

## NEW ECONOMIC POLICY IN 1991 AND CONSEQUENTLY VICISSITUDES IN TAMIL NADU

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### Abstract

Politics and economics are ambiguous regarding the progress of a society. The economy can be considered a measure of social progress. A sustainable society under a stable state will lead to the collapse of an unstable regime that will not make sustainable progress. The political and economic changes that took place in India in the 1990s led to many changes. Tamil Nadu is the state that has used those changes to its advantage. This study illustrates some of those changes.

**Key Words:** Indian Economy, Manmohan Singh, Tamil Nadu, Globalisation, Privatisation

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### 1. INTRODUCTION

India is a multi-lingual and multi-ethnic country. India's diversity is supreme by any other country in the world. India is a country with a long history. Politics and the economy India are a multicultural country. The political situation in India, especially during British rule, was such that India's economy was a stagnant structure. Then, after the 17<sup>th</sup> century, before the liberation of India, its dimensional changes changed the economic course of India. After independence, its trend changed and development became economic. Jawaharlal Nehru, the first Prime Minister of India, made efforts to implement new plans to ensure economic. The Indian nation commenced to follow the planned economy. Even though the prosperity of India and the labour of the people kept the economy of India in balance, it was making occasional changes in its structure. The Indian rupee had appreciated well in Sri Lanka, Pakistan, Nepal, Myanmar, and Afghanistan. India is a country that is heavily dependent on agriculture. Agriculture and allied industries accounted for 25% of India's GDP. The agriculture sector provides more than 50 percent of employment. Industry

accounts for 28.4 percent of India's GDP. Economic reforms after 1991 changed the Indian economy in many ways.

### **New Economic Policy in 1991**

India is a federal republic. The situation in the Indian states is very different. Unpredictable. The federal system of government in India has many problems. Many such situations are taking place in India through political change. India had an unstable regime in the 1990s. The assassination of Rajiv Gandhi in 1989, the most important Prime Minister of India in the late 1990s, caused a great deal of chaos in India. In the history of Indian politics, after the death of Rajiv Gandhi on December 2, 1989, VP Singh became Prime Minister of the Janata Dal Party.<sup>i</sup> 343 days later, on November 10, 1990, Samajwadi Janata Party leader Chandrasekhar became Prime Minister. He was ousted as prime minister on June 21, 223 days later. He was succeeded by senior Congress leader PV Narasimha Rao of Andhra Pradesh. He was in a dire situation to run the administration of the country in its most critical situation. Narasimha Rao On June 21, 1991, Narasimha Rao assumed the post of Prime Minister. At that time, only officials and people like Narasimha Rao knew that India was facing a major problem. Narasimha Rao, the Chief Secretary to the Treasury, prepared a list of issues that needed immediate attention and briefly presented them to Narasimha Rao was shocked to see their statement.<sup>ii</sup>

The situation at that time was that India was largely dependent on exports. Petroleum prices rose due to the Gulf War. India then lost a large amount of foreign exchange. Foreign exchange reserves fell by \$311 billion in 1989, from \$109 billion to \$89 billion. That is, there were foreign exchange reserves that could only be used for two weeks.<sup>iii</sup> The interest rate on loans purchased under the previous regime increased. Inflation rose to 16.7 percent in August, the first month since Narasimha Rao took office. At that time there was no opportunity even to undertake greatly detailed planning to solve these problems.

He advised with P.C. Alexander (*Indira Gandhi's Principal Secretary, to become an economic adviser. A member of the 1948 cohort of the Indian Administrative Service, the governors of Maharashtra from 1993 to 2002 and of Tamil Nadu from 1988 to 1990,*

respectively. In 2002, he was a potential contender for the position of President of India.) Manmohan Singh is known by many as a world-renowned economist based in India. At that time, P.C Alexander and Narasimha believed that his advice could be used to restructure the Indian economy. Narasimha Rao gave the responsibility of convincing Manmohan Singh to P.C Alexander and he full commitment and made them understand the situation in India and made them understand that the task of restructuring the Indian economy should be started as per Manmohan Singh's advice. They realized that Manmohan Singh, who was then a renowned professor at Cambridge University and a great economist, could fix this situation in India by his advice. As a result of P.C. Alexander's initiative, Manmohan Singh came forward to undertake this work recognize this as a turning point in Indian history. Its first attempt was to make big decisions in the then non-majority P.V. Narasimha Rao non-majority Congress alliance, which became a hot topic among many, such as then-President R. Venkatraman. Its first attempt was to devalue the Indian rupee on July 1, and Narasimha Rao is reported to have been involved in several covert attempts. As a next step, the licensing rules for all businesses were repealed.

A liberalization rule was introduced, requiring only 18 industries to be licensed. Many businesses have decided to relax these restrictions, increasing foreign investment by 40 to 51 percent. Business policies have changed drastically. With this great effort, Manmohan Singh joined the Congress party and was elected Finance Minister. New business policies were developed. These unpredictable efforts were strongly opposed by the Communist Party and even within the Congress Party.<sup>iv</sup>

### **Liberalization Impact**

In 1991, other small countries also attracted large amounts of investment. More than 50 countries, including Pakistan, have been able to attract more foreign investment than India. This liberalization policy has led to increased investments by the likes of Tata and Thirubhai Ambani as a result of this effort to ease restrictions on Indian companies and expedite their operations.

## **Privatization**

Privatization is the transfer of our government departments to the private sector, which means the privatization of state-owned enterprises to expedite their operations. The expansion of the diverse investment markets in India from these economic trends and activities is due to the new economic policy announced in 1991, despite the emergence of many new businesses in India.

## **Impact of the Globalization**

On the recommendation of Manmohan Singh, who took over as Finance Minister amid the Great Depression of 1991, this was one of the most courageous decisions taken by Narasimha Rao as the World Bank pointed to the Indian economy. New policies were developed to attract foreign investment. Globalization in general is about expanding trade relations to create multinationals involved in socioeconomic endeavours. The economy of a country can be described as allowing investors from around the world to invest.<sup>v</sup>

## **Impact of Economic Policy 1991 on Tamil Nadu**

The history of Tamil Nadu is very ancient and is largely based on agriculture. The new economic policy introduced by the Union Government in 1991 changed the economic course of Tamil Nadu. Impact on Tamil Nadu Agriculture made progress in the industry. The move was accompanied by a change that had some pros and some cons. Food crops, in particular, were given less emphasis on cash crop production as many farms became urbanized. The politics of Tamil Nadu was in turmoil when the new economic policy was introduced in 1991, but after the declaration of the new economic policy, the economy of Tamil Nadu saw many noticeable changes. Single-window economic practices began in Tamil Nadu. New Investments, Infrastructure Facilities, Export Promotion New Industries New Banks As for multinational corporations, Tamil Nadu has undergone many changes in its economic structure more than any other state in India and has made Tamil Nadu the best model for being a sustainable economytoday.<sup>vi</sup>

## **Special Economic Zones**

Multinational corporations have come forward to invest their investments in infrastructure in Tamil Nadu through infrastructure such as the infrastructure of Tamil Nadu, which has resulted in the creation of several special economic zones. Nanguneri Special Economic Zones were formed near Tirunelveli. Cholanpuram Thermal Power Plant at Sriperumbudur, Maraimalai Nagar Industrial Multinationals Accelerated Industrial Growth in Tamil Nadu Industrial production in Tamil Nadu increased from 5.1 in 1991 to 6.3 in 1999 through the New Economic Policy in 1991. Over the day, it expanded to 32.3 in 2009. There are currently 93 special economic zones in Tamil Nadu. Sixty-three of these zones are operational, of which 36 are communication technology. -based.<sup>vii</sup>

## **Industry hoods**

Tamil Nadu is a small business hub. Tamil Nadu workers gets special benefits. Women are mostly small entrepreneurs. The opportunity and training are provided by the government of Tamil Nadu. Many small businesses are operating in the manufacture of machinery, spare parts, metals, chemicals, foodstuffs, jewellery, and electronics. Chennai's Ambattur Industrial Estate is home to several multinational companies. In, 43, 92000 people are employed. Tamil Nadu.<sup>viii</sup>

## **Transport facilities**

The most important reason for this infrastructure in Tamil Nadu is the total length of 2 lakh km of transport facilities, including national highways, state roads, and inland roads. These have greatly contributed to the economic development of Tamil Nadu. The transport corporations of the state of Tamil Nadu are also functioning well. Moreover, rail transport also plays an important role. In the nineteenth century, railway lines were laid from Rayapuram to Walaja Road. The railway line is 1899 km long. There are 532 railway stations in Tamil Nadu. Both Chennai Central Railway Station and Egmore Railway Station have been upgraded to international standards. The Chennai Metro Railway Station is world-class. Also, waterborne sea transportation has seen significant growth. During British rule, the Buckingham Canal and the Koovam River transported the Chola coast,

connecting Chennai to Andhra Pradesh, but they have now lost their specialty. Chennai Thoothukudi Port is the second largest port in India. The smaller ports are Cuddalore, Nagapattinam, Devanampattinam, and Kulachal. Arinar Anna International Airport is located at Kamaraj Airport. There are also small airports in Trichy, Coimbatore, and Madurai.<sup>ix</sup>

## Conclusion

Before 1991, there were only a few companies in India. In 1991, the economic trend in India was changed by the new economic policy. As the foreign exchange reserves increased, so did the infrastructure of the highways. However, it is still criticized today. Many large companies have sprung up, and small domestic companies have been crushed. The country's resources are being exploited by foreign companies. The impact of the new economic policy was evident in the eighteenth five-year plan. This initiative of the government of India has urbanized the economy of Tamil Nadu in an attempt to industrialize it. Industrial production in Tamil Nadu is widespread and will be referred to as SCI (*Spatial Concentration of Industrialization*) markets. Business Centres Economic Zones are on the rise. Especially in the 1990s, the GDP of Tamil Nadu was around 330,390. It has risen to 782,050 since 1991. In the 2000s, there was a significant increase. The board-made car maker has invested Rs 4,110 in Tamil Nadu. But if you look at the benefits of these investments, you will see that there is no great benefit.

The vast resources and wealth of our country are being exploited by foreign companies. In an attempt to privatize, the people's money is being squandered by employers. Domestic manufacturers are being crushed by big bosses. It cannot be considered progress as most of Tamil Nadu has become urbanized, which has had an impact on the lives of middle-class people. Although Tamil Nadu is the state that has benefited the most from this new economic activity declared in India in 1991, it cannot be said to be a factor of progress as it has not made any progress in the lives of the common people. On that basis, it is historically certain that Tamil Nadu has thus seen an indirect setback. The fact of the matter is that even if the new economic policy changes the economic course of Tamil Nadu, it will not bring good results.

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