INDIA

India’s economic freedom score is 53.9, making its economy the 131st freest in the 2022 Index. India is ranked 27th among 39 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

India's economic growth has slowed somewhat over the past five years, turning negative in 2020 but recovering in 2021. Before a dip this year, the country had been benefitting from small but steady annual increases in economic freedom. With increases in scores for judicial effectiveness, business freedom, and labor freedom outweighing a deterioration in fiscal health, India has recorded a 1.3-point overall gain of economic freedom since 2017 and remains in the middle ranks of the “Mostly Unfree” category. Monetary freedom is solid, but investment freedom and financial freedom lag.

IMPACT OF COVID-19: As of December 1, 2021, 469,724 deaths had been attributed to the pandemic in India, and the government’s response to the crisis ranked 74th among the countries included in this Index in terms of its stringency. The economy contracted by 8.0 percent in 2020.

BACKGROUND: India is the world’s most populous stable democracy. Roughly 80 percent of its nearly 1.4 billion people adhere to Hinduism, but it is also home to one of the world’s largest Muslim populations. Prime Minister Narendra Modi, leader of the Bharatiya Janata Party (BJP), took office in 2014 and retained the post when the BJP expanded its majority in 2019. A deadly crisis at the disputed China–India border in the same year exacerbated the two countries’ long-standing rivalry. India's diverse economy encompasses traditional village farming, industrial-scale agriculture, handicrafts, and a wide range of modern industries. Capitalizing on its well-educated English-speaking population, India has become a major exporter of information technology services, business outsourcing services, and software workers.
Property rights are difficult to establish legally. Land titles are not always reliable. The judiciary is independent and based on English common law. Indian courts are understaffed and lack technology. Large-scale political corruption scandals have repeatedly exposed bribery and other malfeasance, but a great deal of corruption goes unreported and unpunished. The top individual income tax rate is 30.9 percent, and the top corporate tax rate is 32.4 percent. Other taxes include a goods and services tax. The overall tax burden equals 6.8 percent of total domestic income. Government spending has amounted to 28.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 8.7 percent of GDP. Public debt is equivalent to 89.6 percent of GDP. New procurement rules that limit competitive choices, advance non-science–based sanitary measures, and establish Indian-specific standards are disrupting supply chains. New labor codes passed in 2020 simplify and consolidate 29 existing labor laws. Central and state government electricity subsidies have increased steadily in recent years; other key sectors such as infrastructure, oil, gas, mining, and manufacturing are also subsidized. India has 17 preferential trade agreements in force. The trade-weighted average tariff rate is 7.0 percent, and 358 nontariff measures are in effect. India’s overall investment framework remains onerous, although ownership restrictions in some sectors have been reduced. Despite some liberalization, state-owned institutions dominate the banking sector and capital markets. Foreign participation is limited.