



GOVERNMENT OF INDIA
PLANNING COMMISSION

SECOND FIVE YEAR PLAN

-A DRAFT OUTLINE

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February 1956

Explanatory Note

**The expressions 'lakh' and 'crore' signify 100,000 and
10,000,000 respectively**

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INTRODUCTION

THE beginning and the end of a five year plan are vital dates in the nation's history. Each five year plan is both an assessment of the past and a call for the future. It seeks to translate into practical action the aspirations and ideals of the millions in the country and gives to each of us the opportunity of service in the common cause of eliminating poverty and raising standards of living.

2. The first five year plan ends in March, 1956. Its approach and outlook are part of our common thinking. It has prepared the way for achieving the socialist pattern of society—an economic and social order, based upon the values of freedom and democracy, without caste, class and privilege, in which there will be a substantial rise in employment and production and the largest measure of social justice attainable.

3. This Draft Outline sets out the substance of the proposals of the Planning Commission for the second five year plan. It is being offered for general information and for eliciting comments and suggestions. After taking these into consideration a fuller version of the second five year plan will be presented.

4. Work on the second five year plan has now been in progress for nearly two years. In April 1954 the Planning Commission requested State Governments to arrange for the preparation of district and village plans, especially in relation to agricultural production, rural industries and cooperation. The preparation of such plans was undertaken as it was felt that local initiative in formulating plans and local resources in carrying them out should be stimulated to the maximum extent possible. In sectors of the plan which are closely related to the welfare of large numbers of people, local planning is an essential means for securing greater public participation and voluntary effort.

5. It was recognised from the beginning that plans for districts and villages had to be fitted within the framework of State plans which would, in turn, take cognizance of plans prepared from the point of view of the country as a whole. Even within a State certain types of development have to be planned on a State or regional basis.

Yet, it is true to say that the district is the pivot of the whole structure of planning. At this point plans from different sectors come intimately into the life of the people.

6. The study of wider aspects of national planning in the Planning Commission and in the Central Ministries also commenced during 1954. Towards the end of the year the assistance of the Indian Statistical Institute was obtained for the study of technical and statistical problems relating to national planning. A number of working papers were prepared at the Institute. In March 1955 the results of these studies and of others carried out in the Central Statistical Organisation and the Economic Divisions of the Ministry of Finance and the Planning Commission were, brought together in Professor P. C. Mahalanobis's 'Draft Recommendations for the Formulation of the Second Five Year Plan' (commonly referred to as the 'plan-frame') and in a "Tentative Framework for the Second Five Year Plan" which was prepared by the Economic Divisions of the Ministry of Finance and the Planning Commission. These documents were considered in April by the Planning Commission's Panel of Economists, which drew up a 'Memorandum on Basic Considerations Relating to the Plan-Frame'. Members of the Panel also prepared a number of studies on individual aspects.

7. The 'plan-frame' and the other documents mentioned above were considered by the National Development Council early in May 1955. The National Development Council generally agreed with the basic approach of the 'plan-frame' and with the policy considerations relating to it which were put forward in the Memorandum of the Panel of Economists. The Council also agreed that the second five year plan should be drawn up so as to be capable of leading to an increase in national income of about 25 percent over a period of five years and of providing employment opportunities to 10 to 12 million persons. Further, the Council directed that the second five year plan should be drawn up so as to give concrete expression to policy decisions relating to the socialistic pattern of society.

8. The various documents mentioned above were released for public information and comment. All over the country between May and August 1955, the issues raised in these documents were widely discussed.

9. While the draft plan-frame was thus under consideration, the Central Ministries and State Governments were proceeding with the preparation of their detailed proposals for the second five year plan. Discussions with State Governments began in July and continued up to October 1955. These discussions afforded an opportunity to the Planning Commission to review the broader aspects of

individual State plans in consultation with Chief Ministers. Detailed examination of the proposals of States took place in working groups in which senior officials from the Central Ministries, State Governments and the Planning Commission collaborated. On the basis of recommendations made in these discussions, State Governments have sent their revised draft plans to the Planning Commission. Detailed discussions with Central Ministries were in progress throughout the summer and concluded in the beginning of December, 1955.

10. A draft memorandum embodying the proposals relating to the second five year plan was prepared at the end of December 1955 and was considered in meetings of the Standing Committee of the National Development Council and of the Consultative Committee of Members of Parliament. Later, on the 20th and 21st January, 1956 the draft memorandum was considered by the National Development Council along with recommendations which had emerged from the earlier discussions. In the light of these discussions and the preliminary comments received from the Central Ministries, State Governments and others on the draft memorandum, the present Outline has been prepared.

11. The plan which is now presented as a Draft Outline is a result of the labours of large numbers of persons in the Central Government, in the States at various levels and leaders of thought and opinion in every part of the country. In its preparation men and women in all walks of life have given generously of their time and experience. The enthusiasm and the widespread participation which have gone into the making of the second five year plan are the best augury for its fulfilment.

February 1958.

CHAPTER 1

APPROACH TO THE SECOND FIVE YEAR PLAN

THE primary object of the first five year plan was to lay the foundations on which a more progressive and diversified economy could be built up. There were certain urgent problems, such as shortages of food and raw materials and persistent inflationary pressures, which it had to attend to. But the plan was intended essentially as a preparation for more rapid advance in the future. The problems of the economy were viewed in the context of long-range requirements, and programmes of development were worked out which sought to meet the immediate needs and at the same time to initiate a process of balanced and all-round economic development. The second five year plan has to build on the gains already secured and to carry forward the process that has been initiated. Again, in working out the plan, a wider perspective extending over a period of three or four plans has to be kept in mind.

2. The economy has responded well to the stimulus of the first plan. Both agricultural and industrial production have recorded substantial increases. Prices have attained a reasonable level. The country's external accounts are virtually in balance. The important targets proposed in the first plan have been realised, and some of them have in fact been exceeded. Some 17 million acres of land have been brought under irrigation in these five years, and the installed capacity for generation of power has been increased from 2.3 million kW to 3.4 million kW. Considerable progress has been made with the rehabilitation of railways. A large number of industrial plants both in the public and private sectors have gone into production. It has, on the other hand, not been possible to utilise the provisions in the plan for a new iron and steel plant and for the setting up of a heavy electrical plant except to a small extent, and there have also been shortfalls in expenditure on community projects, education, village and small industries, etc. On the whole, there is no doubt that the economy has been greatly strengthened. The plan has introduced a new dynamic element in a long static situation. National income over the last five years is estimated to have risen by about 18 per cent as against the original expectation of about 11 per cent. Development expenditure in the public sector in 1955-56 is over 2½ times the level in 1951-52. Investment in the private sector has also been close to expectations. All

this development has been achieved without excessive strains or imbalances developing in the economy. The Plan has evoked a great deal of co-operation and participation on the part of the people. It has created an atmosphere of confidence and, indeed, of heightened expectations. In a country which starts on the career of development, each step forward is, of course, a reminder of the possibilities and needs ahead and every achievement to date is a call for further effort.

OBJECTIVES

3. The principal objective of the second five year plan is to secure a more rapid growth of the national economy and to increase the country's productive potential in a way that will make possible accelerated development in the succeeding plan periods. Immediate needs have to be met, but it is essential to think in terms of the more long-range dividends that a big and bold programme of development has to offer. A country like India which starts late on industrialisation has to encompass within a relatively brief period processes of development which took several generations in countries which had an early start. To this end resources have to be mobilised and deployed effectively and purposefully. The essence of developmental planning is a coordinated use of the real resources available for the achievement of defined aims. The results obtainable vary directly with the quantum of resources that can be mobilised and the efficiency with which these resources are directed towards priority uses. A plan not only draws on existing resources; it develops and enlarges on them in the process. Resources are not a fixed or static quantity; they lie unknown or partially known unless conscious and organised efforts are made to locate them and develop them. In this context, intensive and systematic surveys and explorations, especially in the field of mineral resources are of vital importance, and every effort has to be made to train up a corps of scientists and technicians for this purpose. Economic growth means not only more production but also more—and increasingly more—capacity to produce. In this process, the development of human faculties and skills is no less important than the marshalling of material resources. Development also involves the adoption of new techniques and a readaptation and strengthening of the institutional framework of society. The second five year plan has to increase the flow of goods and services available and also to carry forward the process of institutional change.

4. The second five year plan has been formulated with reference to the following principal objectives:—

- (a) a sizeable increase in national income so as to raise the level of living in the country;
- (b) rapid industrialisation with particular emphasis on the development of basic and heavy industries;
- (c) a large expansion of employment opportunities; and
- (d) reduction of inequalities in income and wealth and a more even distribution of economic power.

These objectives are interrelated. A significant increase in national income and a marked improvement in living standards cannot be secured without a substantial increase in production and investment. To this end, the building up of economic and social overheads, exploration and development of minerals and the promotion of basic industries like steel, machine building, coal and heavy chemicals are vital. For securing an advance simultaneously in all these directions, the available manpower and natural resources have to be used to the best advantage and in a country in which there is relative abundance of manpower, expansion of employment opportunities becomes an important objective in itself. Further, the process and pattern of development should reflect certain basic social values and purposes. Development should result in a diminution of economic and social inequalities and should be achieved through democratic means and processes. Economic objectives cannot be divorced from social objectives and means and objectives go together. It is only in the context of a plan which satisfies the legitimate urges of the people that a democratic society can put forward its best effort.

5. All these objectives require a diversified economic pattern. Low or static standards of living, under-employment and unemployment, and to a certain extent even the gap between the average incomes and the highest incomes are all manifestations of the basic under-development which characterises an economy depending mainly on agriculture. Rapid industrialisation is thus the core of development. But if industrialisation is to be rapid enough, the country must aim at developing industries which make machines to make the machines needed for the large number of industries in the field of consumer goods and intermediate products. This is possible only if substantial expansion is under-taken in iron and steel, non-ferrous metals, coal, cement, heavy chemicals and other industries of basic importance. The limitation is, of course, the scarcity of resources and the many urgent claims on them. Nevertheless, the

criterion is not merely immediate needs but the continuing and expanding needs in the coming years as development goes forward. India's known natural resources are relatively large, and in many of these fields, as in steel for instance, she is likely to have a comparative cost advantage. It is desirable to aim at proceeding farthest in the direction of developing heavy and capital goods industries which conform to this criterion.

6. Industrial development along these lines requires a great deal of capital but it absorbs comparatively little manpower. Investment in basic industries creates demands for consumer goods, but it does not enlarge the supply of consumer goods in the short run. A balanced pattern of industrialisation, therefore, requires a well-organised effort to utilise labour for increasing the supplies of much-needed consumer goods. Reliance on relatively labour-intensive modes of production might mean a smaller increase in the supply of consumer goods than might be possible otherwise. But, this only brings out the inevitability of a measure of sacrifice in the matter of consumption while the economy is being strengthened at the base. The sacrifice diminishes as more power, more transport, and better tools, machinery and equipment become available for increasing the productivity of consumer goods industries, and in the long run the community gets increasingly large returns. Meanwhile, the stress on utilisation of unutilised or under-utilised labour-power alleviates the immediate problem of unemployment.

EMPLOYMENT

7. The question of increasing employment opportunities cannot be viewed separately from the programmes of investment envisaged in the plan. Employment is implicit in and follows investment, and it is, of course, a major consideration in determining the pattern of investment. The fact that the plan involves substantial stepping up of investment and development expenditures means that it will raise incomes and increase the demand for labour all round. An employment-orientated plan, however, implies much more than determining the optimum scale of investment. The creation of employment opportunities and reduction in under-employment cannot be approached merely in overall terms. The problem needs to be broken up in terms of sectors, regions and classes. Studies made in the Commission indicate that although the second five year plan will not have any significant impact on the carry-over of unemployment of the earlier period, it will provide employment opportunities for the new entrants to the labour force and relieve under-employment in agriculture and in village and small industries. Continuous technical

studies regarding the employment component of various types of investment and of the relationship between the direct employment resulting from an act of investment and the consequential increase it leads to will be necessary. Undoubtedly, the working force in mining and factory establishments, in construction, in trade and transport and in services will increase relatively faster than in agriculture and allied pursuits. This in itself is a good beginning. Over a period, a larger shift in the occupational pattern away from the primary sector and into the secondary and tertiary sectors will be necessary and is to be expected. There are in the plan substantial programmes of irrigation, soil conservation, improvement of animal husbandry and agricultural improvement in general. These, together with the programmes relating to village and small industries, will diminish under-employment in the rural areas. Basically, it has to be remembered, unemployment in an under-developed economy is only another aspect of the problem of development. The same factors which limit the scale of effort a community can make by way of increasing the rate of development limit also the advance in the direction of employment. The plan contemplates a large expansion in construction activity both in the public and private sectors, and it should be possible to vary the volume of such activity within limits in response to the requirements of the employment situation.

THE SOCIALIST PATTERN OF SOCIETY

8. The achievement of a socialist pattern of society has been accepted as the objective of economic policy. This means that the basic criterion for determining the lines of advance is not private-profit but social gain. Major decisions regarding production, distribution, consumption and investment—and in fact the entire pattern of socio-economic relationships—must be made by agencies informed by social purpose. The benefits of economic development must accrue more and more to the relatively less privileged classes of society, and there should be a progressive reduction of the concentration of incomes, wealth and economic power. The problem is to create a milieu in which the small man who has so far had little opportunity of perceiving and participating in the immense possibilities of growth through organised effort is enabled to put in his best in the interests of a higher standard of life for himself and increased prosperity for the country. In the process, he rises in economic and social status. Vertical mobility of labour is thus no less important than horizontal mobility. For creating these conditions, the State has to take on heavy responsibilities as the principal agency speaking for and acting on behalf of the community as a whole. The public sector has to expand rapidly and the private sector has to play its part within the framework of the comprehensive plan accepted by the community.

9. The use of modern technology requires large scale production and a unified control and allocation of resources in certain major lines of activity. These include exploitation of minerals and basic and capital goods industries which are major determinants of the rate of growth of the economy. The responsibility for new developments in these fields must be undertaken in the main by the State, and the existing units have also to fall in line with the emerging pattern. Public ownership, partial or complete, and public control or participation in management are specially required in those fields in which technological considerations tend towards a concentration of economic power and of wealth. In several fields, private enterprise can, under present day conditions, make little headway without assistance and support from Government, and in these cases the public or semi-public character of the resources drawn upon has to be recognised. In the rest of the economy conditions have to be created in which there is fullest scope for private initiative and enterprise either on an individual or on a cooperative basis. In a growing economy which gets increasingly diversified there is scope for both the public and the private sectors to expand simultaneously.

10. The socialist pattern of society is not to be regarded as some fixed or rigid pattern. It is not rooted in any doctrine or dogma. Each country has to develop according to its own genius and traditions. Economic and social policy has to be shaped from time to time in the light of historical circumstances. But, a clear sense of direction and a consistent regard for certain basic values are necessary. The accent of the socialist pattern is on the attainment of positive goals: the raising of living standards and the enlargement of opportunities for all, the promotion of enterprise among the disadvantaged classes and the creation of a sense of partnership among all sections of the community. The directive principles of State policy in the Constitution have already indicated the approach in broad terms. The socialist pattern is a more concretised expression of this approach. Economic policy and institutional changes have to be planned in accordance with the democratic and egalitarian ideals which the country cherishes and is resolved to pursue.

THE TASK

11. The size and pattern of the second five year plan are described in the second chapter. Briefly, the Central and State Governments propose to incur a total outlay of Rs. 4,800 crores over the five-year period. Of this, irrigation and power claim 18 per cent; agriculture including community projects and national extension, 12 per cent; industries and minerals, 19 per cent; transport and communications, 29 per cent; and social services including housing and rehabilitation of displaced persons, 20 per cent. These allocations may have to be

altered a little in response to particular needs, but the percentages mentioned indicate the pattern of allocations. The priorities which underlie these allocations reflect the clear emphasis in the plan on industrialisation. Within industry the development of basic and capital goods industries has been given high precedence. This necessitates large investments in transport and communications. Provision has also been made for expansion of irrigation and power which are of importance to agriculture as well as to industry. The community development and national extension programmes provide a technique of development which activates large numbers of people in the rural areas and fosters economic growth on the basis of self-reliance and cooperative effort. A large expansion of this programme has been envisaged in the plan. There is special need for revitalising this sector of the economy in view of the large number of persons dependent on it and their extremely low levels of living at present. The provision for social services amounting to 20 per cent of the total is admittedly inadequate relatively to needs. High priority has been given to expansion of training facilities for technical personnel needed for the plan, and proposals have been made for realising within the next ten years the directive of the Constitution relating to the provision of free and compulsory education for all children upto the age of 14. The combined result of the development programmes in the public and private sectors is an increase in national income by about 25 per cent.

12. A plan may be expressed for convenience in terms of the financial outlay proposed to be incurred. Essentially, however, a plan represents the concrete tasks to be completed within the defined period. These tasks involve certain inputs—the use of so much labour, the setting up of so much plant and machinery, the application of certain types of skills and techniques, etc. Correspondingly, the results of the plan are reflected in certain outputs—so much food and raw materials, so much of consumer goods and so much of the means and instruments of production which, in due course, would result in further production of consumer goods. The magnitude of the tasks undertaken and the significance of the results to be attained can perhaps be appreciated better in such real terms.

13. The second five year plan calls upon the Central and State Governments to undertake large developments some of which represent extension of activity along lines already familiar, but some relate to relatively new lines. The plan proposes an increase of 21 million acres in the area to be brought under irrigation. It envisages an increase in the capacity for electric power generation from 3.4 million kW at the commencement of the second plan period to 6.8 million kW by the end of that period. The railways are expected to

equip themselves for a 15 per cent increase in passenger miles and a 35 per cent. increase in freight tons; the calls on them may, in fact, prove to be larger. This requires substantial additions to locomotives, coaches and wagons, construction of some new lines, increases in line capacity, electrification of certain sections and extensive construction works of various kinds. Under the community development programme intensive work has been proposed in 3800 national extension blocks and 1120 community project blocks. Altogether, this programme is to be expanded so as to cover a population of 325 million by 1960-61 as compared to the present coverage of 80 millions. This means covering almost the entire rural area. All these programmes, as also programmes relating to social services, call for a great deal of finance and organisation. These are fields in which there is already sufficient experience, and the necessary personnel is either available or can be quickly trained. In addition, a large expansion of the public sector in the sphere of industrial and mineral development is envisaged. The main responsibility for these new types of programmes rests upon the Central Government. The carrying through of these new programmes will entail besides the financial investment required, a great deal of strengthening of the organisational and administrative personnel available to Government. It will also necessitate the adoption of expeditious procedures in the matter of taking decisions and executing them. It is, in fact, intended to strengthen further the programmes of development in respect of heavy industries, oil exploration and coal and to make a beginning with the development of atomic energy. The dynamism of the second plan lies to a considerable extent in these new programmes, on the fulfilment of which all efforts have to be concentrated. The results which the second plan promises are impressive, but correspondingly large is the effort that it calls forth by way of mobilisation and application of real and financial resources.

14. These developments in the public sector have to be viewed together with those envisaged in the private sector. The increase in the output of goods and services to be secured over the plan period is the result of developments in both these sectors. The two sectors have to function in unison and are to be viewed as parts of a single mechanism. The plan as a whole can go through only on the basis of simultaneous and balanced development in the two sectors. The plan incorporates the investment decisions taken by the public authorities, and the corresponding outputs or benefits can easily be estimated. For the private sector, Government policy can influence private decisions through fiscal measures, through licensing and, to the extent necessary, through direct physical allocations so as to promote and to facilitate the realisation of the targets proposed. A large part of the private sector consists of millions of small pro-

ducers scattered all over the country. Investment estimates and targets in these fields can only be in the nature of broad indications. Even in the field of organised industry and business for which more data are available and which are more amenable to incentives or curbs offered or introduced by Government, there cannot obviously be the same degree of closeness or integration between resources and performance as in the case of activities directly undertaken by Government. Various investments in the public sector, such as for irrigation, power and transport, for instance, increase the production potential of the private sector, and the producers or enterprises concerned can be expected to take advantage of these facilities. Given an appropriate structure of relative prices, which Government can and has to control and influence, the desired allocation of resources in the private sector can be induced. In fact, it is appropriate to think more and more in terms of an interpenetration of the public and private sectors rather than of two separate sectors.

INDUSTRIAL POLICY

15. These are general considerations bearing on the formulation of industrial policy in the context of planning. The Government of India's industrial policy since Independence has been shaped broadly in terms of the comprehensive Industrial Policy Resolution of 1948. That Resolution emphasised clearly the responsibility of Government in the matter of promoting, assisting and regulating the development of industry in the national interest. It envisaged for the public sector an increasingly active role. While it reiterated the inherent right of the State to acquire any industrial undertaking whenever the public interest requires it, it laid down, in view of the circumstances then existing, a certain demarcation of fields for the public and private sectors. The Resolution is being reviewed and recast in the light of the experience gained and the requirements of the economy. The 1948 Resolution reserves the manufacture of arms and ammunition, the production and control of atomic energy and the ownership and management of railways exclusively to the Central Government. It states specifically that in an emergency Government has always the power to take over any industry vital for national defence. In the case of six designated industries the Resolution places upon the State the exclusive responsibility for establishing new undertakings, but the State may secure the cooperation of private enterprise where necessary in the public interest. The rest of the industrial field the Resolution left open to private enterprise, individual as well as cooperative. It was envisaged, however, that the State would also progressively participate in this field; nor would it hesitate to intervene whenever the

progress of an industry under private enterprise was unsatisfactory. The Resolution also listed 18 industries of importance for Central regulation and control. It is proposed now to restate the policy approach, to review these three lists and to indicate afresh the fields to be reserved for public enterprise, the fields in which public enterprise has to take on larger responsibility, and the fields in which private enterprise is to function subject to over-all regulation and control.

16. The ownership and the right to exploit and develop mineral resources vest in the State. These resources are of vital importance for the country's industrial development and it is essential that their exploitation should be governed by public purpose and contribute to the maximum to the furtherance of national development. This can best be secured by the State itself undertaking the further development and exploitation of these resources. There may be special cases where the importance of the mineral concerned may not warrant public ownership and management. There may be others where the State may desire to associate private enterprise with it for reasons of public interest. In any case, the principal responsibility for mineral development must lie with the State.

17. In the industrial field proper, new units producing basic capital goods and heavy machinery must be under public ownership and management. Even here there may be scope in particular cases and in certain circumstances for undertakings owned and operated jointly by the State and private enterprise. In other industries where Government assists substantially by providing long-term finance, it should preferably offer equity participation rather than loans on fixed interest. Enumeration and classification of industries to be placed in the various categories requires close scrutiny and has to be decided upon in the light of practical requirements of each case. The point to emphasise is that the increasing role of the public sector, and its duty to provide entrepreneurship and management over a wide field must be clearly recognised, and action must be initiated to equip it for the efficient discharge of these responsibilities.

18. The Industrial Policy Resolution of 1948 also indicates the approach to the problem of cottage and small industries. A great deal of further thinking has been done on this subject since then. It is evident that from the point of view of development as well as the creation of new employment opportunities, this is a crucial sector of the economy. The need to promote, modernise and reorganise these industries is paramount. The problem is one of devising effective policies as well as of making suitable organisational arrangements. Unregulated or haphazard application of modern

techniques in all spheres of production is apt to create or aggravate technological unemployment. There is need for regulation here. This is not to suggest that a freezing of existing techniques or a preference for inefficient techniques is at all indicated by considerations of economic or social policy. It only means that conditions have to be created in which modern techniques can be adopted and introduced more and more in these lines of production and that the transition should be orderly. One of the handicaps of workers in traditional industries is the lack of space and other facilities since, in most cases, it is a part of the house that is used as a workshop. It will be desirable, therefore, to organise in rural areas community workshops where workers in different types of industries can come together and carry on their production activities in a suitable environment. There is similarly need for encouraging small and medium-scale enterprise through a number of industrial estates with facilities for transport, power and the like provided by public authorities. In spheres in which it is possible to increase employment and output through village and small industries and where these industries are capable of using improved techniques progressively, it is necessary to think in terms of integral programmes of production covering factories as well as small units of production. The second five year plan has laid special stress on increasing the supply of consumer goods by using existing skills and equipment and steadily introducing technical improvements in the village and small industries sector. This sector has to be organised more and more on cooperative lines so as to enable the small producer to secure the advantages of buying raw materials and selling his products on a large scale, of getting access to institutional credit and of utilising improved methods and techniques. An integral programme of production may in some cases work on the basis of differential taxation; in others, a buying over at stated prices and a State-sponsored or cooperative marketing arrangement may be needed.

19. The problem is not to be viewed as one of merely safeguarding the interests of workers in existing cottage or handicraft units. It is also—and increasingly—one of finding new types and patterns of production which, with the new techniques that can be made available and in view of the new demands that rising incomes will create, can be worked efficiently and economically. It is the promotional rather than the protective aspect of policy which has to become more and more important in the adaptation and reorganisation proposed in this sector. If cottage and small industries have not fared well so far, one reason is the stagnancy of the economy and the consequent lack of demand. The increase in investment activity which developmental planning involves will

increase existing demands and will create new ones. In a country like India with vast distances and a large potential market, these demands can and ought to be met through production in efficient, decentralised units. There are other reasons also which weigh in favour of a wide diffusion of industry. Up to a point the growth of large towns and cities is a necessary accompaniment of industrialisation. The availability of power, transport, banking and other facilities in concentrated areas provides certain economies which make for an aggregation of industry in big towns and cities. Beyond a point, however, there are social costs like emergence of slums and increased incidence of ill-health. With the development of transport, communications and power, the economic advantage in favour of highly concentrated areas also narrows. From this point of view as also for raising incomes in rural and semi-urban areas, the development of small industries deserves special attention. Only thus is it possible to draw upon the large reservoir of skills and talents available over the vast areas of the country.

FINANCE

20. The role of an adequate financial and credit mechanism in promoting development—overall and in particular directions—is well recognised and needs hardly to be emphasised. Important steps towards an orientation of this mechanism to the needs of development have been taken in the first plan period. The Imperial Bank of India—the biggest commercial bank in the country—has been converted into a public-owned and public-managed State Bank with a view to the expansion and institutionalisation of rural credit. The Reserve Bank of India not only discharges its regulatory functions in the sphere of currency, credit and foreign exchange; it assists actively in the development of cooperative credit agencies. The far-reaching recommendations of the Rural Credit Survey Committee in respect of the reorganisation of rural credit under the sponsorship of the Reserve Bank and the State are being implemented. The task involved in making credit at reasonable rates available all over the rural areas is formidable, but the new and integrated approach involving joint and coordinated action by cooperative agencies, the Reserve Bank and the State, envisaged in the new reorganisation proposals, will make a rapid advance possible. In the industrial sphere, the Industrial Finance Corporation and the Industrial Credit and Investment Corporation are designed to meet the special needs of the private sector, and the National Industrial Development Corporation will enable Government to take up promotional and developmental work along new lines. Special institutions are needed for assistance to and promotion of small businesses, and a beginning has been made in this direction

through the establishment of State Finance Corporations and the Central Small Industries Corporation. It may be necessary also to develop further institutions which could provide the nucleus for a properly organised new issue market especially as a diminishing role is being envisaged for the managing agency system. The recent decision to nationalise life insurance has added another potent instrument to the repertory of the public sector for raising savings and for regulating and directing the flow of funds in accordance with the requirements of the plan.

21. It cannot be emphasized too strongly that the success of a plan depends on the efficiency with which the necessary resources are raised, and in a democratic system, finance is the major instrument for raising and directing resources. The carrying through of a plan of the size envisaged will entail the adoption of fiscal policies designed to enlarge the resources of Government. In the scheme of financing set forth in the next chapter, estimates have been given of the additional taxation required, of the extent to which the borrowing programmes of the Central and State Governments will have to be stepped up, and of the measure in which deficit financing can be resorted to. All these are techniques for drawing upon the savings of the community, and it is important to emphasize that they all denote the effort to be made domestically. External resources that might become available for the plan can, in the nature of things, hardly be estimated in advance. In qualitative terms, such supplemental resources can contribute significantly to the success of the plan, but the bulk of the effort needed has to be made by the community itself. Continued and accelerating development cannot be achieved in any other way.

22. An inflationary impact is implicit in any stepping up of investment, but this impact is apt to be greater and more disturbing if a relatively large proportion of the expenditure to be incurred is financed through creation of money. The provision for deficit financing in the plan is relatively large, and even after allowing for this, there remains a residual gap, for filling which no sources are at this stage indicated. This suggests that a larger tax effort than is set forth in the scheme of financing outlined in the next chapter is called for; in any case, the target for additional taxation indicated there must be regarded as the minimum to be attempted.

ECONOMIC POLICY AND TECHNIQUES

23. Overall fiscal and monetary discipline alone is rarely adequate for bringing about the desired allocation of resources. It has to be supplemented by direct controls and allocations. In a developing economy, the basic trend of governmental operations in

the fiscal and monetary field is inevitably expansionist. The curtailment of public expenditure and other curbing devices can and ought to be adopted only in the last resort. The use of foreign exchange reserves for augmenting domestic supplies and so lessening inflationary pressures is obviously limited by the existing level of such reserves. Nevertheless, a developmental programme cannot be abandoned or slowed down at the first appearance of difficulties or bottlenecks. A measure of risk has to be taken. There has to be corresponding preparedness to adopt the necessary controls, and these controls have to form a fairly integrated system if they are to succeed.

24. A planned approach to development necessitates, in a word, an integration of economic and social policies *inter se* and in terms of the objectives and priorities on which the plan is based. The techniques or instruments to be employed may and have to vary in the light of requirements. In some cases, fiscal or price incentives may have to be relied on; in others, licensing procedures and practices may have to be adjusted; in still others foreign exchange allocations, sanctions of capital issues, fixation of profit margins or allocations of scarce raw materials may be necessary. A plan must carry with it these sanctions or regulatory devices; for, by definition, it is an attempt to improve upon the results that can be achieved under unregulated and uncoordinated play of private incentives and decisions. Nor are mere regulatory devices enough. Progressively, as we have seen, the State—and the cooperative sector—has to enlarge its field of operation, and this carries with it increased capacity to gather the surpluses arising out of sales of the goods, services and amenities provided. That in turn makes further investment possible. It is not only regulation within the existing structure that can answer the needs of development; the structure itself has to change.

25. The aim of this chapter has been to set forth the broad approaches to the plan and to indicate the direction of policy and institutional change implicit in developmental planning. The application of these approaches and policy considerations in particular fields such as agrarian reforms and labour relations has to be considered in detail separately. This has been done in the appropriate chapters of this report. There remain, however, one or two aspects of the plan to which reference must be made here.

REDUCTION IN INEQUALITIES

26. An improvement in living standards, an increase in investment, an expansion of employment opportunities and a reduction in inequalities of income and wealth—all these can follow only

from the totality of measures and institutional changes undertaken. To take an instance, various fiscal devices have been suggested for reducing inequalities of income and wealth: steeper progression in income tax, enhancement of estate duties, a small annual tax on wealth, taxation of higher incomes on the basis of expenditure rather than of income, etc. Each of such proposals has to be examined in the light of its revenue yield, its effect on incentives, its administrative implications and the net contribution it makes to the objective in view, namely, the reduction in inequalities. The Taxation Enquiry Commission considered this question. It stressed the point that the attainment of a wider measure of equality in incomes, wealth and opportunities must form an integral part of economic development and social advance currently. The principle of a limit on income disparities and on private accumulation beyond a point is part of accepted thinking on these problems; the best means of applying it in practice have to be worked out. There is general agreement that personal incomes in the highest ranges should bear a reasonable relationship to average per capita or per family incomes in the country. The Taxation Enquiry Commission suggested thirty times the prevailing per family incomes as a reasonable 'ceiling' on net personal incomes after tax, and it is necessary to advance towards this objective by stages.

27. Fiscal measures can assist in this process; but more important than these are positive measures to increase incomes at lower levels, to expand employment opportunities for disadvantaged classes, to expand training facilities all round and to eliminate exploitative credit and marketing arrangements. The problem, briefly, is not merely one of reducing existing inequalities, it is the positive one of creating conditions in which great disparities in income will not develop. From this point of view organisational changes, such as reform of land tenures, reorganisation of land management, the encouragement of decentralised modes of production and the increasing role of the public sector are of vital importance.

28. There is another type of disparities which should be mentioned in this context, namely, disparities in levels of development as between different regions in the country. In a comprehensive plan of development the special needs of the less developed areas have to be kept in view, so that the entire pattern of investment is adapted to the securing of balanced regional development in the country. This question has been recently considered by the National Development Council and it has been agreed in principle that within the resources available for development every effort should be made to provide for balanced development in different

parts of the country. This problem has to be approached in a variety of ways. In the first place, the National Development Council has recommended programmes for setting up decentralised industrial production. Secondly, in the location of new enterprises, whether public or private, consideration should be given to the need for developing a balanced economy for different parts of the country. Some industries have to be located in particular areas in view of the availability of the necessary raw materials or other natural resources. There are, however, industries in regard to the location of which, on economic considerations, also, there is a larger field of choice. Thirdly, steps have to be taken to promote greater mobility between different parts of the country, including organisation of schemes of migration and settlement from more to less densely populated areas. The National Development Council recommended that there should be continuous study of the problem of diminishing regional disparities and a suitable set of indicators should be evolved.

PLAN AS FRAMEWORK

29. One final observation needs to be made. A plan covering a five year period has to be regarded as essentially flexible. The second five year plan as outlined in this document indicates the magnitude and significance of the tasks to be undertaken, the order of benefits resulting from the developments proposed, and the means and techniques by which resources have to be mobilised and harnessed to the tasks undertaken. The policy implications of the plan have also been brought out in broad terms. There are naturally uncertainties attached to the various estimates that can be made in advance for a period of five years. It is also possible that some of the programmes set forth in the plan may take a little more time to complete. In a plan of the dimensions envisaged, experience may indicate fields where expenditures could be speeded up and others where progress may turn out to be somewhat slower. The plan has, therefore, to be adjusted and adapted from time to time. It is not enough in the context of planning to think merely in terms of a balance between supplies and demands in aggregate terms; what is required is balance between requirements and availabilities, especially of key resources at all stages. A great deal of continuous technical and statistical work is necessary for this purpose. Moreover, as development proceeds, new problems emerge, on account either of developments within the economy or of factors operating from without. Then, again, a five year time horizon is convenient for certain purposes; for others a longer

perspective of 15 or 20 years is necessary. As this latter becomes clearer, or as new possibilities or directions of development emerge, the priorities in respect of projects or programmes to be taken in hand immediately may alter. In view of these considerations, the plan must be regarded as a framework within which more concrete and detailed plans for each year have to be worked out and implemented.

CHAPTER II

THE PLAN IN OUTLINE

PLAN OUTLAY AND ALLOCATIONS

THE total developmental outlay of the Central and State Governments over the period of the plan works out at Rs. 4800 crores. The distribution of this outlay by major heads of development is as under:—

	First Plan		Second Plan	
	Total provision	Per cent.	Total provision	Per cent.
1. Agriculture and community development	372	16	565	12
2. Irrigation and flood control	395	17	458	9
3. Power	266	11	440	9
4. Industries and minerals	179	7	891	19
5. Transport and communications	556	24	1384	29
6. Social services, housing and rehabilitation	547	23	946	20
7. Miscellaneous	41	2	116	2
TOTAL	2356	100	4800	100

A more detailed statement is given in Annexure I.

2. These allocations reflect the priorities adopted for the plan. The main stress in the second plan is on industrialisation. With industry are associated mining and railway development. Railways have also a large backlog of replacements and renewals to make up. In consequence, industrial and mineral development together with transport and communications claims nearly one-half of the total expenditure in the second plan as compared to about a third of the total in the first plan. If power is also taken as a part of industrial development, the outlay for this purpose works out at 57 per cent. In the first plan, irrigation and schemes directly related to agricultural development accounted for about one-third of the total outlay; the corresponding provision in the second plan is about one-fifth of

the total. The outlay on social services, including housing and rehabilitation, is about 20 per cent. of the total; this is about the same percentage as was devoted to these heads in the first plan.

3. The case for a big advance towards industrialisation hardly needs to be argued in detail. The Indian economy at present depends excessively on agriculture. It has to be diversified, and special stress has to be laid on basic and capital goods industries if more rapid rates of development in the future are to be sustained. The increases in agricultural production and in national income during the first plan period have prepared the ground for a greater emphasis on industrialisation. The need for a large provision for industries in the second plan is all the greater for the reason that the expenditure under this head has lagged behind the provisions made in the first plan. Expenditure under large scale industries, scientific research and minerals over the period of the first plan is expected to amount to about Rs. 75 crores as against the allocation of Rs. 149 crores. The second plan allocates Rs. 691 crores to these heads. The provision of Rs. 200 crores for village and small industries is additional to this allocation. The ancillary requirements of industrial development in the form of economic overheads are reflected in the large provision of Rs. 1384 crores on transport and communications, which includes Rs. 900 crores for railways.

4. The shortages of food and essential raw materials which presented a serious problem when the first plan was formulated have been overcome. Nonetheless, there cannot be any question of a relaxation of efforts to increase agricultural productivity. The population of India is increasing at the rate of 4.5 to 5 million a year. The large programmes of investment proposed for the second plan period will create new incomes, a significant proportion of which will be spent on food. The demand for raw materials will also go up with industrialisation. For many years to come, the raising of agricultural yields will remain an important objective of development. Programmes of irrigation, of supply of better seed and fertiliser, of improvements in animal husbandry and in agricultural practices in general have in fact to be accelerated. National extension and community development programmes represent the biggest single dynamic element in rural reconstruction work, and these receive due precedence in the second plan.

5. Of the total developmental outlay of Rs. 4800 crores, Rs. 2214 crores is shown in the plans of States. As far as possible, programmes which are to be implemented by the States or through them

are included in their plans. In certain fields the allocations in State plans will be supplemented by financial provisions which are at present shown at the Centre, for instance, for the welfare of backward classes, village and small industries and urban water supply and sanitation. The amounts at present included in the plans of States for national extension and community development are provisional. The present provision of Rs. 200 crores will be reviewed shortly in consultation with States and this may necessitate a revision of the present allotment. The size of each State plan is given in Annexure II.

INVESTMENT IN THE SECOND PLAN

6. Of the aggregate developmental outlay of Rs. 4800 crores in the public sector, Rs. 1000 crores represent current expenditure of a developmental nature and Rs. 3800 crores represent investment, that is, outlay on building up of productive assets. Investment in roughly at Rs. 2300 crores. Of this, about Rs. 500 crores is expected to be in organised industries and mining. The information available in regard to plantations, private transport and electricity undertakings does not permit anything more than a guess. An allowance of Rs. 100 crores of investment has been made on this account. Investment in agriculture and village and small industries is largely non-monetised in character. This has been kept outside our present estimates. Monetised investment in this sector may roughly be placed at Rs. 300 crores. Construction (houses, shops, schools, hospitals, etc.) may account for as much as Rs. 1000 crores of investment over the five year period. This may be compared with the Taxation Enquiry Commission's estimate of an investment of Rs. 120 crores in urban housing in 1953-54. Finally, in view of the expected increase in the volume of production and economic activity, additional investment in stocks would be called for. This may be taken at Rs. 400 crores.

7. Taking the public and the private sectors together, investment in the economy over the second plan period works out at Rs. 6100 crores—Rs. 3800 crores in the public sector and Rs. 2300 crores in the private sector. A total investment of Rs. 3500 crores was envisaged in the first plan; of this about a half was in the public sector. For the second plan, the total investment envisaged is some 75 per cent. larger than in the first plan, and the ratio of public to private investment works out at 62 : 38.

8. An investment programme of Rs. 6100 crores implies a big effort on the part of the community. If, as is expected, national income over the next five years increases by about 25 per cent, this programme would mean raising the rate of investment in the economy from the present level of about 7 per cent. of national income to nearly 12 per cent. by the end of the second plan. Allowing for a measure of external resources being available to supplement domestic savings, the latter will have to rise from the current level of about 7 per cent of national income to more than 10 per cent by the end of the plan.

TARGETS OF PRODUCTION AND DEVELOPMENT

9. The principal targets of production and development to be achieved over the second plan period as a result of the investments proposed both in the public and private sectors are set forth in Annexure III. Briefly, the plan envisages an increase in agricultural output by about 18 per cent. The production of foodgrains is to increase by 10 million tons or 15 per cent. and somewhat larger increases are expected in the case of cotton (31 per cent), sugar (28 per cent) and oilseeds (27 per cent). At the end of the plan the consumption of foodgrains will, as a result, increase to 18.3 oz. per adult as compared to 17.2 oz. at present and the consumption of sugar to 1.75 oz. (in terms of raw sugar) from 1.4 oz. The national extension and community development programmes will be extended so as to cover a total population of 325 million. Land brought under irrigation will increase by 21 million acres as compared to an increase of 17 million acres in the period of the first plan. The generation of electric power will be stepped up by installation of additional capacity of 3.4 million kW to 6.8 million kW in 1960-61 as against 2.3 million kW at the beginning of the first plan. There will be substantial increases in the domestic production of steel, coal, cement and fertilisers. The output of finished steel is planned to increase from 1.3 million tons in 1955-56 to 4.3 million tons in 1960-61; of coal, from 37 to 60 million tons; of cement from 4.8 to 10 million tons; of nitrogenous fertilisers in terms of ammonium sulphate from 0.4 to 1.6 million tons; and of phosphatic fertilisers in terms of superphosphate from 0.1 to 0.6 million tons. The total output of producer goods in the country is expected to go up by 150 per cent. over the next plan period. Considerable advance is envisaged in education, health, housing, rehabilitation of displaced persons and other social services.

NATIONAL INCOME AND EMPLOYMENT

10. The sum total of these developments is reflected in the movement of national income. The table given below indicates the expected increases in national income during the first and second plan periods.

THE PLAN IN OUTLINE

Net National Product by Industrial Origin

(Rs. crores at 1952-53 prices)

	1950-51	1955-56	1960-61	Percentage increase during	
				1951-56	1956-61
1. Agriculture & allied pursuits	4450	5230	6170	18	18
2. Mining	80	95	150	19	58
3. Factory establishments,	590	840	1380	43	64
4. Small enterprises	740	840	1085	14	30
5. Construction	180	220	295	22	34
6. Commerce, transport and communications	1650	1875	2300	14	23
7. Professions and services including Government Administration	1420	1700	2100	20	23
8. TOTAL NATIONAL PRODUCT	9110	10800	13480	18	25
9. <i>Per capita income (Rs.)</i>	255	280	330	10	18

Thus, national income is expected to increase from Rs. 10800 crores in 1955-56 to about Rs. 13480 crores in 1960-61, i.e. by about 25 per cent. This will mean an increase of about 18 per cent. in *per capita* incomes (from Rs. 280 in 1955-56 to Rs. 330 in 1960-61) as against an increase of 10 per cent. over the first plan period (from Rs. 255 to Rs. 280).

11. It will be recalled that the first plan contained an illustrative model of long-term development which envisaged a doubling of national income by 1971-72. The increase in national income over the first plan period has been about 18 per cent. If the rate of increase in national income in the third and subsequent plan periods is of the order of 25 per cent. over five years as in the second plan, it will be possible to double the national income by 1967-68, that is, four years in advance of the time originally estimated.

12. The problems relating to employment pattern and policies and the employment potential of the plan are discussed in Chapter III. Additional employment likely to be generated over the second plan period in sectors other than agriculture is estimated at 8 million. In this estimate only full-time employment has been taken into account. There are in the plan programmes of development such as irrigation and land reclamation which will reduce underemployment to some extent and may also absorb new persons. In the present socio-economic structure in the rural areas the distribution of a given quantum of work or income cannot be split up as between employment for the underemployed and full-time employment as such.

Agricultural production, as mentioned earlier, is expected to go up by 18 per cent. Considering the substantial increase in employment opportunities outside agriculture, the increase in the number of persons dependent on land may be expected to be relatively small. This suggests a significant increase in incomes and reduction in underemployment in that sector. The promotion and reorganisation of village and small industries along the lines suggested in the plan will provide fuller employment to large numbers of persons engaged in these industries. Altogether, in aggregative terms the plan offers the hope of a sufficient increase in the demand for labour to match the increase in the labour force amounting to 10 million.

FINANCIAL RESOURCES

13. A tentative estimate of financial resources against the outlay of Rs. 4800 crores is given below:—

	(Rs. crores)
1. Surplus from Current Revenues.	.. 800
(a) at existing rates of taxation	.. 350
(b) additional taxation	.. 450
2. Borrowings from the Public	.. 1200
(a) Market loans	.. 700
(b) Small savings	.. 500
3. Other Budgetary Sources	.. 400
(a) Railway's contribution to the development programme	.. 150
(b) Provident Funds and other Deposit Heads	.. 250
4. External Assistance	.. 800
5. Deficit Financing	.. 1200
6. Uncovered gap	.. 400
Total	.. 4800

It will be seen from the above table that about Rs. 350 crores can be made available for the plan out of current revenues at existing rates. Another Rs. 450 crores has to be raised from fresh taxation. Taking the two items together, the surplus from current revenues works out at one-sixth of the total resources required. The railways are expected to contribute about Rs. 150 crores for financing their development programme. Part of this will come from the

increased earnings expected in response to the heightened tempo of activity. Part will have to be found through adjustments in rates and freights. The estimate of Rs. 250 crores under Provident Funds and other debt heads is a projection of the current and expected trends of receipts under these heads.

14. The targets for market loans and small savings have been raised considerably over the performance in recent years. The average level of net receipts by way of market loans from the public has in the last two years been around Rs. 100 crores. The capital market is more responsive now than it was a few years ago. This improvement may be expected to continue and the target of Rs. 700 crores for the plan period is probably not over-optimistic. There are, on the other hand, large maturities amounting to Rs. 430 crores and the task of raising net loans of the order mentioned represents in terms of gross borrowings quite a large programme, especially in the context of a brisk demand for funds for investment in the private sector.

15. The collections under small savings have gone up from a level of Rs. 33 crores in 1950-51 to about Rs. 60 crores in the current year. The target for the plan period is Rs. 100 crores a year on an average. It can be attained, given an intensification of the small savings drive and sufficient follow-up at the district and sub-district levels, reaching down to every family. What is needed is a concerted effort by State Governments and non-official organisations to spread the savings habit to all strata of society. The plan relies upon market borrowings and small savings for providing as much as 25 per cent. of the resources required. Given the limitations in an underdeveloped economy of taxation as such or by way of profits of public enterprises, the effort to mobilise savings through borrowings from the public has to be correspondingly larger.

16. The total of resources mentioned so far amounts to Rs. 2,400 crores. The problem is to find another Rs. 2,400 crores. Some 50 per cent of this, that is, Rs. 1,200 crores can at the outside be raised through deficit financing. This, of course, is a draft on domestic savings. The fact that a fairly large proportion—25 per cent—of the funds needed for the plan have to be mobilised in this manner reflects the difficulty of increasing the coverage of taxation in the relatively early stages of development. A developing economy requires an increasing money supply and, up to a point deficit financing is safe and even necessary. But, beyond a point, deficit financing is inflationary. Reliance on this mode of raising resources to the extent proposed involves considerable risk. This has to be undertaken in the interest of development, but there must be readiness on the part of the community and the public authorities to adopt the necessary safeguards, correctives and controls as the situation may require.

17. In the nature of things, external resources that may become available to supplement domestic savings cannot be estimated in advance. In the first plan period, these resources have averaged Rs. 40 crores a year. As compared to this an average of Rs. 180 crores a year proposed in the scheme of financing presented above represents a large increase, even allowing for the newer form of trade credits for steel plants or other industrial undertakings. But, Rs. 800 crores represent the order of requirements. A plan which accords high priority to industrial development has necessarily a large foreign exchange component. As will be seen later, the gap in foreign exchange resources over the five year period works out at Rs. 800 crores after providing for a reasonable drawing down of the country's foreign exchange reserves and for net private foreign investment. External assistance of the order of Rs. 800 crores is not beyond the range of practical possibilities in terms of the surpluses available in more developed countries for investment abroad.

18. There still remains a gap of Rs. 400 crores. This has to come from domestic savings. It is not possible to indicate at this stage how this amount is to be raised. *Prima facie*, the task is exceedingly difficult. The plan is, as stated earlier, a broad framework, and within it concrete programmes for each year will be worked out. There will thus be a continuous review of needs and requirements. Uncertainties as to financial resources, supply of basic materials like steel and of equipment to be imported from abroad are among the factors to be taken into account through annual plans within the five year framework.

19. The strain on financial resources implied in the plan is perhaps too obvious to be stressed further. Clearly, the plan can be implemented fully only with commensurate effort. Not only must domestic resources be raised in the measure indicated above; there must be a readiness to make good, to the extent possible, any shortfall in the availability of external resources. An adequate tax effort is of vital importance in this context. Resources have to be saved for implementing the programme of investment, and taxation is about the most effective and equitable way of securing the required savings. It has its limits, but additional taxation of Rs. 450 crores over the five year period is by no means excessive either in relation to possibilities or of needs. Developmental planning with large programmes in the public sector requires that an increasing proportion of the national income comes into the public exchequer by way of revenues. This proportion is low in India—only a little over 7 per cent. Additional taxation of Rs. 450 crores will raise this proportion only marginally. It has, therefore, to be regarded as the minimum to be achieved. The reliance on non-tax resources in the plan is so large that a failure on the taxation programme is likely

to jeopardise the entire plan. Taxation, it may be added, should not be regarded as merely a means of raising revenues. It has a bearing on some of the basic purposes and objectives of the plan. Additional taxes on factory products may be necessary in order, to promote decentralised modes of production. Taxation has also to play a part in reducing inequalities.

20. The Centre and the States are required to share this additional tax effort equally. The lines along which the States have to raise resources have been settled on the basis of detailed discussions with State Governments. The Centre has already implemented some of the recommendations of the Taxation Enquiry Commission and the necessary further action has to be taken. The States have also to strive to their utmost to raise resources upto the targets accepted more or less along the lines suggested by the Taxation Enquiry Commission. With the large capital commitments both at the Centre and in the States, revenue deficits which imply borrowing to meet recurrent needs, have to be ruled out. In fact, in a developing economy current revenues should make an appreciable contribution to the financing of projects on capital account.

21. The initial effort to find resources for large developments in the public sector is naturally beset with difficulties. But, as public enterprises start bringing in surpluses, the resources for further investment become available in increasing degree. For the community as a whole, the basic decision is as to the quantum of investment to be undertaken. Given this decision, the system has to put forth the surplus needed. The price policy of public enterprises has to be framed with due regard to this aspect of the problem. The socialist pattern of society and the extension of the public sector are not to be regarded merely as ends; they are a part of the means of promoting rapid development. It is only as public enterprises accumulate surpluses for capital formation on an increasing scale that they lay the foundations for a progressive economy.

FOREIGN EXCHANGE RESOURCES FOR THE PLAN

22. The balance of payments position of the country has shown considerable improvement over the last two years. In 1954, the payments position on current account was virtually in balance and a small surplus is expected in 1955. This improvement, in spite of the heightened tempo of development in the country, is a measure of the growing strength of the economy over the first plan period. Nonetheless, the second five year plan, with its substantially larger investment outlay and an accent on the development of basic industries and transport, will necessarily involve a heavy strain on foreign exchange resources.

23. Estimates of foreign exchange earnings and requirements over a period of five years cannot be made without a large margin of uncertainty. Several of the important Indian exports such as jute goods and manganese are subject to sharp fluctuations in demand. Most of India's exports including tea, jute and cotton textiles have to reckon with increasing competition from other countries. An unfavourable turn in the monsoon is apt to necessitate large imports of foodgrains. Even in regard to imports directly needed for the development programmes in the plan, availability of key materials such as steel from abroad can by no means be reckoned as certain. What can be indicated at this stage, therefore, is only a tentative assessment of the foreign exchange requirements of the plan and the problems involved in financing these requirements.

24. On a preliminary view of requirements and likely earnings, it would appear that the balance of payments on current account would show a total deficit of Rs. 1100 crores over the next plan period. This deficit of Rs. 1100 crores has to be covered by external resources, including net private foreign investment and withdrawal from the accumulated foreign exchange reserves of the country.

25. The estimate of a total current account deficit of Rs. 1100 crores over five years is based on detailed calculations of expected earnings and requirements. A number of assumptions had to be made in making these calculations. The major steps and assumptions involved are as follows:—

- (a) Imports of machinery and equipment for implementing the plan in the public and private sectors are estimated at Rs. 1350 crores;
- (b) Imports of iron and steel will average between 15 and 16 lakh tons in the first four years of the plan, with imports virtually disappearing in the final year;
- (c) Total imports of foodgrains over 5 years will be of the order of 4 million tons, i.e. more or less at the same average annual rate as in the last two years;
- (d) Imports of sugar will not exceed on an average one lakh tons per year: and those of raw cotton will run at about the present rate on an average;
- (e) Taken together, imports of intermediate products such as chemicals, dyes and colours, paper and paste-board and mineral oils will not increase significantly beyond the present level in spite of increased requirements:

- (f) In view of the overall shortage of foreign exchange, commercial and fiscal policy will be directed to preventing any material increase in the import of manufactured consumer goods such as textiles, food products, electrical goods, cutlery etc.;
- (g) Exports of cotton textiles will increase progressively from some 814 million yards in 1954-55 to between 1100 and 1200 million yards in 1960-61;
- (h) There will be a sizeable increase in the exports of iron ore, manganese, scrap and oilseeds;
- (i) Exports of tea will increase only marginally and those of jute goods will run, on an average, somewhat below the level in 1954-55;
- (j) There will be a significant expansion in exports in the case of some of the newer products like sewing machines, bicycles, electric fans and general engineering goods;
- (k) On an average, the terms of trade over the next plan period will be as favourable as in 1954-55;
- (l) The net earnings on invisible account during the second plan period will be somewhat below the current rate.

26. Imports of machinery and equipment of the order of Rs. 1350 crores will be required in view of the large programmes of industrial and transport development. In the public sector alone the requirements of imported machinery and equipment amount to some Rs. 950 crores. Of this Rs. 425 crores is on account of transport and communications, Rs. 280 crores is in respect of the programmes of industrial development, Rs. 170 crores for irrigation and power projects and the rest for programmes in agriculture and social services. The estimated requirements of Rs. 400 crores of imported machinery and equipment for the private sector relate mainly to programmes of industrial development.

27. Imports of essential commodities such as foodgrains and sugar have already been reduced considerably over the last few years. With the continuing emphasis on agricultural development, it should not be necessary to increase imports of agricultural commodities above the present level except in the event of unfavourable monsoons. Should such circumstances arise, it may become necessary to obtain substantial imports of food and other agricultural products from abroad. In the present circumstances of large surpluses of such commodities abroad, it should not be difficult to secure the necessary imports.

28. The second five year plan provides for a sizeable increase in the production of intermediate products such as chemicals and dyes and colours in the country, It is assumed that it will, therefore, be possible to meet the increasing requirements of these products without any significant increase in imports.

29. Every effort has to be made to promote exports in view of the large foreign exchange requirements of the second five year plan. The range of India's exports at present is narrow; but it is desirable to nurture and develop markets for exports such as jute, tea, cotton textile, ores and oil-seeds. In the case of the newer exports of miscellaneous consumer goods and engineering products, earnings from exports are only of a small order at present and sizeable increase in export earnings from these commodities in absolute terms cannot be expected in the short run. Nonetheless, it is important that a beginning is made with the diversification of our exports as the industrial base of the economy expands.

30. The assumption that terms of trade over the next plan period will be as favourable as in 1954-55 is somewhat optimistic in the light of later trends. There has already been a setback from the 1954-55 level. Tea prices, in particular, have fallen sharply over the last year. The significance of the terms of trade can be seen from the fact that even a 10 per cent increase in import prices or a 10 per cent reduction in export prices means an additional foreign exchange burden of Rs. 60 to 80 crores in a single year.

31. The second five year plan provides for an expansion of tourist facilities in the country and earnings from tourism may be expected to increase progressively. But considering the increase in trade, the larger volume of foreign investment and a possible withdrawal from sterling balances, the net earnings on account of invisible items such as freights, interest and dividends are expected to be somewhat below the current rate.

32. The estimated deficit of Rs. 1100 crores on current account can be financed to the extent of some Rs. 200 crores by a withdrawal from the accumulated sterling balances of the country. If these balances are drawn down to the extent of Rs. 200 crores over the next plan period, they would fall to approximately Rs. 500 crores at the end of the plan. Reserves of this order would then correspond to about 7 months' imports and should be regarded as essential for enabling the country to tide over temporary balance of payments difficulties.

33. Credit may also be taken for a net inflow of private capital of about Rs. 100 crores over the next plan period. During the 5½

years ending December, 1953, private foreign investment in the country increased by Rs. 132 crores, but some Rs. 60 to Rs. 70 crores of this represented re-investment of profits earned within the country. The net inflow of private capital during the period thus works out to about Rs. 70 crores. It is reasonable, therefore, to expect a net inflow of private foreign capital of the order of Rs. 100 crores over the second plan period.

36. The gap of Rs. 800 crores in foreign exchange resources which remains after taking credit for net private foreign investment and withdrawal from accumulated sterling balances can only be bridged by external assistance from international agencies and assistance obtained on a government to government basis. India is receiving external assistance at present from a number of countries and the International Bank. The strength that the Indian economy has acquired over the last few years has added to the capacity of the country to service foreign loans. There are considerable prospects for obtaining trade credits for some of the bigger projects of industrial development. Programmes abroad for disposal of agricultural surpluses offer an opportunity for a greater flow of assistance. All these factors add up to a reasonable prospect of external assistance being available on a larger scale than in the past. Nonetheless, this is a field where the uncertainties in the estimation of foreign exchange requirements and in the availability of external resources necessitate a periodic and continuous review of needs and possibilities. In any case, the accent of policy has necessarily to be on maximising export earnings and economising to the utmost on imports. The need to keep down inflationary pressures and prevent the emergence of excessive domestic demands which would react adversely on the country's foreign exchange resources is paramount in this context.

ANNEXURE I

PLAN OUTLAY BY MAJOR HEADS OF DEVELOPMENT

	First Five Year Plan		Second Five Year Plan	
	Total Provision (Rs. Crores)	Percent	Total Provision (Rs. Crores)	Percent
<i>I. Agriculture and Community Development</i>	372	16	565	
(a) Agriculture	282	12	365	8
(b) National Extension and Community Development	90	4	200	4
<i>II. Irrigation and Power</i>	661	28	898	18
(a) Irrigation and Flood control	395	17	458	9
(b) Power (including small town and rural electrification programmes)	266	11	440	9
<i>III. Industries and Minerals</i>	179	7	897	19
(a) Large-Scale Industries, Scientific Research and Minerals	149	6	691**	15
(b) Village and Small-Scale Industries	30	1	200	4
<i>IV. Transport and Communications</i>	556	24	1384	29
(a) Railways	268	12	900	19
(b) Roads and Road Transport Schemes	146	6	265	6
(c) Shipping, Ports and Harbours and Inland Water Transport	58	2	100	2
(d) Post and Telegraphs, Civil Aviation, Broadcasting and other Communications	84	4	119	2
<i>V. Social Services, Housing and Rehabilitation</i>	547	23	946	20
(a) Education	169	7	320	7
(b) Health (Including water supply and sanitation programmes)	140	6	267	6
(c) Labour and Labour Welfare, Welfare of Backward classes and Scheduled Tribes and Social Welfare	39	1	149	3
(d) Housing	63	3	120	2
(e) Rehabilitation	136	6	90	2
<i>VI. Miscellaneous</i>	47	2	116	2
TOTAL	2356	100	4800	100

* Includes provision for local development works also.

**This excludes the provision for the expansion of the Chittaranjan Locomotive Works, the Integral Coach Factory and the Indian Telephone Industries which is shown under IV. The provision for the National Industrial Development Corporation (NIDC) and other finance corporations and for direct assistance to industries is included here.

THE PLAN IN OUTLINE
ANNEXURE II

STATE PLANS

(Rs. crores) :

State	Proposed Plan Outlay
Andhra	116.2
Assam	56.4
Bihar	192.9
Bombay	264.4
Madhya Pradesh	123.3
Madras	170.3
Orissa	97.3
Punjab	126.2
Uttar Pradesh	248.6
West Bengal	152.5
	1548.1
Hyderabad	100.0
Madhya Bharat	66.5
Mysore	78.0
Pepsu	36.1
Rajasthan	96.8
Saurashtra	47.6
Travancore-Cochin	71.2
Jammu & Kashmir	33.1
	529.3
Ajmer	7.8
Bhopal	14.3
Coorg	3.7
Delhi	17.5
Himachal Pradesh	14.7
Kutch	7.8
Manipur	6.2
Tripura	8.5
Vindhya Pradesh	24.7
	105.2
Andaman & Nicobar Islands	5.0
North East Frontier Agency	9.5
Pondicherry	4.7
	19.2
Centre's share of D.V.C.	12.2
TOTAL	2214.0

ANNEXURE III
 TARGETS OF PRODUCTION AND DEVELOPMENT

	1950-51	1955-56	1960-61	Percentage Increase in 1960-61 over 1955-56
	1	2	3	4
I. Agriculture				
1. Foodgrains (million tons)	54.0*	65.0	75.0	15
2. Cotton (" bales)	2.9	4.2	5.5	31
3. Sugarcane—raw gur (" tons). . . .	5.6	5.8	7.4	28
4. Oilseeds (" tons)	5.1	5.5	7.0	27
5. Jute (" bales)	3.3	4.0	5.0	25
6. National Extension Blocks (Nos.)	Nil	500	3,800	660
7. Community Development Blocks (Nos.)	Nil	622	1,120	80
8. Population served by National Extension & Community Development programme (million persons)	Nil	80	325	306
9. Village Panchayats (Thousand Nos.)	83	118	200	70
II. Irrigation and Power				
1. Area irrigated (million acres)	50	67	88	31
2. Electricity (installed capacity) (million kW)	2.3	3.4	6.8	100
III. Minerals				
1. Iron ore (million tons)	3.0	4.3**	12.5	191
2. Coal (million tons)	32.3†	36.8†	60.0†	63
IV. Large-scale Industries				
1. Finished steel (million tons)	1.1	1.3	4.3	231
2. Pig iron (for sale to foundries) (million tons) . . . .	..	0.38	0.75	100
3. Aluminium ('000 tons)	3.7	7.5	25.0	233
4. Heavy steel castings for sale ('000 tons)	Nil	Nil	15	..
5. Heavy steel forgings for sale ('000 tons)	Nil	Nil	12	..
6. Steel structural fabrications ('000 tons)	N.A.	180	500	178
7. Machine Tools (graded) (Value in Rs. lakhs)	31.8	75	300	300
8. Cement Machinery (do.)	N.A.	75	200	166

(*) Relates to the year 1949-50

(**) Relates to the calendar year 1954

(†) Figures relate to calendar years.

	1	2	3	4
9. Sugar Machinery . . . (value in Rs. lakhs).	N.A.	50	250	400
10. Textile Machinery (Cotton & Jute) . . . (do.) . . .	N.A.	410	1,950	376
11. Paper Machinery . . . (do.) . . .	Neg.	Neg.	400	..
12. Power Driven Pumps— Centrifugal . . . (000 Nos.) . . .	34	40	86	115
13. Diesel Engines . . . (000 H.P.) . . .	N.A.	100	205	105
14. Automobiles . . . (Nos.) . . .	16,500	23,000	57,000	147
15. Railway Locomotives . . . (Nos.) . . .	3	170	300	76
16. Tractors . . . (Nos.) . . .	..	..	1,600	..
17. Cement . . . (million tons) . . .	2.7	4.8	10	108
18. Fertilizers :				
(a) Nitrogenous (In terms of Amm. Sulphate) . . . (000 tons) . . .	46	380	1,600	321
(b) Superphosphate . . . (000 tons) . . .	55	100	600	500
19. Sulphuric Acid . . . (000 tons) . . .	99	160	450	171
20. Soda Ash . . . (000 tons) . . .	45	80	250	213
21. Caustic Soda . . . (000 tons) . . .	11	35	120	243
22. Petroleum Refinery— Liquid Petroleum Products (million gallons) . . .	..	750	895	20
23. Electric Transformers 33 KV and below . . . (000 KVA) . . .	179	520	880	69
24. Electric Cables (ACSR Conductors) . . . (tons) . . .	1,420	9,000	15,000	65
25. Electric Motors . . . (000 H.P.) . . .	99	240	600	150
26. Sugar . . . (million tons) . . .	1.1	1.7	2.3	35
27. Paper and Paper Board . . . (000 tons) . . .	114	180	350	94
28. Bicycles (Organised sector only) . . . (000 Nos.) . . .	101	500	1,000	100
29. Sewing Machines (Orga- nised sector only) . . . (000 Nos.) . . .	33	90	220	144
30. Electric Fans . . . (000 Nos.) . . .	194	275	450	64

V. Transport and Communications.

(a) Railways:

(1) Passenger train miles . . . (millions) . . .	95	108	124	15
(2) Freight Carried . . . (million tons) . . .	..	120	162	35

(b) Roads :

(1) National Highways (000 miles) . . .	11.9	13.0	13.6	5
(2) Surfaced Roads . . . (000 miles) . . .	97.0	102.0	111.0	9

(c) Shipping :

1) Coastal & Adjacent . . . (Lakh GRT) . . .	2.2	3.2	4.3	34
(2) Overseas . . . (Lakh GRT) . . .	1.7	2.8	4.7	68

(d) Ports :

Handling capacity (million tons) . . .	2	26	32.9	30
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	1	2	3	4
<i>(e) Post & Telegraphs :</i>				
(1) Post Offices . . (000 Nos.)	36	53	73	38
(2) Telegraph Offices (000 Nos.)	3.6	5.1	6.5	27
(3) Number of tele-phones (000 Nos.)	168	265	450	70
VI. Education				
1. School-going children as percentage of children in the respective age groups :—				
(a) Primary Stage (6—11 age group)	42.0	50.0	60.0	
(b) Middle Stage (11—14 age group)	14.0	17.0	19.0	
(c) High/Higher Secondary Stage (14—17 age group)	6.4	9.0	10.0	
2. Elementary/Basic Schools (lakhs)				
	2.23	2.83	3.48	23
3. Teachers in Primary/Middle Secondary Schools (lakhs)				
	7.4	9.7	12.1	25
4. Teachers Training Institutions (Nos.)				
	835	885	1,080	22
5. Enrolment in Teachers Training Institutions (000 Nos.)				
	75.6	91.0	111.4	22
VII. Health				
1. Medical Institutions . (000 Nos.)				
	8.6	10	12.6	26
2. Hospital beds . . (000 Nos.)				
	113	125	155	24
3. Doctors . . . (000 Nos.)				
	59	70	80	14
4. Nurses . . . (000 Nos.)				
	17	22	31	41
5. Midwives . . (000 Nos.)				
	18	26	32	23
6. Nurse-Dais & Dais . (000 Nos.)				
	4	6	41	583
7. Health Assistants and Sanitary Inspectors . . (000 Nos.)				
	3.5	4	7	75

CHAPTER III

EMPLOYMENT ASPECTS OF THE PLAN

THE employment situation, as revealed by employment exchange statistics, began to show an uneasy trend by the time the first five year plan was half way through. The plan had, therefore, to be strengthened during 1953-54 by the inclusion of some labour intensive schemes. Even so, the employment position worsened to some extent during the period of the plan, the number on the live registers of employment exchanges rising from 3.37 lakhs in March 1951, to 5.22 lakhs in December 1953 and further to 6.92 lakhs in December 1955. As an indicator of unemployment trends these data suffer from limitations which are well known. There has, however, been increasing realisation that if plans of economic development are to evoke sufficient response, employment must be one of the central objectives. It is therefore a matter of common agreement that the second five year plan should have a distinct employment bias.

2. This is not to say that the first plan did not have any impact on employment. In fact, in the last four or five years, there has been progressive expansion in the volume and range of employment, both in urban and in rural areas. It is expected that additional direct employment created by the increased levels of activity in the public and private sectors over the five-year period would be of the order of 4.5 millions. This estimate, however, excludes additional employment in fields such as trade, commerce, etc. The main reason for deterioration in the employment situation is that the additional job opportunities planned for were not sufficient in relation to additions to the labour force during the period of the plan. The major impact of the first plan, moreover, has been in rural areas, where agricultural development and large scale construction activity, in addition to providing full-time employment, has relieved to some extent the prevailing under-employment. This improvement is not reflected in the statistics provided by employment exchanges, since their coverage is mainly urban in character.

3. The task to be faced during the second five year plan in the field of creation of employment opportunities is three-fold. Firstly, there are the existing unemployed in the urban and rural areas

Secondly, there is the increase in the labour force which is estimated at about 2 million persons per year, and lastly, the under-employed in rural occupations and those engaged in household occupations in urban areas have to be provided with increased work opportunities. In seeking remedies for this three-fold problem, it is necessary not only to view the employment situation in the aggregate, but also in its urban and rural aspects. There are some regions in the country, both urban and rural, where the employment situation is more acute than in others. While assessing the size of the problem, therefore, it is necessary to take into account its magnitude in urban and rural sectors in different regions of the country.

4. The employment surveys which were undertaken during the first plan period revealed that in urban areas about 8 to 10 per cent of the employable population or roughly 2.5 million persons were unemployed. Preliminary surveys undertaken in urban areas by the National Sample Survey have placed the magnitude of urban unemployment at 2.24 millions. The surveys have also suggested a relationship between the number unemployed and the data provided from time to time by the employment exchanges. On the basis of this relationship and the number on the live registers of employment exchanges, as at the end of 1955, it would appear safe to suggest that the urban backlog of employment seekers is of the order of 2.5 millions.

5. To this backlog is to be added the number of new entrants to the urban labour force. It is expected that this will increase by about 3.8 millions in the next five years. In arriving at this figure it has been assumed that in the decade 1951-61 the urban population will increase by 33 per cent. This rate of urbanisation is somewhat higher than that of the decade 1931-41 (31%), but is lower than the rate for the decade 1941-51 (40%). The rate of urbanisation during the decade 1941-51 was unusually high because of war and Partition. It is reasonable to assume that a smaller rate will prevail during 1951-61 in view of improvements in rural conditions and the emphasis given to the development of a decentralised sector in the economy.

6. In rural areas it is difficult to distinguish unemployment from under-employment. The task of providing employment opportunities in these areas has to be measured by and large in terms of additions to incomes. Nevertheless, some sections of the agricultural population such as agricultural labourers, especially those without land and rural non-agriculturists without employment, have as great a significance in the context of unemployment as the urban

unemployed. On the basis of the Agricultural Labour Enquiry, 1950-51 and other data available, it is estimated that in rural areas there are about 2.8 million persons who may be described as unemployed.

7. As stated earlier, the total number of new entrants to the labour force has been assumed to be 10 millions during the period of the second plan. Deducting from it the estimated 3.8 millions accruing to the labour force in the urban areas, new entrants to the rural labour force in 1956-61 may be 6.2 millions.

8. The following statement shows at a glance the number of jobs or job-opportunities which will have to be created if unemployment is to be completely eradicated during the second plan period:—

Figures in millions

	In urban areas	In rural areas	Total
For new entrants to labour force . . .	3.8	6.2	10.0
For back-log of unemployed . . .	2.5	2.8	5.3
TOTAL . . .	6.3	9.0	15.3

It has to be emphasised that these figures indicate the size of the problem to be tackled apart from the additional job opportunities required in the country for persons who are under-employed. While, as a result of the greater tempo of development and the attention given to rural areas, under-employment may be relieved to some extent, there are areas in the country where rural family incomes appear to be so low that they will need special programmes. These areas are being studied with a view to suggesting suitable steps for improving the employment situation there.

9. An attempt has been made to assess the employment content of the second five year plan in the light of considerations set out in the foregoing paragraphs. The total outlay in the public sector is estimated to be of the order of Rs. 4,800 crores, of which Rs. 3,800 crores represent investment. In addition, investment in the private sector is expected to be of the order of Rs. 2,300 crores. It has been possible to work out the additional employment likely to be generated by the plan, on the basis of employment data supplied by the States and the Central Ministries and on the basis of physical

targets proposed for the private sector with certain assumptions regarding productivity increases. The results of the study are summarised in the statement below:—

(Figures in lakhs.)

<i>Estimated Additional Employment</i>	
1. Construction	21.0*
2. Irrigation & Power	0.51
3. Railways	2.53
4. Other Transport & Communications	1.80
5. Industries & Minerals	8.00
6. Cottage & Small-scale Industries	4.50
7. Forestry, Fisheries, N.E.S. and allied schemes	4.13
8. Education	2.60
9. Health	1.16
10. Other Social Services	1.42
11. Government Services	4.34
TOTAL (1-11)	51.99
12. Plus 'others' including trade and commerce @52% of total	27.04
GRAND TOTAL**	79.03 or say 80

10. These estimates have to be judged in the context of the objective of the second five year plan of providing employment opportunities outside agriculture on an adequate scale. Even if existing unemployment were to remain unchanged, 10 million jobs require to be created for this purpose. But, of the 10 million new entrants to the labour force a large number will be among families

* The detailed break-up of construction employment under different developmental sectors is as follows —

Name of Sector	Estimated additional employment in construction
1. Agriculture & Community Development	2.66
2. Irrigation & Power	3.72
3. Industries & Minerals (including cottage & small-scale industries)	4.03
4. Transport & Communications (including Railways)	1.27
5. Social Services	6.98
6. Miscellaneous (including Government service)	2.34
TOTAL*	21.00

**The estimate of construction employment may prove to be somewhat on the high side, but employment under 'others' including 'trade and commerce', may be an under-estimate. It is felt, however, that on balance the estimate of 8 million new employment opportunities in the non-agricultural sector should not be far out.

depending on land. In regard to such persons, as has been pointed out earlier, the quantum of additional work has to be measured not in terms of jobs, but in the form of additional income accruing to them. For instance, on account of irrigation provided during the plan period, it may be reasonable to assume that of the additional acreage irrigated, about 30 per cent. will provide, to the new entrants to the labour force, opportunities of work on a full-time basis according to rural standards. On this assumption about 1.6 million new entrants to the labour force in rural areas may be regarded as securing employment in agriculture. The balance of the irrigation facilities provided will account for relieving under-employment in agricultural pursuits. In addition, one has to take into account the fuller employment opportunities provided by schemes under the village and small industries programme. Viewed in this light the results of the plan in terms of employment are likely to be significant, but the problem of unemployment will continue to require a great deal of attention.

11. It will be useful at this stage to compare the overall direct employment estimates during the first and the second five year plans. It has been stated that the direct employment generated during the first five year plan would be of the order of 4.5 millions. With almost double the size of the developmental effort, additional direct employment during the second five year plan is not likely to be much higher. This is because the 'step up' in developmental expenditure during the second plan period is not expected to be much larger than that achieved during the first plan period. In the last year of the first plan developmental outlay in the public sector is expected to be higher than the corresponding amount in 1950-51 by about Rs. 400 crores. It is likely that as compared to the last year of the first plan, the increase in the developmental outlay in the last year of the second plan will be of the order of Rs. 600 crores. In addition, it is clear from the pattern of investment described in Chapter II that a much larger expenditure is contemplated on transport and industries, and in the immediate future these have a relatively smaller employment content. It is, therefore, not surprising that direct additional employment generated over the second plan period may not be much higher than the corresponding increase in the first plan period.

12. Apart from the general problem of unemployment and its regional characteristics, there is the specific problem of educated unemployed, which requires special consideration. To assess the magnitude of the problem and to suggest suitable remedies, the Planning Commission appointed a Study Group which has submitted its report recently. According to its estimates, which have been based on the analysis of employment data available in the country, the volume of

unemployment among educated persons above the matriculation standard is at present in the neighbourhood of 5.5 lakhs. The Group has further estimated that during the period 1956-61 another 14.5 lakhs of such persons will enter the labour market. Complete eradication of educated unemployment, would, therefore, require the creation of 2 million job opportunities during the second plan period. It is obvious that the 2 million job opportunities required, have some significant regional aspects. For instance, it is recognised that the problem exists in a more acute form in areas like West Bengal and Travancore-Cochin.

13. The job opportunities which are likely to be created by the second plan for educated persons should be considered against this background. On the analysis of data supplied by State Governments, the Study Group came to the conclusion that the existing programmes would provide employment opportunities for about 14.4 lakhs of persons. It, therefore, felt that unless some additional schemes specifically designed for the relief of educated unemployed persons were taken up, the magnitude of the outstanding problem would remain more or less unchanged. The Group has, therefore, recommended an outlay of Rs. 130 crores on schemes for setting up small-scale industries and co-operative goods transport. It has also recommended some other schemes drawn up by State Governments for the educated unemployed. It has been reckoned by the Group that if these recommendations are given effect to, 2.4 lakhs of additional jobs for the educated would be available. It is proposed that a beginning should be made on a pilot basis during the next year in the directions suggested by the Study Group. This will indicate how far educated persons take advantage of and can be assisted in utilising the opportunities which the special programmes proposed by the Group will bring into existence.

14. The question of educated unemployed cannot be viewed in purely quantitative terms in the manner the problem of general unemployment is often thought of. It is perhaps enough to say that a certain number of jobs are required for unskilled or uneducated categories, but when it comes to making a similar statement with regard to the existing educated unemployed, it is necessary to be more specific about the kind of education for which job opportunities are required to be created. The regional and occupational aspects associated with the problem have to be considered separately. Regional immobility among the educated, except at fairly high levels, comes in the way of the fuller utilisation of such personnel. Instances are not wanting where surpluses in certain categories of educated and trained personnel are reported at some employment exchanges, while these very categories are in short supply at others.

In such cases adjustment of supply with demand becomes to a considerable extent a question of providing suitable incentives and opportunities. The other aspect, namely the occupational, requires a considerable amount of advance planning, both in assessing the demand for such personnel and in making arrangements for future supply.

15. In this connection mention may be made of the demand from various regions for augmenting training facilities and the steps that have already been taken for providing them. In the plans of States much attention has been given to the training of personnel which are likely to be in short supply. Technical manpower requirements in different fields for the second five year plan have been studied. Since construction occupies a central place in planning, the assessment of engineering personnel required for this purpose was undertaken by a special Committee appointed by the Planning Commission. In a later chapter a reference is made to the recommendations of this committee.

16. The conclusions which emerge from the fore-going analysis are:—

- (a) Even with the larger effort that is envisaged in the second plan, the total volume of unemployment, during the period of the second plan, may be of about the same order as at present;
- (b) there will be some addition to the working force in agriculture, but on account of the schemes operating in this field, income per occupied person will increase to the extent of about 17 to 18 per cent; and
- (c) in the field of village and small industries, since only full-time jobs have been taken into account for the above calculations, the fuller employment opportunities, as envisaged in the Report of the Village and Small-Scale Industries Committee, will afford some relief to the under-employed.

17. These conclusions suggest that in spite of concerted efforts for the mobilisation of available resources and their optimum utilisation, as proposed in the second plan, the impact on the two-fold problem of unemployment and under-employment will not be as large as the situation demands. There is at the same time a limit to the amount of investment which can be put through over the period of the plan. In the light of the emphasis placed on heavy industries, the scope for varying the pattern of investment is only marginal in character and any further adjustment of priorities may not yield

much larger results in terms of employment. At the same time it is not always possible in the existing state of knowledge, to take into account all the ramifications on employment of investments in heavy industries of the type envisaged in the plan. In this connection it is necessary to stress the importance of implementing the plan so as to maximise its production and employment potential by coordinating complementary investments, planning the use of resources such as water, electricity, etc. which are created by the operation of the plan and ensuring that the services of newly created institutions and agencies are brought effectively within the reach of those whom they are intended to benefit. As the plan proceeds, there should be continuous assessment of the additional employment obtained through its operation, so that suitable steps can be taken to ensure that the targets of employment are realised.

CHAPTER IV

ADMINISTRATIVE TASKS AND ORGANISATION

TASKS IN THE SECOND PLAN

At the present time the general social and economic outlook which has been evolved in India in dealing with problems of national development embodies a large measure of agreement both on the analysis of problems and on many of the basic questions of policy. On closer examination, differences in judgement are often found to be either differences in perspective or differences in detail. While the area of agreement on matters of policy is considerable, the doubt is frequently expressed whether, in its range and quality administrative action will prove equal to the responsibilities assumed by the Central and State Governments in the second five year plan. It is likely that as the plan proceeds the most difficult issues will relate less to matters of policy and approach, much more to questions of administration and finance. In as much as collection of taxes, spending money and raising small savings are but aspects of the executive functions of government, finance may also be regarded as part of the more general problem of administration.

2. As development goes forward, the expression 'administration' steadily assumes a broader content. It includes within its scope the building up of personnel, training of men, running the administrative machine, seeking the co-operation and participation of the people, informing and educating the public and, finally, organising a sound system of planning based as much on the participation of people at each level as on the best technical, economic and statistical information available. If the administrative machinery, both at the Centre and in the States, did its work with efficiency, integrity and with a sense of urgency and purpose, the success of the second plan would be fully assured. Thus, in a very real sense, the second five year plan resolves itself into a series of well defined administrative tasks.

3. In comparison with the first plan, these tasks are much larger in scope; they are also far more complex. Some part of the ground is familiar and represents activities continued from the

past, although on an expanded scale. But there is much that is virtually new for which, in the ordinary course, a longer period of preparation would have been necessary. The principal administrative tasks during the second five year plan could perhaps be classified into certain broad categories:

- (1) ensuring integrity in administration;
- (2) building up administrative and technical cadres;
- (3) organising large-scale training programmes in all fields and mobilising all the available training resources, including public and private institutions, industrial and other establishments, apprenticeship and in-service training;
- (4) devising speedy, efficient and economic methods of work, providing for continuous supervision, and arranging for objective evaluation of results at regular intervals;
- (5) carrying technical, financial and other aids to small men, as in agriculture, national extension and community projects and village and small industries;
- (6) organising efficient management for public enterprises, as in industrial undertakings, transport services and river valley schemes;
- (7) securing local community action and public participation so as to obtain the maximum results from public expenditure, as in agriculture and in social services; and
- (8) strengthening the co-operative sector of the economy through assistance in managerial and technical personnel and establishment of co-operative, financial, marketing and other institutions.

4. Each of these tasks constitutes a large theme by itself. It was pointed out in the First Five Year Plan that corruption led to wrongs which were difficult to redress and undermined the structure of administration and the confidence of the public in the administration. There must, therefore, be a continuous war against every species of corruption within the administration as well as in public life generally and the methods to root out this evil should be constantly reviewed. A number of positive steps have since been taken both at the Centre and in the States. An enquiry committee has recently examined the subject in relation to the railways who are the largest employers in the country. A number of recommendations have been made and action is being taken. The Ministry of Home Affairs has set up an administrative vigilance division

with which are associated vigilance officers in different Ministries. Similar action would be desirable in the States. Factors which provide opportunities for corruption or malpractices have to be eliminated. Failures have to be watched and investigated and their causes removed. Finally, prompt and stringent action is necessary wherever there is reasonable ground for suspicion. On the question of methods of work it is sufficient here to recall the observations made in the First Five Year Plan and to recommend extension in all States of the type of work begun at the Centre by the Organisation and Methods Division of the Cabinet Secretariat. The importance of developing appropriate institutions and methods by which all Government agencies will effectively serve and aid the small man and ensure that the benefits of public assistance reach those most in need of it must be stressed as a cardinal principle in the implementation of the second five year plan. Two other aspects have to be specially stressed. The first is that delay in dealing with references from non-official organisations and individuals must be reduced to the minimum through systematic supervision and inspection and delegation of responsibility. Secondly, at all levels within the administration an outlook should be developed which will insist on avoiding waste, assessing costs in relation to benefits and ensuring that the country gets the utmost from the expenditure which is undertaken. A few observations may be offered on the other administrative tasks which have been mentioned above.

5. In the First Five Year Plan general questions relating to the reform of public administration were reviewed at length and at the Centre action has been taken on a number of the suggestions which were made. The Planning Commission also examined in some detail questions relating to the administration of district development programmes. With the organisation of the national extension service, district administration has been steadily strengthened. There is also much greater co-ordination in development work at the district level and at the State level. In most States greater reliance is being placed on panchayats as development agencies at the village level. The number of village panchayats is expected to increase from about 83,000 before the plan to about 118,000 in 1955-56. During the second five year plan the number of panchayats is expected to rise to 200,000.

6. An important decision which has been taken by the Government of India is to standardise weights and measures all over the country on the basis of the metric system. At present there is a great diversity in weights and measures used in different parts of the country. Not only do weights and measures differ from one

area to another but even in the same area the units used for different commodities also differ; and often the same terms, for example, maund and seer, represent different weights at different places. Such diversity in weights and measures used for the common transactions of daily life is a source of much confusion and difficulty. The adoption of the metric system of weights and measures would facilitate standardisation both at the national and international level and simplify calculations of diverse kinds. A reform of this character is best undertaken in the early stages of industrialisation. The reform is proposed to be completed in a period of ten to fifteen years. As a first step towards the adoption of the metric system it has been decided to introduce the decimal system of coinage during the second plan period and the necessary legislation has recently been enacted.

ADMINISTRATIVE AND TECHNICAL CADRES

7. No large programme can be successfully executed without the necessary personnel. In every field most of the tasks to be accomplished are long-range in character and each significant problem needs continuous attention over many years. The common tendency is to recruit new personnel on a temporary basis and to carry them over from year to year without giving them reasonable security and satisfaction in achievement. This proves wasteful in manpower resources. It is safe to assume that with planned development of the country's resources personnel requirements will increase in every field. The appropriate course for each authority will therefore be to build up permanent cadres for carrying out its programmes for the second five year plan. This has been done already with obvious advantage in the first five year plan in two outstanding instances, namely, the national extension and community development programme and in the North-East Frontier Agency. Measures to increase the strength of the Indian Administrative Service are already in train.

8. For the implementation of the plan State Governments have been engaged in reviewing their requirements of administrative personnel at different levels. The following are some of the suggestions which emerge from a study of the present situation as reported by States:

- (1) The problem of administrative personnel should be viewed in terms of requirements over a sufficiently long period, say, 10 years;
- (2) in making estimates of requirements sufficient allowance should be made for the likely expansion of

- responsibilities which State Governments will have to undertake and the need to have adequate reserve strength;
- (3) increases in the various cadres should be on a relatively long-term and, preferably, permanent basis;
 - (4) development programmes are placing an increasing burden on the Collector. In order that he should be able to discharge the duties entrusted to him, adequate assistance should be given to him. In particular, it has been observed that the formation of sub-divisions within a district helps both in reducing the amount of routine work falling upon the Collector and in improving the detailed implementation of development programmes; and
 - (5) training programmes for administrative personnel are being strengthened in most States and now include training in rural development work. There is need, however, for close personal supervision and interest on the part of selected experienced officers in the training of junior personnel during the first few years of service. Greater attention should also be given to methods of training; in this respect there should be continuous exchange of information and experience in States.

9. Experience of the first five year plan bears out the fact that, even in the more developed States, a moderate expansion in the development programmes to be undertaken soon strains the available resources of technical personnel, especially at the higher levels. This applies without exception to all fields of development. In less developed States the situation may sometimes be quite serious; for instance, several departments may be without their Directors or other senior officers. In some Part 'C' States, the chronic shortage of technical personnel, even at lower levels, has been the most important single cause of shortfalls in expenditure and consequent failure to fulfil the targets set by the first five year plan. While some States are in a better position to provide themselves with technical personnel than others, one important lesson of the first plan is that in most fields the average State is not a large enough area for recruitment of personnel of high quality or for organising adequate training or for providing reserves of personnel to cope with continually expanding needs. Recruitment to State cadres has therefore to be supplemented in different fields by one or other of the following arrangements, according as may be found most feasible:

- (1) all-India Services, as proposed by the States Reorganisation Commission;

- (2) joint development cadres between the Centre and the participating States, as recommended in the First Five-Year Plan; and
- (3) cadres organised on a regional basis so as to serve the needs of neighbouring States.

It is proposed to examine this subject further in consultation with the Central Ministries concerned and the States in the light of decisions reached on the Report of the States Reorganisation Commission.

10. There is one field in which good cadres have to be built up almost from the beginning and put through intensive training, namely, village and small industries. In the second five year plan a large sum has been allotted for the development of these industries. This is a measure of the importance attached to village and small industries as an element in the country's economic structure, but adequate organisation is essential if the results hoped for are to be realised.

PUBLIC ENTERPRISES

11. In the field of modern industry, finance and trade the role of the public sector is likely to expand rapidly. The programmes of industrial development during the second plan place on the Government responsibility amongst other things for new steel plants, coal mines, heavy machine building factories, fertilizer factories, manufacture of heavy electrical equipment and oil exploration and development. There are also a number of schemes for industrial expansion with which the Government is closely associated. Organisations preparing designs of industrial plant and equipment have to be built up within the Government. Personnel has to be found for assisting development councils appointed for individual industries under the Industries Development and Regulation Act. The creation of the State Bank of India, the nationalisation of life insurance and the proposal to set up a State trading organisation suggest other fields in which the Government is called upon to equip itself with personnel not only for tasks which are to be undertaken immediately but as preparation for larger responsibilities to be shouldered in the future.

12. A proposal to constitute an industrial management pool to provide personnel for industrial undertakings in the public sector has been recently worked out. It is proposed to obtain personnel from within the public services as well as from outside. At lower levels posts are provided for the purpose of training personnel who will be able to assume higher responsibilities at a later stage. In view of the approach to planned development explained in the

first chapter and the programme of industrial and mineral development, which is to be implemented during the second five year plan, the problem of personnel has to be considered from a wider standpoint than has been adopted so far. The proposed management pool should be large enough to meet the principal direct requirements of the Central Government and also to provide higher grades of personnel for Industries Departments in the States whose operations, especially in the field of small, medium and cooperative industries, are likely to grow. In regard to technical personnel there is no proposal at present to constitute any cadre, but the appropriate Central Ministries are examining this question and are estimating their requirements, besides arranging for recruitment and training of the personnel needed by them. The extension of training facilities in business management has considerable bearing on the rate at which the industrial sector can expand. Business administration courses for training junior executives have been recently initiated at Bombay, Calcutta, Madras and Delhi. It is also proposed to establish an administrative staff college which will bring together senior executives in different fields for study of techniques of organisation and administration. A management association with branches at the principal centres is also expected to be established in the near future.

13. During recent years, for the administration of public enterprises the common practice has been to set up joint stock companies in which Government holds the entire capital. Questions relating to the organisation of public enterprises are under constant review and recommendations on the subject have also been made recently by the Estimates Committee of the Lok Sabha. Issues such as the character of Boards of Directors for Government enterprises and the need for a degree of common management for similar public enterprises are at present under examination in the Ministries concerned. Questions bearing on methods of management and personnel policies in public enterprises need critical and continuous study.

TECHNICAL PERSONNEL

14. Requirements of technical personnel have to be determined and provided for well ahead of the stage of implementation of programmes. In assessing requirements sometimes projections of probable demand may have to be made without perhaps sufficiently firm data relating to the programmes to be carried out. In the past serious shortages of personnel were not felt because development programmes were of a limited character. As a result of the progress made during the first five year plan, now there are few fields of development in which personnel shortages do not occur to some extent. During the first plan in several States shortages in skilled personnel have been felt, for instance, among engineers, surveyors,

agricultural specialists, health personnel and trained teachers. Some lack of balance between different regions has also been observed so that, while certain parts of the country report surpluses, elsewhere for the same categories of personnel there may be shortages. Manpower studies bearing on the requirements of the first as well as the second five year plans were begun in the Planning Commission about the middle of 1953 and in some directions early action was taken to expand training facilities. In drawing up proposals for the second plan, all States and Ministries have made estimates of requirements in different categories from year to year.

15. Steps taken to enlarge training facilities for agricultural, forest, veterinary, cooperative and health personnel and for the training of teachers and engineering personnel are briefly reviewed in the appropriate chapters. It is proposed, for instance, to set up 4 new agricultural colleges, 4 veterinary colleges and 6 medical colleges, besides expanding a number of existing institutions. It is, however, in the field of engineering personnel that manpower and training problems in relation to the second five year plan are likely to be specially difficult. Problems in this field are being studied by an Engineering Personnel Committee set up in September, 1955, by the Planning Commission. The committee is making an assessment of shortages of supervisory and higher grades of engineering personnel at the end of the first five year plan and is attempting to estimate the probable requirements for the second five year plan in fields of development such as building and road construction, railways, industrial undertakings in the public and private sectors, mining and irrigation and power.

16. The Engineering Personnel Committee has tried to take a view stretching over several years. After considering existing training facilities and proposals for expansion provided for in the plans of Central Ministries and State Governments, it has made a number of interim recommendations. The more important of these are indicated below :

(1) in addition to the increase in training facilities proposed so far for the second plan, additional training facilities should be established for ensuring a total output of 1,690 engineering graduates and 5,750 diploma holders;

(2) this additional output should be obtained through—

(a) increase in the capacity of existing institutions by 20 per cent. for graduate training and 25 per cent. for diploma training, and

(b) opening of 14 new colleges and 62 engineering schools;

(3) a new class of personnel known as technical assistants who would require a short period of training for specific jobs should be recruited to assist overseers ;

(4) apprenticeships and in-plant training should be organised on a large scale throughout the country in Government as well as in private industrial undertakings;

(5) delays which now occur in recruiting technical personnel in accordance with the requisitions of departments should be reduced. To this end the Union Public Service Commission should be strengthened. The Commission should maintain a register of engineering personnel so that demands for technical manpower can be met as they arise. It would be desirable if personnel requirements of different departments were pooled together and one or two bulk selections made during the year; and

(6) a "high power body", which should be supported by an executive organisation with sufficient authority, should be constituted at the Centre for taking decisions on questions of policy relating to technical manpower. Similar agencies for coordinating supply and demand for technical personnel should be set up by State Governments.

These recommendations are under examination.

17. When considering training programmes for the second five year plan, there is one aspect to which attention may be drawn. The provision of training facilities for higher categories of personnel, whether in engineering and technology or in medicine and agriculture costs a great deal and takes time. If every State has to provide for its training requirements in its own institutions, even apart from the question of financial resources needed, it is apparent that there will be delay in obtaining trained men in the numbers needed. It is therefore necessary that the expansion of existing institutions should receive a higher priority and convenient arrangements should be made in the near future for extending training facilities to neighbouring States which do not have their own training institutions, especially in respect of higher grades of personnel.

PLANNING MACHINERY IN THE STATES

18. In the course of the first five year plan most States have built up suitable planning units. As a rule they have whole-time or nearly whole-time secretaries in charge of planning and development. Planning secretaries often carry executive responsibilities as Development Commissioners in charge of national extension and community projects, an arrangement which has on the whole worked

satisfactorily. Committees of Secretaries for planning have facilitated coordination between departments. Overall direction is generally given by a special committee of the State Cabinet. Work relating to planning is likely to increase in volume and complexity during the second plan. Hitherto, at the State level, the work of planning departments has largely taken the form of coordination of the work of other departments. To an increasing extent, a planning department will now be concerned with appraisal of the economic and social needs of the State and with financial and material resources, training programmes and other policy aspects of State programmes. Such questions as the level of employment, supply of trained personnel, supply of material resources for implementing the plan, mobilisation of small savings, price trends and the supply of consumer goods will fall more and more within the scope of planning in the States. The preparation of annual plans, improvements in the techniques of planning and the need for more precise reporting and assessment of progress of individual schemes and in different sectors of the State economy will also add to the work of planning departments. In these circumstances it would be desirable for State Governments to take steps to strengthen their planning units. In the second place, statistical and economic staffs in the States should work in close association with planning departments.

ANNUAL REVISION OF NATIONAL AND STATE PLANS

19. As has been suggested earlier, in considering the economic and social objectives of planned development, it is necessary to take a view extending over a fairly long period, for instance, 15 years. In preparing the second five year plan, as will be seen in the appropriate chapters, in the development of steel and heavy industries, in irrigation and power, in personnel planning and in the planning of education, and in assessing population trends in relation to food supply a view has to be taken of probable requirements or developments over two or three plan periods. Long-term planning affords a perspective which is of great value in achieving balanced development and in judging economic and social trends. For shorter periods, such as a year, there has to be necessarily detailed planning. Plans for five-year periods have to be fitted, as it were, between general long-term plans on the one hand and detailed annual plans on the other. A five year plan helps focus attention on clearly defined tasks for which the resources and energies of the country are to be mobilised. A five year plan has, however, to be conceived and operated in a flexible manner.

20. Flexibility in working a five year plan is a necessity as well as an advantage. In view of uncertainties inherent in imports of

equipment and steel and in foreign exchange and changes in conditions periodical review of a plan is inevitable. To the extent a plan is flexible, it becomes possible to take advantage of new information and experience and to adopt new technological developments. Admittedly, long-term projects and development schemes involve commitments extending over several years and these leave less room for projects which lend themselves to short-term commitments and short-term adjustments. It is proposed therefore that specific and detailed plans should be prepared from year to year within the general framework of the five year plan. This would avoid undue rigidity in implementation and will permit changes which might be needed in the interest of the economy.

21. The changes and adjustments which annual plans will facilitate pertain largely to those sectors of the national plan which are in a special measure the concern of the Central Government, such as industry, minerals, transport and power. To a smaller extent adjustments within the framework of the plan will also be required in the States. A suitable procedure for undertaking a yearly review of State plans has been recently worked out in consultation with representatives of the States.

DISTRICT PLANS

22. In formulating their draft proposals for the second five year plan, State Governments took account of plans which had been prepared for villages, towns and districts. Now that State plans have been broadly determined, it is important that the plans of departments should distinguish programmes which may form part of district plans and those which will continue to be dealt with mainly at the State level. The district has rightly been described as the pivot of the structure of democratic planning. In emphasizing planning at the district level and at other levels within the district, the object is to carry the district and State plans as close to the people as possible, to make these plans a means for solving the pressing practical problems of each local area and, through local community participation and cooperative self-help, to augment the total effort and provide greater scope for local initiative and leadership. Vigorous local planning is essential if the aims of planning along democratic lines are to be realised. A valuable feature of district planning is that it represents an area of common action significant for the welfare of the mass of the people in which differences in views and affiliation are of relatively small consequence.

23. While it is necessary to separate out and assign to districts those parts of programmes in the State plan in which local participation and community action have a special contribution to make,

district planning is not to be regarded as being a matter primarily of pre-determined financial allocations. Its real contribution lies in the method and approach in planning which it represents. At the district level programmes of various departments assigned as mentioned above have to be drawn together, considered against the needs and resources of the district and presented as a set of tasks, undertaken jointly by the administration and the people. The main constituents of such a district plan are:

- (1) the community development and national extension programme;
- (2) social welfare extension projects;
- (3) agricultural production programme and allied activities in the field of rural development such as animal husbandry, soil conservation etc.;
- (4) cooperation and village panchayats;
- (5) local development works;
- (6) programmes relating to social services, especially expansion of education at primary and secondary levels, health units, malaria control, family planning, etc.;
- (7) schemes to secure more effective utilization of resources developed through—
 - (i) large schemes, such as irrigation, electricity, roads, road transport, communications, industrial enterprises etc.,
 - (ii) new training institutions, and
 - (iii) new services, e.g., for assisting village and small industries, backward classes, etc.;
- (8) programme of small savings; and
- (9) prohibition work.

24. In most States district development committees have been set up during the first plan. There are some variations in the composition of district development committees in different States. As a rule, representatives of the district board, Members of Parliament and the State Legislature representing the district and leading social workers are included among members of these committees. The form of organisation at the district level which may be found adequate for implementing district plans has to be determined by State Governments with reference to their local conditions. It would appear, however, that the following are among the agencies, individuals or organisations who have to be brought together into some

kind of district development council or committee. Such representative district development councils, working through smaller committees for different areas or subjects, could perform useful functions in relation to the district plan. They could mobilise local opinion in support of development programmes, seek from the people a larger effort in production, small savings and social services, check waste, and try to ensure that the disadvantaged sections of the community benefit in a special measure from programmes which are undertaken in the district:

- (i) representatives of the district in the State Legislature and in Parliament;
- (ii) representatives in the district of the various departments of Government functioning under the overall direction of the Collector;
- (iii) representative municipal bodies in urban areas;
- (iv) representative local bodies for rural areas (district boards, and, where they exist, taluka boards);
- (v) project and block advisory committees in national extension and community project areas;
- (vi) representatives of the cooperative movement and non-officials active in the development of village panchayats; and
- (vii) representatives of leading social service agencies, like the Bharat Sevak Samaj and others, and constructive social workers.

PUBLIC PARTICIPATION AND COOPERATION

25. The place of public cooperation and participation in the scheme of democratic planning is well recognised. As was said in the First Five Year Plan, public cooperation and public opinion constitute the principal force and sanction behind India's approach to planning. During the past few years, wherever the people, especially in rural areas, have been approached, they have responded with eagerness. In national extension and community project areas the value of voluntary contributions so far has been assessed at over Rs. 19 crores compared to public expenditure of about Rs. 31 crores. In local development works, in *shramdan* and in social welfare extension projects sponsored by the Central and Social Welfare Boards,

and in the work of voluntary organisations, there has always been willingness and enthusiasm to contribute in labour, and local resources have been made freely available.

26. An under-developed economy has large resources in manpower which are not being fully utilised. These resources have to be used for creating permanent assets. This aim is best achieved when each citizen feels an obligation to give a portion of his time and energy to works of benefit to the community to which he belongs. This is the method of democratic, cooperative growth. One of the central aims of the National Extension Organisation is to organise the systematic use of manpower resources, particularly in rural areas, for works of benefit to the community as a whole. This can be done in a number of ways, for instance, in constructing local works such as village roads, fuel plantations, tanks, water supply and drainage, and maintaining existing minor irrigation works. Where a large work is undertaken, such as an irrigation project, the national extension and community project personnel should take initiative, with the support of non-official leaders, in organising labour cooperatives of villages interested in work on the canal system and connected activities. This is also possible in regard to roads and other projects. Besides inducing a sense of local participation in the projects and augmenting work opportunities, this will enable the local people to benefit by the large expenditure incurred and improve their economic position. By harnessing voluntary effort and local manpower resources, physical targets in the plan can be supplemented in many fields and even greatly exceeded. The second five year plan will provide large opportunities for cooperative action along these lines.

27. Young men and women and students from colleges and schools are taking an increasing share in the tasks of national development. The first five year plan made a special provision for youth camps and labour service. Up to October 1955, at the instance of the Ministry of Education 795 youth camps had been organised in which 66,000 persons participated. These camps create a sense of dignity in manual labour, provide new interests and bring together different sections of the community. Valuable work has been done by the National Cadet Corps which has now a strength of 46,000 in its senior division, 64,000 in the junior division and 8000 in the girls division, besides 3000 teachers and others drawn from educational institutions. The Auxiliary Cadet Corps has now a strength of 750,000. The Bharat Scouts and Guides have a membership of 438,405 scouts and 61,118 guides, which represents an increase of 50 per cent. since the beginning of the first plan. The Bharat Sevak Samaj has organised nearly 500 youth and student camps in which

about 40,000 youth and students have taken part. All these organisations have ambitious programmes of development for the second five year plan. Youth and students have a unique contribution to make to the building of the nation and it is the aim of the plan to give them growing opportunities of service and participation. The Planning Commission has also endeavoured to secure the close association of teachers and students in the formulation of the second five year plan. In response to its suggestions, planning forums are being formed in a number of universities and other institutions to enable teachers and students to consider problems relating to national development and to send their suggestions to the Planning Commission, State Governments and local authorities. Members of planning forums also organise projects for voluntary labour service.

28. As a non-political and non-official organisation set up in pursuance of the first five year plan, the Bharat Sevak Samaj has served as a national platform for constructive work. It has now 31 Pradesh branches and 229 district branches, besides branches in tahsil or taluka towns and in villages. The total membership of persons who have agreed to give five hours of social service during the week now runs to 50,000. In addition to a small number of whole-time employees, the Bharat Sevak Samaj has been able to attract a number of retired and experienced public servants for its programme of work, which now includes social education, health and sanitation, labour cooperatives, work centres, youth and student camps, information centres and cultural activities. Besides implementing its own programmes, the Bharat Sevak Samaj also works in association with other social service organisations. Five of its branches are running welfare extension projects under the scheme of the Central Social Welfare Board. Special arrangements have been made for training camp leaders. Some of the camps have been organised on behalf of education departments and university authorities. A youth organisation named the Bharat Yuvak Samaj has been recently sponsored by the Samaj. Among activities undertaken by the Bharat Sevak Samaj, mention may be made of the construction of 16½ miles of embankment at the Kosi project, work on the Jumna bund, establishment of cooperative societies, assistance in the small savings movement and participation in local development works.

29. In drawing up village plans everywhere the people have taken keen interest and have expressed readiness to shoulder the responsibilities which planning brings. A sum of Rs. 15 crores has been provided in the second plan for local development works and Rs. 5 crores for schemes relating to the organisation of public cooperation. In most programmes there is scope, in varying degrees, for securing greater participation from the people. The fields in which such

participation can make a material addition to resources and can enhance the achievement of physical targets should be specially marked out by the agencies concerned, both at the Centre and in the States, and public cooperation sought in a systematic and continuous manner.

30. It is not only through village groups and voluntary organisations that public cooperation and participation can be promoted. As was suggested in the First Five Year Plan, local authorities, both urban and rural, should be utilised by State Governments as their own agents to the greatest extent possible and, in turn, local authorities should seek the cooperation of voluntary organisations and social workers. Associations representing professional groups such as doctors, lawyers, teachers, technicians and administrators could render much valuable service in promoting community welfare. There have been encouraging signs of association and leadership in welfare programmes on the part of universities, educational institutions and youth associations. These and other possibilities mentioned above have to be developed to the greatest extent possible during the second five year plan.

31. In addition to contributions in the form of work, the small savings movement offers to every citizen an opportunity, according to his means and circumstances, to contribute to the success of the national plan. The scale on which the second five year plan is being undertaken makes it essential that the resources of the community should be mobilised to the fullest extent. Small efforts widely spread can make an immense contribution to the rate at which the national economy develops. The record of small savings during the first plan has been encouraging, but much more has to be achieved during the second plan. It is one of the aims of national extension and community projects to reach every family in the countryside and stimulate savings. Educated men and women all over the country can assist the plan by establishing continuous contact with all families in particular areas and inducing them to contribute regularly to the small savings movement. The work done during the past three years in the womens' savings movement is an example of the kind of effort which can be made everywhere. The support of the small savings movement in a sustained and practical manner should be an important item in the work and activities of every institution and undertaking throughout the country.

PUBLICITY FOR THE PLAN

32. Through community participation and the results which have been achieved the first five year plan has reached large numbers of persons. Yet they represent only a small proportion of the popula-