

## New Economic Policy 1991

Indian economy has become the fifth largest economy of the world. Though it is facing challenges due to the pandemic, the roll of New Economic Policy 1991 (NEP) in its stable condition cant be ignored.

India took a leap frogged reform in 1991 after Balance of Payment (BOP) crisis. These reforms were the conditions forwarded by IMF & WB to extend loans of \$ 506 bn to India. Nevertheless, it changed the trajectory of Indian economy, which can be understood in following terms:-

(i) Liberalisation - Indian economy pre-1991 was indeed looking. licence raj, quota raj and bureaucratic chains were its characteristics.

But, NEP done away with most of these rules and restrictions and India today gained 689 rank in Ease of Doing Business ranking.

Following Narsimhan committee reforms on Banking sector, major reforms such as changing structure and organisation of banks were taken.

(ii) Privatisation - India's socialist model and major nationalisation which had larger roll of public sector took U turn with NEP 1991.

Except few sectors such as railway and Atomic energy India opened ~~the~~ economy for private players. Some of these sectors like Vedanta, maruti, VSNL played huge roll in making of India.

Economic survey 2019-20 analysed this with reduction of crony capitalism and diversification of companies in stock exchange. Reduced monopoly of public sector brought greater skills with efficiency business mindset and quick decisions.

(iii) Globalisation - The unaided tooking India which had BOP only for a month ~~to~~ currently holds \$ 500 bn of Balance of payment. This has been achieved due to opening of economy and allowing FDI.

India currently has import cover of around 10 months.

way forward

(i) Ease of Doing Business - India is still behind china and its ranking in International Economic Freedom Index by Frazer Institute is 123, which is one of the lowest. This need to be reformed by providing more autonomy with ICT, faceless system, contract enforcement etc.

(ii) Agriculture sector is continuously falling in share in GDP. Its share is mere 17% while it employ 60% population work force. It is hardest hit sector of LPG. Government need to support it with rational and Talisman approach.

POST LPG India is way ahead of 1960s India. Government is still following the trajectory but a proper balance between welfare and business should be maintained.