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From Crisis to Confidence: A Study of Economic Growth, Governance, and Institutional Resilience in the 1990s

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Abstract

Since the watershed economic liberalisation of 1991, India has witnessed a deep structural transformation that has been marked by accelerated GDP growth, governance reforms and repeated exposure to major economic shocks. The existing literature has independently examined the growth models, governance design, and also the crisis responses. However, there still remains a critical gap in the integrative research that connects economic theory with institutional design and resilience in the Indian context. The study addresses this gap by analysing how the governance reforms and institutional evolution has shaped India's growth trajectory and its capacity from the era of liberalisation in 1991 to the current 2025 period. A critical approach of mixed methods, combined with the macroeconomic time series data of World Bank, RBI, IMF, MOSPI along with the qualitative policy analysis of key reforms such as the Right to Information Act, GST, digital governance, federal fiscal restructuring and Aadhaar– DBT. The study maps India's economic phases into three critical theoretical frameworks: the Solow Swan model (1991 to 2003), endogenous growth model (2003 to 2016) and institutional economies (2016 to present). The analysis finds that while the capital accumulation and market liberalisation has seen the initial post reform acceleration, long-run economic growth, increasingly dependent on human capital, innovation and service sector expansion. Since 2016, governance reforms and institutional strengthening have emerged as the dominant determinants of economic performance and resilience. India's responses to major shocks like the 2008 global financial crisis, the demonetisation of 2016 and the COVID-19 pandemic demonstrate that strong institutional quality, digital public infrastructure and the policy mechanism, enhance the recovery patterns and long-term stability.

This study concludes by understanding the relationship between economy, growth and resilience. While India has achieved substantial progress, structural constraints and also state capacity, and institutional asymmetries continue to shape outcomes. This paper contributes in a way that analytically formulates a link between the growth theory, governance, reform and resilience, offering policy recommendations for sustaining inclusive and shock-resistant growth in the decade ahead.

Keywords: Economic Liberalisation; Governance; Institutional Economics; Economic Resilience; Fiscal Reforms

Introduction

The 'Economic Paradigm' of India saw far-reaching changes since the 1990s. The watershed economic liberalisation of 1991, led to the remarkable trajectory of growth, reforms, and resilience. India suffered a severe balance of payment crisis in the year 1991, however the Indian government introduced sweeping structural reforms, including liberalising trade, deregulating the industry and opening the economy to foreign investment. These changes heralded a new phase in the Indian economy where the aggregate GDP growth accelerated from roughly 4.4% per year during the 1970s and nineteen eighties to over 5.5% in the 1990s to early 2000s, and more recently approaching 7% annually (according to the World Economic Forum: "Thus, while growth averaged 4.4% a year during the 1970s and 1980s, it accelerated to 5.5% during the 1990s-early 2000s, and further to 7.1% in the past one decade.") The year 2023, witnessed a total growth of USD 3.57 trillion in the GDP (MacroTrends (2024) India GDP (nominal) 1960–2024) of the country, marking a strong recovery after the COVID-19 pandemic, that induced contraction in the year 2020. Parallel to this economic expansion has also been a concrete transformative model of governance mechanism where in the pro-access mandates, such as the Right to Information Act, 2005 (RTI) and ambitious digital initiatives like Aadhaar have aimed at enhancing the transparency, accountability, inclusion and public policy delivery. The Aadhaar enrolments have crossed 1.36 billion as per the March 2023 data. The increasing digitisation of service, delivery, welfare programmes and also the fiscal transfers is widely seen as a key pillar of India's recent reforms. However, the growth governance dynamic has not been smooth. India suffered a series of internal and external shocks starting from the global financial crisis of 2008, the domestic policy disruption such as the demonetisation policy of 2006, the global pandemic led to collapse of 2020 which led to the GDP contraction (5.8% in 2020). These events test the resilience of the Indian economy: how effectively it handles shocks, rebounds and reforms its governance architecture to maintain sustainable expansion.

The focus of this project is to explore the co-relationship between the economic growth, models, governance reforms and also the policy resilience in India during the period from 1991 to 2025.

4

Specifically, it asks the basic question: How have governance reforms and institutional changes shaped India's growth, trajectory and resilience to shocks liberalisation? The project focuses on the use of quantitative sources of data (World Bank, International monetary fund, Reserve Bank of India and India's Economic Survey) and qualitative policy reviews (RTI, Aadhar DBT, GST) to map the evolution of growth and resilience over time.

India's performance has been analysed through the lenses of growth theory, governance theory, and resilience to crisis management. This study aims to provide a critical understanding of how India's growth strategically aligns or diverges from the standard economic models. It evaluates the impact of governance reforms on inclusive and resident growth and suggests policy recommendations for a future in which India must confront new global and domestic shocks (such as climate change, digital disruption and global supply chain shifts). This approach contributes to bridging the economic growth models with governance and institutional reform applicable in India.

Review of Literature

Institutions as the Fundamental Cause of Long-Run Growth (2005) by D. Acemoglu & J. Robinson talks about the primary determinant of a long-run economic prosperity is the nature of the country's institution. The inclusive political and economic institutions are those that provide secure property rights, broad

political participation, the rule of law and also the incentives for the investment as well as the innovation and thus create the conditions for a sustained growth system. However, the extractive institutions refer to the concentration of power and the opportunity in the hands of one particular group, thereby discouraging investment and generating stagnation. The institutions evolve through historical processes, political strategies, economic growth and the interaction of the endogenous groups. This framework emphasises that the reforms must address underlying political incentives and not just the policy technicalities. The paper analyses the theoretical backbone of linking the governance designs to the growth outcomes and therefore justifies the institutional features rather than only the macro indicators. There is a strong analytical approach that treats policy reforms as political and helps in framing the empirical tests. *The Indian View of Economic Development: Resilience and the Quest for Growth (ASARC Working Paper) by Raghbendra Jha* examines India's capacity to adapt to both

5

global and domestic shocks over a long historical period. It highlights India's long term development as an adaptive and a gradual process that has been shaped by its ability to withstand the domestic and global shocks. The article argues that India pursued a distinctive developmental style which was initially based on state- led planning and the process of import substitution that helped in achieving the food security and industrial capacity. There have been deep structural constraints but India somehow managed to overcome them. This paper identifies the 1991 economic reforms which have been a turning point for the Indian economy that helped in enabling the greater market orientation and higher economic growth. However, these reforms have remained incremental rather than transformative. The author notes that the queue existence of large informal sectors, institutional weakness and inequality continues to hinder productivity. The democratic institutions, decentralised governance and the policy experimentation have foster resilience. Overall, the paper concludes that India's development is best understood through the growth rates and the capacity to absorb shocks which evolve gradually.

India's Pattern of Development: What Happened, What Follows? (IMF WP, 2006) by Kochhar, K., Kumar, U., Rajan, R., Subramanian, A., & Tokatlidis, I. (2006) investigate the distinctive developmental part of India as compared to the other Asian economies which are rapidly growing. The authors have emphasised over the concept of how India has a large service sector rather than manufacturing, and even within the manufacturing the economy leans towards the skill intensive rather than the labour-intensive industries. They argue that although the reforms have been rapid since the 1990s, some barriers have been removed, but India may not have been able to revert to a typical developmental path as has been seen in East Asia. The paper uses the state level growth comparisons to draw lessons about the future growth trajectories. *The quality of governance: How have Indian states performed? Sudipto Mundle, Pinaki Chakraborty, Samik Chowdhury, Satadru Sikdar (2012)* presents a comparative assessment of the governance quality across Indian states. There are multiple governance dimensions and a composite quality of governance index has been used by the authors to rank Indian states and identify the patterns of governance and their performance. The study finds that there is a stability in the identity of top performing states, including Andhra Pradesh, Gujarat, Punjab and Tamil Nadu and bottom performing states like Bihar, Uttar Pradesh and Jharkhand across different ranking methods. They also adjust for the development levels using the development adjusted governance index and thus highlights the significance even after controlling the economy development. *Fiscal*

6

Federalism: Transfer Dependency and Its Determinants among Select Indian States (ISEC Working Paper

No. 524) by J S Darshini and and K Gayithri (2021) analyses the patterns of the fiscal dependency of Indian states and central government transfers over the period of 1982 to 2015 covering 14 major states. It decomposes the components of transfer and examines determinants of the discretionary central transfers to the state. The author finds that while the state should in the divisible pool has grown, the fiscal dependency remains high and the states with stronger fiscal space and higher GSDP growth receives more funds related to purely political factors. The study highlights how the transfer design and the state capacity as well as the reform incentives interact in India's fiscal federalism architecture. *Assessing the Resilience of India's Service Sector to Shocks and Fluctuations by B. Padmapriya & C.T Vidya (2024)* investigates how India's service sector has responded to the external as well as internal shocks, including the global financial crisis and the COVID-19 pandemic over a period 1981 to 2021. The famous tool, Hodrick-Prescott filter and vector autoaggressive (VAR) modelling has been used by the author which shows how long run trends, cyclical fluctuations and short-term shocks have influenced the economy of the country. The paper finds that the service sector has grown in importance and shown a lower volatility compared to the other sectors. The subsectors including the trading, hotels and restaurants, business services have shown high sensitivity to the shocks and contribute significantly to the national gross value added fluctuations. The authors further discuss how resilience has maintained a steady growth rate and helped to recover from the shocks. These highlight implications for the policy like the investment in service sector, infrastructure, targeted support and vulnerable sub-sectors.

Statement of the Problem

Although India's economic growth trajectory has been widely studied and has shown an interconnection between economic policy, governance quality and resilience. However, outcomes of growth, like the GDP, expansion of growth, investment takes into consideration the macroeconomic impact only. The problem of knowledge lies in the lack of integrative research which connects economic theories of growth with governance and institutional resilience within the developmental and socio-economic context. Addressing the gap is essential for developing a comprehensive understanding of how the governance structures and policy reforms can strengthen India's capacity for inclusive and resilient growth. India grapples with the policy

7

challenge which lies in balancing the rapid economic growth with the institutional factors as well as inclusive development. There has been a persistent situation of inequality, administrative, inefficiency, and institutional capacity which has been unevenly distributed across states thereby hampering the sustainable growth. The major economic shocks such as the 2008 crisis, the 2016 demonetisation, the COVID-19 pandemic, revealed how the governance vulnerabilities exist in the economic management and the welfare delivery. The policymakers are yet to design adaptive and evidence-based reforms to strengthen the sustainability, digital governance, and also the crisis preparedness beyond 2025. There is an urgent need to assess and evaluate the past policies that have announced the resilience and that which requires redesigning of the economy policies to fight against the future shocks.

Research Hypothesis

- Improved governance quality since 1991 has seen a positive and significant impact on India's economic growth.
- India with stronger institutional quality and governance frameworks demonstrate higher long-term

growth stability and are better equipped to absorb external shocks.

- Institutional quality mediates the relationship between economic growth and resilience in India.

Research Questions

How has governance design influenced India's economic growth since 1991?

How did India's economic and governance structures respond to major shocks (2008 global financial crisis, 2016 demonetisation, and covid-19 pandemic)?

What has been the role of major governance reforms (RTI, Aadhaar-DBT, GST, digital platforms) in enhancing institutional capacity and economic performance?

Research Objectives

To examine the relationship between the governance design and the economic growth in India since the liberalisation period of 1991-2024

To assess the role of key governance reforms like RTI, Aadhaar-DBT, GST, digital governance that have influenced state capacity, institutional efficiency, and growth outcomes.

To evaluate India's resilience to major economic shocks and identify how governance affected recovery patterns are.

Research Methodology

Research Design: The study employs a mixed-methods research design that combines the quantitative data analysis with that of the qualitative policy examination. The approach helps us to have a comprehensive understanding of how the governance and also the institutional reforms have shaped India's economic growth and decisions across major shocks.

Scope of the study: This has been focused on the temporal scope which covers the post liberalisation, successive institutional governance and policy shifts spread from 1991 to 2025.

Data Sources:

1. Secondary data: Macro-economic data (MoF, RBI, MOSPI, World Bank, IMF), Governance & institutional data (NITI Aayog, Economic Survey, Transparency International), Resilience & vulnerability data (NDMA, IPCC, CEEW, UNDP)
2. Qualitative Sources: Academic literature, research papers and think-tank reports, media archives, parliamentary reports

Analytical Framework:

1. Quantitative Analysis: Comparative analysis (between pre- and post-shock performance (2008, 2016, 2020), Time-series analysis (to explore long-term relationships between reforms & growth)
2. Qualitative Analysis: Policy analysis, case studies (Global Financial Crisis (2008), Demonetisation (2016), COVID-19 pandemic, Climate-related resilience.

Limitations of the study

- The research on India's growth is often fragmented because the data driven studies have neglected the governance factors and thus lack quantitative grounding.
- The *mixed method approach*, combining time series and economic data with qualitative policy analysis is usually missing.

- There is also a shortage of the longitudinal research which covers the long period of liberalisation from 1991 to 2025, that integrates the crisis, such as the 2008 financial crisis, the 2016 demonetisation, and the COVID-19 pandemic.
- A comprehensive methodology which is required to connect the empirical evidence such as GDP, governance indicators with that of the policy evaluation like RTI, Aadhaar, DBT, GST is not found.

Research and Discussions

1. Mapping India's Growth Phases to Economic Models

● ***Solow-Swan Model (Capital Accumulation and Structural Reforms) 1991-2003***

Developed by Robert Solow and Trevor Swan in the 1950s, this theory is based on the neoclassical theory of the production which considers the product of inputs from capital, labour, and technology and assumes that the other factors (natural resources and human skills), do not change over a long period of time. The growth through capital accumulation, savings, and labour expansion until reaching a steady state. Shortly after the 1947 independence, India adopted a state-development model emphasising industrialisation, import substitution, and public sector investment. The economic reforms of 1991 triggered significant liberalisation of trade, industry, and finance. These reforms laid the groundwork for capital accumulation and improved productivity via deregulation and increased investment inflows. The period witnessed issues like industrial delicensing, foreign investment inflow, financial sector reforms and initial infrastructure expansion etc. In Solow-Swan terms, India was in a transitional growth phase where capital accumulation was supplemented by improved factor allocation (rising GDP). The factor driven growth was the major focus. The economy converged towards a higher and steady state. The Five-Year Plans prioritised heavy industries, public enterprises, and capital formation through. The 'Hindu Rate' of Growth averaged 3-3.5%. The influence of Solow-Swan growth in India was driven largely by increase in capital and labour (not productivity or innovation) The

10

technological progress was exogenous, through foreign aid and licensing. The 'steady state' predicted by Solow was seen in the Indian context due to low savings and inefficient capital allocation.

Policy Reflection: Planning Commission, Industrial Policy Resolutions (1956, 1973), self-reliance and public investment mirrored Solow's capital deepening phase (without the endogenous technological progress). The Solow-Swan model clearly explains the planning and capital accumulation era of the 1950s and 1960s, resulting in the capital-led, state directed, and low productivity growth period converging slowly towards a steady state.

● ***Endogenous Growth (Human Capital, Innovation, Services Expansion) 2003-2016***

The Endogenous Growth Theory, developed by Paul Romer (1986,1990) and Robert Lucas (1988), emerged in response to the Solow-Swan Model, which designates technological progress as an exogenous variable. The basic argument values long-term economic growth as a key factor to raise the human capital accumulation, innovation, research and development (R&D), and knowledge within the economy. The growth is driven by innovation, human capital, knowledge acquisition and not merely by labour or capital. The Indian economy, around the 1980s faced stagnation, fiscal deficits, and inefficiency. The 1991 Economic Reforms led to a liberalised economy, deregulated industries, opened the economy to Foreign Direct Investment, and liberalised trade, and reduced state control. The main indicator for the growth engines became the private sector and global integration. The Endogenous Growth Model centres on technological change and human capital accumulation. The rise of the IT and service sectors, educational

expansion, and entrepreneurship are endogenous innovation factors. between 2003 and 2016, India saw a strong song in the development of the service sector, IT and digital industries were rampant, there was a rising human capital investment and the knowledge intensive exports. This period also is significant as it aligns with the indigenous growth model developed by Romer and Lucas, which emphasises innovation, knowledge, human capital and the creation as the external growth drivers. Indian firms became a part of the global chain and the IT boom and the tertiary sector expansions were propelled not merely by the capital imports but also by the learning, skill formation, and also the innovation spillovers. In India, the endogenous growth model is reflected through several policies that existed post 1980s onwards including the

11

New Industrial Policy (1991), IT Act (2000), National Innovation Policy (2013), and Skill India Mission. The Endogenous Growth Model best explains India's transformation into a knowledge and innovation based economy where growth is self-sustaining through human capital and technology.

● ***Institutional Economics (Governance, Inclusion, and Resilience Era) 2016 to Present)***

The Institutional Economics Framework emphasises that the long run prosperity of a nation depends not only on economic inputs (capital, labour, or technology) but on the quality of its institutions (political, legal, and administrative rules etc) (North, 1990). The key identity of Institutional Economics is the economic growth that cannot be sustained without good governance. The growth and resilience depend on the quality of governance, institutions, and rule of law, not just economic inputs. India's challenge shifted from generating growth to sustaining and managing it inclusively from the 2010 onwards. There occurred a series of changes: the rapid globalisation, digital transformation, and crises (e.g., global recession and covid-19 pandemic). Since 2016, India's economy, tragically has been heavily dependent on the institutional and governance reforms. The transformations included the GST, the demonetisation process, the DBT and Aadhar, bankruptcy and also the digital infrastructure. These reforms are focused on the institutional, strengthening, enhancing the transparency, improving market efficiency and also reducing the transaction cost. The institutional economics explains how the formal rules, incentives and also the governance systems shape the growth outcomes. This period also makes a great emphasis on the economy, resilience and thus the capital or the information becomes an important part of the institutional capacity and the governance performance. The economic resilience was linked to policy coherence, federal coordination, and institutional reforms. India's governance, rule of law, and federal fiscal reforms like the GST and NITI Aayog reflect the institutions which are based on delivery services. The strong institutions have enabled us to adapt to different kinds of cases and this continued to grow its momentum despite volatility. The policy programmes like Digital India, Make in India, Atmanirbhar Bharat, and reforms like Ease of Doing Business have strengthened the steel capacity and institutional efficiency leading to improved governance outcomes.

Table 01

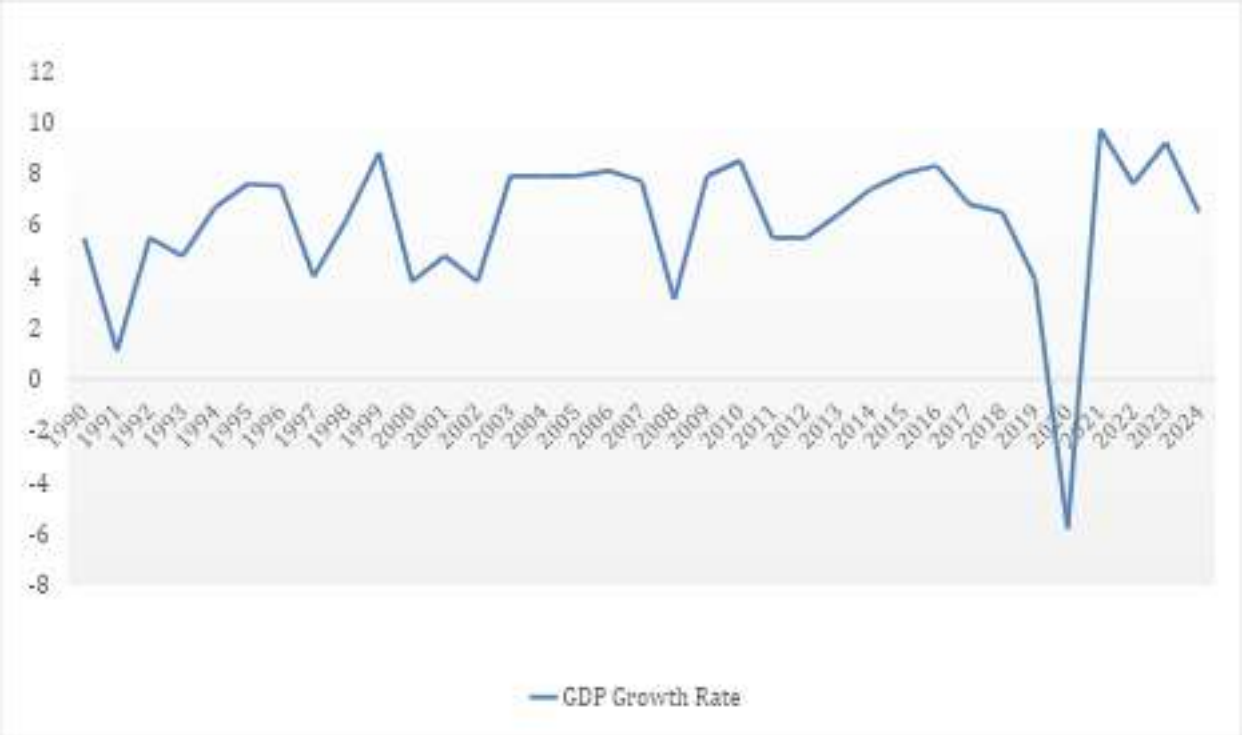
Phase (Period)	Key Growth Drivers	Corresponding Theory
Phase I (1991–2003)	Capital accumulation; structural reforms and liberalisation	Solow–Swan Model
Phase II (2003–2016)	Human capital formation; services expansion; IT growth	Endogenous Growth Theory
Phase III (2016–Present)	Governance reforms; GST & formalisation; DBT	Institutional Theory

***Source**: Data compiled after carefully studying the Ministry of Finance. (Year). Economic Survey of India. Government of India.*

2. India's Growth Trajectory (1991–2025): Governance, Reform, and Resilience

India's growth trajectory has witnessed a long swings: a low growth decade immediately after liberalisation, strong expansion around 2000s, followed by a slowdown around 2010s, a sharp contraction during the Covid 19 pandemic in 2020, and then a robust rebound through 2021 to 2024. This was immediately followed g a strong continued activity into 2024-25. The long view shows that even though the growth varied year to year, the country's GDP level rose markedly, driven by services led growth, urbanisation, and rising investment and consumption (World Bank Group).

Graph 01
GDP growth rate (1990-2024)



Source: World Bank Group

What does the graph show?

A low but rising trend after the 1990s liberalisation

A strong acceleration through the 2000s due to growth of service sector

A sharp slowdown in the mid 2010s followed by a modest growth

A very large economic decline during the 2020s due to the pandemic, followed by a strong rebound in 2021-23 and continued solid growth in 2024-25. (The World Bank Group in India)

Phase-by-phase explanation

The period between 1991 to early 2000s (transition and early recovery): The growth is initially uneven but overall tougher than the pre-1991 trend; the line begins to climb from the low single digits. The GDP growth in the year 1991 was 1.1% which showed a sharp decline from the growth of 5.5 % in 1990 (World Bank, IndexMundi). This was due to the balance of payment of the crisis, prior inefficiencies and structural rigidities, global/external environment, fiscal deficits was 8% of GDP, and dwindling forex reserves that could finance only two weeks of imports. The "License Raj," in pre-1991 had deepened the slowdown due to high tariffs and low productivity. The structural reforms under PM P.V Narasimha Rao and Finance Minister Manmohan Singh triggered a turnaround. Reforms like industrial deregulation, rupee devaluation, trade liberalization, FDI inflows, and tax reforms were led to the growth. (World Bank, 2018). The GDP growth rebounded from 5.5% in 1992 to 6.7% in 1994, and 7.6% in 1995, averaging 5.4% (1991-2003) (World Bank, 2019). The recovery was a result of the rising investment and savings, the expansions of manufacturing and IT services, and improved export performance. The Asian Financial Crisis (1997-98) to around 4%, reflecting India's exposure to global volatility. By the early 2000s, stronger private investment, stable macroeconomic management, and early signs of a digital and surviving economy were restored.

Summary (1991 to 2000s)

Crisis: 1991 – low reserves, high debt, 1.1% GDP growth.

Reforms: Liberalization and structural adjustment (1991–93).

Recovery: Average 5.4% growth (1991–2003); services & exports rise.

Challenges: Infrastructure, agriculture dependency, Asian crisis slowdown.

(Sources: World Bank "World Development Indicators"; IndexMundi GDP data; World Bank Policy Research Working Paper No. 8599, 2018; India Development Update, March 2018.)

The era of 2000s economic growth (2003-2010) (the slow growth rate): The GDP fell from 4.8% to 3.8% from 2001 to 2002 due to Erratic monsoons reduced crop output, affecting rural incomes and consumption. Agriculture contributes 20–25% of GDP, so monsoon shocks have a significant macro impact. The manufacturing growth was weak and the post 1990s policy transitions were lagging. GDP growth dipped to a low of 3.8% in 2002, reflecting internal structural constraints along with global economic slowdowns. (World Bank, World Development

15

Indicators). The 2003 to 2006 is classified as rapid growth from 7.9% to 8.1%. This was primarily due to the investment boom where the private and public investment surged; gross fixed capital formation and domestic savings rose sharply. (World Bank India Development Update, March 2018). The monsoons improved rural incomes. IT, BPO, telecommunications, and financial services drove GDP growth (50% contribution). Moderate inflation and controlled fiscal deficits (RBI Annual Reports 2003–07). The 2006

to 2007 led to a slight moderation from 8.1% to 7.7% due to infrastructure constraints like power shortages, transport bottlenecks. (IMF, Country Report: India, 2004–2007). India entered a high-growth regime, and is widely referred to as the "India growth miracle" in domestic economic literature. The period between 2008–2010, referred to as the period of Global Financial Crisis (GFC), followed by quick recovery. The 2007 (pre-crisis peak) had a total growth of 7.7% GDP, 2008 estimates vary: slowdown) with 3.1% growth, 2009 (strong rebound) saw a GDP growth of 7.9% and the 2010 (sustained recovery) is 8.5%. (RBI Annual Report 2008–10, IMF India Country Report 2010). The global shocks was due to the collapse of US financial markets reduced export demand and foreign capital inflows. The stock market fell sharply. Merchandise exports growth fell from 28% (2007–08) to 15% (2008–09). India's GDP dipped during the global financial crisis due to the above mentioned reasons but rebounded quickly (7.9% in 2009, 8.5% in 2010) due to strong domestic consumption, effective policy stimulus, and a resilient financial system, showing stronger resilience than many peers. (World Bank, India Development Update, March 2010).

Summary (2001–2010)

Slowdown: 2001–2002 – Global slowdown, weak monsoon, low industrial growth; GDP growth 4.8% to 3.8%.

Mid-2000s boom: 2003–2007 – Investment surge, agricultural recovery, services sector expansion, fiscal and monetary stability; GDP growth 7.9–8.1%.

Global Financial Crisis: 2008–2009 – External shock reduced exports and investment; GDP growth slowed (3.1–7.9%).

Recovery: 2009–2010 – Strong domestic consumption, fiscal & monetary stimulus, resilient banking system; GDP growth rebounded to 7.9–8.5%.

Challenges: Infrastructure bottlenecks, rising input costs, and global commodity price volatility.

Sources: World Bank "World Development Indicators"; RBI Annual Reports 2008–2010; IMF Country Reports 2008–2010; World Bank India Development Update, March 2010.

Moderation and Structural Headwinds (2011–2019): The growth rate between 2011-12 (Moderate Growth): GDP at 5.5% each year. The reasons including the investment slowdown, banking sector stress, and weak global demand led to a slower rate. From 2013 to 2016, the acceleration, growth picked up from 6.4% to 8.3% due to reforms, improved investment climate, fiscal and monetary support, and strong services & manufacturing expansion. The moderation period began in 2017-18, which led to slow growth 6.8% to 6.5%. GST implementation, rural distress, and lingering banking sector NPAs constrained activity. The sharp slowdown in 2019 fell to 3.9% due to global slowdown, weak consumption, and structural bottlenecks. The 2011 to 2019 period was thus a phase of moderation, temporary acceleration and structural headwinds. India was resilient with persistent domestic and external challenges.

Summary (2011–2019)

Moderation: 2011–2012 – Investment slowdown, banking sector stress, weak global demand; GDP growth 5.5%.

Acceleration: 2013–2016 – Improved investment climate, fiscal and monetary support, services & manufacturing expansion; GDP growth 6.4–8.3%

Moderate slowdown: 2017–2018 – GST implementation, rural distress; GDP growth 6.5–6.8%.

Sharp slowdown: 2019 – Global economic slowdown, weak consumption, structural bottlenecks; GDP growth 3.9%.

Challenges: Structural constraints in labor and infrastructure, dependence on domestic consumption, and sensitivity to global shocks.

Sources: World Bank "World Development Indicators"; RBI Annual Reports 2011–2019; IMF Country Reports 2011–2019.

Pandemic and Post-Pandemic Phase (2020-2025): The Covid-19 shock led to GDP contraction sharply at -5.8 due to nationwide lockdowns and economic disruption. The strong rebound in 2021 led to a surged GDP growth of 9.7% as economic activity resumed and stimulus measures

17

supported recovery. The 2022-2023, sustained recovery from 7.6% to 9.2%, was driven by domestic demand, service sector recovery and industrial revival. The 2024 to 2025, estimated GDP was 6.5, reflecting continued but moderate growth as pandemic effects fade and structural challenges remain. The period shows a V-shaped recovery after 2020, followed by moderating growth. This highlights the resilience of India's economy.

Summary (2020–2024)

COVID-19 shock: 2020 – Nationwide lockdowns and pandemic disruption: GDP contracted sharply to −5.78%.

Strong rebound: 2021 – Resumption of economic activity, government stimulus, and pent-up domestic demand; GDP growth 9.69%.

Sustained recovery: 2022–2023 – Industrial revival, services sector recovery, and domestic demand support; GDP growth 6.99–8.15%.

Moderate growth: 2024–25 (estimate)- Pandemic effects fade; GDP growth expected 6.5%.

Challenges: Structural constraints, global economic uncertainties, and need for continued reforms to sustain high growth.

Sources: MacroTrends; World Bank Open Data; India Brand Equity Foundation (IBEF).

3. Governance Reforms and Economic Resilience in India

Resilience refers to the ability of the system (government) to absorb shocks, adapt and continue the functioning effectively. In India, the idea of resilience has evolved through the social, economic, political and institutional contexts. There has been a long history of foreign invasions, colonisation , and internal diversity within India. The traditional social structures, cultural pluralism, and self-sustaining local economies have contributed to the survival and adaptation. The post 1947 era witnessed refugee crisis, food shortage, high poverty and illiteracy and low industrial base. During that time, the state emphasised over the planned development, public sector expansion, institutional building through various policy systems like Five-Year Plan, Green Revolution and National Food Security Mechanisms etc. The big transition began 1991

18

onwards when the Balance of Payments crisis was started in response to which LPG reforms were adopted. The reforms strengthened the production, improved the private sector, expanded the global trade links and enhanced the foreign exchange reserves. India's approach to resilience has evolved significantly, shifting from a reactive, relief centric model to a proactive, technology driven strategy and multi hazard practices that integrate with developmental planning and highlights economic resilience.

India's economic growth has been shaped not by the market liberalisation and globalisation alone but also by a series of deep governance reforms that have been started around the early 2000s. These have been wide ranging reforms beginning from the transparent laws to the digital innovations, which have tried to transform the relationship between the state, the market, the citizens of India. The institutional capacity

along with the improved service delivery and enhanced economic resilience to both domestic and global shocks have led to the improvement in the economic settlement of the country and fight against the various economic shocks in the country. The interplay between the governance reforms and resilience to shocks highlights a central idea: transparency, inclusivity, and digitisation in governance which is to improve routine economic outcomes and equip the economy to withstand and recover from external and internal shocks. Policies like RTI Act 2005, Aadhaar, DBT, and GST provided a foundation to enhance the efficiency, faster implementation, reduced leakages, and emergency measures during crisis, ensuring sustained growth and economic stability. India's approach to shocks has seen a combined growth through fiscal, monetary, and structural measures to improve the economy. The short term disruption has been inevitable, the recovery trajectory after each shock demonstrates a pattern of resilience, aided by government reforms (like DBT and GST), that led to a strengthened system and digital infrastructure. India has undertaken several key governance reforms over the past two decades. These have had a significant impact on improving service delivery, reducing leakages, and fostering digital adoption.

Right to Information (RTI) Act, 2005: right to information act 2005, empowers the citizens to access information from the public authorities, promoting transparency and accountability in the governance system. By making the governance system more transparent, the RTI helped in reducing the corruption and the inefficiencies or the malpractices in the public programmes, indirectly contributing to better economic outcomes. For example, the improved transparency in subsidy disbursement and also the public procurement has enhanced the resource allocation and the efficiency mechanism has become more transparent.

Aadhaar (Unique Identification Authority of India): The Aadhaar, the unique identification Authority of India was launched in 2009, and is a biometric-based unique identification system, which has now become a web covering over 1 million citizens in India. The system of providing a unique identity has facilitated the delivery of welfare programmes, reduced the ghost beneficiary and duplicate identity, enabled a financial inclusion by linking the bank accounts. This system of digital identity has led to the foundation of reforms like the digital payments and the Direct Benefits Transfer.

Direct Benefit Transfer (DBT): The direct benefit transfer as a policy was introduced in 2013, that channelised the subsidies and welfare benefits directly into the account of beneficiaries, thereby reducing the intermediaries and leakages. This reform has widely increased the efficiency in the government expenditure and also strengthened the inclusion of financial areas. The LPG subsidy transfer has directly been sent to citizens' accounts, thereby minimising the corruption and improved programme targeting. This is an example of how direct benefit transfer has improved the efficiency and effectiveness of economic reforms. The Aadhar-linked DBT system has improved the welfare delivery system by reducing leakages in schemes like subsidy, MGNREGA and LPG.

Goods and Services Tax (GST), 2017: The goods and services tax of 2017 has put the fragmented system of indirect tax into a single, digitalised framework that has improved the compliance system and expanded the tax base. GST has improved the system of revenue mobilisation, thereby formalising the business, improvement in the transparency, and contributed to the growth of digital transactions, fostering an environment conducive to investment and economic growth. This has encouraged formalisation of small firms, improved compliance, broadened the tax base etc.

The overall impact has been on the governance innovations which have collectively advanced the inclusivity through the policies of DBT and Aadhaar. It has further enhanced the transparency through the policies like the Goods and Services Tax and the Right To Information Act of 2005. The digital

programmes like the digital payment and e-governance platforms have led to the improvement in the digital convenience for the citizens. Together, they form the
20
institutional backbone that enables the country like India to manage the economy, shocks more effectively and efficiently.

Resilience to Economic Shocks

The global or the domestic economic shocks have always disrupted the country's overall economic system. However, India's resilience to economic disruptions reflect the synergy between robust policy framework and adaptive governance. There have been quite a few economic shocks suffered by the world and India as well but the resilience that the country showed has tested India's economic foundation, and revealed how the country can fight against these challenges.

1. **Global Financial Crisis (2008–09)**: The 2008, global crisis disrupted the financial markets, exposing India to toxic assets, coupled with counter countercyclical fiscal measures, and also monetary easing, which helped to maintain the stability. The government's fiscal stimulus and the Reserve Bank of India's accommodative policy had sustained the investment and consumption. Thereby allowing the GDP growth to rebound quickly to 8% in 2010. India remained relatively insulated due to its limited exposure to toxic financial assets. The country's counter cyclical fiscal stimulus and the RBI's monetary easing helped stabilise the demand, support credit and sustainable consumption.
2. **Demonetization (2016):** The controversial demonetisation of 2016 was to withdraw the high-value currency notes, which accelerated the shift towards digital transactions and the formalisation of the economy. The acceleration was towards digital payments and helped formalise the economy. The short-term disruptions in the informal sector gave a long-term benefit through the expanded tax compliance system via the goods and services tax and also the increased digital financial penetration. These outcomes have been quickly aligned with India's broader and general goal of making the system accountable through the governance system and also increasing the goal of transparency. The withdrawal of high-value currency caused temporary contractions in the informal sector and accelerated payments.
3. **COVID-19 Pandemic (2020–21):** The COVID-19 pandemic exposed the world to the most severe economic shocks of decades. This was followed by the Indian government's policy response that was anchored in the Atmanirbhar Bharat Abhiyan, combined with the liquidity injection, welfare, transfer, fiscal support. The pre-existing DBT system and the Aadhaar enabled rapid and targeted transaction system, which led to the improvement in the economy. However, the economic shocks were serious. The economy rebounded with the one of the fastest GDP recovery in the year 2021 to 2022, showcasing the digital governance infrastructure that translated into real economic resilience. Kerala's Pandemic and Disaster Response system has enabled effective and strong disaster management response systems. Social development investments: education, health, panchayat institutions underpinned resilience, showing how human capital and governance capacity mitigate shocks.
4. **Climate Related Resilience:** Climate related resilience refers to India's ability to deal with climate stress and recover from various shocks like heatwaves, floods, rainfall etc. India has a strengthened resilience model which is due disaster management institutions (NDMA), climate-resilient agriculture, renewable-energy expansion, urban flood-management initiatives, and community-based adaptation. These measures have reflected India's capacity to absorb shocks, adapt, and reorient toward long-term

structural transformation. Odisha Cyclones are a popular example of climate resilience. The 1999 super cyclone at Odisha was tackled through the mass-evacuation systems, cyclone shelters, and trained community volunteers (Odisha DRC). This drastically reduced mortality from later cyclones such as Phailin (2013) and Fani (2019).

This shows that India's growth story is inseparable from its governance. Evolution backed by the institutional reforms, such as RTI, Aadhaar, DBT, GST that have not only transformed the service delivery and physical transparency, but also fortified the economic growth of the country.

Table 02

Crisis	Contraction Period	Policy Response	Recovery Pattern	Sources
2008–09 GFC	Mild slowdown	Fiscal & monetary stimulus	Quick rebound	*Ministry of Finance, India, (ADB/ADBI)*
2016 Demonetization	Short-term disruption	Cash reform and GST rollout	Moderate recovery in 1 year	*VoxDex*
2020–21 COVID-19	Sharp contraction	Atmanirbhar Bharat + DBT & liquidity	Strong rebound	*IGIDR working paper).igidr.ac.i n*

Key Findings

The post 1991 growth was shifted from the capital expansions to the knowledge based and derive led growth, preceded by a stronger idea on institutional reforms and resilience.

The government reforms like Aadhaar–DBT and GST strengthened the delivery system and improved the fiscal capacity.

The resilience power of the country was improved because of timely fiscal and monetary response which enabled rapid recoveries.

The states having stronger institutions and fiscal responses recovered faster and more effectively.

The digitalisation process changed the overall governance model where digital payments, DBT and electronic records improved speed and targeting of relief, but digital divides limit universal benefits.

Remaining Gaps

- The political restraints where the reform reversals, staggered implementation and distributional policies delay policy effectiveness.
- The issue of data limitations like high frequency, granular, and disaggregated data exists.
- Large information sector with weak social protection where formalisation is incomplete.
- Gains have been concentrated; income and opportunity gaps persist across states, castes, and gender.
- There is insufficient investment in long term climate resilient infrastructure.
- While digital platforms scale relief, access gaps and data-governance/privacy risks remain.

Policy Suggestions

The policies can be applied in two ways: short-to-long term (1–3 years) policies and medium-to-long term (3–10 years)

A. Short-to-long term (1–3 years)

- There needs to be a system of targeted social protection for informal workers where temporary wage-support, portable social insurance, and simplified DBT enrollment drives for informal workers.
- The conditional state capacity building funds for the weaker states by the technical assistance and performance linked grants to improve the GST compliance, DBT delivery, and disaster preparedness.
- The mobile literacy drives and subsidised digital access points, and simplified KYC are needed to expand the benefits of UPI/DBT to underserved groups.
- Institutionalise contingency funds at national and state levels and strengthen automatic stabilizers.

B. Medium-to-long term (3–10 years)

- Investing in climate-resilient public goods like resilient transport, water management, and climate-proofed rural infrastructure.
- Expanding vocational training, female labour-force inclusion programmes, and district-level education/health investments to raise productivity inclusively.
- Establishing data governance & privacy framework by strong legal safeguards for digital ID and payment systems, with transparency, grievance redressal, and privacy protections.
- The alignment of central funds with measurable reform outcomes.
- Integrated disaster economic planning in order to incorporate climate risk into public investment appraisal and long-term fiscal planning.

Conclusion

India has demonstrated a long run growth model since 1991 which is sustained not only through market liberalisation but also through deliberate institutional and governance reforms. The initial growth model was supported by structural reforms that would promote private investment and global integration. The subsequent decades witnessed the governance quality improvement which became central to sustaining development and resilience.

This study is based on a strong resilience between the governance reforms (RTI, Aadhaar-DBT architecture, GST etc) and the strengthened state capacity, welfare delivery system etc. All these transformations have improved the fiscal efficiency, and enhanced welfare delivery. This has allowed India to reduce leakages, accelerate payment systems, formalise sectors, and support

25

inclusive growth. The public policy choices of the Indian state thus illustrate how institutional design can generate economic efficiency while broadening access to services.

The Indian economy showed resilience amid significant shocks. The Global Financial Crisis was succeeded by a quick rebound. Demonisation created a short term disruption, but the digital governance and tax reform momentum helped in stabilising the economy. The COVID-19 pandemic created severe contraction, yet India's rapid DBT implementation, liquidity provisions, and welfare support enabled a strong post-pandemic recovery. This trajectory helped in understanding the reactive and structural resilience of the governance in India. However, the benefits of growth and reforms have been uneven. The long term structural challenges like the informality, human capital deficit, employment gaps, and infrastructure bottlenecks continue to restrain the economic growth potential.

Overall, this research concludes that economic growth in India is deeply intertwined with governance design and public policy choices. Institutional reform has not only driven growth but also enhanced the country's ability to navigate economic shocks. Moving forward, India's success will depend on strengthening its institutional foundations while addressing structural bottlenecks to ensure that growth is robust, equitable, and sustainable.

India's path demonstrates that governance is not simply a support mechanism for markets, it is a central pillar of national development.

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