

INDIA

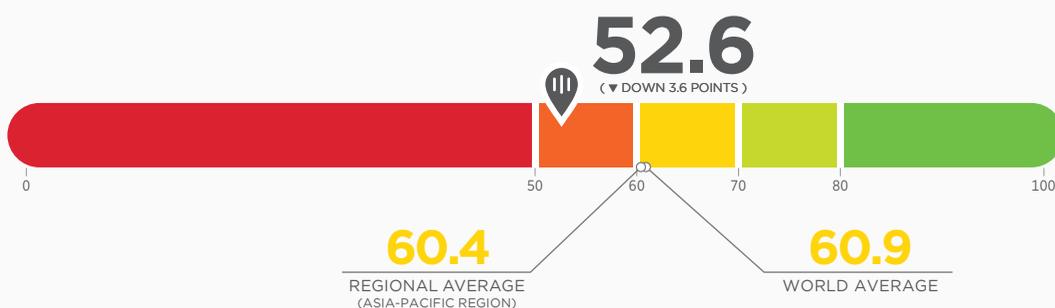
WORLD RANK: **143** | REGIONAL RANK: **33**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**



India is a significant force in world trade. Corruption, under-developed infrastructure, and poor management of public finance continue to undermine overall development, although the economy has sustained an average annual growth rate of about 7 percent over the past five years.

Growth is not deeply rooted in policies that preserve economic freedom. Progress on market-oriented reforms has been uneven. The state maintains an extensive presence in many areas through public-sector enterprises. A restrictive and burdensome regulatory environment discourages the entrepreneurship that could provide broader private-sector growth.

ECONOMIC FREEDOM SCORE



NOTABLE SUCCESSES:
 Trade Freedom

CONCERNS:
 Rule of Law, Fiscal Health, and Investment Freedom

OVERALL SCORE CHANGE SINCE 2013:
 -2.6

FREEDOM TREND



QUICK FACTS

POPULATION:
 1.3 billion

GDP (PPP):
 \$8.0 trillion
 7.3% growth in 2015
 5-year compound annual growth 6.7%
 \$6,162 per capita

UNEMPLOYMENT:
 3.5%

INFLATION (CPI):
 4.9%

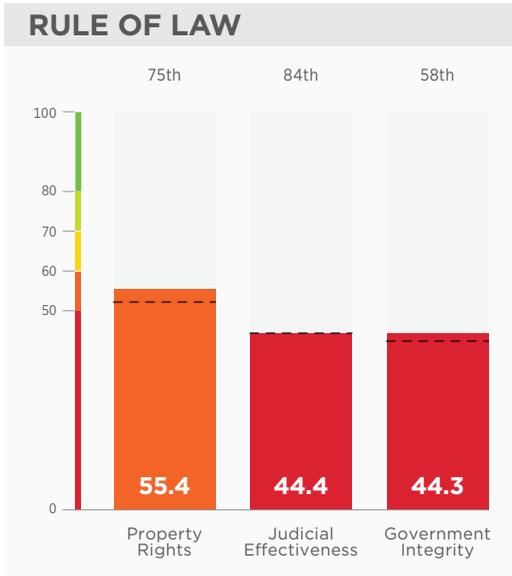
FDI INFLOW:
 \$44.2 billion

PUBLIC DEBT:
 67.2% of GDP

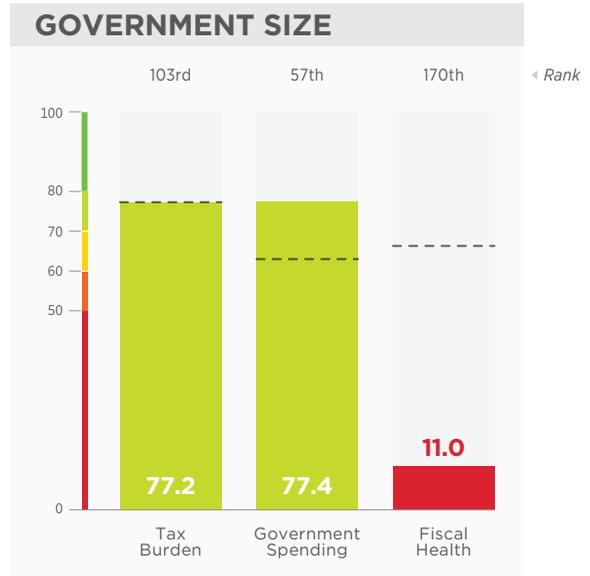
2015 data unless otherwise noted. Data compiled as of September 2016

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, who in June 2016 made his fourth visit to the United States in two years, has bolstered ties with the U.S., particularly in defense cooperation. India has technology and manufacturing sectors as advanced as any in the world as well as traditional sectors characteristic of a lesser developed economy. Extreme wealth and poverty coexist as the nation both modernizes rapidly and struggles to find paths to inclusive development for its large and diverse population.

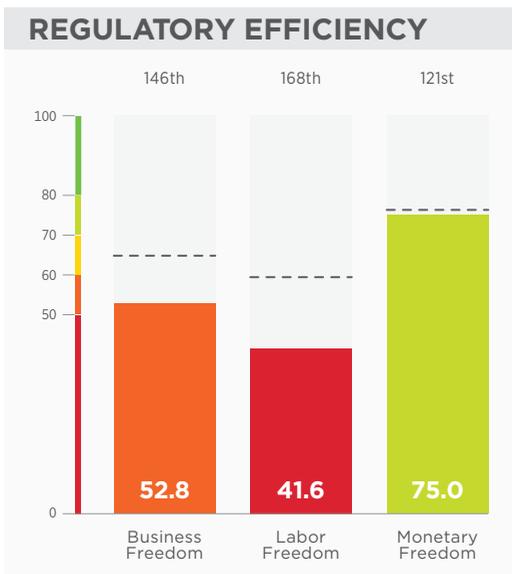
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Real property rights are generally well enforced in metropolitan areas, although titling remains unclear in many other urban and rural areas. The judiciary is independent, but courts are understaffed and lack the technology necessary to clear an enormous backlog. Domestic and international pressure led to passage of legislation aimed at addressing corruption, but there is little evidence that it is being implemented effectively.

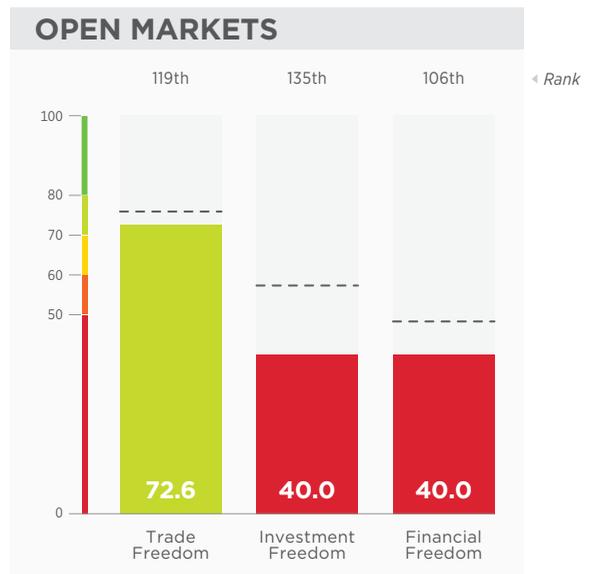


The top individual income tax rate is 30.9 percent (including an education tax). The top corporate tax rate is 34.6 percent. The overall tax burden equals 16.6 percent of total domestic income. Government spending has amounted to 27.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 7.3 percent of GDP. Public debt is equivalent to 67.2 percent of GDP.



The regulatory framework is burdensome, and the legal framework is weak. Labor regulations continue to evolve, and the informal economy is an important source of employment. Although the IMF reported in 2016 that India's "major subsidies" (e.g., on fuels and fertilizer) dropped below 2 percent of GDP, the government is introducing a new basic foods subsidy for around two-thirds of the population.

Reference from - the Index of Economic Freedom



Trade is moderately important to India's economy; the value of exports and imports taken together equals 49 percent of GDP. The average applied tariff rate is 6.2 percent. Foreign investment is screened, but ownership restrictions in some economic sectors have been reduced. State-owned enterprises distort the economy. Despite some liberalization and modernization, state-owned institutions dominate the banking sector and capital markets.