Summary

The turnaround in industrial output growth in the 1980s has been attributed to the liberalization, increased public investment and better public sector performance. Policy measures initiated in the first three decades since independence facilitated the establishment of basic industries and building up of a broad based infrastructure in the economy. The origin of the financial crisis can be traced from the in efficient management of the Indian economy in the 1980s. The industrial growth dipped in 1991–92 due to crisis and adjustment problems. The economy was facing problems of declining foreign exchange, growing imports without matching rise in exports and high inflation. India changed its economic policies in 1991 due to a financial crisis and pressure from international organisations like the World Bank and IMF.

The need for reform of economic policy was widely felt in the context of changing global economic scenario, and the new economic policy was initiated in 1991 to make our economy more efficient.