Even in the central government, the powers of the Planning Commission have been eroded since its early days, when it played an important role in coordinating the activities of the various ministries and monitoring implementation. Although the prime minister still acts as chairman of the commission, the commission no longer plays much of a role in supervising the implementation side of things.

Another factor which has added to the complexities of planing in India is the existence of a mixed economy whose large private sector has grown to the point where it now accounts for approximately 60 percent of the economy's output. Aside from forecasting an aggregate amount of investment by the private sector, the plans do not incorporate it in any great detail.

In the new plan, the private sector receives only passing mention with general estimates that its outlay will account for approximately 43 percent of total expenditure during the plan period. Nevertheless, since all the major banks are nationalized, the government does exert control over private sector investment decisions through its control over credit. If anything, over the years, the government has been criticized for trying to deal with the existence of a large private sector by imposing numerous regulations and restrictions which have stunted real economic growth.

In light of this, the new plan poses the need for streamlining the cumbersome licensing and capital market regulations and taking appropriate fiscal and monetary measures to allow the private sector to function with "greater competitive ability, reduced cost and greater mobility and flexibility."

India's future borrowing plans

One aspect of planning during the Nehru era that the Planning Commission has incorporated into the latest plan concerns the question of foreign borrowing. While economic analysts often mistakenly view as "autarkic" Nehru's emphasis on self-reliance and the need to build up domestic industrial capabilities, the second plan carried out under his direction relied on foreign capital for as much as 20 percent of its financial resources. This percentage has diminished over the years, and the new plan projects a foreign-resource component of about 10 percent, although it may well go beyond that level.

Indian planners are being careful to ensure that the new commercial credits go into productive ventures capable of generating sufficient surplus to comfortably pay back the loans. The projects chosen so far for commercial credits include a new steel plant to be built in Paradeep, Orissa; an aluminum complex, also in Orissa; and a number of petrochemical complexes.

Although only token allocations were made for these projects in the plan, India's success in obtaining its first commercial credits during 1980 has made Planning Commission officials optimistic about the outlook in the coming years.

In fact, in its first venture into the capital markets in 1980, India obtained the largest-ever syndicated Eurodollar loans in Asia for $680 million for the aluminum project in Orissa. Its high credit rating was demonstrated recently when it obtained a $200 million commercial loan for oil development at an interest rate of only 3/8 over LIBOR—the same rate available to borrowers in industrialized countries.

This creditor confidence is due not only to the excellent potential of the Indian economy, but also to the fact that India's total foreign debt of approximately $14 billion remains low for a country of its size, especially in comparison with other developing countries.

In addition, despite an estimated foreign trade deficit of $5.6 billion in 1980-81—largely due to the high cost of oil imports—India's foreign reserves remain above the $5 billion level.

At present, the Five-Year Plan proposes to get approximately $12 billion in foreign credits. Of these, net aid is expected to provide approximately $7 billion with commercial borrowing bringing in about $5 billion—which means that India expects to borrow approximately $1 billion on the capital markets each year of the plan. However, since this still does not include allocation for some of the major industrial projects—which will be included after a mid-term review of the plan in 1983—the foreign component may well rise beyond this.

A debate is currently taking place within the Planning Commission and Finance Ministry as to whether India should go in for the more expensive commercial credits, or draw on its enhanced quota of 6 to 7 billion in Special Drawing Rights from the IMF. The response India gets from the U.S. and Europe in obtaining these capital resources on favorable terms and in reasonably large amounts may very well determine whether it will plan more aggressively in the years ahead.