



# Economic Freedom Perspectives of Economic Progress in India: An Exploratory Analysis

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## Abstract

There is no doubt that economic freedom has had popular proponents for many years, with F.A Hayek's Road to Serfdom, and Milton Friedman's Capitalism and Freedom, the broader concepts of freedom were espoused with great clarity to millions of readers, but this was not largely reflected in the professional economic journals. Economic freedom, buttressed by the rule of law, fiscal responsibility, market openness, and sound regulatory environments, remains the surest pathway to resilience and prosperity. The present paper tries to explore the link between Economic Freedom and Economic Growth in India at macro level and specifically to analyse the spheres of Economic Freedom viz, extent of freedom in Rule of Law, Govt. Size, Regulatory Efficiency and Open Market; the relationship between the level of Economic Freedom and Human Development and Incidence of Poverty. For analytical convenience, the Overall Economic Freedom Index was conceived by using the specific freedoms, viz, Business Trade Freedom, Fiscal Freedom, Government size, Monetary Freedom, Investment freedom, Financial Freedom, Property Rights, and Freedom from corruption and Labour Freedom was considered. This index serves as a valuable tool for cross country and regional comparisons. It provides a framework for understanding the institutions that are correlated to greater prosperity. It is useful to view over time and provides insight into the general trend of growth or well-being that we can expect a nation to experience due to an institutional or policy change. The most fundamental benefit of economic freedom stems from its strong positive relationship to levels of per capita income. Improvements in economic freedom are a vital determinant of rates of economic expansion that the record shows reduction in poverty. Undeniably, the greater economic freedom ensures for higher growth rates of GNP, per capita GNP, HDI and reduction in poverty over time. Increasing economic freedom is unequivocally about achieving greater overall prosperity that includes but also goes beyond the materialistic and monetary dimensions of well-being. It is also observed that vibrant and lasting economic growth is most likely to occur when governments implement policies that enhance economic freedom and empower individuals with greater choice and more opportunities. Advancing economic freedom is a proven policy for dynamic economic expansion and is likely to be the surest path to true progress for the greatest number of people.

**Keywords:** Economic Freedom Index, Freedom in Rule of Law, Government Size, Regulatory Efficiency, Open Market, Fiscal Freedom, Monetary Freedom, Property Rights, GNI, HDI.

## Introduction

### Rationale

Encouraging economic growth is a long lasting and strong aim of all economies, all economists and governments invariably. Economic growth can stem from endogenous resources like natural resources, capital, and human capital, as well as exogenous forces such as foreign direct investment, technology transfer, or global trade, particularly in an era where globalization is irreversible. Measurement of economic progress focuses on quantitative analysis of the standard of living or quality of life and their determinants. The analysis concerns many elements of the standard living such as its material components, human capital, including education and health, inequality and other factors (Barro & Sala-i Martin, 2004, Howitt & Weil, 2008, Steckel, 2008). Measuring economic activity in a country or region provides insights into

the economic well-being of its residents. Economic indicators include measures of macroeconomic performance including GDP, consumption, investment, and international trade and stability including central government budgets, prices, the money supply, and the balance of payments. It also includes broader measures of income and savings adjusted for pollution, depreciation, and depletion of resources. In high-income countries, even as the influence of productivity and of working age population size on GDP per capita growth declined, rates of employment and of labour force participation have supported per capita growth; In low-income countries the contribution from working age population growth to total economic growth has increased, but this hasn't been enough to offset the fall in productivity these countries have experienced in the recent past; For lower middle-income countries, growth in the working age

population has occurred as productivity growth remained strong. As with low-income countries, declines in the labour force participation rate have generally offset these gains, highlighting the importance of labour market policies and outcomes that can prevent such erosion. But, generally, a youthful and dynamic population brings fresh ideas and energy to the economy, fostering innovation and entrepreneurship. (R. Karthikeyan, Sulthana Barvin and Nalini, 2025). Economically free and dynamic societies have demonstrated repeatedly that they are able to improve standards of living and respond effectively to any crises that may arise. This record includes countless individual stories of human progress and the achievements of countries and their citizens, billions of people whose lives have measurably improved and who continue to strive for greater freedom. The path by which the global economy can emerge stronger than it was before runs through the renewal of commitments to the proven ideas of the free-market system. It is a proven fact that economically free and dynamic societies have demonstrated repeatedly that they are able to improve standards of living and respond effectively to any crises that may arise. Number of Literatures has found Economic Freedom is one of the multidimensional measures of economic progress of a nation as it is buttressed by the rule of law, fiscal responsibility, market openness, and sound regulatory environments, remains the surest pathway to resilience and prosperity (North and Thomas, 1973; Von Mises, May, 2005; Cemil Serhat Akin, Cengiz Ayutan and Başak Gul Aktakas, 2014; Hayek, 2020; Sekunmade, 2021 ; Bergh and Bjornskov, 2021 Mushtaq *et al.*, 2022; Ahmed *et al.*, 2023; and others). Improvements in economic freedom are vital if countries are to achieve the rates of economic expansion that the record shows will reduce poverty. Undeniably, countries moving toward greater economic freedom tend to achieve higher growth rates of per capita GDP over time. Free markets and free enterprises, sustained by economic freedom; stimulate both the innovation and the practical solutions that are necessary for progress and sustainable recovery in all areas of human endeavour, thereby enabling better jobs, better products, and healthier, cleaner, and safer societies for all. Freedom, Sen says, is a principle determinant of individual initiative and social effectiveness; it is good primarily because it enhances the ability of individuals to help themselves. A freedom-centered view of development has several advantages over more conventional views. First, it provides a deeper basis of evaluation of development, allowing us to concentrate on the objective of individual freedom rather than merely on proximate means such as the growth of GNP or industrialization or technological progress. The enhancement of lives and liberties has intrinsic relevance that distinguishes it from, say, the enlargement of commodity production or of other material of convenience; second, since freedoms of different kinds contribute to enhancing freedoms of other kinds, a freedom-centered view also offers instrumental insights. By focusing on the interconnections between freedoms of different types, it takes us well beyond the narrow perspective of seeing each freedom in isolation. We live in a world of many institutions, and we have to see how they can supplement and strengthen each other, rather than getting in each other's way; Third, this broad perspective also allows us to distinguish between

- i). Repressive interventions of the state in stifling liberty, initiative and enterprise, and in crippling the working of individual agency and cooperative action, and
- ii). The supportive role of the state in enhancing the effective freedoms of individuals; and finally, the freedom-

centered view captures the constructive role of free human agency as an engine of change. It differs radically from seeing people as passive beneficiaries of cunning development programs. The need to overcome that misleading image of development is as strong today as it has ever been.

### Conceptual and Theoretical and Empirical Perspectives

The concept of economic freedom encompasses all liberties and rights of production, distribution, or consumption of goods and services. Economic freedom is that part of freedom that is concerned with the material autonomy of the individual in relation to the state and other organized groups. An individual is economically free who can fully control his or her labour and property. This economic component of human liberty is related to and perhaps a necessary condition for political freedom, but it is also valuable as an end in itself. The highest form of economic freedom provides an absolute right of property ownership; fully realized freedoms of movement for labour, capital, and goods; and an absolute absence of coercion or constraint of economic liberty beyond the extent necessary for citizens to protect and maintain liberty itself. In other words, individuals are free to work, produce, consume, and invest in any way they please.

Economic theory posits that economic freedom influences motivation, production efforts, and resource utilization efficiency. Since the 1980s, Ricardo advocated for free markets to stimulate the economy, while Adam Smith, alongside other economists, argued that the freedom to choose and allocate resources, competition in business, trade, and assurance of property rights are central to economic progress. The meaning of economic freedom has been extended in Smith's research when he elucidated how the invisible hand of the market impacts increasing economic prosperity. While Von Mises, May expounded upon the doctrine of freedom, emphasizing the harmony of rightful benefits in a free society based on the principle of private ownership of the means of production. Additionally, this study suggested that the principles of liberalism hinge on knowledge, a profound appreciation of private property, and social cooperation. In his study, Gwartney also echoed Friedman's emphasis on the detrimental effects of restrictions on trade freedom and capital flow management, which can limit trade profits, diminish output and earnings of economic activities, and hinder investment incentives. Hayek, a key figure in neoliberalism, argued that government economic intervention would suppress freedom—the primary growth driver. Broad competition, global trade, and asset reliability are foundational pillars of economic growth. It is widely believed that free societies have emerged and developed solely due to economic freedom. This approach to economic management is deemed far more effective than any alternative.

According to Amartya Sen Freedom is both the primary end and the principal means of development and he has given two reasons why freedom should be the primary element of development: first, the only acceptable evaluation of human progress is primarily and ultimately enhancement of freedom; second, the achievement of development is dependent on the free agency of people. Further he has provided with evidences that high incomes do not necessarily lead to wellbeing and arguing that welfare expenditures can be a spur to rather than a drain on economic growth, especially since they are labour-intensive and since labour is so cheap in poor countries. Sen mentions five distinct freedoms: political freedoms, economic facilities, social opportunities, transparency guarantees, and

protective security. Political Freedom is one of the most important features of democratic polity. It may be described as absence from external or internal coercive rule by state or similar agency. It is synonymous with political rights and civil liberties, which are usually, accorded legal protection from the state; Economic Facilities include access to credit/financing services and markets; Social opportunities including healthcare, education and social services; Transparency Guarantees relates to the need for openness and disclosure in dealings of business and government. These are crucial for preventing corruption, financial irresponsibility and introducing fairness; and Protective Security relate to safety net to individuals through institutional arrangements like unemployment benefit and famine/epidemic relief etc. He has distinguished human capability from human capital. Human capital is important, as it refers to the agency of people in augmenting production possibilities. Yet human capability is more important because it refers to the substantive freedom of people to lead the lives they have reason to value and to enhance the real choices they have.

The empirical studies by Altman, 2020; Sekunmade, 2021; Bergh and Bjornskov, 2021; Wu, 2011; Abate, 2022; Sulasni and Surbakti, 2022; Gwartney *et al.*, 2022; Panteli and Delipalla, 2022 strongly observed and confirmed the significant momentum that economic freedom contributes to economic growth. Whereas, the studies by Doucouliagos, 2005; Uzelac *et al.*, 2020 observed a controversial findings exist, such as demonstrated that economic freedom in certain aspects fails to yield a significant impact and may even negatively influence economic growth. According to the studies of Cebula and Foley, 2012; Kesar and Jena, 2022; the economic freedom is intricately linked to institutional quality. Strong regulatory quality preserves economic freedom and fosters macro-political stability, high-quality regulations, a conducive business environment, and effective corruption control. This supports a more efficient economic system, minimizing unnecessary operational costs for businesses and stimulating economic growth. Mahran, 2023 found that organizational quality did not significantly affect the development process. Numerous empirical studies, Dawson, 1998; Hanson, 2000; Ali and Crain, 2001; Pitlik, 2002; Adkins, Moomaw, and Savvides, 2002; Carlsson and Lundstrom, 2002; Clark and Lawson, 2008; Cebula and Mixon, 2012; Kesar and Jena, 2022 have elucidated the correlation between economic freedom and economic advancement at macro level in various countries. It is very obvious to observe that the multidimensional nature of economic freedom intricately intertwined with economic growth. Economic freedom emerges as a catalyst for fostering economic advancement.

### Objectives and Hypotheses

This paper mainly tries to explore the link between Economic Freedom and Economic Growth in India at macro level and specifically to analyse the spheres of Economic Freedom viz, extent of freedom in Rule of Law, Govt. Size, Regulatory Efficiency and Open Market; the relationship between the level of Economic Freedom and Human Development and Incidence of Poverty. Based on the existing literatures, it is hypothesised that there is a statistically significant positive relation between economic growth and the level of economic freedom; as the level economic freedom rising steadily over the past three decades, India has recorded significant economic expansion despite some ups and downs, there is a robust relationship between improving economic freedom and achieving higher per capita economic growth; Higher levels

of economic freedom enjoy higher levels of overall human development. Meanwhile, the incidence of poverty rate has declined considerably.

### Methods and Materials

The present paper has used only secondary data relating to the component wise Economic Freedom Index and its relations to socio economic variables at a macro level. The Economic Freedom Index value was calculated with the help of the data from the sources, OECD Data; Eurostat data; African Economic Outlook; International Monetary Fund, Staff Country Report, and World Economic Outlook database; Asian Development Bank, Key Indicators for Asia and the Pacific; African Development Bank, AfDB Statistics Pocketbook; RBI Bulletin, World Bank Report, Economic Surveys, etc. Websites have also been used as the source of information.

### Results and Discussion

The Overall Economic Freedom, defined by multiple rights and liberties, can be quantified as an index of less abstract components. The index we conceive uses 10 specific freedoms, some as composites of even further detailed and quantifiable components. Business Freedom is the ability to create, operate, and close an enterprise quickly and easily. Burdensome, redundant regulatory rules are the most harmful barriers to business freedom; Trade Freedom is a composite measure of the absence of tariff and non-tariff barriers that affect imports and exports of goods and services; Fiscal Freedom is a measure of the burden of government from the revenue side. It includes both the tax burden in terms of the top tax rate on income (individual and corporate separately) and the overall amount of tax revenue as a portion of GDP; Government size is defined to include all government expenditures, including consumption and transfers. Ideally, the state will provide only true public goods, with an absolute minimum of expenditure; Monetary Freedom combines a measure of price stability with an assessment of price controls. Both inflation and price controls distort market activity. Price stability without microeconomic intervention is the ideal state for the free market; Investment freedom is an assessment of the free flow of capital, especially foreign capital; Financial Freedom is a measure of banking security as well as independence from government control. State ownership of banks and other financial institutions such as insurer and capital markets is an inefficient burden, and political favouritism has no place in a free capital market; Property Rights is an assessment of the ability of individuals to accumulate private property, secured by clear laws that are fully enforced by the state; Freedom from corruption is based on quantitative data that assess the perception of corruption in the business environment, including levels of governmental legal, judicial, and administrative corruption; and Labour Freedom is a composite measure of the ability of workers and businesses to interact without restriction by the state. The Economic Freedom Index serves as a valuable tool for cross country and regional comparisons. It provides a framework for understanding the institutions that are correlated to greater prosperity. It is useful to view over time and provides insight into the general trend of growth or well-being that we can expect a nation to experience due to an institutional or policy change. Economic Freedom is closely related to the openness to entrepreneurial activity that allows individuals to innovate, respond to new opportunities in the marketplace, and enjoy success based on their own efforts. There is a robust relationship between improved economic freedom and higher

per capita economic growth, the relationship between changes in economic freedom and changes in economic growth is consistently positive.

### Spheres of Economic Freedom

The Freedom on Government Size relates to the straightforward and uses the level of government expenditures as a percentage of GDP, includes government consumption and transfers. They state that some level of government expenditures represents true public goods, which would imply an ideal level greater than zero, but they believe it is too difficult to apply universally. Also, there are few countries, if any, that are below this level. Therefore, they treat zero government spending as the benchmark. Government expenditures necessarily compete with private agents and interfere in market prices by over-stimulating demand and potentially diverting resources through a crowding-out effect; Fiscal Freedom of individuals and businesses to keep and control their income and wealth for their own benefit and use. From the data it is observed that in India, all the three

components of the Freedom on Government Size have been continuously increased during the study period i.e. the Tax Burden Index has increased from 46.8 in 1995 to 71.3 in 2025 while the Fiscal Health Index was from 11.0 in 2015 to 62 in 2025 and the Government Spending has moderately increased from 72.4 to 74.2 only. The Rule of Law is vital for a free market to function, as it provides confidence for individuals to undertake commercial activities and save and invest for their future well-being. The Freedom on Rule of Law consists of Property Rights which is an assessment of the ability of individuals to accumulate private property, which is an essential force in a market economy. This component is again scored as investment and financial freedom. In the case of this freedom, for the indicator Property Rights it has slightly increased from 50 to 51.1 while it was from 44.4 to 53.2 for Judicial Effectiveness and for Government integrity it was only 10 in 1995 and reached to the peak of 53 in 2023 and again slightly declined to 37.6 in 2025. The Overall Economic Freedom Index has increased from 45.1 in 1995 to 53 in 2025. (Vide Table 1).

**Table 1:** Extent of Freedom on Govt. Size and Rule of Law in India

Sl. No.	Year	Freedom on Govt. Size			Freedom on Rule of Law			Over All Freedom
		Tax Burden	Govt. Spending	Fiscal Health	Property Rights	Govt. Integrity	Judicial Effectiveness	
1.	1995	46.8	72.4	NA	50.0	10.0	NA	45.1
2.	2000	76.6	73.0	NA	50.0	29.0	NA	47.4
3.	2005	75.6	76.3	NA	50.0	28.0	NA	54.2
4.	2010	73.4	76.1	NA	50.0	34.0	NA	53.8
5.	2015	79.4	78.3	11.0	50.0	36.0	44.4	54.6
6.	2020	79.4	77.9	13.1	63.0	47.2	64.1	56.5
7.	2021	78.7	78.5	18.1	59.2	48.1	55.9	56.5
8.	2022	79.5	76.2	40.0	49.9	42.4	51.5	53.9
9.	2023	78.5	73.8	58.0	49.7	53.0	42.2	52.9
10.	2024	73.7	73.5	69.0	49.2	40.8	52.1	52.9
11.	2025	71.3	74.2	62.0	51.1	37.6	53.2	53.0

**Source:** Compiled from <https://www.heritage.org/index/pages/report>

The Freedom on Regulatory Efficiency comprises of Business Freedom is to measure an individual's right to create, operate, and close an enterprise without interference from the state; Labour Freedom, is measure of a country's legal and regulatory framework as it applies to the labour market. The easier individuals can move in and out of occupations, the more efficiently labour moves to more productive and higher valued work; and Monetary Freedom which is related to Price

stability and an assessment of price controls are combined to measure monetary freedom. Among the three indices to measure the extent of Freedom on Regulatory Efficiency the value of Business Freedom Index has increased from 55 to 72.3 where as both the Labour Freedom and Monetary Freedom it has slightly declined from 61.7 to 59 and 71.7 to 69.9 respectively. (Refer Table 2)

**Table 2:** Extent of Freedom on Regulatory Efficiency and Open Market in India

Year	Freedom on Regulatory Efficiency			Freedom on Open Market			Over All Freedom
	Business Freedom	Labour Freedom	Money Freedom	Trade Freedom	Investment Freedom	Financial Freedom	
1995	55.0	NA	71.7	14.0	50.0	30.0	45.1
2000	55.0	NA	63.7	19.6	30.0	30.0	47.4
2005	55.0	61.7	77.4	38.0	50.0	30.0	54.2
2010	36.3	57.7	67.5	67.9	35.0	40.0	53.8
2015	43.3	48.7	65.3	64.6	35.0	40.0	54.6
2020	65.6	41.2	73.0	73.4	40.0	40.0	56.5
2021	76.7	41.3	72.1	69.4	40.0	40.0	56.5
2022	63.9	58.2	70.0	71.0	40.0	40.0	53.9
2023	64.3	58.1	70.0	59.8	40.0	40.0	52.9
2024	68.3	58.4	69.1	62.2	40.0	40.0	52.9
2025	72.3	59.0	69.9	61.0	40.0	40.0	53.0

**Source:** Compiled from <https://www.heritage.org/index/pages/report>

Freedom on Open Market consists of Trade Freedom which reflects the ability of a country to experience the gains from trade created in an environment open to imports of goods and services from abroad and for citizens to interact freely in the international marketplace; Investment Freedom, it refers that in a free market, capital will flow to its best use where it is most needed, and therefore, areas that will likely produce the highest return. Restrictions on foreign investment diminish this process and limits both inflows and outflows of capital. There is a subjective nature to this measure. They explore questions such as whether there is a foreign investment code that defines the country's investment laws and procedures; whether foreign investment is encouraged through fair and equitable treatment of investors; equal treatment for foreign firms as domestic firms under the law; etc; and Financial Freedom, is a measure of banking security and the independence from government control. The idea is that state ownership of banks and other financial institutions such as insurers and capital markets is an inefficient manner to regulate capital that reduces competition and generally lowers the level of available services. With regard to this index, the Investment Freedom index has moderately declined from 50 to 40 while Financial Freedom Index has slightly increased from 30 to 40 during the study period. However, the Trade Freedom Index values was fabulously shifted from merely 14 in 1995 to 71 in 2022 and again it starts to decline to 61 in 2025. (See Table 2)

### Economic Freedom and Social and Economic Progress

Economically free and dynamic societies have demonstrated repeatedly that they are able to improve standards of living and respond effectively to any crises that may arise. Increasing economic freedom is unequivocally about achieving greater overall prosperity that includes but also goes beyond the materialistic and monetary dimensions of well-being. The societal benefits of economic freedom extend far beyond higher incomes or lower rates of poverty. Countries with higher levels of economic freedom enjoy higher levels of overall human development.

**Table 3:** Economic Freedom and Economic Growth Relations in India

Sl. No.	Year	Economic Freedom Index	GNI*	GNI Per capita	HDI	Poverty (%)
1	1995	45.1	119.21	11589	0.458	45.30
2	2000	47.4	211.72	18667	0.491	40.60
3	2005	54.2	360.61	29169	0.534	37.20
4	2010	53.8	755.27	56071	0.575	29.80
5	2015	54.6	1361.21	94797	0.629	18.50
6	2020	56.5	1991.05	132341	0.638	15.50
7	2021	56.5	1958.74	127244	0.633	12.90
8	2022	53.9	2331.96	150906	0.644	14.96
9	2023	52.9	2657.93	169496	0.639	11.28
10	2024	52.9	2910.44	184205	0.646	07.20
11	2025	53.0	3190.90	200162	0.700	04.86

Note \* GNI Rs. in Lakhs Crores

Source: Compiled from <https://www.heritage.org/index/pages/report>; RBI Annual Reports.

It is a proved fact that countries moving toward greater economic freedom tend to achieve higher growth rates of per capita GDP over time. Throughout all the time periods considered, the average annual per capita economic growth

rates of countries that have increased economic freedom the most are at least about 25 percent higher than those of countries in which freedom has stagnated or declined. Thus, the most fundamental benefit of economic freedom stems from its strong positive relationship to levels of per capita income. Improvements in economic freedom are a vital determinant of rates of economic expansion that the record shows will reduce poverty. It is observed that vibrant and lasting economic growth is most likely to occur when governments implement policies that enhance economic freedom and empower individuals with greater choice and more opportunities. Advancing economic freedom is a proven policy for dynamic economic expansion and is likely to be the surest path to true progress for the greatest number of people. Further, in countries around the world, economic freedom has been shown to increase the capacity for environmentally friendly innovation. The positive link between economic freedom and higher levels of innovation ensures greater capacity to cope with environmental challenges. Moreover, the most remarkable improvements in clean energy use and energy efficiency over the past decades have occurred not as a result of government regulation. It is also proved that the strong societies based on economic freedom are the societies in which social progress is strongest.

**Table 4:** Economic Freedom and Environmental Quality Relations

Sl. No	Year	Economic Freedom Index	Green House Gas Emissions (Bn MT)	CO2 Emissions (Bn. MT)	Per capita CO2 Emissions MT)	% Share of World CO2 Emission
1	1995	45.1	121	0.67	0.69	3.38
2	2000	47.4	152	0.99	0.95	3.89
3	2005	54.2	185	1.22	1.06	4.07
4	2010	53.8	214	1.75	1.42	5.15
5	2015	54.6	320	2.16	1.73	6.23
6	2020	56.5	339	2.20	1.68	6.40
7	2021	56.5	365	2.69	1.82	6.97
8	2022	53.9	386	3.00	1.94	7.43
9	2023	52.9	396	2.95	2.07	8.00
10	2024	52.9	414	3.74	2.90	NA
11	2025	53.0	NA	NA	NA	NA

Source: Compiled from <https://www.heritage.org/index/pages/report> [https://edgar.jrc.ec.europa.eu/report\\_2024?vis=co2tot#emissions\\_table](https://edgar.jrc.ec.europa.eu/report_2024?vis=co2tot#emissions_table)

Advancing economic freedom is really about putting in place growth-inducing pro-market policies that benefit the greatest possible number of people rather than a select few. From our analysis, it could be observed that the economic freedom as the Overall Economic Freedom Index has increased from 45.1 in 1995 to 53 in 2025 the GNI in India has also increased from Rs.119.21 Lakh Crores to Rs.3190.90 Lakh Crores, while the Per Capita Income has also increased from Rs.11589 to Rs. 200162. Countries with higher levels of economic freedom enjoy higher levels of overall human development as measured by Human Development Index, which measures life expectancy, literacy, education, and standards of living in countries worldwide. In our analysis it is proved that the HDI has also increased from 0.458 to 0.700 on par with Economic Freedom Index. Economic Freedom and the incidence of poverty has inversely related, as Economic Freedom Index has increased from 45.1 in 1995 to

53 in the rate of poverty has declined from 45.3% to 4.86% during the study period..

Another dimension of the economic freedom is environmental quality. It is witnessed from the data that as the EFI increases from 45.1 to 53 the Green House Gas emission has also increased from 121 billion MT to 414 billion MT while CO<sub>2</sub> Emission was also increased from 0.67 billion MT to 3.74 billion MT. Further it is noted that the per capita CO<sub>2</sub> emission was increased from 0.69 MT to 2.90 MT and its share to world CO<sub>2</sub> Emission was also increased from 6.23% to 7.43% during the period. India's the share of CO<sub>2</sub> emission to the world CO<sub>2</sub> emission was also continuously increased from 3.38% to 8% during the recent three decades.

### Policy Implications

It is implied that given the positive relationship between the economic Freedom and Economic Prosperity, governments should be cautious in undertaking short-sighted stimulus programs that increase their own spending or add new layers of regulation, both of which reduce economic freedom. The property rights protection regulations and laws should be effectively guarded and enforced due to their contribution to economic growth. Importantly, Monetary, Fiscal and Trade sector regulations and rules should be staffed effectively and efficiently to ensure the sustained growth. In addition, price stability and price control mechanisms should be designed and strategized to support the development of the economy. It is also implied that governments should increase their spending on productive sectors and promote inclusive growth through sustainable policy initiatives like barriers to employment should be removed to encourage businesses to create more jobs. However, restrictions on capital investment inflows and high tax rates should be reduced to ensure inclusive and sustainable development. Further it is suggested that policy reforms should be brought which can improve the incentives that drive entrepreneurial activities in the economy at macro level.

Reforms measures including improvements in the efficiency of business and labour regulations, reductions in tariffs and other barriers to trade or investment, to increase competition, ensure stability, and improve and broaden access to credit should be strengthened. Economic freedom has been shown to increase the capacity for environmentally friendly innovation also. The positive link between economic freedom and higher levels of innovation ensures greater capacity to cope with environmental challenges recovery and growth.

### Conclusion

The Index of Economic Freedom was developed by The Heritage Foundation in the late 1980s with the goal to develop a systematic, objective, and empirical measurement of economic freedom in economies around the world. The index now covers 183 countries and measures ten separate components of economic freedom, covering country's economic policies and institutions, assigning a quantitative measure that establishes benchmarks by which to gauge strengths and weaknesses with regard to economic freedom. Since 1995, the Index has measured economic freedom's advances and retreats around the globe, country by country, and has correlated those changes with fundamental measures of economic well-being like economic growth, reductions in poverty, various social indicators like longevity and health, and environmental protection. Pursuit of greater economic freedom is thus an important stepping stone on the road to democracy. It empowers the poor and builds the middle class. Economically free and dynamic societies have demonstrated

repeatedly that they are able to improve standards of living and respond effectively to any crises that may arise. To conclude, economic freedom leads to increased prosperity, and that the Index of Economic Freedom demonstrates the positive relationship between economic freedom and a variety of beneficial social and economic goals. Economic freedom is strongly linked to better societies, healthier environments, higher per capita incomes, human progress, democracy, and poverty eradication and ultimately Sustainable Development of the economy as whole.

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