

Notes of chapter Economic concepts and planning

National income: It is the most crucial factor that determines the development of a nation. This shows the living standard, lifestyle, and level of development of a country. National income portrays Socio-economic development of a nation.

“The sum of all the income from sources of production in a financial year of a country is called as national income.”

“It is a total of all the financial or economic value of goods and services produced by the sources in a financial year.”

It includes all the means that involve in the production of goods and services.

GROSS DOMESTIC PRODUCT: It is a little bit different from national income.

“The sum of income from all the sources in a financial year within the boundary of a country is known as a gross domestic product.”

Per Capita Income: It is hard to analyze the development of a country just on the basis of national income. Status of the country is estimated using per capita income.

“Per Capita Income is the distribution of the national income of a country over its population.”

[Per capita income = National income/population]

- Firstly, Dadabhai Naoroji calculated national income in 1868.
- The government of India formed the National Income Committee under the leadership of P.C. Mahalanobis in August 1949.
- Presently, the Central Statistical Organization (CSO) does the calculation of national income since 1955.

Sectors of the economy

Based on activities the economy is divided into three sectors-

- Primary sector: This sector of economy includes primary activities like crop production. In simple words, this sector is related with the production of raw material.
- Secondary sector: This sector deals with the manufacturing. This sector processes the raw material which it gets from the primary sector.
- Tertiary sector: This sector is directly linked with the services that helps in manufacturing. Like transportation, Telephonic communication. It is also called as service sector.

Example: Let us understand the all the sectors with an example. The cotton produced in the field is the example of primary sector. The industry, which involves in the production of textile from the cotton, is example of secondary sector and the transportation facilities are the example of tertiary sector.

All these sectors are interconnected with each other and are interdependent on the output of one another.

Historical changes in sector

With the passage of time many changes has been occurred in all the sectors of Indian economy. The growth of Sector can be understand as-

- The production of crops increased with time.
- With the increase in agricultural activities, the role of trade and transportation also increased.
- As the demand of market, arise the production also rise with time.
- With the passage of time, the role of service sector is also increasing.

Rising importance of tertiary sector

The entire sectors have been developed a lot but tertiary sector is becoming more important due to following reasons-

- Becoming largest sector with the passage of time.
- Increasing contribution in the GDP of the country.

Economic Growth

Economic growth refers to the increase in the level of production or income of the nation with passage of time. It simply means increase in per capita income of the people of the country. The economic growth of a country depends upon the availability of resources like natural and human resources and use the in proper way to get high level of production. It does not have qualitative dimensions.

Economic development

Economic development is a broader concept as compared to economic growth. It not only consider national and per capita income but also refers to the social, cultural and infrastructural development with technical innovation in a country.

It is the sum of economic growth and favorable social, cultural, political and institutional changes within a country.

Continuous/Successive or sustainable development

It means satisfying present need without compromising the needs of the future.

The development, in which the development is done with the maintenance of natural resources, is called continuous development.

Assimilated development: The development in which all the sections of development of all the sections is assured. There should not be any discrimination of any basis.

Human development:

The meaning of human development refers to the measure of the level of three major factors i.e. education (knowledge), health (life expectancy) and standard of living (per capita income).

All these three factors are indexed as Human Development Index. This indexing process measures human development of any country.

Planning in India

The development of any country depends upon two things i.e. the availability of the resources and ability to use the resources judiciously. For the purpose, planning is required.

Planning is done in three steps-

1. First of all, the clarity of objectives should be there. It means that all the objectives should be defined in very well manner.
2. In the second step, estimation of the available resources is done.
3. Finally, all the resources are distributed according to the importance and priority.

When planning technique is used in the development of economy or to achieve desired economic objectives, it is termed as economic planning.

M. Vishveshvaraiya made the first effort of Indian economic planning in 1934.

Planning commission

After independence, the government of India formed the Planning Commission in March 1950. The major objective of this commission was to make plan for the effective and balanced use of resources.

Planning Commission was an advisory and Constitutional institution. National Development Council approves the plans prepared by Planning Commission and reviews the progress of plans time to time. State chief ministers, administrators of deputy Governors of union territories are also its members. It is also a constitutional and advisory board.

Objectives of planning commission are as follows-

1. To achieve economic development.
2. To solve problem of poverty.
3. Reduce inequality in income. To establish social justice by ending inequality of income and poverty.
4. Maximum use of human resources
5. To create more employment opportunities.
6. Modernization of traditional Indian economy.
7. Improve educational and health services.
8. To achieve economic stability.
9. To end regional inequalities.

Five year plans in India

Till now, in India twelve five year plans has been made for economic development.

S.No.	Five Year Plan	Fixed Time
1.	First Five year plan	1st April 1951 to 31st March 1956
2.	Second Five year plan	1st April 1956 to 31st March 1961
3.	Third Five year plan	1st April 1961 to 31st March 1966
4.	Four Five year plan	1st April 1969 to 31st March 1974
5.	Fifth Five year plan	1st April 1974 to 31st March 1979
6.	Sixth Five year plan	1st April 1980 to 31st March 1985
7.	Seventh Five year plan	1st April 1985 to 31st March 1990
8.	Eight Five year plan	1st April 1992 to 31st March 1997
9.	Nineth Five year plan	1st April 1987 to 31st March 2002
10.	Tenth Five year plan	1st April 2002 to 31st March 2007
11.	Eleventh Five year plan	1st April 2007 to 31st March 2012
12.	Twelveth Five year plan	1st April 2012 to 31st March 2017

- During Indo-Pak war, due to droughts, price-rise and depletion of resources interrupted the planning process so three annual plans were made between 1968-1969. This period is called as Plan Holiday.
- Janta government ended the five-year plan before time in 1978 and made continuous yearly plans from 1978 to 1983.
- Further, Congress government ended continuous plan and announce sixth five year plan from 1 April 1981.

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- The basis of twelfth five year plan was assimilated and sustainable rapid development. The revise target was to achieve 8% growth rate.
 - **Rolling plan:** Under this plan a current plan is update and reviewed after a certain period of time. It has flexibility of changing targets, estimates, resources allocation and duration of current plan.

Niti Aayog:

- Niti Aayog or National Institution for transforming India was formed on 1st January 2015.
- At present, the chairman of Niti Aayog is Honorable Prime Minister Shri Narendra Modi.
- All the state Chief Ministers and Deputy Governors of union territories are the members of Niti Aayog.
- Niti Aayog provides technical advice along with making long-term policies and strategic programmes for the government of India. It act as think tank for Indian Government.
- It encourages cooperative federation.
- There are two main points in the formation of Niti Aayog-
 - Team India Hub- It joins state governments with central government.
 - Knowledge and Innovation Hub- It strengths the capacities of think tank of Niti Aayog.