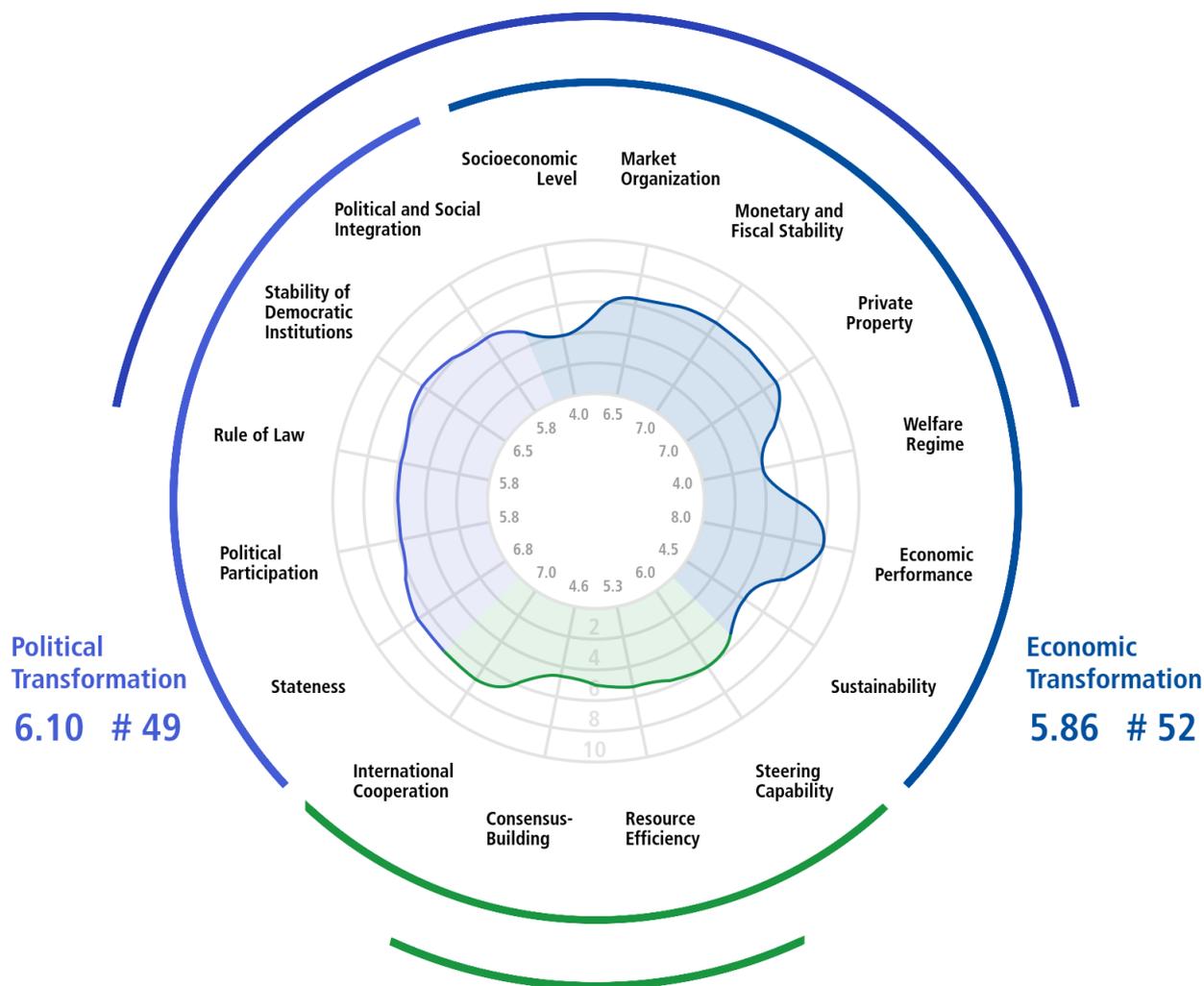


India

Status Index

5.98 # 47

on 1-10 scale out of 137



Governance Index

5.18 # 44

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Sebastian Plate

Phone +49 5241 81 81263
sebastian.plate@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	1450.9	HDI	0.685	GDP p.c., PPP \$	11159
Pop. growth ¹	% p.a.	0.9	HDI rank of 193	130	Gini Index	25.5
Life expectancy	years	72.0	UN Education Index	0.589	Poverty ³	% 44.0
Urban population	%	36.9	Gender inequality ²	0.403	Aid per capita \$	1.7

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

During the review period, India experienced continued democratic backsliding as well as economic growth. The country has traditionally had a strong record as an established democracy, with elected representatives wielding effective power to govern and no major veto players undermining democratic progress. Even among poor and illiterate social groups, voter participation rates have been remarkably high. Since 2023, however, Prime Minister Narendra Modi's government, led by the Hindu nationalist Bharatiya Janata Party (BJP), has continued to undermine democratic institutions and pursue the goal of transforming India into a Hindu-majoritarian state. In the 2024 elections, the BJP lost its absolute majority but still controls 240 of 543 seats in the lower house of parliament, the Lok Sabha, enabling Modi, who remains highly popular, to begin his third term as prime minister in June 2024. Despite having to govern with coalition partners, the BJP has shown no sign of moderating its Hindu nationalist agenda.

In recent years, the government has realized many of the BJP's long-term goals, such as revoking the autonomy of the Jammu and Kashmir region in 2019 and introducing the Citizenship Amendment Act that same year. More recently, several Indian states have strengthened legislation that prohibits so-called forced conversions and specifically targets religious minorities. Hindu nationalist organizations have also placed members in key leadership positions in relevant institutions, in a bid to significantly curb dissent. Finally, the operations of foreign non-governmental organizations (NGOs) were effectively banned in India.

From an economic perspective, India performed strongly during the review period, making it one of the fastest-growing economies in the world. Although the government largely failed to promote industrialization and attract foreign direct investment (FDI) into the manufacturing sector, the unemployment rate declined, and lower energy prices helped control inflation. At the same time, despite a massive focus on infrastructure development, progress was not fast enough to meet demand for improved provision. The government also continued to promote the notion of "self-reliance," essentially pursuing a protectionist agenda in line with Hindu nationalist ideology.

Despite a reduction in poverty in recent decades, inequalities within Indian society remain salient, and the government has been zealous in launching new social programs – or, in many cases, relabeling old ones. These social programs emphasize digitalization and direct cash transfers but sometimes fail to reach the weakest groups in society, such as Scheduled Tribes and Muslims.

History and Characteristics of Transformation

India's democratic political transformation dates to colonial times, when self-governance and voting rights were progressively introduced. This tradition was nurtured and expanded in independent India, interrupted only by a brief interlude during the emergency government regime from 1975 to 1977. Electoral democracy has become the only game in town, and even radical political forces abide by its rules, refraining from attempts to gain power outside the parliamentary context. Elections are mostly free and fair, and the military is under strict civilian control. While rights are guaranteed in principle, major exceptions exist in conflict-prone regions such as Kashmir and the Northeast.

India has undergone a dramatic democratic upsurge since the 1990s, with the economic empowerment of lower castes following the Green Revolution. They have subsequently been integrated into higher levels of traditional party and government hierarchies, and have in some cases established new parties, sometimes with a regional focus. An inevitable byproduct of this development has been the emergence of unstable coalition governments at the national level and in some states, along with a growing tendency to employ patronage-based politics along caste lines. State governments became increasingly autonomous, and other institutional veto players – such as the Supreme Court and high courts, the Election Commission, and the president of India – came to fill political vacuums.

India's transformation into a full-fledged market economy is more recent. The country followed the path of import substitution and state-led industrialization for decades, leaving considerable room for private enterprise serving as a junior partner to the state. An initial, hesitant liberalization took effect in 1985, and a severe balance-of-payments crisis in 1990 and 1991 propelled a market-friendly turnaround. The reforms have since transformed India into a vibrant, dynamic market economy. However, some sectors remain closed to private enterprise and international investment. India's new economic structure has been driven by an improvement in factor productivity, the rise of world-class enterprises, and a massive increase in savings and investment. However, these dynamics should not overshadow the considerable remaining reform needs, most notably regarding outdated labor regulations, slow progress with privatization in some sectors, the absorption of public resources by non-meritorious subsidies, wage and interest payments to the detriment of public investment in infrastructure, and the inadequate improvement of health and education services.

A range of inclusive social policies has been instituted, such as Education for All, the National Rural Health Mission, the National Rural Employment Guarantee Scheme, and general loan waivers for small and medium-sized farmers. In large part, these have been aimed at making growth more inclusive by supporting those who might be excluded from the economy's dynamism. After the 2009 elections, the United Progressive Alliance (UPA) government was nearly paralyzed in its reform efforts because it depended on small coalition partners and could not convincingly address the increasingly pressing issue of corruption. Ultimately, widespread dissatisfaction with the UPA government and hopes for change and economic reforms led to the electoral defeat of the alliance's leader, the Indian National Congress (INC) party, in the 2014 general election and to a clear victory for the BJP, paving the way for the present Indian political landscape.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state has differentiated power structures. The state's monopoly on the use of force over its territory is largely assured, with the exception of some areas in central India that are controlled by Maoist-inspired Naxalites who run parallel administrations. While the number of casualties in this conflict had steadily declined in recent years, it again reached 2018 levels in 2024, with a total of 400 fatalities. In parts of India's Northeast, several smaller rebel groups remain active, including the National Socialist Council of Nagaland (NSCN), the United Liberation Front of Asom (ULFA) and various factions of the National Democratic Front of Bodoland (NDFB). While the virulence of conflicts in the region decreased from the 2010s onward, 2023 saw a renewed eruption of ethnic tensions in the state of Manipur, leading to more than 260 fatalities and as many as 60,000 displaced people in 2023 and 2024. The violence, primarily between the Meitei and Kuki communities, was fueled by disputes over tribal status, land rights and political representation. In Kashmir, whose special status was revoked in 2019, tight control by the central government remained in place during the review period.

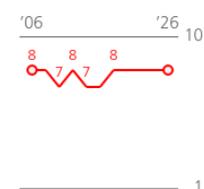
The vast majority of Indian citizens accept the Indian nation-state as legitimate. Only in remote areas where state institutions are virtually absent does the legitimacy of the nation-state tend to be called into question. Examples of such parts of the country include areas inhabited by tribal people, strongholds of Naxalites in central India and some areas in the Northeast where militant groups are present. Likewise, in Kashmir, significant segments of the Muslim-majority population do not feel adequately represented by the Indian state.

However, India's state identity is shifting from a secular, inclusive model toward one increasingly shaped by Hindu majoritarianism. Secularism, one of the key components of Indian state identity, has increasingly been called into question by Hindu nationalist groups. In the Muslim-majority areas of Kashmir, the nation-state is widely perceived as unresponsive and hostile, especially since the 2019 revocation

Question
Score

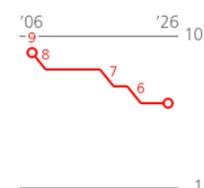
Monopoly on the
use of force

8



State identity

6



of Article 370 of the Indian constitution, which had previously assigned special autonomous status to the state of Jammu and Kashmir. Reflecting a broader adoption of Hindu-majoritarian discourse in the country, the government also introduced the contentious Citizenship Amendment Act (CAA) in 2019. The law simplifies naturalization procedures for Hindus, Sikhs, Buddhists, Jains, Parsis and Christians who fled from Afghanistan, Bangladesh or Pakistan and reached India before 2014, but excludes Muslims from this accelerated procedure. Massive protests contributed to stalling the law's implementation, along with that of the equally contentious National Register for Citizens (NRC), which, if introduced, could render many Muslim citizens stateless if they cannot prove that their ancestors lived in India before 1971. Implementation of the CAA began in 2024, deepening divisions and challenging the legitimacy of the state in minority and peripheral regions.

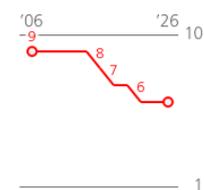
According to the Indian constitution, the state is secular. While neither the legal order nor the political institutions are defined by or derived from religious dogma, family law is inspired by Hindu, Muslim and Christian law.

During the review period, despite legal provisions, the governing Hindu nationalist Bharatiya Janata Party (BJP), supported by numerous Hindu nationalist organizations in its political periphery, continued to consolidate a Hindu-majoritarian culture. The Supreme Court, which had traditionally played an important role in protecting minority rights, has repeatedly bowed to the government's wishes while occasionally challenging its initiatives. The criminalization of religious conversions has been a major issue since 2023. As of early 2025, 12 of 28 states had imposed laws criminalizing religious conversions. For instance, in Uttar Pradesh, the Legislative Assembly passed a bill making the provisions of a previous anti-conversion law even more restrictive. Persons convicted of unlawful conversion now face prison terms of five to 10 years. This development is part of a broader campaign of harassment against religious minorities, Muslims and Christians in particular, by Hindu nationalist groups.

The Indian state has a differentiated administrative structure covering legal functions, tax authorities and law enforcement. Difficulties remain concerning the provision of basic infrastructure, water, health and education services, especially in rural and remote areas. To spur economic growth, the central government has invested heavily in expanding transport-related infrastructure in particular, while a government-initiated digital transformation has facilitated the delivery of social services. As of 2022, 99.2% of the population had access to electricity, marking a substantial leap compared with 79.9% in 2012. Furthermore, the share of the population with access to safely managed sanitation rose from 32.4% in 2013 to 52.1% in 2022. On the downside, World Bank data show that more than 21% of the population did not have access to even basic sanitation as of 2022, and 6.7% did not have access to even a basic water source. Despite all of the government programs and a slow improvement in India's score in the Global Hunger Index, the average level of hunger was still

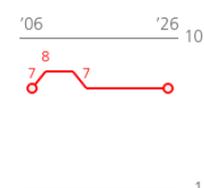
No interference of religious dogmas

6



Basic administration

7



classified as “serious,” and the share of the population that was undernourished increased from 11.5% in 2016 to 13.7% in 2024. Finally, the fight against corruption and bureaucratic inefficiency has long been prominent on Modi’s agenda. However, after some years of steady improvement on this issue, India’s score on Transparency International’s Corruption Perceptions Index declined again after 2019, falling from 41 to 39 in 2023.

2 | Political Participation

India has held free and fair elections for nearly seven decades since independence, with only a short-lived interruption in the 1970s. Universal suffrage by secret ballot is ensured. Many political parties are eligible to run and political positions are filled according to election outcomes. The 2024 general election was the largest democratic exercise in the world, with more than 968 million people eligible to vote and a voter turnout rate of more than 66%. With the BJP’s loss of its parliamentary majority despite widespread expectations of a landslide victory for the party, the results emphasized the democratic nature of politics in India.

Elections are managed by the Election Commission of India (ECI), which is intended to be politically independent, with its members appointed by the president and removable by parliament. Since the late 1990s, the ECI has undertaken several efforts to improve the electoral process, including the introduction of electronic voting machines and the digitalization of electoral rolls. Overall, these efforts have improved the transparency of voter registration procedures. While polling procedures are generally considered transparent, impartial and correct, vote-buying and voter bribery remain widespread practices employed by political parties in India during election campaigns. In recent years, the ECI’s reputation has suffered, as it has been criticized for being susceptible to government pressure despite its impartial institutional status. Ahead of the 2024 elections, the government openly tried to expand its influence on the ECI. Among other things, a new law was introduced replacing the chief justice with a central government minister on the panel responsible for selecting election commissioners. Moreover, in March 2024, the government swiftly filled two vacant posts in the three-member ECI.

Furthermore, the 2024 elections were preceded by a campaign in which the BJP, including Prime Minister Modi, repeatedly used discriminatory language against the Muslim minority and in which individual political leaders were arrested. For example, Delhi Chief Minister Arvind Kejriwal was arrested in April 2024 in connection with a money-laundering investigation.

Free and fair elections

7



1

Democratically elected political representatives hold the effective power to govern in India. However, Hindu nationalist organizations have come to play an important role as potential veto powers. Members of the National Volunteer Corps, or Rashtriya Swayamsevak Sangh (RSS), have been placed in leadership positions in most relevant institutional bodies, effectively impeding dissent or debate.

The government has also tried to exercise increasing influence over the Indian military, which has to date managed to retain its political independence. Most notably, in 2022, the government introduced a recruitment reform for the state forces called the Agnipath Scheme. In a break with past policies, only 25% of recruits are retained for long-term service and are entitled to pensions after the initial four years, while the rest are dismissed. This reform has been criticized as a threat to the armed forces' professionalism. It also risks increasing militarization in Indian society by releasing large numbers of dissatisfied militarily trained young men who could become part of vigilante groups or other violent organizations.

External actors cannot manipulate domestic politics in India, given the state's strong performance and the high value it places on the principles of sovereignty and non-interference.

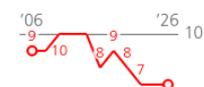
The freedom to assemble peacefully is guaranteed by the Indian constitution, although the state may impose restrictions in the interest of public order or to preserve India's sovereignty and territorial integrity.

The right to demonstrate is largely guaranteed. Given the low degree of internal democracy in political parties, civil society frequently uses demonstrations to present demands to the government. During the review period, however, the government continued to use a range of tools to limit the assembly rights of critics and opposition actors. Hindu nationalist groups further aggravated the general climate of intimidation across the country. In 2024, among many restrictions on freedom of assembly, the government impeded a revival of farmers' protests by invoking Section 144 of the Indian Code of Criminal Procedure, which prohibits gatherings of more than four people, to stop farmers from marching on Delhi. The government also continued in hundreds of cases to apply the Unlawful Activities (Prevention) Act (UAPA), an anti-terrorism law.

The formation of interest groups is legally unrestricted, which has led to the emergence of many NGOs operating in a range of fields, from promoting women's and minority rights to addressing ecological and social issues. While most of these NGOs are fragmented, weakly institutionalized and often dependent on political parties, they actively contribute to and are indispensable for a thriving civil society. In recent years, however, a growing number of NGOs have been denied permission to accept foreign funding under the Foreign Contribution Regulation Act (FCRA), a measure typically used by the government to curb the activities of critical NGOs. For example, the license of the Center for Policy Research (CPR), a leading think tank

Effective power to govern

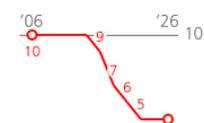
7



1

Association / assembly rights

5



1

engaged in public policy research and advocacy, was suspended for six months in 2023 over alleged violations of the FCRA. This move was widely viewed as part of a broader trend of government pressure on civil society actors perceived as critical or independent.

The freedom of expression is constitutionally guaranteed. This is reflected in the country's functioning judiciary, including the Supreme Court, which occasionally intervenes to protect freedom of expression – for example, by overturning judicial orders to delete online content. While the judiciary is not always consistent, its occasional interventions set India apart from countries where public discourse is systematically suppressed.

Numerous national and local newspapers and television channels disseminate information and a plurality of opinions on diverse issues. However, press freedom is increasingly constrained. Harassment of journalists continued during the review period, with Hindu nationalist supporters of the Modi government criticizing them as anti-national. Female journalists in particular have become victims of online hate campaigns promoting the Hindutva doctrine. Journalists are frequently intimidated, and many report being pressured by supporters of the governing party. Critical journalists have been subjected to arrests and arbitrary detentions, as well as to physical violence perpetrated by the police, criminal groups or corrupt officials. Each year, some journalists are even murdered.

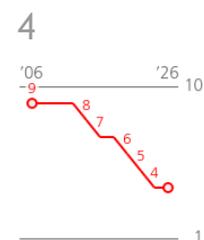
Another issue limiting press freedom is the concentration of media outlets among a few large companies, which leads to less diversity of opinion. However, some independent media outlets remain active and continue to publish critical reporting.

Moreover, the government frequently demands that major social media platforms delete content on the grounds that it might create unrest or violate legal provisions. For example, the Indian government issued numerous executive orders to block accounts and delete posts on X (formerly Twitter).

The situation in Kashmir remained troubling during the review period, with the region under strict military control and subject to government-mandated internet shutdowns aimed at minimizing the potential for escalation. The website internetshutdowns.in recorded 43 shutdowns in Jammu and Kashmir in 2022 and 14 in 2023.

Overall, the deteriorating state of press freedom was reflected in Reporters Without Borders' World Press Freedom Index, which further downgraded India's ranking from 150th place out of 180 in 2022 to 161st out of 180 in 2023 and 159th out of 180 in 2024. Still, public debates and protests do take place, although they are often met with police action, legal intimidation or censorship. Repression is tangible but not all-encompassing.

Freedom of expression



3 | Rule of Law

India's constitution provides for a horizontal separation of powers through a system of checks and balances, which is largely implemented in practice. However, the executive's dominance has increased markedly under the governments led by Prime Minister Narendra Modi. The judiciary has historically played a major role in the consolidation of Indian democracy. Yet during the review period, it repeatedly bowed to pressure from the Hindu nationalist government and, as *The Economist* stated, became "increasingly selective about how it chooses to challenge the government."

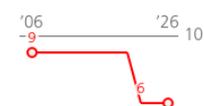
Legislative control over the executive is hampered mainly by structural factors, such as limited competence among many members of parliament and short parliamentary sessions. Moreover, parliament's work is hampered by frequent interruptions and walkouts by opposition parties, hindering it from exercising its constitutional role in the system of checks and balances. Additionally, the speaker of the Lok Sabha – the lower house of parliament – and the chairperson of the Rajya Sabha – the upper house of parliament – are prone to intervene in parliamentary debates as partisan members of parliament, which constitutes evident bias.

While parliamentary systems generally feature a relatively weak separation of powers, a key task of the legislature is to exercise oversight and hold the executive accountable. Yet the dominance of the executive, particularly the personal influence of the prime minister, has marginalized parliament within this process. Legislative procedures have been weakened, diminishing parliament's significance as a deliberative body.

Regarding the vertical separation of powers, the autonomy of state governments in the federal system is enshrined in and guaranteed by the constitution. Frequently, highly competitive elections at the state level function as a counterweight to the center's authority. However, because governors – the subnational heads of state – are appointed by the central government, conflict between governors and state governments has often ensued. Fiscal federalism strengthens the autonomy of state governments by guaranteeing transfers from the central government. However, during the review period, financial transfers to the states declined, and their share of the total tax revenue grew more slowly than that of the center. Public expenditure became increasingly centralized through Centrally Sponsored Schemes and Central Sector Schemes, two key instruments through which the central government channels funds for development across the country. Representative bodies at the local level have a certain degree of administrative autonomy, with political representation extending to the village level.

Separation of powers

6



1

The judiciary in India is institutionally differentiated, and the constitution stipulates its independence. However, the extent of its independence from the executive branch has been seriously questioned. Throughout the review period, the BJP-led government repeatedly rejected appointments of judges who had previously ruled against prominent BJP members or government-proposed policies. The central government also violated the constitution by unilaterally transferring judges to a different high court without prior consultation with the chief justice of India.

Nevertheless, the Supreme Court challenged the government on several issues, including by declaring unconstitutional a controversial law on electoral bonds, an important financial instrument introduced in 2017 as a way for individuals and companies to donate money anonymously to political parties. At the same time, the Supreme Court was reluctant to challenge the government on issues like religious conversions. Often, it avoided handling politically sensitive cases and prioritized more mundane ones, justifying such “judicial evasion” by citing the huge backlog of cases typical of India’s judiciary. For instance, at the Supreme Court level alone, 40% of cases had been pending for more than five years as of 2018, and 8% had been unresolved for more than 10 years. On average, it takes 13.5 years to conclude a case. This backlog was further exacerbated by a government order to stall judicial appointments or reject judges recommended by the Collegium, the system through which the appointment and transfer of judges to the higher judiciary are decided. Overall, 44 million cases are pending in Indian courts, 87% of them in lower courts. Meanwhile, 70% of prisoners in Indian detention facilities are awaiting trial, with only 45% of pretrial detainees ultimately ending up convicted – which significantly contributes to prison overcrowding.

Political corruption continues to undermine the rule of law in India. Officeholders who engage in corrupt acts often slip through political, legal or procedural loopholes and are not effectively prosecuted. Corruption prevails at all levels of administration, affecting citizens in many interactions with institutions such as the police, and in settings such as public services and public procurement. In 2011, a massive anti-corruption movement heightened public awareness of the issue, openly challenging the widespread culture of corruption for the first time and leading to increasingly adverse publicity for politicians implicated in corruption cases. Prime Minister Modi made fighting corruption and “black money” central to his tenure, especially during his first term in office. His image as an honest politician has guaranteed him popular support, while the weakened Indian National Congress (INC) has failed to shed its image as a corrupt party.

The Lokpal anti-corruption authority was formed in 2019 after a six-year delay following the introduction of the Lokpal and Lokayuktas Acts. Critics say it has proved to be a toothless organization. As of the close of the review period, the position of Lokpal chairperson had been vacant since May 2022, and the entity had not yet taken on any prominent cases. In 2022/23, the Lokpal rejected 2,518

Independent judiciary

6



1

Prosecution of office abuse

6



1

complaints on formal grounds. Of 242 complaints that complied with formal requirements, 191 were eventually disposed of. According to a media report, no one had been prosecuted as of March 2023. The Right to Information Act (RTI), adopted in 2005 as the outcome of a popular movement for transparency that empowered citizens to seek information from the government, has been steadily weakened through amendments, bureaucratic delays and political interference. The reduced autonomy of information commissions and the increasing frequency of attacks on RTI activists have further undermined its effectiveness.

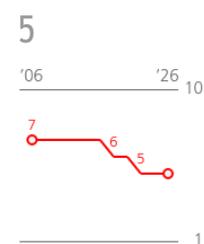
Under the BJP-led government, the Enforcement Directorate (ED) – a law enforcement agency under the Ministry of Finance that is primarily responsible for enforcing economic laws and fighting financial crimes – has stepped up investigations and raids against prominent opposition leaders. This has raised concerns about selective enforcement and conditions of political vendetta. These actions, many of which intensified in the run-up to the 2024 general elections, have been criticized as efforts to weaken electoral challengers and suppress dissent.

De jure, civil rights are guaranteed in India except in areas where emergency laws are in force. In the Northeast, for example, the Armed Forces (Special Powers) Act (AFSPA) allows Indian security forces to search homes and arrest suspects without a warrant, shoot suspects on sight, and destroy buildings believed to house militants or weapons. Since the government is required to approve any criminal charges against security forces for actions under the AFSPA, this amounts to de facto immunity for security forces. As of January 2025, the AFSPA remained in force in Jammu and Kashmir and in parts of Assam, Nagaland, Manipur and Arunachal Pradesh. In Manipur, the AFSPA was reimposed after an increase in the incidence of violence in the state in 2024. In Assam, the AFSPA was extended in certain districts to prevent instability from spilling over from Bangladesh.

Across India, custodial killings and incidents of police abuse, including torture and rape in custody, are common. Disadvantaged groups are most affected by the limited enforcement of protection laws and the slow, inefficient judicial system. In many cases, India's large Muslim minority (with more than 200 million members) has equal access to justice only in theory.

Women are the social group most visibly affected by discrimination and violence. India's rating on the Global Gender Gap Index remained low during the review period, with the country ranked at 129th of 146 states in 2024, compared with 135th place in 2022 and 112th place of 153 countries in 2020. Same-sex relationships were decriminalized in 2018 following a Supreme Court verdict, and subsequent judgments have supported LGBTQ+ struggles. Discrimination against homosexuals nevertheless continues.

Civil rights



4 | Stability of Democratic Institutions

Overall, India's democratic institutions function reasonably effectively. However, the BJP-led government has increasingly weakened the independence of non-executive institutions and narrowed their competencies. In some cases, the judiciary has proved subservient to the government. The operations of parliament are partly undermined by frequent disruptions and protests, leading to bills often being passed without substantial legislative debate. Vertical coordination between the central government and the states remains deficient, despite Modi's efforts to improve it under the paradoxical label of "competitive cooperative federalism." Although the approach aimed to encourage states to compete to achieve development goals while collaborating with the central government, in practice, it has often resulted in centralized decision-making, unequal resource distribution and limited state input in policy formulation.

While electoral contestation and participation remain in place and are robust, democratic checks and balances have been increasingly weakened under the BJP-led government. Under Prime Minister Modi, the executive has sought to erode constitutional bodies such as the Election Commission and the Supreme Court.

Since independence, the army has been effectively kept under civilian control. It is committed to its constitutionally mandated role. Only small non-state armed groups, such as the Maoist Naxalites in central India and ethnonationalist armed groups in the Northeast and in Kashmir, aim to overturn the state's democratic institutions.

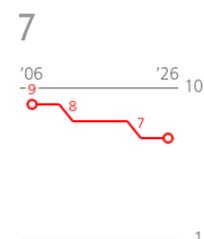
5 | Political and Social Integration

The Indian party system is relatively stable and socially rooted. Many parties operate at the national and state levels and represent specific ideologies, groups or regional interests and identities. Social groups maintain relatively stable ties to political parties.

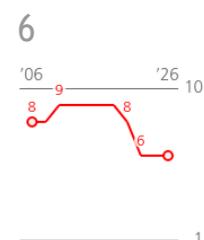
Polarization, particularly along religious lines, has increased during the review period, with the BJP – including the prime minister himself – openly using anti-Muslim rhetoric for mobilization purposes ahead of the 2024 elections. The BJP's renewed electoral victory in 2024 enabled the party to further consolidate power at the expense of its ideological rivals.

Having failed to secure an absolute majority in the lower house of parliament in the 2024 general elections, the BJP must rely on coalition partners. However, the main coalition partners, the Janata Dal (United) and the Telugu Desam Party (TDP), have proved unwilling to impose any specific checks on the BJP. The Indian National Congress (INC), the main opposition party under the leadership of Rahul Gandhi,

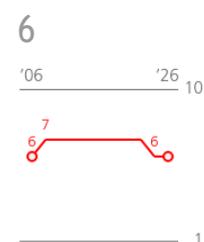
Performance of democratic institutions



Commitment to democratic institutions



Party system



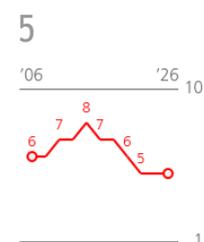
won 99 seats in the Lok Sabha, significantly improving on its 2019 result. In state-level elections, regional parties remain key players, with their authority and legitimacy drawn largely from the image of a strong regional leader.

Whereas the BJP has strong internal structures, a centralized leadership and a well-developed organizational network across the country, most other parties are weakly institutionalized. Many revolve around charismatic leaders or political dynasties and lack internal democratic procedures or clear mechanisms for leadership selection and decision-making. As a result, informal procedures, factionalism and clientelism prevail, with loyalty to individual leaders often outweighing party ideology or long-term strategic planning. This undermines party cohesion and accountability and contributes to the prevalence of opportunistic alliances and defections, especially during election periods.

While many interest groups exist, only a small share of the population belongs to or actively participates in such associations. Associations also engage in little horizontal cooperation, depriving the sector of potential synergies. Labor unions and employers' federations are only partly autonomous because of the traditionally extensive role of the state in the Indian economy. However, India has as many as 3.3 million NGOs that fight for the rights of marginalized social groups and are often promoted by intellectuals and middle-class members. During the review period, foreign-funded NGOs in particular continued to face crackdowns. The government revoked the FCRA licenses of several NGOs, arguing that they were misusing foreign funds to stall public projects critical for national development.

Further mobilization of nationalist interests took place in parallel with the growing popularity and influence of Hindu nationalist groups. The dominance of these groups implies a growing risk of polarization along political and religious lines. The Rashtriya Swayamsevak Sangh (RSS), a paramilitary Hindu nationalist organization that exerts significant influence on the BJP and its policies, has expanded its presence nationwide. As it approaches the centennial of its 1925 founding, the RSS opened 6,645 new branches – so-called shakhas – in 2024, for a new total of 72,354. The RSS continued to expand its membership, estimated at several million people, with 725,000 new membership applications from 2017 to 2022. Furthermore, the RSS controls many organizations, including the Bharatiya Mazdoor Sangh, India's largest trade union with more than 10 million members; the farmers' association Bharatiya Kisan Sangh; a network of schools called Vidya Bharati; and an international network, Hindu Swayamsevak Sangh (HSS), that promotes Hindu cultural values, identity and unity among the Indian diaspora. The activities of these organizations contribute to a rising risk of pernicious polarization.

Interest groups



India's population, including its poorer segments, is proud of the country's achievements as one of the most stable democracies among postcolonial states. Citizens believe in the value of their vote and participate readily in elections. Levels of approval of democracy are high, as democratic principles are firmly rooted in the wider population and have a long history. Voter turnout rates are consistently high, as in the 2024 general elections, when almost 66% of those eligible to vote did so – slightly below the all-time high of more than 67% in 2019. However, members of the growing middle class increasingly express their disaffection with politics and the “political class” in general, which helps explain the continued success of populist Prime Minister Modi.

According to Pew survey data, 70% of Indian respondents reported that they were satisfied with how democracy was working in their country as of 2019. Attitudes toward democracy also vary considerably by region, with support strongest in the Northeast (61%), South (53%) and North (51%), and much weaker in the central regions, broadly identical with what is commonly referred to as the Hindi heartland (33%). In a 2024 Pew survey, 85% of Indian respondents said that rule by a strong leader or by the military would be a good way to govern their country. Other Pew surveys found that the share of respondents expressing positive views about a strong leader able to make decisions without interference from parliament rose from 55% in 2017 to 67% in 2023. According to the Ipsos Trustworthiness Index 2024, only 47% of respondents considered the police to be trustworthy, 56% trusted members of the armed forces and 46% expressed trust in civil servants.

Indian society remains strictly hierarchical, as evident in the persistent caste system. This hampers the development of solidarity across social strata and ethnolinguistic groups. Tensions between religious communities, in particular, have undermined interpersonal trust. In 2024, India ranked second-highest in the world, after Nigeria, on the Social Hostilities Index for religion. A 2021 Pew survey showed that a large majority of Indians support religious tolerance while also favoring segregation among religious communities. The continued divisive potential of castes has also been confirmed, with 64% of respondents saying they think it is very important that women not marry members of other castes. Discrimination against low-caste Dalits remains a crucial issue. Despite legal protections, Dalits continue to face social exclusion, violence and limited access to education, employment and justice, particularly in rural areas and conservative regions.

However, many associations have helped create some degree of social protection for vulnerable social groups. Many grassroots-level initiatives are active, with local groups organizing strikes and protests. Tribal groups have a tradition of non-parliamentary protest dating to the colonial period. Moreover, local communities have become vocal in resisting mining projects and land acquisitions. Such manifestations of self-help organizations are sometimes manipulated for political purposes, but these organizations often act autonomously to promote the interests of their communities.

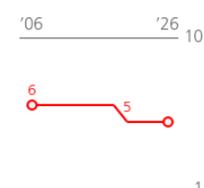
Approval of democracy

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Social capital

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II. Economic Transformation

6 | Level of Socioeconomic Development

Poverty and socioeconomic inequality are pronounced and partly structurally ingrained both among the rural population and the urban populations employed in the informal sector. Poverty has increasingly affected a range of states that were largely left out of the recent economic boom and remain plagued by bad governance, such as Chhattisgarh, Bihar and Madhya Pradesh. Despite these exceptions, the share of the Indian population that could be considered poor – that is, living on \$3.65 per day or less at 2017 international prices adjusted for purchasing power parity – has declined substantially in recent years. In 2021, 44% of the Indian population was considered poor, compared with 61.7% in 2011. However, the COVID-19 pandemic has slowed progress since 2019.

India's Human Development Index (HDI) score has steadily improved over the past decade, aside from a temporary decline in 2021 as a result of the pandemic. In 2022, India was ranked 134th of 193 countries on the HDI. Regarding inequality, India's Gini index score has slowly improved, reaching 32.8 in 2021, compared with 34.7 in 2015 and 35.7 in 2011, suggesting that the country's economic growth has had a largely neutral effect on wealth distribution. However, the top 1% of the population held an income share of 23.1% in 2023 (2021: 21.7%), the highest such figure in the country's history, compared with 13.3% among the bottom 50% (2021: 13.1%). The high visibility of the super-rich and high rates of youth unemployment, even among skilled and educated individuals, contribute to a sense of rising economic inequality despite substantial GDP growth.

Social exclusion continues to affect the traditionally marginalized lower castes (the Scheduled Castes) such as Dalits; it also affects ethnic minorities (the Scheduled Tribes) and Muslims. Gender inequality remains a major problem in India. With a Gender Inequality Index score of 0.437 as of 2022, India ranks very low in international comparisons despite its steady but slow improvement over the past three decades. Inequalities also exist across regions, with southern and western states such as Kerala, Tamil Nadu and Maharashtra generally outperforming northern and central states such as Bihar, Uttar Pradesh and Madhya Pradesh in areas such as education, health care, infrastructure and economic development.

Question
Score

Socioeconomic
barriers

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Economic indicators		2021	2022	2023	2024
GDP	\$ M	3167270.6	3346107.3	3638489.1	3912686.2
GDP growth	%	9.7	7.6	9.2	6.5
Inflation (CPI)	%	5.1	6.7	5.6	5.0
Unemployment	%	6.4	4.8	4.2	4.2
Foreign direct investment	% of GDP	1.4	1.5	0.8	0.7
Export growth	%	29.6	10.3	2.2	7.1
Import growth	%	22.1	8.9	13.8	-1.1
Current account balance	\$ M	-33422.4	-79050.9	-31955.5	-32149.0
Public debt	% of GDP	83.5	82.2	80.7	81.6
External debt	\$ M	611987.2	615516.0	646787.1	-
Total debt service	\$ M	52081.5	65704.6	82272.6	-
Net lending/borrowing	% of GDP	-	-5.1	-	-
Tax revenue	% of GDP	-	6.7	-	-
Government consumption	% of GDP	10.5	10.3	10.3	10.1
Public education spending	% of GDP	4.6	4.1	-	-
Public health spending	% of GDP	1.4	1.3	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.5	2.4	2.4	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

In India, market competition is integrated within an extensive institutional framework, yet state intervention persists in several policy areas. For instance, discrimination based on foreign versus local ownership continues, and certain sectors of the economy are unconditionally protected. Market-entry barriers for new businesses persist, particularly in the form of administrative issues. Prime Minister Modi's "Make in India" initiative includes local-production incentives such as subsidies aimed at boosting domestic manufacturing over imports. The BJP-led government has – albeit with limited success – persisted in its efforts to attract foreign investors in recent years. In 2023, FDI inflows fell to \$28 billion, down from \$49 billion in 2022 and \$44 billion in 2021, according to the World Investment Report 2024. In 2024, however, FDI inflows increased by 13%, driven by a rise in greenfield projects. During the review period, India countered this apparent trend by implementing restrictions on FDI from neighboring countries, targeting China in particular. During the period from 2000 to 2024, only 0.37% of the total FDI equity inflow into India came from China.

The Indian rupee is not pegged to any foreign currency and is fully convertible on the current account, but only partially convertible on the capital account. As the country's central bank, the Reserve Bank of India, intervenes in the foreign reserves market to influence effective exchange rates, the currency regime can be seen as a de facto controlled exchange rate.

The informal sector remains extremely large, providing employment for about 88.8% of the Indian workforce as of 2023. This vast segment includes self-employed workers, casual laborers and those working in unregistered enterprises, who typically lack job security and social protections. Structural barriers such as low literacy rates, limited access to credit and bureaucratic hurdles continue to hinder the transition to the formal economy, leaving the majority of workers vulnerable to exploitation and economic shocks.

India's statutory authority, the Competition Commission of India (CCI), is responsible for implementing the Competition Act of 2002, as amended by the Competition (Amendment) Act of 2007, the Competition (Amendment) Act of 2009 and the Competition (Amendment) Act of 2023. Several provisions of the most recent amendment took effect during the review period. Among other changes, in line with global standards, companies with significant operations in India must in the future notify the CCI of mergers and acquisitions as well as amalgamations exceeding INR 20 billion (\$238 million). Further reforms include accelerated decision-making processes, better oversight and requirements for cross-border compliance. Overall, the CCI underwent a broad institutional overhaul that was intended to contribute to a more business-friendly approach. The Securities and Exchange Bureau of India, a

Market
organization

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Competition policy

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well-regarded institution, is responsible for enforcing corporate governance standards. The CCI regularly engages with other competition authorities and multilateral bodies such as the Organization for Economic Cooperation and Development (OECD) or the United Nations Conference on Trade and Development (UNCTAD). It is a member of the International Competition Network, which has signed memorandums of understanding with the U.S. Federal Trade Commission, the U.S. Department of Justice and the European Union’s Directorate-General for Competition, among others.

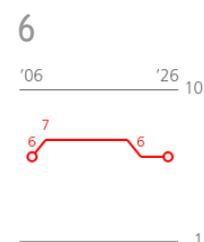
In parallel with these market-supporting factors, the Indian government has subsidized entire sectors of the economy such as agriculture, providing support for prices, seeds, fertilizers, energy and water for irrigation. In addition, high tariffs have been introduced to effectively deter imports of agricultural products. However, such subsidies have been cut in recent years, and in 2024/25 they fell to a five-year low, in both absolute and relative terms (3.8% of GDP in 2020/21, 1.3% in 2024/25).

As a founding member of the World Trade Organization (WTO), India generally advocates multilateral trade and offers most-favored-nation (MFN) treatment to WTO members and other partners. Since opening its economy to foreign business activity and investment in 1991, India has progressively liberalized trade. However, during the review period, the government continued to pursue an ambiguous approach toward trade openness. It made efforts to promote free trade by streamlining trade procedures at the country’s borders, upgrading port infrastructure and improving electronic document submission. In 2023, the government introduced the Foreign Trade Policy (2023 – 2028), which aims to enhance exports and simplify processes for exporters. In 2022, while not participating in large trade blocs, India signed free-trade agreements with Australia and the United Arab Emirates.

On the other hand, the government has maintained its tendency toward a protectionist stance since about 2017. Accordingly, under the slogan “Self-reliant India” (“Atma Nirbhar Bharat”), the BJP-led government implemented several protectionist policies that are believed to align with Hindu nationalist ideology. In 2024, higher tariffs were imposed on steel products that are mainly imported from China. Domestically, India has long heavily protected certain sectors of its economy, particularly agriculture. Consequently, in 2024, India’s simple average MFN tariff rate was 16.2% (2022: 17.88%; 2020: 14.6%; 2018: 13.8%). Compared with other emerging economies, India’s trade-to-GDP ratio was a relatively low 45.85% in 2023.

India’s import regime, particularly regarding licenses and permits, remains highly complex. Importers must pay various additional duties beyond the tariff rate. In many instances, imports are subject to non-tariff barriers such as prohibitions, licenses, restrictions or sanitary requirements that hinder trade, particularly at the expense of neighboring South Asian countries. In addition, to protect domestic industries, India has actively employed anti-dumping measures, particularly in the chemical, petrochemical and pharmaceutical sectors.

Liberalization of
foreign trade



In FY 2023/24, the country's merchandise trade deficit decreased due to lower global oil prices and growth in goods exports – particularly electronics, iron ore and pharmaceuticals – and services exports. India's current account deficit declined from 2% of GDP in FY 2022/23 to 0.7% of GDP in FY 2023/24. In its services trade, India posted a surplus of 4.6% of GDP in FY 2023/24, up from 4.3% in FY 2022/23.

In July 2017, a unified Goods and Services Tax (GST) was introduced, replacing the previous state-implemented indirect tax system that produced fragmented tax rates across India's states. The adoption of the GST has reduced trade barriers within the country. For example, tax evasion has become more difficult as payments are made through the Unified Payments Interface (UPI), and GST revenues rose by 12.7% in FY 2023/24.

The Reserve Bank of India (RBI) regulates India's banking system, which has evolved significantly since the launch of economic reforms in 1991. Tellingly, the Indian banking system was one of the few not seriously compromised by the 2008 global financial crisis.

With the enactment of the Banking Laws (Amendment) Bill 2012, corporate houses, that is, large, diversified business conglomerates, entered the banking sector in 2013. In 2024, the market share of private bank lending was 42%, compared with 35% before the pandemic. The market share of private bank deposits was 35%. In recent years, some restrictions on foreign bank operations have been lifted. Crucially, FDI in the private banking sector is capped at 74% of paid-up capital.

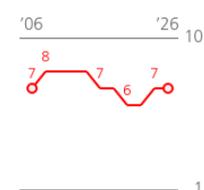
In 2022, circulating non-performing loans as a share of all loans dropped to 4.8% from 6.5% in 2021 and 7.9% in 2020 after hitting a peak of 10% in 2017. While the share of non-performing loans is still higher than a decade ago, the regulatory framework has become more stringent. Transparency increased after an asset quality review conducted by the RBI in 2015/16. According to World Bank data, the capital-to-assets ratio remained stable at 7.8% from 2020 to 2022. Asset quality improved across all categories of financial institutions, including commercial banks, cooperative banks and other financial institutions.

In 2009, as a crucial step in banking regulation, the RBI implemented standardized Basel II norms. As in many other countries, Basel III capital regulation has yet to be fully implemented in India. Although the implementation process started in 2013 and was supposed to conclude in 2019, the deadline has been extended several times.

India has a functioning stock market, with the BSE Sensex and Nifty 50 as its two primary indexes. Given the country's remarkable growth, India's stock market is projected to rank third in the world by the end of the 2020s in terms of capitalization.

Banking system

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8 | Monetary and fiscal stability

Although inflation rates remained high during the review period, prices have stabilized, helped by a substantial decline in energy prices. In 2023, the CPI-based inflation rate was 5.6%, marking a decline of 6.7% from 2022, while headline inflation averaged 6.7% year-over-year in FY 2022/23 and declined to a rate of 5.4% in FY 2023/24. To control inflation without stifling growth, the RBI pursued a “withdrawal of accommodation” policy from 2022 onward, keeping the repo rate unchanged at 6.5%.

During the second half of FY 2023/24, the RBI conducted several temporary liquidity operations to ease tight liquidity conditions in the banking system. These interventions, along with India’s remarkable economic growth during the review period, helped stabilize the Indian rupee.

As the central bank intervenes to reduce excessive volatility, the Indian rupee is neither pegged nor fully free-floating, but is a managed floating currency. As of January 31, 2025, the exchange rates were INR 87.19 per USD 1 and INR 11.95 per CNY 1. The INR Real Effective Exchange Rate (REER: 2005=100: Month Avg: India) stood at 115.2 in January 2025.

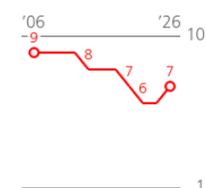
Contrary to its constitutional provisions, the RBI has lost much of its independence in recent years. In December 2024, the government nominated Sanjay Malhotra as the central bank’s new governor. Like his predecessor, Shakantika Das, who had been nominated by Modi in 2018, Malhotra is a career civil servant, not an economist. Little is known about his preferences for fiscal or monetary policy, though observers expect him to align with the government’s policies. In retrospect, however, the loss of independence did not lead to poor monetary performance, and the policies adopted by the RBI helped keep the Indian economy in good shape.

In 2003, India introduced the Fiscal Responsibility and Budget Management (FRBM) Act, mandating a phased reduction of the fiscal deficit to 2.5% of GDP and the elimination of the revenue deficit. The law generally increased fiscal transparency and responsibility by requiring the government to issue regular reports for parliamentary discussion. In principle, the executive is committed to fiscal consolidation, and the fiscal deficit has declined over the past decade. However, in response to the economic crisis unleashed by the COVID-19 pandemic, the government revised its fiscal consolidation targets.

During the review period, the fiscal deficit declined from 6.4% of GDP in FY 2022/23 to 5.6% in FY 2023/24. The government outperformed its budget-deficit target of 5.9%, primarily due to strong revenue collection. Direct tax revenue for the central government increased by 17.6% year-over-year in FY 2023/24. Goods and Services Tax (GST) revenue increased 12.7%. One of the biggest reforms during Modi’s first

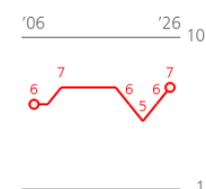
Monetary stability

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Fiscal stability

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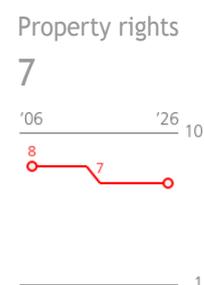
term in office, the GST simplified domestic trade and increased transparency. Indian states, which have some fiscal autonomy but depend on transfers from the central government, traditionally pursue irresponsible fiscal policies, essentially waiting for bailouts.

In 2023, India's current account deficit was \$30 billion, compared with \$79 billion in 2022 and \$33 billion in 2021. As a share of GDP, it fell from 2.0% in FY 2022/23 to 0.7% in FY 2023/24, thanks to a reduction in the merchandise trade deficit, driven by lower global oil prices and export growth. India's public debt rose to 88.4% of GDP in 2020 because of the pandemic, declined to 83.5% in 2021 and remained elevated at 83% in 2023. This marks a remarkable longer-term increase compared with the previous decade, when public debt was consistently around 70%. Domestic creditors hold most of the country's public debt, but external debt has steadily increased in recent years.

The long-term trend of continuous growth in India's total reserves was interrupted during the review period. After reaching \$594 billion in 2021, total reserves fell to \$521 billion in 2022, then recovered slightly to \$574 billion in 2023. This places India among countries with the largest holdings of international reserves and reduces pressure on the Indian rupee.

9 | Private Property

Overall, property rights in India are adequately defined. The main political actors do not question the principles of private property ownership, private initiative or the need to attract foreign investment. Yet despite some recent improvements, several limitations remain in these policy fields. In 2024, India was ranked 58th out of 125 countries on the International Property Rights Index, with a slightly higher score but the same rank as the previous year. The main weakness concerns intellectual property rights (IPR). Despite government efforts, India's IPR regime remains weak, and does not meet international standards. Piracy, copying and plagiarism remain widespread. In 2016, India released a National IPR Policy and established its first intellectual property crime unit in the state of Telangana. The U.S. placed India, along with several other countries, in its 2024 Special 301 Report on the adequacy and effectiveness of U.S. trading partners' protection and enforcement of intellectual property rights. Among the weaknesses of India's IPR regime are inadequate enforcement, widespread piracy and weak legal frameworks for the protection of trade secrets. India has yet to fully implement the World Intellectual Property Organization (WIPO) Internet Treaties.



Private companies in India are considered crucial drivers of economic production and accordingly receive legal protections. The private sector is the main driver of India's economic growth, accounting for 80% of investment. Although the private sector's role has been bolstered since the start of economic liberalization in the 1990s, India has a long-standing tradition of state-owned enterprises, with such entities continuing to occupy a significant position in the economy.

Since 1991, the government has pursued a policy of disinvestment, selling government equity in public sector enterprises while retaining majority control. This partial privatization has been used to raise funds to try to meet fiscal deficit targets. However, for several years the government has failed to meet its disinvestment goals. The new BJP-led coalition government formed in 2024 will likely have to slow privatization and instead focus on making state-run companies more profitable.

10 | Welfare Regime

Traditionally, social safety nets in India have been based on family structures, and they largely remain so. However, a range of reforms initiated in the mid-2000s has substantially improved the chances for marginalized sections of society to receive at least partial compensation for social risks. Programs such as the Mahatma Gandhi National Rural Employment Guarantee Scheme provide temporary employment to people living below the poverty line. Moreover, a range of other programs exists at the national and state levels, addressing a variety of issues from food distribution to child development to the provision of affordable housing for poor families. Nevertheless, observers question the effectiveness of many of these programs, mainly because of corruption and leakages in implementation.

The National Pensions Scheme is a defined-contribution pension system for central government employees that provides pensions and other support such as subsidized housing. It is funded by employer and employee contributions and, because it allows voluntary contributions, is open to all citizens on a voluntary basis. A range of alternative private pension schemes exists. Moreover, the government-supported Atal Pension Yojana provides small pensions for workers in the informal sector. Some unemployment insurance schemes exist as well, but they mostly target workers in the formal sector and larger companies, and provide only limited benefits for short periods.

In 2021, the latest year for which data was available, public expenditure on health amounted to 1.1% of GDP. Life expectancy at birth rose until the COVID-19 pandemic, standing at 70.9 years in 2019, then fell to 67.2 in 2021. In 2022, it began to recover, reaching 67.7 years. Health conditions in India remain comparatively poor overall, though they have improved in recent years. According to World Bank data, the neonatal mortality rate in 2022 was 18 per 1,000 live births, and the maternal mortality ratio in 2020 was 103 per 100,000 live births.

Private enterprise

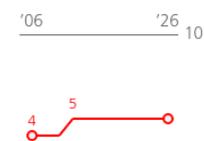
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Social safety nets

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Several health insurance schemes sponsored by the central government target employees in the formal sector and civil servants. During his first term in office, however, Modi introduced the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana, a health insurance scheme for the poor also called “Modicare.” The scheme provides basic health coverage to more than 500 million people and is therefore the world’s largest government-funded health care scheme. Among the scheme’s weaknesses is its relatively limited coverage of INR 500,000, which leaves poor families with high bills in cases of longer hospitalization or more complex treatments.

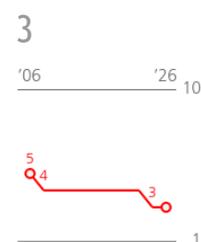
The main feature of Modi’s social-sector reforms has been a drive toward digitalization, cash-free transactions and the connection of welfare programs via the Aadhaar biometric data collection program, which involves a unique 12-digit number, a fingerprint and retina scans as proofs of identity and residence. Virtually all of India’s 1.4 billion inhabitants now have an Aadhaar number. While the system has raised concerns about privacy, data security, profiling of citizens and the potential for fraud, it is now well established and has simplified the implementation of social security programs.

Equality of opportunity is enshrined in India’s constitution but remains far from realized. Members of lower castes, Muslims, tribal communities and other marginalized social groups de facto do not enjoy equal access to education or employment, despite several affirmative action programs. One such program reserves places for members of Scheduled Castes (SCs), Scheduled Tribes (STs) and Other Backward Classes (OBCs) in the public sector and at universities. Seats in elected bodies are reserved in a proportion corresponding to the share of SCs and STs in each constituency’s population. The reservation system has helped improve social mobility and foster the political empowerment of marginalized groups, in some cases enabling them to attain top political positions. Yet the reservations remain controversial, with critics arguing that they can entrench identity politics and lead to reverse discrimination. Additionally, demands from other communities for inclusion in the reservation system have sparked social tensions.

Discrimination against Muslims and STs significantly worsened during the review period, continuing a preexisting trend. Muslims have long been a marginalized community, and their intergenerational upward mobility has declined markedly over the past two decades. Under the Modi government, Muslims, along with Dalits, have become victims of mob attacks by Hindu nationalist groups.

Discrimination against women likewise remains a significant problem. Particularly in northern regions with strong patriarchal tendencies, women often face deprivation within their own families from the earliest stages of life. For impoverished families, this translates into limited access to food and sanitation. In education, there has been notable progress in primary and secondary schooling, as evidenced by the female-to-male enrollment ratio (according to the Gender Parity Index), which now stands at 1.0 across all sectors of the education system. While India’s labor force participation

Equal opportunity



rate among women was 28.7% in 2023 and remains low by international standards, it has improved recently after a steady decline over past decades (2022: 26.0%; 2021: 25.4%; 2020: 25.0%).

In politics, women remain in a largely subordinate role, though there are notable exceptions. In 2023, for example, women made up 15% of Lok Sabha members, up from 14% in 2021. That year, both houses of parliament approved the Women’s Reservation Act (Nari Shakti Vandan Adhiniyam), which mandates the reservation of one-third of all seats in the Lok Sabha, state legislative assemblies and the Delhi Assembly for women. However, implementation of this provision will take place only after the completion of the decennial census and the corresponding delimitation of seats. The reservation of seats for women is thus expected to be implemented after the 2029 general elections, likely in the early 2030s.

Despite a series of high-profile rape cases since 2012 that have led to overdue amendments to rape laws and heightened societal awareness of women’s status in India, effecting substantial changes in general attitudes will take considerable time. India’s performance on the Global Gender Gap Index remains dismal, with a ranking of 129th out of 146 countries in 2024, compared with 112th out of 153 countries in 2020.

11 | Economic Performance

During the review period, India was among the fastest-growing economies in the world, with growth rates of 7.0% in FY 2022/23 and 8.2% in FY 2023/24. The IMF expects growth to remain strong at 7.0% in FY 2024/25. India’s GDP per capita grew by 6.7% in 2023, and in the same year, the country’s current account deficit fell to \$30.2 billion from \$79 billion in 2022. Government efforts to attract FDI were not successful, with inflows declining to 0.8% of GDP in 2023 from 1.5% in 2022 and 1.4% in 2021. FDI inflows also declined sharply in absolute terms, from \$49 billion in 2022 to \$28 billion in 2023, according to the World Investment Report 2024. Most investments continued to be directed toward the services sector. A major challenge for the government is creating as many as 1 million jobs per month to employ India’s growing young workforce. Despite failures in industrialization under the “Make in India” campaign, strong economic growth led to a decline in the unemployment rate from 6.4% in 2021 to 4.2% in 2023. Finally, during the review period, India made progress toward achieving price level stability, with a decline in inflation described above under “Monetary stability.”

Output strength



12 | Sustainability

India faces significant environmental problems, ranging from water pollution and water scarcity to waste management issues, soil degradation and biodiversity loss. Despite this high degree of exposure, in statistical terms, the country is also one of the largest emitters of greenhouse gases globally. Focusing on growth and investment, the government often sets environmental issues aside. Public awareness of environmental protection concerns remains extremely low.

Air pollution has become one of the most pressing environmental problems, particularly in urban areas. In 2023, according to IQAir, India ranked third-worst globally for air quality, behind only neighboring Bangladesh and Pakistan. The annual average PM_{2.5} level was 54.4 micrograms of fine particulate matter per cubic meter of air, exceeding WHO guidelines by more than 10 times. To address this issue, the government announced the National Clean Air Program (NCAP) in 2019 to reduce pollution levels across cities. In that context, data collection and availability have increased significantly. However, according to the Center for Research on Energy and Clean Air, the program has faced numerous shortcomings, including the fact that only 41 of the 97 covered cities achieved the initial target of a 20% to 30% reduction in PM₁₀ levels. Moreover, only 68% of NCAP-allocated funding was used during the period from 2015 to 2019.

On the issue of climate change mitigation, the government appears surprisingly proactive at first glance. While still opposing binding emissions targets, it committed at the 2015 Paris climate conference to generate at least 40% of the country's electricity from non-fossil sources by 2030. India has also sharpened its profile on renewable energy. For his involvement in forming the International Solar Alliance, Modi received the United Nations' highest environmental award in 2018. Nevertheless, the government's rhetoric has yet to be matched by concrete achievements, and its approach to environmental issues has largely been ambivalent. Despite commitments to renewable energy sources, the Indian economy continues to rely heavily on coal, which still generates 73.4% of the country's electricity.

India's climate policy is governed by several policy documents and laws. The National Action Plan for Climate Change (NAPCC) serves as the overarching framework for climate change mitigation. Among the policies introduced by the government are the National Electricity Plan 2023 (NEP2023), the National Green Hydrogen Mission and the Energy Conservation Act, which was recently amended.

To establish or expand significant environment-related projects, clearance from the Ministry of Environment, Forest and Climate Change (MoEFCC) following an environmental impact assessment (EIA) is mandatory. This process includes an evaluation of the environmental and social consequences of initiatives and projects, as well as public consultation with affected stakeholders. However, in many cases,

Environmental
policy

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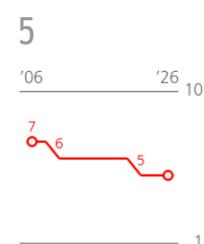
rules outlined in the EIA are bypassed. For example, in 2023, it emerged that a large highway project had been carried out without an EIA, having been split into 53 segments of under 100 km each so that the relevant eligibility criteria were not met. After facing major criticism, the government modified the original EIA notification procedure through numerous administrative provisions, such as “office memorandums,” which are not required to undergo public consultation. For example, in the mining sector, an expansion of production became possible without engaging in the participatory format of public hearings.

India’s education policy has created an education and training system that is largely substandard, with some notable exceptions. The literacy rate has risen steadily to 77% in 2023, up from 74.4% in 2018. India’s score on the U.N. Education Index improved only slightly to 0.570 in 2022 after two years of stagnating around 0.52. Despite these signs of improvement, significant deficits in access to education persist. The parallel systems of private and government schools contribute to widening educational gaps across social groups. According to the Annual Status of Education Report 2024, the share of children between the ages of six to 14 enrolled in government schools in rural areas declined to 66.8% after a brief pandemic-induced increase in 2022 to a share of 72.9%.

The Right to Education Act, enacted in 2010, declared education to be a right for the first time, and began to address the goal of improving educational quality. In the tertiary education sector, numerous private colleges and universities operate, many dedicated to the natural sciences. Over the past decade, India’s higher education sector has expanded substantially, with the establishment of new public and private universities and significant increases in enrollment. At the same time, declining academic freedom has undermined the quality of tertiary education in several fields. Spending on education amounted to 4.1% of GDP in 2022 and has essentially stagnated at a similar level over the past decade. Spending on research and development held at 0.7% of GDP from 2012 to 2019 and fell to 0.6% in 2020.

The Modi government continues to make politically motivated, non-merit-based appointments to key positions at universities and research institutions, hindering the advancement of high-quality academic research. Academics face severe restrictions on academic freedom and engage in widespread self-censorship, particularly when researching sensitive issues such as caste, Kashmir or religious nationalism. Instances of faculty harassment, crackdowns on students at universities such as Jawaharlal Nehru University and Jamia Millia Islamia, and the use of sedition or antiterror laws have created an atmosphere of fear, leading many scholars to avoid controversial topics or critical views.

Education policy /
R&D



Governance

I. Level of Difficulty

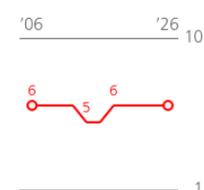
The Indian government's management performance is limited by a range of structural constraints. While World Bank data suggest that poverty has been declining, 34.88% of the Indian population could still be considered poor in 2021 under a \$3.20-a-day poverty line, in 2017 dollars adjusted for purchasing power parity. India is among the world's most heterogeneous countries in terms of culture, languages and religion, which poses another structural difficulty, albeit alleviated by the federal system. The country's colonial history and its consequences, including border tensions with neighboring countries such as Pakistan, also pose structural difficulties for the leadership's capacity to govern.

India has a growing share of young, well-trained workers proficient in English, yet the lack of a structured vocational training system implies an immense loss of potential for the economy. India is well equipped to handle the adverse consequences of natural disasters, as demonstrated by its support for Nepal after the 2015 earthquake. At the same time, the deadly second COVID-19 wave of spring 2021 revealed an utterly inadequate response by the government to the pandemic.

Despite recent major efforts in construction and refurbishment, weaknesses in the country's infrastructure remain among the main structural obstacles limiting the government's performance. Among the many infrastructure schemes are the PM Gati Shakti plan to enhance logistics infrastructure and the Trade Infrastructure for Exports Scheme. A multitude of large-scale infrastructure projects are under construction or have been recently completed, from road and tunnel projects to railway modernization and the construction of new airports across the country. Progress has been slow, however. According to the Economic Survey (2024 – 2025) presented in the Indian parliament, increased infrastructure investment will be required to maintain high growth rates over the coming two decades. Furthermore, the report calls for greater emphasis on topics such as disaster-resilient urbanization, the development of public transport and the expansion of rural public infrastructure.

Structural
constraints

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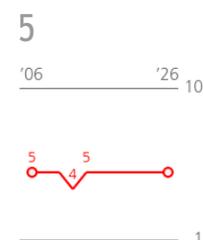
India has a long tradition of civic engagement and a range of national role models in that regard. The best such example is anti-colonial activist Mahatma Gandhi. Millions of NGOs work on a wide range of issues, including the environment, human rights protection and gender equality. The civic culture of participation in public life has always been strong. The large number of demonstrations that take place across India show that people from marginalized social groups organize to make their voices heard. Significantly, from 2020 to 2021, massive protests by farmers forced the government to repeal its contentious farm bills. These bills were controversial because they aimed to liberalize agricultural markets by allowing farmers to sell their produce outside government-regulated markets, in practice removing minimum price guarantees and encouraging greater corporate involvement in agriculture.

Unions and employer associations remain relatively fragmented and are often affiliated with political parties. The ruling BJP is part of a wide network of Hindu nationalist civil society organizations that reach millions of Indians directly. Although this network contributes to civic engagement overall, its exclusionary tendencies targeting religious minorities further diminish social trust. On the 2023 Legatum Prosperity Index subindex measuring social capital, India was ranked 124th out of 167 countries, down from 68th in 2021 and 78th in 2019.

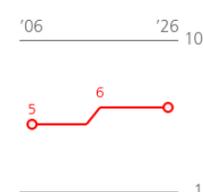
A range of cleavages exists in modern Indian society, mainly concerning caste and social status, ethnicity, gender and religion. However, since these cleavages rarely reinforce one another, no major nationwide armed conflict has taken place in recent decades, and episodes of domestic violence generally have remained relatively limited. In fact, the greatest danger to peace in India is the transformation of the religious Muslim-Hindu cleavage into a political conflict. The increased freedom of action accorded to Hindu nationalist groups under the Modi government has led to more intimidation of the Muslim minority and the establishment of a majoritarian Hindu discourse – a trend that has not been offset despite the BJP’s loss of an absolute majority after the 2024 elections. Overall, the decade-plus of BJP rule at the national level has deepened political polarization.

Despite the largely nonviolent character of cleavage management in India, a range of violent regional conflicts persists. During the review period, the situation in Jammu and Kashmir, the world’s most intensely militarized region that is disputed between India and Pakistan, remained tense after the abolition of its special status as a state in 2019 and its partition into two union territories controlled by the central government. Because of repression, violence did not flare up afterward, yet significant dissatisfaction prevails among the local population. The Maoist Naxalite conflict in central India saw a renewed increase in violence during the review period, with 400 fatalities in 2024 and 148 in 2023, according to the South Asia Terrorism Portal (SATP). Furthermore, in the northeastern states, violence by armed groups increased again, mainly due to clashes in Manipur, which, also according to SATP, led to 174 fatalities in 2023 and 95 in 2024.

Civil society traditions



Conflict intensity



II. Governance Performance

14 | Steering Capability

Even though Prime Minister Modi's BJP lost its absolute majority in the 2024 general elections and now depends on coalition partners, it still has the capacity to set the agenda and carry out major reforms. At least rhetorically, the BJP calls for further liberalization of India's economy and for strengthening the role of the private sector. In early 2025, Modi promised to establish a deregulation commission to reduce the state's role in governance, but as of the end of the review period, no mechanisms had been put in place to enhance strategic capacity within the administration. This appears to reflect a typical populist desire to maintain popular support by portraying the prime minister as a charismatic savior who solves the nation's problems in a highly personalized fashion.

Economically, Hindu nationalist ideology has increasingly led to protectionist attitudes and the reintroduction of old notions of self-reliance. At the same time, ambitious projects such as infrastructure development, the nationwide introduction of online payments and the inclusion of poorer segments of society in financial networks have been quite successful, demonstrating the government's capability to set and maintain strategic priorities.

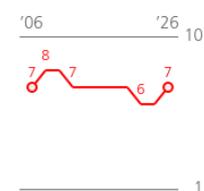
The Modi government has delivered mixed results on its own declared priorities. In 2014, Modi was elected on a development platform, promising "good days" and development for everyone. Although India's economy performed well in recent years, the government's performance has been poor on many indicators, ranging from mismanagement of the COVID-19 pandemic to problems promoting industrialization and attracting FDI. These difficulties in implementing policy reforms are related to remaining bureaucratic hurdles and corruption, as well as ideological factors. For example, trade liberalization has been hampered by pressure from hard-line Hindu nationalist groups pushing a "self-reliance" agenda, while other reforms, such as efforts to liberalize India's highly regulated agricultural sector in 2020, ultimately failed amid farmers' protests.

Under Modi, India has been implementing a range of long-standing Hindu nationalist demands, including ending Jammu and Kashmir's special autonomy and introducing the Citizenship Amendment Act. Success in stifling criticism and weakening counter-majoritarian institutions further indicate the government's headway with respect to realizing its concept of India as a Hindu-majoritarian state.

Question
Score

Prioritization

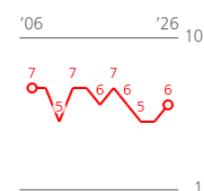
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Implementation

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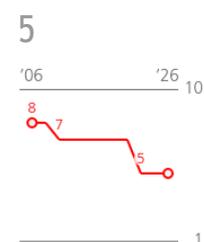
The BJP-led government has proved to be flexible and dynamic in introducing new policies, even though the sheer magnitude of government programs and the recalcitrance of the bureaucracy remain major obstacles to policy learning and adaptation. Reforms related to economic liberalization have fallen victim to Hindu nationalist ideology, which has instead nudged economic policy in the direction of renewed protectionism. The inner circle of key ministers and advisers around the prime minister – already a centralizing figure – has changed only marginally since 2014, suggesting limited room to introduce new ideas. At the same time, the government’s flexibility is limited on issues such as unprofitable state enterprises. Lastly, and crucially, many of the reforms the state has introduced have been largely cosmetic. The Modi government keeps renaming or rebranding existing schemes and programs without changing the substance of policy. The willingness to learn from international partners has decreased, given the growing suspicion directed toward NGOs, especially those of foreign origin, which are often perceived as meddling in internal political affairs and possibly even as constraining India’s growth prospects.

15 | Resource Efficiency

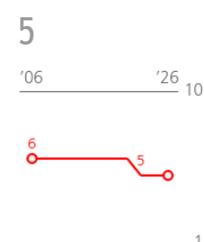
With regard to the efficient use of available resources, the approach and performance of Narendra Modi’s government are both ambiguous and partly contradictory. On the one hand, Modi came to power with the explicit aim of reducing bureaucracy and governing more efficiently, under the motto “minimum government, maximum governance.” However, measures dedicated to good governance have been crafted in a piecemeal way, and implementation has been slow. The most important decisions are made by the prime minister, who surrounds himself with a small circle of advisers affiliated with his party or the Hindu nationalist Rashtriya Swayamsevak Sangh (RSS), while traditional advisers and think tanks have been marginalized. This strategic orientation has catered to a narrative favoring a less cosmopolitan, less Delhi-centric new elite. The use of budgetary resources continues to be inefficient, but increased tax revenues have proved helpful to the administration’s operations. In FY 2023/24, the government outperformed its fiscal deficit target of 5.9% of GDP by 0.3 percentage points. However, resource use is unambiguously inefficient and hampered by politically motivated appointments of unqualified but loyal individuals, who are often members of the RSS.

India inherited an entrenched bureaucratic system from the British colonial government. Formally, recruitment procedures regulated by the Union Public Service Commission are transparent. Recruitment to the bureaucracy is conducted alongside affirmative action provisions via reservations for members of disadvantaged social groups in accordance with constitutional requirements. These reservations have generated debates about quota-based versus merit-based employment and about the system’s impact on the bureaucracy’s efficiency. The BJP government has also made provisions allowing lateral entry into the bureaucracy, creating additional opportunities for recruitment. However, politically motivated dismissals and appointments have seriously affected the system’s efficiency.

Policy learning



Efficient use of assets



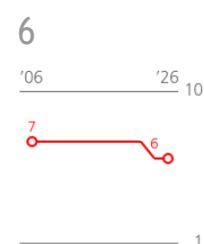
In terms of progress toward “responsible” decentralization, changes to the status quo have been only cosmetic. Modi has claimed to promote the empowerment of the states under the principle of “cooperative” but “competitive” federalism. De facto, the states’ competencies within the country’s system of federal government have been eroded. States have faced reductions in tax transfers, erosions of their authority over financial decision-making and an expansion in expenditure responsibilities. The BJP has also promoted the notion of “One Nation, One Election,” which would synchronize national, state and local elections. Observers say this may favor the BJP.

The Indian government seeks to coordinate conflicting objectives, but frictions and redundancies among government agencies remain significant. The Modi government has made explicit efforts to improve coordination, for instance by introducing the Goods and Services Tax (GST) to unify the Indian market. Yet during the review period, the prevailing coordination style became even more hierarchical, personalistic and centralized, centered on the prime minister and a small circle of advisers. In such a hierarchically operating system, horizontal coordination among departments of the state administration has become more difficult. Furthermore, the ideology-driven goals of the Hindu nationalist BJP have prevailed over other objectives, increasingly reshaping institutions and policies.

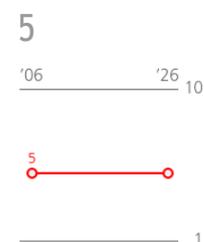
A promise to fight corruption was the main plank of the BJP’s 2014 electoral campaign, and the issue has remained important ever since. Prime Minister Modi is considered to be clean, and has worked to promote an image of himself as a servant of the nation, dedicated only to the welfare of his people. In the actual fight against corruption, however, Modi’s approach has mostly relied on highly visible and well-publicized but barely effective initiatives, such as the 2016 effort to fight “black money” through “demonetization.” More serious institutional initiatives – such as forming an anti-corruption body called Lokpal – have been implemented only after much delay and in a half-hearted fashion. India also has a number of other institutions that are supposed to fight corruption, such as the Central Vigilance Commission, state-level anti-corruption bureaus and the Central Bureau of Investigation. The latter has expanded its activities in recent years, prompting considerable criticism that it is being used to persecute government critics.

In 2017, the government changed the rules for party financing. Among other things, it removed the cap on corporate donations to political parties, allowed companies with partial foreign ownership to make donations, and eliminated corporate disclosure obligations regarding financial support for political parties. Most importantly, electoral bonds were introduced; these instruments allow individuals and companies to deposit funds anonymously into political parties’ bank accounts at the State Bank of India. The BJP benefited most from these new regulations. In 2024, the Supreme Court declared electoral bonds to be unconstitutional, forcing the State Bank of India to provide the Election Commission with details of bonds purchased since 2019.

Policy coordination



Anti-corruption policy



Vote-buying remains a widespread practice in India, undermining the integrity of elections and democratic accountability. Ahead of the 2024 general election, for instance, the Election Commission seized nearly \$500 million worth of inducements meant to influence voters – a record high and more than double the amount seized in 2019. These seizures reflect not only the scale and sophistication of electoral malpractice but also the entrenched role of money power in Indian politics, particularly in closely contested or economically vulnerable constituencies. Despite legal restrictions and monitoring mechanisms, loopholes in campaign finance regulations and weak enforcement continue to enable these practices.

16 | Consensus-Building

The democratic principles of the Indian state are not openly called into question by any relevant political actor, even though in recent years, the BJP-led government has shown increasingly authoritarian tendencies and presided over a weakening of democratic institutions. What has been called into question more openly, however, is the secular nature of the Indian state.

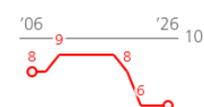
Narendra Modi's government has clearly pursued economic liberalization, but has also come under increasing influence from radical Hindu nationalist forces that oppose what they perceive as a "Western-style" economy. As a result, protectionist policies promoting "self-reliance" have been implemented. Some media critics and leftist parties continue to oppose the government's economic reforms, including the abolition of subsidies and the establishment of special economic zones.

The BJP-led government has increasingly challenged the democratic foundations and institutions of the Indian state. In addition, the influence of hard-line Hindu nationalist groups has continued to grow. These groups seek to undermine the fundamental principles of the Indian state by questioning its secular credentials and pushing to make India an explicitly Hindu nation. Such polarizing stances reinforce religious cleavages in Indian society and have strong potential to disrupt ongoing reform processes. The space for reformers to co-opt and exclude anti-democratic actors narrowed further during the review period.

Other actors challenging the Indian state and its democratic foundations have become slightly more influential during the review period but remain marginal at the national level. Among them are the Naxalites – Maoist-inspired rebels who fight for the rights of the landless and the tribal population in central India – whose declared goal is to subvert the Indian state. However, they do not represent a political force with the means to challenge the state in its entirety.

Consensus on goals

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Anti-democratic actors

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Indian society is characterized by multiple cleavages related to caste, religion and ethnicity. The constitution provides for mitigating potential conflicts through the principle of secularism, the state's federal structure and provisions for the political representation of otherwise marginalized social groups. However, the willingness of the political leadership to depolarize society and prevent greater division along these lines declined further during the review period. Of all the cleavages, the religious dimension has been exacerbated the most.

The absence of major violent conflicts in India is not so much a consequence of depolarizing policies pursued by political actors – on the contrary, polarization has increased – as the result of the multiplicity of cross-cutting cleavages. This has prevented the formation of large and unified opposition coalitions. The greatest danger appears to be the deepening of the Hindu-Muslim religious cleavage and the risk that it might supersede the others, thereby breaking the current fragile equilibrium.

Numerous non-governmental organizations operate in India. Civil society has compensated for its lack of formal access to policymaking by mobilizing large numbers of supporters in nationwide demonstrations. However, civil society participation and consultation during policy formulation and implementation or in agenda-setting and monitoring are very limited. Prime Minister Modi, in truly populist fashion, claims to speak on behalf of “the people.” For example, he does so through interactive campaigns or by asking citizens to send him requests directly. He then addresses some of those issues in monthly radio speeches or via his app. In actual decision-making, however, processes have become increasingly centralized and less participatory.

While India has not experienced major civil wars that would call for mechanisms to promote reconciliation, smaller conflicts and acts of injustice abound. While the government has shown readiness to rehabilitate victims of past injustices, rehabilitation is often not pursued expeditiously. This is due to an overburdened justice system on the one hand and delays (and sometimes major flaws) in police investigations on the other. The response to the atrocities committed in Kashmir and against Muslims and members of Scheduled Castes has been extremely poor. The introduction of the controversial Citizenship Amendment Act (CAA) in 2024 and its potential nationwide combination with the National Register of Citizens (NRC), a similar initiative, threaten to render stateless millions of Muslims who trace their roots to the former East Pakistan, now known as Bangladesh. This decision risks revitalizing old conflicts. In the Northeast, where conflicts with several militant groups have been ongoing, the Modi government has had some success in advancing reconciliation. However, in Manipur, one reason for the recent rise in violence was the BJP chief minister's bias toward the state's Meitei majority population. The center's attempts at reconciliation in Manipur since 2023 have been timid, perhaps due to party loyalties. Following Chief Minister Biren Singh's resignation in

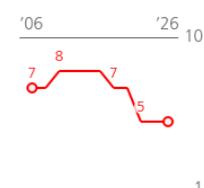
Cleavage / conflict management

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Public consultation

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Reconciliation

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February 2025, the central government imposed so-called President’s Rule in the state to reinstate order. The state has made some efforts to offer compensation for the victims of large-scale anti-Sikh riots in 1984, but critics deem these insufficient and point to strains in relations with the Sikh diaspora, which is deemed supportive of the separatist Khalistan movement.

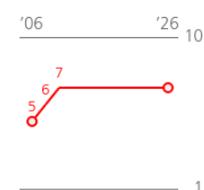
17 | International Cooperation

Prime Minister Modi’s BJP-led government has a clear focus on economic growth, but it has also continued to pursue a development agenda, placing strong emphasis on self-sufficiency and autonomy. In 2003, India declared it would accept bilateral development assistance only from a limited number of states: Germany, Japan, Russia, the United Kingdom and the United States. Crucially, the British Department for International Development ended traditional financial aid to India in 2015. The BJP-led government has significantly curtailed the activities of foreign NGOs, which it accuses of meddling in internal affairs. International donors often view Indian institutions as “difficult” bilateral partners. However, India’s focus on sovereignty and non-interference does not imply a general unwillingness to cooperate with international partners – particularly multilateral institutions – or to seek support in development. Several social programs promoted by the Indian government were developed with international assistance, for example, from the World Bank. During the second wave of the pandemic, the government accepted assistance from abroad. In 2022, it also took out loans totaling \$1 billion from the World Bank to support pandemic preparedness in the health sector. At the same time, India emphasized its own role as a provider of support to third countries, for example, via its “vaccine friendship” program, through which it donated vaccines produced in India to countries of the Global South. The Indian government signals a clear preference for receiving development assistance targeting specific issue areas such as renewable energy, infrastructure projects like metro systems in big cities, or climate change mitigation. Overall, the political leadership is reasonably successful in integrating international support, but policy inconsistencies and corruption continue to influence the use of assistance.

In recent years, India has been seen as an increasingly influential international actor. The Indian government’s negotiating position has often been uncompromising on issues seen as threatening its domestic needs or undermining the principles of sovereignty and non-interference. Among many examples are India’s position in trade negotiations; its long refusal to accept binding targets for greenhouse gas emissions; its ambivalent approach to norms such as the principle of the Responsibility to Protect; and its refusal to sign the Non-Proliferation Treaty or the Rome Statute on the International Criminal Court. India is a founding member of the International Labour Organization (ILO), but the labor rights of religious or ethnic minorities are often undermined.

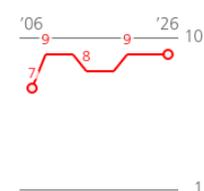
Effective use of support

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Credibility

9



On climate change mitigation, India – notably under a right-wing populist government – has shown an interest in contributing to global climate governance. While India emphasizes the historical responsibility of the industrialized Global North for climate change and actively calls for technology transfers to the Global South, it has also engaged in climate change mitigation. For instance, it was a co-founder of the International Solar Alliance, and it aims to produce 50% of its electricity supply from renewable sources by 2030. According to the government, India’s installed non-fossil-fuel capacity grew by 396% over the past 8.5 years, and in late 2024, amounted to 42% of the country’s total electricity generation capacity. India ranks 10th among countries assessed in the Climate Change Performance Index (2025), attesting to its efforts to meet climate goals.

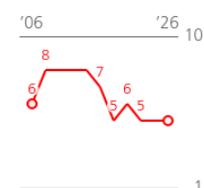
While international awareness of democratic backsliding under the BJP-led government has increased, India is still largely perceived as a responsible international actor and a reliable partner. In some ways, the ongoing changes in the international environment have served to rehabilitate India’s traditional position of non-alignment, now referred to as “multialignment.” Whereas the government has intensified relations with Russia since the attack on Ukraine, Western governments have come to accept India’s insistence on close relations with both Western and non-Western countries. The Indian government has benefited from broader shifts in international politics, including growing tensions between Western countries and China, as well as within the alliance of Western states. All this has made India a more attractive partner to a number of international actors. At the same time, given the country’s progress and ambitions, the Modi government’s claim to be a “leader of the Global South” appears to lack substance.

India’s relations with its South Asian neighbors have been difficult for decades. The long-standing conflict with Pakistan continues to substantially hamper any meaningful multilateral regional cooperation. The South Asian Association for Regional Cooperation (SAARC) is entirely dysfunctional; its charter explicitly excludes the discussion of “contentious and political issues.” With smaller neighboring countries, India has long had difficult relationships shaped by an extreme power asymmetry, small states’ fears of being “absorbed” by India and India’s (often inconsistent) meddling in their internal affairs. Despite its successes on the global political stage, India has largely failed in its regional policy; it has neither developed a “vision” for its region nor provided leadership for or made considerable concessions to neighboring countries. Additionally, it has not been able to limit China’s influence, which in recent years has established a stronger presence in what has traditionally been India’s sphere of influence.

During the review period, the Indian government pursued an approach toward its neighbors that did not differ significantly from previous phases. While no major new violent encounters occurred with the armies of Pakistan or China, relations with both neighbors remained tense. Improvements with China were seen in late 2024 as the two countries reached an agreement on disengagement along their disputed border, as well as on the creation of buffer zones and the issue of patrolling arrangements.

Regional cooperation

5



When it comes to relations with the smaller countries in the neighborhood, the Indian government has not made substantial progress, despite its wish to be seen as a “first responder” during emergencies. Instead, the Taliban takeover of Afghanistan in August 2021 and the 2024 ouster of Sheikh Hasina in Bangladesh, who was once hailed as the Modi government’s key regional ally, were further blows to India’s regional influence. India’s relationship with Bangladesh had significantly improved under Hasina, who maintained close strategic and economic ties with New Delhi and was seen as cooperative on sensitive issues such as cross-border security, counter-terrorism and river-water sharing. However, domestic Indian policies perceived as anti-Muslim – such as the Citizenship Amendment Act (CAA) and the proposed National Register of Citizens (NRC) – sparked widespread protests in Bangladesh and strained public perceptions of amity, despite official diplomacy. The change in leadership in Dhaka in 2024, potentially bringing to power a government less aligned with India, could weaken these bilateral ties and allow China to gain a greater strategic foothold in the region, challenging India’s influence in South Asia.

Strategic Outlook

In recent decades, India has achieved notable success in its economic transformation. However, the ruling Hindu nationalist Bharatiya Janata Party (BJP) and affiliated organizations have increasingly propagated a majoritarian narrative that effectively undermines constitutionalism and social cohesion.

Economic liberalization has given India a reputation as a growth success story, positioning it among the globe's most prominent emerging powers. After the worst phases of the COVID-19 pandemic, the country's economy recovered swiftly. However, even as unemployment rates have declined, the government faces the challenge of creating up to 1 million jobs per month to employ its growing workforce. Strategically promoting the manufacturing sector and trying to become more self-reliant by limiting imports have proven unsuccessful. Agricultural performance has lagged, and stark regional disparities persist, crucially tempering India's developmental achievements. Thus, while economic growth has contributed to overall poverty reduction, it has not meaningfully reduced inequalities among social groups.

For the government to maintain economic momentum and drive a positive transformation, protectionist policies catering to hard-line Hindu nationalist factions should be avoided. Continued investment in infrastructure will be essential in light of the sharp decline in FDI during the review period, with subpar infrastructure a primary deterrent. International companies also remain concerned about the procedural opacity of India's political and administrative institutions. Corruption remains a significant issue, and Prime Minister Modi's anti-corruption rhetoric has not been followed by substantial institutional reforms. Because of the erosion of democratic institutions under the BJP-led government, the likelihood of further economic development is diminishing. Addressing this situation must involve the broad empowerment of the understaffed judicial system and a comprehensive policy of police reform in order to bolster citizens' trust in institutions. The re-election of Modi and his party will not prove helpful in this regard, because the relatively weak coalition partners are unlikely to challenge the agenda.

While India's electoral democracy has demonstrated resilience, recent developments suggest a consolidation of what some scholars term a "majoritarian state," in which the majority's interests are prioritized, often at the expense of minority rights and pluralistic values. The 2024 general elections, held over seven phases from April 19 to June 1, marked the largest democratic exercise in the world to date. The BJP, led by Prime Minister Narendra Modi, secured 240 seats, unexpectedly falling short of the 272 needed for a majority. However, the formation of a coalition with allies in the National Democratic Alliance (NDA) enabled Modi to begin his third consecutive term as prime minister. The BJP's governance has been characterized by the promotion of a Hindu nationalist agenda. This approach has led to policies and actions that critics argue marginalize religious minorities, particularly Muslims. Examples include the revocation of Jammu and Kashmir's special status and the enactment of the Citizenship Amendment Act. Ongoing limits on press freedom aim to suppress dissent and censor criticism. Members of the Hindu nationalist

Rashtriya Swayamsevak Sangh (RSS) organization have assumed influential roles in various institutions, including academia, resulting in unprecedented self-censorship and pervasive control. Critical foreign NGOs have in practice been barred from operating in the country. These developments reflect a shift toward a majoritarian democratic model in which the cultural and political dominance of the Hindu majority is reinforced, potentially undermining the secular and inclusive foundations of India's democracy.

Numerous observers have suggested that Indian democracy stands at a critical juncture. The country's robust civil society traditions, federal structure and widespread public support for democracy might serve to prevent further democratic erosion. Despite a moderate resurgence of the Indian National Congress (INC) under Rahul Gandhi in the 2024 elections, the opposition remains feeble and divided. Furthermore, while other parties are thriving at the state and regional levels, they lack nationwide appeal. For example, the Aam Aadmi Party, which has been part of the Delhi government for years, is not exclusively regional but has struggled to garner broader national support. Most crucially, the I.N.D.I.A. coalition of opposition parties formed ahead of the 2024 elections was too disparate to form a cohesive bloc that could have provided an attractive alternative to the BJP. Over the longer term, the BJP's internal struggle over who will succeed Modi as both prime minister and the party's leader should be closely watched.

International partners should continue to cooperate with India, given its key role as an emerging power and its position between China and the West. For instance, they should support the government's efforts to develop infrastructure, mitigate climate change and address other environmental issues. At the same time, they should carefully choose their partners in India to support only those civil society actors that promote a pluralist vision of Indian society and inclusive policies that minimize inequalities.