"Meaning and Types of Economic Planning"

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Planning for Development: India & the North East

Aparna Sengupta
Associate Professor
Department of Economics (HOD)

Introduction: - Economic planning is a technique, a means to an end, the end being the realization of certain aims and objectives laid down by a central planning authority. **The end may be to achieve economic, social, political or military objectives.** Therefore, the issue is not between a plan and no plan. It is between different kinds of plans.

There are so many types of plans as there are patterns of economic systems. There are some plans which are functional, structural, indicative, Democratic and decentralized planning, physical planning, Regional and National planning.

Let us discuss the different types and distinction between them.

Physical & Financial planning: -

Physical Planning: - Physical planning refers to the allocation of resources in terms of men, materials and machinery. In physical planning an overall assessment is made of the available real resources such as raw materials, man power etc. and how they have to be obtained so that bottlenecks may be eliminated during the plan. Physical planning requires the fixation of physical targets with regard to agricultural and industrial production, socio-cultural and transportation services, consumption levels and in respect of employment, income and investment levels of the economy. Physical planning has to be viewed as an overall long-term planning rather than a short-term piecemeal planning.

Drawbacks or Limitations: -

i) **Lack of Statistics**: - In case of physical planning, there is lack of statistical data. The targets without adequate statistics cannot be achieved.

ii) **Inconsistencies:** - It is difficult to balance different parts of the economy under physical planning. Due to structural difficulties, in the under developed countries, it is not possible to have internal consistencies.

iii) **Inflationary Pressure**: - Shortages in physical targets lead to inflationary pressures which is really very harmful for developing countries. The rate of savings will be low which leads to low capital formation.

Financial Planning: - Financial planning helps in removing disequilibrium between demand and supply to avoid inflation and to bring about economic stability. Finance is the basic key to economic planning. All objectives are fixed in terms of finance i.e. how much national income, savings and investments are to be increased.

Limitations: -

i) Mobilizing resources through the taxation may badly affect the savings.

ii) In underdeveloped countries, there is existence of non-monetized sector and monetized sector. There is imbalance between the two sectors. It will lead to price rise due to scarcities of supplies.

iii) No doubt supplies can be raised through impacts but this will lead to deficit in balance of payments.

iv) Financial planning is not suitable for developing countries.

v) Financial planning can be successful only if there are no bottlenecks. That way it is necessary to use sectorial planning rather than overall planning.

Conclusion: - It depends on the political structure of the state, which type of planning is to be adopted. In socialist states like Russia, there is physical planning. But in capitalist country, financial planning is as much important as physical planning. Without financial resources, physical targets cannot be achieved. Both are complementary and mutually consistent. So, for effective planning both are needed together.