Economic Planning Development in India

In order to achieve the long-term and short-term objectives set in the each five year, specific strategies are required. It involves allocation resources across different sectors of the economy in tandem with the specified objectives. It involves selection choices like development of agricultural sector or industrial sector, public sector or private sector involvement, closed economy or open economy model. Indian planning strategies can be split into two phases: pre-1991 phase and post – 1991 phase.

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Pre 1991 Phase or Pre-reform Phase

During pre – 1991 phase (1951 to 1990), India followed the strategy of planning with greater reliance on the public sector along with a regulated private sector. Following strategies are followed during 1951-91 phase:

Heavy Reliance on Public Sector

- Greater reliance was placed on public sector compared to private sector. As private sector was not able to invest in large amount for development of heavy industries, government turned towards public sector for provision of essential and basic needs for the people. At the same time private sector was not willing to provide the services in backward regions of the country.

Regulated Expansion of Private Sector

- Private sector was restricted to few areas of activities. New legislations were created for the restriction for the restriction of private sector.

Development of Heavy Industries

- Government invested heavily in development of Heavy industry like iron industry.

Protection of Small Scale Industry

- Small scale industry was protected by means of establishment of boards for different small scale industries and reserving few areas of production exclusively for the small scale industry.

Inward Looking Trade Strategy

- Domestic industry was protected from competition in the international market. Heavy import duty was imposed to curb competitive imports, while domestic industries were encouraged to produce domestic substitutes of essential imports.

Thrust on Savings and Investment

- Promotion of savings and investment was the undisputed objective of monetary and fiscal policies of the government. Savings are induced through high rate of interest. Tax concessions were to mobilise savings.

Restriction on Foreign Capital

- Several types of restrictions were imposed on foreign direct investment. To control and regulate it, Foreign Exchange Regulation Act (FERA) was enforced.

Adherence to Centralised Planning

- State level plans were aligned in sync with the over all objectives and strategy of growth as specified in Five Year Plans.

Post 1991 Phase (Post-reform Phase)

Strategy of planning in India witnessed a marked shift in the year 1991. Following are main changes observed under NEP (new economic policy):

- Fiscal policy and monetary policy have been reoriented to facilitate the free play of market forces.
- Foreign capital in the form of FDI (Foreign direct investment) and FII (Foreign Institutional Investment) are encouraged.
- Import restrictions are restricted to the minimum, while export promotion has been accorded a high priority.
- Competition rather than controls have become the fulcrum of growth process.
- Direct participation of the government is significantly tempered and confined only to strategic industries such as atomic energy, minerals and railways.
- Partial convertibility of Indian Rupee.

Recently, the concept of Sustainable development is included as main feature of the strategy of planning in India. Sustainable development refers to the development of present generation by taking into consideration of the future generations.