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RESHAPED FIFTH FIVE YEAR PLAN :
RESPONSE TO CHANGED ENVIRONMENT

by

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Reshaped Fifth Five Year Plan : Response to Changed Environment*

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National economic planning in the framework of a five year plan calls for constant vigil over the major changes taking place in the environment which affect the validity of the critical assumptions of the plan. The plan needs to be reformulated if any major changes occur in the environment. This task requires that the planners quickly predict the mangnitude as well as the effect of such environmental changes in the future with a fair degree of accuracy and build them into the revised plan. The revised Fifth Five Year Plan, published around October 1976, represents the response of the Indian planners to the imperative need for the reformulation of the plan contained in the _Draft Fifth Five Year Plan_ on account of changes in the environment [1] This paper highlights the salient features of the revised (final) _Fifth Plan_ and contrasts them with those of the _Draft Fifth Plan_. It also evaluates the revised exercises as a response to changed environment.

The Time Framework of Formulation of Fifth Plan

The Fifth Five Year Plan relates to the period April 1974 to March 1979. The process of the formulation of the Fifth Five Year Plan by the Planning Commission began in 1972 with the publication of _Towards an Approach to the Fifth Five Year Plan._ This paper was then revised and expanded and published as the _Approach to the Fifth Plan 1974-79_ document in January 1973. The model and calculations underlying the document on the Approach

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1 Government of India (Planning Commission), _Fifth Five Year Plan 1974-75_ : New Delhi, 1976

to the Fifth Plan was published in April 1973 as A Technical Note on the Approach to the Fifth Plan of India 1974-79. The next step was the formulation of the Draft Fifth Five Year Plan (or briefly, the Draft Plan). The Draft Plan was formulated in the latter half of 1973 and was approved by the National Development Council in December 1973. It was published in 1974. The Planning Commission took nearly three years to finalise the Fifth Plan. The Fifth Five Year Plan 1974-79 (henceforth referred to as the Revised Fifth Plan or the Final Plan) was approved by the National Developme Council in September 1976 and published around October 1976.

Significant Changes in the Environment

The planning exercise incorporated in the Draft Fifth Plan was based on 1972-73 prices. However, before the ink dried up on this document, signs some major changes in the environment were visible which cast shadows on the viability of the plan. Two distinct set of factors were emerging on the scene. First set of factors related to the domestic scene. The econo suffered from severe drought conditions in 1972-73. Prices of food articles and industrial raw material started moving up. This initiated the process of inflationary pressures. Coupled with the shortage of critical inputs like power and stagnation of industrial output and visible shortages of consumer goods, inflationary forces started gathering momentum in 1973-74. The fire of inflation was fanned by the substantial increase in money supply, especiall by the increase in deficit financing resorted to by the government. The situation was further aggravated by the increasing trend of international prices of the country's imports like crude oil and petroleum products, food and fertilisers especially after the onslaught of the so-called "international oil crisis" caused by the OPEC's announcement of the four-fold increase in oil prices within a period of twelve months.

Inflation which was running at the average annual rate of 9.9 per cent in 1972-73 reached 22.74 per cent level in 1973-74. Thus the exercise of the Draft Plan carried out at 1972-73 prices lost quite a bit of its validity.

These changes in the environment were noticeable even in the early part of 1973-74 and were definitely known in December 1973 at the time when the Planning Commission submitted the Draft Plan to the National Development Council. Several economists, particularl B.S. Minhas, at that time criticised the Draft Fifth Plan as being infeasible. They argued that the real value of the resources had been eroded by the run-away inflation and that under the prevailing circumstances, it would not be possible to finance the additional domestic resource mobilisation effort in a non-inflationary manner which would be called for if the physical targets of growth of output envisaged in this plan were to be achieved. Minhas also pointed out that in view of the sharply increasing prices of imports, the foreign exchange requirements stated in the Draft Plan would need to be substantially increased especially in the form of gross aid flows which would be inconsistent with the objective of zero net aid by 1978-79 set out in this plan. He had therefore recommended at that time that "we should have no hesitation in lowering the overall size in financial terms and also lowering our sights to more realistic and feasible rates of growth."[2]

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[2] From the text of the note on the Draft Fifth Plan submitted by B S Minhas to the Prime Minister on Nov. 23, 1973 prior to his resignation from the Planning Commission on Dec. 5, 1973. This note was laid on the table of the Lok Sabha on Feb. 27, 1974. It is published in B S Minhas, Planning and the Poor : New Delhi : S.Chand & Co. (Pvt.) Ltd., 1974. Readers are referred to this book for further details of Minhas' critique of some of the planning policies and programmes of the Government of India.

Worse was still to come on the scenario painted above regarding changes in the environment which were threatening the viability of the exercise carried out in the Draft Fifth Plan. Inflation continued unabated in 1974-75. In fact, the pace of inflation somewhat quickened in 1974-75 considering the whole year compared to 1973-74. The index number of wholesale prices for all commodities on the basis of averages of weekly and monthly indices (with 1961-62 as the base) registered an increase by 23.13 per cent in 1974-75 over 1973-74. The impact of the very sharp increase in the prices of imports of oil, food and fertilisers was felt by the economy. The index of net barter terms of trade deteriorated by as much as 27.3 per cent in 1974-75 over 1973-74. Despite the silver lining of continuously high annual rate of growth of exports in value terms at 22.5 per cent in 1972-73 and 28.0 per cent in 1973-74 and 30.9 per cent in 1974-75, the balance of trade deficit which was Rs. 402 crores in 1973-74 reached a staggering amount of Rs. 1189 crores in 1974-75. The domestic inflation was contained in 1975-76 by concerted efforts of the government through the adoption of several measures. The general price level in fact clearly started registering a fall since September 1974 and during 1975-76 fell by 3.3 per cent compared to 1974-75. However, prices of imports continued to rise faster than prices of exports throughout 1975-76.

Response of the Planners to the Uncertainties in the Environment

All along since 1973, and especially throughout 1974-75 and 1975-76, it was abundantly clear that the plan as contained in the Draft Fifth Plan had become non-operational and needed to be reformulated urgently. The Planning Commission finalised the Fifth Plan only towards September 1976 when it felt that the situation on the price front had been sufficiently stabilised and that the impact of other uncertainties in the environment could be reasonably estimated. The Planning Commission accepted in the final Fifth Plan document that developments like the high rate of inflation and worsening of the balance of payments position due to the sharp deterioration in the terms of trade substantially reduced the validity of the Plan as incorporated in the Draft Fifth Five Year Plan. Thus, to quote the Final Plan document:

> "Inevitably, the financial and physical magnitudes of the Plan as well as the balance of payment position got distorted. Escalation in costs, higher outlays on public consumption and non-development expenditure led to erosion of resources for the Plan resulting in staggering programmes owing to dimunition in the size of investment in real terms. Investment in private sector also felt the impact. With such fluidity both at home and abroad, the finalisation of the Plan had to await the emergence of a more stable situation".[3]

The Planning Commission responded to the uncertainties in the environment which were obstructing the finalisation of the Fifth Five Year Plan by basically relying on planning on year-to-year basis by paying greater attention to the formulation of the annual plans. This was also the response of the planners to severe exogenous shocks in the period of "three annual plans" from 1966-67 to 1968-69, popularly called the period of "plan holiday". The Planning Commission has therefore rejected the possible allegation that reliance on three annual plans (1974-75, 1975-76 and 1976-77) within the first three year period of the Fifth Five Year Plan amounts to "Plan holiday". The Final Plan has the following to say on this subject:

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[3] Fifth Five Year Plan 1974-79, p. 2

"Deferment of the finalization of the Plan did not imply a Plan holiday but a reshaping of the Plan outlays, in the light of emerging circumstances. It implied that while planning, one had inevitably to pay considerable attention to the short-term management of the economy. Measures had to be devised urgently for containing inflation at home and for keeping the economy in proper alignment with the fast changing international developments. Necessarily priorities had to be defined even amongst the stated priorities, consistent with the objectives of the draft Plan. Naturally, food and energy became the most important sectors for investment planning. The successive annual plans had to be formulated on these considerations".[4]

The Prime Minister in her address to the National Development Council on September 24, 1976 viewed the Final Fifth Plan document as a "mid-term review of the Plan".[5] The Two-year sub-plan for 1977-79 formulated in the final version of the Fifth Plan is to be regarded as a continuation of the Fifth Five Year Plan for the period 1974-75 to 1978-79 with suitable revisions.

Achievements of First Two Annual Plans in Fifth Plan Period[6]

In the finalisation of the Fifth Five Year Plan, the progress achieved in the annual plans and programmes formulated during the Annual Plan for 1976-77 have indeed been taken into account.

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[4]*Fifth Five Year Plan 1974-79*, p. 3

[5]*Fifth Five Year Plan 1974-79*, p. (iv)

[6]This section and the next section draw heavily on the material presented in Chapter I of the *Fifth Five Year Plan 1974-79*

The Annual Plan 1974-75 kept outlays at modest levels so as to increase the chances of success of other governmental measures to control inflation. Agriculture and energy sectors received priority. The plan laid emphasis on the fuller utilisation of capacity. In this first year of the Fifth Plan, the economy registered only a nominal increase in the Gross Domestic Output at 0.2 per cent over the previous year. Agricultural production registered a fall of 3.1 per cent over the previous year while industrial production was 2.5 per cent higher compared to previous year. The rate of aggregate (net) investment increased to 14.8 per cent compared to 13.6 per cent in the previous year. The rate of domestic (net) savings increased only marginally and was at 13.1 per cent level compared to 12.8 per cent level in the previous year. As stated earlier, while exports increased by nearly 30.9 per cent over the previous year, imports increased even faster leading to a staggering trade deficit of about Rs.1189 crores. The tendency of the general price level to increase was reversed from September 1974. The average index of wholesale prices in March 1975 recorded the level of 308.4 compared to the level of 328.7 in September 1974 (with 1961-62 = 100).

The Annual Plan for 1975-76, in view of the success achieved by the government on the front of controlling inflation, aimed at higher growth rate with price stability. As the Plan document indicates, priority was given to agriculture (including irrigation and fertilisers) and energy (including power, coal and oil) sectors. Special attention was to be paid to projects capable of yielding "quick results".

Soon after the declaration of emergency on June 26, 1975 for internal reasons, the Prime Minister announced a 20-Point New Economic Programme on July 1, 1975. The New Economic Programme aimed at accelerating the rate of growth in the economy through increased production especially in selected sectors producing mass consumption goods and increasing social justice by ensuring price stability as well as by specific programmes for improving the economic status of the weaker sections of the society.[7] The twenty points of this Programme are given in the appendix for ready reference.

In terms of performance, 1975-76 was a very good year indeed. It was a year of bumper crop. A new scheme of opening rural banks for ensuring rural credit needs of the farmers was launched at selected centres and was to be extended to other areas over time. It was also a year of greater economic discipline and industrial peace. The estimated national income increased by about 6 per cent during this year; agricultural income by about 10 per cent and industrial output by about 6 per cent. The country built up a buffer stock of foodgrains of about 17 million tonnes. The average general price level recorded a fall of 3.3 per cent during the year as the index of wholesale prices of all commodities (computed as averages of weeks and months) with 1961-62 = 100 declined from 313.0 for the year 1974-75 to 302.7 for the year 1975-76. The Government budgetary operations recorded a surplus of over Rs.200 crores. For the first time since the oil crisis, the annual rate of growth of exports (about 16 per cent) exceeded the rate of growth of imports (at about 11 per cent). Due to stern measures taken by the government against smuggling and illegal transactions in foreign exchange and due to a surge in the inflow of inward remittances and increase in net foreign aid, the country's foreign exchange reserves touched a high level of Rs. 1885 crores at the end of March 1976 compared to about Rs. 970 crores at the end of March 1975.

7 For further details of the growth and welfare aspects of the 20- Point Programme and progress made by several State Governments in the implementation of this Programme upto April 28, 1976, see V B Singh, Economics of 20 Point Programme, New Delhi : Government of India, Ministry of Information and Broadcasting (Publications Division), October 1976

1976-77

Based on the optimism generated by the performance in the Annual Plan for 1975-76, the Planning Commission decided to undertake a bolder investment programme by allocating an outlay of Rs. 7852 crores for the 1976-77 Annual Plan which is higher by 31 per cent compared to the outlay in the Annual Plan for 1975-76. The planners could also allocate larger plan outlay under the New Economic Programme. The critical sectors for priority in investment were identified as agriculture including irrigation, energy and selected intermediate products. Provision was also made for new starts in critical sectors on selective basis. The government at Central as well as State levels were expected to mobilize additional resources to finance the plan in non-inflationary manner.

The outlook for the achievement of a high growth rate in 1976-77 is quite promising. The supply bottlenecks to production in the form of shortages of critical inputs no longer exist. A bumper crop is expected again. Inflationary pressures have started appearing again in 1976-77 which need to be controlled by the appropriate mix of fiscal, monetary and import policies. The country needs to import more of edible oils to alleviate their shortages. The country also has to face further higher cost of import of crude oil announced recently by OPEC. However, the balance of payments position is quite comfortable. Exports continue to show buoyancy at high rate while import bill is expected to face a much smaller trade deficit this year compared to earlier two years. The discovery of oil at the "Bombay High" and hopes for new discoveries of oil have brightened the outlook for self-sufficiency on the oil front within the next few years.

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The Reshaped Final Fifth Plan

It is in the context of the changes in the environment discussed above and in the light of the performance of the Annual Plans for 1974-75 and 1975-76 and the promising outlook for the performance in the Annual Plan for 1976-77 summarised above that the Planning Commission has come up with the reshaping of the Final Fifth Five Year Plan. The salient features of the reshaped Fifth Plan are presented below with comparative figures for the Draft Fifth Plan where-ever possible.

The Objectives and the strategy of the Fifth Plan

The Final Fifth Plan aims at "removal of poverty" and "achievement of self-reliance". These were the twin objectives set out in the Draft Plan.

In operational terms, the Draft Fifth Five Year Plan had sought to achieve the above objectives by postulating an overall rate of growth of gross domestic product of 5.5 per cent per annum and formulating a minimum needs programme and envisaging a target of raising the consumption levels of the bottom 30 per cent of the population in terms of distribution of incomes by as much as 60 per cent in real terms. B S Minhas had guessed that in view of the run-away inflation of 1973-74 and 1974-75, the proportion of the population below the "poverty line" by June 1974 may have swelled to perhaps as much as 66 per cent compared to his earlier estimate of 40 per cent for the year 1967-68.[8] He pointed out the "utter lack of feasibility" of targets like the improvement in the consumption standards of the lowest three deciles of population by 60 per cent in real terms under the new conditions prevailing in the economy. He had therefore argued

[8] B S Minhas, Planning and the Poor, p. xvi

in June 1974 that given the present conditions, "it will make far more sense if the planners can assure the nation that the proportion of people below the poverty line in 1978-79 will be no more than what it was in 1967-68".[9] The Final Fifth Plan makes no reference either to the national minimum needs programme or to the setting up of specific targets for raising the consumption standards of the poorest section of the society. Instead, the Final Plan lays stress on the employment generation programmes, including programmes for rural unemployed, as a strategy for improving the lot of the poor. The Final Plan envisages a lower annual average growth rate of Gross Domestic Product at 4.37 per cent. In line with the requirements of the changed environment, the revisions mainly focus on the new strategy which gives topmost priority to "growth in three leading sectors, viz., agriculture, energy and critical intermediates" and to the "creation of additional employment opportunities".[10]

Profile of Projected Sectoral Rates of Growth of Output

Table 1 presents the sectoral rates of growth in gross value of output for 6 main sectors with 14 sub-sectors of "manufacturing" sector projected by the Planning Commission in the Draft Fifth Plan as well as in the Final Fifth Plan alongwith the profile of such projections for the period of the Sixth Plan and the Seventh Plan.

9 B S Minhas, *Planning and the Poor*, p.xvii

10 *Fifth Five Year Plan 1974-79*, p. 5. These three sectors are also described as the "core" of the plan. In reconciling to the inevitability of re-formulating a "smaller" plan under the changed environment, the Planning Commission has attempted to preserve the "core" of the plan to the maximum extent.

As may be seen from Table 1, the projected sectoral rates of growth of output are lower for most sectors in the Final Fifth Plan compared to the rates envisaged in the Draft Fifth Plan except for mining and basic metals.

The Final Fifth Plan has, by and large, chopped off physical targets of production compared to the targets laid down in the Draft Plan. This may be seen more clearly in terms of the targets scaled down for selected outputs as given in Table 2.

Thus looking at Table 2, it can be seen that compared to the physical targets laid down for 16 selected outputs, the Final Plan scaled down targets for 15 of them ranging from 3.5 per cent for iron ore to 47.2 per cent for newsprint. The Final Fifth Plan is therefore "smaller" in physical terms than the Draft Fifth Plan. This recognises the lower rate of growth of output achieved in the first two years of the plan as well as the wide shortfalls in the estimated output and actual output for the base year (1973-74) itself for most of the products as shown in column (3) of the table. The target for crude petroleum was, however, raised in the Final Plan reflecting the priority to be given to this sector and the recent discoveries of oil in the "Bombay High and elsewhere".

Plan Outlay

Total outlay in the Final Fifth Plan has been fixed at Rs.69,303 crores compared to Rs. 53,250 crores in the Draft Fifth Plan. Of this, the share of the public sector is Rs. 42, 303 crores (including Rs.3,000 crores for inventories and Rs. 5,700 crores for current outlay) compared to Rs. 37,250 crores in the Draft Fifth Plan.

The share of private sector in the total outlay is Rs. 27,000 crores in the Final Plan compared to Rs. 16,000 crores in the Draft Plan. The sharp increase in the private sector outlay has been explained in the Final Fifth Plan document as being consistent with the latest C.S.O data on savings and investment in the household sector. It is reported that of this increase of Rs. 11,000 crores in investment, a major portion (Rs. 7,430 crores) was due to the estimated direct investments from household savings, especially in the agricultural sector. This reveals the further scope for mobilising savings in the agricultural sector. The rest of the increase (Rs. 3,570 crores) was reported to be in the corporate and non-corporate private sectors and was due partly to the price rise and partly to the larger availability of raw materials.

How much "Smaller" is the Final Fifth Plan in Financial Resources?

The financial outlays given in the Final Fifth Plan are at 1974-75 prices for the year 1974-75 and at 1975-76 prices for the remaining four years of this Plan whereas the financial outlays given in the Draft Fifth Plan are at 1972-73 prices. It is therefore essential to bring these Outlays at constant prices for making comparisons. If this is not done one can conclude that the outlay of Rs. 69,303 crores given in the Final Plan represents an increase of Rs. 16,503 crores or 30 per cent over the Draft Plan. However, if we recompute the outlay of Rs. 69,303 at 1972-73 prices, we will find that the revised outlay under certain assumptions is about 11 per cent smaller than in the Draft Plan.

Table 3 presents details of the financial outlays in the public sector (excluding inventories) for the Fifth Plan period as given in the Final Plan document as well as at 1972-73 prices.

It may be seen from Table 3 that if we take the total financial outlay as given in the Final Fifth Plan document, we may conclude that the outlay in the public sector in the Final Plan is higher by a little over Rs. 2000 crores (or by about 5.5 per cent) compared to the outlay in the Draft Plan. This is, of course not true. Thus, in comparable 1972-73 prices, using the index of wholesale prices of all commodities as the deflator as shown in the calculations presented in column (5) of Table 3, we can see that the Final Plan for the public sector is smaller in real terms by as much as 28 per cent compared to the Draft Plan. Using the same deflator for the sectoral allocations of outlay, the percentage reduction in outlay in real terms is shown for each of the sectors in column (8) of Table 3.

A comparison of the percentage distribution of sectoral outlay in columns (2) and (6) both at 1972-73 prices is also instructive. Thus in the Final Plan in real terms, the allocation to agriculture and allied programmes has been reduced from 13.30 per cent to 11.82 per cent. Similarly, reduction has also been made in the allocation of outlay for transport and communication, education, social and community services and for the programmes for the hill and tribal areas. Allocation of outlay has been increased for Irrigation and Flood Control, Power, and Industry and Mining. In the trade-off for the allocation of development outlays chosen by the Planning Commission in the Final document, the lowering of outlay for agriculture and allied programmes which the Commission has termed as "the vital sector" is a disturbing feature. One can also question the wisdom of the other aspects of the trade-offs made by the Planning Commission in this exercise on revising the allocation of outlays.

Financial Outlays for the States and Union Territories

Table 4 presents the financial outlays as proposed in the Final Fifth Plan for the States and the Union Territories.

Table 4 shows that Uttar Pradesh tops the list in getting 12.94 per cent of the total State Sector outlay and Maharashtra is a close second with its share being 12.42%. The devolution of resources from the Centre to the States is based on what is known as the Gadgil formula evolved by D.R.Gadgil, former Deputy Chairman of the Planning Commission.

Plan Allocations under the New Economic Programme

Table 5 gives details of the proposed plan allocations under the 20- Point Programme (New Economic Programme) in the Central Sector for the period 1977-79.

It can be seen from Table 5, that Power and Agriculture and allied programmes together account for nearly 90 per cent of the total proposed plan allocations of Rs. 757 crores for the period 1977-79 under the New Economic Programme for the Centrally sponsored programmes. Power is the single most important component of proposed programmes.

Table 6 presents the details of the proposed plan allocations under the 20- Point Programme under the State Sector (including Union Territories). Table 7 gives the percentage distribution of the data presented in Table 6.

A look at Tables 6 and 7 will show that a total of about Rs.5335 crores is proposed to be allocated under the New Economic Programme for the years 1977-79 to the programmes sponsored under the State Governments' sector (including Union Territories). The major items claiming a large share of these allocations are : Power : Rs. 3070 crores and Major and Minor Irrigation schemes : Rs. 1598 crores. The distribution of the total outlay among states follows the familiar pattern as shown earlier under the section "Financial Outlays for the States and Union Territories".

It may be noted that the Gadgil formula for the devolution of plan resources from the Centre to the States has been criticised implicitly by the Chief Ministers of various States who would naturally argue for a larger share of resources for their States. Some economists, including Minhas, have also suggested that the formula has now become outdated and should be modified.[11] The Planning Commission has however favoured the retention of this formula (using latest data) for plan allocations to States during 1977-78 to 1978-79.

Savings and Investment

The macro-economic picture of envisaged savings and investment in the Fifth Plan period is presented in Table 8.

As Table 8 shows, out of total planned investment of Rs.63,751 crores in the Final Fifth Plan, Rs. 58, 320 (or 91 per cent) is to be financed out of domestic savings and the balance of Rs.5431 crores (or 9 per cent) from external savings in the form of net inflow from the rest of the world. The proportion of external savings for financing planned investment in the Fourth Plan period was 16 per cent. However, when compared to the Draft Fifth Plan which envisaged net inflow from rest of the world to finance planned investment to the extent of 5 per cent, it is easily seen that the planners have been forced to give up the earlier objective of net zero aid by 1978-79 and increase the degree of dependence on external funds. The Planning Commission officials have attributed this change to the sharp deterioration in the terms of trade since 1973 by as much as 50 per cent.

11 Cf. B.S. Minhas, Planning and the Poor, p. 127

Out of a total domestic savings effort of Rs. 58320 crores, about Rs. 15994 crores (or 27 per cent) will be contributed by the public sector (including government administration, departmental and non-departmental undertakings and public financial institutions). The remaining 73 per cent will be contributed by the private sector comprising corporate enterprises, cooperatives and households.

The average rate of domestic savings is expected to increase from 14.4 per cent of Gross National Product in 1973-74 at current prices to 15.9 per cent in 1978-79 at 1975-76 prices. The corresponding marginal rate of domestic saving in the economy in 1973-74 converted to 1975-76 prices is estimated at 26 per cent.

Out of the total planned investment of Rs.63,751 crores in the Final Fifth Plan, Rs. 36703 crores (including inventories) or about 58 per cent will be in the Public Sector and the balance of Rs.27048 crores or 42 per cent will be in the Private sector. The share of private sector in total planned investment in the Draft Plan was Rs.16161 crores out of a total of Rs. 47561 crores or 34 per cent. Thus, the relative share of public sector investment is lower and that of the private sector correspondingly higher by as much as 8 per cent in the Final Plan compared to the Draft Plan. The Planning Commission has conveniently explained the planned increas in private sector investment as stated earlier in this paper as bei consistent with the latest C.S.O. data on household savings. The implications of this change for the avowed policy of the government for increasing the role of public sector in the economy over time to reach "commanding heights" phenomenon have been left for guessing by the analysts.

Financing of the Plan for the Public Sector

The estimates of the financial resources for the public sector in the Final Fifth Five Year Plan are given in Table 9. The comparative picture for the financing of the public sector plan as envisaged in the Draft Plan is also given in this table for ready reference.

The Final Fifth Plan exercise shows that the additional resource mobilisation would be required to the extent of Rs. 14693 crores compared to the Draft Plan estimate of Rs. 6,850 crores. Since the resource mobilisation efforts of the Centre and the States and their enterprises are expected to yield a more-than-targetted amount of resources, estimated a 13092 crores during the first three years of this Plan, the additional resource mobilisation during the next two years is estimated at Rs. 1601 crores. Out of the required additional resource mobilisation of Rs. 1601 crores, the Central Government and its enterprises are required to generate Rs.900 crores (inclusive of the share of States) and the State Governments (and their enterprises) are required to raise Rs. 701 crores. A major source of additional resources is seen in the surpluses to be generated by the public sector undertakings. Public Sector enterprises as a whole, in contrast to their performance in earlier years, are no longer a drain on the exchequer and are estimated to have yielded a net amount of Rs.624 crores in the first three years of the Plan. Deficit financing to be resorted to in the last two years of the Fifth Plan is estimated at Rs.600 crores. This will be in the form of credit from the Reserve Bank of India to the Government against the utilisation of the foreign exchange reserves for additional imports and Central borrowings against the sale of imported goods. The additional imports under this scheme are to be carefully planned so as to increase investment capacities in core sectors and stabilising prices of essential commodities. Even though the deficit financing envisaged under the Final Fifth Plan comes to Rs. 1354 crores against Rs.1000 crores proposed in the Draft Fifth Plan, planning authorities think that the increase can be absorbed by the economy in a non-inflationary manner, particularly when large food stocks are available currently.

The Planning Commission has urged the States to tap additional resources from the agricultural sector under their jurisdiction, particularly in the form of increased agricultural taxation and enhanced rates for the use of irrigation and electricity to realise economic rate of return on huge investments made in these schemes. The Prime Minister proposed at the meeting of the National Development Council on September 25, 1976, the idea of floating rural debentures to tap savings of the farmers to finance projects for rural development such as roads, bridges, schools etc.[12] Rationalisation of pricing of products by the public sector enterprises has also been suggested as a way for increasing the surpluses of these enterprises. The Planning Commission is also reported to have felt that additional indirect taxes will have to be levied by the Central Government on selective basis to boost the resources for the Fifth Plan. In the context of the rationalisation of the indirect tax structure in the economy, the Report of the Indirect Taxes Enquiry Committee headed by Mr L K Jha is eagerly awaited.

Despite good results shown by the State Governments in raising resources for financing plan expenditure in the first 3 years of the plan, doubts can be expressed regarding the fulfilment of the targets of resource mobilisation set for the States (including Union Territories) during the last two years of the plan. If the views expressed by some of the Chief Ministers at the

[12] Economic Times, Sep. 26, 1976

meeting of the National Development Council (NDC) on September 24-25, 1976 are any guide, credence is lent to these doubts. The continuous aversion of the states to implement the often repeated pleas for higher taxation of the agricultural sector in the past is well known. Even though the NDC adopted the resolution on power and irrigation systems at the time of the approval of the Final Fifth Plan urging the States to raise the rates "where necessary", not much may actually be done on this front within the last two years of the Fifth Plan. In this connection, the case for allowing the States to raise larger fund from market borrowings needs to be sympathetically examined.

Price Stability?

Doubts can also be entertained on the judgement made by the Planning Commission that the schemes for additional resource mobilisation for financing the plan in the last two years are not likely to prove inflationary. The main reasoning behind this judgement appears to be the assumed strategic leverage of the available food stocks in the economy. It is worth pointing out here that a buffer stock of 17 million tonnes may dwindle at a very fast rate and may be completely wiped out if the monsoons fail next year or the year after. Under the Indian conditions, it might be highly optimistic to assume normal crop years for four years in a row. The danger of inflationary forces coming to the fore again is all the more greater since the prices of some of the wage goods like edible oils have been rising in 1976-77 leading to a visible upward movement in the index number of wholesale prices. The Fifth Plan document clearly recognises the importance of the cardinal assumption of price stability, especially in the wage goods sector, for the successful implementation of the plan in the remaining years of the plan. It would, therefore, be prudent for the Government to pay sufficient attention to the need to ensure reasonable degree of price stability in the remaining period of the plan.

In this context, it would be worthwhile keeping in mind that stabilization policies pursued too far leading to continuous fall in the general price level over a longer period would have adverse effect on the investors' plans for capital formation and would be self - defeating from the point of view of accelerating growth in the economy.

Price Policy as an instrument of social justice in the Indian context should be formulated so as to strengthen and widen the role of public distribution system. Consumer cooperatives could be given a pivotal role in such a system. The Final Fifth Plan, in my view, has not given enough attention to this aspect of price stabilisation policies. Efficient procurement and distribution functions of the public distribution system would require a special study. The Planning Commission should have been involved in undertaking such a study and should have come up with a plan on this subject synchronising with the national economic plan.

Export Sector and Linkages with Domestic Economy

Encouraged by the performance of exports in recent years and considering the potential of principal export products in the remaining years of the Fifth plan, the Final Fifth Plan document has projected export earnings for the plan period at a higher level of Rs. 21,722 crores compared to the level of Rs.12,580 crores envisaged in the Draft Fifth Plan. The real rate of growth of exports has been increased from the annual average rate of 7 per cent in the Draft Plan to 8.5 per cent in the Final Plan. A greater reliance has been placed on the 'leading' sectors of growth of exports in the Final Plan namely, engineering goods, cotton textiles (especially readymade garments), leather and leather products, marine products and handicrafts. The Final Fifth Plan document lays down the guideline that exports "which are capable of competing without subsidy will have to be given preference and capacity for their production increased.[13]

It is surprising that the section dealing with exports in the Final Fifth Plan document has not worked out the linkages between growth of exports and the rest of the economy. This may have been done deliberately to discount the feasibility of "export-led" growth model in the Indian context. Yet, the linkages between the exports and rest of the economy are qualitatively significant in the case of a number of industries (especially in the context of the recessionary tendencies existing in the economy for selected industrial products) and need to be worked out fully. Not many non-traditional industries would qualify for getting preference for export promotion under the guideline laid down by the Planning Commission. Nor would such industries need governmental assistance. What would have been more useful in the context of planning for the export sector in the five year plan was the identification and prioritisation of the specific industries which deserved to be assisted for export promotion. It would have also required detailed exercise on market planning for each of the selected industries. Enterprises both in the public sector and the private sector could then have taken advantage of the product-market plan recommended in the plan document to maximize the potential contribution of exports to the economy within limits set by the planners.

[13] Fifth Five Year Plan 1974-79, p. 49

Planning for the Use of Growing Exchange Reserves

At the time of the formulation of the Final Fifth plan document, it was evident that the foreign exchange reserves of India, after taking into account all international transactions, were steadily going up for the last several months. The Planning Commission did take note of this environmental change while projecting the balance of payments position for the Fifth Plan period. However, no specific plan with sufficient details has been drawn up in the Final Plan for the judicious deployment of these resources for investment into selected projects. Forward planning would have required that worthwhile investment projects which require substantial investment in foreign exchange should have been identified and kept ready like "off-the-shelf" products which could be implemented as soon as the availability of specified amount of reserves for investment was confirmed. Even though the Final Fifth Plan document recognised the importance of import planning for creating buffer stocks of critical goods for mass consumption such as foodgrains, edible oils and cotton, it did not come up with an operational plan recommending certain magnitudes of such imports over the horizon of the remaining years of the plan. There is an urgent need for the planners to formulate a plan for the efficient utilisation of the nation's foreign exchange reserves.

Problems posed by the Pattern of Industrialisation

If we scan the environment in the industrial sector of the economy from the point of view of analysing industrial performance, we find the existence of substantial underutilisation of capacity in a number of industries. Table 10 provides details of capacity utilisation in selected industries in the years 1973 to 1975. This table has been taken from the Reserve Bank of India's Report on Currency and Finance 1975-76. Without going into all the reasons for the existence of unutilised capacities in the Indian industries, we can say that in the absence of bottlenecks created by supply factors and at a time when the general index of industrial production shows improvement, which was valid in 1975, a reduction in the capacity utilisation compared to previous year would most likely reflect a situation of demand recession for the industry in question. This is most visible, from Table 10 for consumer goods industries like bicycles, radio receivers, electric fans and electric-lamps; for intermediate goods industries like dry cells and automobile products (tyres and tubes); for capital goods industries like motor vehicles and power transformers; and for basic industries like steel castings, aluminium sheets and circles and soda ash. The list of "sick industries" caused by demand recession has been growing in the Fifth plan period.

K.N.Raj in a classic paper has analysed the simultaneous existence of significant quantum of unutilised manufacturing capacity and sharp decline in the rate of growth of industrial output in India during the period 1965-74 in the framework of factors determining the demand for manufactured goods.[14] Much of this analysis has relevance to the problems of demand recession experienced in the Fifth Plan period by certain industries especially consumer goods industries and other industries which are either metal-based or chemical-based and do not require much of agricultural inputs. Raj has pointed out that private consumer demand in India depends to a large extent on the growth of agricultural incomes. The pattern of industrialisation which caters to the elitist consumption (of 'luxury' and 'semi-luxury' goods by the minority of the top strata of the society) could create problems on the demand side. The problems

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[14] K N Raj, "Growth and Stagnation in Industrial Development", <u>Economic and Political Weekly</u>, Vol. XI Nos. 5,6 & 7, Annual Number 1976, pp. 223-236

will relate to sustaining output level of the firms when the growth of disposable income of this section of the society is slowed down either due to government's anti-inflationary measures or due to the impact of slower growth of agricultural incomes. Under such conditions export markets can provide another avenue for demand for such products and the firms intensify search in this direction.

The Fifth Five Year Plan document has not paid attention to the problems of industrial recession for selected industries and to the problems of sick industries which had emerged in the environment and have been present throughout the period of the Fifth Five Year Plan. Such problems lead to loss of potential output and carry a high opportunity cost for the socity. Due attention should therefore be paid by the planning authorities for suggesting solutions to these problems. There could be many reasons for these problems. But one of them relates to the fundamental choice of the pattern of industrialisation which required a second look at the time of the reformulation of the Final Fifth Plan. In finalising the projected sectoral rates of growth of output for various industries for the Final Fifth Plan, the Planning Commission has largely continued the past practice of planning for growth along the familiar lines of the Western models. It has implicitly assumed that once the overall rate of growth of the economy picks up, the current problems of a few industries on the demand front would disappear.

CONCLUSION

A five year economic plan of a country is essentially a document in political economy. Not only the contents of the Five Year Plan but also the timing of its finalisation and publication are profoundly influenced by the decisions taken at the highest political level. The finalisation of the Fifth Five Year Plan of India is no exception. Perhaps on economic considerations alone, the Plan could have been finalised earlier.

This paper has viewed the exercise contained in the Final Fifth Five Year Plan document as a response of the planners to several changes in the environment both within India and in the international economy which had taken place or were taking shape in the period of about three years since the approval of the Draft Fifth Five Year Plan. A few significant environmental changes have been selected in this paper and the implications of these changes for the validity of the exercise of the Draft Plan explored and finally the stand taken in the Final Plan briefly explained and evaluated.

The Final Fifth Plan which has emerged in the process is in many ways a substantial improvement over the Draft Fifth Plan. The Final Plan has attempted, and succeeded to a large extent, in presenting a plan which is shorn of idealism. It is more realistic. It should be, on balance, more manageable. However, it has not taken into account a number of other changes in the environment pointed out in this paper which require immediate attention and action. Doubts can be entertained on a number of assumptions made in the final plan which might be invalidated and therefore affect the chances of the fulfilment of the objectives (explicit and implicit) and the programmes of the plan.

The efficiency of the formulation and management of the Fifth Five Year Plan under new conditions would be judged through ex-post performance appraisal of the revised plan. That task must wait until the statistical data on the performance for 1978-79 becomes available.

TABLE 1

Projected Sectoral Rates of Growth in Gross Value of Output in the Fifth Plan and Profile for the Sixth and the Seventh Plans

(Average Annual per cent rate of growth)

Sectors	Draft Fifth Plan 1978-79 over 1973-74	Final Fifth Plan 1978-79 over 1973-74	Sixth Plan 1983-84 over 1978-79	Seventh Plan 1988-89 over 1983-84
1. Agriculture	4.67	3.94	4.35	4.30
2. Mining and Manufacturing	8.27	7.10	7.29	7.20
a) Mining	10.47	12.58	8.77	6.51
b) Manufacturing	8.21	6.92	7.23	7.32
i) Food products	5.12	4.63	5.21	6.06
ii) Textiles	5.12	3.45	6.01	6.85
iii) Wood and paper products	6.90	6.75	7.89	8.56
iv) Leather and rubber products	7.65	5.50	7.76	7.97
v) Chemical products	12.43	10.84	9.16	7.18
vi) Coal and petroleum products	10.61	7.63	6.24	7.20
vii) Non-metallic mineral products	8.70	7.40	8.26	7.51
viii) Basic metals	12.58	14.12	6.42	7.71
ix) Metal products	8.86	5.60	8.35	5.68
x) Non-electrical engineering products	13.58	8.40	9.37	7.88
xi) Electrical Engineering Products	9.49	7.64	[illegible].46	[illegible]
xii) Transport equipment	7.24	3.73	8.95	7.94
xiii) Instruments	9.28	5.39	9.87	8.82
xiv) Misc. industries	8.60	6.75	7.09	7.72
3. Electricity	10.84	10.12	9.38	8.62
4. Construction	8.77	5.90	8.28	7.27
5. Transport	6.13	4.79	6.38	6.68
6. Services	6.27	4.88	6.82	7.72
7. Total*	(5.50)	(4.37)	(5.65)	(6.00)

* in terms of gross value added at factor cost.

Source: Government of India (Planning Commission), Draft Fifth Five Year Plan and Fifth Five Year Plan

TABLE 2

Physical Output Levels of Selected Products : 1973-74 and Projections for 1978-79

Item	Unit	1973-74 Estimated Output as per Draft Plan	1973-74 Actual Output as per Final Plan	% variation in (2) over (1)	1978-79 Projected output as per Draft Plan	1978-79 Projected output as per Final Plan	% Va..tion (5) over (4)
		(1)	(2)	(3)	(4)	(5)	(6)
1. Food-grains	m.t	114.0	104.7	- 8.2	140.0	125.0	-10.7
2. Coal	m.t	79.0	79.0	0.0	135.0	124.0	- 8.2
3. Iron-Ore	m.t	37.0	35.7	- 3.5	58.0	56.0	- 3.5
4. Crude Petroleum	m.t	7.7	7.2	- 6.5	12.0	14.2	+18.2
5. Cotton Cloth	m.met	7800.0	7946.0	+ 1.8	10000.0	9500.0	- 5.0
6. Paper & Paper board	th.t	830.0	776.0	- 6.5	1200.0	1050.0	-12.5
7. Newsprint	th.t	43.0	48.7	+13.3	151.0	80.0	-47.0
8. Petroleum Products including [illegible]icants)	m.t	21.5	19.7	- 8.4	34.6	27.0	-22.0
9. Nitrogenous fertilisers (N)	th.t	1162.0	1058.0	- 9.0	4000.0	2900.0	-27.5
10. Phosphatic fertilisers (P_2O_5)	th.t	350.0	319.0	- 8.9	1250.0	770.0	-38.4
11. Cement	m.t	16.0	14.7	- 8.3	25.0	20.8	-16.8
12 Mild steel	m.t	5.4	4.9	-10.1	9.4	8.8	- 6.4
13. Aluminium	th.t	190.0	147.9	-22.2	370.0	310.0	-16.2
14. Copper	th.t	18.0	12.7	-29.4	45.0	37.0	-17.8
15. Zinc	th.t	28.0	20.8	25.7	100.0	80.0	-20.0
16. Electricity Generation	GWH	72.0	72.0	0.0	130.0	116 to 117	-10.8 to -10.7

Source: Computed from the data [illegible]

TABLE 3

Financial Outlays in the Public Sector in the Fifth Plan at Alternative Price Levels

(Values in Rs. crores)

Sector	Draft Plan* Value	Draft Plan* %	Final Plan** Value	Final Plan** %	Final Plan Outlay at 1972-73 prices Value	Final Plan Outlay at 1972-73 prices %	% Variation of (3) over (1)	% Variation of (5) over (1)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Agriculture and allied programmes	4935.00	13.30	4643.59	11.82	3127.98	11.69	- 5.90	- 36.62
2. Irrigation and Flood Control	2681.00	7.20	3440.18	8.76	2343.01	8.75	+28.32	- 12.60
3. Power	6190.00	16.60	7293.90	18.57	4909.55	18.34	+17.82	- 20.69
4. Industry and Mining	9029.00	24.20	10200.00	25.96	6949.50	25.96	+12.97	- 23.03
5. Transport and Communication	7115.00	19.10	6881.43	17.52	4683.66	17.50	- 3.28	- 34.18
6. Education	1626.00	4.60	1284.29	3.27	874.13	3.27	-25.59	- 49.35
7. Social and Community Services	5074.00	13.60	4766.77	12.13	3247.23	12.13	- 6.05	- 36.00
8. Hill and Tribal Area (including North East Council)	500.00	1.30	450.00	1.14	307.00	1.14	-10.00	- 38.60
9. Sectoral Distribution not yet reported	-	-	326.73	0.99	223.48	0.83	-	-
10. Total	37,250.00	100.00	39,287.49@	100.00	26,764.25	100.00	+ 5.47	- 28.15

*Values at 1972-73 prices; ** 1974-75 Outlays are at current prices and outlays for 1975-76 to 1978-79 are at 1975-76 prices. @ Does not include an amount of Rs. 16 crores for which sectoral break-up is not marked out.

Source: Computed from the Draft Fifth Five Year Plan and Fifth Five Year Plan documents. Index of wholesale prices of 'all commodities' (used as deflator) is taken from the data provided in the RBI Bulletin.

TABLE 4

Financial Outlays in the Final Fifth Five Year Plan for States and Union Territories

(Outlay in Rs. crores)*

State	Outlay	% of total outlay for States (including Union Territories)
1. Andhra Pradesh	1333.58	7.06
2. Assam	473.84	2.51
3. Bihar	1296.06	6.86
4. Gujarat	1166.62	6.17
5. Haryana	601.34	3.18
6. Himachal Pradesh	238.95	1.26
7. Jammu and Kashmir	362.64	1.92
8. Karnataka	997.67	5.28
9. Kerala	568.96	3.01
10. Madhya Pradesh	1379.71	7.30
11. Maharashtra	2347.61	12.42
12. Manipur	92.86	0.49
13. Meghalaya	89.53	0.47
14. Nagaland	83.63	0.44
15. Orissa	585.02	3.10
16. Punjab	1013.49	5.36
17. Rajasthan	709.24	3.75
18. Sikkim	39.64	0.21
19. Tamil Nadu	1122.32	5.94
20. Tripura	69.68	0.37
21. Uttar Pradesh	2445.86	12.94
22. West Bengal	1246.83	6.60
23. All States	18265.08	96.65
24. All Union Territories	634.06	3.35
25. All States and Union Territories	18899.14	100.00

* Outlays for 1974-75 are at current price while outlays for the remaining years of this plan are at 1975-76 prices

Source: Computed from the Fifth Five Year Plan document (pp. 117-8)

TABLE 5

Proposed Plan Allocations Under the 20 Point Programme in the Central Sector : 1977-79

Item	1977-79 (Rs. lakhs)	% of total
1. Power	43295.00	57.18
a) Deptt. of Power	22093.00	29.18
b) Deptt. of Atomic Energy	13640.00	18.01
c) D.V.C	7562.00	9.99
2. V.S.I (Handloom)	3000.00	3.96
3. Agriculture and allied Programmes	25165.00	33.24
a) Agricultural Credit	21840.00	28.85
b) Consumer Cooperative	1525.00	2.01
c) Minor Irrigation	1800.00	2.38
4. Labour and employment apprenticeship training	46.00	0.06
5. Education	700.00	0.93
a) Book banks	300.00	0.40
b) Student aid fund	130.00	0.17
c) Apprenticeship training under technical education	270.00	0.36
6. Total (including others)	75706.00	100.00

Source: Computed from the data given in the *Fifth Five Year Plan* document (p. 119).

TABLE 6

Proposed Plan Allocations for 1977-79 under the 20 - Point Programme for States and Union Territories

(Rs. lakhs)

States	Land Reforms	Minor Irrigation	Major and Medium Irrigation	Cooperation	Power	Handloom Industry	House Sites for landless agricultural labourers	Apprenticeship training	Free supply of books and stationery	TOTAL
1. Andhra Pradesh	101	1150	18265	1100	25358	282	210	6	15	47457
2. Assam	231	1400	1726	638	4540	141	52	4	60	8792
3. Bihar	850	1185	12600	692	17095	180	200	10	55	36867
4. Gujarat	550	2035	12500	1177	18350	39	140	6	20	34817
5. Haryana	32	200	9110	546	9696	67	28	6	2	19685
6. Himachal Pradesh	93	412	400	140	1930	32	–	3	30	3040
7. Jammu & Kashmir	110	986	2150	100	3350	50	25	3	5	6782
8. Karnataka	950	2350	10570	1150	14870	171	200	6	40	30323
9. Kerala	1325	775	4110	375	5359	165	340	22	60	12525
10. Madhya Pradesh	410	4043	12928	1158	29984	97	300	16	130	49062
11. Maharashtra	62	5000	24480*	1150	43495	191	130	12	90	74678
12. Manipur	15	145	830	65	245	80	–	80	12	1393
13. Meghalaya	25	135	10	105	724	22	–	1	15	1037
14. Nagaland	43	110	–	63	230	7	–	1	7	461
15. Orissa	390	1350	5350	785	10592	55	75	2	40	18639
16. Punjab	–	1400	3440	866	16292	5	75	6	3	22087
17. Rajasthan	25	510	9525	305	9338	40	8	5	3	19759
18. Sikkim	–	60	45	35	150	6	3	–	10	309
19. Tamil Nadu	N.A	1350	4624	441	19000	448	120	11	15	26039
20. Tripura	45	212	10	69	385	38	12	1	7	779
21. Uttar Pradesh	1500	5500	21704	1660	48159	915	240	15	300	79993
22. West Bengal	115	2900	4000	800	22154	187	195	11	170	31567
23. All States	7907	37208	158408	13420	302296	3188	2083	222	1089	526091
24. Union Territories	93	601	1345	359	4697	99	56	51	75	7376
1. Andaman & Nicobar Islands	4	7	–	25	121	–	–	–	1	158
2. Arunachal Pradesh	N.A	192	–	97	260	12	–	–	8	569
3. Chandigarh	–	17	–	7	229	–	–	1	3	257
4. Dadra & Nagar Haveli	14	28	182	6	41	–	–	–	1	272
5. Delhi	–	126	–	74	3046	30	20	40	40	3376
6. Goa, Daman & Diu	55	101	1115	45	565	1	12	4	8	1906
7. Lakshdweep	–	–	–	25	35	–	–	Neg.	–	60
8. Minoram	N.A	60	–	55	2[illegible]	39	–	Neg.	8	437
9. Pondicherry	20	70	48	25	125	17	24	6	6	341
25. Grand Total	8000	37809	159753	13779	306993	[illegible]	[illegible]	[illegible]	1164	533467

*The total outlay for 'Major and Medium Irrigation' will be Rs.28480 lakhs including Rs.4000 lakhs under 'Employment Guarantee Scheme'

Source: Fifth Five Year Plan, pp. 120-1

TABLE 7

Percentage Distribution of Proposed Plan Allocations for 1977-79 under the 20 Point Programme for States and Union Territories

State	Land Reforms	Minor Irrigation	Major & Medium Irrigation	Cooperation	Power	Handloom Industry	House sites for land-less agri-cultural labourers	Apprentice-ship train-ing	Free supply of books & stationery	TOTAL
1. Andhra Pradesh	1.26	3.04	11,40	7.98	8.59	7.67	8.72	2.20	1.29	8.90
2, Assam	2.89	3.70	1.08	4.63	1.48	4.29	2.16	1.47	5.15	1.65
3, Bihar	10.62	13.68	7.89	5.02	5.57	5.48	8.30	3.66	4.73	6.91
4. Gujarat	6.89	5.38	7.82	8.54	5.98	1.18	5.81	2.2	1.72	6.53
5. Haryana	0.40	0.53	55.70	3.96	3.16	2.04	1.16	1.1	0.17	3.69
6. Himachal Pradesh	1.16	1.09	0.25	1.02	0.63	0.97	-	1.1	2.58	0.57
7. Jammu and Kashmir	1.37	2.61	1.35	0.73	1.09	1.52	1.00	2.2	0.43	1.27
8. Karnataka	11.89	6.32	6.62	8.35	4.84	5.20	8.30	8.06	3.44	5.68
9. Kerala	16.56	2.04	2.57	2.72	1.75	5.01	14.11	5.86	5.43	2.35
10. Madhya Pradesh	5.12	10.69	2.09	8.40	9.77	2.95	12.45	4.35	11.17	9.20
11. Maharashtra	0.78	13.22	15.32	8.35	14.17	5.81	5.40	29.30	7.73	14.00
12. Manipur	0.19	0.36	0.52	0.47	0.08	2.43	-	0.37	1.03	0.26
13. Meghalaya	0.31	0.36	-	0.76	0.24	0.67	-	0.37	1.29	0.19
14. Nagaland	0.54	0.29	-	0.45	0.07	-	-	0.37	0.60	0.09
15. Orissa	4.89	3.57	3.35	5.70	3.45	1.67	3.11	0.73	3.44	3.49
16. Punjab	-	3.70	2.15	6.28	5.31	-	3.11	2.2	0.26	4.14
17. Rajasthan	0.31	1.30	5.96	2.21	3.04	1.22	-	1.83	0.26	3.70
18. Sikkim	-	0.16	-	0.25	0.05	-	-	-	0.86	0.06
19. Tamil Nadu	-	3.57	2.51	3.20	6.19	13.63	4.98	4.02	1.29	4.88
20. Tripura	0.56	0.56	-	0.50	0.13	1.15	0.50	0.37	0.60	0.15
21. Uttar Pradesh	18.87	14.55	13.59	12.04	15.69	27.84	9.96	5.49	25.77	14.99
22. West Bengal	14.37	7.67	2.50	5.80	7.21	5.69	8.09	4.02	10.36	5.92
23. All States	98.84	98.41	99.16	97.39	98.47	96.99	97.68	81.32	93.56	98.62
24. Union Territories	1.16	1.59	0.84	2.61	1.53	3.01	2.32	18.68	6.44	1.36
1. Andaman & Nikobar	0.05	-	-	-	0.04	-	-	-	0.09	0.03
2. Arunachal Pradesh	-	0.51	-	0.70	0.08	-	-	-	-	0.10
3. Chandigarh	-	-	-	-	0.07	-	-	0.37	0.25	0.05
4. Dadra & Nagar Haveli	0.17	0.74	0.11	-	-	-	-	-	0.09	0.05
5. Delhi	-	0.33	-	0.51	0.99	0.91	0.83	14.7	3.44	0.63
6. Goa, Daman & Diu	0.69	0.27	0.70	0.33	0.18	-	0.50	1.47	0.69	0.36
7. Laksh Dweep	-	-	-	0.19	-	-	-	-	-	-
8. Mizoram	-	0.16	-	0.40	0.09	1.19	-	-	0.69	0.08
9. Pondicherry	0.25	0.19	0.03	0.19	0.04	0.52	1.00	2.2	0.54	0.06
25. Grand Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Computed from Table 6

TABLE 8

Estimated Saving and Investment during the Fifth Plan Period: 1973-74 to 1978-79

(Rs. crores)

Sector of Origin	Draft Plan*	Final Plan**
1. Public Savings:	14336	15028
i) Budgetary	8348	8536
ii) Public Enterprises	5988	6492
2. Private Corporate Savings	4177	5373
3. Cooperative Savings : Non-credit Societies	299	175
4. Financial Institutions' Savings:	571	1263
i) Reserve Bank of India	461	841
ii) Others	110	422
5. Household Savings	25747	36481
6. Aggregate domestic savings	45130	58320
7. Inflow from the rest of the world	2231	5431
8. Total resources available for investment	47361	63751

* at 1972-73 prices

** 1974-75 figures are at current prices and for later years at 1975-76 prices

Source: Draft Fifth Five Year Plan and Fifth Five Year Plan documents.

TABLE 9

Estimates of Financial Resources in the Public Sector For the Fifth Plan Period

(Rs. crores)

Item		Draft Fifth Plan*	First 3 years 1974-77	Next 2 years 1977-79	Final Fifth Plan**
I.	Domestic budgetary resources	33807	15208	16907	32115
	i) Balance from current revenues at 1973-74 rates of taxation	7348	3338	1563	4901
	ii) Gross surplus of public enterprises at 1973-74 fares, freights and tariffs	5988	624	225	849
	a) Railways	649	-1005	-813	-1818
	b) Posts and telegraphs	842	181	199	380
	c) Others	4497	1448	839	[illegible]87
	iii) Market borrowings of Government, public-enterprises and local bodies	7232	3030	2849	5879
	iv) Small savings	1850	1092	930	2022
	v) State provident funds	1280	1050	937	1987
	vi) Term loans from financial institutions (net)	895	340	288	628
	vii) Commercial Credit from banks	1185	@	@	@
	viii) Internal resources of public financial institutions for own investment in fixed assets	90	@	@	@
	ix) Miscellaneous capital receipts (net)	1089	-556	1112	556
	x) Additional resource mobilisation	6850	6290	8403	4693
	a) Centre :	4300	3773	4721	8494
	1) 1974-77 measures	-	3773	3821	7594
	2) 1977-79 measures	-	-	900	900
	b) States :	2550	2517	3682	6199
	1) 1974-77 measures	-	2517	2981	5498
	2) 1977-79 measures	-	-	701@@	701@@
	xi) Borrowings against utilisation of foreign exchange reserves	-	-	600	600
II.	External assistance (net)	2443	3434	2400	5834
	a) Other than oil & special credits	2443	2526	2400	5834
	b) Oil and special credits		908		

contd. p 2

III. Deficit Financing

IV. Aggregate Resources 3

* Financial resources are estimated

** Financial resources for 1974-75 a
years are at 1975-76 prices

@ Subsequent to the formulation of
these resources as well as the ou

@@ Includes some amount to be raised
Government dues and economies in

Source: Fifth Five Year Plan documen

III.	Deficit Financing	1000	754	600	1354
IV.	Aggregate Resources	37250	19396	19907	39303

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* Financial resources are estimated at 1972-73 prices

** Financial resources for 1974-75 are at current prices and for subsequent years are at 1975-76 prices

@ Subsequent to the formulation of the Draft Fifth Plan, it was decided to keep these resources as well as the outlays corresponding to them outside the plan.

@@ Includes some amount to be raised through better collection of taxes and other Government dues and economies in non-Plan expenditure.

Source: Fifth Five Year Plan document, p. 32

Capacity Utilisation Ratios of Selected Industries : 1973 to 1975

(Ratio of average production to estimated capacity at the end of December)

Group/Industry	RATIOS 1973	1974	1975*	Percentage Change in Ratios 1974 over 1973	1975 over 19[illegible]
	(1)	(2)	(3)	(4)	(5)
1. Basic Industries					
i. Cement	75.9	71.8	76.6	-5.4	+ 6.7
ii. Sulphuric acid	66.5	60.9	56.4	-8.4	- 7.4
iii. Caustic soda	95.1	84.2	77.8	-11.5	- 7.6
iv. Steel castings	37.8	39.1	37.5	+3.4	- 4.1
v. Aluminium sheets and circles	75.0	63.3	50.8	-16.0	-19.4
vi. Soda ash	94.1	100.5	85.0	+6.8	-15.0
2. Capital Goods Industries					
i. Motor vehicles	77.8	68.6	56.9	-11.8	-17.1
ii. Power transformers	93.9	60.5	50.4	-35.6	-16.7
iii. Electric Motors	59.6	62.1	57.8	- 4.2	- 6.9
iv. Machine tools@	66.7	69.8	95.5	+ 4.6	+36.8
3. Intermediate Goods Industries					
i. Storage batteries	97.4	76.3	77.1	-21.7	+ 1.0
ii. Dry cells	94.5	51.6	40.4	-45.4	-21.7
iii. Tyres - automobiles	107.9	115.7	104.8	+ 3.2	- 5.9
iv. Tyres - cycles	58.8	71.3	70.2	+22.1	- 2.2
v. Tubes - automobiles	99.3	115.0	96.5	+15.8	-16.1
vi. Tubes - cycles	47.0	63.3	55.9	+34.7	-11.7
vii. Paints and varnishes	54.[illegible]	46.0	51.0	-16.2	+10.9
viii. Ceramics (refractories)	62.9	64.4	61.9	+ 2.4	- 3.9

@ Includes 10 items

* Provisional

	(1)	(2)	(3)	(4)	(5)
4. Consumer Goods Industries					
i. Radio Receivers	64.5	74.6	52.0	+15.7	-30.3
ii. Bicycles	65.1	64.5	55.0	- 0.9	-14.7
iii. Cigaretter	95.9	90.1	79.6	- 6.0	-11.7
iv. Vanaspati	43.7	31.7	40.3	-27.5	+27.1
v. Soaps	97.8	93.7	118.5	- 4.2	+26.5
vi. Matches	100.7	100.6	94.3	- 0.1	- 6.3
vii. Footwear - Western type (leather)	52.2	50.2	64.9	- 3.8	+29.3
viii. Footwear rubber	73.7	72.1	71.0	- 2.2	- 1.5
ix. Hurricane lanterns	76.6	131.4	35.8	+71.5	-72.5
x. Electric lamps (incandescent filament)	125.7	84.1	75.8	-33.1	- 9.9
xi. Electric Fans	75.6	75.6	69.4	0.0	- 8.2
xii. Glass and Glassware (sheet glass)	65.6	43.3	73.3	-34.0	+69.3

Source: Reserve Ban ... vol. I, 1975-76, pp

Appendix

The 20-Point Programme announced by the Prime Minister on July 1, 1975

1. Continuance of steps to bring down prices of essential commodities; streamlined production, procurement and distribution of essential commodities; strict economy in government expenditure.
2. Implementation of agricultural land ceilings and speedier distribution of surplus land and compilation of land records.
3. Stepping up of provision of house-sites for the landless and the weaker sections.
4. Bonded labour, wherever it exists, will be declared illegal.
5. A plan for liquidation of rural indebtedness, Legislation for moratorium on recovery of debts from landless labourers, small farmers and rural artisans.
6. Review of laws on minimum agricultural wages.
7. Five million more hectares to be brought under irrigation. A national programme for use of underground water
8. An accelerated power programme. Establishment of super thermal stations under Central control.
9. New plan for development of the handloom sector.
10. Improvement in quality and supply of people's cloth.
11. Socialisation of urban and urbanisable land. Ceiling on ownership and possession of vacant land and on the plinth area of new dwelling units.
12. Special squads for valuation of conspicuous construction and prevention of tax evasion. Summary trials and deterrent punishment to economic offenders
13. Special legislation for confiscation of smugglers' properties
14. Liberalisation of investment procedures. Action against misuse of import licences.
15. New schemes for workers' association in industry.
16. National Permit Schemes for road transport.
17. Income-tax relief to the middle class -- exemption limit raised to Rs. 8000 per annum.
18. Supply of ess[illegible]ial commodities at controlled prices to students in h[illegible]
19. Supply of books [illegible]tionery at controlled prices.
20. New apprent[illegible]s to enlarge employment and training, [illegible]aker sections.