# SYLLABUS

## Class – B.A. (HONS.) MASS COMMUNICATION

## II Year

### Subject – ECONOMIC DEVELOPMENT & PLANNING IN INDIA(Paper II)

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| UNIT-I | Planning and Development<br>Origin and growth of economic planning in India |
| UNIT II | Objects and achievements of planning in India<br>Pre requisites for effective planning in India |
| UNIT III | Planning and economic development in India- Strategies and policies |
| UNIT-IV | Globlizasation and economic developments |
| UNIT-V | Problems of rural economic of India |

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## UNIT I

## PLANNING AND DEVELOPMENT

**If we have to define economic planning in simple words , then we can define it as branch of planning in which nation decides in advance what to be done for the purpose of stability and development of economy. In 21st century, every country has its own economic plans. Even developed countries are also making economic planning for stability of their country because economic planning is fully related to effective utilization of national resources for the benefits of general people of country.**

National Planning Commission of India- "Planning under a democratic system may be defined as the technical co-ordination, by disinterested experts, of consumption, production , investment, trade and income distribution, in accordance with social objectives set by bodies representative of the nation. Such planning is not only to be considered from the point of view of economics and the raising of the standard of living but mist include cultural and spiritual and the human side of life".
In india now planning commission of India is known as NITI aayog(National institute of transforming India )

**Origin and growth of economic planning in india**
Indian planning is an open process. Much of the controversy and the debates that accompany the preparation of the plans are public. The initial aggregate calculations and assumptions are either explicitly stated or readily deducible, and the makers of the plans are not only sensitive but responsive to criticism and suggestions from a wide variety of national and international sources. From original formulation through successive modifications to parliamentary presentation, plan making in India has evolved as a responsive democratic political process and the culmination of the same in the final document is an impressive manifestation of the workings of an open society. But by its very nature it also generates many problems from the point of view of mapping an optimal strategy for economic development.

**History of Planning in India & Origin of Five Year Plans:**
Though the planned economic development in India began in 1951 with the inception of First Five Year Plan , theoretical efforts had begun much earlier , even prior to the independence. Setting up of National Planning Committee by Indian National Congress in 1938 , The Bombay Plan & Gandhian Plan in 1944, Peoples Plan in 1945 (by post war reconstruction Committee of Indian Trade Union), Sarvodaya Plan in 1950 by Jaiprakash Narayan were steps in this direction.

Five-Year Plans (FYPs) are centralized and integrated national economic programs. Joseph Stalin implemented the first FYP in the Soviet Union in the late 1920s. Most communist states and several capitalist countries subsequently have adopted them. China and India both continue to use FYPs, although China renamed its Eleventh FYP, from 2006 to 2010, a guideline (guihua), rather than a plan (jihua), to signify the central government's more hands-off approach to development. After independence, India launched its First FYP in 1951, under socialist influence of first Prime Minister Jawaharlal Nehru. The process began with setting up of Planning Commission in March 1950 in pursuance of declared objectives of the Government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production and offering opportunities to all for employment in the service of the community. The Planning Commission was charged with the responsibility of making assessment of all resources of the country, augmenting deficient resources, formulating plans for the most effective and balanced utilisation of resources and determining priorities.

The first Five-year Plan was launched in 1951 and two subsequent five-year plans were formulated till 1965, when there was a break because of the Indo-Pakistan Conflict. Two successive years of drought, devaluation of the currency, a general rise in prices and erosion of resources disrupted the planning process and after three Annual Plans between 1966 and 1969, the fourth Five-year plan was started in 1969. The Eighth Plan could not take off in 1990 due to the fast changing political situation at the Centre and the years 1990-91 and 1991-92 were treated as Annual Plans. The Eighth Plan was finally launched in 1992 after the initiation of structural adjustment policies.

For the first eight Plans the emphasis was on a growing public sector with massive investments in basic and heavy industries, but since the launch of the Ninth Plan in 1997, the emphasis on the public sector has become less pronounced and the current thinking on planning in the country, in general, is that it should increasingly be of an indicative nature.

**List of Five year plans of India**
First plan (1951-1956)
Second plan (1956-1961)
Third plan (1961-1966)
Period between 1966 to 1968 (because indo-Pakistani war happened in 1965, so there is no plan in 1966 to 1968 period )
Fourth plan (1969-1974)
Fifth plan (1974-1979)
Sixth plan (1980-1985)
Seventh plan (1985-1989)
Period between 1989-91 (because this period is political instability, so there is no plan in this period. )
Eighth plan (1992-1997)
Ninth plan (1997-2002)
Tenth plan (2002-2007)
Eleventh plan (2007-2012)

**Twelfth Five Year Plan (2012-17)** The Twelfth Plan commenced at a time when the global economy was going through a second financial crisis, precipitated by the sovereign debt problems of the Eurozone which erupted in the last year of the Eleventh Plan. The crisis affected all countries including India. Our growth slowed down to 6.2 percent in 2011-12 and the deceleration continued into the first year of the Twelfth Plan, when the economy is estimated to have grown by only 5 percent . The Twelfth Plan therefore emphasizes that our first priority must be to bring the economy back to rapid growth while ensuring that the growth is both inclusive and sustainable. The broad vision and aspirations which the Twelfth Plan seeks to fulfil are reflected in the subtitle: 'Faster, Sustainable, and More Inclusive Growth'. Inclusiveness is to be achieved through poverty reduction, promoting group equality and regional balance, reducing inequality, empowering people etc whereas sustainability includes ensuring environmental sustainability ,development of human capital through improved health, education, skill development, nutrition, information technology etc and development of institutional capabilities , infrastructure like power telecommunication, roads, transport etc ,

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**UNIT II**

**Objects of planning in india**

1. **Remove the poverty and inequalities** : The economic vicious circle of poverty arising due to low income, low savings and high propensity to consume, and further lower investment and low capital formation, low productivity, low income and poverty must be broken and it can be done only by planning. Planning is like a shot in the arm which enables a sick person to overcome 77 his sickness. Planning alone can create more jobs and remove the wide spread unemployment and disguised unemployment which is a common feature of underdeveloped countries. It is the sovereign remedy for raising national and per capital income, for reducing inequities in income and wealth, for increasing employment opportunities and for achieving as all round rapid economic development. It is commonly said that the pendulum has swung too wide in favor of planning that is cannot swing back against planning.

2. **Development of Agriculture and Industrial** Sector : Planning alone can transform an agricultural and primary producing economy into a more balanced economy with heavy, medium and light industries. Agriculture and industry stimulate production in each other by creating demand for their products. Development of agriculture is also essential to supply the raw material to the industrial sector. Economic planning held in designing the plans of agricultural and industrial sectors of developing economies.

3. **Development of Infrastructure** : Planning alone can help an underdeveloped economy to build up its infrastructure – irrigation and power, transport and communication and schools and hospitals. The establishment of these social economic overheads is essential for an all-round harmonious and integrated development. The private enterprise is guided by profit motive and is not interested in these items of social gain.

**4.To increase the rate of Economic Development** : One of the principle objective of the planning in underdeveloped countries is to increase the rate of economic development. In the words D.R.Gadgil "Planning for economic development implies external direction or regulation of economic activity by the planning authority which in most cases identify with the government of state." It means planning increases the rate of capital formation by raising the levels of income, saving and investment. It is only a central planning authority which can control banking and other credit institutions when these are under private enterprise they have a tendency to crowd in urban areas. The vast rural areas are completely neglected and thrown to the wolves, the indigenous money-lender. A planned economy can revolutionize the economy by providing financial institutions and by mobilizing savings and investments 78 in the rural areas. Planning alone can remove the imbalance in foreign trade which is generally unfavorable to the underdeveloped countries that are the exporters of primary produce and imports of produced goods.

5**. To improve and Strengthen Market Mechanism** : The rationale for planning arises in such countries to improve and strengthen the market mechanism. The market mechanism works imperfectly in underdeveloped countries because of the ignorance and unfamiliarity with it. A large part of the economy comprises the non-monetized sector. The product, factor, money and capital markets are not organized properly. The market mechanism is required to be perfected in underdeveloped countries through planning.

**6. Balanced Development of the Economy** : In the absence of sufficient enterprise and initiative, the planning authority is the only institution for planning balanced development in the economy. For rapid economic development, underdeveloped countries require the development of the agricultural and industrial sectors, the establishment of social and economic overheads, the expansion of the domestic and foreign trade sectors in a harmonious way. All this requires simultaneous investment in different sectors which is only possible underdevelopment planning .

**7. Development of Money and Capital Markets** : The expansion of the domestic and foreign trade requires not only the development of the agricultural and industrial sectors along with social and economic overheads but also the existence of financial institutions. Money and Capital market are underdeveloped countries are primary stage. This factor acts as an obstacle to the growth of industries and trade. The planning authority which can control and regulate the domestic and foreign trade in the best interests of the economy.

**Achievements of economic planning**

There is a considerable rise in net domestic product ,savings and investments.
India has achieved almost self sufficiency in every sector like goods and services.
Self sufficiency in food grain achieved.
There is a good diversification in basic infrastructure.
Tremendous development in education sector.

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UNIT III

## Planning and Economic development in India: Strategies and policy

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. 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 Centralized 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. Following are some notable reasons for change in economic policy: Mounting Fiscal Deficit and revenue deficit: Fiscal deficit and revenue deficit of the country are increased due to the policies followed before the 1990's governments. Balance of Payments (BoP) Crisis: Heavy dependence on imports resulted in a BoP crisis. Gulf Crisis: On account of Iraq war in 1990-91, prices of petrol started increasing. Remittances from gulf countries are also stopped. Fall in Foreign Exchange Reserves: In 1990-91, India's foreign exchange reserves lowered to such a level that these were not enough even to pay for an import bill of 10 days. Rise in Prices: In India prices happened to rise rapidly. Expansion in money supply was the principal cause of inflationary pressures. In turn, this was related to deficit financing. Country has experienced the situation of stagflation. Dismal Performance of Public Sector Undertakings (PSUs):Public sector undertakings were showed dismal performance. On account of all these factors, the government shifted to New Economic Policy. Three Principal Components of New Economic Policy Liberalisation, Privatisation and Globalisation are the three principal components of New Economic Policy. Liberalisation of the economy means freedom of the economy from restrictions of the Government. Liberalisation was expected to break the deadlock of low investment by exposing the economy to the forces of supply and demand. Privatisation refers to allowing private sector to enter in those areas of production which were previously reserved for the public sector. Also, existing public enterprises are either wholly or partially sold to private sector. It was considered to be the fittest option to stave off problems of public sector enterprises. Globalisation means integrating domestic economy with rest of the world under conditions of free flow of trade and factors of production across borders. Globalization results in flow of capital and technology from developed countries into the India economy.

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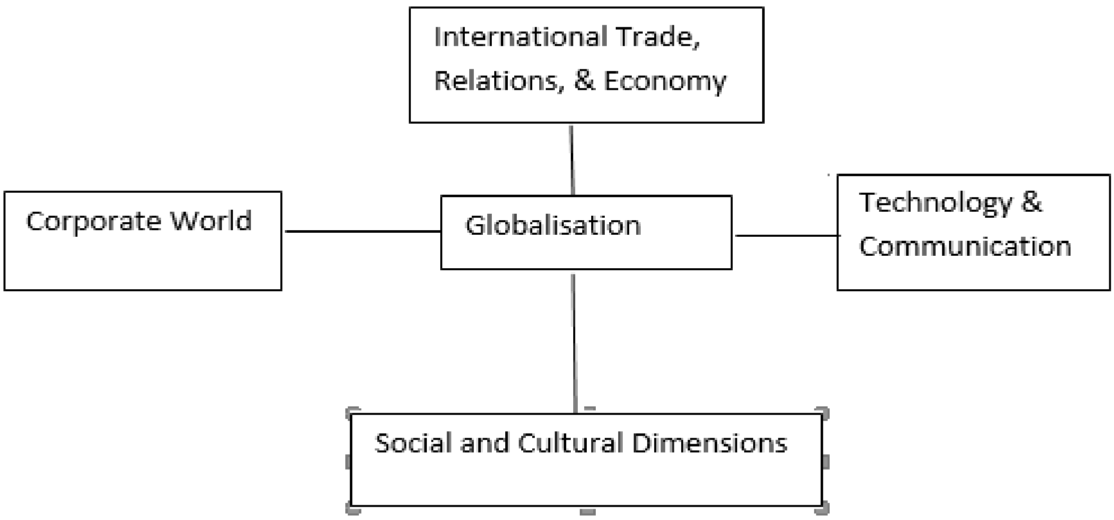
## UNIT IV

**Globalization and economic development**

What is Globalization?

The term 'globalization' means integration of economies and societies through cross country flows of information, ideas, technologies, goods, services, capital, finance and people. Cross border integration can have several dimensions – cultural, social, political and economic. In fact, some people fear cultural and social integration even more than economic integration. The fear of "cultural hegemony" haunts many. Limiting ourselves to economic integration, one can see this happen through the three channels of (a) trade in goods and services, (b) movement of capital and (c) flow of finance. Besides, there is also the channel through movement of people.




Globalization had its impact on various sectors including Agricultural, Industrial, Financial, Health sector and many others. It was only after the LPG policy i.e. Liberalization, Privatization and Globalization launched by the then Finance Minister Man Mohan Singh that India saw its development in various sectors.

**Advent of New Economic Policy –**

After suffering a huge financial and economic crisis Dr. Man Mohan Singh brought a new policy which is known as Liberalization, Privatization and Globalization Policy (LPG Policy) also known as New Economic Policy,1991 as it was a measure to come out of the crisis that was going on at that time. The following measures were taken to liberalize and globalize the economy:

1. Devaluation: To solve the balance of payment problem Indian currency were devaluated by 18 to 19%.
2. Disinvestment: To make the LPG model smooth many of the public sectors were sold to the private sector.
3. Allowing Foreign Direct Investment (FDI): FDI was allowed in a wide range of sectors such as Insurance (26%), defense industries (26%) etc.

4. NRI Scheme: The facilities which were available to foreign investors were also given to NRI's.

The New Economic Policy (NEP-1991) introduced changes in the areas of trade policies, monetary & financial policies, fiscal & budgetary policies, and pricing & institutional reforms. The salient features of NEP-1991 are (i) liberalization (internal and external), (ii) extending privatization, (iii) redirecting scarce Public Sector Resources to Areas where the private sector is unlikely to enter, (iv) globalization of economy, and (v) market friendly state.

**Consequences of Globalization:**
The implications of globalisation for a national economy are many. Globalisation has intensified interdependence and competition between economies in the world market. This is reflected in Interdependence in regard to trading in goods and services and in movement of capital. As a result domestic economic developments are not determined entirely by domestic policies and market conditions. Rather, they are influenced by both domestic and international policies and economic conditions. It is thus clear that a globalising economy, while formulating and evaluating its domestic policy cannot afford to ignore the possible actions and reactions of policies and developments in the rest of the world. This constrained the policy option available to the government which implies loss of policy autonomy to some extent, in decision-making at the national level.

Now for Further analysis we take up Impact of Globalization on various sector of Indian Economy.

**Impact of Globalization on Agricultural Sector:**
Agricultural Sector is the mainstay of the rural Indian economy around which socio-economic privileges and deprivations revolve and any change in its structure is likely to have a corresponding impact on the existing pattern of Social equity. The liberalization of India's economy was adopted by India in 1991. Facing a severe economic crisis, India approached the IMF for a loan, and the IMF granted what is called a 'structural adjustment' loan, which is a loan with certain conditions attached which relate to a structural change in the economy. Essentially, the reforms sought to gradually phase out government control of the market (liberalization), privatize public sector organizations (privatization), and reduce export subsidies and import barriers to enable free trade (globalization). Globalization has helped in:

• Raising living standards,
• Alleviating poverty,
• Assuring food security,
• Generating buoyant market for expansion of industry and services, and
• Making substantial contribution to the national economic growth.

**Impact of Globalization on Industrial Sector:**
Effects of Globalization on Indian Industry started when the government opened the country's markets to foreign investments in the early 1990s. Globalization of the Indian Industry took place in its various sectors such as steel, pharmaceutical, petroleum, chemical, textile, cement, retail, and BPO.

Globalization means the dismantling of trade barriers between nations and the integration of the nations economies through financial flow, trade in goods and services, and corporate investments between nations. Globalization has increased across the world in recent years due to the fast progress that has been made in the field of technology especially in communications and transport. The government of India made changes in its economic policy in 1991 by which it allowed direct foreign investments in the country. The benefits of the effects of globalization in the Indian Industry are that many foreign companies set up industries in India, especially in the pharmaceutical, BPO, petroleum, manufacturing, and chemical sectors and this helped to provide employment to many people in the country. This helped reduce the level of unemployment and poverty in the country. Also the benefit of the Effects of Globalization on Indian Industry are that the foreign companies brought in highly advanced technology with them and this helped to make the Indian Industry more technologically advanced.

The negative Effects of Globalization on Indian Industry are that with the coming of technology the number of labor required decreased and this resulted in many people being removed from their jobs. This happened mainly in the pharmaceutical, chemical, manufacturing, and cement industries.

**Impact on Financial Sector:**

Reforms of the financial sector constitute the most important component of India's programme towards economic liberalization. The recent economic liberalization measures have opened the door to foreign competitors to enter into our domestic market. Innovation has become a must for survival. Financial intermediaries have come out of their traditional approach and they are ready to assume more credit risks. As a consequence, many innovations have taken place in the global financial sectors which have its own impact on the domestic sector also. The emergences of various financial institutions and regulatory bodies have transformed the financial services sector from being a conservative industry to a very dynamic one. In this process this sector is facing a number of challenges. In this changed context, the financial services industry in India has to play a very positive and dynamic role in the years to come by offering many innovative products to suit the varied requirements of the millions of prospective investors spread throughout the country. Reforms of the financial sector constitute the most important component of India's programme towards economic liberalization.

**Impact on Export and Import:**

India's Export and Import in the year 2001-02 was to the extent of 32,572 and 38,362 million respectively. Many Indian companies have started becoming respectable players in the International scene. Marine products in recent years have emerged as the single largest contributor to the total agricultural export from the country accounting for over one fifth of the total agricultural exports. Cereals (mostly basmati rice and non-basmati rice), oil seeds, tea and coffee are the other prominent products each of which accounts fro nearly 5 to 10% of the countries total agricultural exports.

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# UNIT V

**Problems of rural economy of india**

1. The financial, manpower and managerial resources devoted to the implementation of rural development programmes are utterly inadequate.
2. Better implementation of rural development programmes can be ensured only if those responsible for actual implementation are paid reasonably well, appropriately trained, and sufficiently motivated. But this has not been done as yet.
3. It is being increasingly observed that the objectives of one programme conflict with those of others, and there is no institutional mechanism for reconciling them. Consequently, many programmes utterly fail in fulfilling their objectives. In addition, they also affect other programmes.
4. In many cases, instruments of rural development are not properly selected, and their levels are not consistent with the objectives they seek to achieve. The is results in the wastage of valuable public resources, and unnecessary delays in achieving the objectives.
5. Honesty, hard work, helping others, thrift and such other virtues indirectly help in economic development. In the Indian context, not much attention has been paid to this aspect of development.
6. Observance of rituals, lack of rational decisions in economic matters, spending huge amounts of money on marriage, birth or death ceremonies, prevalence of the caste system and the joint family system in the rural areas and illiteracy are some of the factors which arrest the rural development in India.
7. The political parties have a vital role to play in rural development. But unfortunately this role has not been effectively realized by any democratic political party so far. The political parties, today, are guided more by party interests rather than by national interests.

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