

The economy of India



The **economy of India** is characterised as a [developing market economy](#).^{[42][43]} It is the world's [fifth-largest](#) economy by [nominal GDP](#) and the [third-largest](#) by [purchasing power parity \(PPP\)](#). According to the IMF, on a [per capita income](#) basis, India ranked [142nd](#) by [GDP \(nominal\)](#) and [119th](#) by [GDP \(PPP\)](#) per capita in 2018.^[6] From [independence in 1947](#) until 1991, successive governments promoted [protectionist](#) economic policies with extensive [state intervention and regulation](#); the end of the [Cold War](#) and an acute [balance of payments crisis](#) in 1991 led to the adoption of a broad [program of economic liberalisation](#).^{[44][45]} Since the start of the 21st century, annual average GDP growth has been 6% to 7%,^[43] and from 2014 to 2018, India was the world's [fastest growing major economy](#), surpassing [China](#).^{[46][47]} Historically India was one of the [largest economy in the world](#) for most of the two millennia from 1st until 19th century.^{[48][49][50]}

The long-term growth perspective of the Indian economy remains positive due to its young population and corresponding low dependency ratio, healthy savings and investment rates, and is increasing [integration into the global economy](#).^[9] The economy slowed in 2017, due to shocks of "[demonetisation](#)" in 2016 and introduction of [Goods and Services Tax](#) in 2017.^[9] Nearly 60% of India's GDP is driven by [domestic private consumption](#)^[51] and continues to remain the world's [sixth-largest consumer market](#).^[52] Apart from private [consumption](#), India's GDP is also fueled by [government spending](#), investment, and exports.^[53] In 2018, India was the world's [tenth-largest importer](#) and the [nineteenth-largest exporter](#).^[54] India has been a member of [World Trade Organization](#) since 1 January 1995.^[55] It ranks 63rd on [Ease of doing business index](#) and 68th on [Global Competitiveness Report](#).^[56] With 520-million-workers, the [Indian labour force](#) is the [world's second-largest](#) as of 2019. Since India has a vast [informal economy](#), barely 2% of Indians pay [income taxes](#).^[57] During the [2008 global financial crisis](#) the economy faced mild slowdown, India undertook [stimulus measures](#) (both [fiscal](#) and [monetary](#)) to boost growth and generate [demand](#); in subsequent years economic growth revived.^[58] According to 2017 [PricewaterhouseCoopers](#) (PwC) report, India's GDP at purchasing power parity could overtake that of the United States by 2050.^[59] According to [World Bank](#), to achieve sustainable economic development India must focus on public sector reform, [infrastructure](#), [agricultural](#) and rural development, removal of [land](#) and [labour regulations](#), [financial inclusion](#), spur private investment and exports, [education](#) and [public health](#).^[60]