India’s economic freedom score is 54.5, making its economy the 130th freest in the 2018 Index. Its overall score has increased by 1.9 points, led by improvements in judicial effectiveness, business freedom, government integrity, and fiscal health. India is ranked 30th among 43 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

India is developing into an open-market economy, but traces of its past autarkic policies remain. Economic liberalization measures, including industrial deregulation, privatization of state-owned enterprises, and reduced controls on foreign trade and investment, that began in the early 1990s accelerated growth. More recently, the government reformed one of its more opaque operational practices to make the auctioning of rights to exploit state-owned resources more transparent. Corruption, underdeveloped infrastructure, a restrictive and burdensome regulatory environment, and poor financial and budget management continue to undermine overall development.

**ECONOMIC FREEDOM SCORE**

![Economic Freedom Score Graph]

- **54.5** (▲ UP 1.9 POINTS)
- **61.0** REGIONAL AVERAGE (ASIA-PACIFIC REGION)
- **61.1** WORLD AVERAGE

**NOTABLE SUCCESSES:**
- Monetary Stability and Trade Freedom

**CONCERNS:**
- Fiscal Health, Rule of Law, and Financial Freedom

**OVERALL SCORE CHANGE SINCE 2014:**
- -1.2

**FREEDOM TREND**

**QUICK FACTS**

- **POPULATION:** 1.3 billion
- **GDP (PPP):** $8.7 trillion
- **5-year compound annual growth:** 6.8%
- **FDI INFLOW:** $44.5 billion
- **PUBLIC DEBT:** 69.5% of GDP

**UNEMPLOYMENT:** 3.5%

**INFLATION (CPI):** 4.9%

**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 reinvigorating India’s foreign policy. Modi also promised sweeping economic reforms, but reforms thus far have been modest. India’s diverse economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of services. Services account for nearly two-thirds of India's output but employ less than one-third of its labor force. India has capitalized on its large, educated English-speaking population to become a major exporter of information technology services, business outsourcing services, and software workers.

*2016 data unless otherwise noted. Data compiled as of September 2017*
### 12 Economic Freedoms | India

#### Rule of Law
- Property Rights: 55.4 (No change)
- Judicial Effectiveness: 54.3 (+9.9)
- Government Integrity: 47.2 (+2.9)

Although land titles in some urban and nearly all rural areas remain unclear, real property rights in large metropolitan areas are generally well enforced. The judiciary is independent, but Indian courts are understaffed and lack the technology necessary to clear an enormous backlog. Although officials are often caught accepting bribes, a great deal of corruption goes unnoticed and unpunished.

#### Government Size
- Tax Burden: 79.4 (+2.2)
- Government Spending: 77.7 (+0.3)
- Fiscal Health: 13.2 (+2.2)

The top individual income tax rate is 30.9 percent (including an education tax). The top corporate tax rate is 32.4 percent. The overall tax burden equals 7.2 percent of total domestic income. Over the past three years, government spending has amounted to 27.3 percent of total output (GDP), and budget deficits have averaged 6.9 percent of GDP. Public debt is equivalent to 69.5 percent of GDP.

#### Regulatory Efficiency
- Business Freedom: 56.4 (+3.6)
- Labor Freedom: 41.8 (+0.2)
- Monetary Freedom: 75.9 (+0.9)

In 2016, India made getting electricity faster and cheaper by streamlining the process for getting a new commercial connection in Delhi. Employment is difficult to measure because of the large informal economy. The government is transforming its subsidy regime by linking payments directly with people’s bank accounts to prevent “leakages” and allow the authorities to cut out intermediaries.

#### Open Markets
- Trade Freedom: 72.4 (-0.2)
- Investment Freedom: 40.0 (No change)
- Financial Freedom: 40.0 (No change)

Trade is moderately important to India’s economy; the combined value of exports and imports equals 40 percent of GDP. The average applied tariff rate is 6.3 percent. Nontariff barriers significantly impede trade. Government openness to foreign investment is below average. 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.