

TYPES OF ECONOMIC PLANNING IN AN UNDERDEVELOPED ECONOMY



Types of planning

Indicative Imperative

Rolling Perspective

Centralised Decentralised

Partial Fixed

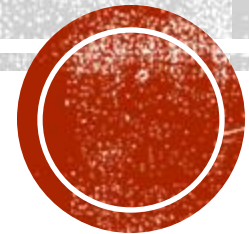
Financial Physical

**INDIAN
ECONOMY**
FOR CIVIL SERVICES EXAM



ECONOMIC PLANNING

Economic planning refers to the planning of subsequent economic actions through the development of certain policy measures. These actions are to be followed in the future in consonance with predetermined economic objectives.



TYPES OF ECONOMIC PLANNING:-

PLANNING BY DIRECTION AND PLANNING BY INDUCEMENT

- **An integral part of the socialist society, planning by direction entails the absolute absence of a laissez-faire system. This type of economic planning has one central authority that plans, directs, and executes according to pre-determined economy.**
- **Planning by Inducement, on the other hand, is more of democratic planning. It entails planning by manipulating the market. Although there is no compulsion, a certain degree of persuasion is practised in planning by inducement. In this type of planning, the enterprises have the freedom of production & consumption. However, these freedoms are controlled & regulated by the state through policies and measures.**



FINANCIAL PLANNING & PHYSICAL PLANNING

- **In financial planning, resource allocation is done in terms of money; and it is essential to remove the maladjustments between supply and demand. Hence, it is instrumental in ensuring a balance between supply & demand, and in controlling inflation to bring about economic stability in the country.**
- **In physical planning, resource allocation is done in terms of men, machinery, and materials. An overall assessment of the available resources is done to ensure that bottleneck situations are eliminated during the execution of the plan. It is viewed as a long-term planning process.**



INDICATIVE PLANNING & IMPERATIVE PLANNING

- **Indicative planning is based on the principle of decentralization for the operation & execution of plans. In this type of planning, the private sector is neither completely controlled nor directed to meet the targets of the plan. But it is expected to fulfill those targets. Towards that end, the government facilitates the private sector but does not direct them in any way.**
- **In imperative planning, on the other hand, all economic activities are controlled by the state. There is complete control of the government over the factors of production. Even the private sector needs to strictly abide by government policies and decisions, which are rigid.**



ROLLING PLANS & FIXED PLANS

- **In a rolling plan, every year three plans are drawn up and acted upon. One of them is an annual plan, which entails the planning for one year; the second is a 5-year plan; while the third is a 15-year plan in which broader goals and objectives are listed, which are in consonance with the previous year planning.**
- **In contrast to the rolling plan, a fixed plan refers to planning for a certain period of time — say 4, 5, or 10 years ahead. It lays down definite goals and objectives that are to be met in the due course of time. Except under an emergency situation, the annual objectives are met (those listed in the fixed plan).**



CENTRALISED AND DECENTRALIZED **PLANNING**

- **Under the centralized planning system, planning is made a restrictive prerogative of the central planning authority. This authority is solely responsible for the formulation of the plan, and fixing its objectives, targets, and priorities. There is no economic freedom; and the entire economic planning is under bureaucratic control.**
- **In contrast, decentralized planning refers to execution of the plan from the grassroots. In this type of planning, the central planning authority formulates the plan in consultation with the different administrative units for the central and state schemes. The state planning authority formulates the plan for district and village levels.**



SOME MORE IMPORTANT ECONOMIC PLANNING ARE AS FOLLOW:-

- **General or Comprehensive planning**
- **Functional & Structural plans**
- **Prospective & Perspective Planning**
- **Short-term, Medium, Long-term planning**
- **Democratic & Totalitarian planning**
- **Corrective & Developmental planning**
- **National & Regional planning**



ECONOMIC PLANNING IN **INDIA:-**

- **Economic planning in India is undertaken by the Planning Commission, which was replaced by NITI Aayog on January 1, 2015. NITI (National Institution for Transforming India) Aayog was established with the objective of achieving sustainable development goals through cooperative federalism.**
- **The first attempt to initiate economic planning in India was made by in 1934 by Sir M Visvesvaraya — who was a civil engineer and ex-dewan of the state of Mysore — in his book “The Planned Economy of India”. From then to the establishment of NITI Aayog and the replacement of the 5-Year Plan with a 15-year vision document, the history of economic planning in India is rather interesting.**

