

Indian Economy: Some Contemporary Perspectives
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Lecture-07
Indian Economy: Economic Planning 7

Hello. Hi everyone. So, we are going to now start lecture 7 and lecture 8. So, so far what we have discussed is that we have analyzed the different planning process, and then we had also analyzed the contemporary or the recent planning process that we had, the last plan that was 12th Five Year Plan. But we had analyzed each and everything and we are now in a position where we can see that how we are progressing, on what all parameters we are supposed to focus.

So, keeping that in mind, in 2015 there was a major development in India that led to the. So, before I start the background of what we are doing post-2015, I want to give you one background that since planning process we know that we had focused on the planned development, we were focusing more on the certain targets or sectoral growth rates.

But after 2000 or post reform period, we saw that there was a lot of liberalization process taking place and then it was also realized that we should be now moving from a controlled economy to the market-oriented economy. And once we have a market-oriented economy, then it becomes really difficult to find out how we have to control or how we can go for some kind of development that is needed or from the context of planned development.

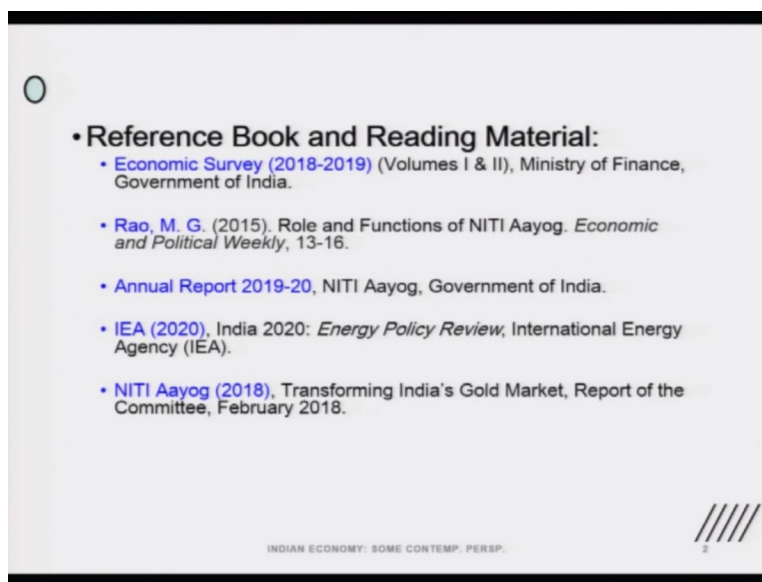
So, the market-oriented economy is the reality of today, which means that we have now gone for promotion of private sector in each and every sector or the activities in the economy. So, it was also realized that by late 2005, and even in the era of 11th plan and 12th Five Year Plan, it was realized that the one size fits for all idea that whatever we have to think about planning process, it will be only from the context of the whole economy.

And the institution which was set up as Planning Commission, it was not functioning in the same way and it was not providing sufficient support to all the states, all the requirements. So, there was some kind of dynamism required to the Planning Commission, and it was felt for a very long time that it is not able to cater the needs of the private sector, plus the mixed economy setup that we had.

Even in some cases, we found that this particular regulatory body was not successful in implementing certain policies. And even in terms of distributing resources, so sometime it was found that even the states are incurring deficit but the Commission was not able to spend money required to be spent. But it was realized that such type of mismatch between the earmarked money for certain development and the amount of expenditure, there was some mismatch between center and state.

There is also communication gap, that certain policies were implemented in certain states in a much better way compared to other. So, the states which were laggard, what kind of a special focus should be given to these states. So, such measures were required and that is why in 2015 we had gone for certain transformations. So, we are now analyzing post 2015 period, that how we have gone for a certain structural change in our regulatory apparatus of the economy.

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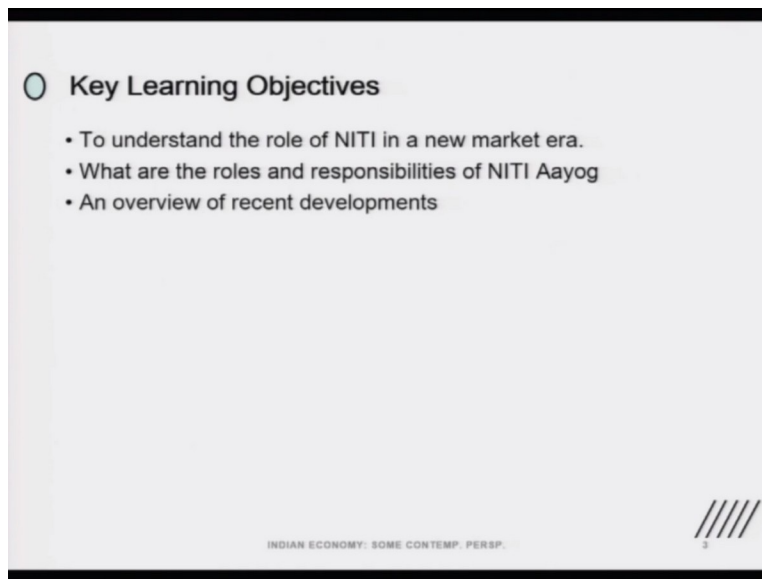
So, lecture 7 is all about NITI Aayog functions and all. So, I have referred these references, one is Economic Survey Volumes I and II, 2018-19, some parts I have covered.

Then we have MG Rao, he is also a well-known economist and he writes on the public finance issues. He was earlier with the NIPFP. So, his write-up, Role and Functions of NITI Aayog is one of the important readings one should read.

Then I then have referred annual report of 2019-2020 of NITI Aayog, Government of India. Then there are some documents related to the NITI Aayog and the India's energy policy.

So, these will be the references for lecture 7 and 8.

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The key learning objective from these lectures would be to understand the role of NITI Aayog in the new market era, what are the roles and responsibilities of NITI Aayog. And overview of how NITI Aayog has helped in terms of transforming India's needs and desires in the post 2015 era. So, we can go about.

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Indian Economic Development: Some Recent Developments

- On January 1, 2015, the **National Institution for Transforming India (NITI)**, also called as **NITI Aayog** was constituted.
- NITI Aayog has been established to design strategic and long-term policies and provide advisory services to the Centre, States and Union Territories (UTs).
- The Prime Minister of India is the Chairman and Vice-Chairperson is appointed on a term-basis.
 - It has full-time appointed members.
 - **Governing council** comprises CMs with legislators and Governors of UTs (except Delhi and Puducherry).
 - **Ex-officio members** are: Defense Minister, Home Minister, Finance Minister, Minister of Agriculture and Minister of Corporate Affairs.
 - **Special Invitees** include Minister of Road Transport and Highways, Minister of Micro, Small and Medium Enterprises, Minister of Social Justice and Empowerment, Minister of Railways, Minister of Commerce and Industry, and Minister of State of the Ministry of Statistics and Programme Implementation (MOSPI) and Minister of Planning.

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So NITI Aayog, on January 1, 2015, National Institution for Transforming India was set up, it is called NITI Aayog. And NITI Aayog has been established to give a long-term perspective, some kind of advisory role, consultancy role. Because now we are completely in a market-oriented economy, where private sector is playing a dominant role in driving the economic growth and development in the country. And there is a need for participation in each and every sector and government are also having that kind of orientation to provide more support to the private sector.

So, that is why there was no need for a plan a kind of development, five-year plans that we had. But there was a need to synthesize or to synchronize these, I would say, synergies in a right manner so that whatever efforts that government is trying to put, it can be materialized.

So, to keep in mind, this NITI Aayog was set up. And it was set up to give advisory services to center, states, union territories, UTs. Members are, of course, the structure of this organization is the same way that we had for the Planning Commission, but there are some changes that you will see.

So, the Prime Minister is the Chairman and Vice Chairman is appointed. So, the first Vice Chairman was Professor Arvind Panagariya, and then now we have Dr. Rajiv Kumar leading. And it is having some term tenure, which means that it will be for certain years.

Then you have the Governing Council. So, it will be comprising of CMs, legislators Governors of UTs, and the Governors of Delhi and Puducherry have not been included for some reasons.

Then we have ex-officio members, which is, as of now the structure looks like it includes Defense Minister, Home Minister, Finance Minister and Minister of Agriculture and Minister of Corporate Affairs. So, which means that these are the core ministries which government looks after. And it is important that these ministries must be having some kind of role in NITI Aayog in terms of providing advisory services.

Then we have a special invitee which included Minister of Road Transport and Highways, Minister of Micro Small and Medium Enterprises, this is one of the crucial sectors. Minister of Social Justice and Empowerment, then Minister for Railways, Minister of Commerce and Industry, Minister of State. Which means that special invitees are all those sub-sectors which are having economic importance. But ex-officio members mean they are going to be anyway member of this Aayog.

So, here the role of Finance Minister becomes really important, then Minister of Agriculture and the Minister of Corporate Affairs to take care the interest of the development of the private sector.

So, basically when it was set up, at that time, as I mentioned, so there was a need to focus on certain overlapping activities, for example, we have a union list then we have the state list then we have concurrent list. Concurrent list is having those activities which are the common subjects of union and state. And this particular list includes certain activity which had seen some kind of overlap, and even in some cases there were differences.

So, there was a need to set up one organization that can oversee these things and make the differences in the concurrent list or we have a state and the union e Indian list. So, in this process NITI Aayog is one of the major, I would say, contributors to bring changes and to foster the need.

Second was that how we can go for some kind of coordination between center and state. Some states are doing better so those states are having different demands. So, those demands cannot be having the same like all those states which are laggard. So, there is a need to give a big push to

those states which are doing good so that they will have a better growth scenario, they can focus on something else. Those which are not doing good, those states which are laggard, then they will be also given opportunities to overcome from those weaknesses, those drawbacks. So, that is why this particular Aayog was set up.

One of the important things that I wanted to mention that when NITI Aayog was set up, at that time there was apprehension that there will be a lot of controversies. But I think after announcement, most of the policy thinkers were agreed with the view that since we have planned our market economy so this particular intuition will help a lot. And that is why there was not so much debate and discussion on this, though it was just a part that now we have formally accepted that we are no longer going for a regulated kind of economy, we are now completely liberalized economy. So that is the important point to focus.

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So, if you think about the function, so the functions of NITI Aayog are this. One is cooperative federalism, as I mentioned that you have union list, state list and concurrent list, so there is a need to give a new synergy to certain activities which are overlapping. And there is a special need to focus on the state's demand, as I mentioned, laggard and the forward states.

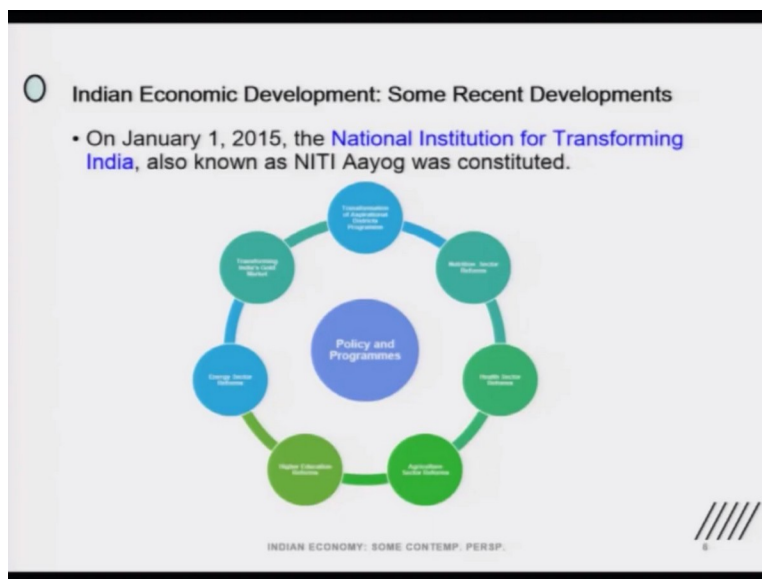
Then you have monitoring and evaluation, NITI Aayog is entrusted with the roles and responsibilities of introducing certain pilot projects and see the progress. If it does well, then it

will be given a bigger shape and maybe the participation of private sector will also be encouraged and then there will be further evaluation. And then it will be told that whether this particular scheme should be going only to the private or it should be in the hands of government also. So, monitoring and evaluation becomes really important.

Then, acts as a resource center and knowledge hub. Which means there are certain areas, niche areas where a government thinks that there should be some emphasis, for example, right now the startup culture that we have developed. So, NITI Aayog helps a lot in terms of nurturing these activities at the beginning, and then we have forward looking scenarios where now we are trying to move from fossil fuel energy to completely electrical, or in terms of renewable energy. Now, there is a whole lot of debate and discussion on that, so NITI Aayog gives advisory services to government and the inter-state bodies.

Then, design policy and program implementation. As I told you, these are interlinked, so this becomes really important. So, these are the four areas in which this particular organization works and helps in terms of growth and development.

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Then we have a policy and I would say program. So, first program is called Transformation of Aspirational Districts Programmed. So, under this program, there are certain districts selected,

for example, across India there are 112 districts selected and certainly schemes of center and states are included. So, I will be giving some more details about this.

Then you have nutrition sector reforms, health is one of the important areas. So, it also gives emphasis on health sector reforms and it tries to see whatever policies that we have announced, whether it is going in the rightful direction or not, if there is a any kind of mismatch between demand and supply or some expectation then this NITI Aayog will have interference and it will provide advisory services in that directions.

Then you have agriculture sector reforms. In agriculture sector reforms, nowadays it has become one of the hotly debated topics on print media and everywhere where we have different viewpoints of everyone thinking about the role of agriculture in India's economy. But at the same time, since we have gone for a market-oriented economy and we are now focusing more on a liberalized economic setup, where there will be a limited role of the government. So, in that setup, now, there are certain changes in agricultural policy. And those changes are mostly in terms of either bringing the role of private sector into agriculture sector, not only in terms of contract farming but also in terms of procurement. So, there are certain rules and there are certain committees set up to look after such development.

Then the higher education reforms. Higher education is one of the core areas where India is focusing on. So, there is a whole lot of debate on whether we should continue with the grants structure that we have in terms of University Grants Commission and how universities are functioning. So, there is a whole lot of debate discussion and how-to bring innovations and how to streamline certain regulatory hurdles that we have, we are experiencing and we have experienced. So, there is a whole lot of debate on this higher education reforms also. So NITI Aayog has completely revamped this.

Then you have energy sector reforms. So, in case of energy sector reforms, now, as I mentioned that we are moving from fossil fuel to now going for solar and all other type of alternative energy sources, there is a whole lot of promotion about that. So, NITI Aayog plays a role in that also.

Then there is one important area, niche area, which is of national importance, not just national importance but economic importance, because we are in love of the yellow metal a lot. So, there

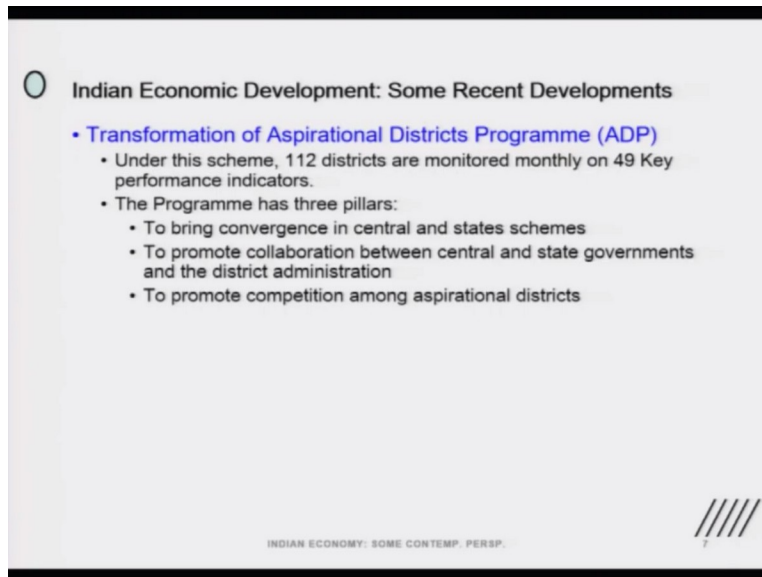
is a whole lot of debate that what will be the role of gold, because we consume a lot of gold but there is a debate among economists that whether the high gold import that we have, whether that is leading to or it is having a strong impact on reviving the business cycle or the economy, or simply it is some kind of household affair.

Now, it has been realized that, in India, the consumption of gold is really high, but it does not really create or having a positive impact on the business cycle, because household simply buy as an investment and/or simply buy as an as a precious metal and they keep it and it does not come out in the market in the same amount that it is imported.

For example, when we import crude oil, though there is a high volatility in, I would say, petroleum product or in terms of crude oil prices, but still there is some multiplier effect, because when we import then there is a whole lot of lubrication to the whole economic activity, there will be transport sector functioning and there are certain other activities where it has a role. But in terms of gold import, when we import, a majority of households simply they buy it and they keep it as their long term saving, but it does not come out in the market in the same way that we see in case of petroleum. So, that is why there is a limited multiplier effect.

So, government for the long time is trying to trying to come up with certain norms where it can control on the easy buy and sell of the gold and especially the buy. So, that is why now the financial institutions are being interested. So, there are certain communities where NITI Aayog is trying to facilitate, trying to coordinate and even it has formed certain committees to look after. So, there is a committee which has recently given recommendation, so we will be discussing that. So, let us discuss one by one and then we will move to the role of the Aayog in the modern era that we have.

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So, Transformation of Aspirational Districts Programme. Under this there are 112 districts selected across states and these districts are monitored on a monthly basis on 49 key performance indicators. So, the main purpose is that, the idea is to have some kind of convergence between central and state schemes, whatever schemes are being announced so there should be some kind of convergence.

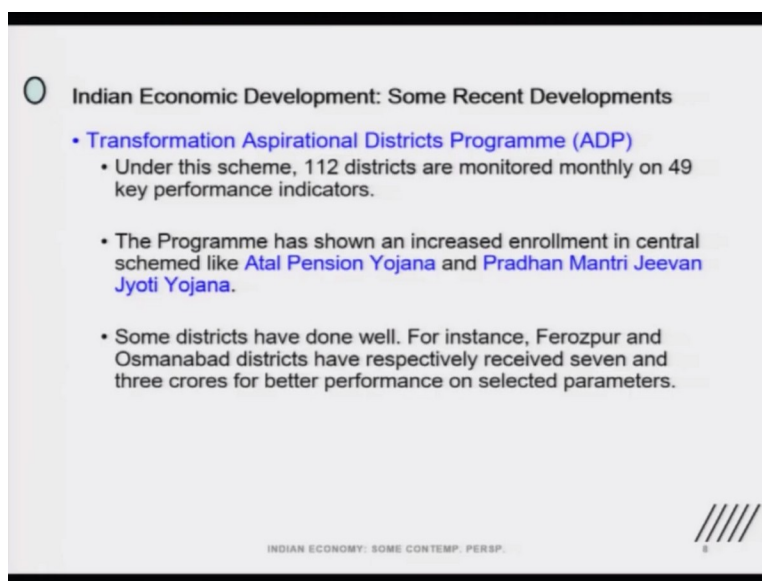
Then then you have a collaboration between central and state governments and district administration. So, there you have prabhari working and then the whole task of implementation of certain schemes. For example, in some districts, there is some initiatives taken in the area of health or education, so that initiative will be monitored. And if it becomes successful, then it will be implemented across districts.

So, these districts are selected based on certain parameters where these districts are lagging behind. So, there is a whole lot of effort to bring these districts back to the districts where there is an improved parameter for the socioeconomic and health parameters.

So, the local district magistrate and what we call DM and DC are given powers to implement these schemes and upload the progress on certain schemes implemented on a regular basis. There is a portal created where they all upload the details of the progress of certain scheme.

So, the last one to promote, competition among aspirational districts is important because this is what the idea behind that there should be a healthy competition among these districts. And if there is any innovative scheme becoming successful then it will be implemented to all other districts.

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So, after the implementation, there has been some kind of improvement on certain schemes for example, Atal Pension Yojana, Pradhan Mantri Jeevan Jyoti Yjana. So, Atal Pension Yojana, there is an improvement in terms of enrollment, so people are enrolling it.

So, Atal Pension Yojna, which the government launched it in 2015. And then the scheme is that government will contribute Rs. 1,000 for five years for the people who are now in, I would say, rudimentary works or a job where this particular person is having the income contribution of less than Rs. 1,000 or Rs. 1000. So, the government will contribute for five years. And once they reach at the age of 60 years, then there will be some amount given to them as a pension. So, there is a whole lot of this gigantic process to help understand.

Then we have Pradhan Mantri Jeevan Jyoti Yojana. So, under this scheme, the government will give insurance to individuals of certain income strata. And then these particular individuals will have to pay the premium of Rs. 330 and then they will have the coverage of around Rs. 5 lakhs

and more once there will be any kind of casualty. So, it is some kind of social insurance scheme given to the individuals of the lower income strata.

When I was going through certain news reports and development, then I found that certain districts have done well. For example, we have Ferozpur and Osmanabad, these districts have received some kind of rewards, special packages based on their performance. For example, you have Swachh Bharat Abhiyan, then you have water harvesting schemes, water conservation schemes, so on these two schemes these two districts have been given rewards.

So, the idea behind is that earlier NITI Aayog used to focus only on the one size fit for all, which means that this Planning Commission was not able to differentiate. But now we can see that this particular Aayog is looking after certain districts which are really in need of great help. And that is why it is important.

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Indian Economic Development: Some Recent Developments

- **Nutrition Sector Reforms**
 - POSHAN Abhiyan, launched on March 8, 2018
 - It is implemented to improve the nutritional outcomes for Children, adolescents, pregnant women and lactating mothers.
 - The aim is to reduce low birth weight, anemia, undernutrition and stunting by 2022.
 - The scheme is monitored by the Vice-Chairman.
 - A USD 200 million loan from World Bank is used to implement the National Nutrition Mission (NNM). Under NNM, 50% funds come from the World Bank and 50% from the Central Government.
 - September 2018 observed as Rashtriya Poshan Maah (month).

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Then we have second, nutrition sector reforms. Under nutrition sector reforms, it becomes really important, so here we have a POSHAN Abhiyan, it was launched on March 8, 2018. And it is implemented to improve the nutrition outcomes of children, adults and pregnant women, lactating mothers. The idea is that by 2022 there should be significant reduction in the number of cases of low birth weight, anemia, then we have under nutrition and stunting.

And then this particular scheme is monitored by the Vice Chairman of the NITI Aayog. The financial support of this particular scheme has come from the World Bank also and there is a participation of private sector also. So, 50 percent comes from the government, 50 percent comes from the World Bank. So, as of now, the scheme is implemented with \$200 million, but I think it is expected to increase because this has helped a lot.

September 2018 was celebrated as Rashtriya Poshan Maah, so this is one important development that just to make sure that just to spread the awareness about the role of nutrition, the sumptuous food that one should enjoy and some kind of wholesome food, the role of the nutrition and the better health and better keeping. So, those are the initiatives NITI Aayog has undertaken under nutrition sector program.

The role of private sector has also been encouraged in this particular scheme. So, Tata, Piramal, and then with the help of UNICEF, Ministry of Family Welfare. Then we have a Tata, Piramal Foundations, these institutions are being interested to at least nutrition champions. So, nutrition champions are those workers who have a strong role in sharing or in giving the awareness about this particular scheme.

So, this scheme has been popular. And National Institute of Nutrition is also playing a role in this, in terms of designing the food items, in terms of monitoring. And Ministry of Family Welfare is also having an important role. So, the Poshan Maah had five component, Anaemia-Mukt Bharat, Diarrhea prevention, then there is WASH, which means that water, sanitation and hygiene, and then we have a Paushtik Aaahar. So, these are the schemes that are important.

So, so far what we have discussed is that we have analyzed the role of NITI Aayog and we are trying to understand that how it has transformed. Unlike earlier where we had a certain allocation of budget and then we wished to think that how to implement or how to spend that money across the states.

So, here, in the transformation that we are seeing in terms of planning, we are seeing that we are not focusing on those budgets, but rather we are focusing on initiatives government has taken. So, maybe this particular scheme once it becomes successful, then it will be further taken at the different level and then there will be more parameters monitored. And as a result, this will have a

major change, significant change in the health parameters of the country and this will bring further change. Thank you. Thank you so much.