Role and Function of Planning Commission (1975-84)

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CERTIFICATE

The research work presented in this dissertation has been carried out in the School of Social Sciences, Centre for Political Studies, Jawaharlal Nehru University, New Delhi. The work is original and has not been submitted in part or full for any other degree or diploma of any other University.

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PREFACE

There is no dearth of material available in India on Planning Commission. Study of the Planning process is an interesting field of study, for the progress that India has made in these forty-two years of its independent existence would not have been possible, without a planned effort. As it has been said "All that is human must retrograde if it does not advance." Advancement in any sphere of human activity - be it at the personal level, organisational level, national or inter-national level is not possible without proper planning.

Eminent people who have been closely associated with the Planning exercise, like V.T.Krishnamachari have written on the subject, which has been more in the form of a descriptive account. H.K.Paranjape has written extensively on planning, which has also been to a great extent descriptive A.H.Hanson's The Process of Planning .... is still a very important work for the students of Planning. Other than these, there have not been many works available that take up a descriptive account of the functioning of the Planning Commission specially

from the fourth plan onwards. This has proved to be testing for me, for I had to rely on the various documents of the Government of India. With little background in economics, this has been no little task.

For William Blake 'No bird soars too high if he soars with his own wings'. In my case, it would have been impossible even to take off from the ground, but for my supervising teacher Dr. S.N.Jha. I am very grateful to Dr. Jha for his guidance as also for the encouragement and support he has given me. He has shown extreme patience and has been a constant source of inspiration for me.

A special word of thanks is due to Prof. Kuldeep Mathur, who helped me a great deal with my work.

I had received considerable assistance from Prof. Chandra Sekhar of the Centre for Economic Studies and Planning, during the course of my work. I had also benefitted considerably from the discussions I had with Dr. H.D.Goyal, Director in the Planning Commission who shared with me his rich experience in this area.

My very special acknowledgements to my brother, who did most of the statistical work for me. His background in Economics enormously helped me in the tabulation work, without which this paper could not have been complete.

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C O N T E N T S

TABLES AND CHART

CHAPTER - 1

INTRODUCTION

Planning in our country has emerged as a comprehensive area of governmental functions. The Directive Principles of State Policy is the guiding factor in the planning effort. The achievement of the goals laid down by the Directive Principles calls for planned development of the country, based on a national consensus in the formulation of policies. Planning by its very nature posulates a co-operative and co-ordinated approach to development. In a large country like ours, it involves a continuous and wide ranging interaction between different constituents.

At the commencement of planned development, India presented a classical example of a backward country unabe to embark on a rapid socio-economic development due to serious shortage of capital. The rate of savings was low, resulting in low capital formation, which inturn, prevented adequate investment so essential for growth. Since then the rate of savings has gone up from 5.5 percent in 1950-51 to about 22 percent in 1985-86 and is indeed, one of the highest among the developing countries now.[1]

Development of the nation at large, has not been the only reason for planning. Bringing about a balanced regional growth has been an equally important objective of planning. India inherited the problem of regional disparities in economic development from its colonial past.

This uneven development resulting in regional disparities was not due to any uneven resource endowments. Development was concentrated in a few areas to suit the interests of the foreign government. Regions with proximity to ports or those which produce export commodities or those with military importance, developed at the cost of others. The planners understood very well that left to market forces, the disparities would only widen further and inter-state disparities is not desirable either from economic or political angle. Thus, the main objective of all the five year plans has been to reduce the inter-state disparities.

The sixth finance commission observed that even the relatively small disparities cannot be ignored when the absolute levels of per capita income are low. The reduction of inter-state disparities is very important in our country, where there are many sub-national groupings the regional constituents organised on linguistic basis with distinctive cultural overtones cannot withstand the weight of the lop-sided economic development. With the polity and economy of a country having developed a very close inter-dependence, the change in one has its effects on the other. In order to have a stable political system, India which can boast of being the world's largest democracy, has to make serious planned efforts in the economic field. It cannot be denied that the political events in North East, Assam and Punjab have definite economic undertones.

The apex policy-making body, has set about the task of rectifying the regional imbalance and the major tool for this purpose is financial resources. The quantum of financial flows and the pattern of expenditure financed by these financial flows determine to a very great extent the growth in state income. Political, social and administrative controls also have a very important role to play in policy formulation, but the financial flow has a decisive influence on them. This is evident from the fact that the role of financial controls has been on the increase.

In India, the capacity of the Union Government to manipulate the resources in the interest of inter-regional equity is higher than other federal states. The Indian federal polity is biased towards the union which is partly due to the constitutional provisions and on account of the centralised political and planning processes. The constitutional provisions relating to Centre-State financial relations is a result of the Government of India Act, 1935 which had disproportionate provisions between the financial powers and administrative responsibilities of states. The concentration of resources raising powers with the Union Government and the flexibility which the Centre has got in the allocation of these resources result in the dependence of the States on the Centre. Whatever may be the criticisms against such an arrangement, it certainly is a weapon in the hands of the Union to bring about the desired regional balance.

Method of Study

Secondary data from various Government Documents have been used in this study. Eventhough it is proposed to cover the period 1975-84 in this study, entire fifth and sixth plan periods have been discussed. The ten year period was taken up for the study because, the fifth plan actually commenced from the year 1975, and the sixth plan period saw a major political change in the year 1984. Also, actual data have been difficult to obtain for these years. However, for all practical purposes, the entire fifth and sixth plan period have been considered for discussion.

Due to imperfections in state income data, the states have been classified as under the Gadgil Formula. Another reason for grouping the States has been to make the work simpler, because the study does not call for a detailed work on each state. The Planning Commission takes up the classification of States as those whose per capita income is below or above the national average. This aspect has also been kept in mind. Group A states with a per capita income of above 10 percent of all states average. Group B states with, around 10 per cent and Group C states with below 10 percent. Group D states are the special category states. The classification of special category states has been followed by the Planning Commission and the Finance Commission. Finally, following the national and international practices, per capita income is used in the study as the yardstick to measure a state's relative development. Care has been taken not to give the study too much of economic leanings.

III

The study has been concerned with the question of the Centralising tendencies in the planning process. The question is whether the union has carried too far, the constitutionally granted advantage of a strong centre whether it has used to its advantage the planning machinery. The major issues involved in this sort of a debate are that,

1. The states are not involved sufficiently in national planning; and

2. Planning Commission has functioned more as a limb of the Union Government in exercising sway over the State Governments, rather than as a truely federal institution restricting itself to advice on technical matters of planning.

Some important factors which adversely affect state's initiative in planning even in their constitutionally defined spheres are ;

1. A too detailed scrutiny by the planning commission of states' plan proposals.

2. The centrally sponsored schemes have interfered with the states' sphere of activity and have affected their initiatives. In the present study, functioning of the planning commission has been examined in the light of these aspects.

Scheme of the Study

This study consists of six chapters including this introduction. Chapter II examines the inter-relationship between politics and economics. Various models have been propounded in the study of planning process and this chapter discusses the model of Indian planning with a greater emphasis on the specifid plan models that have been used by the Indian planners, during different plan periods.

Chapter III examines the background to Indian Planning, various attempts at planning before Independence, the setting up of the Planning Commission after independence its organisation and structure and role and composition of the Planning Commissions. A factual understanding of the fifth and sixth plan has also been attempted in this chapter.

Chapter IV examines the centralising tendencies in the Planning process. It discusses the states' participation in planning and the Planning Commission's participation in the State plans.

Chapter V deals with the Centre-State financial relations.

Chapter VI concludes with the findings.

CHAPTER - II

ECONOMIC PLAN AND POLITICAL SYSTEM

In to-day's competitive world which is experiencing a fast growth in every field, a systematic planning has become imperative. Basic planning is required by every country, irrespective of its political and economic system. Even in advanced capitalist countries planning interpreted in its broadest sense has become indispensable to avoid violent fluctuations.

In 1928, the Soviet Union gave the idea of planning a real shape when it formulated its first five year plan. In the 1930s, economic depression called for planning. The outbreak of world war II once again necessitated the efficient planning of economic resources and in the post war period, the war devastated countries were compelled to resort to economic planning to rehabilitate themselves.

Planning may take a variety of forms, but all planning has certain common attributes. "These include looking ahead, making choices and where possible, arranging that future actions for attaining objectives follow fixed paths, or where this is impossible, setting limits to the consequences which may arise from such action."[1] These attributes can be discovered in diverse kinds of planning such as war time & post war reconstruction planning, towns & country planning, full employment and anti-cyclical planning, and development planning.[2]

According to Waterston, Economic planning is either anticyclical or developmental. Anticyclical planning is the kind of planning taken up by the capitalist countries where planning is of a limited nature, restricted to specific fields of economy with limited objectives. This kind of planning is characterised by strong private sector and well developed markets where market mechanism is at work. There are other definitions of planning which corresponds to this, as for example planning by inducement where the existence of private enterprise in the economic field is presumed. The state under such planning attempts to plan economic activity in an indirect manner. As against planning by inducement, planning by direction or development planning does not assume the existence of private enterprise and wider in perspective.[3] The utter backwardness of the developing countries make these countries turn towards planning to attain economic and social progress, the transformation of institutional arrangements which they considered inimical to the expansion of production forces and the establishment of a more equitable and a balanced society.[4] These countries follow the Soviet kinds of planning which is "socio-economic planning" as against capitalistic planning which is merely economic planning.[5]

Dr. Gunnar Myrdal speaks of three different kinds of planning (1) planning as practised in western democracies (2) Soviet planning and (3) planning in under developed countries. Regarding the last he says, "What some under-developed countries are now actually attempting, and more are approaching, is to use such elements of the Soviet techniques for programmatic and comprehensive state planning for economic development as are compatible with the absence of a totalitarian and monolithic state and with a mainly private ownership and management of production and trade. The offspring of this crossing is a breed of planning which is as different from the planning which has materialised in the western countries as it is from Soviet planning."[6]

Thus, it is futile to ask this question plan or no plan. The only realistic question is what kind of planning. The answer which is socio-economic in character, varies from country to country and displays considerable fluidity. (1) The degree to which, in a given community, traditional and social institutions and attitudes constitute a barrier to economic progress influences the planning technique to a great extent.[7] In such a society, there is generally a modern elite, which is committed to western values and largely alienated from the majority of the populace.

2) The second and a more specific variable is the type of entrepreneurial talent in a community. This greatly influences the mode of economic development. Many governments of the underdeveloped countries are approaching the problem in a more empirical way.[8] For e.g. the Indian, eventhough committed to a socialistic pattern has given the private entrepreneur considerable opportunities. They however adopt a selective attitude. India does not a encourage village money lenders, vigorous entrepreneur as he may be. A plan that envisages the long term development of the economy, calls for such a restrictive attitude.

3) The third variable is the level of economic development already reached by the country, which determines the concentration of economic planning.[9] If the country is starting its planning exercise from the bottom, then priority is to be given to certain infra-structural investment. If the level of economic development is higher, then the area of choice also becomes wider.

4) Similar to the existing economic structure, existing political structure also plays a role in the planning process. Contradictions tend to arise between the facts of political culture and the ideals of the planners.[10] For example, the federal set-up, with division of power between the centre and the state is itself evidence of the existence of a rift in the political culture. The institutionalisation or regional pressures tends to make economic planning incoherent. In India, when the same political party headed office at both, levels, economic planning as a 'concurrent' function proved workable. with the change in the political scenario, this has come to operate under serious strains.

David Apter provides the hypothesis regarding the relationship between political culture, political system and mode of economic development. He provides a theoretical framework of the government types and the corresponding developmental strategies. He uses a comparative method first to specify the differences in the characteristics of the rapidly growing number of new nations. Secondly, to 'investigate' the kinds of response to the problems of technological innovation that these differing systems evoke. By doing so, he hopes to provide a 'more systematic basis' for assessing the capacity of each system 'to aborb change and generate further innovation' and for indicating what types of economic development are in practice available to it.[11] Rest of this section is devoted to the interdependence between economy and polity of a country. Before taking up this exercise, the other socio economic variables of Hanson, which contribute to the planning process, call for a passing reference.

5) Prof. Sigmund, makes a distinction between radical, reformist and traditional regimes[12] which emphasise the link between system and ideology which is the fifth variable.[13] The importance of ideology varies directly with the degree of conscious involvement in the planning process that the government is demanding of its subjects. If ideological pre-conceptions interfere with a realistic assessment of the best method to achieve the goal of maximum economic growths, then problems are created.

6) Administrative capacity of the state is the final variable in the planning process. New governments are generally very enthusiastic and tend to overlook the inadequacies of their administrative machine. "Planning is essentially a series of consecutive and interlinked administrative acts",[14] and therefore,

a rationally organised properly trained and adequately motivated bureaucracy is necessary.

Interdependence of economy and polity in the planning process.

The rise of development economics in the fifties, as a sub-discipline of economics coincided with formulation of India's first three plans.[15] Development economies emerged as a separate field of study with the development of a close relationship between economics & politics. Major contemporary economists with interest in the problems of development had occasion to interact with Indian planners. The result, says Sukhamoy Chakravarty, was a two way interaction, with the dominant ideas of contemporary development influencing the logic of India's plans & correspondingly development theory was for a while influenced by the Indian Case.

The difficulties involved in economic development necessitate the involvement of Govt. in economic sector. This does not simply mean that the Govt. take up the running of entire economic activities. There are series of problems involved in economic growth, which the govt. will have to overcome. For e.g. resources have to be made in infrastructure, or political choice to be made among economic strategies. Moreover, economic development involves a whole range of things like technological advancement, economic resources, the cultural values of the people, social stratification etc. According to James Petras,[16] variants of liberal theory of international political economy - like the neo-classical international economic theory and contemporary international political theory have taken place in relative isolation from one another. The neo-classical model of international development-Nurkse, etc.—was concerned only with maximum and efficient use of the world's resources. Their emphasis was on 'international' specialisation. An improvement of this theory was the 'politics of international economic relations approach'. An effort was made at the structural level to show how the international political system shapes the international economic system. Secondly, how political concerns, shape the economic policies. Thirdly, specific international economic transactions are treated as international political interactions where actors manage or fail to manage their conflicts of interest. The process of international development, according to this theory cannot be treated as simple market operations, but involve political bargaining & choices. "The role of the State in both under-developed and developed nations as a bargaining unit and as an allocate of resources has been highlighted."[16]

Economic development is the essential concern of all countries - whether developed or under-developed. However the particular economic policies that a govt. follows depends on two things -- the objective of the government and the ability of the government to carry out the policies. Lipset states that the viability of the government - depends on two things - 1) legitimacy and 2- effectiveness. Legitimacy of the system means the ability to engender and maintain the belief that existing political institutions are the most appropriate ones for the society. Effectiveness means "actual performance, the extent to which the system satisfies the basid functions of government.[17] If a government is neither effective nor legitimate it can maintain itself only by using coercion. Between legitimacy and effectiveness if a governmeb is illegitimate it can survive only by making itself legitimate. On the other hand if a system is legitimate but ineffective, it may not face the challenge in the short run. But in the long run, it will lose its legitimacy, due to its ineffective performance.

Attempts to classify newly independent nations have been taken up by many writers. But most of them do not highlight the important relationship that exist between politics and economy. Almond & Coleman classify governments as modern, mixed and traditional.[18] With independence, the erstwhile colonial countries inherit the problems that plague the west - in political, social and economic front. The nations also have their own inherent problems to cope with. In such a situation, they have to solve what Apter calls, the antagomistic forces - one for change and the other for integration.[19] The states face this crucial problem which results from the social discontinuity "cultural strain" and "pragmatic... problems of development" both political and economic. The legitimacy of the government is also not as strong at this stage and in order to maintain and enhance legitimacy the governments concentrate more on economic activity, which reflects its effectiveness or the instrumental legitimacy as Apter calls it. To quote Lipset, "In the modern world, such effectiveness means primarily constant, economic development."[20]

The crises in development, according to Almond and Powell are legitimacy, integration and distribution. Distribtion necessarily means adequate productions of goods which in turn requires constant economic development.[21] Legitimacy and integration can come about only when there is just distribution. Crises in distribution is enhanced by social mobilisation.[22] When there is a change in the perception of men's knowledge about their conditions, they put forth new demands of the government.

The government in order to ensure its own survival, brings about new programmes, follow a particular economic strategy - the economic strategy that the government follow depend on the political system. Apter takes up the interrelationship between economies and politics as

1- the implications of government and politics for the economy and economic policy.

2- The consequences of developments in the economy for government and politics.[23] David Apter employs two dimensions. The poles of this dimension are hierarchical where authority flows from top to bottom and little tolerance is shown for a federal power structure. Pyramidal as in federating, where several centres of power possess considerable authomomy. These two dimensions combine to follow his three fold classification of Political systems (1) mobilisation system (2) reconcilliation system (3) the modernising autocracy.

The mobilisation system embodies a new leadership's determination to create a 'a new system of loyalties and ideas... focussed around the concept that economic, progress is the basis for modern society. It is distinguished by five characteristics. (a) hierarchical authority (b) total allegiance (c) tactical flexibility

(d) unitarism and (e) ideological specialisation e.g. Soviet Union, non-communist states Ghana and Guinea.[24]

The reconciliation system is notable for the 'high value it places on compromises between groups which express prevailing political objectives and views and characterised by (a) pyramidal authority (b) multiple loyalties (c) necessity for compromise (d) Pluralisms (e) ideological diffuseness e.g. India and Nigeria. The reconciliation system accepts the society as it is and provides a framework for the processing of only moderate change. The system goals correspond to the capabilities of the system and demands of the important groups. Multiple loyalties are an important facet of the system. The reconciliation system depends more on information which flows through political parties, pressure groups, etc. and less on coercion. Economic policies are moderate and planning exists largely to create the climate for private enterprises to operate. A high rate of forced saving is "politically impossible."

Modernising autocracy is defined with the example of the kingdom of Buganda. It is not very clearly defined and Apter says it has the ability to absorb change so long as the system of authority is not affected by it and is characterised by

a) hierarchical authority
b) exclusivism
c) strategic flexibility
d) unitarism and
e) neo-traditionalism.

The political structure that India had during the first we two decades inclined more towards a reconciliatory nature.[25] The States had enough autonomy and had enough strength to withstand the centres' intervention. Both at the national level and within the dominant congress party, there was a great deal of mobilisation. The nationalist leaders also felt a moral responsibility towards the electorate.

The first Five Year Plan did not aim at bringing about any fundamental change in the economy or initiate a process of rapid growth. It aimed at mending the economy that had suffered badly under the stress of the world war and partition. The plan was a preparation for laying the foundation for more rapid development in the future.[26] The plan did not exhibit any ambitious strategy but was rather an "aggregation of on-going projects strung together within the compass of a comprehensive review of the Indian economy."[27] The plan followed what is called a project by project approach.[28] The first plan period, in almost all the newly independent nations had followed a similar course of action. The United Nations Economic Bulletin for Asia and the Far East put it as follows :-

In the countries of Asia, the region with the most planning experience "the first plans were almost invariably a summation of individual projects in the public sector, many of which were already being implemented. Even in those first plans where income and employment targets were given, the functional relationship between the investment program as a whole and the expected increase in national income and employment were hardly more than a guess because of lack of accurate information on the capital/output ratio.[29]

The second plan was a larger one with a strategy. Process of industrialisation started during this period. Comprehensive planning[30] started from the second plan onwards. It is also called over-all planning covering an entire economy. The decisions to postpone the comprehensive planning till the second plan period was a calculated one because the planners were convinced that better results could be obtained at first from partial planning.[31]

A look at the pattern of planning and allocation

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of resources over the different plan periods highlights the centralising tendency of the planning process, in our country. Indian planners are constantly attempting to transcend the limitations of the 'reconciliation system' within which they initially opted to operate. The various characteristics of the reconciliation system like compromise, pluralism, federalism and pyramidal authority are all being violated and there is a increasing tendency to "assume the existence of attitudes of the viability of techniques which are meaningful only within the framework of a 'mobilisation system."[32]

The first identifiable planning model to be used in India was for the first five year plan. The model was not explicitly stated but was apparent in the numerical figures of the perspective plan, which "embodies a projection of an aggregate growth path to be generated by capital accumulation financed largely by domestic savings.[33]

The philosophical assumption at the time of formulation of the first five year plan was that the Harrod-Domar Model, which gives capital accumulation the central role in economics, would apply to India. It assumed the marginal propensity to save to be equal to the average propensity to save over the same period. According to this model, the savings of a community should be invested for productive purposes, which in turn should generate extra incomes. These incomes should increase from period to period in such a way that further savings are brought about for investment in expanding still further the productive capacity. Therefore, a proper equation should be there between the size of savings, the (Capital) input - (product) output ratio and a steady rate of economic growth. Planning thus was extremely preoccupied with monetary considerations, which continued in the second Five Year Plan.

The source of inspiration for the Second Five Year Plan was, according to Baldev Raj Nayar, three fold.

1. the economic technocrates at the Indian Statistical Institute and the Planning Commission.
2. the Leftist foreign economic advisers;
3. the doctrine of the "socialist pattern of society" declared at Avadi. The Avadi resolution gave the planners a goal, the mechanics of which were worked out by Professor Mahalanobis.

The Harrod-Domar model was carried over to the second and third plan but with many changes and the

Mahalanobis model was used from the second plan onwards. The Harrod-Domar model was supplemented in places by an expanded and comparatively more detailed account of major plan activities.[34] In the official plan document of the second plan, the layout for perspective plan included, in addition to the Harrod-Domar type of growth, & special emphasis on the role of heavy and capital - good industry, especially in the long-run strategy of planned growth.

Mahalanobis model has two aspects in it. One is the long-term objective and the other a short-term investment allocations over the five-year plan period.

In brief, Mahalanobis model is as follows. The economy, according to him consists of two sectors the investment-goods and consumption goods sectors. Industries producing raw materials were included in the respective sectors. Investments were also divided between these two sectors and conceptually, the income generated by the investment in capital-goods industry was considered to be cumulative, written up by its relevant output/capital ratio, whereas, the latter would lead to an increase in income once and for all and maintain that level throughout.[35]

The four-sector model of P.C.Mahalanobis attempted to solve the probem of allocating total investment in such a way as to achieve certain overall income and employment targets set for the plan period.

The allocation of investment between the capital-goods sector and the consumption goods sector was derived from the earlier model. The consumption goods sector however, was divided into three parts. Thus, the four sectors were as follows :-

1. Investment - goods sector;
   Consumption goods sector -
2. Factories covering organised consumer - goods industries.
3. Small-scale and household enterprises producing consumer goods.
4. Service industries, like health education etc.

The Mahalanobis model and the Harrod - Domar Model had this similarity in them, that both emphasised capital/output ratio and propensity to save as the two major determining factors in the growth process of the country.[36]

The fifth plan model was open ended static input-output type. The sixth plan model also followed the same type as of the fifth. The fifth plan used the year 1972-73 as base for price changes. It provides a consistent set of sectoral targets of gross out-put, given the set of input-output co-efficients and sectoral levels of final demand for the target year. The model was based on Leontief system.[37]

The model consisted of three parts[38]

1. Macro-economic model
2. input-output model
3. consumption model.

The basic structure of the macro-economic model and input-output model were the same for the sixth plan as of the fifth plan. The consumption model was different and also, the input-output model was more disaggregative, using 89 sectors as against 66 sectors in the fifth plan.[39]

The macro-model adopted by the Planning Commission is a variation of the well-known Harrod-Domar model and the input-output model is a variation of the static-open Leontief model. The Leontief model adopted in the plan, is concerned primarily with the determination of the feasible quantum of investment and its distribution, by sector of origin. The targets of sectoral levels, of gross output have also been worked out similarly. The aggregate quantum of investment is determined from the aggre gate Harrod -Domar framework by postulating a constant incremental output ratio and a target growth rate of GDP.[40] Sectoral allocation of investment has not been considered. However, financing investment from internal and external resources has been covered, bringing out at the aggregate level the consistency between gross investment and its financing through various sources, viz. the public and private sectors and the external assistance.[41]

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CHAPTER - III

PROCESS OF PLANNING IN INDIA

Precursors of Planning

The need for economic planning was felt for a long time and leading figures like Dadhabhai Naoroji and M.G.Ranade had well formed opinion about planning for economic and social development. They had attributed poverty and famines to the defective land-revenue policies. But their view of a solution to these problems was a national government. At that time it was strongly believed that the only solution to the economic problems was political independence. The movement for political advance and social and economic problems were linked up closely. Moreover, at that stage, it was difficult to visualise the post-independence economic scenario and the setting up of a national government, it was thought, would by itself lead to the solution of all the existing economic problems.

The nationalist movement, during the period of Gandhi and Nehru, also had strong economic under-currents. But the problems and their solutions were viewed from different angles by Gandhi and Nehru. A general feeling that prevailed at that time was also not very favourable towards planning. The Russian Revolution, socialism and the Russian five plans had all created a feeling that economic planning and totalitarianism were synonymous. The nationalist bourgeosie which provided the financial support and thus influenced congress policies was certainly apprehensive of the idea.

Formation of congress governments in eight provinces was the result of the introduction, by the Government of India Act of 1935, of provincial autonomy. This led to the formation of an interprovincial National Planning Committee in 1938, with Nehru as its Chairman, This is in evidence of the fact that the socialist minded left wing represented by Nehru and Subhash Chandra Bose did have a decisive say in the Congress policies. The socialistic tendencies were refledted since 1929, in the official congress policy resolutions. The Lahore resolution in 1929 proclaimed that '...to ameliorate the conditions of the messes, It is essential to make revolutionary changes in the present economic structure of the society and to remove great, inequalities in order to remove poverty...'[1].

<u>The National Planning Committee</u> being the first organised and serious effort to draw plans, it faced a host of problems. Chairman Nehru himself listed out the various problems that the NPC faced. (1) Lack of data and statistics (2) Lack of co-operation from the Government of India, (3) Lack of real interest in all-India planning on the part of the provincial governments. (4) Lack of enthusiasm among important elements in the congress I and (5) the apprehensions of big business, whose representatives participated in the committee because they felt that they could look after their interests 'better from inside than from outside."[2]

The importance of the Planning Committee is not interms of whether it brought about any changes but in the "wide interest" it created throughout the country in co-ordinated planning as the only means of bringing about a rapid increase in standards of living and in its emphasis on the need for fundamental changes in the social and economic structure."[3]

Nehru who is the architect of planning in India., thought planning indispensable and a positive instrument in resolving the conflicts that arise in a large and heterogeneous country. Nehru displayed strong Marxist tendencies in the initial years, as H.Venkatessubbiah points out. Nehru in one of his speeches had said that if the results cannot be achieved within the framework of a political democracy, then it (political democracy) "will have to make way for some other form of economic or social structure."[4] He was of the view that without an economic content democracy does not have any meaning and therefore our objective is economic democracy. "We have to bring about greater equality with a view ultimately to achieving the ideal of classless society."[5]

Planning efforts by the Government of India (1941-46)

The Government of India also undertook some planning programs by way of post-war reconstruction. Under the Chairmanship of the viceroy, a Reconstruction Committee of the cabinet was formed with the members of the executive council as members. The committee had a secretariat with a panel of experts. In 1944, a Planning and Development department was set up with a planning and Development Board to assist it, with the Department of Central Government provinces and Indian States preparing detailed plans.

A second report on Reconstruction Planning was published in 1945 by the Reconstruction Committee. Some of its major aims were as follows (1) removal of 'the existing glaring anomaly of immense wealth side by side with object poverty' (2) Recognising the need for large scale industry and state ownership of those enterprises for which private capital may not be forthcoming. (3) Balanced regional development. (4) Building up of an infrastructure in matters of rural development and encouraging popular participation through co-operative societies etc. Hanson says the fundamental objectives of the independent India's plans were 'foreshadowed in this remarkable documentary products of the latter days of British rule.'[6]

Yet another attempt was the Bombay plan, issued early in 1944 by prominent industrialists like J.D.Tata, D.G.Birla, Sir Shri Ram and others. Like Sir M.Visvesvarayya's remarkable plan document of 1934, it emphasised industrialisation. It talked of production of power and capital goods and a fuller use of cottage industry in the production of consumer goods. The Peoples' Plan of M.N.Roy was essentially socialistic in nature and suggested the expansion of public sector at the expense of the private.

Even though all these plans were inadequate in some or other aspect, they had many valuable ideas to offer and served as a kind of base, when independent India ventured into the planning process. Prof.A.K.Dass Gupta very aptly summarises the long term significance of these plans.[7] "Structurally the first five year plan may be said to be an offspring of the Bombay Plan. The formulation of a growth target, the application of the concept of investment by 'created money', which is another name for 'deficit financing, all these are apparently derived from the Bombay Plan. If, however, the structure is based on Bombay Plan, its inspiration is derived from the National Planning Committee and its contents largely from the official reconstruction programmes. The later emphasis on socialism may perhaps be treated to the framework of the peoples' plan."

Organisation and Structure of the Planning Commission

In India, as in other democratic countries, the planning body has an advisory role to play and under the conditions, the power rests with the union as well as the state governments. Economic and social planning is a concurrent subject[8].

However, planning in India, unlike the advanced democracies covers the entire economic field, As the independent India aspired to evolve a new pattern of society and bring abut radical changes in its attitude only a comprehensive planning could bring about large scale economic and social transformation. At the same time it is not as comprehensive as in the communist countries. In India, people participate in the planning process through their representatives and they have to pass it before it becomes binding. Nehru had catagorically stated in his speech at the inauguration of the first meeting of NDC on 6th May, 1955, as also on many other occasions that public involvement is necessary for their co-operation. He held that it would be easier to tackle many difficulty questions with public participation, nothing can be achieved if 'we feel superior and talk to them as government, officers'. Thus India developed a system of its own, which was in Nehru's words, a 'unique experiment' striking a balance between the two.

Although India became independent in 1947, it was too pre-occupied with immediate political problems that long range economic plans were not given any attention. It was not until 1950, that a full fledged

Planning commission was established. The resolution[9] stated "The need for comprehensive planning based on careful appraisal of resources and on an objective analysis of all the relevant economic factors has become imperative. The purposes can best be achieved through an organisation free from the burden of the day to day administration, but in constant touch with the Government at the higher level."

The commission set up under the chairmanship of the Prime Minister, to meet these needs had the Directive Principles of State policy as its guidelines. More specifically, these were (1) the adequate means of livelihood (2) Distribution of the material wealth in such a way as to subserve the best interest of the common good and (3) operations of the economic system in such a way that concentration of economic wealth does not result in common detriment. Also it was instructed to be mindful of the "declared objective of the Government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production, and offering opportunities to all for employment in the services of the community."[10]

Role and Composition of the Planning Commission

The commissions' role was as follows :

1. To make an assessment of the material, capital and human resources of the country...and investigating the possibilities of augmenting such of these resources as are found to be deficient in relation to the Nation's requirements.

2. Formulate a plan for the most effective and balanced utilisation of the country's resources.

3. On a determination of priorities the stages in which the plan should be carried out and propose the allocation of resources for the completion of each stage.

4. Indicate the factors which are tending to retard economic development, and determine the conditions which in view of the current social and political situation should be established for the successful execution of the plan.

5. Determine the nature of the machinery which will be necessary for securing the successful implementation of each stage of the plan in all its aspects.

6. Appraise from time to time the progress achieved

in the execution of each stage of the plan and recommend the adjustments of policy and measures that such appraisal may show to be necessary and,

7. Make such interim of ancillary recommendations as appear to it to be appropriate either for facilitating the discharge of the duties assigned to it; or on a consideration of the prevailing economic conditions, current policies, measures & development programs, or on an examination of such specific problems as may be referred to it for advice by Central or state governments.[11]

The resolution made the advisory role of the planning commission quite clear and stated that 'The planning commission will make recommendations to the cabinet. In framing its recommendations, the planning commission will act in close understanding and consultation with the ministries of the Central government and the governments of the States. The responsibilities for taking and implementing decisions will rest with the Central and State governments.' Apart from the duties already mentioned, the resolution also describes the continuous studies that the planning commission has to undertake for effieiently carrying out the functions. It is expected to make a continuous review of its policies and planning techniques, appraisal of progress and evaluation and research of the results achieved.

The Prime Minister is the chairman of the commission - But over the years the character and strength of its membership has changed. Initially Nehru was the only ministerial member. But by 1962, the commission contained as many as 5 ministerial members. Nehru, G.L.Nanda (Planning) Morarji Desai (finance) Krishna Menon (Defence) and T.T.Krishnamachari (Minister of Economic co ordination) Non-Ministerial membership also increased. The organisational chart of the administeration given at the end of this chapter shows the division of work at the administrative level.

The commission meets atleast twice in a week and if there is more work then it even meets daily. The minister members' attendance is irregular and that of the prime minister confined to meetings where important decisions are to be taken. Apart from this meeting of the commission, the Deputy Chairman meets the Divisional heads regularly.

Within the ministries themselves, there are planning 'cells' which work in close association with the corresponding divisions of the commission. To facilitate interchange of views, ministerial representatives and members of the commission attend each other's meetings.

The relations between the Planning Commission and the states is maintained by (1) the program advisers (2) the program administration division and (3) the National Development Council.

The Estimates Committee[12] describes the function of the program advisers as follows (1) preparation of five year plans (2) preparation of the annual plans (3) provision of adjustments in the plan (4) watching the progress of the plan and (5) attending to the problems of implementation which they come across during their visits to the states.

The program administration division as more technical and works under the program advisers and its major responsibility is to see to it that state's programs conform with overall plan outlays.

Criticisms against the functioning of the Planning Commission

The Planning Commission has over the years ~~has~~ taken up functions which were not specified to it originally. For example, the planning commission has been criticised for its representation on such bodies like the Industrial licensing committee, Foreign Agreements committee, etc. It has been pointed out that, other than it's main function of making plans, the planning commission has taken up too varied kinds of responsibilities. Accordingly, the Planning Commission is expected to assess the performance of these agencies on the basis of reports sent in by them and give necessary advice, without actually participating in activities of the agencies.

Another criticism has been that the planning commission has grown too big reducing other government bodies to mere agencies. Prof. D.R.Godgil pointed out that "The relations of the Planning Commission with ministries and states should be that of an expert body engaged in bringing out the implications of total policy in relation to the activities particular organisations or authorities rather than an authority engaged in bargaining with, or bullying, or being bullied by another government organisations."[13]

The ministerial membership of the planning commission was criticised by the estimates committee,[14] of the Lok Sabha (1957-58) as follows. The committee considered both the views, but recommended the view that the Planning Commission should be body of experts, both in the technical and administrative fields, who would make an independent survey of problems and formulate plans, without being influenced by day to day expedients. The commission would, of course, have to work in close co-ordination with Central Ministries and State governments, but would give independent advice. This would also require that the independence should be vouchsafed to it, both by its composition and the procedure of its functioning. According to this view, the purely advisory character of the Commission is lost, if cabinet ministers, including the P.M., are members of the Commission. A decision to which they are party, taken in the planning commission and transmitted to the Ministries, to be considered by them or in the cabinet is, it is pointed out, more than advice and is very nearly a final decision. Further it is claimed that under this arrangement the very basis for the Constitution of a separate Planning Commission, as 'an organisation free from the burden of the day to day administration but in constant touch with the government at the highest policy level' is affected.' The committee while underlining the invaluable guidance and assistance provided by the P.M. to the planning commission, felt that it was not necessary for the finance minister to be a member of the commission, and the existing practice of the representatives of the commission and the concerned minister attending each other's meetings was sufficient. 'The committee felt that "the time has come when a review of the entire position regarding the formal association of cabinet ministers of the Central government with the planning Commission should be made."

The planning commission after careful consideration of the proposal replied that it was not useful in practice to have the planning commission as a completely detached body. It felt that "if the planning commission is out of touch with the government," for want of close association, With the thinking on the broader issues of policy, it may make for ineffectiveness in planning.'[15]

Gadgil held that the composition of the planning commission has 'resulted in pushing the aspect of technical expertise and objective examination into the background.' He is of the view that the planning commission has come to act on the level of political practicability. He further held that the commission had 'failed' and that the root of its failure 'lay' in the process by which the Planning Commission essentially only an 'advisory body' had 'come to mix' itself with the actual process of the formulation of public policies even in matters other than that of development."[16]

Gadgil suggested that the Planning Commission should not have any executive functions and 'should not be mixed up with the essentially political process of final policy making.' He further suggested that the Prime Minister and the finance minister should cease to be members and the planning minister should be the only continuing member of the cabinet. However, this is not a universal view, and V.T.Krishnamachari' believes that the membership of the Prime Minister and finance minister facilitates 'continuous contact between the cabinet and the commission on important matters of policy and smooth working with the ministries.[17]

The Gadgil Formula

Eventhough the period of planning that is being discussed corresponds to the fifth and the sixth five year plan period, it is however, necessary to make a beginning from the year 68-69. It is significant in many ways. Firstly, after the first three five year plans, there was, what is called the 'plan holiday'. We had three annual plans during this period. The very teerm plan holiday has been objected by people like Gadgil, because not only were the development outlays planned but also activities in relation to planned development went on as before, only size and composition of plan outlays were kept small.[13]

Secondly, Prof. D.R.Gadgil who was the Vice-Chairman, of the planning commission had suggested certain changes in the functions of the planning commission. It is thus important to look into some of his suggestions before looking into the fifth and the sixth plan for the following chapters are discussed in the light of his suggestions.

The late sixties witnessed significant political changes which made it necessary to treat the 'Gadgil Formula' with all the seriousness that was due to it.

In the initial periods the political situation greatly facilitated a centralised planning effort. There was one single dominant party and Nehru was the sculptor of the planning process. Thus, the states didn't have any difficulty in following the centre's directives. Uniform efforts in planned development all over the country was inevitable. But as the plan started rolling, it became more and more necessary to plan in detail and give attention to local needs and circumstances. The general feeling was that planning did not take into account the specific circumstances and requirements of particular states and it was time to introduce 'planning from the bottom'. But because a finalised plan has to be made ready at the beginning of the 5 year period, standardised schemes were put in the already existing frame.

Gadgil suggested that the Centre should make an overall plan which would form the basis. The States are allotted their share of financial assistance and plan expenditure in subjects within the purview of states should be left to the discretion of the states. This would make them take greater active, interest in detailed planning. The states would find it necessary to make plans in greater detail with a particular reference to their own circumstances and situations, but all within the larger frame of the national plan. Thus, with the national priorities remaining uniform, the specific objectives of planning at each level can be defined specifically.

Accordingly to Prof. Gadgil, "The natural corollary of beginning to plan from the bottom is to recognize that planning is not something that comes from outside or above, but what each state, district, locality and community does to develop its own resources and potentialities.

This emphasises a wide diffusion of initiative, decision-making and participation, it also implies a parallel shouldering of responsibilities."[19]

Prof. Gadgil further suggested that however carefully and effectively a Five Year Plan may be drafted, the unforeseen events and fluctuations in the politico-economic situation have to be taken into account. The experiences of the past have made it necessary that we make elaborate annual plans within the broader framework of the 5 year plan. While the main function of the Annual Plan would be to maintain development along the lines indicated in the Five Year Plan, it would also take into consideration, the change in emphasis or adjustments in the size of the outlay according to the prevailing economic situation and so on. The functioning of the state plans can also be effectively monitored on yearly basis.

Another change that would be related to these, therefore, would be that, full working out of all programs is not to be insisted on at the beginning itself. Every program must be worked out in full relevant detail just before its execution. At the formulation stage, i.e. program needs only that much detail to justify its place in the plan. This assures a greater flexibility to planning and a regular collection of information.

Prof. Gadgil had suggested a whole range of changes, in the centre-state financial relations. The Gadgil Formula relates to the allocation of Central plan Assistance among the states. The formula first applied during the fourth plan, is still in use, with some changes. It is also known as the National Development Council (NDC) Formula. The Gadgil Formula is again referred to in the later chapter.

The Fifth Five Year Plan*

The formulation of the Fifth Five year plan coincided with serious economic challenges in the international and consequently in the national scene. There was a sharp increase in the prices of food, fertilisers and oil which seriously upset the assumption on which the Draft Fifth Plan had been framed.

There had been a sharp increase in the prices and shortages of essential consumer goods since 1972.

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* Note : For discussing the fifth and the sixth plan, different plan documents brought out by the planning commission during this period have been used. The general footnote is given, because it has not been possible to provide separate footnotes.

The index of wholesale prices increased by 10% in 1972-73 and further advanced by 22.6 per cent, in 1973-74. Prices of food articles and industrial raw materials played a main part in raising the wholesale price index and they alone accounted for two third of the rise in the general index.[20] Apart from the stagnation in industrial production, other factors like sharp rise in the prices of imported raw materials such as steel, non-ferrous metals and chemicals and rise in oil products all contributed to the increase in prices. A continued expansion in the money supply, which increased by 14.2 percent in 1973-74 further aggravated the price situation. The overall rate of growth of economy was unsatisfactory, which after a modest increase by 1.7 per cent in 1971-72 registered an absolute decline by 1.7 per cent in 1972-73.

Inevitably, the magnitudes of plan, both financial and physical, as well as the balance of payment position got distorted. Escalation in costs, higher outlays on public consumption and non-development expenditure led to erosion of resources for the plan. with such fluidity the finalisation of the plan could not but be deferred. In the light of emerging circumstances plan outlays had to be rephased. Measures had to be devised urgently to contain inflation and the Annual

Plan 1974-75 was designed mainly to control inflation and increase production particularly in the key sectors. Food and energy became the most important sectors for investment planning. The Fifth Plan, however was finalised only in 1976, even though works had already begun on most of the schemes included in the plan.

In the middle of 1974-75 an anti-inflationary program was formulated. The new economic program that was launched, served to focus attention on those elements in the plan which had the twin objectives of increasing production and promoting social justice.[21] It may be mentioned here, that India was placed under national emergency during this period and there was ~~was~~ a strict drive against economic offences and a general atmosphere of discipline and efficiency was witnessed during this time.

During the year, 1974-75, a comprehensive strategy was evolved and a package of measures - fiscal, monetary and administrative - was introduced. It included, mobilisation of additional resources - by both the centre and the states - allocation of funds to high priority projects and restraint on growth of money supply. Disposable incomes were regulated through impounding of certain additional income, imposition of restrictions on dividends and compulsory savings by tax payers in the higher brackets[22]. The money supply which increased by 15.4% in the year 1973-74, declined considerably and registered an increase of 6.9 per cent in 1974-75.

The index of wholesale prices which stood at 22.6 per cent in 1973-74, declined by 7.1 percent in 1974-75. Inflation was contained considerably in the year 1974-75. Agricultural production inspite of the priority given, declined by 3.1 per cent, whereas industrial production grew at 2.5 per cent.

Having achieved a certain measure of price stability, Agriculture, Irrigation, power, coal, oil and fertilizers continued to receive priority. An excellent harvest resulted in agriculture production going up by 10%. Industrial out put went up by 5.7 percent with the national incomes registering a 6.5 percent increase. The whole sale price index fell by 8 percent between March 1975 to March 1976. The year 1975-76 closed with an overall budgetary surplus of over Rs.200 crores against an estimated Rs.490 crores deficit.

The outlay for the plan period kept the plan priorities of the Draft Fifth Plan unchanged. Provisions were made for new starts, including those that have long gestation period. The demand pattern for 1981-82 and in some cases 1983-84 was kept in mind. The outlays for on-going projects were determined on the basis of present and future demands, past performance, completion of schedules and escalation in costs. Attempts were also made to ensure adequate return from the investments. A substantial step-up in the outlays for the later two years over the first three years was evident.

Table I

Fifth Five year Plan Outlay 1974-79

Sectors	Draft fifth plan	Revised fifth plan 1974-1977	1977-79	total
1. Agriculture	4935.00	2130.19	2513.40	4643.59
2. Irrigation & flood control	2681.00	1651.50	1788.68	3440.18
3. Power	2190.00	3513.05	3780.35	7293.90
4. Industry U Mining	9029.00	5205.35	4995.25	10200.60
5. Transport & communication	7115.00	3552.67	3328.76	6881.43
6. Education	1726.00	587.77	696.52	1284.29
7. Social & Community services	5074.00	2322.42	2444.35	4766.77
8. Hill & tribal areas & NEC schemes	500.00	177.50	272.50	450.00
9. Sectoral distribution not yet reported	-	260.44	66.29	326.73
	37250.00	19400.89	19886.60	39287.49*

Source : Fifth plan P-62.

* Does not include an amount of Rs.16 crores for which a sectoral breakup not worked out.

The constraints of the international economy, the desired patterns of consumption expenditures and the natural resources determine the leading sectors of the economy. In addition, the export opportunities and the required levels of investment and public consumption determine the details of the desired structure of output. The growth of gross output in the agricultural sector was estimated at 3.94 percent in the Fifth Plan period. The mining sector's gross output was targetted to expand at 12.53 percent per annum and in the manufacturing sector a growth rate of 6.92 percent was expected. The growth profile target was 4.37 percent for the Fifth Plan period.

The Fifth plan period was also significant in that, on Ist July 1975, the Prime Minister announced the famous 20 point economic program. The various constituents of the 20 Point Economic Program, especially those which require financial investment were identified. Priority was accorded to the implementation of the schemes falling under this program. The sectors which the program gave the emphasis were power, labour and employment, education which included apprenticeship training, book banks, etc., handloom industry, land reforms, minor irrigation, major and medium irrigation, co-operation, house sites for landless agricultural labour, etc. The Fifth plan started with the reaffirmation of solving (over a period of time) the problems of the poor of all communities, especially tribals, harijans backward communities and regions. The provision of fuller employment was thought to be one of the surest means of promoting greater social justice. The 20 point program envisaged that a dent can be made on rural unemployment by augmenting agricultural productivity and vigorously implementing land reforms.

The outlays of the centre, states and union territories were as follows :-

Rs. (crores)

	1975-76 anticipated	1976-77 approved	1977-79 anticipated	total
Centre	119.01	163.71	757.06	1039.78
States & U.Ts	1850.68	2173.97	5334.67	9359.32
Total	1969.69	2337.68	6091.73	10399.10

Source : (5th plan P.53).

Sixth Five Year Plan (1980-85)

A Draft sixth plan was formulated in 1978, but the final sixth plan commenced from 1980. It was not before the end of 1979, the Draft plan, which was revised got finalised. But the political situation in the country, further stalled the formulation of the final sixth plan, which was completed only by January 1981. Political leadership at the centre changed in 1980, and subsequently the planning commission, was reconstituted in April 1980. Under the chairmanship of Mrs. Gandhi, a final draft of the sixth five year plan was prepared for the period 1980-85. Thus eventhough the Fifth Five Year Plan ended in 1979, the Sixth Plan could not start before 1980, allowing for a gap of one year between the plans.

Eventhough the 'Actual Sixth Plan' did not reaffirm or was in line with the 'Draft Sixth Plan' the under-current of the planning effort has been more or less the same. This has been so since the beginning of the planning process in India. As Pandit Nehru, in his introduction to the Third Plan had mentioned 'Planning is a continuous movement towards desired goals.' However the change of government and the subsequent reconstitution of the Planning Commission did alter the looks of the plan to a certain extent.

The emphasis is naturally on the Sixth Plan but a glance at the Draft Plan is also needed, for it was for the first time in the Indian Planning history that both were formulated by two different governments.

The Draft Plan (1978) embodied the following objectives, to be achieved within a period of 10 years.

"1. The removal of unemployment and significant under employment.

2. An appreciable rise in the standard of living of the poorest sections of the population.

3. Provision by the state of the basic needs of the people in these income groups, like clean drinking water, elementary education adult literacy, rural roads, rural housing for the landless and minimum services for the urban slums. These primary objectives were to be attained while at the same time.

4. Achieving a higher rate of growth of the economy than in the past.

5. Moving towards a significant reduction in the present disparities of incomes and wealth.

6. Ensuring the country's continued progress towards self-reliance."[23]

A committee of the NDC was formed to consider the fiscal arrangements between the centre and the states "for the financing of the plan inter alia to review the Gadgil Formula and the scope of the centrally sponsored schemes.' The original draft envisaged a public sector outlay of Rs.69,380 crores, and the revised draft, in the light of the reassessment at 1978-79 prices put the figure at Rs.71,000 crores, as against that of Rs. 39,322 crores, in the fifth plan period. This represented a step-up of 80.6 percent in monetary terms. This revised draft plan was presented in December 1979 by its Deputy Chairman D.T.Lakdawala.

The reconstituted planning commission started on its final sixth plan draft with N.D.Tiwari as its Deputy Chairman. The Sixth Plan increased further the size of the Public sector outlay and fixed it at Rs. 97,500 crores at 1979-80 prices. The growth rate in the Sixth Plan was put at 5.2 percent. A substantial increase was provided in the Plan outlays for the special areas programmes, which was done keeping in mind the plan objective of reducing regional disparities. A significant aspect to be noted is that the share of states and Union territories in the plan was Rs. 50,250 crores, which was 51.54 percent of the total outlay.

The Sixth plan was launched at a time of acute inflation, and there was a continuing rise in the price of petroleum while the prices of other raw materials remained static, and it was faced with a plan gap and budget gap. The wholesale price index rose by 16 percent in 1979-80. Capacity utilisation in agriculture as well as major industries was poor, and the balance of trade showed adverse trends. It was in light of these considerations that the objectives of the Sixth Plan were formulated. The strategy consisted in moving simultaneously to strengthen the infrastructure for both agriculture and industry to create conditions for an accelerated growth in investments, output & exports, and to provide increased opportunities for employment especially in the rural areas and the unorganised sector.

Briefly the objectives of the Sixth Plan were as follows :

"1. a significant step up in the rate of growth of the economy, the promotion of efficiency in the use of resources and improved productivity.

2. strengthening the impulses of modernisation for the achievement of economic and technological self-reliance.

3. a progressive reduction in the incidence of poverty and unemployment.

4. a speedy development of indigenous sources of energy, with proper emphasis on conservation and efficiency in energy use.

5. Improving the quality of life of the people in general with special reference to the economically & socially handicapped population through a minimum needs program whose coverage is so designed as to ensure that all parts of the country attain within a prescribed period nationally accepted standards.

6. Strengthening the redistributive bias of public policies & services in favour of the poor contributing to a reduction in inequalities of income and wealth.

7. a progressive reduction in regional inequalities in the pace of development and in the diffusion of technological benefits.

8. Promoting policies for controlling the growth of population through voluntary acceptance of the small family norm.

9. Bringing about harmony between the short and long-term- goals of development by promoting the protection & improvement of ecological & environmental assets; and

10. promoting the active involvement of all sections of the people in the process of development through appropriate education communication and institutional strategies.[24]

The Sixth plan, earmarked Rs. 5,695 crores for agriculture and aimed at an annual average increase of 3.9 percent in the gross value added in agriculture and over 5 percent in agricultural production. It was to be ensured that the gains of technology and publicity supported programs accrue increasingly to the small and marginal farmers. Keeping in view the perspective of the coming fifteen or twenty years, it was proposed to organise a National Water Development Corporation for the preparation of detailed blue prints for inter-basin transfers of water.

Even though, the Governments' policy of emphasis on public sector investments had stood the test of time, it was now realised that rapid increase in industrial production and exports as visualised in the Sixth plan called for a greater emphasis in the direction of 'competitive ability, reduced cost and greater mobility and flexibility in the development of investible resources available in the private sector in accordance with broad national priorities.' "In order to secure these, it would be necessary, apart from general fiscal and monetary measures to use the instruments of licensing policy and policies governing the regulation of capital markets."[25]

The public sector outlay is shown in Table 1.

The total financial resources available with the Centre was Rs. 64,250 crores and with the States Rs. 33,250 crores. The Sixth plan outlay for the Centre including the Union Territories was fixed at Rs. 48,900 crores after transferring Rs. 15,350 crores to the States as Central Assistance. The outlay was as follows :

		Rs. (in cores) for 1980-85
Centre		47250.00
U.T.		1650.00
States		48600.00
	Total	97500.00

Of the Rs. 15,350 crores allotted to the states, Rs. 2,805 crores was allotted as follows :

	Rs. (crores)
Hill areas	560
Tribal areas	470
North-eastern council	325
Externally aided projects	1450
	2805

of the remaining balance Rs. 3245 crores were allocated to 8 special category states viz. Assam, H.P., J & K, Manipur, Meghalaya, Nagaland, Sikkim and Tripura and Rs. 9,300 crores distributed among the 14 non-special category states as under modified Gadgil Formula.[26] Rs. 7700. Cr.

I/TP.......... Rs. 1600 Cr

An important objective of the Plan was to bring about a progressive reduction in ~~gg~~ regional inequalities in the pace of development and in the diffusion of technological benefits. The need was felt for tailoring the Central policies with respect to resource transfers to the benefit of backward regions. The IATP formula introduced in 1979 and the doubling of the segment for backward states in Gadgil Formula for allocation of

Central assistance for state plans illustrate the effort made to modify the distribution of resources in favour of the backward states.

The sixth plan underlined the need for strengthening the state Planning Machinery and effective co-ordination of the state planning agencies with the planning commission. During the Sixth Plan, planning at the block level was to be strengthened and programs made area specific at the grass root level based on local endowments.

Apart from decentralising the administrative machinery, the emphasis was on involving people's participation at every stage of planning and implementation. Panchayati Raj institution were proposed to be strengthened as institution of democratic management

Nehru at the time of the First Five Year Plan had talked of taking the plan to the people. He had talked of the 'Peoples' plan', whereby he suggested that the public should be asked to join 'in the ideas' of the planners. At the time of the Fifth Plan, Mrs. Gandhi put forth similar idea and declared that the participation of the masses in the implementation of plan programmes vital. The present Prime Minister Mr. Rajiv Gandhi too has subscribed to the idea and has called for serious measures to decentralise the planning process. However, Nehru did not visualise the kind of decentralised planning, Mr. Rajiv Gandhi's regime and Mrs. Indira Gandhi's 'Peoples' Plan' involved Peoples' participation at the implementation level such as construction of rural roads, minor irrigation works, farm forestry and the like.

Table - 11

Public Sector Outlay according to Plan Heads

	1980-81	1981-82	1982-83	1983-84 outlay	1980-85 plan at 1979-80 prices
1. Agriculture	981.54	1129.43	1243.79	1397.73	5695.07
2. Rural Dev.	1040.19	1100.85	1234.41	1273.73	5363.73
3. Special Area Program	206.41	258.47	320.64	362.50	1480.00
4. Irrigation & Flood control	1777.30	1948.44	2144.01	2464.06	12160.03
5. Energy	3828.01	5064.86	6737.00	8323.36	26535.44
6. Industry & Minerals	2194.45	2777.93	3021.51	3492.51	15017.57
7. Transport	2162.96	2583.12	2727.96	3083.57	12411.97
8. Communications	356.75	576.13	607.87	704.49	3134.26
9. Science & Technology	97.40	148.26	215.89	238.71	865.20
10. Social Services	2074.65	2487.15	2953.21	3682.10	14035.26
11. Others	112.78	136.21	145.36	202.56	801.47
12. Special incentives				300.00	
Total	14832.44	18210.85	21356.65	25480.32	97500.00
Central assistance against Natural calamities	191.00	162.00	372.00		

Source : (6th five year plan, mid term appraisal)

Chart

Planning Commission

Internal Organisation

Secretary

Additional Secretary

Joint Secretaries	Advisers
Groups	Program Advisers

Co-ordination	irrigation & power	Agriculture	National resources	Industry	Liaison between the P.C. and the states

Divisions

General	Subject	House Keeping
Across the board matter like perspective planning statistics & surveys plan co-ordination information & publicity scientific research etc.	sectors like health irrigation & power, education housing social welfare.	smooth & efficient functioning of the commission itself.

CHAPTER - IV

THE CENTRALISING TENDENCIES IN INDIAN PLANNING

The kind of development task that a centralised regime undertakes can be quite different from the one that is undertaken by a decentralised regime. Consequently, a shift from existing centralised planning to a meaningful decentralisation would mean a basic structural change. According to Amritananda Das, there is a 'confusion in the minds of most Indian proponents of decentralisation in development planning" which arises from the fact that "they are seeking to achieve the benefits of decentralisation without giving up centralist philosophies of development planning."[1]

According to Das, the decentralisation concept has both positive and negative dimensions to it. The positive dimension is that there is greater adaptability to varying local conditions and the negative aspect of decentralization is that there is a great degree of variation in the behaviour of local units whereas the centre is naturally interested in the uniform administration of a single behaviour-pattern.

The government had accepted during the fourth plan, the Gadgil formula in principle. Decentralisation was proposed to be incorporated into the federal structure

However, the idea did not appear to be feasible to all, as for example the views expressed in the seminar conducted by the Kerala State government. It was agreed that central planning and federalism are not compatible. For example, Jacob Eapen had put forth this view that the Planning Commission formulated uniform policies and pressed them on the states. He cited the example of land tenure which has been developed in each state according to its historical associations. The planning commission defeated the very purpose of federalism which calls for state autonomy at such times, by thrusting a uniform policy of land reform.[2]

In the light of the above, this chapter tries to examine the relationship of the Planning Commission with the states. The examination is done from two angles. The participation of the states in the macro level planning or the national plan at large and the role of the planning commission in the state plans.

States Participation in the Planning Process. The constitutional provision

India has opted for a federal form of government, and one of the main objectives in a federal constitution is the co-existence of 'National Sovereignty' and the 'sovereignty' of the states. Art. 1(1) of our Constitution says - "India, that is Bharat, shall be a union of states."[3] Eventhough our constitution was so designed as to be federal in structure, the superiority of the Union over the states was made clear at the very outset. Our federation is not the result of an agreement by the Units and therefore, the Units don't have the right to secede from the Union. Similarly the Parliament of the Union can alter the boundaries of the States without their consent. (Art 4 (2)). So is the residuary power which rests with the Union. (Art. 248).

Schedule VII of the Constitution enumerates subjects of legislation under three lists, the Union list, the State list and the concurrent list add in the concurrent sphere in case of repugnancy between a Union and a state law relating to the same subject then the Union law prevails. Social and Economic Planning falls under the concurrent list. Most of the subjects that need planning, however, are either under the union list or under the state list. The Union list includes - large industry, railways, civil aviation, national highways shipping, communications, banking insurance, foreign loans and foreign trade. Subjects under state list are : agriculture, forests, fisheries, irrigation, roads and road transport, minor ports, medium and small industry and social services like education and health.[4] Similarly the sources of revenue have also been divided between the Union and the States, which has been dealt with in Chapter IV.

The nation is more than just the Union. The national plan, in fact, cannot be formulated in isolation from the states and the planning endeavour has to encompass the states and the centre. The centre has to consult the states in formulating the plans, for it is not only that the states are aware of the local needs and conditions but also that they look into the administration of the policies at the micro level. Secondly the pattern of political power changed in the states, which demanded a greater decentralisation of planning. "In certain southern states, there began to evolve an organised opinion in favour of decentralised planning and development in line with demand for greater state autonomy."[5]

The National Development Council

The Planning Commission is engaged in the process of plan formulation and its work is of a continuous nature. The need for a forum was felt as early as 1952. Where the Chief Ministers of the States could review the various aspects of the plan and its working. This forum was to meet periodically for this purpose. The National Development Council was established by a Cabinet resolution dated 6th August 1952[6] which defined its functions as follows :-

"1. to review the working of the National Plan from time to time;

2. to consider important questions of social and economic policy affecting national development; and

3. to recommend measures for the achievement of the aims and targets set out in the National plan, including measures to secure the active participation and co-operation of the people, improve the efficiency of the administrative services; ensure the fullest development of the less advanced regions and sections of the community and through sacrifices borne equally by all citizens, build up resources for national development."[7]

The States' participation in the planning process is ensured through the Council. How does the NDC function? Briefly, the Council is consulted by the States both at the initial stages as well as later in detailed formulation of the plan, First, the Planning Commission places before the Council the <u>Memorandum</u>[8] of the five year plan which consists of a tentative framework integrating the programs of various sectors which inturn is arrived at after taking into consideration the recommendations of the different working groups. This memorandum is either accompanied by or preceded by a paper which points to the main issues that the Council may discuss, After the discussions a 'Draft outline' is prepared by the Planning Commission and put before the Council for yet another discussion. A final draft is prepared incorporating the suggestions made by the Council, and again after the Council discusses it, it becomes operative after the Parliament adopts it.[9]

This was how the council was designed to function, and the role of the states was to discuss the plan at different levels and give suggestions. But even this limited role of the states in national plan formulation was not performed as had been designed. The council, to begin with does not have a systematic and streamlined conferencing procedures. The Council meets for only a day or two, for the chief ministers are busymen. The Chief ministers do not have enough time to go in to details and even the memorandum which forms the base for building up the plan doesn't get adequately discussed. The perspective plan document, on the basis of which the memorandum is prepared, is not even taken up in the council. The discussions at various levels by the council is done more by way of fulfilling the formalities, for usually, even the memorandum presented by the Commission before the NDC does not consist of the alternatives, but the approach of the commission itself after it had considered the various available alternatives and the counsil merely passes it.[10]

The ARC committee[11] pointed out the ways of functioning, mentioned above, of the NDC and had suggested that "all basic questions of planning policy, particularly those pertaining to goals and objectives, alternative frameworks, strategy and crucial sectors should be placed squarely before the NDC in time and debated there," and that "the council should be assisted by a standing advisory committee consisting of official advisers from each state, the central ministries concerned and the Planning Commission. This committee would first discuss the matters going upto the NDC and place its conclusions along with the memoranda of the planning commission before the council.

Prof. Gadgil, exponent of decentralisation of planning, had the following to say about the responsibility of centre and states. "The centre builds up and maintains the overall instrumentalities of national economic life. The states are concerned on the other hand, with acting on the total life of all the people, in their charge and on all the diffused, dispersed small scale units and activities. The centre is concerned with the most generalised features of the national frame and with highly concentrated action at a few strategic points; the states must affect all areas and localities, all the relevant fields and all units."[12]

John Lewis was also of a similar opinion as of Prof. Gadgil. According to him, "Comprehensive economic planning in India must be centralised for the sake of cohesiveness. Yet comprehensive economic planning in India must be decentralised for the sake of broadening the opportunities for creative developmental decision-making, of exploiting the special insights and experience of those closest to local and specific industry problems and, of ~~the~~ protecting the central planners from being overburdened and the channels of communication and command from being over-loaded."[13]

Prof. Gadgils' view, along with the Administrative Reforms commission's report had been instrumental in decentralising the planning procedure in India. In 1968, the Planning Commission made a number of suggestions for improving the status of state planning. The Commission had categorically stated that in future, it would like the states to exercise considerable initiative in working out their proposals. It further pointed out, that with the introduction of the system of block grants of Central assistance it would not be necessary for the states to go in for standardised schemes, and they would be largely free to choose their own schemes and programs.[14]

As a result of the Planning Commission's instructions to strengthen the state planning machinery, all the states had by the 5th Plan, set up a specialised planning machinery which was in most of the states known as the state planning Board.[15] This was in addition to the already existing planning department in the secretariat.

The nature and scope of the state plans are determined to a very large extent by the centre. The centre has got a very powerful weapon in its hand, the finance, and the states have to follow the time of the Centre, whether willingly or unwillingly. The scope of state level planning, as it is, is of a very limited nature compared to the national plan. The ARC pointed out that 90% of the States' outlay was distributed under three heads viz.

1. Agriculture and community development.
2. Irrigation and power and
3. Social services.

The states accept the central programs because they carry subsidy, even thought they may not be relevant to it. The study team observed that "There is thus, consciously or unconsciously, a tendency on the part of the states to follow the national pattern of priorities and central direction with consequential neglect of their own specific growth capacity and requirements. This may not be in the interest either of the country as a whole or of the particular state or states.[16]

The chief limitation is, the dependence of the state for financial assistance from the centre, even to put through its own plan. This implies that the size of the state plan itself and the pattern of allocation are determined by the centre.[17]

The study team of the ARC had felt that "the basic reason for absence of temporary spatial and inter-sectoral phasing of state plans is the absence of adequate planning machinery at the state and lower levels. In the absence of such a planning agency, the work of project and program planning could not be taken up in a scientific manner and on a continuous and scientific basis and planning had largely to be confined to financial planning with very little attention paid to the actual results from plan investments."[18] A very extensive and informative study conducted by N.Somasekara reveals that, Planning Boards have characteristics which are 'far different from those envisaged by the ARC." According to him, planning still counts to be "a mere financial or budgetary exercise with one difference, namely, the existence of an expert, advisory agency at the state level."[19] His study further revealed that even in states where the planning Boards formulated plans, their responsibility ended with the presentation of the plan document to the State government, whether they accepted it or rejected it was of no concern to it. Along with the Boards, the Secretariat Departments also formulated proposals and the latter usually carried weight. This involved 'waste of manpower, talent, time and resources' and further more, 'the planning Board personnel could not represent the state during the discussions between the state and the Union Planning Commission.[20]

Role of Planning Commission in the State Plans

Planning and allocation of resources by the centre to the states is done under two classifications. Either they are sectoral or territorial. But the territorial aspect has been given a secondary position with the sectoral allocations determining the former. The national plan is concerned more with striking a balance between the needs of different sectors and tackles the problem of the planned development of the regions as a negative one of removing imbalances, "Some of which atleast were, in fact, being created as a result of plan strategies themselves."[21] Invariably every plan has as its objective the removal of regional imbalance. But the regions again are looked at in isolation from the state in which it is constituted. This is an indication of how the planners at the top treat the States insignificantly in their planning processes. The states role in tackling the development problem of its own region has not been recognised. "...the illogicality of 'considering backward areas within a well endowed state with a large state plan on the same basis as similar backward areas in backward states with poor resources was never fully appreciated."[22]

The pattern of allocation of central fund to the States 'explains this point of view. The amount of assistance for a state which is determined for the plan as a whole is divided between various sectors and schemes of the centre.[23]

Technically speaking, the formulation of a state plan is the job of the state concerned. But this exercise is carried out with two types of central discipline. Firstly, the plan should conform to the ceiling of state and central resources settled in consultations with the Centre. Secondly, the plan should be compatible in its targets, priorities schemes, etc. with that of the national plan. The result of these two conditions is that the states accept what the centre determines because firstly, as the ARC pointed out, the legitimacy of the centre's role has come "not through legislation but through financial inducement". Secondly, since planning has to meet national needs it has to subscribe to national priorities and the centre has the final word in determining the national priorities.

The centre's resource allocation is so designed that there is not much scope for the state's participation. Central assistance for State plans is mainly in the form of grants and loans. This consists of (1) assistance for centrally aided schemes; (2) loans for specific purposes; and (3) the miscellaneous development loans. This loan is the shortage in the total assistance assured after the sum total of the grants and loans. Restrictions are imposed on reappropriations so that the states adhere to priorities, but this has certainly fettered the operational flexibility of the States. Another form of Central assistance is for centrally sponsored schemes, which are executed by the States and the Central assistance is outside the State plan ceiling. The Administrative Reforms Committee had pointed out that the centrally sponsored schemes gave the central ministries an opportunity for 'direct involvement with state subjects' which had been wrongly used. The centrally aided schemes with a pattern of assistance for various schemes was to ensure a balanced development. What actually has happened is that the states merely put together the centrally aided schemes, for its plan, in the belief that this would assure increased central assistance. These schemes have thus curtailed the independent thinking and planning in the state level.

The centrally sponsored sector gives an edge to the central ministries over the states in subjects that are constitutionally the states.' It is seen that there is an increasing tendency on the part of the centre to increase the centrally sponsored scheme. In this process, the central ministries tend to acquire a measure of detailed control over them. As the ARC pointed out, it is 'to make such subjects concurrent or central by the fiscal back-doors.'[24]

This tendency became explicit even at the time of the 4th plan, when, the Planning Commission revised its working principles to include the following.[25]

1. Schemes of national importance which the states might not otherwise take-up.
2. Schemes likely to benefit a number of states.
3. Pilot projects for research and development.
4.

4. Schemes which require maintenance of high standards in training.
5. Schemes where central expertise and supervision are considered essential, and
6. New schemes taken up after a five year plan is finalised.

The above mentioned principles are not very clear and the vagueness about them was likely to include more centrally sponsored schemes than what appeared.

The centrally sponsored schemes were supposed to be correcting the regional imbalance. the figures[26] show that the more developed states are getting a larger share which is quite the opposite of what has been said.

During the 5th and 6th plan there were about 122 patterns of assistance, applicable to various schemes. This creates problems because, the Centre plans out a scheme and allocates resources. Actual implementation process is looked after by the states. More often schemes allotted to particular states are purely political decisions and do not take into account the economic aspect. This leads to not only disparities in regional development but also implementation problems. It has been suggested that the planning commission mark out certain schemes as national priority schemes which could be implemented in various states with full central financial support. For some other schemes, "which need emphasis, the Central government could offer grants and loans. For the rest, the state Governments should be given much greater freedom to establish their own priorities."[27] Without exceeding the ceiling, the states can attempt a reallocation of resources for heads of development, for which the P.C. might have indicated allocations. This flexibility is needed "to promote greater responsibility' among the states.[28]

Thus, as it is seen from the above discussion, planning process in India has been, to a very great extent, a centralised affair. The centre, its financial mechanism combined with the constitutional loopholes, has been in a position to command and dictate the course of the planning process both at the national level as well as at the level of the peripheries. As long as the same party ruled the centre and the states, the problems of centralised planning were not felt. Also, in the initial stages, the role of an active centre was much required for rapid development.

The scenario, that our country presents now, in political, economic and social spheres calls for a change in the attitude. The masses are getting socially more aware of their surroundings and living conditions and regional powers on the platform of regional issues have come to form government in the states. Moreover, the centre is content with formulating the plans and does not bother much about the implementation, which falls under the responsibilities of the states. Given these circumstances therefore, more state autonomy in the planning process is an immediate necessity. Ever since the fourth plan, concrete opinions, have been voiced regarding this issue, The Centre has, however, gone on with its way of functioning; which is evidenced mainly from its pattern of resources allocation.

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CHAPTER - V

CENTRE-STATE FINANCIAL RELATIONSHIP

Union-State Tax Shares

Under the constitution, the tax powers are included in the Union and the state list. These lists are both exhaustive and mutually exclusive. Sources of income for the states include land revenue, taxes on agricultural income, excise duties on alcoholic drinks and narcotic drugs, general sales tax and sales tax on motor spirits, entertainment taxes electricity, etc. On the other hand, the exclusive rights for raising the most elastic taxes such as general income-tax, corporate tax, excise duties, customs duties, etc. were conferred upon the union government. "while the centre has relatively expensive sources of revenue, the state governments are burdened into relatively expensive functions, not adequately matched by sources of revenue."[1]

The Union tax list may be classified into the following categories (1) taxes and duties which may accrue wholly to the union government, eg. customs duties, corporation taxes etc.

(2) Taxes that are levied and collected by the union, which may be shared between the union and the states eg. taxes on income other than agricultural income, excise duties, etc.

(3) Taxes that are levied and collected by the centre but which are assigned to the states eg-taxes on railway fares and freights etc.

(4) Taxes and duties levied by the centre, but collected and appropriated by the states concerned.

Transfer of resources from the centre to the states has been provided for in the constitution as follows : (1) through the levy by the centre, but the whole of the proceeds of certain taxes assigned to the states (Art 269) (2) through mandatory sharing of the proceeds of income-tax (Art 270) (3) through permissive participation in the proceeds of the union-excise duties (Art 272) (4) through statutory grants-in-aid of the revenues of the states (Art 275) (5) Through grants for any public purpose (Art 282). Apart from these provisions pertaining to assistance on revenue account the centre of-course has also the power to grant loans for any purpose to the state Governments under Art. 293.[2]

Apart from the control of elastic sources of revenue, the central government also has control over the resources generated through deficit financing, loans raised from the organised money market in India and huge funds of foreign aid. Using these resources the central government through the Planning Commission machinery, has been allocating funds to state governments outside the purview of the constitutionally created Finance Commission.

The Centre-State relations regarding the financial position was aptly described as follows.

"The evolution of public finance presents a picture of an inverted pyramid with a massive concentration of financial resources to lower levels. The result has been a disproportionately large absorption at the higher layers and corresponding paucity at the lower layers where in fact lie the largest areas of developmental activities."[4]

As has been frequently pointed out, the States are greatly dependent on central transfers is evident from the table - 1. The degree of dependence, however, is greater in case of the backward states. Such a high degree of dependence of the states on the centre could have brought about a balanced regional growth, which has been a declared objective of the Planning Commission more so from the fourth plan onwards, and the Finance Commission.

If we look at the aggregate budgetary flows[5] from the centre to the periphery, then the low income states benefit the least. Except Rajasthan, other low income states haven't gained much, and Bihar has remained the poorest of all, and it is significant to note here that the Group C states constitute about one-third of the country's population.

Funds from the centre flow to the constituents through three different agencies. Finance commission looks after the statutory transfer, ~~Public~~ Planning Commission deals with the plan transfer and the union ministries, in consultation with the ~~Public~~ Planning Commission are responsible for the discretionary transfers (Table-2). The plan transfers are discussed in a greater detail later in this chapter. The net budgetary transfers during the fifth and sixth plan, for all the non-special category states, does not show much variations (Table-III) Whereas, the net budgetary expenditure (See tabe IV) of the states show greater variations which indicates that the higher and middle income states have been able to mobilise resources on their own. The lower income States, on the other hand have to be content with a lower budgetary expenditure in the absence of any preferential treatment from the centre.

The unfavourable treatment to the low income group is evident, also, from their share in taxes and grants as is seen from Table V. The Group A States had a better share of the taxes in the initial periods, however, the relative position changed for better for the Group C. States during the later period. The importance attacked to grants has been quiet low.[6] The group D states, however have gained the maximum. In the sixth plan period, the amount of grants has been very negligible. In the fifth plan period, however, the group B and Group C states have gained something, eventhough the middle income groups are again better placed than the lower income groups. Except for Rajasthan, the other Group C states have received less grants than all of the group B states. It seems that, a definite criteria has not been followed in the allocation of grants - for eg. M.P. did not get any grant from the 5th and 6th commission.

Between taxes and grants, the states prefer to receive funds by way of tax shares, because, by sharing taxes they are able to partake in the boyancy of centre's tax revenues. Tax shares provide for inflation etc., whereas the grants are fixed in absolute terms much ahead of the time of their disbursements. Moreover, all tax shares are unconditional, some grants - both statutory and non-statutory - are conditional.

In order to bring about a balanced regional growth, it is necessary that less developed states must get more grants that are non-repayable form as compared to the more developed states which can invest a higher proportion of budgetary transfers in directly productive activities. In the case of states with lower levels of development, a larger proportion of their funds are invested in the development of infrastructure and other social heads. Since investments in these sectors are not immediately productive, their productivity is not immediately reflected in increased revenues.

The pattern of financial flows from the centre to the states has a high content of loans, eventhough the general direction in the inter-state flow of loan funds has been towards the developed states. This larger flow of funds by way of loans was not visualised in the constitution. The share of loans however has been on the decrease over the plan periods.

The fiscal transfer mechanism has clearly failed in India as may be seen from the regressive character of the budgetary expenditure of States (see Tabe IV). The budgetary financial flows failed to bring about inter-state equity inspite of the larger capacity of the Union Government in India to exert countervailing influence on the quantum and pattern of state's expenditure.

Plan Transfers

Plan transfers are effected through the planning commission and it is with plan transfers that this paper is more concerned with. Central assistance for financing state plans are massive. They amount to about one-third of the aggregate budgetary tranfers and about half of state plan outlays.[7] These transfers apart from their direct effect, also influence the amounts transferred through the Finance Commission. This is so, because the non-plan budgets of States which the Finance Commission now seek to balance are increasingly becoming dependent on the plan expenditure of the previous quinquennium.[8]

The dependence of the states on the centre has been necessary, given the weak economic position of the states.

The proportion of states' Plan outlays financed by union funds has varied considerably among states. This is evident from Table VII. Generally speaking, the less developed states are the ones that are more dependent. In the case of group D States, more than four fifth of their plans were financed by Central transfers. In case of Group B & C states, the share of the central finace has been about one half of their plan outlays. Except West Bengal, the Group A states have been less dependent. As noted earlier, the low dependence of the states has not been due to any substantial difference in the per capita plan funds received by them. It was more due to their larger 'own' resources.

The Planning Commission has been allocating large amount of plan funds to the special category states or the Group D states. But against the Group A or its high income states of Punjab and Haryana have also been excessively pampered by the Planning Commission For eg. Haryana got more per capita plan transfer than U.P. in the low income group, even though the latter has larger population (see table VIII).

A serious criticism against the Planning Commission is that it failed to ensure a progressive regional pattern in the plan outlays. The problem of regional disparity cannot be solved unless this is taken into account. As can be seen from Table IX the top income states also had higher plan outlays, than the Group B, Group C states, even though special category states had more plan outlays. This is, because,, the entire administrative responsibility of these states has been more or less executed by the centre, whereas, the former have their own resources. The Planning Commission as well as the other resource allocating agencies have failed to counter act the influence of the widely different resource bases of the states in allocating the plan and other central funds. The differences in resource base arise due to the existing disparities in the levels of development, especially industrial development which in turn are due to historical reasons, compounded by the failure of the earlier plans to correct them.

Criteria for Plan Transfers

Till the third plan, there was no fixed criteria for plan allocation which the Planning Commission followed. According to Gadgil, '... the Planning Commission had to advise on plan finance in an ad hoc way. The Commission had itself no firm criteria which it had developed and which it could put the states.[9] The ARC study group noted "all sorts of devices and subterfuges are devised by the states with a view to obtaining as large a quantum of central assistance as possible.[10]

Prior to the Fourth Plan, Central assistance was being allocated after taking into account the states plan outlays and the states' own resources. The States presented underestimated revenue resources to Finance Commission and overestimated to the Planning Commission.[11]

"After the Plan outlays and financial resources to be raised have been determined for the centre on the one hand and the states on the other, the gap filling between the states resources and their plan outlays is left to be met by assistance from the centre."[12] According to Hanson, "the extet to which the Planning Commission agrees to accept the States' own targets and to supplement the States' own resources depends on a process of haggling in which a great deal of cunning but very little science is displayed on both sides."[13]

There were no definite criteria for determining the grant - loan composition either. Richer states with larger revenue resources usually managed to have schemes with larger grant component than the poorer states. The grant component was that the developed states "would get 40 percent as grants, on the other hand, an underdeveloped state which had no resources could get only 12 percent as grants though the average was about 22 per cent."[14]

This pattern of assistance came to be replaced by the Gadgil Formula, during the 4th plan. States like J & K, Nagaland and Assam were given special consideration. The balance available in the divisible pool of Plan resources was to be distributed according to five criteria. (1) Population was the major criterion with 60% weightage. (2) Per capita state income, which had 10% weightage states below the all states average of percapita income were eligible for this claim, (3) 10% was to be distributed according to tax efforts in relation to per capita income. (4) 10% for special needs arising out of commitments on major continuing power and Irrigation projects (5) remaining 10% for special problems arising out of metro-politan areas, floods, chronically drought affected areas and tribal areas.[15] The NDC accepted it in 1968.

The pattern of grant-loan component was systematised. 70% of the transfers was to be given as loans and balance as grants. For the special category states, the proportion of grants was, however, 90%. The formula underwent certain minor changes in 1978-79, at the times of the Sixth plan formulation. The weightage given to special factors was reduced and was added to the weightage for per-capita income.

The formula reduced the uncertainity regarding the central plan transfers and thus the autonomy of the states increased considerably.

During the fifth plan, eight states managed to get equal or more than the all states' average sums. Of these, two belonged to Group A, four to Group B, and only two to Group C. During the Sixth plan, under the modified Gadgil formula with increased weightage to per-capita income. Only five states received alone average quantum of funds. Of these, only one belonged to the low income group. Group D states received maximum benefit out of the Gadgil formula.

Not all the plan funds were brought under the Gadgil Formula. For example of the Rs.7,900 crores of plan funds that were available for distribution among states during the last four years of sixth plan, it was decided by the NDC that only Rs.4,200 crore (53.2%) were to be brought under the Gadgil formula, of the remaining, 22.8 percent for hill areas and 7.6%. For special problems areas. Funds from IDA Credit (6.3%) also was not added to the divisible pool.[16]

The Gadgil formula treats the plan outlay as a residency factor. The states had greater autonomy under this formula, as the states were free to decide the size of their plans, depending on the volume of additional resource mobilised by them once the quantum of plan assistance was determined.

Schematic Transfer

Any study of the distribution of resources between the Centre and the state cannot be complete without a reference to the schematic transfers. Apart from the fact that they constitute a large proportion of the central funds, it is through these transfers that the Union Ministries are able to interfere more in the state plans. They have greatly undermined the autonomy of states by entering the subjects of the states that are constitutiously provided for, through the fiscal back-doors. In several meetings of the NDC, the Chief Ministers, have, infact, argued for reduction in the number of Central and Centrally sponsored schemes.[17] The Central and centrally sponsored schemes accounted for 53 per cent and 58 percent respectively of the total schematic transfers during the fifth and sixth plans. Most of the time there is almost no difference between these schemes and the state plan schemes, as noted earlier the ARC study team observed that the aim was none other than getting better financial assistance for certain states.[18] Venkatraman in his book on states finances in India observed that "empirically the only definition of centrally sponsored schemes is that the centrally sponsored schemes are those for which assistance is given over and above the assistance assured for the state as a whole."[19]

Schematic transfers had a higher grant component than the central assistance for state plans. In the fifth & sixth plan period, rough estimates show that the grant component of schematic transfers was 63 per cent as against 38 per cent for plan assistance (Table X). Here again, the allocation varied among the states according to the nature of the schemes, the proportion of shares among the states being Group A states 63 percent, Group B states 66% and Group C states, lowest of 59%.

In this chapter an assorted picture of financial pattern of assistance of the Centre to the States has been presented. Two major conclusions emerged from this exercise, apart from the often stated aspect of the Centre-State planning process - that the centre shapes the entire planning process of the states through one main criterion, the financial weapon that it has got. From the discussions and the data presented in this chapter, it can be concluded that (1) inspite of the Gadgil formula adopted from the fourth plan, the situation has not changed much. Gadgil formula envisaged a decentralised pattern of planning with a greater regional balance. Eventhough resource allocation was carried through according to the division of the states in the Gadgil formula, the desired result of the formula has not come about.

2. The second conclusion stems from this. The desired result has not been achieved because some states have been able to manipulate the pattern of resource allocation to their benefit. They have managed to do so, due to various reasons which are multi-dimensional - economic, political, historical, etc. and detailed examination of this aspect, however, is not within the purview of this paper. Apart from the manipulations of the states, the Centre itself has not followed any set pattern in its fund allocations. Thus, the goal of balanced regional development, which has been reiterated in every plan document, is yet to come true.

...

Table 1

Proportion of budgetary transfers to Budgetary expenditure

States	Plan period V	(Fig. in %) VI
Punjab	32.9	25.0
Haryana	27.2	28.1
Maharashtra	23.8	30.0
Gujarat	30.9	31.3
W.Bengal	43.7	44.2
Tamilnadu	33.2	35.2
Kerala	41.0	34.7
Orissa	55.9	64.1
Assam	66.1	63.0
Karnataka	30.4	22.5
Andhra Pradesh	40.9	43.0
Uttar Pradesh	51.1	55.1
Rajasthan	46.0	49.4
M.P.	38.4	44.2
Bihar	62.3	64.2
H.P.	68.5	72.3
J&K	66.6	69.8
Tripura	85.0	82.6
Manipur	89.1	85.9
Nagaland	81.4	87.9
Meghalaya	87.2	83.0
Sikkim	75.5	75.4

Source : RBI, Finances of State Govt.'s
RBI, Bulletin, Different issues.

Table II

Resource Transfers (Gross) through various agencies

Plan period	Statutory transfer	plan transfer	discretioner transfer	total
V	10872 (43.0)	7722 (30.5)	6683 (26.0)	25278
VI	7647 (43.2)	5404 (30.5)	4644 (26.3)	917695

Source : Report of the 7th finance commission (1978) p. 172.

Table III

Aggregate Net Budgetary Transfers (plan period)

States	V	VI
Punjab	363	162
Haryana	287	200
Maharashtra	258	204
Gujarat	291	206
W.B.	357	178
T.N.	275	174
Kerala	765	181
Orissa	445	309
Assam	545	279
Karanataka	263	165
A.P.	341	198
U.P.	343	200
Rajasthan	381	205
M.P.	287	207
Bihar	298	200
H.P.	1173	763
J&K	1471	719
Tripura	1328	828
Manipur	2068	1125
Nagaland	4966	2289
Meghalaya	1773	900
Sikkim	3086	1928

Source : RBI, Finances of State Govts.
RBI Bulletins, Various issues.

Table - IV

Aggregate net budgetary Expenditure of States (Rev.&Cap)

Rupees per capita

States	V	VI
Punjab	1556	857
Haryana	1517	830
Maharashtra	1419	752
Gujarat	1206	723
W.Bengal	872	491
	1232	683
T.N.	978	560
Kerala	1068	584
Orissa	884	508
Assam	890	467
Karnataka	118	600
A.P.	975	519
	992	544
U.P.	755	394
Rajasthan	1001	515
M.P.	859	508
Bihar	544	331
	749	415

Contd...

Table IV contd...

H.P.	1778	1062
J &K	2407	1084
Tripura	1579	1005
Manipur	2350	1331
Nagaland	6202	2615
Meghalaya	2043	1090
Sikkim	4096	2566
	2257	1173

Notes : 1. Aggregate net budgetary expenditure = total expenditure on revenue and capital accounts - repayment of principal and interest of earlier central loans.

2. For arriving at per capita figures 1971 population for the 5th plan and 1981 population for the 6th plan have been used.

Source : Annual studies of State finances published in the RBI Bulletin, Different issues.

Table V

Per Capita Tax shares and grants

States	V		VI	
	T	G	T	G
Punjab	144	-	91	-
Haryana	138	-	89	-
Maharashtra	164	-	102	-
Gujarat	159	2	104	-
West Bengal	155	60	105	1
Tamilnadu	154	Neg.	114	Neg.
Kerala	149	104	113	Neg.
Orissa	145	114	114	30
Assam	147	187	94	1
Karnataka	153	-	101	-
A.P.	153	50	103	1
U.P.	151	25	107	3
Rajasthan	151	100	96	1
M.P.	152	-	109	-
Bihar	153	25	116	1
H.P.	146	466	95	184
J&K	146	419	94	140
Tripura	149	735	110	246
Manipur	143	1169	99	382
Nagaland	158	2529	86	1030
Meghalaya	149	757	102	265.
Sikkim	27	258	21	416

Source : RBI, Finances of State Govt.
RBI Bulletin varieus issues.

Table - VI

Composition of Budgetary transfers

Plans	Tax	Grant	T&U	Loan
1.	24.0	20.1	44.1	55.8
2.	23.3	27.5	50.8	49.2
3.	21.4	23.3	44.7	55.4
Annual	24.0	26.0	50.0	50.0
4.	30.2	25.4	55.6	44.4
5.	33.0	32.2	65.2	34.8
6.	40.3	27.0	67.3	32.7

Source : Report of the 7th Finance Commission 1978, p.172 for Ist to 5th plans. For the 6th plan, Finances of State Govts., RBI Bulletin Aug. 1981.

Table VII

Proportion of Central assistance to state plan outlays (in %)

State	V	VI
Punjab	24.7	19.1
Haryana	25.5	26.6
Maharashtra	19.9	25.0
Gujarat	24.6	22.0
W.B.	39.8	32.4
T.N.	55.2	40.3
Kerala	52.3	35.6
Orissa	55.2	67.3
Assam	63.8	67.5
Karnataka	~~2~~34.4	30.1
A.P.	41.2	47.5
U.P.	48.0	44.0
Rajasthan	41.1	9.5
M.P.	34.7	38.5
Bihar	53.4	56.6
H.P.	73.8	35.1
J &K	86.9	34.2
Tripura	60.2	71.6
Manipur	54.5	83.2
Nagaland	75.9	92.9
Meghalaya	81.2	36.0
Sikkim	92.1	95.4

Source : Finances of State Govt.
RBI Different issues

Table VIII

Plan Transfer Rs. per capita

State	V	VI
Punjab	149	64
Haryana	157	94
Maharashtra	89	62
Gujarat	114	62
W.B.	104	57
T.N.	122	58
Kerala	145	68
Orissa	169	128
Assam	230	135
Karnataka	113	58
A.P.	152	86
U.P.	143	75
Rajasthan	145	19
M.P.	114	89
Thar	113	69
H.P.	613	393
J & K	902	401
Tripura	368	285
Manipur	600	476
Nagaland	1663	342
Meghalaya	771	466
Sikkim	2062	1209

Source : RBI, Finances of State Govt.
RBI Bulletin Different issues.

Table IX

State Plan outlays (Rs. per capita)

State	V	VI
Punjab	604	335
Haryana	615	352
Maharashtra	447	243
Gujarat	462	276
W.B.	268	176
T.N.	221	144
Kerala	277	191
Orissa	306	190
Assam	334	200
Karnataka	323	198
A.P.	369	180
U.P.	321	169
Rajasthan	251	197
M.P.	329	231
Bihar	212	122
H.P.	778	462
J & K	1038	476
Tripura	611	398
Manipur	1100	572
Nagaland	2190	906
Meghalaya	949	542
Sikkim	2238	1266

Source : Finances of State Govts.
RBI Bulletin various issues.

Table X

Share of grants in Schematic Transfers (Fig. in %)
For the Vth and VI th plans

States	Central plan schemes	Centrally sponsored scheme	others	total
Punjab	85	86	47	60
Haryana	81	95	64	81
Maharashtra	67	90	67	76
Gujarat	77	89	34	80
W.B.	69	91	19	39
T.N.	44	87	59	69
Kerala	40	78	17	55
Orissa	80	89	73	86
Assam	40	96	40	54
Karnataka	46	88	27	58
A.P.	77	91	34	72
U.P.	87	91	28	62
Rajasthan	95	96	26	70
M.P.	76	87	20	59
Bihar	87	91	18	55
H.P.	-	130	93	122
J &K	100	59	51	55
Tripura	42	75	92	73
Manipur	74	68	56	61
Nagaland	100	64	62	67
Meghalaya	85	98	84	92
Sikkim	-	77	100	90
Average	72	88	36	62

Source : RBI, Finances of State Govts.
RBI Bulletins, Various issues

CHAPTER - VI

CONCLUSION

The Planning Commission, as it is seen, displays a strong centralising tendency. Central planning, as noted earlier, is good to the extent it is able to bring about a balanced regional development which is essential for the overall development of a country. Studies in the inter-relationship between politics and economies have shown clearly the inter-relationship between the two and the influence they draw on each other. However, one interesting finding that emerges in the course of the study is that the states which are the centre of political power are also the ones that are periphery in economic development. The states with highest political representation in the union legislature are the ones that are lagging behind economically.

The failure of the Planning Commission in solving the regional problem lies in its failure to state the regional objectives of Indian Plans in any precise, quantitative terms. The Plan documents and the technical notes do not indicate within what period and by how much regional income differentials are to be reduced. The conflicts between the objectives of inter-regional equity and aggregate efficiency and between national priorities and regional priorities have never been resolved by explicitly stating the compromise they have to make for each other. Hanson has observed that on a delicate question like the balance between economic growth and balanced regional development, "the Planning Commission has expressed itself with less than its usual clarity and has refrained from enunciating unambiguous principles. It is in this field indeed that the Commission's 'On the one hand but on the other' approach has received most anguished expression."[1]

Though there is no explicit trade-off between regional development and national growth, it cannot be denied that every national policy has a regional dimension. But these have been mostly favouring national efficiency at the expense of regional efficiency.

As noted earlier, there has not been an attempt till now to work out a model for allocating resources to the States with a view to equalise the State incomes within a specific period of time. This has left the field open to political pressures. Not only political pressures, but the very market forces, about which the planners had been wary of from the first plan itself, have also come to determine the financial flows. If these pressures are to be countered, both the physical and financial plans should have a regional dimension.

Inter-state disparities in income levels can be corrected only by reversing the present directions of the financial flows from the Union Government. This would imply that allocation of funds to the developed States will have to be considerably reduced. Instead of funds flowing from the backward to the developed states as at present, more funds should flow in the reverse direction. The magnitude of this effort is likely to be very high and is likely to cause strains on the structure of the federal polity. Hanson pointed out that "At present no one knows and even if the Commission has this all worked out, no one is likely to be told at least just yet. For if the whole complex process were laid bare, existing complaints of inequity, serious enough already would be redoubled."[2] Gadgil noted this dilemma as early as 1970. He observed, "In a federal polity, you will find it difficult to say you will not give any central assistance. You have therefore a large question here of adjustment of relations and attitudes between members of a federal polity."[3]

The regional disparities have not been recti-fied also because of the very important reason that the States have not found enough representation in the national planning process. As seen in Chapter IV, the present process of consultation involving the states commences after the broad features of the Five Year Plan are already cast. At present there are about 126 Working Groups out of which 40 deal with subjects in the State List. Eventhough States find their representation in most of these working Groups it is not sufficient. There are a number of Working Groups where State's participation would be beneficial, like the Working Groups on Flood. Control, Environment, Employment Strategy, etc. State's rep-resentation on the Working Groups should not be considered merely from the stand-point of any balancing of Union vis-a-vis States' interests but should employ the special knowledge of experts in development programs. Also a co-ordinated action between the Central and State Working Groups should be ensured.

Sarkaria Commission suggested that the Central working Groups themselves should take the initiative in establishing contacts with their counterparts in the States at an early stage. Another important finding that has emerged from Chapter IV is that the National Development Council, the highest forum of States participation in the Planning process is not given any choice in selecting the policies from among the alternatives, but merely gives its consent to the one placed before it. The States are not even associated with the evolution of the Approach Paper as the technical and background studies are undertaken inside the Planning Commission itself.

In making the Plans result oriented, the Planning Commission has to involve the states in evolving Plan objectives, priorities and strategies. This will "substitute commitment for mere consent to the national plan."[4]

Secondly, regarding the Planning Commission's laying down the broad national priorities and targets within which the State Governments are expected to formulate their state plans, it is necessary for the Planning Commission to do so in order to have an all round national growth. Most of the States agree with this provision, eventhough some State Governments have expressed their apprehension that incorporation of national piorities in State plans will give greater scope to the Planning Commission to interfere with the States' autonomy.[5] All States, however, agree on this that the initiatives of States are restricted by (a) the procedures of detailed scrutiny and finalisation of State Plans, (b) the mechanism of ~~central~~ Central assistance and earmarking of outlays and (c) the control exercised by the Union Ministries through the Centrally sponsored Schemes. These issues have been discussed in Chapter IV.

As early as 1968, the Administrative Reforms Commission in its Report on Centre-State Relationships as well as in the Report on Machinery for Planning gave various suggestions in improving the participation of States in Planning. The Sarkaria Commission Report in 1988, has again suggested ways and means of increased state participation in the National Plan and State autonomy in its own plan formulation. It should be pointed out that these suggestions have remained in paper only.

While concluding, a brief mention of the relations between the Planning Commission and the Finance Commission should be made. Arts. 270, 273, 275 and 280 of the Constitution provide for the Constitution of a Finance Commission. Thus the Finance Commission is a Constitutional body whereas the Planning Commission was created by a Cabinet Resolution and is an extra-constitutional and non-statutory body.[6]

Though under the Constitution, the Finance Commission was envisaged for laying down the principles for the devolution of taxes and grants between the Union and States, and inter se among the States, as the Planning era started the Planning Commission assumed an increasing role in the distribution of resources between the two layers of government, Central and State. The fact is that despite the legal provisions under which the Finance Commission could have expanded its purview, the Government of India has expanded the scope of the Planning Commission which is a quasi-political body.

The existence of two separate bodies, the Finance Commission and the Planning Commission, both engaged in the allocation of resources from the Union to the States has greatly distorted the financial administration in the country. A narrow definition of plan and non-plan finance, giving the responsibilities for resource transfer to two separate agencies is not only unscientific but also cumbersome. National economic planning involves the mobilisation and allocation of the entire resources of the country in such a manner that maximum expansion of income is ensured consistent with social justice. As Mathew, Kurien points out, "Such a 'total view' is rendered impossible by the present arrangements for federal transfers."[7]

Various suggestions have been made regarding the co-ordination of the work of both the Commissions. One view has been to entrust the Planning Commission with the functions of the Finance Commission. It has been observed that "For effective co-ordination it would be much better if these two exercises are performed by one and the same body"[8]. This will create problems for, the Planning Commission is a political creation by the Central Government and an independent and statutory body like the Finance Commission is necessary to inspire confidence in the States.

The only solution left open is for the Planning Commission to act as a co-ordinating agency for Planning at the all-India level with direct control or participation of the Central and State Governments. The National Development Council should be made more effective through appropriate changes in its status and procedures. A continuous dialogue should be ensured between the Planning Commission, the National Development Council and the Finance Commission. This will not only help in avoiding the overlapping of functions between the Commissions but will also ensure a greater State autonomy in the Planning process.

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FOOTNOTES

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7. Hanson, A.H., The Process of Planning, A Study of India's Five Year Plans 1950-64 (Oxford University Press, 1966) p.10.
8. Ibid., p.12
9. Ibid., p.13.
10. Ibid., P.14.
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12. Sigmund, P.E., Jr., The ideologies of the developing Nations (New York; Praeger, 1972) p.9.
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26. Planning Commission, _First Five Year Plan_. p.70.
27. Nayar, B.R. _op.cit._, p.30.
28. Waterston, A., _op.cit._, p.61.
29. U.N.ECAFE, "_Economic Development and Planning in Asia and the Far East_" Economic Bulletin for _Asia and the Far East Dec_. 1961, p.2.
30. See Waterston
31. Ghosh, O.K., _Problems of Economic Planning in India_ (Allahabad; Kitabistan, 1957) p.49.
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33. Dahiya, Bhagwan - _Development Planning Models_ Vol. I & II. (New Delhi; Inter India Publications, 1982) P.346.
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35. _Ibid._, p.23.
36. _Ibid._, p.26.

37. Leontief Model
(Input - output economics, W.Leontief Oxford University Press, (1966).

Leontief had suggested a multi-regional input-output analysis. The economic system is described in terms of inter-dependent industries and inter-related regions. The output of each state is defined as a combination of outputs of economic activities carried on within its geographic boundaries, its input accordingly comprises the direct inputs of these industries and the goods & services absorbed directly by the final demand sectors of that state. The economic interdependence between two states is the interdependence between the industries located within their respective boundaries. This inter-dependence is direct to the extent to which commodities and services produced in one state are absorbed by the industries or the final demand sectors of the other, it is indirect to the extent to which the connection between such inputs and outputs is established through industries located in other states.

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6. Hauson, A.H. op.cit., pp.37-40.
7. As quoted from Hauson, A.H. op.cit., p.43.
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11. Ibid., p.1.
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19. Ibd., p.57.

20. Annual Plan 1974-75, Planning Commission p.1.

21. Address of the P.M., Mrs. Indira Gandhi to the Meeting of the NDC on September 24, 1976.

22. Fifth Five Year Plan, Planning Commission, p.3.

23. Draft Sixth Five Year Plan, India Planning Commission (1978-83) Revised p.1.

24. Sixth Five Year Plan, pp.1-3.

25. Ibid., p.86.

26. Under the modified Gadgil Formula as approved by the NDC in its meeting held in August 1980, 60% of the assistance has been distributed on the basis of population, 20% to states having per capita income below the national average, 10% on the basis of per capita tax effort and 10% for special problems.

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   Also see Indian Institute of Public Administration; Planning and its implementation (ed) Kamta Prasad pp 65-76.
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22. <u>Ibid</u>., p.111.

23. Look at the Tables, in Chapter II on the pattern of resource allocation, by the Centre. The centre assures a certain amount to the states, and if the resources allocated for various sectors and schemes do not equal to it, then the rest is made up in the form of miscellaneous development loans.

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26. Detailed tables are provided in Chapter IV.

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6. Discretionary grants are conditional Finance Commission gives both conditional and unconditional grants. From the 4th plan onwards most of the plan grants are unconditional 'block grants'.
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