

Economic Policy of India

New Economic Policy refers to economic liberalisation or relaxation in the import tariffs, deregulation of markets or opening the markets for private and foreign players, and reduction of taxes to expand the economic wings of the country.

Former Prime Minister Manmohan Singh is considered to be the father of New Economic Policy (NEP) of India. **Manmohan Singh introduced the NEP on July 24,1991.**

Main Objectives of New Economic Policy – 1991, July 24

The main objectives behind the launching of the New Economic policy (NEP) in 1991 by the union Finance Minister Dr. Manmohan Singh are stated as follows:

1. The main objective was to plunge **Indian Economy** in to the arena of ‘Globalization and to give it a new thrust on market orientation.
2. The NEP intended to bring down the rate of inflation
3. It intended to move towards higher economic growth rate and to build sufficient foreign exchange reserves.
4. It wanted to achieve economic stabilization and to convert the economy into a market economy by removing all kinds of un-necessary restrictions.
5. It wanted to permit the international flow of goods, services, capital, human resources and technology, without many restrictions.
6. It wanted to increase the participation of private players in the all sectors of the economy. That is why the reserved numbers of sectors for government were reduced. As of now this number is just 2.

Beginning with mid-1991, the govt. has made some radical changes in its policies related to foreign trade, Foreign Direct Investment, exchange rate, industry, fiscal discipline etc. The various elements, when put together, constitute an economic policy which marks a big departure from what has gone before.

The thrust of the **New Economic Policy** has been towards creating a **more competitive environment** in the economy as a means to **improving the productivity and efficiency** of the system. This was to be achieved by removing the barriers to entry and the restrictions on the growth of firms.

