

# Failures of Economic Planning in India

Article Shared by Pooja Mehta

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The achievements and failures go side by side. No doubt there are so many achievements associated with plans.

## 1. Rise in Prices:

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Price stability has been one of the objectives of every five year plan in India. But almost all the plans witnessed considerable rise in price-level. In first plan, price level came down. In all other plans, the prices recorded a steep rise. Price level rose on average by 63 percent in second plan, 5.8% in third plan, 9% in fourth plan, 6.3% in fifth plan, 3.6 percent in Ninth plan and 4% in 2004-05.

## 2. Increase in unemployment:

During the period of five year <sup>plans</sup> unemployment went on rising. <sup>Coding Classes For Kids Age 6-18 by IIT/ Harvard Team At end of</sup> first five year plan 53 lakh <sup>per CampK12 | Sponsored persons were</sup> unemployed. Their number <sup>rise to 349 in 2004-05.</sup> rose to 349 in 2004-05. <sup>Read Next Story</sup> In the last 22 years employment

opportunities have increase by 2.3 percent while the supply of labour has increased by 2.5% resulting in an increase in unemployment.

### 3. Slow Growth in Production Sector:

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In the five year plan, growth rate of production was slow in many sectors. Priority should have been given to the development of agriculture in all the plans, but it was not done. Capital intensive industries in urban areas were given precedence over small scale industries in the rural areas. In agriculture green revolution continues to be confined largely to wheat and rice crop.

### 4. Inequality in Distribution of Income and Wealth:

One of the main objectives of five year plans has been to minimise inequality in distribution of income and wealth. But the plan witnessed only increase in inequality. Rich Class becomes richer and poor class poorer. This inequality is found not only in industrial sector but in agriculture sector also. According to one estimate, 3 percent of household own roughly 50 percent of cultivable land.

### 5. Inefficient Administration:

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An expert team of U.N.O. ~~observed~~ *observed* that one of the main short comings of Indian plans has been with reference to its ~~implementation~~ *implementation*.

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Plans are formulated after good deal of discussion and deliberation but their targets are not achieved due to inefficient administration, dishonesty, vested interest and red tapism etc.

### **6. Lack of Strong Foundation:**

In spite of the fact that nine five year plans have rolled by still the economic base is far from being strong. We are still dependent on weather God for good harvest. In 1965-66, 1966-67, 1979-80, 1982-83 and 2002-03, the economy received a big jolt due to failure of monsoons. Large scale import of food grains was resorted to Gulf war in 1991 also caused disruption to Indian Economy. In 1998, due to shortage in the production of onions, the prices increased to Rs. 60 per kg.

### **7. Extra Ambitious:**

Indian plans are criticised on the ground that their targets are very ambitious. Two factors may account for its first shortage of resources and second faulty implementation of the plans. These has been a wide gap between the targets of growth rate and their achievements during the period of planning average growth rate of Indian economy has been 4.4 percent as against the target of 5%. The gap between the targets and achievements underlines the failures of the plans.

### **8. Paradox of Saving and Investment :-**

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Although during the planning period there has been appreciable increase in saving and investment, yet the growth rate of economy has been very slow.

### Several factors account for this paradox:

(a) Capital output ratio is very high in India. It is around 3.6:1 relatively less increase in production.

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(b) Considerable part of investment is in the form of buffer stocks of food grains and not in time form of fixed capital formation. No wonder, despite the increase in the rate of investment there is no corresponding increase in production.

(c) Large portion of investment is made in traditional sector instead of modern one.

### 9. No increase in the Standard of Living:

All the five year plans of India aimed at raising the standard of living of the people. In fact what to say of improving the living standard, even the basic necessities have not yet been provided to the people. On an average, a normal healthy person needs 2508 calories of food per day but in India per capita availability of food is 2400 calories.

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An individual gets 16 metres of cloth per annum. Regarding housing, the condition is

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deplorable. In 1950-51, per capita income at 1993-94 prices was Rs. 3687. In 2004-05, it increased to Rs. 12416 at 1993-94 prices. In India 26% of population still lives much below the poverty line.

Even after 55 years of planning, poverty alleviation programme has not met with much success. In the end we can conclude that plans are sound but the problem is of proper implementation. Political interference and attitude of bureaucracy is greatly responsible for failure of plans.

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