

# FIVE YEAR PLAN AND INDUSTRIAL POLICY RESOLUTION





## Five Year Plans

Post Independence, 1947

Taken from: USSR → Introduced in 1928 by Joseph Stalin

### Introduction in India

Planning Commission → Chairman: PM

1. 1st Five Year Plan, 1st April 1951 → Based on Harrod-Domar Model

Duration: 1951-56

Key Focus: Primary Sector

Agriculture → During Jawaharlal Nehru

↓  
Setting up Dams to promote the growth of Agriculture

- Bhakra Nangal Dam
- Hirakud Dam
- Nagarjuna Sagar Dam

• Target: 2.1%

• Achieved: 3.6%

(Fully successful)

• On his birth anniversary 29

June: Statistics Day

• Founded: Indian Statistical Institute, Kolkata

2. 2nd Five Year Plan → Based on P.C. Mahalanobis Model

Duration: 1956-1961

→ During Jawaharlal Nehru

Key Focus: Public Sector

Rapid Industrialisation → Industrial Policy Resolution, 1956 (2nd IPR)

• Target: 4.5%

• Achieved: 4.27%

(Moderately successful)

1. Rourkela Steel Plant: Odisha (Germany)

2. Durgapur Steel Plant: West Bengal (UK)

3. Bhilai Steel Plant: Chattisgarh (USSR)

• Target: 5.6%

• Achieved: 2.8% (failure)

3. 3rd Five Year Plan → Based on Gadgil Formula

Duration: 1961-66

Key Focus:

• Self reliant and Self generating economy

• China War: 1962

• Indo-Pak: 1965

• PL-480: India was importing wheat from USA

• FCI: 14 Jan 1965

• CACP: 1 Jan 1965

• IDBI: 1 July 1965

• UTI: 1963

Break: Plan Holiday

• 3 years: 1966-69

• Annual Plan → New agricultural strategy

Two Prime Ministers

• J L Nehru

• Lal Bahadur Shastri → Raised the slogan "Jai Jawan Jai Kisan" when India went to war with Pakistan

4. 4th Five Year Plan → Gadgil Formula/Rudra Allen Model

• **Duration:** 1969–1974

• **PM:** Indira Gandhi

• Growth with stability

• Progressive achievement of self reliance

1. Family Planning

2. 14 banks nationalisation

3. Underground nuclear test: Smiling Buddha

• **Target:** 5.6%

• **Achieved:** 3.3% (a big failure)

1971

• Indo-Pak War

• Bangladesh

5. 5th Five Year Plan → Based on D.P. Dhar Model

• **Duration:** 1974–78

→ During Indira Gandhi

Key focus:

1. Removal of poverty (Garibi Hatao)

2. Attainment of self reliance

3. Minimum Needs Programme (1974)

↓  
• Basic needs to be provided to all

• 20 points programme (1975)

4. RRBs were setup (1975)

• **Target:** 4.4%

• **Achieved:** 4.8% (a bit successful)

Rolling Plan were introduced → During Janta Govt./Moraji Desai

• **Duration:** 1978–80

Key focus:

• Emphasis was on employment

6. 6th Five Year Plan → During Indira Gandhi

• **Duration:** 1980–85

Key focus:

1. National Income

2. Modernisation of technology

3. Unemployment

4. Established NABARD (12 July 1982)

5. Landless Labour Employment Guarantee Programme (RLEGP) on 15 August 1983

• **Target:** 5.2%

• **Achieved:** 5.7% (Successful)



### 7. 7th Five Year Plan → During Rajiv Gandhi

• **Duration:** 1985-90

#### Key Focus:

1. Food grain production ————— Food
2. Employment opportunities to be generated — Work
3. Productivity ————— Productivity

• **Target:** 5%

• **Achieved:** 6% (very successful)

### Hindu Rate of Growth, 1978

• **Concept by:** Prof. Raj Krishna

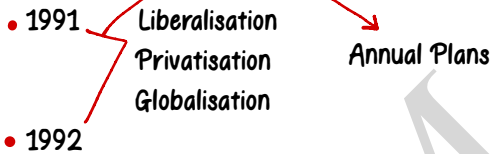
• India from 1960-80 has seen slow economic growth

→ **Annual Plan:** 1990-92

### 8. 8th Five Year Plan → P V Narasimha Rao

• **Duration:** 1992-97

• 1991 → Balance of Payment Crisis



#### Key Focus:

1. New Indicative Policy
2. Economic and Fiscal Reforms
3. Share of public sector declined

• **Target:** 5.6%

• **Achieved:** 6.8% (highly successful)

↓  
Licence Raj ended

### 9. 9th Five Year Plan → During Atal Bihari Vajpayee

• **Duration:** 1997-2002

• Growth with social justice and equality

• **Target:** 6.5%

• **Achieved:** 5.4%

### 10. 10th Five Year Plan → By Atal Bihari Vajpayee and Manmohan Singh

• **Duration:** 2002-2007

• **Target:** 8%

• **Achieved:** 7.6%

↓ National Horticulture Mission (NHM) was promoted by govt.



11. 11th Five Year Plan → During Manmohan Singh

- **Duration:** 2007-2012

Key Focus:

- Towards faster and more inclusive growth
- **Target:** 9%
- **Achieved:** 8%

12. 12th Five Year Plan → During Manmohan Singh

- **Duration:** 2012-2017 → 2014

Key focus:

- Towards faster, inclusive, and sustainable growth

NITI AAYOG → In place of Planning Commission

- Setup on: 1st Jan 2015
- It is a Think Tank of govt.
- Publishes reports
- Vision Document


## Industrial Policy Resolution

1st IPR, 1948 (Main person: Dr. Shyama Prasad Mukherjee)

- Govt. monopoly (Atomic Energy, Railways, etc.)
- License Raj Beginning

2nd IPR, 1956

- Also known as economic constitution of India
- Industries diversification

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- **Schedule A:** Govt. Sector (17)
  - **Schedule B:** Govt. + Private sector (12)
  - **Schedule C:** only private sector (remaining)

3rd IPR 1977: extension of 1956 policy

- Major focus on Decentralisation
- It gave priority to small scale industries → called Tiny Unit
- Imposed restrictions on MNCs

4th IPR 1980

- FERA Act, 1973
- Started Monopolistic and Restrictive Trade Practices (MRTP Act)

5th IPR 1991: New Industrial Policy — L

- FDI ceiling increased — P
- Disinvestment of Public Sector — G
- End of License Raj

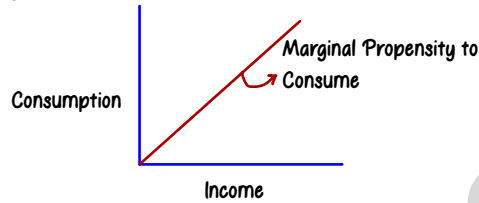
### Marginal Propensity to Consume

$$MPC = \frac{\Delta C \rightarrow \text{Consumption}}{\Delta I \rightarrow \text{Income}}$$

$$0 < MPC < 1$$

$$\text{Money Multiplier} = \frac{1}{1 - MPC}$$

The proportion of an aggregate raise in a pay that a consumer spends on the consumption of goods and services as opposed to saving it



→ Multipliers will be lower with low marginal propensity to consume

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