capita income, reduction of inequalities, improvement in technology, industrial and agricultural growth. You will also learn how the economy has failed to achieve some of the objectives of economic planning alongwith the factors responsible for the same.

24.2 OBJECTIVES

After going through this lesson you will be able to :

- compare the changes in per capita income at current prices and constant prices;
 - compare the growth in National Income at constant prices with that in per capita income;
 - assess the performance of the Indian economy in terms of economic growth;
 - identify some of the other achievements of planning in the area of agriculture growth, industrial development, modernisation of technology;
 - point out the failures in the area of reduction of unemployment, reduction of economic inequalities, self reliance, balanced regional growth;
 - identify some of the causes of failures as well as slow growth;
 - appraise the overall achievements of planning in India.
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24.3 ACHIEVEMENTS OF ECONOMIC PLANNING

1. Economic Growth :

Economic growth means rise in per capita real income. You may recall that one of the major objectives of economic planning in India has been the acceleration of economic growth. Rapid economic growth was needed not only to raise the income levels in India but also to catch-up with the developed industrial economies of the world.

We also studied that per capita income in India at the beginning of economic planning was Rs.238 at the then prevailing prices. In 1995-96 the per capita income had risen to Rs.9,321 which is about 39 times the per capita income in 1950-51. This is a large increase but most of this increase is due to the rise in prices. This per capita income in both years is at the prices prevailing in each year. Since prices in the two years were different it is not clear as to how much was the rise in real per capita income i.e. value of goods and services per head at the same prices. We will therefore try to find the rise in per capita income at constant prices.

The per capita income at constant prices is at present measured in the prices prevailing in 1980-81. At these prices the per capita income in 1950-51 was Rs.1,127. It rose upto to Rs.2,573 (at the same prices) in 1995-96. This would mean that over a period of about 45 years the real per capita income has increased to 2.28 times or slightly more than doubled. In the previous lesson we studied that the Planning Commission had expected to double the real per capita income in a period of about 20 years. Actually, however, the real per capita income doubled after nearly 42 years. Thus, the rate of growth of per capita income was much slower than anticipated. One can conclude that real per capita income increased but only very slowly. It was on account of two reasons.

Between 1950-51 and 1995-96 the real national income had increased to about 5.85 times. During the same period the real per capita income increased to 2.28 times. Thus a part of the slow growth in real per capita income is caused by the rapid growth in population.

Another factor responsible for the slow growth in per capita income has been the slow rate of growth in national income. For most of the period upto the fifth five year plan i.e. 1974-79, the actual rate of growth in national income was lower than the target rates fixed by the Planning Commission.

2. Reduction of income inequalities

The achievements of economic planning in respect of the objective of reduction of economic inequalities is not very satisfactory. Although very little information is available about the distribution of incomes in India. There is a general feeling that benefits of economic planning have not reached the poor to the extent anticipated. Contrasts in the living standards of the rich and the poor have become much sharper. Items of consumption of the rich are changing in favour of luxuries whereas the poor are not able to meet even their minimal food requirements. There are three indicators of the same.

First, one of the important source of income in the rural areas is the ownership of land. The distribution of land has become more unequal over time. About 72 percent of agricultural households own land which is one hectare or even smaller in size.

Second, the share of the rich in the industrial capital is very large with very little share of the medium and small investors.

Third, huge population was living below the poverty line. It may be important to note that a large proportion of India's population continues live a miserable life. One measure that has been used quite often is the poverty ratio. This is the percentage of population living below the poverty line. Poverty line is a level of income which just ensures a level of living based on minimum requirement of nutrition in terms of calories. According to the latest official estimates about 36 per cent of the population lives below the poverty line. This means that 36 percent of the roughly 90 crore people i.e. about 32 crore people are not able to afford the minimum requirement of calories. They remain undernourished. Forty years of economic planning have not only failed to eradicate poverty, there is also a large proportion of population still living in extreme poverty.

We can thus conclude that economic planning in India has resulted in some economic growth. But this growth has been slow. It has not been accompanied by reduction of inequalities.

INTEXT QUESTIONS 24.1

1. Tick (✓) mark the correct statement :
 - (i) Real per capita income has increased rapidly as a result of economic planning.
 - (ii) Real per capita income has increased by 39 times between 1950-51 and 1995-96.
 - (iii) Real per capita income has increased by 2.28 times between 1950-51 and 1995-96.
2. Mention two causes of the slow growth in per capita income in India.
 - (i)
 - (ii)
3. Fill in the blanks with appropriate words given in the bracket.
 - (i) Planning Commission had expected to double the real per capita in _____ years. (20,42)
 - (ii) Real per capita income has doubled in India over a period of about _____ years. (20,42)
 - (iii) Percentage of agricultural households owning one or less hectare of land is around _____ percent. (62,72)
 - (iv) According to the latest estimates around _____ of the population lives below the poverty line. (26%,36%)

24.4 OTHER ACHIEVEMENTS OF ECONOMIC PLANNING

Some of the achievements of Indian economy since the beginning of economic planning have been quite impressive.

1. Increase in agricultural production

India was heavily dependent on food imports. At present India has become a net exporter of food grains. There has been a significant increase in the agricultural production.

2. Increase in industrial production

The country has also experienced a widespread increase in industrial production. India was dependent upon the imports of a large number of manufactured goods like needles, bicycles, cars, trucks, railway engines etc. Indian industry is now able to manufacture all these and many more items. India has, in fact become an exporter of several manufactured products. Between 1950-51 and 1995-96 the production of finished steel has gone up by 21 times, that of electricity generated by 76 times. Production of aluminium has increased by more than 125 times, that of bicycles by nearly 100 times, of cars by 40 times and so on. There has, thus, been a considerable expansion of the industrial sector.

3. Modernisation of technology

At the same time the country has made rapid strides in technology. India is one of the very few countries which can manufacture its own satellites. It has the capability of manufacturing nuclear power reactors. Considerable progress has also been achieved in manufacturing some of the sophisticated defence equipment, super computers and other technologically advanced products. Most of this technological advancement is the result of industrial and educational development under economic planning.

4. Modernisation of economy

Besides the modernisation of technology there has been considerable modernisation of the economy. Banking sector has spread to even the rural areas. Attitudes towards new technology are changing fast. Social rigidities are also gradually breaking. Female education is spreading. Caste rigidities are also not as strong as they were at the time Independence.

5. Around development of economy

On the whole there are several achievement to the credit of economic planning particularly in the field of industrial growth, technological advancement and modernisation of institutional structure. On the agricultural front the famines which occurred almost regularly in the first half of the 20th century have become a thing of the past. Banking and insurance services which contributed nearly 1 percent of the national income in 1950-51 are at present contributing about seven percent. In other words, there has been considerable around development of the Indian economy under the influence of economic planning.

INTEXT QUESTIONS 24.2

1. State whether the following statements are true or false:
 - (i) Agricultural production has not increased in India since Independence.
 - (ii) Economic planning has brought about a rapid expansion of industries.
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- (iii) Technological modernisation has been impressive since the beginning of economic planning in India.
2. Give a list of four items which India used to import at the time of Independence and is exporting now.
- (i)
- (ii)
- (iii)
- (iv)

24.5 MAJOR FAILURES OF ECONOMIC PLANNING

In the preceding sections you have learnt that how far has Indian economy progressed under the influence of economic planning. These achievements are, however, not enough. In terms of the objectives of economic planning the economy failed to make any progress at all. Some of these are as follows :

1. Objective of rapid economic growth not fulfilled

Economic planning in India aimed at increasing the rate of economic growth not only to raise the levels of living but also to catch up with the levels of living in some of the industrially and economically advanced countries. The economy has been able to raise its national income at the rate of about 4 percent per annum. But this has been much slower than anticipated. Since population increased at the rate of more than 2 percent per annum the per capita income increased even more slowly. India's rank in the world in terms of per capita income continues to be very low. In 1992 it was 172. India has thus not been able to catch up with some of the developed countries. The national income per capita in India in the year 1994 was less than one hundredth of that in Japan, or one eightieth of that in USA and France.

2. Objective of reduction of economic inequalities not fulfilled

You have already learnt in the previous section of this lesson that poverty and inequality have remained as major problems even after 45 years of economic planning. You have learnt that nearly 36 percent of the population in India lived below the poverty line in 1993-94.

Let us note that per capita income per day in 1995-96 was Rs.25. We also know that this is an average. There are a large number of people who are earning many times more than this amount. Similarly there are a large number of people who have to live on an income much less than this average. They cannot therefore, make the two ends meet. They live in poverty and suffer from undernourishment. Economic planning, thus, has not been able to eradicate poverty.

At this stage you may recall that for economic development improvements in the level of living or the quality of life are also needed. In this respect the economy may have made significant progress but the quality of life remains rather poor. Even after forty years of planned economic development nearly 20 percent of rural population and 15 percent of urban population does not access to even drinking water facilities. Only 3 percent of the

rural population in India was covered by sanitation facilities. Even in urban areas only 48 percent of the population was covered by sanitation facilities.

One of the measures of level of living and the quality of life is the Human Development Index (HDI). On the basis of this Index in 1994 India's rank was 138 among 175 countries for which this Index has been prepared.

Economic planning has thus not been able to improve the quality of life for a large part of the population in a substantial manner.

3. Objective of self reliance not achieved

The goal of self reliance for the Indian economy through economic planning has hardly been realised. There has been a large expansion of the industrial sector. The country is now producing its own food requirements. But the growth of the Indian economy continues to depend upon the foreign aid. Foreign aid involves the burden of interest plus the repayment. Unless the country earns more foreign exchange than required for its imports, it will not only be able to repay its old debts but will also to obtain more debt from other countries. The possibility of the country being able to repay all its old debts and also pay for its imports does not appear to be a realisable one in the near future.

4. Unemployment problem remains

One of the major areas of failure of economic planning in India has been the objective of reduction of unemployment. According to the official estimates more than 2 crores people in India in 1992 were unemployed. In addition, there is a large number of people who are engaged in work but earn very low incomes. They may appear to be 'employed' but they are waiting for and seeking better employment opportunities with higher income.

Because of the rapid growth of population the country is adding to the number of job seekers at a rising rate. At the same time the number of jobs being created is not enough with the result that more and more people are either becoming unemployed or are working in activities which yield than very low incomes.

Economic planning in India has failed to tackle the problem of unemployment and employment with low incomes. This is one of the major failures of the economic planning in India.

5. Balanced regional growth not achieved

Economic planning in India has also failed in bringing about an equality among different regions and states. We all can see that benefits of economic planning have got concentrated in urban areas. Rural areas have remained neglected. Medical, sanitation, communication, educational, banking and other similar facilities are available in rural areas in far smaller proportion than in urban areas.

Even among different regions of the country there is a vast difference in the levels of development. Per capita income in Bihar is almost one-third of that in Punjab or Haryana. Even a large state like Uttar Pradesh is having per capita income level which is less than half of that in Maharashtra. Literacy rate in Kerala is more than double that in Uttar Pradesh, Bihar, Andhra Pradesh, Rajasthan, Madhya Pradesh etc. Bihar, Uttar Pradesh, Madhya

Pradesh and Orissa continue to have high proportion of population living below the poverty line.

It is thus clear that economic planning in India has not been able to achieve all that it aimed to achieve. Economic growth has not been rapid. Inequalities and poverty have not declined. Quality of life has not improved substantially. Indian economy continues to depend upon foreign aid. Unemployment has continued to persist. Different regions have not grown to an equal level. Some of the major objectives of planning have, thus, not been achieved.

INTEXT QUESTIONS 24.3

1. State whether the following statements are true or false:
 - (i) Rate of economic growth in India has always been higher than the desired or anticipated.
 - (ii) Indian economy has not become self reliant during 45 years of economic planning.
 - (iii) There is a persistence of imbalances in the regional growth in India.
 - (iv) Inequalities have not been reduced by economic planning in India.
 - (v) Unemployment has been considerably reduced by economic planning.

 2. Fill in the blanks with appropriate word from the brackets:
 - (i) India's rank in the world in terms of the _____ continues to be very low. (per capita income, national income)
 - (ii) Nearly 36 percent of the population in India lived below the _____ in 1993-94. (poverty line, richness line)
 - (iii) Only 3 percent of the rural population of India was covered by _____ facilities. (drinking water, sanitation)
 - (iv) Foreign aid involves the burden of interest plus the repayment of _____. (debt, grant)
 - (v) There is a large number of people who are engaged in work but _____ very little. (earn, save).
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24.6 ECONOMIC PLANNING IN INDIA : AN APPRAISAL

In the previous sections, you have so far learnt of some of the achievements as well as failures of economic planning in India. It is desirable that we make an appraisal of Economic Planning in India. That will help us in coming to some conclusions about the performance of economic planning in India.

We have already learnt that economic planning in India has resulted in a rate of economic growth of around 4 percent per annum. This was much more than the rate of economic growth in the first half of the twentieth century i.e. for about fifty years before the beginning of economic planning in India. This rate of economic growth was, however, slower than

anticipated by the economic planners.

Economic planning in India aimed at accelerating economic growth for improving the levels of living and the quality of life. There is no doubt the improvements in quality of life in India but the extent of improvements has not been enough. India continues to rank low in terms of Human Development Index which is a measure of the quality of life.

Not much success has been achieved in respect of reduction of unemployment, economic inequalities among different region's as well as persons. The objective of self reliance has also tended to elude the Indian economy. At the same time the economy has witnessed a considerable degree of modernisation, technological development, industrial expansion, agricultural growth. The developments in respect of banking, transportation, communications, education, medical and sanitation facilities have been impressive. They have, however, not been adequate. India is a large country. Country both in terms of the area as well as population. There is a need for huge resources for improving the quality of life as well as building up the social infrastructure. The country, with its low per capita income has not been able to mobilise all the resources needed. The performance of the economy has not been adequate because of the failure of the economy to mobilise the required resources.

We can thus conclude that economic planning in India has been a mixed bag of achievements and failures. Economic planning in India has resulted in some of the significant changes in the economy. The improvements and changes however have not been enough to consider economic planning as a unmixed success. At the same time it would be wrong to ignore the achievements and focus only on the failures of economic planning.

WHAT YOU HAVE LEARNT

- Real per capita income in India has increased to 2.3 times over a period of 45 years between 1950-51 and 1995-96. This increase has been slow because of the slow growth in national income and rapid growth in population. There are indications that income inequalities have not been reduced. Population living below poverty line continues to be very large.
 - India has not only become self sufficient in the supply of foodgrains but is also becoming a net exporter. Industrial growth has been widespread. Some of the goods which were not manufactured at the time of Independence are now being exported. There has been an impressive modernisation of technology and institutional structure like banking and insurance facilities etc.
 - Economic planning has failed to achieve some of its major objectives. It has not been able to achieve the rate of economic growth that was aimed at. The rate of economic growth has been slow. Inequalities and poverty have not been reduced to the desired extent. Indian economy has not been able to move closer to the objective of self reliance even after 45 years of planning. Unemployment has not been eradicated. Regional inequalities have continued to persist.
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- Economic planning in India has some achievements to its credit. Economic growth has been more than that experienced before the start of economic planning. There have been some improvements in the quality of life.

TERMINAL EXERCISE

1. Write a brief note on the achievements of economic planning in respect of
 - (i) acceleration in the rate of economic growth.
 - (ii) improvements in the quality of life.
 2. Briefly describe the major achievements of economic planning in India.
 3. Give an account of major failures of economic planning in India.
 4. Comment on the view that "economic planning in India has been a mixed bag of success and failures".
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ANSWERS

Intext Questions 24.1

1. ■
2. (i) Slow rate of growth of national income.
 (ii) High rate of growth of population.
3. (i) 20, (ii) 42, (iii) 72, (iv) 36

Intext Questions 24.2

1. (i) False (ii) True (iii) True
2. (i) Foodgrains, (ii) Bicycles, (iii) Cars, and (iv) Trucks

Intext Questions 24.3

1. (i) False (ii) True (iii) True (iv) True (v) False
2. (i) per capita income (ii) poverty line (iii) sanitation
 (iv) debt (v) earn

Terminal Exercise

1. Read section 24.3
2. Read section 24.3 & 24.4
3. Read section 24.5
4. Read section 24.6