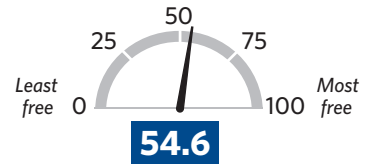




INDIA

Economic Freedom Score



World Rank: **123** Regional Rank: **25**

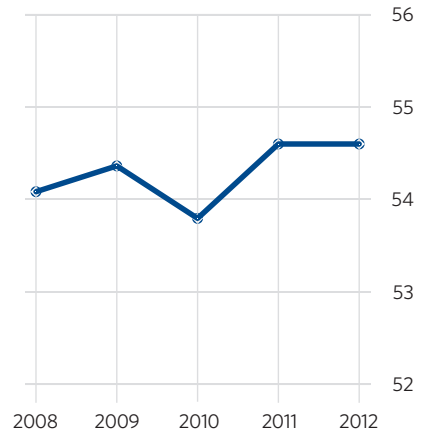
India's economic freedom score is 54.6, making its economy the 123rd freest in the 2012 *Index*. Its score is unchanged from last year, with an improvement in labor freedom offset by declining scores in five other areas including business freedom, freedom from corruption, government spending, and monetary freedom. India is ranked 25th out of 41 countries in the Asia-Pacific region, and its overall score is below the world average.

Despite India's high economic growth, the foundations for long-term economic development remain fragile in the absence of an efficiently functioning legal framework. Corruption, endemic throughout the economy, is becoming even more serious. The state maintains an extensive presence in many sectors through state-owned enterprises, and the legacy of decades of failed socialist policies includes a substantial tolerance for government meddling in economic activity.

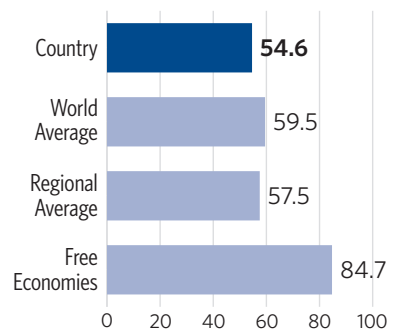
Progress with market-oriented reforms has been uneven and often reversed at the urging of those with an interest in maintaining the status quo. India's restrictive and burdensome regulatory environment discourages private-sector growth and severely hampers realization of the economy's full potential. Increasing inflationary pressure poses a major risk to overall macroeconomic stability.

BACKGROUND: India is the world's most populous democracy. Although more than 80 percent of its population is Hindu, it also has one of the world's largest Muslim populations. The Congress Party government was re-elected in 2009 on a populist platform that included promises of guaranteed employment for rural households. India resumed bilateral talks with archrival Pakistan in 2010 after having suspended dialogue following attacks in Mumbai in November 2008 by a Pakistan-based terrorist group. Improved relations between the U.S. and India are evidenced by the launching of a Strategic Dialogue aimed at fostering cooperation in defense, energy, trade, education, and counterterrorism. The government has been roiled by a series of corruption scandals and the mishandling of the Commonwealth Games that were hosted in New Delhi in 2010.

Freedom Trend



Country Comparisons



Quick Facts

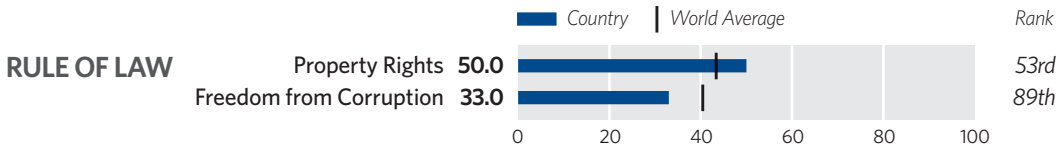
- Population:** 1.2 billion
- GDP (PPP):** \$4.0 trillion
- 10.4% growth in 2010
- 5-year compound annual growth 8.6%
- \$3,339 per capita
- Unemployment:** 10.8%
- Inflation (CPI):** 13.2%
- FDI Inflow:** \$24.6 billion
- Public Debt:** 64.1% of GDP

2010 data unless otherwise noted.
Data compiled as of September 2011.

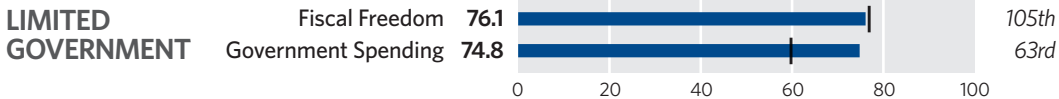
How Do We Measure Economic Freedom?

See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

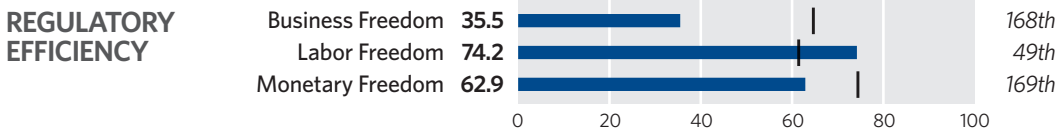
THE TEN ECONOMIC FREEDOMS



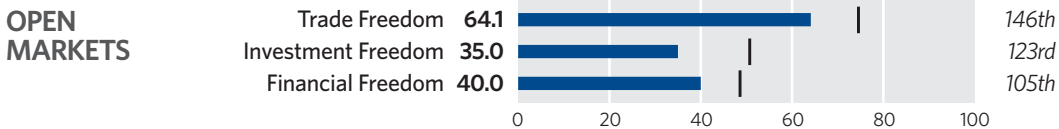
The rule of law is uneven across the country, and the independence of the judicial system is poorly institutionalized. Judicial procedures tend to be protracted, costly, and subject to political pressure. Property rights are not protected effectively, and the enforcement of intellectual property rights is seriously deficient. Corruption continues to erode confidence, particularly in connection with government procurement and defense contracts.



The top income tax rate is 30.9 percent (30 percent plus an education tax of 3 percent), and the top corporate tax rate is 33.22 percent (30 percent plus a reduced 7.5 percent surcharge and a 3 percent education tax on that total). The overall tax burden equals 16.8 percent of total domestic income, and government spending is equivalent to 29 percent of GDP. The budget balance remains in deficit, and public debt has reached 64.1 percent of GDP.



Entrepreneurs continue to face severe challenges. The regulatory framework is burdensome. Completing licensing requirements takes more than 200 days and costs over 16 times the level of average annual income. The labor regulatory framework is still evolving, and the informal economy remains an important source of employment. The state maintains price controls on a range of products, and monetary stability has weakened notably.



The trade weighted average tariff rate remains burdensome at 7.9 percent, and complex non-tariff barriers further impede dynamic growth in trade. India's bureaucratic investment regime creates an unfavorable environment for new investment. Despite some liberalization, state-owned institutions dominate the banking sector and capital markets. Foreign participation is limited in capital markets, which remain illiquid.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.7	Business Freedom	-1.4	Trade Freedom	-0.1
Freedom from Corruption	-1.0	Government Spending	-3.0	Labor Freedom	+7.0	Investment Freedom	0
				Monetary Freedom	-2.2	Financial Freedom	0