**India’s planning strategies:-**

India followed the strategy of planning with greater reliance on the public sector along with a regulated private sector. Following strategies are followed during 1951-91 phase:

Heavy Reliance on Public Sector

* Greater reliance was placed on public sector compared to private sector. As private sector was not able to invest in large amount for development of heavy industries, government turned towards public sector for provision of essential and basic needs for the people. At the same time private sector was not willing to provide the services in backward regions of the country.

Regulated Expansion of Private Sector

* Private sector was restricted to few areas of activities. New legislations were created for the restriction for the restriction of private sector.

Development of Heavy Industries

* Government invested heavily in development of Heavy industry like iron industry.

Protection of Small Scale Industry

* Small scale industry was protected by means of establishment of boards for different small scale industries and reserving few areas of production exclusively for the small scale industry.

Inward Looking Trade Strategy

* Domestic industry was protected from competition in the international market. Heavy import duty was imposed to curb competitive imports, while domestic industries were encouraged to produce domestic substitutes of essential imports.

Thrust on Savings and Investment

* Promotion of savings and investment was the undisputed objective of monetary and fiscal policies of the government. Savings are induced through high rate of interest. Tax concessions were to mobilise savings.

Restriction on Foreign Capital

* Several types of restrictions were imposed on foreign direct investment. To control and regulate it, Foreign Exchange Regulation Act (FERA) was enforced.
* Adherence to Centralised Planning

State level plans were aligned in sync with the over all objectives and strategy of growth as specified in Five Year Plans.

#### Post 1991 Phase (Post-reform Phase)

Strategy of planning in India witnessed a marked shift in the year 1991. Following are main changes observed under NEP (new economic policy):

* Fiscal policy and monetary policy have been reoriented to facilitate the free play of market forces.
* Foreign capital in the form of FDI (Foreign direct investment) and FII (Foreign Institutional Investment) are encouraged.
* Import restrictions are restricted to the minimum, while export promotion has been accorded a high priority.
* Competition rather than controls have become the fulcrum of growth process.
* Direct participation of the government is significantly tempered and confined only to strategic industries such as atomic energy, minerals and railways.
* Partial convertibility of Indian Rupee.

Recently, the concept of Sustainable development is included as main feature of the strategy of planning in India. Sustainable development refers to the development of present generation by taking into consideration of the future generations.

Following are some notable reasons for change in economic policy:

1. Mounting Fiscal Deficit and revenue deficit: Fiscal deficit and revenue deficit of the country are increased due to the policies followed before the 1990’s governments.
2. Balance of Payments (BoP) Crisis: Heavy dependence on imports resulted in  a BoP crisis.
3. Gulf Crisis: On account of Iraq war in 1990-91, prices of petrol started increasing. Remittances from gulf countries are also stopped.
4. Fall in Foreign Exchange Reserves: In 1990-91, India’s foreign exchange reserves lowered to such a level that these were not enough even to pay for an import bill of 10 days.
5. Rise in Prices: In India prices happened to rise rapidly. Expansion in money supply was the principal cause of inflationary pressures. In turn, this was related to deficit financing. Country has experienced the situation of stagflation.
6. Dismal Performance of Public Sector Undertakings (PSUs):Public sector undertakings were showed dismal performance.