

Institutional Transformation in India: A Study on the Abolition of Planning Commission of India

**A Dissertation submitted to the
School of Arts and Languages**

In partial fulfilment of the requirement for the award of the degree

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Under the Guidance of

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2015

DECLARATION

I do hereby declare that the dissertation entitled “**Institutional Transformation in India: A Study on the Abolition of Planning Commission of India**”, submitted in partial fulfilment of the requirement for the award of degree of Master of Arts in Political Science is entirely my original work and all ideas and references have been duly acknowledge. It does not contain any work that has been submitted for the award of any other degree or diploma of any university.

Date: _____

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Certification

This is to certify that T. Chingau Thaplan completed his dissertation entitled “**Institutional Transformation in India: A Study on the Abolition of Planning Commission of India**” under my guidance and supervision. To the best of my knowledge, the present work is the result of his original investigation and study. No part of the dissertation has been submitted for any other degree or diploma to any other university. The dissertation is fit for submission for the partial fulfilment of the requirements for the award of Master of Arts in Political Science degree.

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Abstract

The Planning Commission was established on 15th March 1950 by the resolution of Government of India which started its first Five Years Plan from 1951 to 1956. The Planning Commission acted as a watchdog or backbone to the country's economic and overall development. The Planning Commission was established under the Chairmanship of Pt. Jawaharlal Nehru, the first Prime Minister of independence India. The Planning Commission acted as the apex policy making body that include the single flow of both the centre and state in it policy. With the failure and success in its targeted economic development the Planning Commission remain till the 11th Five Years Plan and in the midst of 12th Five Years Plan the Planning Commission was replaced by NITI Aayog under the think tank policy by the Prime Minister Narendra Modi. This thesis examines the rationale for the establishment of NITI Aayog and also focuses on the policy of Bottom-Up model for the achievement of economic development. It also highlights the approach undertaken by NITI Aayog for maintaining a close relationship centre and State with the spirit of cooperation for strengthening the federal system of India. Specifically, in this thesis I attempt to show the establishment of NITI Aayog which includes the participation of people and expertise in the formulation of policy with regard to the achieving a holistic economic development in the country.

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LIST OF ACRONYMS

BJP- BHARATIYA JANATA PARTY

GDP- GROSS DOMESTIC PRODUCT

GNP- GROSS NATIONAL PRODUCT

GOI- GOVERNMENT OF INDIA

IITs- INDIAN INSTITUTE OF TECHNOLOGIES

MGNERGA- MAHATMA GHANDHI NATIONAL RURL EMPLOYMENT

GUARANTEE ACT

NDC- NATIONAL DEVELOPMENT COUNCIL

NITI AAYOG- NATIONAL INSTITUTE FOR TRANSFORMING INDIA AAYOG

OBC- OTHER BACKWARD CLASS

PMO- PRIME MINISTER OFFICE

SC- SCHEDULE CASTE

ST- SCHEDULE TRIBE

UGC- UNIVERSITY GRANT COMMISSION

CHAPTER I

INTRODUCTION

1.1 Introduction

To introduce and to discuss about Planning Commission and National Institute for Transforming India Aayog (NITI Aayog) let us first focus on what is Planning. According to the Oxford Dictionary of English Planning means “decide on and arrange in advance.” And according to Seckler Hudson, "planning is the process of devising a basis for a course of future action." The Economy of India since independence was by the side of stagnant growth. All most half of the total population of India was below poverty line and the main reason was due to the complete shatter of indigenous industries by the British Colonies. Right after the independence the country faced the problem of illiteracy, unemployment, poverty, low national income and low economic progress. So in order to surmount such challenges in the newly Independent country like India, Pandit Jawaharlal Nehru the first Prime Minister of India adopted the Soviet Union's model of Platiletka or Five Years Plan to face the need of the Challenges of political, social and economic. Taking this process after the three years of independence the leaders of India proposed to establish Planning Commission under article 77 (3) on 15th march 1950 by the resolution of Government of India (GOI) by formulating the Five Years Plan also known as the Nehruvian model of Development along with its objective, which was effected from April 1951 to March 1956. The Planning Commission was based on a socialist mode of productions with a strong connotation of Soviet-style centralisation, where the major priority was given to the public sector under the control of the central. The congress leader Nehru and Subhas Chandra Bose were deeply committed to this idea. Some of the main functions of the Commission are:

- Formulation of a Plan for effective utilisation of the country's resources
- Appraisal of progress in the execution of the Plan, and recommendations as to policy adjustments.
- The determination of the machinery required for implementation of the Plan.

Thus the Commission has a very important and significant mandate. However, over the years, its role has been transformed mainly into giving allocations for states, which has often led to resentment and criticism. The current Prime Minister of India Narendra Modi in his first Independence Day(2014) address made a historical announcement to the people of India that the old Indian apex policy making body i.e., Planning Commission will be replace by a new institution under the think tank policy (which will act as an advisory body). Later came to be

known as National Institute for Transforming India Aayog (NITI Aayog) formed in 1st January 2015. In order to meet the challenges of changed India according to policy of NITI Aayog focus on adopting the approach of 'bottom to up' to meet the needs of the downtrodden people and eradicating poverty which is the biggest problem rather than the traditional 'top to bottom' approach of Planning Commission. NITI Aayog also involve every states headed by their respective Chief Minister, individual expertise in its policy making process to address the emerging economic needs.

1.2 STATEMENT OF THE RESEARCH PROBLEM

It is an acknowledged fact that the Planning Commission plays an important influential role in the management of national economic system in India. However, there is also a lots of discussion taking place on the role and effectiveness of Planning Commission in the management of national economy of India. Therefore the choosing of my Research topic is to find the reason for the abolishment of Planning Commission. Was it being politicised? and what will be the consequences of its abolition? The plans of New Institution that replace Planning Commission and what could be the future role of Planning Commission.

1.3 OBJECTIVE OF THE RESEARCH

1. This study aims to examine the fact as to whether planning commission failed in doing the task allocated regarding Planning.
2. To identify the causes and obstacles that planning commission of India faced in conduction of the planning task.
3. To investigate and examine the measure to eradicate planning commission.
4. To comprehend to what extent the NITI Aayog has its influence and impact on economy of the country.

1.4 METHODOLOGY

This study will be based on historical descriptive and analytical review of the collected data. In order to assure the quality of my sources, documents are evaluated through some criteria in keeping with accepted historical research. The chief source of collection of data is from secondary sources. The secondary source used in this research includes reports and documents, text books, journals, articles, newspapers, periodicals, and web resources and collecting data from the people who have information about the abolition of Planning Commission.

CHAPTER II

REVIEW OF LITERATURE

REVIEW OF LITERATURE

Samar Verma, Jai Asundi, Anshu Bharadwaj (2014)¹

The authors, here responds to the three articles published in the Economic and Political weekly (EPW) by the eminent and experienced authors Dilip M Nachane, Rajeeva Ratna Shah and Santosh Mehrotra. Their views on think tank, model of Chinese Development and inverting the top-bottom to bottom-top Planning. The two important issues that need to be realised, firstly, as core values and principles so as not to effect in the planning development in our dynamic political context, secondly, for the protection and promotion of the rich Culture of the country to the outside world. Since the change in the policy does not change the culture of the country but dwell within it. They also argues favouring the change in the culture of planning by adding a suggest on how to outline the core values of the planning.

Dev Nathan (2014)²

According to the author in his work “Reforming Social Protection for Economic Transformation” viewed that the drastic change of economic is a long way process in which it often replace various set of economic activities by another. In order to bring reform in economic area it is necessary to bring both changes in economic and social transformation. Social protection must be wide based and should be able to carry out problems in order to bring changes. Giving importance to the role of social structure will aid more to the long term and transformation in economy.

V S Arunachalam and Anshu Bharadwaj (2014)³

In the light view the author’s in their work “Planning for the Commission” that the present set-up of the Commission's role should be strengthened even more, over and above its historical role. A strong PMO requires a strong Planning Commission. The allocation of

¹ Samar Verma, Jai Asundi, Anshu Bharadwaj (2014), Creative Desrtuction Towards National Think Tank, Economic Political Weekly, Vol. XLIX, Nos. 43&44.

² Dev Nathan, Reforming Social Protection for Economic Transforming, 2014, Economic & Political Weekly, vol. 49, no. 37

³ V S Arunachalam and Anshu Bharadwaj, Planning for the Commission, 2014, Business Standard

funds to states could be transferred to the finance ministry. However, there are some very important functions which should be retained and further strengthened within the Commission.

Prabhat Patnaik (2014)⁴

The author in his work “End of the Planning Commission” signifies that the end of such is non-acceptance. It is a matter not of whether planning in the old sense is necessary, but of political economy. It signifies a change in the nature of the bourgeois nation state, from an entity apparently standing above all classes and “looking after” the interests of all classes in varying degrees, to one which is exclusively devoted to the interests of globalised corporate capital on the grounds that what is good for it is good for all and vice versa Nachane Dilip M (2014), “Obiter Dictum” At the 1931 Karachi session of the Indian National Congress, a “socialist pattern of development” was set as the goal for India. The young Congress leadership of Nehru and Netaji Bose were deeply committed to this idea. After being elected the President of the Indian National Congress at its Haripura session in 1938, Netaji constituted the Planning Committee on 17 December 1938.

Santosh Mehrotra (2014)⁵

The author has made studies in his work, “The Reformed Planning Commission: The Way Forward” that there is one role that the current Planning Commission has barely managed to perform – systematically collecting best practices in policy or programme design from states, and then replicating successful models across the country. India is a veritable laboratory for good practices within states in every sector. But so removed is the culture of learning from our administrative system that since independence we have not managed to institutionalise any method of learning across states. If learning across states is to be systematised, then the Planning Commission would be the appropriate body for this purpose.

Arthur W Lewis (1966)⁶

⁴ Prabhat Patnaik, End of Planning Commission, 2014, Economic & Political Weekly, vol 49, no. 37

⁵ Santosh Mahrotra, the Reformed Planning Commission, 2014, Economic & Political Weekly, vol 49, No. 37

According to the writer, “DEVELOPMENT PLANNING: The Essentials of Economic Policy” in his view he talks about how the planning should be making and how to improvise work which have been lacking behind for so long. In this book it specially talks about both private sector and public sector , both talks about the development of human life but it neglect because of taxation which unable, in at very present the governments has taken up the initiative in both to improvised in development planning so that it won’t occur in future because with over liberal to the private sectors its been misusing the power to the deepest and the corruption has been over reach therefore to remove all this the government has been brought up with new economic policy.

Tirthankar Roy (1857)⁷

In the view of the author in his book “Rethinking economic change in India” , he discussed about the past and the present situation in economic process, were the economic system has been very slow till today with the low progress effort by the both traditional and modernization system though some of the Asian country has been achieved allot in economic development but most of the country has been very low rate till now because of technical problem to remove all this poverty and bring social and economic change government has been taken up to remove all the corrupt in order. In this book it clearly tells about what has been going around and how to improvise the economic system for the betterment of all around development.

Rob Jenkins (1991)⁸

According to the author in his book “Democratic Politics and Economic Reform in India”, it views about the GDP planning which is been flowing so slow in the context of Indian food subsidy , in here it talks about the reducing of population which is one of the major effect in whole of the society and it also talks about the reducing of food rate which has been causing many farmer to lose their concerned were central government has been raising the food rate

⁶ Arthur W Lewis, Development Planning: The Essential of Economic Policy, 2005, Routledge Taylor and Francis Group, New York

⁷ Tirthankar Roy, Rethinking Economic Change in Indian Labour and Livelihood, 2005, Routledge Taylor and Francis Group, New York

⁸ Rob Jenkins, Democratic Politics and Economic Reform

in every year it brings to difficult much to the lower class people to have faith in government planning , the author also talks about how to improvise all this matter through the reforming the new economic system.

Ragnar Frisch (1973)⁹

In this book, “Economic Planning Studies: A Collection of Essays”, the author describe about the evolved of the economic system and the enlighten of the economic process in whole over , it tells about how man need all the natural things in their life and how to bring economic change in their life by creating new technology which can help human to reduce the rate of everything which is enabling human to improvised their daily living breath, the author also talks about to how to remove all this so that human being can survived, he also talks not only depend on quantity but also to make quality and reduce the rate of all which has been confusion human to develop their natural need.

Rath Nilakantha (2002)¹⁰

In this book, “Planning at the District Level”, the author view that to developed the public sector we need the district planning board, in here it also talks about to transfer the development we need to deal with the expertise to make much betterment of our whole of the society, it also talks about representative and concerned people should more effective in their own way so that the vast development should be succeed , the state government of every should concerned more about on development and they should start a fresh vital work.

Oomen M A (2014)¹¹

According to the author in his work “End of the Planning Commission”, he talks about the to develop and for the betterment of the vast country we need to improvised for this we have to remove the planning commission which is not fit for the modernize country we need a new

⁹ Ragnar Frisch, Economic Planning Studies: A Collection of Essays, D Reidel Publishing Company, Holland

¹⁰ Rath Nilakantha, D R Gadgil on Planning at the District Level, 2002, Economic and Political Weekly.

¹¹ Oommen M A, Have the State Finance Commissions Fulfilled their Constitutional Mandates, 2010, Economic & Political Weekly, vol 45, No 30

look which can fulfil the whole of the society problem for the future, Therefore in here we totally see about what have to be brought in our country to developed much better , it also mainly concerned about that our government should concerned about the new creation which can fulfil our dreams.

Shah Ratna Rajeeva (2014)¹²

According to the author in his work, “Reorienting the Plan Process and Revitalising the Planning Commission”, he talks about the planning commission which have been played his role for so many years but in some how it does not reach up to the level which can brought highly modified but with the more growing of the country population we need to acquire more relevant one which can build our dream which have been not succeed for so many years, in here it also talks about that government should reinvent for the betterment of our coming days.

Evans Alan W(2004), “Economics and land use planning”

According to the author in his book he brought the view about sustainable development of land planning because with the shortfall of land, it also talks about how to limit the cars and instead to save the agriculture land for the economic growth , in here it also talks about the public participation to help in changes of nature it also involves the politicians to take seriously about the land protection and to save the land which have been limited with the occurrence of many wars which deployed and devastated, it clearly shows that how to bring social and economic change for the entire society of whole .

Chai C.H. Joseph and Laurenceson James (2003), “Financial Reform and Economic Development”.

With the thought of writers they classified about the financial matters into the development and economic change , it also talks about how to improvised the financial in promoting the changes in economic system to deal with the neighbouring countries for the new technology which can help in removing all the misuse of money due to the lacking behind of

¹² Rajeeva Ratna Shah, Reorienting the Plan Process and Revitalizing the Planning Commission, 2014, Economic & Political Weekly, vol 49, No. 37

development , it also talks about how to reform new members in order to change and sustainable economic development, in here the author clearly describe about the matter which is one of the major problem in development.

Frisch Ragnar(1973), “Economic planning studies”.

According to the author in his book he talks about the lack of economic development, in his book he brought about how to improvised the economic system in poor countries which due to the lack of not sufficient materials which cannot tide up the fully developed, he also talks about that due to literacy, technology and new invention that create the huge crisis in the developing countries, in here it totally tells about that one nation should be tight up with every part and its should equal so that it can bring changes and for the betterment for one own country.

CHAPTER III
HISTORICAL BACKGROUND
OF
PLANNING COMMISSION

PLANNING COMMISSION OF INDIA: A HISTORICAL BACKGROUND

Though the Planning Commission for development of India's economy was established in 1950 the origin of planning process in India can be traced back prior to the independence of India. In the Planning history of India, Sir M. Visvesvarayya, a noted Politician and Engineer was the first to make an attempt to initiate economic planning in India through his book, 'Planned Economy for India' in 1938. Some of the planning programmes formulated prior to the independence of India were in 1938. The Congress under the Chairmanship of Pt. Jawaharlal Nehru set up the 'National Planning commission' which unfortunately could not implement their recommendation due to the effect of World War II. The other planning committee like 'Bombay plan' in 1944, Presented by 8 leading industries of Bombay(now Mumbai), 'Gandhian Plan' by S N Agarwal in 1944, 'People's Plan' by M N Roy in 1945 and 'Sarvodaya Plan' by J P Narayan in 1950. All this Planning committee was the foundation to the establishment of Planning Commission in India. As discussed earlier in the Introduction, after the independence, a formal model of planning i.e., Planning Commission was established on 15th march 1950 as a part of Directive Principles of State Policy under Articles 39. The functioning of the Planning Commission was based on the Five Years Planning process and its members include Prime Minister as the Ex-Officio Chairman working under the guidance of National Development Council (NDC), Deputy Chairman a full time members, Minister of State, Secretary and full time eight Members work under three main divisions, General Secretariat, Technical Division and Programme Advisers. The Division of departments of Planning Commission were:

1. Agriculture
2. Development policy and Perspective Planning
3. Communication, IT and Perspective Planning
4. Industries
5. Financial Resources
6. Infrastructure
7. Minerals
8. International Economics
9. Human Resources Development

10. International Cell
11. State Plan (Including Island Development Authority cell)
12. Decentralized Planning, Panchayati Raj and Special Area Programme (Including western Ghat Secretariat)
13. Minorities Division
14. Rural Development
15. Village and Small Enterprises
16. Labour, Employment and Manpower
17. Science and Technology
18. Research Division
19. Environment and Forests (Including Climate Change Cell)
20. Housing and Urban Affairs (Including Home Affairs Cell)
21. Health, Family Welfare and Nutrition
22. Social Justice and Social Welfare
23. Water Resource Division
24. Women and Child Development
25. Direct Benefit Transfer
26. Voluntary Action Cell
27. Transport and Tourism
28. Power and Energy
29. Programme Evaluation Organisation
30. Project Appraisal and Management
31. Plan Coordination and Management¹³

The Planning Commission formulation of Five Years Plan and Annual Plan

The First Five Years Plan (1951 to 1956)

The First Five Years Plan was presented by Pt. Jawaharlal Nehru to the Parliament of India on December 8th of 1951 and its aim was focused on development of primary sector so as to improve the living standards of the people of India. The target growth rate set in that period was 2.1 percent annual Gross Domestic Product (GDP) growth however the active role of both the Centre and States in all economic sectors achieved the growth rate of 3.6 percent Net Domestic Product (NDP). For the agricultural production (which was the backbone

¹³ Planning Commission(2011), available at: Planningcommission.gov.in/aboutus/history/ref_man03032011.pdf

India's economy) irrigation project including Hirakud Dam and Bhakra Dam was initiated. For strengthening the educational purpose and increasing literacy rate Indian Institute of Technology (IITs) and University Grand Commission (UGC) was set up in India. Thus, the First Five Years Plan was apparently successful for the Government of India.

The Second Five Years Plan (1956 to 1961)

The Second Five Years Plan shifted its importance to the industrialisation of India through public sector for a long term economic benefit. The other name of Second Five Years Plan was 'Mahalanobis Plan' propounded by Prasanta Chandra Mahalanobis in 1953. During this period the allocation of expenditure on agriculture was reduced and was increased in allocation of large/heavy and medium scale industries. The Second Five Years Plan was marked by food shortage and drought which led to inflation and the actual growth rate of the period was 4 percent per annum which was targeted 4.5 percent in annual National Income Growth Rate.

The Third Five Years Plan (1961 to 1966)

The objective of the Third Five Years Plan were to increase the national income more than 5 percent annually agriculture was given more importance and improvement in the production of wheat but however the Third Five Years Plan was a period of national emergency due to the Sino-Indian war of 1962 and Indo-Pak war of 1965-66. Such emergencies led to the diversion of centre's attention to the development of defence industries and Indian Army. States were given more responsibilities for development purpose along with imparting education and transportation system. And the failure of Third Five Years Plan ended with the actual growth rate of 2.4 percent.¹⁴

Plan Holiday (1966-1969)

The Plan Holiday was affected from 1st April 1966 to 31st March 1969. The Government of India was forced to declare Plan Holiday due to cause of war in the Third Five Years Plan and the miserable failure of the plan in its target and objective leading to imbalance in economy of the country. Thus they suspended the Fourth Five Years Plan and declared three annual plans, the planner shifted its attention to rural agricultural production and focus on small scale irrigation through electrification, the Rural Electrification

¹⁴ Mospi.nic.in/Mospi-New/upload/SYB2014/CH-7-FIVE%20YEAR%20PLAN/Five%20Years%20Plan%20writeup.pdf

Corporation was also instituted in July 1969. The number of Village electrified during the three annual plan rouse to 73,732 from 45,114.

Fourth Five Years Plan (1969 to 1974)

The Fourth five Years plan is widely known for the nationalisation of 14 major national banks by the then Prime Minister Indira Gandhi and the impact of Green Revolution on agriculture. The increased in the food grain productions brought about self sufficient in the need for an hour of the economy. During the period the thread of the immigrants from Bangladesh was also a major concern. The Fourth five Years plan also failed to reach tht target growth rate.

Fifth Five Year Plan (1974 to 1979)

During the period of Fifth five Years plan Unemployment and Poverty was the main problem. 'Garibi Hatao Desh Bachavo' (Abolish Poverty Rescue the Country) became the main theme of the period. The troublesome world economy had a negative impact on the Indian economy as well. Therefore taking this into consideration priority was given to food, energy sector and attainment of self sufficiency in agriculture, later which increased in supply of food grains, export of minerals and oil reserved increasing the actual growth rate of Fifth five Years plan to 5.0 percent with the target of 4.4 percent. However, the plan failed in the eradication the increase number of poverty.

Rolling Plan (1978 to 1980)

In the year 1978 the ruling government i.e., the Janata Party proposed the Sixth Five Years Plan emphasising on Employment but the government lasted only for two years and the Congress return to power in the centre. The Rolling Plan was proposed to overcome the rigidity of the fixed Five Years Plan by adopting the three kinds of Plan based on comprising the annual budgeting, Plans for three, four or Five years and perspective plan for 10, 15 or 20 years. However the difficulty to revise the target each year made the planners unable to maintain right balance in the economy of the country which was essential for its balance development.

Sixth Five Years Plan (1980 to 1985)

The Sixth Five Years Plan (the only plan that was proposed twice) is also regarded as a revolutionary in the history of India in terms of Planning as it is marked by the shift from the Nehruvian model of Five Years Plan, it marked the beginning of economic liberalisation. It also focus on modernization of Technology, ensuring continuous decrease in unemployment, poverty and control of population growth through family planning. The Plan was successful in its targeted growth rate.

The Seventh Five Years Plan (1985 to 1990)

The Plan was decided under the Indian National Congress Party, the plan primarily aimed at upgrading the technology of the industries in order to improve the production of the industries and generating employment. The drawback of the Sixth Five Years Plan was realised in the Seventh Five Year Plan for further economic growth. The thrust area of the plan were using modern technology, increase in the productivity of small and large scale farmer, anti poverty programme, social justice, removal of the oppression of the weak and making India self dependent in economy. The Seventh Five Years Plan reach the Actual growth rate of 6.01 percent with the target of 5.0 percent.

Annual Plan (1990-1992)

Due to the fast changing political development at the centre, the annual plan of 1990 to 1992 was introduced and the goal was set for making more market oriented economy, expanding the role of foreign and private investment.

The Eight Five Years Plan (1992 to 1997)

When the government of India started the Eight Five Years Plan, India was at the edge economic instability and crisis of foreign exchange reserves. Therefore, India's under Prime Minister P.V. Narasimha Rao launch the socialist economy, it was the beginning of Privatisation and Liberalization in India. The major highlight of the plan was modernization of industries which gradually lead to correct the undergoing deficit and foreign debt. India's becoming the only third world country member of World Trade Organisation (WTO) on 1st January 1995 pave the way for a successful Five Years Plan. This Eight Five Years Plan is known for the term as Rao and Manmohan model of economic development.

The Ninth Five Years Plan (1997 to 2002)

With the successful implementations of Eight Five Years Plan, the government of India with the Fifty Years of Independence initiated the Ninth Plan. It was mainly focused on the potential utilisation of latent and unexplored economic of the country for overall development especially in economic and social sphere. Poverty was regarded as the major challenge and its complete elimination was necessity for bringing equity in social sphere. The Ninth Five Years Plan showed the joint effort from both public and private sector to ensure country's economic development, the general public and governmental agencies activity in rural and urban area of the country contributed toward the fulfilment of target in a stipulated time with adequate resources.

The Tenth Five Years Plan (2002 to 2007)

The Tenth Five Years Plan was the continuation of the Ninth Five Years Plan. The plan formulated to take up the policy of the past Planning years. India during the period was undergoing the trends of globalization. It targeted at the Gross Domestic Product (GDP) growth rate of 8 percent in order to compete with the industrialised Nations around the globe. The consistent Nation record of 7 percent GDP growth throughout the past decade enabled the Planning Commission to further extent the limit of GDP which had a possibility to recognise India as one of the best industrial countries in the world.

The Eleventh Five Years Plan (2007 to 2012)

By the end of the Tenth Five Years Plan India emerged one among the fastest growing economy. The respond of the industrial sector to face the competing global economy increased the saving and investment rate. The vision of the Eleventh Five Years Plan was to put the economy on sustainable growth with an approximate growth rate of 10 percent by the end of the plan but the economic growth failed to be sufficiently inclusive, agriculture lost it momentum and subsequently entered into crisis, despite fast growth there was a lack of job and the discrimination among gender was common.

The Twelfth Five Years Plan (2012 to 2017)

The government of India commenced the Twelfth Five Years Plan for 'more inclusive and sustainable growth.' The more inclusive refer to the inclusion of its objective in broader term; inclusiveness in poverty reduction, group equality especially for the Schedule Caste

(SC), Schedule Tribe (ST) and Other Backward Class (OBC), Regional Balance to be maintain for the weak State, Empowerment of people and its Participation, Employment Programme by introducing Employment Scheme like Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) Scheme and Environmental Sustainability which will have a strategic balance between the objective of Development and the objective of Environment Protection. However, the takeover of Planning Commission by the National Institute for Transforming India Aayog (NITI Aayog) in the midst of Twelfth Five Years Plan has brought about an institutional change in the working of Planning Commission. The focus of NITI Aayog includes more of the Centre-State relation and also the Participation of expertise in the policy formulation. The continuation of Planning Commission has been taken up by NITI Aayog, playing the active role in countries economic development.¹⁵

¹⁵ Planning Commission(2011), Available at:
www.planningcommission.gov.in/plns/planrel/12thplan/pdf/12fyp-vol2.pdf

CHAPTER IV
INSTITUTIONAL TRANSFORMATION
by
NITI (NATIONAL INSTITUTE
for
TRANSFORMING INDIA)

INTITUTIONAL TRANSFORMATION BY NITI (NATIONAL INSTITUTE FOR TRANSFORMING INDIA) AAYOG

The Planning Commission which have served the country from 1950 during the reign of Pt. Jawaharlal Nehru till December of 2014 has replaced by the new policy or commission called the NITI (National institution for transforming India) Aayog. The Planning Commission has help a lot in the country's development yet still it couldn't provide the needs and requirements of the people. The Planning Commission was established to promote the rise of the living standards of the people by utilizing its resources available to the people, increasing the products or production in the resources and employing job as many as possible to increase the country's economy. In order to do so the Planning Commission formulated plans to make or utilize the resources in an effective way. In spite of its much development achieved resulting India as an developing country the citizens of India wanted more because its rise was so slow comparing the rise of other countries social-economic growth. So NITI Aayog was established by Narendra Modi on 1st January 2015 to give a rapid boost to the country's economy. The main importance given is to the fiscal ones in this Aayog. The central to state communication will be a one flow policy. The abolition of the Planning Commission gave the finance ministry a push where all the budget allocation funds are not planned but decided by the finance ministry.

4.1 THE CRITICISM OF PLANNING COMMISSION

Despite of the numerous achievement of the Planning Commission, it faces lots of criticisms. We shall discuss the criticisms which are levelled against Planning Commission in brief. Firstly, the Planning Commission affected both our federal and cabinet system of governance. We may recall, John Mathai, termed the Commission as 'Super cabinet' who was the first finance minister later on he resigned. The Planning Commission was formed right after the constitution was signed. In the Seventh Schedule of the Constitution, the central carries the domains of the states and the social and economic planning are entrusted to the states. The state finance is controlled but the central which leads to the downfall of the state governance. The state plans were approved by the deputy chairperson, the state funds are given to the respective state minister annually. The funds are actually the states fund but

instead the centre took it as their own fund. This led the finance commission/ministry, which was created along with the commission to an unsuccessful ministry. Therefore, the Commission became a maid or servant of the Prime Minister, who is the Chair-Person of the Commission and on the other side the Union Cabinet have no roles in the commission leading them into an idle ministry.¹⁶

Secondly, the Planning Commission was set up with an idea of socialist with strongly disagrees the constitutional idea of decentralizing and liberal framework of the government. The Planning Commission was assigned to a section of non-justifiable directive principles of the constitution even though the centre has no role look after how the state governs itself. The centralized plan has been a trouble to the states. The people of the states loss faith in their own states representatives because after been elected and promises for schemes for the people the states can't sanction the scheme because everything about the state is been handle by the centre.

Thirdly, comes with the problem of socio-economic growth. During the late 1950's, when the Commission was set up with its core objective to increase and transform the Indian's economy and change the living standards of the people by formulating the five years plan. During the first four plans there was lots of discussion among the political, academia, executive organs and even public opinion were taken into account for the socio-economic transformation of the country. The Commission was taken seriously during this period but later the commission became hidden hands to the people. The need for transparency in the Commission was proposed by the people.

Fourthly, the problem with poverty arises. The fourth and fifth year plan emphasis on the poverty but it couldn't achieve up to its expectation. India, with the rise in population and growth of employment opportunities becoming very less the poverty didn't decrease much. The rich became richer and the poor became poorer. So in order to solve this issue the Planning Commission established a system called Below Poverty Line (BPL). In which this system identifies the needs for the government for the people. Various parameters are used which differ from state to state and union territories and also within each states too. The

¹⁶ Down to Earthh(2015), available at: www.downtoearth.org.in/content/should-planning-commission-be-closed-down

Ninth Planned and the Tenth planned commission were formulated for this system. But still the poverty line remains almost the same.¹⁷

Fifthly, India with its good natural resources there should manufacturing industries that can give employment to lots of people of India. With the resources available the number manufacturing hubs are very less. The Archaic Industrial Dispute act 1947, the Factories Act of 1948, Contract Labour Act of 1971 and the Land Acquisition Act 2013 should be abolished or a replacement should be implemented. And this can happen only if the spirit of our federal structure is kept and the commissions also encourage the states to carry out these reforms individually.

Sixthly, the GDP (Gross Domestic Product) growth of the country was low comparing with the other country in spite of its steady increment after the implement of planning commission in 1950. Almost all the other countries in the world experienced higher growth of it. Due to the failure in the GDP the inflation decreases in the country during the last past few years.

Seventhly, the problem of power or responsibilities occurred. A party or organization with no centre power can't run a state/union/ departments/ etc which lets to failure of the achieve targets. The CAG (Comptroller and Auditor General of India) and public account committee will take care of the accountability of the country but instead the public account committee is too powerless to take in charge.

Thus, even though the planning commission has considerable raised the Net Domestic Product self-sufficiency basic and capital goods industries and consumer goods industries. The increase in education, agriculture infrastructures and more it lacks a lot in this modern world. So, on 1st January 2015, the Prime Minister of India, Narendra Modi replaced the planning commission with a new policy called the NiTi (National Institutional Transformation of India). We shall discuss it in the next topic.

4.2 NITI (NATIONAL INSTITUTIONAL TRANSFORMATION OF INDIA)

On the 15 August 2014 Independences day of India, the Prime Minister, Narendra Modi declared that the Planning Commission will be replace but a new policy called NITI of which he will be the chairman for the good of the country. He also said that the importance of federalism is increasing in the country and the new institution must know this problem and

¹⁷ ND TV(2015), available at: www.ndtv.com/cheat-sheet/niti-aayog-replace-planning-commission-10-points-on-what-you-need-to-know721421

work it out. Since the Planning Commission has denied the needs for the reform with the needs of the economy of the modern country and the change in empowering the states power, so it is proposed to abolition of the Commission.

The new institution called NITI will be emphasizing on the development, relation between the states and the Government of India, and also focusing on the environmental situations too. It was built up on the foundation of:

- An empowered role of states equally to the national development and implementing the principle of Cooperative Federalism.
- A **think tank** government.
- Bringing cooperation platform among the various Ministries at the Centre and the States in development of the country.

The principles of NITI Aayog are:

- 1. Cooperative and Competitive Federalism:** The States are enabled to have active participation in the formulation of the Country's policy through combining the authority of Prime Minister and Chief Minister. So there will be an interaction between the Union and the States Government symmetrically and structurally this will lead to a better development understanding between them for which implementing of various development funds will be better. This type of Cooperation will lead to a competitive Federalism with the Centre competing with the States and the States competing with each other and vice-versa leading to the country's development efficiently.
- 2. Shared National Agenda's:** The Prime Minister and the Chief Minister sharing the framework agenda and the agenda's to be evolving for the betterment of people. Priorities and strategies will be much more clearer if the States is involved. The States will be supported by the Centre in whatever ways they can.
- 3. Decentralized Planning:** This principle consists of the bottom-up model, giving more power to the States, and the States later guiding the local government. This local government will look after the village development and then it will be formulated. The Planning Commission was reconstructed or modified with this type of Planning so that the formulation of plans can go deeper into the remote areas of the country where the need to reform is much more needed.

4. **Vision and Scenario Planning:** As there is a quote "Rome was not built in a day" the same concept goes with the NITI Aayog. The organisation looks forward for small and effective plans. Medium and long-term plans are design in such a way that the future of India will be bright considering all the assumptions. This type of plan will be the driver of nation's economy and social growth. This means that the funding will go wherever there is a hole in the economic and it is to be focus on that very point where the nation's stand and where it want to face or focus.
5. **Domain Strategies:** In this strategy a group of expertise is formed either in public or private sector. This group of expertise will assist the State and the Centre Minister in the development planning and its needs for the people respectively. It involves national as well as international planning. They act like an advisory board.
6. **Network of expertise:** Welcoming noble things from every different was Modi's plan of betterment of country. An idea, suggestions from every different angle within or outside the country is to be taken into account. The linkage of the government with the external world whether is it in education or industries of private sector will let to a solemn progress in country's development.
7. **Harmonization:** Issues occur during multiple crossing with different layer of government. Through collaboration, communication, coordination and convergence among the departments of the government the issues can be solved out.
8. **Internal Consultancy:** Internal consultants are also provided to the States as well as the Centre for the design of the plans and structure of the policies. It will include decentralizing, flexibility and focus on the results, specialized skills are also recommended and private public partnerships are also executed.
9. **Monitoring and Evaluation:** The necessity in indentifying the problems and correcting it is an important part of any policies or plan. The plans before formulating it are evaluated by a special and expert group analysing for the effectiveness of the program.¹⁸

Technologies upgrading is also a must for the government due to the vase improvement and depended of the modern world. So, the need for NITI Aayog becomes one of the most

¹⁸ PMO(2015),available at: www.pmindia.gov.in/wp-content/uploads/2015/02/NITI-08.02.2015.pdf

decisive matters of India's economy. The functions and structure of the NITI Aayog are discussed in the later chapter of this thesis.

CHAPTER V
IMPACT OF
NITI
(NATIONAL INSTITUTE for TRANSFORMING INDIA) Aayog
on
INDIAN FEDERAL SYSTEM

The Impact of NITI Aayog on Indian Federal System

The curious question to the establishment of NITI (National Institute for Transforming India) Aayog was its playing role in the Indian Federal System. The acting ex-officio chairman (Prime Minister of India) has clearly stated that NITI Aayog will provide a critical direction and strategic advice into the developmental process of both the centre and states and it also include state and expertise involvements in the policy making of NITI Aayog affecting from 1st January 2015. NITI Aayog which is based on the capitalist model of development, aims at competitive and cooperative relationship between public and private sector. For the strengthening of federal system in the country NITI Aayog play the role of competitive and cooperative federalism by enabling state to have an active participation in formulation of policies with the combine authorities of the Prime Minister as well as the Ministers of the States and Lt. Governors of Union Territories. The structured and systematic interaction between the centre and the states will be marked by the continuing centre-state partnership in the pursuit of overall development, NITI Aayog also enhance the spirit of competition between centre-state and among states. NITI Aayog as the new economic policy focuses on devolution of power to the states by reducing welfare schemes and promotes skill development. The central government wants all the states to reduce poverty and to play on important role being conscious in improving its economy, especially in agricultural area. Narendra Modi, the then Prime Minister of India further emphasis that chief ministers should take action such as projects and to revives the investment cycle i.e., of having three sub-groups;

Firstly, the first sub-group will see into the 66 central sponsored schemes to recognize, continued and to be transferred to all states. Narendra Modi further argue that India can move away from one-size-fits-all schemes and forge a better match between the schemes and the need of the states.¹⁹

Secondly, the second sub-groups will look into human resources development and its activity under NITI Aayog in order to encouraged skill development and man power within the states and.

¹⁹ Remya Nair (2015), NITI Aayog: Narendra Modi seek to enlist state ingrowth push, Live Mint.

The third sub-group will look on institutional mechanism that has to be developed and technology need to be evolved so that it will make the government a success.

In the cooperative Federalism working of NITI Aayog it emphasis on Bottom-Up structure model instead of Top-Bottom approach of the Planning Commission, it also focuses on fast and rapid implementation of policies by fostering inter-ministry coordination. NITI Aayog aims at changing the developing system in order to formulate credible plans to the village level and aggregate these progressively at higher standard of government by giving more power to the States in utilising and implementing it policies at their regional level.

Modi's recommendations of NITI Aayog on the Federal process of India

The giving of more power to the State according to Narendra Modi should be reduction in the number of National Scheme and promoting skill development. The 14th finance commission reports on 28th January of 2015 recommend in the increase of states share in the centre's tax revenue by 10 percent from 32 percent which will enable the state to sought more financial devolution and greater flexibility. The needs for constituting two sub-committees to be realise within the state for elimination which is a greatest thread to countries development, the other for the improvement in the agricultural sector and revival in the stuck project for investment cycle. For the implementation of developmental agenda the national and international, practitioners and partners will create knowledge, innovation and entrepreneurial supporting system, this will be further monitored and evaluate by NITI Aayog to implement the programme by adding technological help. The regional council will be set up to address the issues and contingencies impacting in the States or a region.²⁰

The impact of NITI Aayog on Federal System is undergoing with both the criticism and praise from the states as well from the expertise individuals. In the Bharatiya Janata party (BJP) ruling states it has reacted with caution for replacing Planning by NITI Aayog, while the other state ruled by the congress party like Kerala, Karnataka and Assam has expressed their fear on sudden diminishing of Planning Commission. Most of the state has expressed about the flow of funds to them since the annual plan of 2015 has not yet been discussed and

²⁰ Economic Times(2015), available at: www.Articles.economicstimes.indiatimes.com/2015-02-08/new/58928714_1_niti-aayog-prime-minister-narendra-modi-sachh-bharat

the working NITI Aayog under the appendage of the Prime Minister Office (PMO) with the consultative body dominated by single party would do more harm than good.

CHAPTER VI

CONCLUSION

CONCLUSION

The Planning Commission that has been existing as an apex policy making body since three years from the declaration of India's independence and successfully overtaking till 65 years. Prime Minister Narendra Modi address of abolishing Planning Commission was a matter shock to the nation. But anyhow, Planning Commission was at the edge of its abolition, the one reason for the abolition of Planning Commission could be because of its irrelevance in the present context of changed India and the model of development which was based on the socialist model of development this system of Planning Commission affected both our federal and cabinet system of governance. We may once again recall, John Mathai (who was the first finance minister later on he resigned) termed the Commission as 'Super cabinet'. The Planning Commission was formed right after the signing of the constitution. In the Seventh Schedule of the Constitution, the central carries the domains of the states and the social and economic planning are entrusted to the states. The state finance is controlled by the central which leads to the downfall of the state governance. The NITI Aayog which was established in 1st January 2015 is based on the capitalist model of development, a popular model to every emerging economic power around the globe and NITI as a Think Tank Policy implementation will act as a guidance to the Nations Building and development. The newly Policy making Body i.e., NITI Aayog has been considerably accepted in some of the states but some other states are not working on the federal system. So far, NITI Aayog has not taken the major transformation steps in countries development but the possible reason for popularity of NITI Aayog could be its flexibility in Policy implementation process, the Network of collaboration between centre-states and among states and involvement of national and international expertise in policy making.

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