

[Introduction](#) || [Planning Commission](#)[Chapter-1](#) || [2](#) || [3](#) || [4](#) || [5](#) || [6](#) || [7](#) || [8](#) || [9](#) || [10](#) || [11](#) || [12](#) || [13](#) || [14](#) || [15](#) || [16](#) || [17](#) || [18](#) || [19](#) || [20](#) || [21](#) || [22](#) || [23](#) || [24](#) || [25](#) || [26](#) || [27](#) || [28](#) || [29](#) || [30](#) || [31](#) || [32](#) || [33](#) || [34](#) || [35](#) || [Conclusion](#) || [Appendix A](#) || [Appendix B](#) || [Appendix C](#) || [Glossary](#)**Chapter 1:****OBJECTIVES OF PLANNED DEVELOPMENT****I. INTRODUCTION**

The basic objective of India's development must necessarily be to provide the masses of the Indian people the opportunity to lead a good life. That indeed is the objective of all countries for their peoples, even though the good life may be defined in many ways. In the larger context of the world, the realisation of this objective for India, as for other countries, is intimately tied up with, and dependent on the maintenance of world peace. War, with the weapons of modern warfare, would not only be an end to all hopes of progress but would endanger the survival of the human race. Peace, therefore, becomes of paramount importance and an essential pre-requisite for national progress. The existence of underdeveloped and poverty-stricken nations or peoples is itself an abiding danger to the maintenance of peace. It has, thus, been increasingly recognised that the welfare and peace of the world require the extermination of poverty and disease and ignorance from every country, so as to build up a liberated humanity.

2. Each major culture and civilisation has certain distinctive features, rooted in the past, which bear the impress of that culture, India, with thousands of years of history, bears even now the powerful impress of her own distinctive features. They are today covered up by widespread and appalling poverty, the result of a traditional society and a static economy in the past, petrified to some extent by colonial rule. But these essential features, though apparently associated with the traditional structure of society are in no sense an integral part of it. They are in fact a set of moral and ethical values which have governed Indian life for ages past, even though people may not have lived upto them. These values are a part of India's thinking, even as, more and more, that thinking is directed to the impact of the scientific and technological civilisation of the modern world. To some extent, the problem of India is how to bring about a synthesis between these two. Probably, no other country in the modern world would have produced a Gandhi; even Tagore, who was typically modern in his approach to life's problems, was, at the same time, steeped in India's old culture and thinking. His message is thus one of synthesis between these two.

3. To provide the good life to the four hundred million people of India and more is a vast undertaking, and the achievement of this goal is far off. But no lesser goal can be kept in view, because each present step has to be conditioned by the final objective. Behind the plans that are drawn up is the vision of the future, even as the Indian people had a vision of freedom and independence during the long years of their national struggle, and there is faith and confidence in that future. Fully conscious of existing difficulties the people have also the conviction that these difficulties will be overcome. The experience of the last ten years of planning and the large social and economic changes that have already taken place have brought a conviction that India can look forward with assurance to sustained economic progress. Even in this ancient land, for so long governed by tradition, the winds of change are blowing and affecting not only the dweller in the city but also the peasant in his field. At each stage, new conflicts and new challenges arise. They have to be met with courage and confidence. There is an excitement in this changing face of India as the drama of India's development plans unfolds itself.

4. The more immediate problem is to combat the curse of poverty, with all the ills that it produces, and it is recognised that this can only be done by social and economic advance, so as to build up a technologically mature society and a social order which offers equal opportunities to all citizens. This involves basic social and economic changes and the replacing of the old traditional order by a dynamic society. It involves not only the acceptance of the temper and application of science and modern technology, but also far-reaching changes in social customs and institutions. To some extent, recognition of this twofold aspect of change has been present in the Indian mind for generations past. Gradually it has taken more concrete shape and has become the basis for planning.

5. It was inevitable that during India's struggle for freedom, the political aspect of Independence overshadowed everything else. Yet, from its earliest beginnings, Indian nationalism had a large element of economic thinking and social reform. This was, to some extent, an unusual feature for a national movement. Freedom was considered the indispensable means to overcome mass poverty, to protect the farmer and the artisan, to create modern industry, to remove privilege and injustice and to reconstruct the entire fabric of India's social and economic life.

Beginning with Dadabhai Naoroji, whose paper on 'The Poverty of India' was presented as far back as 1876, a long line of national leaders placed these aims in the forefront of the national struggle. As the national movement grew and spread among the people of India, its social content became deeper. With the coming of Mahatma Gandhi, the movement spread with remarkable rapidity to the peasantry and the workers of India. To Gandhi freedom was not merely a political objective, but the raising of the masses of the people from their poverty and degradation. He aligned himself with the masses of the Indian people and more especially with those who were in the lowest rungs of the social ladder. Under his leadership the national movement came to identify itself more and more with the service of the masses and, progressively, a very large proportion of its membership came from amongst the peasants. The agrarian problem thus came to occupy a prominent place in its thinking even as, under Gandhi's guidance, it made the uplift of the depressed and the underprivileged one of its major planks.

6. In this way, as the political struggle for Independence developed and took shape in mighty movements, it was allied in some measure to India's basic social and economic problems, and more particularly the agrarian problem. The social and economic aims of the struggle for freedom became progressively more definite. A comprehensive economic programme was adopted in 1931, and an agrarian programme in 1936. Towards the end of 1938, a National Planning Committee was constituted and, thus, the idea of planning came into prominence in India. The National Planning Committee could not carry on its work effectively because of the beginning of the Second World War, in the course of which many of its members found themselves in prison. But it considered nearly all aspects of planning and ultimately produced a series of studies containing social and economic policies and programmes, which formed the basis of a more organised attempt at planning after Independence.

7. The Second World War resulted, by the compulsion of events, in the growth of some industries in India. Even before Independence was established, the Interim Government gave thought to planning and constituted an Advisory Planning Board to collect all the available material for it. Owing to the disastrous consequences of Partition and the vast numbers of people who were uprooted and driven out from Pakistan to India and India to Pakistan, there was some delay in giving effect to the recommendations of the Board. Early in 1950, following the adoption of the new Constitution by the Constituent Assembly of India, the Government of India established the Planning Commission to assess the country's material, capital and human resources and to formulate a Plan for their most effective and balanced utilisation.

8. In the Constitution the basic objectives were set forth as "The Directive Principles of State Policy". Among those 'Directive Principles' were that

"The State shall strive to promote the welfare of the people by securing and protecting, as effectively as it may, a social order in which justice, social, economic and political, shall inform all the institutions of national life".

Further that—

"The State shall, in particular, direct its policy towards securing—

- a. that the citizens, men and women equally, have the right to an adequate means of livelihood;
- b. that the ownership and control of the material resources of the community are so distributed as best to subserve the common good;
- c. that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment."

These general principles were given a more precise direction in December, 1954, when Parliament adopted the 'socialist pattern of society' as the objective of social and economic policy. This concept, which embodies the values of socialism and democracy and the approach of planned development, involved no sudden change, and had its roots deep in India's struggle for freedom.

9. Thus, ever since Independence, two main aims have guided India's planned development— to build up by democratic means a rapidly expanding and technologically progressive economy and a social order based on justice and offering equal opportunity to every citizen. To change a traditional society into a dynamic one, in a country with a vast population rooted in the past, was a tremendous task. To do this through peaceful and democratic means and by the consent of the people, made this task even more difficult. It was inevitable that India should accept peaceful and democratic means as these had been the very methods it had adopted in its struggle for freedom.

10. With these objectives in view, the First Five Year Plan faced this task with limited means and inadequate data. The immediate objectives it laid down were achieved and this success gave confidence to the nation. The Second

Five Year Plan, being based on somewhat greater experience and more knowledge, set forth larger goals and a long-term strategy for economic and industrial advance based on the socialist pattern of society. In describing the approach to planned development, the Second Five Year Plan stated :

". . . . The task before an underdeveloped country is not merely to get better results within the existing framework of economic and social institutions, but to mould and refashion these so that they contribute effectively to the realisation of wider and deeper social values.

"These values or basic objectives have recently been summed up in the phrase 'socialist pattern of society'. Essentially, this means that the basic criterion for determining lines of advance must not be private profit, but social gain, and that the pattern of development and the structure of socio-economic relations should be so planned that they result not only in appreciable increases in national income and employment but also in greater equality in incomes and wealth. Major decisions regarding production, distribution, consumption and investment—and in fact all significant socio-economic relationships—must be made by agencies informed by social purpose. The benefits of economic development must accrue more and more to the relatively less privileged classes of society, and there should be, progressive reduction of the concentration of incomes, wealth and economic power. The problem is to create a milieu in which the small man who has so far had little opportunity of perceiving and participating in the immense possibilities of growth through organised effort is enabled to put in his best in the interests of a higher standard of life for himself and increased prosperity for the country. In the process, he rises in economic and social status. Vertical mobility of labour is thus no less important than horizontal mobility, for nothing is more destructive of hope and more inhibitive of effort than a feeling that the accident of birth or of a poor start in life is likely to come in the way of a capable person rising in life in terms of economic and social status. . . .

"The socialist pattern of society is not to be regarded as some fixed or rigid pattern. It is not rooted in any doctrine or dogma. Each country has to develop according to its own genius and traditions. Economic and social policy has to be shaped from time to time in the light of historical circumstances. It is neither necessary nor desirable that the economy should become a monolithic type of organisation offering little play for experimentation either as to forms or as to modes of functioning. Nor should expansion of the public sector mean centralisation of decision-making and of exercise of authority. In fact, the aim should be to secure an appropriate devolution of functions and to ensure to public enterprises the fullest freedom to operate within a framework of broad directives or rules of the game.....

"... . The accent of the socialist pattern of society is on the attainment of positive goals, the raising of living standards, the enlargement of opportunities for all, the promotion of enterprise among the disadvantaged classes and the creation of a sense of partnership among all sections of the community. These positive goals provide the criteria for basic decisions. The directive principles of State policy in the Constitution have indicated the approach in broad terms; the socialist pattern of society is a more concretised expression of this approach. Economic policy and institutional changes have to be planned in a manner that would secure economic advance along democratic and egalitarian lines. Democracy, it has been said, is a way of life rather than a particular set of institutional arrangements. The same could well be said of the socialist pattern."

II. PLANNED DEVELOPMENT

11. When Independence came, India had a slender industrial base. Millions of her rural people suffered under the weight of a traditional agrarian structure. A long period of economic stagnation, against the background of increasing pressure of population, followed by the burdens of the Second World War, had weakened the Indian economy. There was widespread poverty and want. The partition of the country had uprooted millions of people and dislocated economic life. Productivity in agriculture and industry stood at a low level. In relation to needs the available domestic savings were altogether meagre. The promise of freedom could only be redeemed if the economic foundations were greatly strengthened. The Constitution established equal rights of citizenship, and these had now to be expressed through rising levels of living and greater opportunities for the bulk of the people. It was essential to rebuild the rural economy, to lay the foundation of industrial and scientific progress, and to expand education and other social services. These called for planning on a national scale, encompassing all aspects of economic and social life, for efforts to mobilise resources, to determine priorities and goals and to create a widespread outlook of change and technological progress. Thus, planned development was the means for securing with the utmost speed possible, a high rate of growth, reconstructing the institutions of economic and social life and harnessing the energies of the people to the tasks of national development.

12. The leading features of the pattern of development envisaged in the Five Year Plans may be briefly stated. The basic objective is to provide sound foundations for sustained economic growth, for increasing opportunities for gainful employment and improving living standards and working conditions for the masses. In the scheme of

development, the first priority necessarily belongs to agriculture; and agricultural production has to be increased to the highest levels feasible. The Five Year Plans provide for a comprehensive and many-sided effort to transform the peasant's outlook and environment. The growth of agriculture and the development of human resources alike hinge upon the advance made by industry. Not only does industry provide the new tools, but it begins to change the mental outlook of the peasant. There can be no doubt that vast numbers of the peasantry today in India are undergoing this change of outlook as they use new tools and experiment with new methods of agriculture. Even the coming of the bicycle in large numbers to the villages of India is not only a sign of higher standards, but is a symbol of new and changing attitudes. Agriculture and industry must be regarded as integral parts of the same process of development. Through planned development, therefore, the growth of industry has to be speeded and economic progress accelerated. In particular, heavy industries and machine-making industries have to be developed, the public sector expanded and a large and growing cooperative sector built up. The public sector is expected to provide specially for the further development of industries of basic and strategic importance or in the nature of public utility services, other industries being also taken up by Government to the extent necessary. State trading has also to be undertaken on an increasing scale according to the needs of the economy. In brief, in the scheme of development, while making full use of all available agencies, the public sector is expected to grow both absolutely and in comparison and at a faster rate than the private sector.

13. With the rapid expansion of the economy, wider opportunities of growth arise for both the public and the private sectors and in many ways their activities are complementary. The private sector includes not only organised industry but agriculture, small industry, trade and a great deal of activity in housing and construction and other fields. Progressively, it has to take the form of cooperative effort. Among the main objects of programmes undertaken by the Government are the expansion of facilities for the development of agriculture, specially irrigation, the building up of economic overheads such as rail and road transport, ports and power stations, and the expansion of education, health and other social services. Activities which are promoted through these facilities are in considerable part in the hands of private individuals and organisations, and increasing numbers among them are being assisted. Thus, the Five Year Plans enlarge the scope for individual initiative as well as for co-operative and corporate effort. It is mainly within a limited area in the field of large scale industrial enterprise that the question arises whether, in the special circumstances of the country, in accordance with the Industrial Policy Resolution of April, 1956, and in view of the social goals aimed at, particular tasks should be assigned to the public sector or to the private sector. In the context of the country's planned development the private sector has a large area in which to develop and expand. It has to function, of course, within the framework of national planning and in harmony with its overall aims, and there must be continuous stress on undertakings in the private sector acting with an understanding of obligations towards the community as a whole. At the same time, it is essential to ensure that the opportunities available in the private sector do not lead to the concentration of economic power in the hands of small numbers of individuals and businesses and that disparities in income and wealth are progressively reduced.

14. In the pattern of development envisaged in the Five Year Plans, cooperation is expected to become progressively the principal basis of organisation in several branches of economic life, notably, in agriculture, small industry, distribution, construction and provision of essential amenities for local communities. Village and small scale industries have a crucial role in the development of the national economy, for, besides providing consumer and other goods and large-scale employment, they offer a method of ensuring a more equitable distribution of the national income and the means for the utilisation of available resources in skill and manpower. Disparities in levels of development in different regions have to be steadily reduced and the benefits of industrialisation spread evenly between different parts of the country. These aims have to be achieved, as the Industrial Policy Resolution specified, through the balanced and coordinated development of the industrial and agricultural economy of each region, and through planned urbanisation and the development of economic and social services. Frequently, in the early phases of development, there is a dilemma to be faced : whether it is better to concentrate on developing more favourably situated areas and thus securing quicker and larger returns from the investment, or to aim at more even development of the country, through greater attention to the more backward areas. Economic considerations have necessarily to be given importance, but certain social and regional aspects cannot be ignored. Indeed, as the economy develops, it becomes possible to provide for more intensive development in the less developed areas.

15. The policies described above constitute the larger part of the programme for achieving rapid economic development and for realising the socialist pattern of society. In such a scheme the basic criterion in determining social policies and the lines of economic advance must necessarily be the interest of the community as a whole, and especially of its weaker sections. Through its very success and dynamism, a rapidly developing economy throws up new problems of organisation and management as well as of social policy. The existing social and economic institutions have, therefore, to be appraised from time to time in relation to their role in the nation's development. To the extent they do not adequately fulfil the social purpose or fail to secure the economic aims of planned development, they have to be replaced or transformed.

16. Development plans reflect the changes which are taking place in the country's economic and social structure as well as the directions in which this structure has to be reorganised and strengthened. In a democracy the pace of change depends to a large extent on increase in public understanding and in public response and on the growth of a scientific outlook on the part of large numbers of people. Besides the economic and social objectives, the educational aspects of planning are, therefore,, of great importance. These are emphasised through the wide sharing of responsibility for drawing up and carrying out Plans and through the participation in the process of planning by organisations representing afl sections of opinion as well as universities and educational institutions and voluntary social service agencies. On behalf of the community as a whole the State has a large responsibility for assessing the wider long-term needs of the nation as against the claims of individual, sectional or regional interests, and in setting the goals to be achieved.

III. PROGRESS TOWARDS SOCIALISM

17. It is a basic premise in India's Five Year Plans that, through democracy and widespread public participation, development along socialist lines will secure rapid economic growth and expansion of employment, reduction of disparities in income and wealth, prevention of concentration of economic power, and creation of the values and attitudes of a free and equal society. These are vital objectives. Where the bulk of the people live so close to the margin of poverty, the claims of social justice, of the right to work, of equal opportunity and of a minimum level of living have great urgency. Economic activity must, therefore, be so organised that the tests of production and growth and those of equitable distribution are equally met. A high rate of economic growth sustained over a long period is the essential condition for achieving a rising level of living for all citizens, and especially for those in low income groups or lacking the opportunity to work. Increase in population and the need for investment in basic productive capacities and in economic and social overheads, which yield their benefits after a considerable period, place large burdens on developing economy. On the one hand, they limit the extent to which, over the short period, living standards can be raised; on the other, to be borne at all, their burdens must be shared widely, calling for sacrifice, according to capacity, by every section of the community.

18. Progress towards socialism lies along a number of directions, each enhancing the value of the others. Above all, a socialist economy must be efficient, progressive in its approach to science and technology, and capable of growing steadily to a level at which the well-being of the mass of the population can be secured. In an underdeveloped country, a high rate of economic progress and the development of a large public sector and a cooperative sector are among the principal means for affecting the transition towards socialism. In the second place, a socialist economy should ensure equality of opportunity to every citizen. As a first step, it should provide for the basic necessities, in particular, for food, work, opportunity for education, reasonable conditions of health and sanitation, improvement in conditions of housing and a minimum level of income which, in the given circumstances, will ensure tolerable living standards. In the third place, through the public policies it pursues, a socialist economy must not only reduce economic and social disparities which already exist, but must also ensure that rapid expansion of the economy is achieved without concentration of economic power and growth of monopoly. Finally, a society developing on the basis of democracy and socialism is bound to place the greatest stress on social values and incentives and on developing a sense of common interest and obligations among all sections of the community. On account of the rigidities of the caste system as well as economic differences, India's social structure already presented numerous inherent conflicts and barriers to economic advance. While some of the old distinctions are passing—a process which is being speeded up—urbanisation and the growth of modern industry tend to introduce new disparities in levels of income and opportunity. In turn, these are reflected in modes of living, social behaviour and a general increase in the spirit of acquisitiveness. It is the aim of public policy to check undesirable tendencies and to ensure that these do not come in the way of building up a society which is fundamentally integrated from within and derives its strength from common values and a sense of shared citizenship.

IV. EQUAL OPPORTUNITIES

19. The first condition for securing equality of opportunity and achieving a national - minimum is assurance of gainful employment for every one who seeks work. In an underdeveloped country, failure to provide full employment can be traced to certain fundamental deficiencies in the economic structure. Until the industrial base has been greatly strengthened and education and other social services developed, the economy is unable to achieve a rate of growth sufficient to provide work at an adequate level of remuneration to the entire labour force. These processes of development necessarily take time and call for a scale of effort and investment which may be well beyond the capacity of the economy in the early stages. Poverty is most acute in areas which have heavy pressure of population or in which, on account of the scanty development of local resources, low levels of productivity persist and there is lack of continuous work. There must, therefore, be additional opportunities for work to enable the lowest income groups to earn enough through productive employment to meet their minimum

needs. In the Third Plan, it is envisaged that, along with programmes of development for large and small industries, for agriculture and for economic and social services, there will also be a large-scale programme for rural works especially in densely populated regions and for periods of under-employment during the slack agricultural seasons.

20. In advanced countries the development of education and other social services has played a large part in ensuring greater equality of opportunity to different sections of the population and greater social mobility. Social services have also helped to bring about a measure of redistribution of income and provide the basic necessities. In India too, the expansion of social services will exert a similar influence, specially through the extension of free and universal education at the primary level, provision of larger opportunities for vocational and higher education, grants of scholarships and other forms of aid, and improvement in conditions of health, sanitation, water supply and housing. Thus, programmes for the welfare of scheduled tribes and castes and other backward classes, for the provision of minimum amenities in rural areas for local development at the village level and for the housing of industrial workers and slum clearance and improvement, are to be viewed not merely as extensions of social services but as vital ingredients in the scheme of economic development. These and other social benefits have to be provided to a greater extent in the Third and subsequent Five Year Plans than has been possible over the past decade. They will call for larger resources, not only from the State, but also within each community, and for the participation of a growing number of voluntary workers.

21. As economic development proceeds, social security and insurance will come to have high priority. Through the scheme of provident funds and health insurance for industrial workers the first important steps in this direction have already been taken. In the course of the Third Plan, it is proposed to introduce a scheme of employment assistance for industrial workers and to make a small start with relief and assistance for destitute persons, orphans and physically handicapped persons without means of support or livelihood. In areas in which the rural works programme is taken in hand, facilities for registration are to be provided for persons seeking work. Thus, social services along with intensive economic development, the provision of scholarships and other facilities in the field of training and education and the beginnings of social security should go some distance in providing more equal opportunities to different sections of the community.

22. Increase in agricultural production, the growth of modern industry and of transport and power, and the development of the public and the cooperative sectors in the economy will create conditions which will make it possible to advance towards socialism and to improve living standards. These will gain greater social significance in the measure in which socialism develops at the level of the community and enlists widespread local effort. As the values of socialism and democracy become more pervasive, influencing everyday attitudes and behaviour, wider opportunities will open up for all sections in the community, and especially for the under-privileged.

23. A large segment of India's development plans reaches the mass of the people through community development. In promoting the growth of socialism at the level of the community amongst the rural people, therefore, the role assigned in the Five Year Plans to the community development movement should be specially stressed. Community development must seek, above all, to bring about increase in agricultural production, higher standards of productivity, and fuller utilisation of the available manpower and other resources. With its stress on the development of local initiative and responsibility and on cooperative self-help, the movement is designed to serve as a spearhead of a wide range of programmes of development, which include agriculture, cooperation, irrigation, village and small industries, rural electrification and the reform of the agrarian system. One of its major aims is to create conditions for the growth of a progressive cooperative rural economy with a diversified occupational structure in which the weaker sections of the community are brought speedily to the level of the rest. The development of a cooperative agro-industrial economy in rural areas is essential for ensuring that the benefits of industrialisation spread out evenly among different sections of the population and to different areas and for securing a large measure of integration between rural and industrial development in each region.

24. A recent development of the community development movement in the rural areas has been, what is called, Panchayati Raj, or democratic decentralisation. At the village, block and district levels, responsibility for development is entrusted to Village Panchayats, Panchayat Samitis and Zila Parishads, and they are given considerable powers. This is a revolutionary change in the structure of administration within the district and in the pattern of rural development, and is already producing significant results and changing the rural climate.

25. In the villages the task of building up socialism at the base is facilitated as the policies of land reform and cooperative development are implemented and as the approach of bhodan and gramdan and of common obligations begins to permeate within each rural community. In the towns and cities also there is equal need for appropriate social policies. The influx of population into urban areas leads not only to a worsening of living conditions for large section of new disparities. These developments in the values of land and property, to the creation of new disparities. These developments demand a variety of measures, including careful planning of the

use of land, large scale programmes for land acquisition, housing and land allotment policies designed to assist the lower income groups and the poorer sections of the population, adequate taxation of capital gains and urban properties, avoidance of conspicuous and wasteful forms of construction, and public vigilance over conditions of tenancy and rents.

V. DISTRIBUTION OF ECONOMIC POWER

26. The growth of the corporate private sector over the past decade has brought to the fore the question of the means by which economic growth will be secured without concentration of economic power and the emergence of monopolistic tendencies. As a rule, the process of rapid economic development tends to enlarge opportunities for well-established firms to expand their size and enter new fields of enterprise. As compared to new undertakings or to smaller enterprises, they enjoy advantages in organisation and expertise, in access to the capital market and ability to secure foreign collaboration and, generally, in the resources which they are in a position to deploy. The fact that a significant proportion of the resources available for investment in industry arises within the corporate sector itself is another factor which makes it easier for an existing unit to expand than for a new one to come into being and take firm root. In several industries technological considerations favour the setting up of large-scale units with resultant savings in capital cost and in the cost of production. Consequently, certain difficult problems arise. On the one hand, to the extent to which large existing enterprises undertake development in accordance with the priorities set in the Five Year Plans and avail of essential economies of scale, they assist the growth of the economy. On the other, excessive economic power in relatively few hands and the uses to which it may be put, disturb the balance of power in a democracy, expose the social structure to new strains and tensions, and come in the way of diffusion of economic opportunities.

The tendency towards concentration of economic power has to be countered in a variety of ways—firstly, through the extension of the public sector into fields requiring the establishment of large scale units and heavy investments; secondly, through widening opportunities for new entrants and for medium and small-sized units as well as for industries organised on cooperative lines; and, thirdly, through effective exercise of Government's powers of control and regulation and use of appropriate fiscal measures. The object, briefly, must be not merely to prevent concentration of economic power and the growth of monopolistic tendencies, but also to promote a pattern of industrial organisation which will lead to high levels of productivity and give full scope, within the framework of national planning, to new entrepreneurs, to medium and small scale enterprises and to cooperative organisations.

27. As a decisive instrument which the State can employ in preventing concentration of economic power and growth of monopolistic tendencies, the rapid expansion of the public sector serves a twofold purpose. It helps to remove certain basic deficiencies in the economic structure and, at the same time, it reduces the scope for accumulation of wealth and large incomes in private hands. In the generation and distribution of electric power, the public sector has now the principal share and is being rapidly enlarged. Its share in transport has also steadily increased. In large industries and minerals the total investment in the public sector during the Third Plan will be distinctly higher than that in the private sector. As compared to 1950-51, by the end of the Third Plan, the contribution of the public sector will increase from less than 2 per cent to nearly a fourth in organised manufacturing industries and from less than a tenth to over a third in mineral production. While these are significant developments, careful attention must be given to factors which will increase the capacity of the public sector to expand still more rapidly, such as efficiency of operation, availability of trained managerial and technical personnel in larger numbers and ability to earn large surpluses. It is also essential that to the greatest extent feasible construction and supply functions for State undertakings should be entrusted to public and cooperative agencies. As the relative share of the public sector increases, its role in economic growth will become even more strategic and the State will be in a still stronger position to determine the character and functioning of the economy as a whole.

28. Within the field of activity entrusted to the private sector, the major aim of policy is to ensure broad-based ownership in industry, diffusion of enterprise and liberal facilities for new entrants, and the growth of cooperative organisations. Means for achieving these objectives are already available to a large extent, but need to be employed by the Central and State Governments and the various agencies functioning under them more purposefully and with greater coordination than in recent years. In licensing new industrial units and sanctioning the expansion of existing units, there must be considerable vigilance in permitting the growth of large existing businesses and, in the greatest measure possible, the entry of new firms should be facilitated and small and medium enterprises and cooperative organisations encouraged. In recent years a number of financial and promotional institutions have been established, such as the Industrial Finance Corporation, the State Finance Corporations, the Industrial Credit and Investment Corporation of India and others. In the light of the experience gained during the Second Plan, these and other financial institutions should review their existing administrative policies and practices so as to ensure that their support to new entrants into industry and to medium and small

enterprises as well as to cooperative undertakings is both speedy and adequate. They should also devise suitable criteria for assessing progress in these directions. The State Bank of India as well as other commercial banks may be expected to play an increasing part in financing medium-sized, small and cooperative industries. The resources of the Life Insurance Corporation could also be of material assistance in the furtherance of these objectives. The Investment Centre recently established can assist in securing foreign exchange facilities for new enterprises. Finally, a brief reference may be made to the role of industrial estates and programmes for the development of village and small industries, rural electrification, regional planning and location of new townships which are described in later Chapters. These development programmes are among the most important positive steps under the Five Year Plans for taking the benefits of industrialisation to the smaller towns and villages.

29. In a developing economy taxation is one of the main instruments of social policy and, in accordance with the needs of the Plan, devices such as rebates, concessions and incentives have to be employed so as to prevent concentration of economic interests and to encourage new units as well as medium and small-scale businesses and cooperative undertakings. The provisions needed are already available within the existing framework of personal and corporate taxation, wealth tax, gift tax, capital gains tax and estate duty, and should be employed in an integrated manner. Problems relating to tax evasion and tax avoidance and suitable measures for dealing with them are being given careful consideration. With the passing of the Companies Act, 1956; and the amendments recently undertaken, developments in company management such as inter-corporate investment, interlocking directorships, use of internal resources and the remuneration of directors and other top management personnel can be watched more closely and steps taken to ensure that the legislative provisions concerning them are administered effectively. Powers under the Industries Development and Regulation Act can also be used to exercise control over production, distribution and prices to the extent necessary. To sum up, in dealing with the problems of concentration of economic power, there is already general agreement on the broad objectives, and the necessary legislative and other sanctions needed are in fact available for the greater part. It is, therefore, specially important in the present context that the content of measures and of the administrative methods and practices adopted in pursuance of them should in practice subserve the wider social purpose, and the existing arrangements should be re-examined in relation to the tasks and priorities of the Third Five Year Plan.

VI. DISPARITIES IN INCOME

30. Before the process of economic development gathers momentum, for the larger part inequalities arise from long-established features of a traditional society, such as feudal rights and tenures, or privileges and handicaps associated with the social structure. These vestiges of the past are the first to fall. Planned development has to hasten this process so as to enable the economy to move forward with less hindrance from within. Thus, the programme of land reform, with its stress on the abolition of intermediary rights, security and rent reduction for tenants and enforcement of ceilings on agricultural holdings, was calculated to release the productive forces of the rural economy. There has been progress in this direction but, owing to inadequate implementation of tenancy reforms and delays in carrying out the programme for ceilings on agricultural holdings, this has been less than was hoped for. Greater efforts are, however, now being made to give effect to legislation enacted in the States.

31. Disparities in income and wealth which arise from industrial and economic growth raise a series of complex problems. The first of these concerns differences in levels of earned income. In advanced countries these have now been greatly reduced. On the other hand, in underdeveloped countries, unless special measures are taken in the first phases of economic development, there is a tendency for them to become even larger than before. This is due to a variety of circumstances, more especially the relative scarcity of trained personnel, lack of social mobility, and the presence of inflationary influences. The essential problem here is to reduce the spread between the higher and the lower incomes and to raise the level of the minimum. This calls, among others, for large scale programmes of training and for steps to ensure that in all branches of the economy, both in the public and in the private sector, there is rapid growth of opportunities for merit. Tax policies have an important role and should be used to bring the net earnings of those in high income brackets to reasonable levels. This is a question at present, not so much of attempting to set rigid ceilings, as of giving a general direction to public policy and to public thinking. In this connection it will be recalled that the Taxation Enquiry Commission considered a reasonable range of incomes after tax to be about thirty times the average family income. This broad objective should be progressively realised over the next two or three Plan periods. Although, in view of the low incomes of the bulk of the population, this range represents a considerable disparity, it could be further reduced as lower incomes rise.

32. An important aspect of the problem of income disparities concerns the gap between rural and non-rural incomes which tends to widen under the impact of industrial and economic development. Increase in agricultural productivity, reduction in the dependence on land and diversification of the economic structure of rural areas through the extension of industry and the development of social services on an adequate scale, and an agricultural price policy which is both fair to the urban consumer and fully safeguards the farmer's interest, are the principal means by which the gap between rural and urban incomes can be kept within narrow limits. In a country with a

large rural population, these policies have great significance.

33. In a growing economy, frequently high incomes are due in the main to the accrual of capital gains, to trading and speculative profits, and to perquisites of one kind or another which are permitted by law. A twofold approach is therefore called for. Firstly, through social policy, incomes arising from capital gains, speculation, etc. must be limited and the State should take its due share. Secondly, through extension and improvement of the tax system, steps must be taken to ensure that such incomes as do accrue are fully taxed, evasion of taxation is severely dealt with and opportunities for tax avoidance are reduced to the minimum.

34. With rapid development and expansion of employment, the incomes of the vast majority of workers in industry and services and of self-employed workers like farmers and skilled artisans may be expected to increase steadily and, on the whole, in fair relationship to productivity. Those receiving fixed incomes, falling broadly in the lower middle-class groups, inevitably face special problems on account of the long-term tendency towards rise in prices. On the other hand, in these groups, through women entering employment in larger numbers and the growth of employment, there are also wider openings for augmenting the family income. For this group, equally with those in the lowest income groups, it is important that the prices of essential commodities should be kept down and social services, especially education, health and housing, should be brought within easy reach. At the other end of the scale, the greatest attention must be given to those who are totally unemployed or suffer from serious under-employment. The provision of employment opportunities has the foremost priority for them. Along with employment, education and social service benefits should also be extended as fully as possible.

VII. ECONOMIC AND SOCIAL INTEGRATION

35. The socialist pattern of society provides a major line of advance in a developing economy, which is becoming increasingly complex, and in which there is constant interplay of a variety of social, economic and other elements. Its realisation is necessarily a cumulative process resulting from progress along many different paths. For several reasons, in reaching this goal there is need now for a sense of urgency and a quickening of pace. It is true that the economic foundations must be well laid if the social objectives are to be attained. At the same time, any marked lag between economic and social development creates new stresses. Precise data are at present lacking, and without these it is difficult to devise definite measures. Accordingly, an expert committee set up by the Planning Commission in October, 1960, is at present engaged in reviewing changes in the levels of living which have occurred in the course of the First and the Second Plans, in studying recent trends in the distribution of income and wealth and, in particular, in ascertaining the extent to which the operation of the economic system may have resulted in concentration of wealth and means of production.

36. Progress along each separate course has its own limitations. Sometimes, there may be conflict between different objectives and the means available for achieving them, and these have to be reconciled. Although many gaps remain, step by step within the scheme of planned development, the framework of socialism is being built up, but it has to be strengthened and made more purposeful in its actual working. There must be fuller and more determined implementation of accepted policies and programmes in all spheres of public administration and of economic life and more critical tests of evaluation should be adopted. Moreover, at all times there should be due stress on the moral, human and spiritual values which give meaning to economic progress. Given the necessary unity and discipline in the nation, willingness to bear the burdens of development and a greater understanding by different sections of the community of what is due from them at the present juncture, both economic and social advance can be far more rapid than is generally realised. Policies already initiated will go a long way to stimulate social mobility, strengthen such forces as the trade unions, the cooperative movement, voluntary organisations and the universities, and to create a broad-based constructive leadership in rural and urban communities. They will help to check concentration of economic power and the growth of monopoly, strengthen the bonds of cultural and economic integration, and assure to every citizen of India the right to work, to equal opportunity, and to a minimum level of living. In the last analysis, economic development is but a means to an end—the building up, through effort and sacrifice widely shared, of a society, without caste, class or privilege, which offers to every section of the community and to all parts of the country the fullest opportunity to grow and to contribute to the national well-being.

37. Planning is a continuous process and cannot be isolated for short periods. Thus, the Third Five Year Plan is a projection and a continuation of the First and Second Plans, and it will lead to the Fourth and subsequent Plans. Planning is a continuous movement towards desired goals and, because of this, all major decisions have to be made by agencies informed of these goals and the social purpose behind them. Even in considering a five-year period, forward and long-term planning has always to be kept in view. Indeed, perspective planning is of the essence of the planning process. As this process develops, there is a certain rhythm of expansion in the development of the people, and a sense of enterprise and achievement comes to them. They are conscious of a purpose in life and have a feeling of being participants in the making of history. Ultimately, it is the development of

the human being and the human personality that counts. Although planning involves material investment, even more important is the investment in man. The people of India today, with all their burdens and problems, live on the frontier of a new world which they are helping to build. In order to cross this frontier they have to possess courage and enterprise, the spirit of endurance and capacity for hard work, and the vision of the future.

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