India’s economic freedom score is 55.2, making its economy the 129th freest in the 2019 Index. Its overall score has increased by 0.7 point, with a strong increase in the score for judicial effectiveness outpacing a decline in monetary freedom. India is ranked 31st among 43 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

The government is expected to shift from efforts to improve the business climate to adoption of populist measures as the 2019 election approaches. India is developing into an open-market economy, but traces of its past autarkic policies remain. Economic liberalization measures that began in the early 1990s, including industrial deregulation, privatization of state-owned enterprises, and reduced controls on foreign trade and investment, have accelerated growth. Corruption, underdeveloped infrastructure, a restrictive and burdensome regulatory environment, and poor financial and budget management continue to undermine overall development.

**ECONOMIC FREEDOM SCORE**

<table>
<thead>
<tr>
<th>REGIONAL AVERAGE</th>
<th>WORLD AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ASIA-PACIFIC REGION)</td>
<td>60.6</td>
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</tbody>
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**RELATIVE STRENGTHS:**
Tax Burden and Government Spending

**HISTORICAL INDEX SCORE CHANGE (SINCE 1995):** +10.1

**CONCERNS:**
Fiscal Health and Financial Freedom

**FREEDOM TREND**

**QUICK FACTS**

**POPULATION:** 1.3 billion

**GDP (PPP):** $9.5 trillion
6.7% growth in 2017
5-year compound annual growth 7.2%
$7,183 per capita

**UNEMPLOYMENT:** 3.5%

**INFLATION (CPI):** 3.6%

**FDI INFLOW:** $39.9 billion

**PUBLIC DEBT:** 70.2% of GDP

**BACKGROUND:** India is a stable democracy. Its population is 80 percent Hindu, but it is 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, in part to balance China’s growing influence in South Asia and the Indian Ocean. Modi promised sweeping economic reforms, but results thus far have been modest. The diverse economy encompasses traditional village farming, modern agriculture, handicrafts, and a wide range of modern industries. Capitalizing on its large, educated English-speaking population, India has become a major exporter of information technology services, business outsourcing services, and software workers.

2017 data unless otherwise noted. Data compiled as of September 2018.
Real property rights are enforced in metropolitan areas, but titling remains unclear in some other urban and rural areas. Although the judiciary is independent, India’s courts are understaffed and lack the technology necessary to clear an enormous backlog. Corruption is an obstacle to growth and remains a serious problem, and there is little evidence to suggest that anticorruption laws are effective.

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 27.5 percent of the country’s output (GDP), and budget deficits have averaged 6.9 percent of GDP. Public debt is equivalent to 70.2 percent of GDP.

A burdensome regulatory environment discourages the entrepreneurship that could provide broader private-sector growth. The state maintains an extensive presence in many areas through public-sector enterprises. Labor regulations continue to evolve, and the informal economy is an important source of employment. The government has drastically expanded subsidies and imposed minimum prices to bail out the failing sugar industry.

The combined value of exports and imports is equal to 40.6 percent of GDP. The average applied tariff rate is 6.3 percent. As of June 30, 2018, according to the WTO, India had 369 nontariff measures in force. Foreign investment is screened, but ownership restrictions in some economic sectors have been reduced. The government has recapitalized state-owned banks, and the number of their nonperforming loans is increasing.