Meaning of Planning:

Economic planning is the making of major economic decision, what and how much is to be produced, and to whom it is to be allocated by the conscious decision of a determinate authority, on the basis of a comprehensive survey of the economic system as a whole.

Major features of economic planning are as follows:

(i) It is concerned with survey and diagnosis of the present economic scenario.

(ii) It defines policy and objectives to be achieved in future.

(iii) It presents a macroeconomic projection for the whole economy.

(iv) It formulates strategies through which objectives are to be achieved.

(v) It guides and directs the economy along with the path of growth and development.

(vi) It creates productive capacity in the country.

### Economic Planning in India – **Types of Economic Planning in India**

1. Comprehensive Planning:

It is generally called as imperative planning. It is totalitarian in nature and works on the basis of directions. It comprehends all the inputs and outputs and incorporates innumer­able details in respect of resources, factors and commodities and services. Plans formu­lated under this planning process encompass different units owning resources viz. pri­vate companies, cooperatives, individuals and public sector. Thus, the blueprints for the production of various goods and services bore upon all the resources owned by the innumerable units of various types available in the economy.

The comprehensive planning is governed by the centralized directions. The directions are based on the use of implementing instruments which give commands to the economy to work in a particular frame work. Implementing instruments consist of positive com­mands and negative controls. The commands are concerned with orders, fiats and direc­tions with regards to what to do in the economy. However, negative controls are issued in terms of guidelines generally concerned with what not to do.

Naturally, there is a need of centralized agency which formulates these implementing instruments – Commands and controls. Since ultimate power of the country rests with the government so it has power to authorize Central Agency meant for the purpose. In India, it is Planning Commission who is responsible for doing all these things.

Thus, the government has an active role in comprehensive planning. Market mechanism does not affect the planning process. It is the comprehensive planning which enables the planners to give a concrete shape for vision of the government.

2. Decentralized Planning:

It is also called as indicative planning. It is democratic in nature. Under this type of plan­ning, decision making process is dispersed and the implementation of plans is carried through market mechanism. Actually, it involves the dispersal of planning both in respect of formulation of the plans and their implementation. It is argued that the devo­lution of planning functions is necessary to different levels.

Public must have say in the planning process. It is important to say that public through elections participates in the government and through its representatives shapes the plan process. So in the present scenario in India too, there is need for decentralized planning as Panchayati Raj Institu­tions are now mandatory and they must have right to participate in the planning process as State Governments and Central Government involved themselves in formulation of their plans.

Decentralized planning also envisages the involvement of the social action groups orga­nized on a voluntary basis. Since these groups are in constant touch with the people particularly with marginalized and deprived sections of society, they can contribute more in suggestive system of the planning process.

It also assumes that there must be dilution of the planning authority by bringing in non­government agencies like market prices, incentives together with public investment con­fined only to essential projects rather than the entire economy. Under this planning, planning agencies are involved in forecasting process rather than targeting. They also identify the major factors and sectors that are quite important for the economic growth. They are also required to quantify the contributions of these factors to keep them more effective and viable.

Decentralized planning is also based on an assumption that the market prices decide the nature of choices. It also formulates a framework of prices and other incentives to guide both public and private activity. However, it also earmarks the areas for the develop­ment of infrastructural facilities viz. roads, education and health. It accommodates gov­ernment intervention to safeguard the environment from pollution, to eradicate poverty and deprivation, to correct inequalities of income and wealth etc.

The main objectives of plan­ning in India include the following:

(i) Increase in National Income:

This objective gets translated into an increase in not only the national income, but also in the level of production and real per capita income.

(ii) Achieving Full Employment:

Unemployment is a curse in any society. It is more so when there is an inadequate social security or its total absence. Employment imparts dignity to human beings and is also an important means of reducing poverty and inequalities. The objective of planning was not to reduce inequalities by lowering the income levels of the richer sections but by raising the income levels of the poorer sections of the society.

(iii) Reduction in Inequalities of Income and Wealth:

India being an extremely poor country, inequalities of income and wealth translate themselves into absolute pov­erty and destitution. There can be no difference of opinion regarding the desir­ability of reducing such inequalities, particularly because they also lead to inequality of economic opportunities.

(iv) Creation of a Socialist Society:

This was an obvious and generally accepted objec­tive inclusive-of there being equal opportunities of economic advancement for all sections of the society.

(v) Removal of Bottlenecks:

Removal of Bottlenecks in the way of economic growth such as, low rates of saving and investment, inefficient technology, problems of balance of payments, absence of basic industries and insufficient infrastructure, etc. is also an important objective of the Indian planning.

(vi) Industrialization:

Indian plans have adopted a strategy of industrialization of the economy with particular emphasis on heavy and basic industries. It also assigned a high priority to agricultural growth but in practice, agricultural and rural deve­lopment received inadequate attention.

Some analysts are of the view that India, with its vast agricultural potential should have first concentrated on the develop­ment of agriculture and rural parts of the economy. Such an approach would have generated economic surplus needed for capital formation and investment.

(vii) Self-Reliance:

Our plans also aimed at “self-reliance”. It deals with the freedom from the need to import and therefore a policy of “import substitution” regardless of its cost. This objective should have been taken to mean “ability to pay for our imports through our export earnings”. Thus, we should have added to our export capacity and competitive strength in international markets.

(viii) Precedence to Public Sector:

In our planned growth, public sector was assigned a place of precedence over the private sector so as to acquire commanding heights of the economy and be in a position to use it for guiding the private sector along chosen lines. This was done while ignoring the fact that public sector undertaking is inherently less efficient than private ones.

Thus, the basic objectives of India’s Five Year Plans are rapid economic growth, full employment, self-reliance and social justice. Apart from these basic objectives, each five- year plan takes into account the new constraints and potential/possibilities during the period and attempts to make the necessary directional changes and emphasis.