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Planning and Development

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Development is a dynamic concept. There is no agreement on the meaning of development among planners and thinkers. In general terms, development has been defined as “a process of growth, expansion or realisation of potential; bringing regional resources into full production base”. In other words, development is a process of change aiming at socio-economic transformation of traditional societies into modern one which is greatly influenced by human beings.

India had two models of development on the eve of independence

- (i) **The Socialist Model** followed in USSR. The leaders of the Communist Party of India and the leaders of Socialist Party like Nehru were deeply impressed by the Soviet model of development. The main reason to support this model was that the economic concerns of independent India would have to be different from colonial government. The tasks of poverty alleviation, social and economic redistribution were regarded as the primary responsibility of the government.

Economic Development in India

Economic development is defined as a sustained improvement in material well-being of society. It contains changes in resource supplies, in the rate of capital formation, in size and composition of population, in technology, skills and efficiency, in institutional and organisational set-up. These changes fulfil the wider objectives of ensuring more equitable income distribution, greater employment and poverty alleviation.

Indian economic development has gone through three broad phases. These can be termed as

- (i) **Public Infrastructure** The first phase was characterised by and large by the desire to identify market failure and missing markets and to use the public sector to fill the gaps in Physical Infrastructure.
- (ii) **Industrial Control** The second phase was characterised by an increasing distrust of the private sector and corresponding view of the public sector as

- (iii) **Reform and De-control** The final phase was characterised by a slow but steady recognition of the problem of government and public sector failure, and the need to remove the distortions created by government policy itself.

Changing Nature of India's Economic Development

Since independence India has been a **Mixed Economy** in which both public and private sector played a significant role. In this economy, much of the agriculture, trade and industry were left in private hands. The government controlled the key heavy industries, provided industrial infrastructure, regulated trade and made some crucial interventions in the agricultural sector.

India's large public sectors were responsible for rendering the country a 'Mixed Economy' feature. Indian economy is basically based on the contribution of service sector (currently provides 60% share of GDP) and near about 53% of its population is dependent on the agriculture.

Since 1951, India has grown as a planned economy. The first few Plans focussed on growth with strengthening of the manufacturing sector emphasising heavy industries to form the backbone of the economy. Other principal areas of planning were agriculture and social development i.e. housing and poverty alleviation. Over the years, India saw a changing composition of its economic structure i.e. agriculture which initially comprised of 60% of the GDP now comprises around 26% and services comprise a massive 75% of the GDP growing from 30% in the 1950s.

The factors that led to changing nature of economic development in India are discussed below

Change in Occupational Structure

The economic development is generally associated with changes in the occupational structure. The occupational structure of a country shows the distribution of its work force among the various occupations. Agriculture and allied activities employ a very large proportion of working population. However, the dependence of the workforce on agriculture and allied activities has declined from 67.5% in 1991 to 57.3% in 2001. This brings out the underdeveloped nature of the Indian economy.

Changes in the Structure of Economy

The structure of the Indian economy has undergone significant changes over time. The share of the industry sector in GDP increased by about 9 percentage points from 16.6 per cent in 1950-51 to 25.9 per cent in 1980-81. The

Foreign Direct Investments (FDI)

Today, FDI is allowed in virtually all sectors of the economy with exceptions being strategically sensitive areas such as defence and atomic energy. For many industries FDI is approved automatically through the RBI. The FDI ceiling range from 26% to 100% depending on the type of industry. Thus, this helps to change the nature of economic development in our country.

Growing International Trade

Since 1991, India adopted a policy of trade liberalisation to open up the economy to foreign trade and to integrate the Indian economy into the global economy. The trade policy reforms initiated in 1991 have drastically changed the scenario and have resulted in a shift from the inward-oriented policy to an outward-oriented policy.

India's international trade has increased drastically in the post reform period. In absolute terms, the trade volume rose from US \$ 42.2 billion (both exports and imports together) in 1990-91 to US \$ 621 billion in 2010-11, i.e. increased by about 15 times.

Bilateral and Regional Co-operation

India is actively engaged in regional and bilateral negotiations with her trading partner countries to diversify and expand the markets for its exports. Presently, India shares preferential market access and economic co-operation through trade agreements with over 50 other countries.

For instance, since 2006, India's exports to SAFTA (South Asian Free Trade Area) countries have expanded quicker than its imports from them, prompting a significant rise in trade surplus with these economies from about US \$ 4 billion (in 2005-06) to US \$ 21 billion (in 2018-19).

Foreign Exchange Reforms

In 1991, as an immediate measure to resolve the balance of payments crisis, the rupee was devalued against foreign currencies. This led to an increase in the inflow of foreign exchange. It also set the tone to free the determination of rupee value in the foreign exchange market from government control. Now, more often than not, markets determine exchange rates based on the demand and supply of foreign exchange.

Thus, these factors were responsible for the change in nature of economic development in India.

Check Point
01

1. Which tasks were regarded as the primary responsibility of the government as per the socialist model?
2. In which regions of the world, liberal-capitalist model is famous?

Planning Commission and Five Year Plans

Planning Commission was set up in March 1950 by a simple resolution of the Government of India. Prime Minister has been made its Chairman. It became the most influential and central agency for deciding what path and strategy India would adopt for its development.

The Planning Commission of India opted for Five Year Plans (FYP) like in the USSR. Five-Year Plans (FYPs) are centralised and integrated national economic programs. Under this Government of India prepares a plan document for all its income and expenditure for the next five years.

The budget of the Central and all the State Government was divided into two parts i.e. plan budget that is spent on priorities of next five years and non-plan budget that is spent on routine items on yearly basis.

The draft of the First Five Year Plans and the actual Plan Document was released in December 1951. In this Plan, economist **KN Raj** mainly focussed on poverty alleviation. Later, the Second Five Year Plan came into existence in 1956 and Third Five Year Plan in 1961. The Fourth Five Year Plan didn't start in 1966 due to acute economic crises in India. Thus, the government decided to take a **plan holiday** this year.

Bombay Plan

A section of the big industrialist got together in 1944 and drafted a joint proposal for setting 'up a planned' economy in the country. This was called the Bombay Plan. The Bombay Plan wanted the state to take major initiatives in industrial and other economic investments.

Five Year Plans in India

First Five Year Plan (1951-56)

- The First Five year Plan sought to get the country's economy out of the cycle of poverty KN Raj, was involved in drafting the plan.
- The First Five Year Plan focussed mainly on the agrarian sector including investment in dams and irrigation.
- Huge allocations of funds were made for large-scale projects like Bhakra Nangal Dam. This Plan also identified the pattern of land distribution in the country and focussed on land reforms.
- One of the basic aims of the plan was to raise the level of national income which was too difficult for the country with low capital stock and income.

Second Five Year Plan (1956-61)

- This Plan emphasised upon heavy industries. It wanted to bring about quick structural transformation by making changes simultaneously in all possible directions.
- Under this plan, substantial tariffs on imports were imposed so that domestic industries in both public and private sector can grow easily. This led to rise in savings and investments among several public sector industries such as electricity, railways, steel, machineries and communication. Moreover, it has provided a push to industrialisation that helped further in India's development.
- Despite of that, this Plan too has faced difficulties. Problems like technological backwardness led to huge spending of foreign exchange on technology from global market attracted more investments in industrial sector instead of agricultural sector.
- This led to the possibility of food shortage in the country. Thus, it becomes difficult for the planners to manage a balance between industry and agriculture.

Agriculture v/s Industry

- Many economists argued that the Second Plan lacked an agrarian strategy for development and give over emphasis on industry which led to agriculture and rural India to suffer.
- Gandhian economists like JC Kumarappa proposed an alternative blueprint that would give higher emphasis on rural industrialisation.
- Chaudhary Charan Singh forcefully advocated for agriculture at the centre of planning in India. He said that the planning was leading to creation of prosperity in urban and industrial section at the expense of the farmers and rural population.
- Some economists thought that without rapid increase in industrial production, it would not be possible to escape from the cycle of poverty.
- They argued that Indian planning did have agrarian strategy to boost the production of foodgrains.
- The land reform, community development programme and irrigation projects and so on have been brought by government but failed not because of policy, but because of its non-implementation.
- Non-implementation of these policies and programmes occurred because zamindar class had lot of social and political powers to resist these reforms.

Third Five Year Plan (1961-66)

- It was not much different from the Second Five Year Plan. Some critics believed that the plan strategies of this time displayed **urban bias** and other thought that industry was wrongly given priority over agriculture.
- There were also many economists who wanted to focus on agriculture then heavy industries.

Fourth Five Year Plan (1969-74)

- Under this Plan, Indira Gandhi government nationalised 14 major Indian banks. The Green Revolution was also

Fifth Five Year Plan (1974-79)

- The Indian national highway system was introduced for the first time. It proposed to achieve two main objectives that were removal of poverty and attainment of self-reliance.
- This plan was terminated in 1978 by the Janata government.

Sixth Five Year Plan (1980-85)

- This Plan was concerned with the problem of poverty by creating conditions of an expanding economy.
- Family planning was also expanded in order to prevent overpopulation.

Seventh Five Year Plan (1985-90)

- The guiding principles under this Plan were growth, modernisation, self-reliance and social justice.
- It laid emphasis on policies and programmes that would accelerate the growth in food grains production, increase employment opportunities and raise productivity.

Eighth Five Year Plan (1992-97)

- This Plan was postponed by two years due to political uncertainty at the Centre. In this Plan, priority was given to the development of human resources i.e. employment, education and public health.
- Fiscal and economic reforms including liberalisation were introduced under PV Narsimharao.

Ninth Five Year Plan (1997-2002)

- This Plan aimed to depend predominantly on the private sector – Indian as well as foreign (FDI). State was envisaged to increasingly play the role of facilitator and increasingly involve itself with social sector i.e. education, health, etc.
- It assigned priority to agriculture and rural development with a view to generate adequate productive employment and eradicate poverty.

Tenth Five Year Plan (2002-2007)

- Governance was considered as a factor of development and agriculture was declared as prime moving force of the economy.
- States role in planning was to be increased with greater involvement of Panchayati Raj Institutions.

Eleventh Five Year Plan (2007-2012)

- The title of the 11th Plan was 'Towards Faster and more Inclusive Growth'.
- The broad vision for this Plan included several inter-related components like rapid growth, reducing poverty and creating employment opportunities, access to essential services in health and education, etc.

- Inclusiveness is to be achieved through poverty reduction, promoting group equality and regional balance, reducing inequality, empowering people, etc.

Public v/s Private Sector

India did not follow any of the two known paths to development—it did not accept the capitalist model of development in which development was left entirely to the private sector, nor did it follow the socialist model in which private property was abolished and all the production was controlled by the state.

Elements from both these models were taken and mixed together in India. That is why it was described as **mixed economy**. Much of the agriculture, trade and industry were left in private hands. The state controlled key heavy industries, provided industrial infrastructure, regulated trade and made some crucial interventions in agriculture.

A mixed model like this was open to criticism from both the left and the right. Critics argued that the planners refused to provide the private sector with enough space and the stimulus to grow. The enlarged public sector produced powerful vested interests that created enough hurdles for private capital, especially by way of installing systems of licenses and permits for investment.

Moreover, the state's policy to restrict import of goods that could be produced in the domestic market with little or no competition left the private sector with no incentive to improve their products and make them cheaper. The state controlled more things than were necessary and this led to inefficiency and corruption.

Decentralised Planning

It is not necessary that all planning always has to be centralised. The **Kerala Model** is the model of decentralised planning. In this model there has been a focus on education, health, land reform, effective food distribution and poverty alleviation. Despite low Per Capita Incomes and a relatively weak industrial base, Kerala achieved nearly total literacy, long life expectancy, low infant and female mortality, low birth rates and high access to medical care. Between 1987 and 1991, the government launched the New Democratic Initiative which involved campaigns for development (including total literacy especially in science and environment) designed to involve people directly in development activities through voluntary citizens' organisations. The state has also taken Initiative to involve people in making plans at the Panchayat, block and district level.

Check Point
02

1. In which year was Planning Commission set up?
2. In the First Five Year Plan, Economist KN Raj mainly focussed on
3. What was the major concern of Second Five Year Plan?

National Development Council (NDC)

National Development Council (NDC) is an executive body established by the Government of India in August 1952. It is neither a constitutional nor a statutory body rather it is an advisory body to the Planning Commission. The Council ordinarily meets twice a year. Prime Minister is the ex-officio chairman of the National Development Council. It symbolises the federal approach to planning and is the instrument for ensuring that the planning system adopts a truly national perspective.

Composition of National Development Council

The National Development Council is composed of the following members

- Prime Minister as the Chairman of the National Development Council.
- Chief Ministers of all the states
- Administrators of all the Union Territories.
- Cabinet Ministers
- Members of Planning Commission

The secretary of the Planning Commission is also the secretary of the NDC.

Objectives of National Development Council

Following are the objectives of National Development Council

- To strengthen and mobilise the effort and resources of the nation in support of the Plan.
- To promote common economic policies in all vital spheres.
- To ensure the balanced and rapid development of all parts of the country.
- In addition to this, NDC provides a platform for all the states to discuss their problems and issues related to development. Thus, it secures the co-operation of the states in the execution of developmental plans.

NITI Aayog (National Institution for Transforming India)

After independence, a Planning Commission which was based on a socialist model formed for the planned development of India. But in the era of globalisation, especially in the 21st century, it was becoming ineffective and irrelevant, particularly in terms of coping with the

present challenges of development. Hence, on 15th August, 2014 during the Independence Day speech.

PM Narendra Modi announced about the abolition of the Planning Commission.

On 1st January, 2015, NITI Aayog was constituted in place of Planning Commission with the objective of providing the necessary and technical advice to the Union Government regarding the policy making at the Central and State levels. Under this agency, the Prime Minister is the ex-officio chairman of NITI Aayog and is responsible for appointing the vice chairperson of NITI Aayog.

The first vice chairperson of NITI Aayog was Arvind Panagariya. Shri Suman Bery is the current vice chairperson of NITI Aayog. This body harmonise the interests of national security and economic policy and prepares strategic and long-term framework of policy and program. It also acts as a think tank of the Union Government. By adopting a 'Bottom-Up Approach', the NITI Aayog acts in the spirit of co-operative federalism as it ensure equal participation of all states in the country.

Objectives of NITI Aayog

- To evolve a shared vision of national development priorities, sectors and strategies with the active involvement of states.
- To foster co-operative federalism through structured support initiatives and mechanisms with the states on a continuous basis, recognising that strong states make a strong nation.
- To develop mechanisms to formulate credible plans at the village level and aggregate these progressively at higher levels of government.
- To ensure, on areas that are specifically referred to it, that the interests of national security are incorporated in economic strategy and policy.
- To pay special attention to the sections of our society that may be at risk of not benefiting adequately from economic progress.
- To design strategic and long term policy and programme frameworks and initiatives, and monitor their progress and their efficacy.
- To evolve a shared vision of national development priorities, sectors and strategies with the active involvement of states.
- To actively monitor and evaluate the implementation of programmes and initiatives including the identification of the needed resources so as to strengthen the probability of success and scope of delivery.

**Check
Point**
03

1. When was National Development Council established?
 2. is the Chairman of National Development Council.
 3. What does NITI Aayog stand for?
 4. NITI Aayog acts in the spirit of as it ensure equal participation of all states in the country.
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TERMS TO KNOW

- **Planning** It means to choose from various alternative courses of action and find out one of the best course of action.
- **Capitalist** It is an economic system in which industry, trade and the means of production are largely or entirely, privately owned and operated for profit.
- **Mahalanobis Model** It emphasised on increasing control of public sector and heavy industrialisation in India.
- **Gandhian Model** It emphasised on scientific development of agriculture and growth of small scale and cottage industries. Gandhi believed that factory system led to evolution of capitalists who exploited the vast majority of workers.
- **Mixed Economy** The economy in which both public and private sector co-exist and play important role in economic development.
- **Permit System** It was the elaborate system of licences, regulations and accompanying red tape that were required to set up and run businesses in India between 1947 to 1990.

NCERT FOLDER

1. Which of these statements about the Bombay Plan is incorrect?

- It was a blueprint for India's economic future.
- It supported state-ownership of industry.
- It was made by some leading industrialists.
- It supported strongly the idea of planning.

Ans. (b) It supported state-ownership of industry is the incorrect statement.

2. Which of the following ideas did not form part of the early phase of India's development policy?

- Planning
- Liberalisation
- Co-operative Farming
- Self-sufficiency

Ans. (b) Liberalisation did not form a part of the early phase of India's development policy

3. The idea of planning in India was drawn from

- The Bombay plan.
- Experiences of the Soviet bloc countries.
- Gandhian vision of society.
- Demand by peasant organisations.

Codes

- 2 and 4
- 4 and 3
- 1 and 2
- All of these

Ans. (d) All of these

4. Match the following

List I	List II
(A) Charan Singh	1. Industrialisation
(B) P C Mahalanobis	2. Zoning
(C) Bihar Famine	3. Farmers
(D) Verghese Kurien	4. Milk Co-operatives

Ans. (A) → (3), (B) → (1), (C) → (2), (D) → (4)

5. What were the major difference in the approach towards development at the time of independence? Has the debate been resolved?

Ans. The major differences in the approaches towards the idea of development after independence were mainly based on the lines of socialistic and capitalist tendencies. These two models were outcome of the Cold War

This included members of Communist Party of India, Socialist Party and Nehru was also inspired by this model. Very few people supported the liberal-capitalist model of USA and UK. This reflected a broad consensus that had developed during the national movement.

The nationalist leaders were clear that the economic concerns of Government of India would have to be different from the narrowly defined commercial functions of the colonial government. It was clear that the core focus of the development was agriculture, poverty alleviation and social and economic redistribution.

There was a debate among them. For some, industrialisation seemed to be the preferred path and for others agriculture and particular alleviation of poverty was the priority.

Yes, this debate was resolved by adopting the model of 'Mixed economy' where socialist and capitalist, public and private and agriculture and industrialisation converged together for economic development.

6. What was the major thrust of the First Five Year Plan? In which ways did the Second Plan differ from the first one?

Ans. The First Five Year Plan (1951-1956) sought to get economy of the country out of the cycle of poverty. KN Raj, a young economist involved in drafting the plan, emphasised on agriculture sector because slow growth could endanger democracy.

The major thrust of First Five Year Plan were

- It focused mainly on agrarian sector. Huge investment were made in large scale projects like Bhakra-Nangal Dam and irrigation projects.
- It also identified the pattern of land distribution and focused on land reform in India.
- It aimed to increase the level of national income.

The First Five Year Plan differed from the Second Five Year Plan in following aspects

- The First Five Year Plan focused on the agrarian sector while the Second Five Year Plan focused on heavy industrialisation.
- The First five year Plan had brought slow growth but Second Five Year Plan wanted to bring about quick transformation in all possible directions.

7. State the main arguments in the debate that ensued between industrialisation and agricultural development at the time of the Second Five Year Plan.

The main arguments were

- Many economists argued that the Second Plan lacked an agrarian strategy for development, and give overemphasis on industry that led agriculture and rural India to suffer.
 - Gandhian economists like JC Kumarappa proposed an alternative blueprint that gives higher emphasis on rural industrialisation.
 - Chaudhary Charan Singh forcefully advocated for agriculture at the centre of planning in India.
 - While others thought that without rapid increase in industrial production, it would not be possible to escape from the cycle of poverty.
 - Some economists argued that Indian planning did have agrarian strategy to boost the production of food grains. The land reform community development programme and irrigation projects and so on have been brought by government but failed not because of policy but its non-implementation.
- Non-implementation of these policies and programmes occurred because Zamindar class had lot of social and political powers to resist these reforms.

8. "Indian policy makers made a mistake by emphasising the role of state in the economy. India could have developed much better if private sector was allowed a free play right from the beginning". Give arguments for or against this proposition.

Ans. No, the above statement is not completely correct because after Independence, the intervention of the state was necessary to regulate country's economy. The country did not follow any of the two known paths of development. It did not accept the capitalist model completely neither it accepted the socialist model completely.

Instead India adopted the Model of 'Mixed Economy' to be criticised by both right and left arguments given by the critics were

- (i) The planners refused to provide the private sector with enough space and the stimulus to grow.
 - (ii) The enlarged public sector produced powerful vested interests that created enough space for private capital.
 - (iii) The state controlled more things than were necessary and this led to inefficiency and corruption.
9. Read the following passage and answer the questions below.
"In the early years of Independence, two contradictory tendencies were already well

advanced inside the Congress Party. On the one hand, the national party executive endorsed socialist principles of state ownership, regulation and control over key sectors of the economy in order to improve productivity and at the same time curb economic concentration. On the other hand, the National Congress government pursued liberal economic policies and incentives to private investment that was justified in terms of the sole criterion of achieving maximum increase in production.

—Francine Frankel

- (i) What is the contradiction that the author is talking about? What would be the political implications of a contradiction like this?
- (ii) If the author is correct, why is it that the Congress was pursuing this policy? Was it related to the nature of the opposition parties?
- (iii) Was there also a contradiction between the central leadership of the Congress party and its state level leaders?

Ans. (i) The author is talking about two contradictory views which existed inside the Congress party. The national party executive endorsed socialist principles of state ownership, regulation, and control over key industries.

While the Congress government pursued liberal economic policies and incentives to promote private investment.

It showed that the Congress party did not have a unanimous view regarding the model to be adopted for development. Therefore, mixed economy was adopted.

- (ii) The Congress was pursuing this policy to accommodate and please both leftist and rightist oriented members of it.
Yes, it was also related to the nature of opposition parties because it wanted to be the representative of all ideological groups. This is why Congress was called as a social and ideological coalitions.
- (iii) Yes, most of state units of the Congress were made up of numerous factions. These factions took different ideological positions from the central leadership which influence the policy and decision making of central leadership. The system of factions functioned as balancing mechanism within the Congress.

This is why first decade of Indian politics has been described as the 'Congress system'.

CHAPTER PRACTICE

Objective Type Questions

Multiple Choice Questions (MCQs)

1. Which two model of development India had adopted on the eve of independence?
(a) The socialist model as in USSR.
(b) Gandhian model of development .
(c) The Liberal-capitalist model as in Europe and the USA.
(d) Both (a) and (c)

Ans. (d) Both (a) and (c)

2. Why did India adopt planning?
(a) To bring socio-economic changes.
(b) To provide controlled and faster growth rate.
(c) To resolve contradictions between societies.
(d) All of the above

Ans. (d) All of the above

3. When was Planning Commission set up in India by a simple resolution of the government of India?

- (a) March 1951 (b) March 1950
(c) April 1950 (d) April 1951

Ans. (b) March 1950

4. Which of the following is/are correct about the Bombay plan?

- (a) It was drafted in 1944.
(b) It was drafted by section of big industrialists.
(c) It wanted state to take major initiatives in industrial and other economic investments.
(d) All of the above

Ans. (d) All of the above

5. Under whose leadership the Second Five Year Plan was drafted?

- (a) P C Mahalanobis
(b) K C Negoy
(c) T T Krishnamachari
(d) Smt Durgabai Deshmukh

Ans. (a) P C Mahalanobis

6. Who drafted the first five year plan?

- (a) K C Negoy (b) TT Krishnamachari

7. Who is the author of the book 'Economy of Permanence'?

- (a) J C Kumarappa (b) K N Raj
(c) Amartya Sen (d) P C Mahalanobis

Ans. (a) J C Kumarappa

8. National Development Council was set up on

- (a) 6th August, 1950 (b) 6th August, 1951
(c) 6th August, 1952 (d) 6th August, 1953

Ans. (c) 6th August, 1952

9. Which of the following is/are correct about NITI Aayog?

- (a) It was established on 1st January, 2015.
(b) It is a policy making think tank of government.
(c) It provides strategic and technical advice to the Central and State Government.
(d) All of the above

Ans. (d) All of the above

10. How can we say that NITI Aayog acts in the spirit of Co-operative Federalism?

- (a) As it ensures equal participation of all the states in the country.
(b) As it promotes the capability and decisions of the state.
(c) As the states work by maintaining their transparency level.
(d) None of the above

Ans. (a) As it ensures equal participation of all the states in the country.

11. Which of the following facts is/are incorrect about National Development Council?

- (a) It was abolished along with the Planning Commission.
(b) It worked as an apex body for decision-making and development matters.
(c) The Chairman of National Development Council was the President of India.
(d) The Secretary of the Planning Commission was also the Secretary of National Development Council

12. Which one of the following commissions was formed for the planned development of India, just after independence?

- (a) Election Commission (b) Planning Commission
(c) Shah Commission (d) NITI Aayog

Ans. (b) Planning Commission

13. Who among the following appoints the vice chairperson of NITI Aayog? **CBSE Term I, 2021**

- (a) President of India
(b) Prime Minister of India
(c) Vice President of India
(d) Lok Sabha Speaker

Ans. (b) Prime Minister of India

14. What was the main focus of the Second Five Year Plan?

- (a) Agriculture (b) Industrialisation
(c) Education (d) Transportation

Ans. (b) Industrialisation

15. The Planning Commission of India was abolished because **CBSE Term I, 2021**

- (a) it had become very old.
(b) it was becoming ineffective and irrelevant to face the challenges of development.
(c) it was based on an old model of socialism.
(d) many states had asked for abolition of the Planning Commission.

Ans. (b) it was becoming ineffective and irrelevant to face the challenges of development.

16. Who among the following is the ex-officio chairperson of NITI Aayog? **CBSE Term I 2021**

- (a) The President of India
(b) The Vice President of India
(c) The Prime Minister of India
(d) The Chief Justice of India

Ans. (c) The Prime Minister of India

17. When was 'NITI Aayog' constituted?

- (a) 1st January, 2015 (b) 15th August, 2014
(c) 26th January, 2015 (d) 1st August, 2016

Ans. (a) 1st January, 2015

18. Which one of the following was an important measure taken by the Government of India to protect domestic industries during the Second Five Year Plan? **CBSE Term I, 2021**

(b) Efforts were made to raise the national income of India.

- (c) The state controlled key heavy industries.
(d) The government imposed substantial tariffs on imports.

Ans. (d) The government imposed substantial tariffs on imports.

19. Which one of the following statements about the Third Five Year Plan is not correct? **CBSE Term I, 2021**

- (a) It was significantly different from the Second Five Year Plan.
(b) It was urban biased.
(c) Industry was given priority.
(d) There was hardly any focus on agriculture-based industries

Ans. (d) There was hardly any focus on agriculture-based industries

20. In which year was the NITI Aayog constituted?

- (a) 2014 (b) 2015 (c) 2016 (d) 2017

Ans. (b) 2015

21. PC Mahalanobis is considered the architect of which Five Year Plan? **CBSE Term I, 2021**

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

Ans. (b) Second Five Year Plan

22. Arrange in Sequence.

1. Abolition of Planning Commission
2. Formation of Planning Commission
3. Formation of NITI Aayog
4. Formation of National Development Council

Codes

- (a) 1, 2, 3 and 4 (b) 2, 1, 3 and 4
(c) 2, 4, 1 and 3 (d) 4, 3, 2 and 1

Ans. (c) 2, 4, 1 and 3

23. Which of the following statements about NITI Aayog are true?

1. Niti Aayog acts as a 'think tank' of the Union Government.
 2. NITI Aayog acts against terrorism.
 3. NITI Aayog acts in the spirit of cooperative federalism.
 4. NITI Aayog decides more role for bigger states and smaller role for smaller states.
- Choose the correct option

- (a) 1, 2 and 4 (b) 3 and 4

24.



Choose the correct statement about the event that has been depicted in the above picture ?

- (a) Jawahar Lal Nehru meeting the members of Constituent Assembly.
- (b) Jawahar Lal Nehru addressing his cabinet after the elections of 1951 .
- (c) Jawahar Lal Nehru addressing the staff of Planning Commission .
- (d) Jawahar Lal Nehru meeting a delegate of businessmen .

Ans. (c) Jawahar Lal Nehru addressing the staff of Planning Commission .

25.



Name the economist and member of Planning Commission, depicted in the above picture ?

- (a) K N Raj
- (b) Kumar Kumarappa
- (c) P C Mahalanobis
- (d) Jagjivan Ram

Ans. (b) Kumar Kumarappa

Assertion-Reason Questions

Directions (Q. Nos. 26-29) In the questions given below, there are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the correct option.

- (a) Both A and R are true and R is the correct explanation of A

(c) A is true, but R is false

(d) A is false, but R is true

26. Assertion (A) The Planning Commission of India opted for Five Years Plan (FYP).

Reason (R) It was inspired by USSR Model of planning.

Ans. (a) Both A and R are true and R is the correct explanation of A

27. Assertion (A) The first five year plan addressed, mainly the agrarian sector including investment in dams and irrigation.

Reason (R) Agricultural sector was hit hardest by partition and needed urgent attention.

Ans. (a) Both A and R are true and R is the correct explanation of A

28. Assertion (A) On 1st January, 2015, NITI Aayog was constituted with the objective of providing the necessary and technical advice to the union government regarding the policy making.

Reason (R) It was formed because the National Development Council [NDC] became ineffective and irrelevant in today's era.

Ans. (c) A is true, but R is false

29. Assertion (A) NITI Aayog acts in the spirit of cooperative federalism.

Reason (R) It ensures equal participation of all states in the country.

CBSE Term I, 2021

Ans. (a) Both A and R are true and R is the correct explanation of A.

Passage Based Objective Type Questions

1. Read the passage given below carefully and answer the questions that follow

The Planning Commission of India opted for Five Year Plans (FYP) like in the USSR. Five Year Plans (FYPs) are centralised and integrated national economic programs. Under this Government of India prepares a plan document for all its income and expenditure for the next five years. The budget of the central and all the state government was divided into two parts i.e. plan budget that is spent on priorities of next five years and non-plan budget that is spent on routine items on yearly basis. The first of the Five Year Plans was the central

(i) Five Year Plans was opted by the Planning Commission of India as it followed the model of

- (a) USA (b) United Kingdom
(c) USSR (d) China

Ans. (c) USSR

(ii) Plan budget of the government is defined as

- (a) Budget which is allotted for priorities items of the nation.
(b) Budget which is allotted for routine items of the nation.
(c) Budget which is allotted for poverty alleviation.
(d) All of the above

Ans. (a) Budget which is allotted for priorities items of the nation.

(iii) The First Five Year Plan was implemented in

- (a) 1950 (b) 1951 (c) 1952 (d) 1953

Ans. (b) 1951

(iv) Why there is a need of Five Year Plans?

- (a) For growth and development of the country.
(b) It helps in eradicating poverty.
(c) Helps to boost the economy through different measures.
(d) All of the above

Ans. (d) All of the above

2. Read the passage given below carefully and answer the questions that follow.

The Socialist Model followed in USSR. The leaders of the Communist Party of India and the leaders of Socialist Party like Nehru were deeply impressed by the Soviet model of development. The main reason to support this model was that the economic concerns of independent India would have to be different from colonial government. The tasks of poverty alleviation, social and economic redistribution were regarded as the primary responsibility of the government.

(i) The Socialist Model is based upon the principles of

- (a) Socialism
(b) Liberal economy
(c) State controlled economy
(d) Both (a) and (c)

Ans. (d) Both (a) and (c)

(ii) Why developing country like India supported the Soviet Model of development?

- (c) Due to state intervention policies of Soviet Union.
(d) Due to people's pressure.

Ans. (b) Due to Soviet ideology of welfarism.

(iii) Which of the following are considered as the primary responsibility of state?

- (a) Poverty alleviation
(b) Social and economic redistribution
(c) Social Security of people
(d) Both (a) and (b)

Ans. (d) Both (a) and (b)

(iv) Why Indian leaders were impressed by the Soviet Model?

- (a) Because it was favourable for the Indian Economy.
(b) Because it will help the Indian Economy to grow at a faster pace.
(c) Because it will benefit the common people.
(d) Both (a) and (c)

Ans. (a) Because it was favourable for the Indian Economy.

3. Read the passage given below carefully and answer the questions that follow.

It is not necessary that all planning always has to be centralised; nor is it that planning is only about big industries and large projects. The 'kerala model' is the name given to the path of planning and development charted by the state of kerala. There has been a focus in this model on education, health, land reform, effective food distribution, and poverty alleviation. Despite low per capita incomes, and a relatively weak industrial base, kerala achieved nearly total literacy, long life expectancy, low infant and female mortality, low birth rates and high access to medical care.

(i) What is meant by centralised planning?

Ans. Centralised planning means that decision are not taken independently at local level, but holistically at a more central level.

(ii) In which two ways is decentralisation better than centralisation?

Ans. Two ways in which decentralisation is better than centralisation are

- (a) It involves people directly in development activities, through voluntary citizen's organisation
(b) It is more effective than centralisation work is divided at different levels.

(iii) The 'Kerala model' of planning and development focused on which areas? Mention any two areas.

Very Short Answer Type Questions

1. Write the meaning and importance of economic planning in the Indian context. **CBSE 2009**

Ans. Planning always play a crucial role in the economic development of the country. Economic planning is a strategy to achieve the goal of economic development by pursuing a policy of planned economy. Planning opens new opportunities for development for people and also enhance the standard of living.

2. Which are the two models of development? Which model of development was adopted by India?

Ans. The two models of development are **CBSE 2013**

- The liberal-capitalist model, as it was much in Europe and US.
- Socialist model, as it was in USSR. India adopted a mid-way path of both the models i.e. mixed economy.

3. Write any two characteristics of mixed economy model?

Ans. Characteristics of mixed economy model are as follows

- Both public and private sector work for economic development. However, public sector has greater responsibility for bringing balanced and equal development.
- The means of production owned by private sector are regulated by state to ensure fairness in market and protection of consumers interest.

4. What is meant by decentralised planning?

CBSE 2012

Ans. Decentralised planning is a strategy to involve people directly in development activities through voluntary citizens' organisations. The state also takes initiatives to involve people in making plans at the panchayat bloc and district level.

5. Describe any two objectives of planning in India.

Ans. Two objectives of planning in India are

- To ensure optimal utilisation of scarce resources.
- To bring desired socio-economic changes rapidly.

6. How were the economic concerns of free India different from the economic concerns of colonial government?

Ans. The colonial government was exploitative in nature and worked for the interest of UK. But economic concerns of free India totally focused on welfare of its citizens and best policy implementation for the citizens.

7. On what basis we can say that NITI Aayog acts as a

- As it helps to harmonise the interests of national security and economic policy. It also prepares strategic and long-term framework of policy and programme.
- It provides both directional and policy inputs. While designing strategic and long-term policies for the Government of India, NITI Aayog also provides relevant technical advice to the Centre and States.

8. Differentiate between the Capitalist and the Socialist models of development.

Ans. The difference between the Capitalist and Socialist Models of development is discussed below

Capitalist Model of Development	Socialist Model of Development
(i) The Capitalist economic model allows free market conditions to drive innovation and wealth creation.	The Socialist based economy incorporates elements of centralised economic planning, utilised to ensure conformity and to encourage equality of opportunity and economic outcome.
(ii) Example of this model of development is USA.	Example of this model of Development is USSR.

Short Answer Type Questions

1. Which two models of modern development were there before India on the eve of independence? Which model did India decide to choose and why?

CBSE 2015

Ans. On the eve of independence, India had before it, two models of modern development. The liberal capitalist model as in much of Europe and US and the socialist model as in the USSR.

India decided to choose mixed economy model in which elements of both socialist and capitalist model contained because

- At the time of independence, private sector was not much developed and capable enough to led the economic development.
 - The development of physical infrastructure, industrial infrastructure, railway, transport and communication, postal services, defence infrastructure, etc cannot be left to private sector to be developed across the country at faster rate.
 - Greater role of state in economy like India is necessary to ensure socio-economic development of poor and deprived section of society.
- Thus, with above arguments we can conclude that

2. What was the core idea of socialistic pattern of society?

Ans. The Second Five Year Plan illustrated the socialistic pattern of society. Initially, it focussed on development of heavy industries. The main idea of socialistic pattern of society were as follows

- Public ownership of the material means of production was designed with a view to minimise inequality of incomes.
- To secure the farmer's better standard of living by providing more employment, wider social service schemes.
- It emphasised on gradual process.
- It promoted social justice and economic justice and common interest of masses.
- Socialism promote the equality in society.

3. How was the Planning Commission of India set-up? Mention its scope of work. **CBSE 2010**

Ans. The Planning Commission was set-up by a simple resolution passed by Government of India in March 1950. The Planning Commission has an advisory role and its recommendations become effective when government approves them.

The Planning Commission drafts the Five Year Plans for India keeping all resources in mind, when it is drafted.

The Constitution of India has guaranteed certain Fundamental Rights to the citizens of India and enunciated certain Directive Principles of State Policy in particular that the state shall strive to promote the welfare of the people by securing and protecting a social order in which justice, social, economic and political shall direct its policy towards securing among other things.

The resolution which set-up the commission defined the scope of its work in the following terms

- (i) That the citizen, men or women equally have the right to an adequate means of livelihood.
- (ii) That the ownership and control of the material resources of the community are so distributed as best to serve the common good.
- (iii) That the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

4. Elaborate any three arguments given by the critics against the mixed model of economy adopted by India.

Ans. Mixed economy model was criticised by both leftist and rightist groups. Leftists refer to those group of people who favour the poor marginalised sections of society. They support the policies of government which benefit the poor. Rightists refer to those group of people who

Some of the criticisms against the mixed model of economy are discussed below

- (i) Some economist argued that the planners did not provide to private sector enough space and stimulus to grow.
- (ii) The over expanded public sector produced vested interests that created license and permit systems to stop private capital investment.
- (iii) The state restricted import of goods that could be produced in the domestic market. Due to this, scope of competition was limited and no competition left the private sector with no incentive to improve and make their product cheaper.

5. NITI Aayog is a better functionary body than the Planning Commission of India. Explain.

Ans. We can say that NITI Aayog is a better functionary body than the Planning Commission due to the following reasons

- Planning Commission of India was based on a Socialist Model which was formed for the planned development of India. Whereas, NITI Aayog is constituted with the objective of providing necessary and technical advice to the Union Government regarding the policy-making at the Central and State levels.
- Planning Commission has become ineffective and irrelevant in the era of globalisation particularly in terms of coping with the present challenges of development. While on the other hand, NITI Aayog acts as a think-tank of Union Government. By adopting a 'bottom-up approach', the NITI Aayog acts in the spirit of cooperative federalism as it ensure equal participation of all states in the country.
- Planning Commission was set-up in 1950 by a simple resolution of the Government of India. It has an advisory role and its recommendations became effective only when the Union Government approved those. While NITI Aayog was set-up on 1st January, 2015. It helps to harmonise the interests of national security and economic policy. It also prepares strategic and long-term framework of policy and program.

6. Define economic development. Explain the three phases of Indian economic development.

Ans. Economic development is defined as a sustained improvement in material well-being of society. It contains changes in resource supplies, in the rate of capital formation, in size and composition of population, in technology, skills and efficiency, in institutional and organisational set-up.

Indian economic development has gone through three broad phases. These can be termed as

- (ii) **Industrial Control** The second phase was characterised by an increasing distrust of the private sector and corresponding view of the public sector as a panacea for all ills, and the suppression of market responses through quantitative controls.
- (iii) **Reform and De-control** The final phase was characterised by a slow but steady recognition of the problem of government and public sector failure, and the need to remove the distortions created by government policy itself.

7. Describe briefly the composition and any four functions of the Planning Commission of India.

CBSE 2011

Ans. Composition of Planning Commission are

- The Prime Minister of India is the Chairman of the commission.
- The commission has a Deputy Chairman.
- The Finance Minister and Planning Minister are the ex-officio members of the commission.
- The commission has four to seven full time expert members.

Four functions of the Planning Commission are

- (i) To make an assessment of material, capital and human resources of the country and investigate the possibilities of augmenting them.
- (ii) To formulate a plan for the most effective and balanced utilisation of the country's resources.
- (iii) To determine priorities and to define stages in which the plan should be carried out.
- (iv) To indicate the factors that retard economic development.

Long Answer Type Questions

1. Write down some factors responsible for the change in nature of Economic Development of India.

Ans. The factors that led to changing nature of Economic Development in India are discussed below

- **Change in Occupational Structure** The economic development is generally associated with changes in the occupational structure. Like for instance, Agriculture and allied activities employ a very large proportion of working population. However, the dependence of the workforce on agriculture and allied activities has declined from 67.5% in 1991 to 57.3% in 2001.
- **Growing International Trade** Since 1991, India adopted a policy of trade liberalisation to open up the economy to foreign trade and to integrate the Indian economy into the global economy. The trade policy reforms initiated in 1991 have drastically changed the scenario and have resulted in a shift from the

- **Foreign Direct Investments (FDI)** Today, FDI is allowed in virtually all sectors of the economy with exceptions being strategically sensitive areas such as defence and atomic energy. For many industries FDI is approved automatically through the RBI. The FDI ceiling range from 26% to 100% depending on the type of industry. Thus, this helps to change the nature of economic development in our country.
- **Bilateral and Regional Co-operation** India is actively engaged in regional and bilateral negotiations with her trading partner countries to diversify and expand the markets for its exports. Presently, India shares preferential market access and economic co-operation through trade agreements with over 50 other countries. This led to rapid change in the nature of economic development of India.

2. Discuss National Development Council and its objectives in detail.

Ans. National Development Council (NDC) is an executive body established by the Government of India in August 1952. It is neither a constitutional nor a statutory body rather it is an advisory body to the Planning Commission. The Council ordinarily meets twice a year. It is the apex body to take decisions on matters related to approval of Five Year Plans of the country.

Prime minister is the ex-officio Chairman of the National Development Council. It symbolises the federal approach to planning and is the instrument for ensuring that the planning system adopts a truly national perspective.

Objectives of National Development Council

- To strengthen and mobilise the effort and resources of the nation in support of the plan.
- To promote common economic policies in all vital spheres.
- To ensure the balanced and rapid development of all parts of the country.
- In addition to this, NDC provides a platform for all the states to discuss their problems and issues related to development. Thus, it secures the co-operation of the states in the execution of developmental plans.

3. Write down the objectives of NITI Aayog.

Ans. Following are the objectives of NITI Aayog

- To evolve a shared vision of national development priorities, sectors and strategies with the active involvement of states.
- To foster co-operative federalism through structured support initiatives and mechanisms with the states on a continuous basis, recognising that strong states make a strong nation.
- To develop mechanisms to formulate credible plans at the village level and aggregate these progressively at higher levels of government.

- To pay special attention to the sections of our society that may be at risk of not benefiting adequately from economic progress.
- To design strategic and long term policy and programme frameworks and initiatives, and monitor their progress and their efficacy.
- To evolve a shared vision of national development priorities, sectors and strategies with the active involvement of states.
- To actively monitor and evaluate the implementation of programmes and initiatives including the identification of the needed resources so as to strengthen the probability of success and scope of delivery.

Picture Based Question

1. Observe the cartoon given below carefully and answer the questions that follow.



- Identify and name the person who is holding the balancing beam between the public sector and the private sector.
- Why has a big tilt towards the public sector been shown in the cartoon?
- How did the overemphasis on public sector adversely affect the Indian economy?

CBSE 2017, 2014

- Ans.** (i) Pt. Jawaharlal Nehru, the then Prime Minister of India is holding the balancing beam.
- (ii) A big tilt towards the public sector been shown in the cartoon because the government was in favour of mixed economy which added elements from both public and state models of economy.

But the government provided much power to public sector.

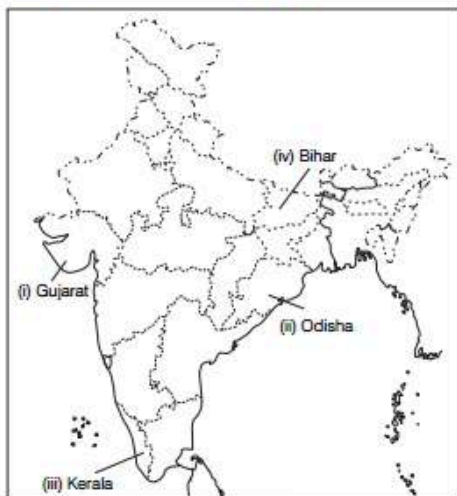
This sector has powerful vested interests that created enough hurdles for private capital, especially by way of installing systems of licences, permits for investment and also restricted import of goods.

- The public sector exercised much power than private sector like controlled key heavy industries, provided industrial infrastructure, regulated trade and made crucial interventions in agriculture. The state controlled more things that were necessary and this overemphasis on public sector ultimately led to inefficiency and corruption in the Indian economy.

Map Based Question

1. In the given map of India, mark the state asked in following questions.
- Mark the state where 'Operation Flood' took place.
 - State where tribal people protested against iron-ore mining.
 - Mark the state where decentralised planning was adopted.
 - States which faced the food crisis like a famine situation.

- Ans.** (i) Gujarat (ii) Odisha
(iii) Kerala (iv) Bihar



CHAPTER ASSESSMENT

Objective Type Questions

1. The Bombay Plan was proposed in
(a) 1940 (b) 1942
(c) 1944 (d) 1945
2. The Second Five Year Plan emphasised upon
(a) agriculture (b) heavy Industries
(c) foreign Exchange (d) foreign Direct Investments
3. National Development Council acts as a body to the Planning Commission.
(a) constitutional (b) statutory
(c) advisory (d) None of these
4. The Twelfth five year plan was implemented in
(a) 2010 (b) 2011
(c) 2012 (d) 2013

Very Short Answer Type Questions

1. What do you mean by Mixed Economy?
2. Mention any two objectives of NITI Aayog?
3. Explain the industrial phase of Indian Economic development.
The Five Year Plans have been replaced by
4. What is planning in India?
5. What were the main targets of Third Five Year Plan?

Short Answer Type Questions

1. What was the Nehruvian model of development in India?
2. What were the foundations of economic development in India?
3. Why was planning emphasised in India?
4. What were the main targets of Eleventh and Twelfth Five Year Plan?

Long Answer Type Questions

1. What were the main targets of Sixth Five Year Plan? In what ways, the Sixth Plan differ from the fifth one?
2. Write short note on NITI Aayog.
3. Explain the composition and objectives of National Development Council (NDC).