



## Economics | Five Year Plans in India



### What is Plan?

*Planning involves the process of thinking, formulation of a scheme or programme and implementation of set of actions to achieve some goal. Though it is a broader term, here it has been used with reference to the process of economic planning.*

### HISTORY OF ECONOMIC PLANNING IN INDIA

*Timeline for the history of economic planning in India:*

#### **1. The Soviet Experiment in Planning (1928)**

- The Soviet Union began its first Five-Year Plan in 1928 under Joseph Stalin. The USSR was largely unaffected by the Great Depression of the 1930s, which impacted the entire world.

#### **2. The Great Depression (1930s)**

- During this time, the global economy was severely impacted by the Great Depression, with the USSR being one of the few exceptions due to its planned economy.

#### **3. First Systematic Work in India (1934)**

- *M. Visveswaraya*: The first person in India to advocate for economic planning. He formulated a ten-year plan for the economic development of the country, which he detailed in his book "Planned Economy for India." This plan focused on structural transformation.

#### **4. National Planning Committee (1938)**

- *Subhash Chandra Bose*: As the President of the Indian National Congress (INC), he set up the National Planning Committee in 1938.



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- *Jawaharlal Nehru*: Appointed as the Chairman of the committee. However, due to the resignation of all provincial INC governments, significant progress could not be made.

### 5. The Bombay Plan (1944)

- Formulated by eight leading Indian industrialists, including *Purshottamdas Thakurdas, J.R.D. Tata, and G.D. Birla*.
- The plan aimed to double the per capita income in India over 15 years.
- It advocated for government intervention and regulation to protect indigenous industries from foreign competition.

### 6. The Gandhian Plan (1944)

- *S.N. Agarwal*: Based on Gandhian philosophy, this plan sought to establish a decentralized economy with self-sufficient villages and a focus on small-scale industries and agriculture.

### 7. The People's Plan (1945)

- *M.N. Roy*: Proposed a 10-year plan emphasizing agricultural and consumer goods industries through collectivization and the establishment of state-owned industries.
- The plan also advocated for the nationalization of land.

### 8. The Sarvodaya Plan (1950)

- *Jaiprakash Narayan*: Inspired by the Gandhian Plan of *S.N. Agarwal* and the concept of Sarvodaya by *Vinoba Bhave*. The plan emphasized agriculture, village industries, especially small-scale textile and cottage industries, land reforms, and decentralized participatory planning.

## Five Year Plans (FYP)

Five-Year Plans of India were a series of economic & social development initiatives launched by the Indian government for a period of five years.

### Objectives of Five-Year Plan of India

The objectives of these five-year plans were as follows:

- ❖ Economic Growth
- ❖ Social justice and reducing the inequalities
- ❖ Economic stability for prosperity.



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- ❖ Economic Self-Reliance
- ❖ Modernization of the economy

Planning commission is responsible for the formulation of five-year plans to ensure Continual watch on trends and adjustments Systematic observation of technical, economic and social data. The Planning Commission laid the foundation of Planning in India and pushed India out from backwardness and poverty to advancement and prosperity.

This torch is now carried by a reformed and more dynamic NITI Ayog

### First Five-Year Plan of India (1951-56)

- ❖ On December 8, 1951, the Prime Minister Jawaharlal Nehru presented the first five-year plan to the Parliament of India.

#### **First Five-Year Plan of India (1951-56)**

Year	1951 - 56
Prime minister	Jawaharlal Nehru
Model	Harrod-Domar model (savings) Important Economist: KN Raj
Objectives	<ul style="list-style-type: none"><li>❖ To reconstruct the damaged economy after World War and partition</li><li>❖ To solve food crisis and to improve the availability of raw materials, especially Jute and Cotton.</li><li>❖ To rehabilitate refugees</li><li>❖ To increase the production capacity and to lessen the economic disparities. To check the inflationary trends.</li></ul>
Achievements	<ul style="list-style-type: none"><li>❖ Achieved growth was more than the target</li><li>❖ Total allocation —Rs.2069 Crores</li><li>❖ Actual expenditure—Rs.1960 Crores</li><li>❖ NDP increased by 15% and per capita income by 8%</li><li>❖ Community Development Programme: 1952</li></ul>



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	<ul style="list-style-type: none"> <li>❖ Mettur, Hirakud &amp; Bhakra Dams</li> <li>❖ 5 IITs were constructed.</li> <li>❖ Govt. decides to improve Railway Services, Road tracks &amp; Civil Aviation</li> </ul>
Target growth	2.1%
Actual growth	3.6%

Its main focus was on the agricultural development of the country and irrigation; Power to decrease reliance on Food Grain, Imports & resolve Food crisis

### Second Five Year Plan of India (1956-61)

<u>Second Five Year Plan of India (1956-61)</u>	
Year	1956-61
Prime minister	Jawaharlal Nehru
Model	<b>Mahalanobis Model</b> (structural transformation i.e. agriculture to industry) Also called as <u>Feldman model</u> . Mahalanobis is known as the " <b>architect of Indian planning</b> "
Objectives	<ul style="list-style-type: none"> <li>❖ Rapid industrialisation and development of heavy and basic industries.</li> <li>❖ Plan could not be implemented fully because of acute shortage of foreign exchange.</li> </ul>
Achievements	<ul style="list-style-type: none"> <li>❖ Imported capital goods</li> <li>❖ Generation of hydroelectric power</li> <li>❖ Five steel plants were established</li> <li>❖ Increased coal production</li> <li>❖ Tata Institute of Fundamental Research</li> </ul>
Target growth	4.5%



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Actual growth	4.27%
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Its main focus was on the industrial development of the country.

Other achievements:

- ❖ Three public sector steel factories were established in this plan.
- ❖ With the help of Germany a steel factory was set up in Rourkela, Orissa.
- ❖ With the help of Russia, a steel factory was established in 1959 in Bhilai, Chhattisgarh.
- ❖ With the help of Britain, a steel plant was established in Durgapur, West Bengal.

### Third Five Year Plan of India (1961-66)

Third Five Year Plan of India (1961-66)	
Year	1961-66
Prime minister	Jawaharlal Nehru
Model	T Sukhamoy Chakraborty and Professor John Sandy
Objectives	<ul style="list-style-type: none"><li>❖ a.k.a 'GadgilYojana' – sharing the responsibilities with the states.</li><li>❖ Main aim of this plan was to establish the Indian economy as <u>self-reliant and self-generating</u>.</li></ul>
Achievements	<ul style="list-style-type: none"><li>❖ Many cement &amp; fertilizers plants were built</li><li>❖ Punjab: Increased wheat production</li><li>❖ Many Schools were started in rural areas</li><li>❖ Panchayat elections were started</li></ul>
Problems faced	<ul style="list-style-type: none"><li>❖ Objective changed to defence development because of Indo-china (1962) and Indo-pak wars (1965).</li><li>❖ Severe draught (1965)</li><li>❖ War led to inflation</li></ul>
Target growth	5.6%
Actual growth	2.4%

The main target of this plan was to make the economy independent and to reach self-propelled position or take off.



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### Plan Holiday - Annual Plans (1966-1969)

Original draft outline of the plan was abandoned because of pressure on economy by failure of third FYP-

- ❖ two years of drought – priority given to
- ❖ agriculture
- ❖ War
- ❖ Lack of resources
- ❖ devaluation of the rupee – to increase the exports.
- ❖ inflationary pressure

Green Revolution involving high yielding variety seeds (dwarf seeds) was implemented. Three annual plans also called "Plan Holiday" were implemented for the years 1966-69.

### Fourth Five Year Plan (1969-74)

<b>Fourth Five Year Plan (1969-74)</b>	
Year	1969-74
Prime minister	Indira Gandhi
Model	Ashok Rudra - Menon
Objectives	<ul style="list-style-type: none"><li>❖ <u>Growth with stability and progressive achievement of self-reliance</u></li><li>❖ Implementation of Family planning programmes</li></ul>
Achievements	<ul style="list-style-type: none"><li>❖ Nationalisation of 14 Banks (1969)</li><li>❖ Green Revolution</li><li>❖ Underground Nuclear Test-1974 (Smiling Budha)</li></ul>
Target growth	5.6%
Actual growth	3.3%

### Fifth Five Year Plan (1974 -79)

<b>Fifth Five Year Plan (1974 -79)</b>	
Year	1974-79



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Prime minister	Indira Gandhi
Model	D P Dhar - (minimum needs meet)
Objectives	<ul style="list-style-type: none"><li>❖ Poverty reduction – “Garibi Hatao” and attainment of self reliance</li><li>❖ Employment generation</li><li>❖ Social Justice</li><li>❖ defence</li><li>❖ Built national highway</li><li>❖ Electricity generation</li><li>❖ Tourism</li></ul>
Target growth	4.4%
Actual growth	5%

In this plan top priority was given to agriculture, next came industry and mines.

### Annual Plan (1978-80)

Also called the *Rolling Plan*, it helped to achieve the targets of the previous years.

- ❖ This plan is terminated by Janata party in 1978 (Morarji Desai).
- ❖ Introduced Rolling Plan (1978-80) – of Gunnar Myrdal.
- ❖ This was again terminated by Indira Gandhi
- ❖ The Rolling Plan consisted of three kinds of plans that were proposed.

### Sixth Five year Plan (1980-85)

<b>Sixth Five year Plan (1980-85)</b>	
Year	1978-83 → Morarji Desai (Janata Party) 1980-85 → Indira Gandhi
Prime minister	Indira Gandhi



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Objectives	<ul style="list-style-type: none"> <li>❖ Focus on enlargement of employment potential in agriculture and allied activities and encouragement to small industry (1978-83)</li> <li>❖ The plan was rejected when Congress party came into power. The objective changed to removal of poverty by expanding economy.</li> </ul>
Achievements	<ul style="list-style-type: none"> <li>❖ Indian economy made good progress and most of the targets fixed were realised.</li> <li>❖ Nationalisation of 6 Banks</li> <li>❖ Modernisation of technology</li> <li>❖ Decrease in poverty and unemployment</li> <li>❖ Control on Population</li> <li>❖ NABARD (National Bank for Agricultural and Rural Development) was established in 1982</li> </ul>
Target growth	5.2
Actual growth	5.4

## Seventh Five Year Plan(1985-90)

Seventh Five Year Plan(1985-90)	
Year	1985-90
Prime minister	Rajiv Gandhi
Model	Ramkrishna Hegde
Objectives	<ul style="list-style-type: none"> <li>❖ Accelerate food grains production, increase</li> <li>❖ employment opportunities and raised productivity "Jawahar Rozgar yojana"</li> <li>- "Food, work, productivity"</li> </ul>
Target growth	5%
Actual growth	6.1%



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### Plan holiday - Political Uncertainty: (1990-92)

- ❖ The Eighth Plan was scheduled to be introduced in April 1990.
- ❖ However, there were many changes in the Government at the Center, which led to the reconstitution of the Planning Commission and the preparation of different versions of the approach to the Eighth Plan.
- ❖ Balance of payment crisis (i.e.) Expenditure is higher than income. Resulted in implementing new economic policy (Liberalization Privatization Globalization Reforms) – 1991
- ❖ Finally, in 1992, the Eighth Plan was introduced (fourth version)

### Eighth Five Year Plan(1992-97)

<b>Eighth Five Year Plan(1992-97)</b>	
Year	1992 - 97
Prime minister	Shri P.V. Narasimha Rao
Model	John. W. Miller Model / Rao – Manmohan singh model
Objectives	Economic reforms, accelerate growth and improve quality of life in common man Growth in exports and Imports (Improvement in BOP)
Achievements	<ul style="list-style-type: none"><li>❖ Achieved an impressive growth rate of 6.8%</li><li>❖ Economic reforms – LPG reforms (1993)</li><li>❖ rapid economic growth in agriculture and allied sector and manufacturing.</li><li>❖ Exports and imports also grew; trade and current account deficit also improved.</li></ul>
Target growth	5.6%
Actual growth	6.8%

### Ninth Five Year Plan (1997-2002)

#### Ninth Five Year Plan (1997-2002)



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Year	1997-2002
Prime minister	Atal Bihari Vajpayee
Objectives	<ul style="list-style-type: none"><li>❖ Focused on Private sectors.</li><li>❖ Role of facilitator by involving in social sectors- improving Quality of life, productive employment, regional balance &amp; Self-reliance.</li></ul>
Target growth	6.5%
Actual growth	5.35%
Schemes	Swarnajayanthi Gram Swarojgar Yojana (SGSY) – 1999 Sampoorna grameen Rojgar Yojana (SGRY) -2001 – to improve self-employment in rural areas.

## Tenth Five Year Plan (2002-2007)

<b>Tenth Five Year Plan (2002-2007)</b>	
Year	2002 – 07
Prime minister	Atal Bihari Vajpayee
Model/ theme	PURA' strategy by APJ Abdul kalam – Providing Urban Amenities in Rural Areas
Objectives	<ul style="list-style-type: none"><li>❖ Reduction in poverty</li><li>❖ High quality employment</li><li>❖ Universal access to primary education</li><li>❖ Reduction in gender gaps in education</li><li>❖ Emphasis on the social sector (health, education, etc.)</li><li>❖ Declaring the <u>agriculture</u> sector as the primary moving force (PMF) of the economy</li></ul>
Target growth	8%
Actual growth	7.2%



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Schemes	Sarva Siksha Abhiyan 2007 II Green revolution using Bio fertilizers (eco -friendly agriculture) Bharat Nirman 2005
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Some major aspects of this Plan were:

- Double the per capita income in 10 years
- Higher growth rates must translate into better quality of life for people
- Set monitorable targets
- Policy and institutional reforms in all sectors
- Reduction in population, Reduction in infant mortality rate - 45 by 2007 and 28 by 2012
- Increase in forests and Drinking Water
- Cleaning of polluted rivers

## **Eleventh Five Year Plan of India (2007-12)**

<b><u>Eleventh Five Year Plan of India (2007-12)</u></b>	
Year	2007 - 2012
Prime minister	Manmohan Singh
Model / theme	C. Rangarajan - 'Towards Faster and Inclusive Growth'
Objectives	<ul style="list-style-type: none"><li>❖ Addressed agriculture, infrastructure, and education</li><li>❖ Around 27 detailed national targets, ranging from enhancing production and incomes to literacy, health, child development, poverty reduction etc., were set under the 11th plan.</li></ul>
Target growth	9%
Actual growth	8%

Situation:

- ❖ The percentage of population below the poverty line come down from 36% in 1993-94 to 28% in 2004-05
- ❖ The absolute no. of poor people has declined of only marginally from 320 million in 1993-94 to 302 million in 2004-05



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- ❖ According to national family health survey, 46% of the children in the 0-3 age group suffered from malnutrition in 2005-06 and it was reported 47%. in 1998.
- ❖ Literacy was 64.8% in 2001, the No. of illiterates still exceeds 304 million, making India the country with the largest No. of illiterates
- ❖ Life expectancy during 2001-06 was 63.9 years for male and 66.9 years for females (72 years in China)
- ❖ Adverse male female ratio 1000-933
- ❖ Infant mortality rates are higher than those of countries in East Asia.
- ❖ Agricultural growth rate target for 10<sup>th</sup> plan was 4%, but achieved 2.1%
- ❖ Unemployment rate increased from 7.3% in 1999-2000 8.3%
- ❖ in 2004-05, despite the GDP of 7.6% during the 10<sup>th</sup> plan
- ❖ Permanent employment in organized sector has declined.

### Twelfth Five-Year Plan (2012-2017)

<b>Twelfth Five Year Plan of India (2012 – 2017)</b>	
Year	2012-2017
Prime minister	Manmohan Singh till 2014, Narendra Modi
Model/ Theme	'Faster Sustainable and more Inclusive Growth'
Objectives	Set 25 core monitorable targets, including GDP growth, manufacturing growth, education, poverty reduction, renewable energy, infrastructure, and more.
Target growth	8%
Actual growth	Actual Growth: 5.1% (2012-13), 6.9% (2013-14), 7.2% (2014-15), 7.6% (2015-16), 7.1% (2016-17)

### NITI Aayog

- ❖ The Planning Commission which has a legacy of 65 years, was replaced by the NITI Aayog on **January 1, 2015**, with emphasis on the '**Bottom – Up**' approach to envisage the vision of



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**“Minimum Government, Maximum Governance”**, echoing the spirit of Cooperative Federalism.

- ❖ NITI Aayog envisaged as **a think tank and advisory body** of the government.

NITI Aayog’s creation has two hubs:

- ❖ **Team India:** It leads the participation of Indian states with the central government.
- ❖ **The Knowledge and Innovation Hub:** It builds the institution’s think tank capabilities.

### NITI Aayog Composition

- ❖ Chairperson:  
PRIME MINISTER -
- ❖ Vice-Chairperson:  
To be appointed by Prime-Minister
- ❖ Governing Council:  
Chief Ministers of all states and Lt. Governors of Union Territories.
- ❖ Regional Council:  
To address specific regional issues, Comprising CHIEF MINISTER and Lt. Governors  
Chaired by the Prime Minister or his nominee.
- ❖ Ad-hoc Membership:  
Two members in ex-officio capacity from leading Research institutions on a rotational
- ❖ Ex-Officio Membership:  
Maximum four from the Union council of ministers to be nominated by the Prime
- ❖ Chief Executive Officer:  
Appointed by the Prime-minister for a fixed tenure, in the rank of Secretary to  
Government of India.
- ❖ Special Invitees:  
Experts, Specialists with domain knowledge nominated by the Prime-minister.



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## **Economics | Five Year Plans in India**

### **Tricks to Remember the Five Years Plan**

#### **First Five-Year Plan (1951-56) – SIPCOAT**

- S- Social Services
- I- Industry
- P -power
- Co- Communication
- A- Agriculture
- T-Transport

#### **Second five- year plan (1956 -61) - MADRAS**

- M - Mahalanobis Model
- A - Atomic Energy Commission
- D - Durgapur steel company, Tata Inst. of Fundamental Research
- R - Rourkela Steel Company, Rapid Industrialisation
- A - Agriculture
- S - Socialistic Pattern of Society

#### **Third five-year plan (1961-66) - SAD**

- S - Self Reliance
- A - Agriculture
- D - Development of Industry

#### **Fifth five-year plan (1974-79) - POSTMAN**

- P - Poverty Eradication
- S - Self reliance
- T - Twenty Point Programme
- M - Minimum Need Programme

#### **Sixth five-year Plan (1980-85) - MAIL**

- M - Management
- A - Agriculture production
- I - Industry production



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L - Local Development Schemes

### **Seventh Five-year plan (1985-90) - EFGH (the alphabets)**

E - Employment generation

F - Foodgrain production was doubled

G - Jawahar Rozgar Yojana (1989)

H - Hindu rate of Growth

### **Eighth Five-year plan (1992-97) - LPG**

L - Liberalisation

P - Privatisation

G - Globalisation

### **Ninth five-year plan (1997-2002) - ESPN**

E - Employment for Women, SC's and ST's

S - Seven Basic minimum service

P - Panchayat Raj Institutions, Primary Education, Public Distribution System

N - Nutrition Security

### **Eleventh five-year plan (2007 -2012) - TEACHERS**

T - Telecommunication (2G)

E - Electricity, Environment Science

A - Anemia

C - Clean water

H - Health education

E - Environment Science

R - Rapid growth

S - Skill Development

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### **Previous Year Questions**

**1. Which Five-Year Plan had an objective of "Rapid industrialization with particular emphasis on development of basic and heavy industries"?**



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- a) First
- b) Second
- c) Third
- d) Fourth

**2. Which Five-Year Plan had an objective of "Rapid Industrialization with particular emphasis on development of basic and heavy industries?"**

- a) First
- b) Second
- c) Third
- d) Fourth

**3. In which of the following years was the planning commission set up in India? [2008-I]**

- a) 1947
- b) 1948
- c) 1949
- d) 1950

**4. Who is the ex-officio Chairman of the Planning Commission of India? [2008-I]**

- a) Vice-President of India
- b) The Prime Minister of India
- c) The Finance Minister of India
- d) The Law Minister of India

**5. In which one the following Five Year Plans the actual growth performance in India in respect of GDP (at factor cost) was less than the target set?**

- a) Sixth Five Year Plan
- b) Seventh Five Year Plan
- c) Eighth Five Year Plan
- d) Ninth Five Year Plan

**6. Which among the following is not correct with regard to Sampurna Garmeena Rozgar Yojana?**



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1. The cash component of the programme is borne exclusively by the Central Government.
2. Food grains are provided free of costs to the States/ Union Territories.

**Select the answer using the code given below:**

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 Nor 2

**7. The highest body that approves Five-Year Plans in India is \_\_\_\_\_.**

- a) Planning Commission
- b) National Development Council
- c) Interstate Council
- d) Union Cabinet

**8. The 'Bombay Plan' drafted by GD Birla and JRD Tata emphasized:**

- a) that the economy should be left to the dynamic investments by the private sector in heavy industries, etc.
- b) the public sector investment in infrastructure and heavy industries
- c) annual planning
- d) that the private sector should foot the Bill for intensive and low return investments in the industrial sector.

**9. Which one among the following statements regarding the Eighth five year plan in India is not correct?**

- a) The plan was postponed by two years because of political upheavals at the centre
- b) It aimed at high growth of both agriculture and manufacturing sectors
- c) Its emphasis was on growth in export and import, improvement in trade and current account deficit
- d) It set before itself the two principal objectives of 'growth with stability' and 'growth with justice'



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**10. During the Eleventh Five Year Plan (FYP), agriculture sector in India witnessed a growth rate of 3.3 per cent per annum which is higher than 2.4 per cent per annum in the previous FYP. This is largely due to better performance of:**

- a) Crops and Livestock
- b) Oilseeds and Fibres
- c) Fishing and Oilseeds
- d) Fibres and Fishing

**11. The First Five Year Plan (1951-1956) was drafted by:**

- a) P C Mahalanobis
- b) K N Raj
- c) J C Kumarappa
- d) Jawaharlal Nehru

**12. Which one of the following is not a feature of the Nehru- Mahalanobis model of development strategy?**

- a) Development of capital goods industries
- b) Major involvement of the State in the economy
- c) Industrial deregulation and disinvestment in the public sector
- d) Enhancing the scope and importance of the public sector

**13. Which of the following best explains the stated broad vision and aspirations of the Twelfth Five Year Plan (2012-2017)?**

- a) Faster, Sustainable and More Inclusive Growth
- b) Modernisation of Industries and Strengthening Infrastructure.
- c) Enhancing Agricultural and Rural Incomes
- d) Checking Inflation and Strengthening non-economic variables like Nutritional Requirements, Health and Family Planning

**14. In its emphasis on enhancing human capabilities, which one among the following does NOT figure in the Twelfth Five-Year Plan?**

- a) Life and longevity



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- b) Education
- c) Delivery of Public Service
- d) Skill development

**15. Which one of the following is NOT a target of the 12th Five-Year Plan?**

- a) Real GDP Growth Rate of 8 per cent
- b) Agriculture Growth Rate of 5 per cent
- c) Manufacturing Growth Rate of 10 per cent
- d) Increase in green cover by 1 million hectare every year during the Plan period

**16. The Nehru-Mahalanobis Strategy of Development was implemented for the first time by which one of the following Five-Year Plans?**

- a) First Five-Year Plan
- b) Second Five-Year Plan
- c) Third Five-Year Plan
- d) Seventh Five-Year Plan

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