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Structural Reforms, Macroeconomic Stability and Economic Recovery in India: A Three-Decade Assessment of Policy Outcomes

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Abstract

This paper reviews India's economic policy and macroeconomic performance over the thirty-five years from the balance of payments crisis of 1991 to 2026. Using secondary data from the Reserve Bank of India, the Ministry of Statistics and Programme Implementation and the Union Budget, it divides the period into six phases: crisis and first-generation reforms (1991–2003), high growth (2003–2008), the global financial crisis and slowdown (2008–2014), structural and institutional reforms (2014–2020), the pandemic shock and recovery (2020–2023), and consolidation amid global uncertainty (2023–2026). For each phase it examines growth, inflation, fiscal balance and the external sector. The analysis finds that liberalisation lifted India's trend growth from the 'Hindu rate' of about 3.5 per cent to between 6 and 8 per cent, transformed the external sector from near-default to reserves of close to US$700 billion, and built durable institutions such as flexible inflation targeting, the Goods and Services Tax and the Insolvency and Bankruptcy Code. Real GDP grew by 7.7 per cent in 2025–26 under the new 2022–23 base series, consumer inflation fell to record lows in late 2025, and the Centre's fiscal deficit was brought down from 9.2 per cent of GDP in 2020–21 to a budgeted 4.3 per cent for 2026–27. At the same time, the study identifies persistent weaknesses: slow growth of manufacturing employment, uneven private investment, high public debt and growing exposure to external shocks, illustrated by the US tariffs of 2025 and the West Asia conflict of 2026. The paper concludes that India's recovery is real but that sustaining 7 per cent growth will require reforms in factor markets, human capital and export competitiveness.

Keywords: *Economic liberalisation; macroeconomic performance; fiscal policy; monetary policy; inflation targeting; GST; India; COVID-19 recovery*

JEL Classification: E60, E52, E62, F14, O53

1. Introduction

In June 1991 India faced the most serious economic crisis in its history since independence. Foreign exchange reserves had fallen to about US$1.2 billion, enough to pay for barely two weeks of imports; the combined fiscal deficit of the Centre and states was close to 9 per cent of GDP; inflation was in double digits; and the country was close to defaulting on its external obligations. The government pledged gold to raise emergency funds and approached the International Monetary Fund for assistance (Joshi and Little, 1996; Ahluwalia, 2002).

The response, led by Prime Minister P. V. Narasimha Rao and Finance Minister Manmohan Singh, went far beyond crisis management. The New Industrial Policy of July 1991 abolished industrial licensing for most sectors, the rupee



was devalued and later made convertible on the current account, import tariffs were cut sharply, foreign direct investment was invited, and the financial sector was opened to reform. These measures, popularly known as LPG (liberalisation, privatisation and globalisation), ended four decades of the planned, inward-looking 'licence-permit raj'.

Thirty-five years later India is the world's fourth- or fifth-largest economy and has been among the fastest-growing major economies for most of the past decade. Yet its path has not been smooth. Growth accelerated in the mid-2000s, faltered after the global financial crisis of 2008, slowed again in 2019, collapsed during the COVID-19 pandemic in 2020–21 and then recovered strongly. Policy has also changed in character, from the first-generation reforms of the 1990s to the institutional reforms of the 2010s, such as the Goods and Services Tax (GST), the Insolvency and Bankruptcy Code (IBC) and flexible inflation targeting.

This paper analyses this journey. It asks how economic policy has evolved since 1991, how the main macroeconomic indicators have performed in each phase, and what the record implies for the policy agenda ahead. It brings the analysis up to 2026 and incorporates the new GDP series with base year 2022–23, the monetary easing of 2025, the second-generation GST rate rationalisation of September 2025, and the trade and energy shocks of 2025–26.

2. Review of Literature

A large literature examines the effect of the 1991 reforms. Bhagwati (1993) and Joshi and Little (1996) documented the inefficiencies of the pre-reform regime and argued that liberalisation was necessary to raise growth. Ahluwalia (2002), assessing the first decade, concluded that India's gradualist approach had succeeded in raising growth to about 6 per cent while avoiding the disruption seen in other transition economies, but warned that fiscal deficits, power-sector losses and labour-market rigidities limited further gains.

Rodrik and Subramanian (2005) challenged the view that 1991 was the turning point. They showed that productivity growth had already picked up around 1980, which they attributed to a 'pro-business' change in the government's attitude rather than to 'pro-market' liberalisation. Panagariya (2008) responded that the growth of the 1980s was fragile and debt-financed, and that only the systematic reforms after 1991 made higher growth sustainable. Kotwal, Ramaswami and Wadhwa (2011), reviewing the evidence, concluded that liberalisation improved productivity in manufacturing and services but that the benefits were concentrated in skill-intensive sectors, leaving a large informal workforce behind.

Studies of the 2000s focused on the sources of the growth boom. Mohan (2008) attributed it to higher domestic savings and investment, a stable macroeconomic environment and integration with the global economy. After 2011 attention shifted to the slowdown, the 'twin balance sheet' problem of over-leveraged corporates and stressed banks (Government of India, 2017), and the debate over the measurement of GDP in the 2011–12 series (Subramanian, 2019). More recent work examines the effects of demonetisation, GST and the pandemic on the informal sector, and the role of public capital expenditure in driving the post-pandemic recovery (Government of India, Economic Survey, various years).

Most of these studies cover one phase or one policy. Few bring together the whole period from 1991 to the present in a single framework that includes the recovery after COVID-19 and the most recent policy changes.

3. Objectives and Methodology

3.1 Objectives

- To trace the evolution of India's economic policy from the reforms of 1991 to 2026.
- To analyse the performance of key macroeconomic indicators (growth, inflation, fiscal balance and the external sector) in each phase.
- To examine the impact of major shocks, namely the global financial crisis, the COVID-19 pandemic and the trade and energy shocks of 2025–26, and the policy response to them.
- To identify the achievements and remaining challenges and suggest policy directions.



3.2 Methodology

The study is descriptive and analytical and is based entirely on secondary data. Data are drawn from the RBI Handbook of Statistics on the Indian Economy and RBI Annual Reports, the national accounts released by the Ministry of Statistics and Programme Implementation (MoSPI), the Economic Survey and Union Budget documents, and published research. The period 1991–2026 is divided into six phases based on turning points in policy and growth. For each phase, period averages of real GDP growth, consumer price inflation, the Central government's gross fiscal deficit and the current account balance are compared. Two limitations of the data should be noted. First, GDP figures come from successive base-year series (1980–81, 1993–94, 2004–05, 2011–12 and, since February 2026, 2022–23), which are not strictly comparable. Second, consumer price inflation is measured by CPI for Industrial Workers before 2012 and by the all-India CPI (Combined) afterwards. The phase averages in Table 2 and the annual figures in Tables 3 to 6 are therefore approximate and should be read as indicating broad trends rather than precise values.

4. Phases of Economic Policy and Performance

Table 1 summarises the main policy measures of each phase, which are discussed below.

Table 1: Major policy measures and shocks by phase, 1991–2026

Phase	Main policy measures	Main shock or constraint
I. 1991–2003	Abolition of industrial licensing; rupee devaluation and current account convertibility; tariff cuts; opening to FDI; Narasimham Committee banking reforms; FRBM Act (2003)	Balance of payments crisis (1991); East Asian crisis (1997)
II. 2003–2008	Fiscal consolidation under FRBM; infrastructure push (PPP); further FDI and capital account liberalisation	Overheating and rapid credit growth
III. 2008–2014	Fiscal stimulus; monetary easing (repo 9% to 4.75%); later monetary tightening and gold import curbs	Global financial crisis (2008); high inflation; taper tantrum (2013)
IV. 2014–2020	Inflation targeting (2016); IBC (2016); GST (2017); JAM and UPI; demonetisation (2016); corporate tax cut (2019)	Twin balance sheet problem; NBFC crisis (2018)
V. 2020–2023	Relief packages (food, credit guarantees); repo rate cut to 4%; PLI schemes; public capex push; monetary tightening (2022–23)	COVID-19 pandemic; Russia–Ukraine war
VI. 2023–2026	New GDP series (base 2022–23); repo rate cut to 5.25% (2025); GST rate rationalisation (2025); fiscal glide path to debt target	US tariffs (2025); West Asia conflict (2026)

Source: compiled by the author from Economic Survey, RBI Annual Reports and Union Budget documents.

4.1 Phase I: Crisis and first-generation reforms (1991–2003)

The immediate aim of policy in 1991 was stabilisation: cutting the fiscal deficit, devaluing the rupee by about 18–19 per cent in July 1991 and rebuilding reserves with IMF support. Structural reforms followed quickly:

- **Industrial policy:** licensing was abolished for all but a few industries, the list of sectors reserved for the public sector was cut, and the MRTP restrictions on large firms were relaxed.
- **Trade policy:** quantitative restrictions on imports were phased out and the peak customs duty was reduced from over 150 per cent in 1991 to about 40 per cent by 1997.
- **Exchange rate:** a market-determined exchange rate was introduced in 1993 and the rupee became convertible on the current account in 1994.



- **Foreign investment:** automatic approval of FDI up to 51 per cent in priority industries and the opening of the stock market to foreign institutional investors.
- **Financial sector:** based on the Narasimham Committee reports, statutory pre-emptions (CRR and SLR) were reduced, interest rates deregulated, prudential norms introduced and private banks permitted.
- **Tax reform:** income and corporate tax rates were cut and the base widened, following the Chelliah Committee.

Growth recovered from about 1 per cent in 1991–92 to over 7 per cent in 1994–95 to 1996–97, before slowing to about 5.5 per cent in the late 1990s as the East Asian crisis, a fall in investment and fiscal slippage took effect. Over the phase as a whole growth averaged about 5.5–6 per cent. Reserves rose steadily, and the current account deficit stayed at about 1 per cent of GDP. The weak spot was public finance: the combined deficit of the Centre and states rose back to about 9–10 per cent of GDP by 2001–02, prompting the Fiscal Responsibility and Budget Management (FRBM) Act of 2003.

4.2 Phase II: The high-growth period (2003–2008)

Between 2003–04 and 2007–08 India grew at an average of nearly 9 per cent a year, the fastest sustained growth in its history. The drivers were a sharp rise in the investment rate (to over 35 per cent of GDP), higher domestic savings, rapid growth of IT and business services exports, strong corporate profits and buoyant global demand. The FRBM Act brought the Centre's fiscal deficit down to about 2.5 per cent of GDP in 2007–08, inflation stayed moderate at around 5 per cent, and the current account was close to balance. Capital inflows were so large that the RBI had to sterilise them through market stabilisation bonds. Reserves crossed US$300 billion by 2008.

However, the boom also sowed the seeds of later problems. Bank credit to infrastructure and corporate projects grew very rapidly, often on optimistic assumptions, and much of it later turned into non-performing assets.

4.3 Phase III: Global financial crisis and slowdown (2008–2014)

The global financial crisis of 2008 cut India's growth to about 3 per cent in 2008–09 under the old series. The government responded with a large fiscal stimulus (tax cuts and higher spending, including the Sixth Pay Commission award and farm loan waiver), and the RBI cut the repo rate from 9 per cent to 4.75 per cent. Growth rebounded to over 8 per cent in 2009–10 and 2010–11, but the stimulus was withdrawn too slowly.

The result, by 2012–13, was a classic macroeconomic imbalance: consumer inflation of about 10 per cent, a Central fiscal deficit of about 6 per cent of GDP, and a current account deficit of 4.8 per cent of GDP, the highest on record. Decision-making slowed amid corruption controversies, and stalled infrastructure projects left banks with growing stressed assets. In mid-2013 the 'taper tantrum' triggered by the US Federal Reserve caused sharp capital outflows and a steep fall in the rupee. The RBI, under Governor Raghuram Rajan, tightened policy, and the government imposed curbs on gold imports, which restored external stability by 2014.

4.4 Phase IV: Structural and institutional reforms (2014–2020)

The period after 2014 was marked by institutional reforms rather than broad deregulation:

- **Monetary policy framework:** in 2016 the RBI Act was amended to adopt flexible inflation targeting, with a CPI target of 4 per cent (tolerance band of 2 to 6 per cent), and a six-member Monetary Policy Committee.
- **Goods and Services Tax:** launched in July 2017, GST replaced a multitude of Central and state indirect taxes with a single national tax, creating a common market.
- **Insolvency and Bankruptcy Code (2016):** a time-bound process for resolving corporate distress, together with the Asset Quality Review of 2015 and the recapitalisation of public sector banks.
- **Financial inclusion and digital public infrastructure:** Jan Dhan accounts, Aadhaar and mobile phones (the 'JAM trinity') enabled direct benefit transfers, and UPI transformed digital payments.
- **Other measures:** demonetisation of high-value notes (November 2016), liberalisation of FDI, the Make in India programme and a cut in the corporate tax rate to about 25 per cent in 2019.

Inflation fell to an average of about 4.5 per cent, much lower than in the previous phase, and the current account deficit stayed modest. However, growth slowed from over 8 per cent in 2016–17 to about 4 per cent in 2019–20, as



demonetisation and the early problems of GST hurt the informal sector, the twin balance sheet problem curbed bank lending, and the failure of a large non-bank finance company (IL&FS) in 2018 squeezed credit.

4.5 Phase V: Pandemic shock and recovery (2020–2023)

The nationwide lockdown imposed in March 2020 caused the sharpest contraction in independent India's history: real GDP fell by about 24 per cent year-on-year in April–June 2020 and by 5.8 per cent in 2020–21 as a whole (2011–12 series). As Per Dr. Naveen Prasadula The policy response combined protection of the vulnerable with support to supply:

- Free food grains under the Pradhan Mantri Garib Kalyan Anna Yojana and cash transfers to poor households.
- The Emergency Credit Line Guarantee Scheme for small businesses and a loan moratorium.
- Repo rate cuts to 4 per cent and large liquidity injections by the RBI.
- Production-linked incentive (PLI) schemes for manufacturing and a sharp increase in public capital expenditure from 2021–22.

The Centre's fiscal deficit rose to 9.2 per cent of GDP in 2020–21. The economy rebounded by about 9.7 per cent in 2021–22 and about 7 per cent in 2022–23. Recovery was led by public investment, the formal corporate sector and services, while recovery in rural and informal sectors lagged, a pattern often described as 'K-shaped'. The Russia–Ukraine war of 2022 pushed inflation above the RBI's upper tolerance limit of 6 per cent, and the RBI raised the repo rate by 250 basis points to 6.5 per cent between May 2022 and February 2023.

4.6 Phase VI: Consolidation amid global uncertainty (2023–2026)

Since 2023 India has combined fast growth with steady fiscal consolidation. Under the new GDP series with base year 2022–23, released in February 2026, real GDP grew by 7.2 per cent in 2023–24, 7.1 per cent in 2024–25 and 7.7 per cent in 2025–26 according to the provisional estimates of June 2026 (MoSPI, 2026; Drishti IAS, 2026a). The new series uses GST data, double deflation and supply-and-use tables, and lowers the estimated size of the economy by about 3–4 per cent while raising recent growth estimates.

Monetary policy turned supportive in 2025. With headline inflation falling below the 4 per cent target and food prices in deflation, the RBI cut the repo rate by a total of 125 basis points in 2025, from 6.5 per cent to 5.25 per cent, including a 50-basis-point cut in June (Adda247, 2025). Consumer inflation fell to record lows, reaching 0.25 per cent in October 2025, helped by the second-generation GST reform of September 2025, which reduced the number of main rate slabs and lowered tax rates on many items of mass consumption.

Fiscal consolidation continued: the Centre's fiscal deficit fell from 4.8 per cent of GDP in 2024–25 to 4.4 per cent (revised estimate) in 2025–26, and the Union Budget for 2026–27 targets 4.3 per cent, with the focus shifting to bringing Central government debt down to 50 ± 1 per cent of GDP by 2030–31 (The Quint, 2026; Drishti IAS, 2026b). Capital expenditure was budgeted at about ₹12.2 lakh crore for 2026–27.

The external environment, however, became much more difficult. In 2025 the United States imposed tariffs of 25 per cent and then 50 per cent on Indian goods, citing stalled trade talks and India's purchases of Russian oil. A framework trade agreement announced in February 2026 removed the additional Russian-oil tariff and envisaged a cut in the overall rate to 18 per cent, although details remained unsettled (Morgan Lewis, 2026). From July 2026 a renewed conflict in West Asia raised oil prices; inflation moved back above target, and in August 2026 the RBI kept the repo rate at 5.25 per cent, projecting that inflation would peak at about 5.9 per cent in October–December 2026 (Upstox, 2026). Foreign exchange reserves of about US$690 billion (Loansjagat, 2026), covering roughly eleven months of imports, provide a strong buffer against such shocks.



5. Analysis of Macroeconomic Indicators

Table 2: Phase-wise macroeconomic performance of India, 1991–2026 (approximate period averages)

Phase	Real GDP growth (%)	CPI inflation (%)	Centre's fiscal deficit (% of GDP)	Current account balance (% of GDP)
I. 1991–92 to 2002–03	≈ 5.5	≈ 8.5	≈ 5.5	≈ −0.8
II. 2003–04 to 2007–08	≈ 8.8	≈ 4.5	4.5 → 2.5	≈ −0.3
III. 2008–09 to 2013–14	≈ 6.7	≈ 10	≈ 5.5	≈ −2.8 (peak −4.8 in 2012–13)
IV. 2014–15 to 2019–20	≈ 6.7	≈ 4.5	≈ 3.7	≈ −1.3
V. 2020–21 to 2022–23	≈ 3.6 (−5.8, 9.7, 7.0)	≈ 5.9	9.2 → 6.4	≈ −0.8
VI. 2023–24 to 2025–26	≈ 7.3 (7.2, 7.1, 7.7)	≈ 4.0 (falling to about 2 in 2025–26)	5.6 → 4.4	≈ −0.8

Source: compiled from RBI Handbook of Statistics on the Indian Economy, Economic Survey (various issues), MoSPI national accounts and RBI Annual Report 2025–26. Growth figures for Phases I–V are from earlier base-year series and for Phase VI from the 2022–23 series; inflation is CPI-IW before 2012 and CPI (Combined) afterwards. Figures are rounded and indicative.

5.1 Growth

Table 2 shows that, apart from the pandemic years, India's growth has stayed in a band of about 5.5 to 9 per cent since 1991, well above the 3.5 per cent 'Hindu rate of growth' of 1950–80. The two periods of fastest growth, 2003–08 and 2023–26, were both associated with high investment, the first led by private corporates and the second by public capital expenditure. The sharpest slowdowns followed external shocks (2008, 2020) or domestic financial stress (2012–13, 2019). The composition of growth has shifted towards services, which now account for more than half of gross value added, while the share of manufacturing has stayed around 15–17 per cent of GDP, well below that of East Asian economies at a similar stage.

Table 3: Annual real GDP growth of India, 2019–20 to 2025–26

Year	Real GDP growth, 2011–12 series (%)	Real GDP growth, 2022–23 series (%)	Remarks
2019–20	3.9	–	Pre-pandemic slowdown
2020–21	−5.8	–	Pandemic contraction
2021–22	9.7	–	Rebound from low base
2022–23	7.6	–	Base year of new series
2023–24	9.2	7.2	Capex-led growth
2024–25	6.5	7.1	Moderation in consumption
2025–26	–	7.7	Provisional estimate (June 2026)



Source: MoSPI national accounts statistics; 2022–23 series from MoSPI (February and June 2026) as reported in Drishti IAS (2026a) and News on AIR. Figures in the 2011–12 series are the latest available before the change of base year and are indicative.

Table 3 shows the sharp V-shaped recovery after the pandemic. The new series gives lower growth for 2023–24 but higher growth for 2024–25 than the old series, showing that the change in base year alters the year-to-year picture but confirms a trend of about 7 per cent growth since 2021–22.

5.2 Inflation

Inflation has been the most volatile indicator. It averaged nearly 10 per cent in 2008–14, eroding real incomes and savings. The adoption of flexible inflation targeting in 2016 marks a clear break: inflation averaged about 4.5 per cent in the next five years, and inflation expectations became better anchored. Supply shocks to food and fuel, however, continue to cause sharp swings, as seen in 2022 and again in 2026.

Table 4: Changes in the RBI policy repo rate, 2019–2026

Date	Repo rate (%)	Change (basis points)	Context
October 2019	5.15	−135 in 2019	Growth slowdown
May 2020	4.00	−115 since Feb 2020	COVID-19 lockdown
May 2022	4.40	+40	Inflation above 6%; Russia–Ukraine war
February 2023	6.50	+250 cumulative	End of tightening cycle
February 2025	6.25	−25	Inflation easing
April 2025	6.00	−25	Stance changed to accommodative
June 2025	5.50	−50	Stance back to neutral
December 2025	5.25	−25	CPI inflation at record lows
August 2026	5.25	0	Hold; inflation projected to peak at 5.9% in Q3 2026–27

Source: RBI monetary policy statements; Adda247 (2025); Upstox (2026).

Table 4 shows that monetary policy has been actively counter-cyclical under the inflation-targeting framework: easing sharply in 2020, tightening by 250 basis points in 2022–23 when inflation rose, and easing again by 125 basis points in 2025 when inflation fell below target.

5.3 Fiscal balance

Fiscal policy shows a recurring pattern of consolidation followed by slippage. The FRBM Act of 2003 brought the deficit down to 2.5 per cent of GDP before the 2008 stimulus reversed the gain; the pandemic pushed it to 9.2 per cent in 2020–21. Since then consolidation has been steady and has been achieved together with a large rise in capital expenditure, improving the quality of spending. Public debt, however, remains high at about 56 per cent of GDP for the Centre and over 80 per cent for the general government.

Table 5: Fiscal deficit and capital expenditure of the Central government, 2019–20 to 2026–27

Year	Centre's fiscal deficit (% of GDP)	Centre's capital expenditure (₹ lakh crore)	Status
2019–20	4.6	3.4	Actual
2020–21	9.2	4.3	Actual
2021–22	6.7	5.9	Actual



Year	Centre's fiscal deficit (% of GDP)	Centre's capital expenditure (₹ lakh crore)	Status
2022–23	6.4	7.4	Actual
2023–24	5.6	9.5	Actual
2024–25	4.8	≈ 10.5	Actual
2025–26	4.4	≈ 11.2	Revised estimate
2026–27	4.3	≈ 12.2	Budget estimate

Source: Union Budget documents (various years); RBI Annual Report 2025–26; The Quint (2026). Capital expenditure figures are rounded; ≈ marks approximate values.

Table 5 shows that the fiscal deficit has been more than halved since 2020–21 while capital expenditure has roughly tripled since 2019–20, which means that consolidation has come from restraint in revenue spending rather than from cuts in investment.

5.4 External sector

The external sector is the clearest success of the reforms. From reserves of about US$1.2 billion in 1991, India built reserves of close to US$700 billion by 2026. Current account deficits have generally stayed below 2.5 per cent of GDP, except in 2012–13, because of strong services exports and remittances, which offset a large merchandise trade deficit. Exports of goods and services rose from about 7 per cent of GDP in 1990–91 to over 20 per cent. The tariff episode of 2025, however, showed how vulnerable merchandise exports remain to policy changes in major markets.

Table 6: External sector indicators of India, selected years

Year	Foreign exchange reserves (US$ billion, end-March)	Current account balance (% of GDP)	Remarks
1990–91	≈ 5.8	−3.0	Balance of payments crisis
2003–04	≈ 113	+2.3	Current account surplus
2007–08	≈ 310	−1.3	Peak of capital inflows
2012–13	≈ 292	−4.8	Record current account deficit
2019–20	≈ 478	−0.9	Pre-pandemic
2020–21	≈ 577	+0.9	Surplus as imports collapsed
2022–23	≈ 579	−2.0	High oil prices
2025–26	≈ 691	≈ −1.0	Services exports and remittances strong

Source: RBI Handbook of Statistics on the Indian Economy; RBI Annual Report 2025–26; Loansjagat (2026). Reserves in mid-1991 fell to about US$1.2 billion of foreign currency assets. ≈ marks approximate values; the 2025–26 current account figure is based on April–December 2025 (1.1% of GDP).

Table 6 shows the transformation of the external sector: reserves have risen more than a hundredfold from their 1991 low, and except in 2012–13 the current account deficit has stayed within a manageable range, giving India room to absorb the trade and oil shocks of 2025–26.



6. Discussion: Achievements and Challenges

6.1 Achievements

- **Higher trend growth:** average growth roughly doubled compared with the pre-reform decades, and per capita income rose several times in real terms.
- **Poverty reduction:** the share of the population living in extreme poverty has fallen sharply since 1991, according to official and World Bank estimates.
- **Macroeconomic stability:** a credible inflation-targeting framework, rules-based fiscal policy and large reserves have made India more resilient to shocks.
- **Institutional reforms:** GST, IBC, digital public infrastructure and the cleaning up of bank balance sheets have improved the business environment. Gross NPAs of banks fell from over 11 per cent in 2018 to low single digits by 2025.
- **Global integration:** India became a leading exporter of IT and business services and a major destination for foreign investment.

6.2 Challenges

- **Jobs:** growth has not created enough productive jobs; a large share of the workforce remains in agriculture and informal employment.
- **Manufacturing:** the share of manufacturing in GDP has not risen despite Make in India and PLI schemes.
- **Private investment:** private corporate investment has been slower to recover than public investment.
- **Public debt:** high general government debt limits room for future counter-cyclical policy.
- **Inequality:** the gains of growth have been uneven between regions, sectors and income groups.
- **External vulnerability:** dependence on imported oil and exposure to protectionism and geopolitical conflict.
- **Data quality:** repeated revisions of GDP and delays in surveys have complicated policy analysis, although the new series addresses some concerns.

7. Policy Implications

- Reform factor markets, including land acquisition and labour regulations (by implementing the four Labour Codes), to support labour-intensive manufacturing.
- Invest in education, skills and health to raise labour productivity and the participation of women in the workforce.
- Diversify export markets and products through trade agreements, and improve logistics to reduce costs.
- Continue fiscal consolidation while protecting capital expenditure, and strengthen state government finances.
- Maintain the inflation-targeting framework, while improving food supply management to reduce supply shocks.
- Reduce dependence on imported fossil fuels through renewable energy, which also strengthens energy security.
- Deepen the bond market and credit to small enterprises to support private investment.

8. Conclusion

India's economic policy since 1991 has moved from crisis-driven liberalisation to the building of modern economic institutions. Over thirty-five years the economy has grown faster, become far more open and much more resilient. The recovery after the pandemic, with growth of about 7 per cent a year in 2023–26, low inflation in 2025 and a falling fiscal deficit, shows that the policy framework has matured. Yet growth alone does not guarantee development. The challenges of employment, manufacturing, private investment and public debt, together with an increasingly uncertain world economy, mean that the next phase of reform must focus on productivity, human capital and competitiveness. If these reforms are carried through, India has a realistic chance of sustaining 7 per cent growth and of moving closer to its goal of becoming a developed economy by 2047.



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