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B.A - III Paper - V

Topic - Objectives of Economic Planning
in India

Economic planning has a variety of objectives which are subject to change for different countries at different time.

Commonly it is used for raising N.I by accelerating the pace of economic development, to correct imbalance in economic development, to reduce inequalities & to create socialistic pattern of society.

Objectives →

1. Rapid Economic Development - Rapid eco. development of an UDC is the foremost

objective of eco. planning. & in the words of Prof. D.R. Gadgil, "the problem of rapid economic development of UDCs of the world has assumed great importance. The vicious circle of poverty can only be broken by rapid development in agriculture, industry, trade & infrastructure. Generally, rate of capital formation in these countries is low which leads to low capital output ratio, misallocation & underutilization of natural resources, higher rate of population explosion & inflationary trend of prices."

It is thus through eco. planning that UDCs can break these bottlenecks and in turn increase N.I and improve living of standard of poor.

9. Proper Utilisation of Natural Resources

In an unplanned economy, natural resources are either underutilized, misutilized, misused or wasted, therefore in UDCs. concrete action is essential for making the use of natural resource for production process and it is the state which implements this action through economic planning.

Prof Cole has put out that real planning involves control of money, machine and the adoption of money monetary policy designed to make proper utilization of available resource of prodⁿ.

3. To provide Additional employment - Another crucial objective of economic planning is to provide additional empⁿ to both advanced & UDCs.

Frictional type of unempⁿ exists in developed countries which is caused due to depression, on the other hand, chronic unempⁿ, due to lack of development activities is the common feature of UDCs.

Thus the main aim of eco. planning in developed countries is to control fluctuations and in UDCs it is needed to create stable conditions of employment.

4. To Remove Inequalities & Disparities of Income & Wealth - In LDCs there exists an inequality & disparity in the distribution of income & wealth. There is a gulf between rich and poor which is a threat to the sovereignty of nation.

thus distributive justice becomes indispensable by removing eco. ineq.

Economic Planning is thus a tool to overcome such shortcomings & create a conducive atmosphere for eco. development.

5. Economic Stability - In planned economy development of one sector is coordinated in such a way with other sector so as that a balanced & smooth development takes place. So, there are less chances of economic fluctuations and uncertainty which affect economic growth.

Economic Planning is thus a green signal to economic stability and prosperity. Eco planning eliminates adverse effects of trade cycles and at the same time ensures stable eco. growth in backward countries.

6. To alleviate bottlenecks - There are 3 main barriers to eco development of UDCs. They are - underdeveloped agricultural sector, inadequate productive capacity in industrial sector & diseq. in BOPs. Eco planning goes a long way in countering these defects & ensure balanced development.

7. Rapid Capital Formation - LDCs have the problem of less capital formation. Prof. Nurkse has stated in his leading book, "The Problem of Capital Formation in LDCs" that the main cause of poverty is the low rate of capital formation.

Economic Planning is thus considered necessary.

8. Coordination - Another objective of economic planning is that it works as a coordinator.

It ensures coordination & avoids unnecessary duplication.

There are chances of chaos & confusion in unplanned economy as economic decisions are individual, self-centred, but in planned economy, decisions are taken a/c to the need of the community and provides max^m social benefit to different sections of the society.