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ANNUAL PLAN 1976-77

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THE ANNUAL PLAN outlay for 1976-77 in the public sector has been stepped up from Rs. 5,978 crores in 1975-76 to Rs. 7,852 crores, an increase of 31.4%, which is the highest step-up in development outlays in any one year during the planning era; 79.5% of this total outlay will come from domestic budgetary resources, 16.4% from external assistance, including oil and special credits and the balance of 4.1%, or Rs. 320 crores of the outlay, will be met by deficit financing. Such a large step-up naturally raises the question whether the estimates of resources are realistic and whether the expenditure is inflationary. Fortunately, the release of the Plan document has been preceded by an appraisal of the Indian economy by the World Bank for the evaluation of the external assistance requirement of India by the Aid India Consortium which provides valuable data on the state of our economy. Detailing the recent developments in India, the World Bank report stated as follows:

"Conditions are once again bright for an upturn in the growth rate of the economy. The most significant favourable factors have been:

(a) First and foremost, a bumper harvest, expected to be at the record level of 114 million tonnes in 1975-76.

(b) The high rate of inflation was brought under control, largely through vigorous Government action.

(c) Deficiencies in the supply of electricity, which had been prevalent, eased significantly.

(d) The production of petroleum and coal increased by more than 10% over the previous year's output, as did that of key intermediate goods, such as cement and steel.

(e) Man-hours lost by strikes were considerably reduced, and the public sector as a whole — both administrative services and public enterprises — reached higher levels of efficiency.

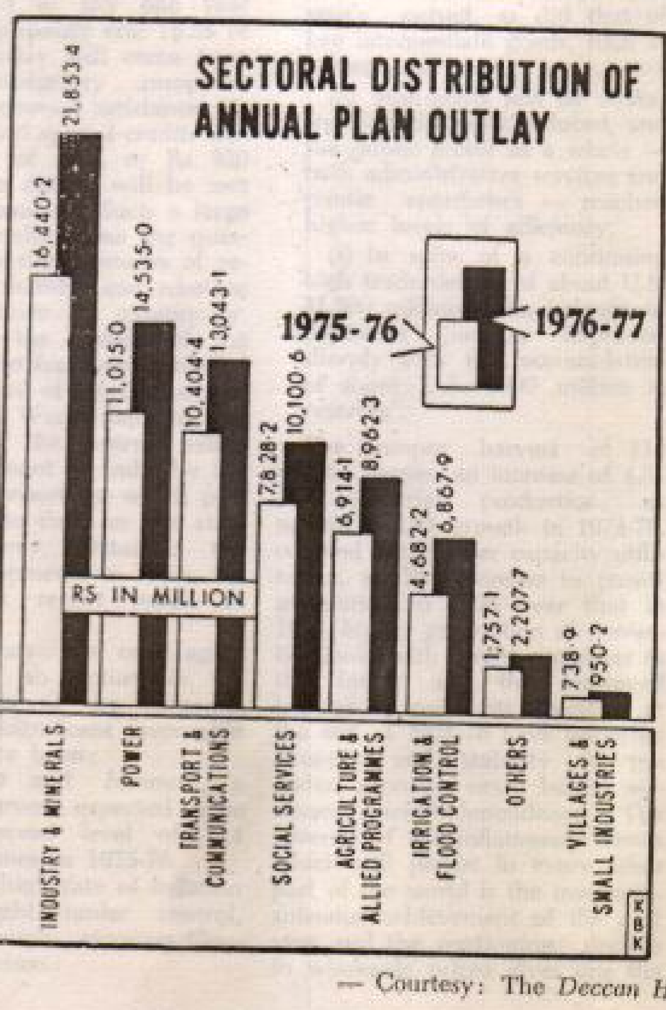
(f) In spite of a continuing high trade deficit, of about U.S. $1,500 million, the balance of payments position improved sharply with the accumulation of about U.S. $800 million in reserves".

The bumper harvest of 114 million tonnes, an increase of 4.5% in industrial production, as against a 2.5% growth in 1974-75, coupled with better capacity utilisation, a 12% increase in power generation in 1975 over that in 1974, higher production of domestic crude with bright prospects in the future and the improved balance of payments position at the end of 1975-76 have imparted strength and stability to the Indian economy never before witnessed since Independence. The reversal of the inflationary trends which still persist in every other part of the world is the most conspicuous achievement of the past year and the continuing decline in wholesale prices gives one the confidence that the country will be able to stand a measure of reflation directed towards positive economic growth.

In the estimate of total resources of the Centre and the States, the balance from current revenues has been taken as Rs. 707 crores (Rs. 659 crores), (figures in brackets relate to the previous year), surplus from public enterprises Rs. 198 crores (Rs. 448 crores) and market borrowings Rs. 926 crores (Rs. 778 crores). The total domestic budgetary resources at 1973-74 rates of taxes amount to Rs. 3,266 crores, as against Rs. 2,808 crores in the previous year. But the additional resource mobilisation on the basis of the measures taken in the years 1974-75, 1975-76 and 1976-77 by the Centre is placed at Rs. 1,743 crores (Rs. 1,303 crores) and by the States at Rs. 1,237 crores (Rs. 760 crores). The net external assistance has been estimated at Rs. 1,287 crores as against Rs. 861 crores in the previous year. The Aid India Consortium has recently committed itself to a gross aid of 1,800 million dollars per annum for 3 years from 1976 and the estimates of net external assistance appears to be in conformity with this. The foregoing figures show that the estimated resources for the Plan are well within the reach of the nation and the additional mobilisation as contemplated in the Plan document will have no adverse effect on the price level.

The sectoral distribution of the Plan outlay affords appropriate priorities to various items. For instance, agriculture has been allotted Rs. 896.2 crores (Rs. 691.4 crores), irrigation and flood control Rs. 686.8 crores (Rs. 468.2 crores), power Rs. 1453.4 (Rs. 1101.6) crores, industry and minerals Rs. 2185.3 (Rs. 1,644) crores, transport and communications Rs. 1304.3 (Rs. 1040.4) crores and social services Rs. 1,010 (Rs. 782.8) crores. The target for foodgrains production goes up from 114 million tonnes to 116 million tonnes and an additional 2 million hectares are proposed to be brought under irrigation. Power generation will be stepped up by 2.5 million kW, bringing the aggregate capacity to 24.5 million kW. at the end of 1976-77; 16,000 more villages will be electrified and 1,30,000 new pump-sets energised during the Plan year. Industrial production is expected to be higher as a result of a 33% increase in the Plan outlay over last year's allocation, the favourable conditions relating to the supply of raw materials and availability of power. Another notable feature of the annual Plan is the emphasis on items of the 20-point economic programme such as land reforms, co-operation, handlooms, house sites, apprentice schools, free supply of books and stationery, etc., and the allocation of Rs. 2,174 crores in the State and Rs. 163.7 crores in the Central sectors for the purpose.

The Plan document has not, however, spelt out the anticipated rate of growth in national income during the Plan year 1976-77. It may be recalled that the national income in 1974-75 increased only marginally, i.e., by 0.2%. In 1975-76, the growth in the national income is expected to be around 5.5%. There is also no estimate of increase in industrial production over the 4.5 per cent reached last year, though individual targets for specific items have been provided. The document merely says that "the outlook for industrial growth bids fair" and that "it is reasonable to expect that the rate of industrial growth would be higher in 1976-77 as compared to that in 1975-76". A plan must have a target for growth in major sectors such as agriculture, industry and national income, even though the targets may not be fulfilled owing to special circumstances. A plan without a target is like a rudderless boat drifting in the current trusting to luck.



— Courtesy: The *Deccan Herald*

The Draft V Plan envisaged an outlay of Rs. 37,250 crores in the public sector. With the expenditure of Rs. 4,843 crores in the first year, Rs. 5,978 crores in the second year and Rs. 7,852 in the third year, 50% of the envisaged outlay will be completed. Even if we assume a 20 per cent annual step-up in outlay in the next two years, the original Plan outlay of Rs. 37,250 crores will be exceeded. Unfortunately, fulfilment of financial targets does not mean performance of tasks and achievement of results for the masses. It is, therefore, necessary to make a quick appraisal of the achievements and the unfinished targets and take remedial action immediately. Attainment of financial targets without achieving physical results will only denote extravagance and inflation. On the other hand, achievement of physical goal even at extra cost goes a long way to absorb the increased money supply and to stabilise prices. With the favourable conditions now present in the country, planning exercise to enlarge outlays in the next two years may be usefully undertaken. The assured foreign aid, the impounded wages and D.A. amounting to Rs. 1,000 crores and the improved performance of public undertakings have significantly altered the picture of the economy and opened up possibilities of revising upwards some of the targets. It is now for the Planning Commission to channellise the available resources towards an accelerated growth of the economy.