

INDIA REQUIRES INDICATIVE
PLANNING

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by

Dharamsey M. Rhatau

The problems posed by devaluation still remain to be faced in the absence of any integrated approach by Government. In fact, unless these problems are tackled with a degree of pragmatism and re-orientation in our approach to the basic problems of planning, the situation is likely to deteriorate further. We have been drifting in the direction of state capitalism and Statism which is proving to be both costly and wasteful to the country. In any sound management of the economy which has run into difficulties, as in the case of an individual, it is essential to take stock of the situation—assets and liabilities, achievements and failures—and mould the future course of action accordingly. However, the Government of India does not seem to appreciate this salutary practice.

One of the important objects underlying our planning has been a large expansion of employment opportunities. Judged from this point of view, the strategy which has placed undue emphasis on capital-intensive heavy-industry oriented planning, to the neglect of agriculture and rural development, has failed to make any dent on the employment

"People must not accept private enterprise not as a necessary evil, but as an affirmative goad."

—EUGENE BLACK

* Based on Mr. Khatau's inaugural address at 59th Annual General Meeting of the Indian Merchants' Chamber in Bombay on February 10, 1967. Mr. Khatau is an eminent industrialist.

situation in the country. In spite of three plan periods, the picture has remained dismal and gloomy. The targets could not be achieved and unemployment has been on the rise amongst the educated, agricultural and non-agricultural classes of people. In fact, the former Minister for Planning observed that it was hopeless to expect that the proportion of the agricultural population to the total would shrink from 70% to 60% during the 15-year period as was originally anticipated. He saw no hope of any immediate solution to the complex problem of unemployment.

Let me refer here to the achievement during the three plan periods in the sphere of employment. Even on the basis of very inadequate data, reviewing the progress from 1951 to 1966, the Draft Fourth Five-Year Plan observes that the additional employment generated during the period has fallen short of the overall demand for employment opportunities and that the backlog of unemployment at the beginning of the Fourth Plan will be of the order of 9 to 10 million of whom three-fourths will be in the rural areas. To this must be added the magnitude of disguised unemployment which will be of the order of 15 to 18 million. In addition, we must take note of the increase in labour force in the Fourth Plan which may be reckoned at 23 to 25 million.

Can the existing scheme of planning meet the stupendous task of providing employment to the ever-expanding labour force in the country coupled with the backlog which we have been carrying from Plan to Plan? This exposes a serious lacuna in our plan strategy which provides no scheme for utilisation of the vast man-power resources lying idle in

the country particularly in the rural areas. The programme of rural works, community development and the small-scale industries programmes have had no appreciable impact on the situation.

Unless we recognize the importance of rural development and facilitate the growth of an agro-industrial base, the present strategy of concentrating on large capital-intensive industries and big and monumental projects will fail to solve the problem. In our anxiety for excessive emphasis on bringing about rapid industrialisation and reaching the take-off stage of self-sustained growth, we have failed to evolve a balanced plan. This has only resulted in the non-fulfilment of the rising expectations on the part of the masses and created an atmosphere of disappointment and frustration. As was candidly observed by the late Prime Minister Nehru, "not only did large projects take long to come to fruition, but failed to reach down to the people or to elicit their understanding or cooperation. On the other hand, they frequently resulted in the uprooting of hundreds of families, thus alienating their sympathy." If planning has to generate any mass enthusiasm, the planners must shed their fascination for grandiose and the spectacular. Unless our plan reflects an attempt at a balanced growth between heavy industries and consumer goods industries, large, medium and small scale, together with the plan-frame for utilising the vast man-power resources in the rural areas, all our efforts in planning would fail to remedy the situation. The situation requires necessary re-consideration of the programmes and policies so as to remove this lacuna in our planning.

Another serious consequence of our planning has been concentration of vast economic power in the political hands and the bureaucracy. Gandhiji had warned against this development when he said that "while apparently doing good by minimising exploitation, it does the greatest harm to mankind by destroying individuality which lies at the root of all progress." With its doctrinaire accent on the Public Sector attaining commanding heights in the economy, our planning has resulted in an indiscriminate expansion of the Public Sector and a vast proliferation of State monopolies and bureaucratic organisations. This development towards Statism constitutes a veritable threat to the freedom of the individual and the very concept of democratic planning. This danger is inherent in the type of comprehensive planning that has been adopted in our country.

The Planning Commission, in its latest review, has referred to the disturbingly low rate of profitability of Public Sector undertakings which barely gives a net return of 1.5% on a total investment of Rs. 2,037 crores for 34 undertakings. It is a known fact, testified by various Committees of the Parliament, that the working of the Public Sector enterprises has been characterized by bureaucratic mis-handling, lack of coordination, inefficiency and waste of public resources." As the President of the Indian Union, Dr. Radhakrishnan, has sternly warned during his Republic Day Broadcast, "even after making allowance for all the difficulties of the situation, we cannot forgive widespread incompetence and the gross mismanagement of our resources."

I should not be understood as arguing against planning or even the Public Sector. I believe in balanced planning and mixed economy. In a balanced scheme of mixed economy, the private and the public sectors both have a legitimate and purposive role to play. Neither should Private Sector be hamstrung by a network of legislative and administrative restrictions and treated in a discriminatory manner, nor should the claims of Public Sector rest on doctrinaire grounds. Both, in the last analysis, should be judged by the contributions they make in their respective spheres, by maximising production with utmost efficiency, expanding employment opportunities and raising the standard of living of the people.

I am arguing against lop-sided development and any ideologically pre-conceived notions on the strategy of planning and in favour of a pragmatic approach which would rectify the basic deficiencies in our planning which have demonstrably proved socially costly and economically wasteful. There is no doubt that heavy industries are necessary for building up the growth potential of the country, but this cannot take place without substantial increases in the availability of foodgrains and other basic consumption goods, to meet the demand of rising income among the large sections of the population.

The suggestion has been made from various responsible quarters that since our approach to planning, with its implied strategy, has not been effective, we should examine the feasibility of adapting important features of "Indicative planning" that has been successfully worked in France and has

achieved substantial results in the growth of the economy. Indicative planning relies to a greater extent on the market mechanism of incentives, prices etc. in place of highly arbitrary and patently unsound system of administrative fiats and detailed controls of comprehensive planning. While the Public Sector is limited to the development of the infra-structure and certain basic industries, in this system there is no attempt to lay down detailed and obligatory plans of operation in the Private Sector. It provides broad guidelines of development.

It is also described as a system of "cooperative" planning or "concerted" economy in which the Government, the Public Sector and the Private Sector, including trade union leaders, have a joint responsibility in the formulation of the plan. This makes the French Planning realistic, both in terms of size and priorities, and accounts for its success. The French Plan is free from rigidities and has a degree of flexibility and dynamism which enables it to adapt itself to changing technological and market conditions. It provides for annual and mid-term appraisal of the working of the plan so as to introduce necessary modifications to meet any situation that may develop in the economy. Instead of the strait-jacket of direct controls, the Government effectively uses fiscal and monetary measures to facilitate achievement of the plan objectives. It is a mixed economy free from any doctrinaire bias.

I believe the system of "indicative planning" has great relevance to the Indian context. It can release the massive creative energies of the people

which today find no scope under the model of comprehensive planning. At the same time, I am aware of the fact of the differences between a developed and a developing economy. No country can adopt a system in details which has been evolved by another country to suit its special requirements of development.

Taking an overall view, the Private Sector has a proud record of achievement to its credit. During the three successive plans, inspite of bureaucratic hurdles and frustrating delays, the Private Sector has not only fulfilled the targets allotted to it, but in some cases has even exceeded them. If there was unutilised capacity, it was largely due to acute shortage of foreign exchange resources which created paucity of spares, components and basic raw materials. It has shown commendable initiative and enterprise and contributed its best towards broadening the base of our industrial structure by starting a number of industries—large, medium and small scale. There is no room therefore, for being disheartened at the present situation. We must continue to show our dynamism and resourcefulness in achieving the objective of import substitution and self-reliance. We have to produce more goods, develop engineering projects, design machines, develop new techniques and encourage technicians and scientists who have to play an important role in our development. I have no doubt that the difficulties we are experiencing today will prove to be a passing phase, perhaps inevitable in the process of planning that has been adopted. I feel hopeful that the present policies will change and conditions will be created for generating mass enthus-

iasm and releasing the creative energies of the people in the great task of building a new India.

I would urge the Private Sector to adopt an enlightened approach to the problem of industry so as to be able to imbibe the great changes that are taking place in the world and participate in the effort to develop a technologically mature society. We cannot afford to be lulled into a false sense of security under a sheltered market. We must recognize that increasing productivity is of fundamental importance to any economy, and to the well-being of everyone in the community. Trade unions and workers have an important role to play. They must be cautioned that their prosperity is linked up with high productivity and that increase in automation does not necessarily result in greater workloads and reduction in employment. On the contrary, advanced techniques, modern machinery and better layout can produce lower workloads and more employment by expansion of industries. It is productivity alone which can account for sustained economic growth with a relatively high degree of economic stability, insulating the economy against the disastrous consequences of a run-away inflation. I have faith in the capacity of the Private Sector and I am sure, given the opportunities, it will deliver the goods.

The views expressed in this booklet are not necessarily the views of the Forum of Free Enterprise.

**"Free Enterprise was born with man
and shall survive as long as man
survives."**

**---A. D. SHROFF
(1899-1965)
Founder-President,
Forum of Free Enterprise.**

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