because

**1. Liberalisation:**

The fundamental feature of the new economic policy is that it provides freedom to the entrepreneurs to establish any industry/trade/ business venture.

The entrepreneurs are not required to get prior approval for any new venture. What they need is that they have to fulfill certain conditions to get into a line of one's choice.

The procedure involving a case by case examination of the proposals for new ventures has been wiped off. Apart from this the entrepreneurs no longer need licenses to come into business. The capital markets have also been freed and opened to the private enterprises.

A new company can now be floated with new issue of shares, debentures etc. In case the entrepreneurs require imported equipment, they are no longer required to approach the central authority for foreign exchange. The area of liberalization is (i) licensing business, (it) Foreign Investment (iii) Foreign Technology (iv) Estab­lishment, Merger, Amalgamation and taken over, and (v) Simple Exit policies.

**2. Extension of Privatization:**

Another feature of the new economic policy is the extension in the scope of privatization. Now, the majority of economic activities will be conducted by the private sector. In the wave of privatization, out of 17 industries reserved for public sector, 11 industries have been given to the private sector.

Moreover, Govt has also privatized the ownership of some public sector undertakings by the sale of capital of some selected enterprises to the private sector.

The field of privatization has further been extended by offering greater opportunities of investment to the foreign private investors. Economic Policy seeks to accord priority role to the private sector. Tendency to expand private sector is evident from the following facts:

**(i)** Number of industries reserved for public sector has been reduced from 17 to 6. Private sector can now set up its units in the field of iron and steel, energy, air transport, etc.

**(ii)** Till the end of 6th Plan, share of public sector in total investment continued to be greater than that of the private sector. It is intended to be reduced to 45% in the 8th Plan. Thus 8th Plan aims at raising the share of private sector investment to 55% of the total.

**(iii)** Shares of public enterprises are to be increasingly sold to the workers and general public, with a view to increasing the participation of private individuals.

**(iv)** A large part of industrial investment of the private sector to be financed by; National Industrial Finance Institutions. These institutions, while sanctioning loans for the new projects, used to exercise their right of 'Conversion' invariably. It implied the right of converting the loans into share capital by the Financial Institutions.

Thus, the private firms were always under the constant threat of conversion. According to the New Industrial Policy, the Financial Institutions will not insist on the conversion clause. With the expansion of privatization there is every possibility of increase in productivity and efficiency.

**3. Globalization of Economy:**

The new economic policy has made the economy outwardly oriented. Now, its activities are to be governed both by domestic market as also the world market.

It means unification of the domestic economy with the world, economy. In fact, this has become possible by various policy initiatives taken by the Govt. For instance, devaluation of rupee in June 1991 was intended to do away with the artificially controlled overvalued exchange rate of the rupee.

Now, the rupee has been made fully convertible on current account of the balance of payments. Moreover, elimination of licensing of a large number of import items has enabled the importers to import any where in the world. The reduction in custom duties on imports has also been done to bring them in line with the duties in other countries of the world.

In short, globalization means

**(a)** Reduction of trade barriers with a view to allowing free flow of goods to and from the country.

**(b)** Free flow of foreign capital in terms of investment i.e., direct and portfolio for ensuring conducive atmosphere.

**(c)** Free flow of technology, and

**(d)** Free movement of labour and manpower.

**4. Market Friendly State:**

The role of the state is one that is confined to selected non-market areas and is largely to ensure a smooth functioning of the market economy.

As compared to past, the ownership of some selected enterprises has been transferred to private sector. Its activities as owner of resources have been confined to two types of activities.

One covers the activities which are badly needed for the operation of the economy and the other pertains to social services such as education, health, etc.

However, more importantly, the state is to ensure a smooth functioning of the market. For this, the state has to ensure stability in the market through the use of macro economic policies. The state will also intervene in the market when it fails.

**5. Modernization:**

New economic Policy accorded high priority to modern techniques. It aims at to augment the growth rate of sunrise industries. In order to import technical dynamics to Indian industry, the Govt, decided to clear all foreign collaborations. Private entrepreneurs will be free to settle the terms of such collaborations on their own behalf.

Moreover, Govt has also been trying to stimulate private entrepreneurs to establish their own research and development centers by offering them various tax concessions. Efforts are also being made to revive and modernize the sick industrial units both within the public and private sectors.

**6. New Public Sector Policy:**

Public sector attracted priority. In the words of Dr. Manmohan Singh, Finance Minister in Congress Govt. that this priority was given to the public enterprises in the hope that it will help to accumulate capital, industrialization, economic growth and removal of poverty.

But none of these objectives were achieved. Thus, new economic reforms are trying to shift the emphasis from public to the private sector.