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New Economic Policy

1. New Economic Policy is related to economic reforms. Its aim is to bring about reforms in production pattern, to obtain new technology and to use full capacity expeditiously and in toto.
2. The New Economic Policy was devised and implemented, for the first time in the year 1985 during the period of Prime Minister Rajiv Gandhi. The second wave of new economic reforms came in the year 1991 during the period of P.V. Narsimha Rao government.
3. The main reason to start new economic policy (1991) was Gulf-War and problem of balance of payment in India.
4. Three main objectives of new economic policy were — Liberalisation, Privatisation, and Globalisation.
5. Main sectors of new economic reform policy, 1991 were — Fiscal Policy, Monetary Policy, Value Fixation Policy, Foreign Policy, Industrial Policy, Foreign Investment Policy, Business Policy and Public Sector Policy.
6. The following four main steps were taken under the Fiscal Policy, 1991:
 - To control public expenditure strictly
 - To expand Tax Net
 - To observe discipline in management of funds of Central and State governments.
 - To curtail grants (subsidy)
7. Under the Monetary Policy, steps were taken to control inflation.
8. Measures implemented under the Industrial Reforms Policy, 1991 were:
 - Delicensing of industries except the list of 18 industries.
 - M.R.T.P. norms were relaxed for disinvestment.
 - The areas reserved for public sector were opened to private sector.
9. The objectives fixed for reforms in the Foreign Investment Policy, 1991 were :
 - Direct foreign investment upto 50% was given automatic approval, in many industries.
 - Foreign companies, involved in export activities were allowed to invest upto 51% capital.

- The government gave automatic approval for Technology Agreement in the industries of high priorities.

10. Under the Trade Policy 1991, steps were taken to abolish the excessive protection given to many industries, for the promotion of international integration of economy.

11. The measures implemented to bring efficiency and market discipline under the Public Sector Policy 1991 were as under :

- Number of reserved industries decreased to 8. Presently these are only four.
- The work of rehabilitation of sick industries handed over to Board of Industrial Financial Reconstruction.
- Industries were made powerful with the help of Memorandum of Understandings (MoU).
- Voluntary Retirement Schemes started to cut down the size of work force.