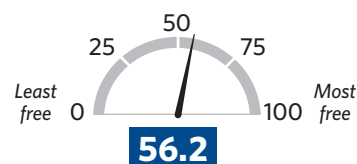




# INDIA

## Economic Freedom Score



World Rank: **123**

Regional Rank: **25**

**T**he reform-minded government of Narendra Modi has undertaken some necessary structural adjustments with a focus on improving the inefficient and bloated government sector, better managing public finance, and improving the business and investment environments. Despite some success, however, overall progress on implementing reform measures has been limited and uneven.

### ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **56.2** (up 1.6 points)
- Economic Freedom Status: **Mostly Unfree**
- Global Ranking: **123rd**
- Regional Ranking: **25th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom**
- Concerns: **Corruption, Regulatory Efficiency, and Investment Freedom**
- Overall Score Change Since 2012: **+1.6**

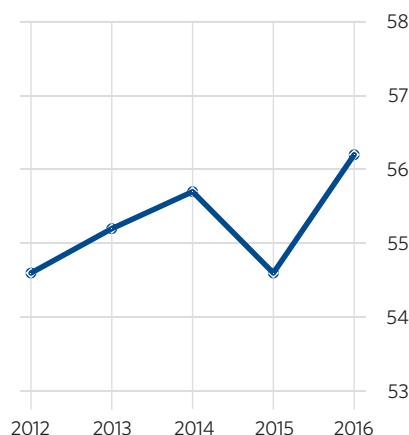
India's long-standing institutional shortcomings continue to undermine the momentum for economic development. In the absence of a well-functioning legal and regulatory framework, corruption remains a serious impediment to the emergence of a more dynamic private sector. The state's presence in the economy remains extensive through state-owned enterprises.

**BACKGROUND:** India is a stable democracy. It is 80 percent Hindu but also home to one of the world's largest Muslim populations. Prime Minister Narendra Modi, leader of the Bharatiya Janata Party, took office in 2014 and is credited with reviving the economy and reinvigorating India's foreign policy. Corruption, poor infrastructure, and fiscal deficits are a drag on development, but with lower global oil prices, the economy has been sustaining a growth rate of about 7 percent. Modi has opened the defense and insurance sectors to private investment, but his government has failed to secure passage of promised reforms in land acquisition and goods and services taxes. India is a significant force in world trade, but growth remains below potential.

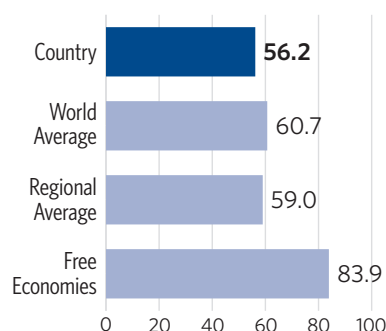
### How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

## Freedom Trend



## Country Comparisons

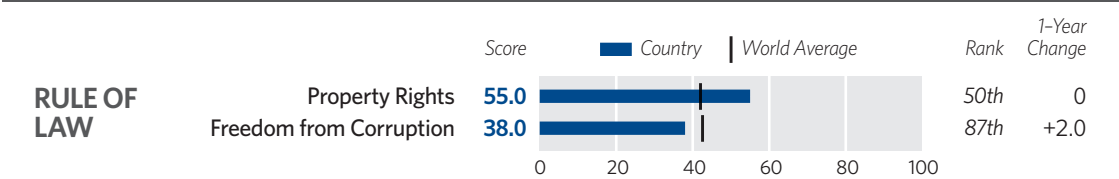


## Quick Facts

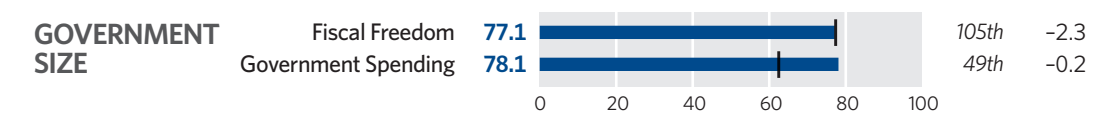
**Population:** 1.3 billion  
**GDP (PPP):** \$7.4 trillion  
 7.2% growth in 2014  
 5-year compound annual growth 7.2%  
 \$5,855 per capita  
**Unemployment:** 3.6%  
**Inflation (CPI):** 6.0%  
**FDI Inflow:** \$34.4 billion  
**Public Debt:** 65.0% of GDP

2014 data unless otherwise noted.  
 Data compiled as of September 2015.

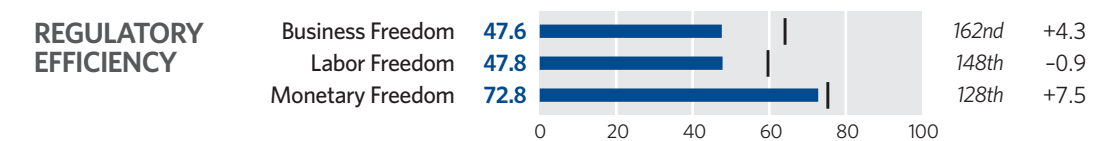
THE TEN ECONOMIC FREEDOMS



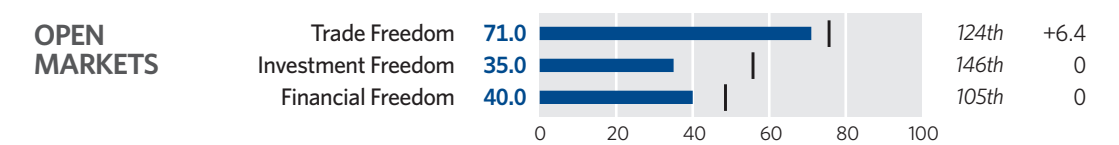
Political corruption has a negative effect on government efficiency and economic performance. Civil servants at all levels are known to accept bribes or engage in other corrupt behavior, usually with impunity. India’s judiciary is independent, but courts are understaffed and lack the technology necessary to clear an enormous backlog. Uncertainty about land ownership is one of the biggest problems facing the economy.



The top individual income tax rate is 30.9 percent (including an education tax). The top corporate tax rate is 34.6 percent. The overall tax burden equals 16.7 percent of GDP. Government spending amounts to 27 percent of total domestic output, and the budget remains in chronic deficit. Progress in reforming subsidy programs over the past year has been slow. Public debt is equivalent to 65 percent of GDP.



Organizing new investment and production remains burdensome. Launching a business takes more than 25 days on average, and licensing requirements are costly. The underdeveloped labor market lacks efficiency, and the informal sector remains an important source of employment. In 2014, the government scrapped plans to impose price controls on a range of branded generic drugs and lifted state control of diesel prices.



India’s average tariff rate is 7 percent. Numerous non-tariff barriers impede the free flow of goods and services. Government procurement policies favor domestic firms. Foreign investment in many sectors of the economy is capped. State-owned institutions dominate the financial sector, and foreign participation is limited. In public-sector banks, troubled assets account for about 10 percent of total assets.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+30.3	Business Freedom	-7.4	Trade Freedom	+71.0
Freedom from Corruption	+28.0	Government Spending	-14.3	Labor Freedom	-13.9	Investment Freedom	-15.0
				Monetary Freedom	+1.1	Financial Freedom	+10.0