

APPENDIX III

Mapping of Variables with Economic Freedom of the World

EFW Categorisation	Variables at the State Level for India	
Area 1: Size of Government: Expenditures, taxes and enterprises		
a) General government consumption spending as a percentage of total consumption	1.	Government revenue expenditure/Gross State Domestic Product (GSDP)
	2.	Administrative GSDP/Total GSDP
b) Transfers and subsidies as a percentage of GDP	3.	Subsidy on power for domestic consumers/Population
c) Government enterprises and investment as a percentage of GDP	4.	Govt. employment/Total organised employment
	5.	Percentage of State Level Public Sector Enterprises (SLPSEs) in which disinvestment completed or initiated
d) Top marginal tax rate (and income threshold to which	6.	State taxes on income/GDP it applies)
	7.	State taxes on property and capital transactions/GDP
	8.	Taxes on commodities and services/GSDP
	9.	Stamp duty rate
i. Top marginal tax rate (excluding applicable payroll taxes)		Data not available: Also many different types of state income taxes
ii. Top marginal tax rate (including applicable payroll taxes)		
Area 2: Legal structure and security of property rights		
	10.	Total values of property recovered/ Total value of property reported stolen
	11.	Vacant posts in judiciary as a ratio of total posts sanctioned
a) Judicial independence: The judiciary is independent and not subject to interference by the government or parties in disputes		Not Applicable
b) Impartial court: A trusted legal framework exists for private businesses to challenge the legality of government actions or regulation		
c) Protection of intellectual property		
d) Military interference in the rule of law and the political process		
e) Integrity of the legal system	12.	Cases under economic offences/Total cases
	13.	Per cent cases where trials were completed by courts
	14.	Per cent cases where investigations were completed by police
	15.	Violent crimes
Area 3: Access to sound money		
a) Average annual growth rate of money supply in the last 5 years minus average annual growth of real GDP in the last 10 years		Not Applicable

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EFW Categorisation		Variables at the State Level for India	
b) Standard inflation variability in the last 5 years			Inflation rate calculated on basis of GDP deflator
c) Recent inflation rate			
d) Freedom to own foreign currency bank accounts domestically and abroad			Not Applicable
Area 5: Regulation of credit, labour and business			
a) Credit market regulations			Financial sector overseen by central government, no state level differences
i. Ownership of banks: Percentage of deposits held in privately owned banks			
ii. Competition: Domestic banks face competition from foreign banks			
iii. Extension of credit: Percentage of credit extended to private sector			
iv. Avoidance of interest rate controls and regulations that lead to negative real interest rates			
v. Interest rate controls: Interest rate controls on bank deposits and/or loans are freely determined by the market			
b) Labour market regulations			
i. Impact of minimum wage: Minimum wage set by law has little impact on wages because it is too low or not obeyed	16.		Average wage of unskilled workers/ Minimum wages
ii. Hiring and firing practices: Hiring and firing practices of companies are determined by private contract	17.		Man-days lost in strikes and lockouts/ total number of industrial workers
iii. Share of labour force whose wages are set by centralised collective bargaining	18.		Unorganised labour force as a ratio of organised labour force
iv. Unemployment benefits: The unemployment benefits system preserves the incentive to work			Not Applicable
v. Use of conscripts to obtain military personnel			
c) Business regulations			
i. Price controls: Extent to which businesses are free to set their own prices			
ii. Administrative conditions and new businesses: Administrative procedures are an important obstacle to starting a new business	19.		Minimum Licence fee for traders
iii. Time with govt. bureaucracy: Senior management spends a substantial amount of time dealing with government bureaucracy	20.		Implementation rate of Industrial Entrepreneurs Memorandum (IEM denotes the intention to invest, but when there are bureaucratic or other delays, the rate of implementation is lower)
iv. Starting a new business: Starting a new business is generally easy	21.		Power shortage as a percentage of total demand (power shortage exists either due to low investment on the part of the government or due to low levels of private sector generation)
v. Irregular payments: Irregular payments connected with import and export permits, business Licences, exchange controls, tax assessments, police protection or loan applications are very rare.	22.		Cases pending investigation from previous year of cases registered under prevention of corruption and related acts as a share of total cases registered under the same acts
	23.		Persons arrested as a share of total cases being investigated under prevention of corruption and related acts

APPENDIX IV
Data and Results

APPENDIX TABLE IV.1

Area 1—Size of Government: Expenditures, Taxes and Enterprises, 2013

State	Inverse of Government Revenue Expenditure as a Share of Gross State Domestic Product (GSDP) (2011-12)	Inverse of Administrative GDP as a Ratio of Total GDP (2011-12)	Inverse of Share of Government in Organised Employment (2010-11)	Inverse of State Level Taxes on Income as a Ratio of GDP (2010-11)	Inverse of Ratio of State Level Taxes on Property and Capital Transactions to State GDP (2010-11)	Inverse of State Level Taxes on Commodities and Services to GDP (2010-11)	Inverse of Stamp Duty Rate (2010-11)
Andhra Pradesh	8.61	0.25	1.51	1,378	164	17	0.20
Assam	5.03	0.12	2.10	441	436	21	0.12
Bihar	6.61	0.17	1.07		204	29	0.08
Chhattisgarh	7.00	0.24	1.12	15,367	131	17	0.13
Gujarat	10.36	0.32	2.52	2,608	107	19	0.13
Haryana	10.91	0.40	1.76		133	21	0.08
Himachal Pradesh	4.78	0.17	1.45		461	18	0.13
Jammu & Kashmir	3.44	0.06	1.05		527	19	.
Jharkhand	6.45	0.19	1.27		354	23	0.08
Karnataka	8.49	0.26	2.15	821	124	13	0.10
Kerala	9.42	0.22	1.81	6,955	123	17	0.12
Madhya Pradesh	7.01	0.19	1.17	1,349	110	15	0.13
Maharashtra	11.73	0.20	2.05	740	85	21	0.20
Odisha	7.70	0.24	1.20	1,697	281	22	0.07
Punjab	7.55	0.21	1.69		106	17	0.17
Rajasthan	8.21	0.24	1.33		150	20	0.10
Tamil Nadu	8.76	0.25	1.60		134	15	0.13
Uttar Pradesh	6.39	0.14	1.32	27,038	97	20	0.07
Uttaranchal	8.19	0.15	1.36	9,825	208	24	0.07
West Bengal	8.39	0.19	1.68	1,339	154	33	0.14

APPENDIX TABLE IV.2
Area 2—Legal Structure and Security of Property Rights, 2013

State	Ratio of Value of Property Recovered to the Total Value of Property Stolen (2011)	Inverse of Vacant Posts in the Judiciary to the Total Number of Sanctioned Judicial Posts (2011)	Inverse of Total Number of Cases under Economic Offences to the Total Number of Cases (2011)	Percentage of Cases where Trials were Completed by the Police (2011)	Percentage of Cases where Trials were Completed by the Courts (2011)	Inverse of Violent Crimes as a Ratio of Total Crimes (2011)
Andhra Pradesh	0.52	7.15	17.03	0.76	0.23	14.20
Assam	0.22	3.90	26.96	0.40	0.19	5.84
Bihar	0.16	2.41	24.35	0.66	0.09	5.23
Chhattisgarh	0.39	11.48	46.71	0.89	0.13	10.83
Gujarat	0.20	2.11	41.21	0.86	0.07	17.09
Haryana	0.42	4.07	23.44	0.76	0.24	9.30
Himachal Pradesh	0.30	8.80	28.28	0.73	0.08	11.72
Jammu & Kashmir	0.50	17.08	28.96	0.76	0.11	6.50
Jharkhand	0.19	6.09	26.05	0.59	0.25	4.60
Karnataka	0.36	5.88	21.52	0.76	0.21	8.46
Kerala	0.02	10.40	31.01	0.83	0.19	11.71
Madhya Pradesh	0.36	8.70	89.38	0.94	0.19	13.96
Maharashtra	0.12	9.27	18.08	0.64	0.07	8.57
Odisha	0.32	5.92	37.12	0.72	0.09	6.17
Punjab	0.74	4.38	8.92	0.63	0.19	9.32
Rajasthan	0.61	5.39	9.05	0.96	0.13	15.48
Tamil Nadu	0.54	9.10	43.99	0.62	0.28	14.21
Uttar Pradesh	0.40	7.80	14.01	0.88	0.23	5.92
Uttaranchal	0.35	2.11	13.29	0.83	0.10	5.63
West Bengal	0.21	6.43	25.38	0.61	0.04	7.03

APPENDIX TABLE IV.3
Area 3—Regulation of Labour and Business, 2013

States	Ratio of Average Wage of Unskilled Workers (Males) to Minimum Wages (2010-11)	Ratio of Average Wage of Unskilled Workers (Females) to Minimum Wages (2010-11)	Inverse of Man-days Lost in Strikes and Lockouts/Total Number of Industrial Workers (2010-11)	Inverse of Minimum Licence Fee for Traders (2002)	Implementation Rate of Industrial Entrepreneurs Memorandum (IEM) (2010-11)	Inverse of Power Shortage as a Percentage of Total Demand (2011-12)	Inverse of Pendency Rate of Cases Registered under Corruption and Related Acts (2012)
Andhra Pradesh	1.74	1.26	2.66	0.04	0.040	1.00	1.77
Assam	1.42	1.30	1.40	0.10	0.063	0.96	1.13
Bihar	1.14	1.06	0.87	.	0.004	1.00	1.49
Chhattisgarh	1.84	1.63	5.14	0.00	0.003	0.96	1.46
Gujarat	1.53	1.44	14.23	0.20	0.085	1.00	2.09
Haryana	1.37	1.35	2.20	0.05	0.184	0.90	1.57
Himachal Pradesh	2.20		9.83	.	0.062	0.79	1.46
Jammu & Kashmir	2.69	2.69	.	.	0.123	0.75	1.36
Jharkhand	1.14	1.06	36.60	.	0.007	0.92	1.25
Karnataka	1.57	1.04	8.06	0.01	0.019	0.87	1.67
Kerala	4.47	3.58	0.89	.	0.068	0.91	1.20
Madhya Pradesh	1.84	1.63	2.69	0.00	0.036	0.94	1.94
Maharashtra	1.52	1.06	1.22	0.33	0.052	0.93	1.68
Odisha	1.70	1.51	.	.	0.001	0.93	1.56
Punjab	1.30		3.94	.	0.068	0.76	1.31
Rajasthan	1.62	1.51	0.91	0.01	0.100	0.95	1.53
Tamil Nadu	3.75	2.69	3.12	.	0.040	0.88	1.70
Uttar Pradesh	2.68	2.30	1.14	0.00	0.103	0.86	1.59
Uttaranchal	0.70	0.64	9.68	.	0.106	0.95	1.00
West Bengal	1.37	1.34	0.04	0.01	0.051	0.99	1.67