

BA Part 2

Economics (Subsidiary)

Topic : Nature and types of Economic Planning in India

Economic Planning in India- Nature of Economic Planning in India

Economic planning deals with the process of taking decisions with regard to use of available resources for the fulfilment of certain objectives or goals. Actually, planning process decides the nature, mechanism and beneficiaries of production behaviour of the economy.

It is generally defined as a continuous process which involved decisions or choices about alternative ways of using available resources with the aim of achieving particular goals at some time in future. Thus, economic planning develops a mechanism for identification and use of resources for the betterment of society at large.

Economic Planning in India – Types of Economic Planning in India

Main types of planning are as follows:

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 non-government 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.

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