

## 6th semester major(Economics)

### paper 6.6

### 1st chapter

#### Planning of pre liberalisation era-

The **history of Indian** economic growth can be broadly classified in two major era namely -**Pre** Liberalisation era, i.e., before 1991 and Post Liberalisation era, i.e., after 1991. The Pre Liberalisation era began at the time of independence in 1947 and lasted till the introduction of New Economic Policy in 1991. This era is marked by the emergence and growth of popular 'Nehru Model' of development. The economy of India is based on planning through its five-year plan which was started from 1951 onwards. Following are the five-year plans of Pre Liberalisation era-

#### 1st five year plan

began on April 1, 1951.

objectives-

1. To reconstruct the economy which was damaged as a result of second world war and partition of the country.
2. To check the inflationary tendencies.
3. To increase the production capacity and to lessen the economic disparities as far as possible.
4. To solve the food crisis and to improve the availability position of raw materials, especially of jute and cotton.
5. To constitute administrative and organisational set up necessary for enforcing the development programmes.

In this plan, agriculture was to give the highest priority.

#### 2nd five year plan

Based on the model prepared by prof. P.C. Mahalanobis. This plan was started on April 1, 1956 and ended on March 31, 1961. The fundamental objective of this plan was to initiate and accelerate the process of industrialisation so that the development of Indian economy acts as a firm base. The industrial policy (1956) based on the objective of establishing the socialistic pattern of society. It laid emphasis on industrialisation, increased production of iron and steel, heavy chemicals including nitrogenous fertilizers and development of heavy engineering and machine-building industry.

OBJECTIVES/TARGETS-

1. To increase the National income by 5% per annum over the plan period in order to uplift the living standard in the country.
2. To accelerate the process of industrialisation, with much stress on the development of basic and heavy industries.
3. Explain in employment opportunities.
4. Reduction in inequalities of income and property and ensuring more equal distribution of economic power.
5. To increase the annual capital investment rate from 7% to 11% by 1960-61.

#### 3rd five year plan-

This plan started on April 1, 1961 and ended on March 31, 1966. This plan is called **gandhi yojna**. The basic aim of this plan was to push the economy up to the take-off stage of development. This plan aimed at securing a marked advancement towards self-sustaining growth.

Objectives-

1. To attain more than 5% annual rate with 30% and 17% growth in national income and per capita income respectively.
2. To attain self-sufficiency in foodgrains and to increase the agricultural production to suffice the requirements of export and industry.
3. To expand the basic industries like steel, chemical industry, fuel and power etc. and to establish machine

manufacturing capacity to meet the requirements of industrialization by indigenous resources within next 10 years.

4. To ensure optimum utilisation of the country's labour power and to increase the employment opportunities.

This plan could not achieve its growth target 5.6%.

### **Plan Holiday-**

The duration of the plan holiday was from 1966 to 1969.

Due to the unfortunate failure of the 3rd plan, the production in various sectors of the economy became stagnant. Government of India declared the devaluation of rupee to increase the exports of the country. However, favourable results could not be obtained. Under these circumstances the 4th plan was postponed and 3 annual plans were made and equal priority was given to agriculture and its allied sectors and the industry sector.

### **4th five year plan-**

The fourth plan started on April 1, 1969 and ended on March 31, 1974. Growth and stability and progress towards self-reliance were the prime objectives of the plan. During this plan, the slogan of "Garibi Hatao" is given by Indira Gandhi.

objectives-

1. To ensure growth rate of 5.7% p.a for economic development of the country.
2. To attain the self-sufficiency in agriculture and industrial production.
3. To control and regulate the money supply, factors governing with a view to stabilise the price level in the country.
4. To encourage the production of commodities of general consumption on which the consumer spends a large portion of his income.
5. To achieve a growth rate of 7% per annum in exports.
6. To develop public sector.
7. To ensure social control on banks.
8. To establish economic equality and justice in society.

During fourth plan, the annual growth rate of national income was only 3.8%, which was much lower than the target i.e. 5.7%

### **5th five year plan-**

The fifth five year plan began on April 1, 1974 which was scheduled to end on March 31, 1979. Janata government declared this plan closed one year prior to its schedule. The major objective of the plan was to achieve self-reliance and adopt measures for raising the consumption standard of people living below the poverty line. This plan also gave high priority to bringing inflation under control and to achieving stability in economic situation.

objectives-

1. A general growth of 5% per annum (target 5.5%) in National Income.
2. Expansion of the opportunities of productive employment.
3. National programme of minimum needs in which primary education, drinking water, medical facilities in rural areas, nourishing food, land for the houses of the landless labourers, rural roads, electrification of villages and cleanliness of dirty suburbs were included.
4. Extended programme of social welfare.
5. A judicious Price-wage policy.
6. Industrial, Fiscal and other measures for reducing social, economic and regional inequalities.
7. Stress on Export Promotion and import substitution.

### **6th five year plan-**

Government ended the Fifth five year plan, one year earlier to its term i.e. only within four years span(1974-78) and introduced a new plan since April 1, 1978. This plan was named as **the Rolling Plan( because the GOVERNMENT terminated the fifth five year plan in 1977-78 and** launched its own sixth five year plan for period 1978-83). **During this plan period many important programmes were adopted for the eradication of poverty and employment.**

#### **objectives-**

- 1. To ensure sufficient growth in the rate of economic development, improvement in efficiency related to the utilisation of resources and increase the production.**
- 2. To encourage modernisation for achieving economic and technological self-sufficiency.**
3. To ensure a continuous decrease in the incidence of poverty and unemployment.
- 4. Qualitative improvement in the living standard of people by means of Minimum Need programme(MNP).**
5. To ensure the participation of all categories of people in development process by adopting suitable educational, communication and institutional strategies.

The target growth rate for the five year plan was 5.2% p.a. but actual attained growth rate was 5.3% p.a. at 1993-94.

#### **7th five year plan-**

This plan began on April 1,1985. The term of this plan was upto March 31,1990. This plan emphasised policies and programmes which aimed at rapid growth in foodgrains production, increased employment opportunities and productivity within the framework of basic tenants of planning i.e. **Growth,modernisation, self-reliance and social justice.**

#### **Main objectives-**

1. Establishing of an independent, self-sufficient economy.
2. Establishment of the social system based on equality and justice.
3. To prepare firm base for national technological development.
4. To encourage self- reliance by export promotion and import substitution.
5. Sufficient increase in agricultural production, especially foodgrain production.

The target growth rate for the seventh plan was 5% p.a. however, the actual growth rate of the national Income was estimated to be 5.9%. In some areas the growth rates were lower than the targeted rates but in the main areas the absolute growth rate was satisfactory.