


STRUCTURE OF INDIAN ECONOMY AND PLANNING

- *Historical Background*
- *First Phase(1951 - 1966)*
- *Second Phase(1966 - 1990)*
- *Third Phase(Post 1990)*
- *Overview of Reforms*
- *Niti Aayog*
- *Financing of Five Year Plans*


Historical Background

- ▶ Agriculture was fairly backward but an important sector.
 - ▶ There were no industries then.
 - ▶ “Multiple Goals – Limited Resources”
 - ▶ Most of the features of FYP were from Soviet Plan.
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First Phase

- ▶ Active Role of State
 - ▶ Mahalanobis Strategy
 - ▶ Inward-oriented Policy
 - ▶ Overview
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Second Phase

- ▶ New Agricultural Strategy (NAS)
 - ▶ Social Justice
 - ▶ Failure of Trickle-Down Approach and rolling pans introduced
 - ▶ Shift from Heavy industries to infrastructure development
 - ▶ Outward Oriented Policy
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Third Phase

- ▶ 1991 BOP Crisis

- ▶ IMF's Loan and Conditionality-

- i) Gold was kept as security
- ii) ER to move to market forces
- iii) Contractionary monetary and fiscal policy

- ▶ LPG Reforms-

- i) Liberalization-Abolition of Industrial Licensing
- ii) Privatization- Public Ownership to private ownership
- iii) Globalization- Import/Export Freedom, Foreign Investment (FDI,FPI)

▶ Eighth Plan

- i) High growth in industries and services sector
- ii) Jobless growth- Public sector over-staffed, Neglect of anti-poverty programmes, Employment growth was nowhere close to GDP growth

▶ Ninth Plan

- i) Could not maintain the same growth rate as 8th Plan
- ii) Reasons- East Asian Crisis, Domestic factors (high fiscal deficit), Coalition Government


▶ Tenth Plan

- i) Unprecedented Foreign Capital Inflow
- ii) Services led growth
- iii) Rise in Corporate Savings

▶ Eleventh Plan

- i) India registered highest growth rate ever at 8% in 2008
- ii) Global Financial Crisis (2008-09)
- iii) Impact of crisis on Industrial Sector
- iv) Poor Performance of Agriculture Sector

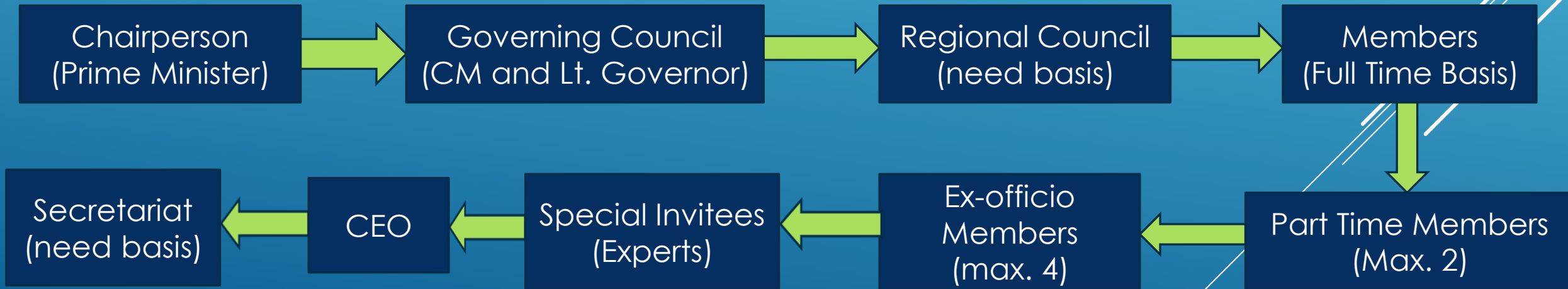
▶ Twelfth Plan Targets

- i) GDP growth rate of 8%
 - ii) Reduce IMR to 25, MMR to 1 and total fertility ratio to 2.1
 - iii) Increase mean years of schooling to 7 years
 - iv) Reduce head-count ratio of consumption poverty by 10% points over the preceding estimates
 - v) Generate 50 million new jobs in non-farm sector
 - vi) Increase green cover by 1 million hectare every year
 - vii) Add 30,000 MW of renewable energy capacity
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NITI Aayog

- ▶ Non-constitutional and non-statutory body
- ▶ Replaced Planning Commission
- ▶ Follows a bottom-up approach whereas Planning Commission followed top-down model
- ▶ Aim- Foster involvement and participation of State governments in economic policy making

Composition of NITI Aayog:



► Functions of NITI Aayog

- i) To evolve a shared vision of national development in priorities sector
 - ii) To foster cooperative federalism
 - iii) To develop mechanisms to formulate plans at the village level
 - iv) To pay special attention to economically backward sections of the society
 - v) To design strategic and long term policy and programme frameworks and initiatives
 - vi) To focus on technology upgradation and capacity building
 - vii) To offer a platform for resolution of inter-sectoral and inter departmental issues
 - viii) To maintain a state of the art Resource Centre, be a repository of research and good governance and best practices in sustainable and equitable development
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Financing of Five Year Plans

1. Government Savings = Current income of the govt. – Current non-plan expenditure
 2. Market Borrowings by the Government
 3. Small Savings (Post office saving, Time Deposits, National Saving Certificates)
 4. Contribution of Public Enterprises (Railways, ONGC, NTPC)
 5. Disinvestment Income
 6. Deficit Financing
 7. External Assistance
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