

There has been a significant rise in the number of persons who have been provided gainful employment : from 249.1 million in 1978 to 367.2 million in the 8th Plan. Over the same period, the unemployment rate declined from 2.63 per cent to 1.8 per cent.

The incidence of poverty expressed as the percentage of people below the poverty line in the total population declined from 56.4 per cent in 1973-74 to 37.3 per cent in rural areas and from 49.0 per cent to 34.4 per cent in urban areas over the period. For the country as a whole, the poverty ratio declined from 54.9 per cent in 1973-74 to 36.0 per cent in 1993-94. The projections of the Ninth Plan for 1996-97 (at the end of the Eighth Plan) show further reduction in the incidence of poverty to 30.55 per cent in rural areas, 25.58 per cent in urban areas and 29.18 per cent for the country as a whole.

Besides, a number of other measures have been adopted to achieve social justice with equity to a considerable extent by adopting such measures as land reforms, abolition of bonded labour, liquidation of rural indebtedness, fixation of minimum wages for farm labour, drive against economic offenders, and measures towards reduction of concentration of incomes, wealth and economic power.

### FAILURE OF PLANS

The Indian economy has made significant progress over forty five years of the planning process. Still there are many weaknesses which point towards the failure of Indian Plans in many directions. These are discussed below.

1. *Inadequate Use of Natural Resources.* The natural resources of the country have not been tapped and used adequately for economic development. India's total geographical area is 329 million hectares, of which 166 million hectares is the arable land. But only 141 million hectares are used for cultivation. Keeping in view the increasing needs for food, fodder, fibre, fuel and urbanisation, this area is inadequate. There are huge areas of degraded land, estimated at about 130 million hectares, due to water logging, salinity, alkalinity, soil erosion, etc. Inadequate planning and inefficient management have failed to reclaim such areas.

Little has been done to stop reckless destruction and degradation of forests. They are taking a heavy toll of the country's soil and water resources. According to one estimate, 6,000 million tonnes of top soil with essential nutrients flows into the sea every year. The National Forest Policy of 1988 stressed the importance of having one-third of the geographical area of the country under forests. But only 11 per cent is under *real* forests. Moreover, unplanned urban growth and industrialisation are increasing the levels of pollution which, in turn, seriously threaten the country's economic and social progress.

India has vast water resources estimated at 114 million hectare metres. But only a limited area has been developed for irrigation and other essential uses. About one-eighth of the country's geographical area is flood-prone. Floods bring untold miseries to people, lead to loss of lives and damage crops, houses, cattle and public utilities every year. Many flood control and irrigation projects are capital-intensive and of long gestation periods. Consequently, the marginal costs of using water for irrigation purposes has been rising steadily. Further, the Plans have not been successful in improving efficiency of water management and using surface and ground water resources adequately.

With the exception of coal, bauxite, iron ore, magnesite, limestone, and dolomite, the balance life of other available minerals in India is less than 50 years. Little efforts have been made for the discovery and exploration of deposits of such minerals as copper, gold, zinc, nickel, tin, tungsten, chromite, manganese ore, etc.

Despite giving high priority to energy development during the Plans, the supply of energy is becoming less in relation to its demand. With the development of agriculture, industry and transport, and the expansion of consumer sector, the demand for energy has been continuously increasing but adequate steps have not been taken towards its efficient use and conservation. Moreover, little has been done to improve efficiency in the generation and distribution of energy. This has led to huge wastage and rise in per unit cost. Non-conventional sources of energy from micro hydel systems, ocean, wind, solar, and urban and agricultural wastes have not been harnessed, rather they remain neglected, whereas advanced countries have developed technologies in these directions.

*2. Growth in Population.* One of the serious weaknesses of Indian planning has been the lack of any concentrated effort towards population control. Population has been increasing at an annual growth rate of 2.1 to 2.2 per cent during the planning era. Such a high growth rate is a big hurdle in solving the country's such socio-economic problems as poverty, unemployment, urbanisations, etc.

*3. Inadequate Social Development.* Despite more than 45 years of planned economic growth, there has not been adequate social development which has failed to improve the standard of living of the common man and reduce poverty. In 1996-97, the per capita availability of cereals was 473 grams per day and that of cloth 28 metres. Infant mortality is still very high, being 72 per thousand. As much as 53 per cent or 60 million of children under four are undernourished. About 3,000 villages are without any source of drinking water and 1.5 lakh villages/habitations receive less than 40 litres of water per day and in the majority of cases, it is polluted. Large rural and urban areas do not have sanitation facilities. Only 2.7 per cent of population in rural areas has

individual sanitary latrines. With urbanisation, cities lack in infrastructure facilities like communication, transport, health, education, housing, etc. and basic services like potable water, sanitation, drainage and electricity. Vast areas of cities have grown into slums and scatter settlements. Half the population of India is illiterate. There is mass illiteracy among women, especially in rural areas. The goal of universalisation of primary education is far away. Thus planning has failed to provide even the basic social consumption needs of the common man. As a result, more than 30 per cent of the population continues to be below the poverty line.

4. *Existence of Poverty and Inequalities.* One of the objectives of Indian Plans has been reduction in inequalities of income and wealth which they have failed to achieve. Poverty, inadequate development in many regions, tax evasion, black money, inflation, increase in population, etc. have prevented the solution of this problem. Even after more than 45 years of planning, the average income disparity between the poorest 10 per cent families and the richest 10 per cent families is in the ratio of 1 : 15. With development, inter-State income disparities have increased instead of diminishing. Per capita income growth was the highest 8.6% in Gujarat, followed by Maharashtra 7.4% and Tamilnadu 5.2%, whereas it was the lowest (-) 0.7% in Bihar, and in Orissa 1.5% and in UP 1.8% being 2nd and 3rd from the bottom respectively during 1992-97. These figures show that poverty and income disparities of the people living in these States have increased.

5. *Increase in Unemployment.* Reduction of employment has been one of the principal objectives of each Plan. But unemployment has increased instead of diminishing during the Plans. At the beginning of the First Plan, the number of unemployed was 33 lakh which increased to 53 lakh at the end of the Plan, to 71 lakh at the end of the Second Plan, to 96 lakh at the end of the Third Plan, to 136 lakh at the end of the Fourth Plan, and to 206 lakh at the end of the Fifth Plan. At the end of the Eighth Plan, the number of unemployed was 350 lakh. The main reason for increase in the number of unemployed over the years has been the growth in the labour force at an annual rate of 2.4 per cent and of employment at less than 2 per cent. Thus planning has failed to solve the problem of unemployment.

6. *Slow Economic Growth.* The growth of Indian economy has not been rapid. During the Plans, the achievements of different sectors have been below the targets. Except for the Sixth Plan and the Seventh Plan, the annual growth rate of the economy has been below the target. This has been due to slow growth in different sectors. A number of factors can be enumerated for this which point towards the failure of Plans. *First*, agriculture is still dependent on rainfall in large parts of the country. The Green Revolution has been primarily confined to wheat and rice in a few States. Land reform measures

have not been implemented in a number of States. Drought and floods continue to bring havoc and misery to the people. There are no signs of controlling them. These factors have prevented a steady growth of the agricultural sector. Consequently, the trend growth rate of agricultural production has been around 3 per cent per annum over the planning period. *Second*, the trend growth rate of industrial production has been on an average below 8 per cent per annum during the Plans. One of the important factors is low productivity. Till the mid 1980s the change in total factor productivity in India's manufacturing sector had been negative. This means that the unit cost of production increased. As a result, exports became dearer and the domestic demand also declined. This, in turn, increased industrial sickness and lowered the growth rate of industrial production. *Third*, PSEs occupy a predominant position in the industrial sector. Many among them are continuously incurring losses because among other factors, they have been using outdated technologies and their productivity is very low. *Fourth*, before 1992 the Government followed such policies as stringent controls and regulations, protection, subsidies, fixation of administrative prices, and high marginal tax rates on companies. As a result, inefficiencies increased and productivity declined in the industrial sector. *Lastly*, the failure of the supplies of such infrastructural facilities as energy, transport, communication, etc. to match the increase in their demand has led to slow economic growth.

7. *Defective Foreign Trade Policies.* Another cause of the failure of Indian Plans relates to defective foreign exchange and trade policies. India persisted with a fixed and over-valued exchange rate for the rupee. Further, high tariffs and quantitative restrictions led to the policy of import substitution and production for the domestic market. These policies worked to the disadvantage of exports. Despite the 1966 devaluation, the progressive and substantial depreciation of the rupee since the early 1970s and a variety of export incentives, the overall performance has been slow and erratic.<sup>9</sup> India's share of total exports declined from 1.85 per cent of world trade in 1950 to 0.6 per cent in 1997. High import duties, the ban on the import of consumer goods and precious metals and the desire of businessmen to shift part of their wealth abroad—all led to smuggling and illegal transactions in foreign exchange. Exports tended to be under-invoiced and imports tended to be over-invoiced. As a result, smuggling and illegal transactions grew.<sup>10</sup> They are estimated at roughly one-fourth of the total receipts from exports through official channels.

8. *Increase in Indebtedness.* The total debt liabilities of the Government of India have been continuously on the increase which point towards the deteriorating economic condition of the country. As the ratio of GDP, internal

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debt liabilities were 35.6 per cent in 1980-81 which rose to 45.6 per cent in 1996-97. This shows a large gap between savings and investment, and the huge borrowings undertaken by the Government to manage its fiscal affairs.

So far as the external debt liabilities are concerned, India ranks third among the most indebted developing countries. Its external debt as the ratio of GDP, rose from 9.9 per cent to 11.0 per cent over the period. Thus India's increasing indebtedness in absolute terms reflects the failure of Indian Plans.

9. *Increase in Deficit Financing.* The Indian economy has been faced with the dilemma of deficit financing and the consequent inflationary pressures. Deficit financing is an inevitable feature of fiscal management and accordingly it has been resorted to in larger doses with every five year Plan. But it was during the Sixth and Seventh Plans that it crossed the limits of safety. During the Sixth Plan, deficit financing was to the tune of Rs. 15,684 crores as against the projected sum of Rs. 5,000 crores. The magnitude of deficit financing during the Seventh Plan had been a staggering amount of Rs. 28,256 crores (at 1984-85 prices) which increased to Rs. 33,037 crores at 1991-92 prices in the Eighth Plan. But the criterion of the economic condition of the Government is the fiscal deficit which is the difference between total expenditure and total revenue receipts and which also includes all borrowings and their payments by the Government. The fiscal deficit has been continuously rising since the 1980s. During the Sixth Plan, it was on an average 6.3 per cent of GDP and in the Seventh Plan it increased to 8.2 per cent, and further to 8.3 per cent in 1990-91. But it declined to 4.7 per cent in 1996-97. The country has been in the grip of a fiscal crisis due to a steady increase in Government expenditure, especially non-Plan expenditure. Its main component has been a continuous increase in interest payments. But the principal reasons for the rise in deficits have been less receipts from investments made out of Plan expenditures and inefficiencies which have led to the wastage of scarce resources. On the other hand, direct tax receipts have been very low. Whereas domestic borrowings and budget deficits have been much higher than the targets, the interest payments and food and fertiliser subsidies have not declined much. These have led to a fiscal crisis which points towards the failure of Plans.

10. *Defective Planning.* The planning process has been defective from the beginning in India. The country has been following a fragmented approach rather than an integrative approach towards planning with the result that development activities have not been commensurate with the investments made. In certain cases, multiple agencies have been engaged in implementing a single development project. While in the case of many similar projects too many agencies have been operating leading to thin spread of scarce resources.

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There are delays in project implementation which result in wastage of scarce resources. In January 1995, about two-thirds of the major projects under implementation had time and cost over-run to the original estimates. These were due to inadequate project formulation, delays in clearance, delays in supplies of equipments, inadequate release of funds, changes in scope and physical quantities of work, initial underestimation of costs, etc. Another defect of Indian planning has been its over-centralisation and failure to involve people in the process of development. This has created severe bottlenecks in Plan implementation and failure of achieve Plan targets.

**Conclusion.** Despite India's satisfactory growth rate, the UNDP's Human Development Report, 1999 ranked India as 85th among 93 developing countries in its *Human Development Index* which is a composite measure of life expectancy, literacy, and real GDP per capita.