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Subject: Planning and Economic Development.(PED)

Topic: Need for Economic Planning in Underdeveloped Countries.

Need for Economic Planning in Underdeveloped Countries

In UDCs' planning is necessitated due to following reasons:

(1) Weak, Private Sector:

In an underdeveloped country, private enterprise is weak and may fail to take the necessary risks of pioneering those industries which are necessary for rapid economic development of the country. Therefore, the State must come to the forefront action. The underdeveloped countries have remained almost stationary.

This task of their development is a big task. These countries need a big push. It is only possible through a comprehensive planning. Thus the Government should follow comprehensive planning for the development of underdeveloped countries.

(2) Inequalities of Income:

Inequalities of income and wealth exist in underdeveloped economies. Private enterprise system does not secure an equal distribution of the benefits of economic development among different classes of the community. The developing social conscience of the people cannot tolerate the existence of such grave inequalities. This would secure a better distribution of national income among all classes of people in the country.

(3) Problem of Unemployment:

Another reason why the underdeveloped countries need a plan is that the working of pricing system has failed to solve the problem of mass unemployment. The mass unemployment which existed during 1930's was horrible. No country wanted to experience such as mass unemployment again. There is also the acute problem of disguised unemployment in under-developed countries. The mass unemployment, particularly disguised unemployment, which exists in underdeveloped countries cannot be dealt with unless a comprehensive economic plan for development is formulated.

(4) Change in Attitude:

All underdeveloped countries have become development-minded. Now they want to pack the development of centuries into a few years. They like to raise the standard of living of their people. Therefore, these countries require quick economic development.

(5) Need of More Capital:

Higher rate of growth of development requires huge capital investment. It involves a considerable degree of central planning and control. Among the underdeveloped countries, higher rates of growth have been registered in those countries where there is a planned development. In the last 15-20 years, the rate of growth of income in poor countries has been on the whole, higher than it was before they adopted planned development.

(6) Foreign Aid:

In modern economic activities the progress of one nation is related directly or indirectly to the progress of other nations. Thus, the detailed plan, mentioning specific output projects and investment projects, is very useful in creating favourable atmosphere for bilateral and multi-lateral agreements of foreign aid. Thus, carefully designed plan outlay is essential for increasing foreign trade and thereby improving development prospects.

(7) Structural Changes:

In an un-developed or under- developed country, the main economic sector is predominantly agriculture. The secondary and tertiary sector is substantially less developed. This results into structural dis-equilibrium. Thus, for increasing the overall productivity, it is very essential that optimum labour force be diverted and employed on secondary and tertiary sectors of the economy. This is possible only by proper planning in different sectors of the economy.

(8) Economies of Scale:

The structured changes encourage and facilitate the setting up of new industrial units, which invariably created external economies. But these newly create economies are not usually taken into account by the private entrepreneurs under the market system. In case of external economies, role of public sector along with planning is essential.

Thus, the overall gains are maximized by making proper plan adjustments. Thus a specified investment can be best utilized taking a macro-economic view to have appropriate social as well as private

gains. This strongly favours a planned development specially in case of less developed countries.

(9) Future Requirements:

In an attempt to maximize the current profit, the producers exploit the natural resources without considering the future requirement. Therefore, it is evident that if exhaustible natural resources are not properly utilized, less will be available for future generations. To conserve the natural resources carefully it is important to make and execute proper plans.

Important objectives of economic planning in underdeveloped countries.

1. Economic Development: The main objective of planning is to achieve the goal of economic development which is necessary for underdeveloped countries because they can solve the problems of general poverty, unemployment and backwardness through it. Economic development is concerned with the increase in per capita income and causes behind this increase.

2. Increase Employment: Another objective of the plans is better utilization of human resource and increasing employment opportunities. Measures have been taken to provide employment to millions of people during plans.

3. Self-Sufficient: It has been the objective of the plans that the country becomes self-sufficient regarding food grains and industrial raw material like iron, steel, etc. Also, growth is to be self-sustained for which rates of saving and investment are to be raised.