

India's Demographic Dividend and Future of the Indian Population

Divya Tahira Mayadas

Faculty of Economics, Chatrabhuj Narsee School, Mumbai, India

Abstract

Every economy has a changing trend in the demography of their country, as and when the life cycles change. The youth of the nation is the future of the nation, as they form the dynamic human capital of the economy. An aging population will drain the economic resources of the country, as they are not active workers of the economy. The youth and the working age population of the country contribute actively to work and add to the economic progress of the nation. With an asynchronous transition, that is, India has a higher birth rate than a death rate, it has a younger population and lower dependents than most nations, thereby allowing itself to reap the benefits of demographic dividend. This demographic dividend, coupled with greater investments in the human capital of the nation through better quality of education, hygienic and productive work environment and better health facilities, will push the nation towards greater economic growth and progress. The better equipped is the human capital of the nation, the better they earn, and consequently increase their propensity to consume and induce the nation's economic growth. If this opportunity is not favourably utilized and thereby squandered by underutilization and lack of government initiative, the nation will face economic stagnation and high rates of unemployment.

Keywords: Human capital, Demographic dividend, Indian Economy, Economic growth

Date of Submission: 15-07-2020

Date of Acceptance: 30-07-2020

I. Introduction

The population of a nation is its potential human capital. The potential of this human resource can be brought to reality by the concerted efforts of the respective governments of the nations, through projects and schemes which promote education, job creation, good quality of living standards and proper healthcare. This demographic dividend of India is expected to last till 2055, a great opportunity to upscale the industrial growth, manufacturing growth and human capital productivity and consequently the economic growth of the nation (Thakur, 2019). The Indian economy went from a predominantly agrarian economy straight into being a service-based economy, thereby skipping to a great extent the Rostovian stage of manufacturing. Now is a good time to invest financial and human capital into making the manufacturing industry of the nation more robust and visible, and subsequently creating employment opportunities for the large population of the nation (Domínguez, 2015). With more population, more people are vying for limited resources and economic opportunity. To grasp the best possible economic opportunity, India as a country sees one of the highest internal migration in the world, as people move from rural to urban areas (De, 2019). The government needs to take initiatives that will reduce the inequality among the people of India, provide employment opportunities to the masses, provide access to avenues that will aid in skill development and leverage the demographic dividend of the nation (Lal, 2006). Education is one of the prime tools that can be employed to upskill and develop the human capital of the nation, for the economy to reap economic dividends in the coming future. Along with providing education, the government needs to ensure that the quality of education is at par with the best standards, so as to have a globally competitive human capital.

II. Objective

The objective of this paper is to determine and bring to the fore the role of a robust working age population and the future of the youth of India. At the same time the paper will also determine the case of a highly populous nation, and what may be the pitfalls and benefits of the same. India being an emerging economy, and at the same time being highly populated, it is imperative for it to realise the human capital dividend from its population resource.

III. Methodology

The research paper is dependent on external secondary data research. The aim of the research paper is to determine the true challenges faced by India due to a large population, and at the same time to determine the

potential benefits from the same. In order to achieve the above, the research study explored several government information and data, institution wise statistics regarding population and the published research work of an analogous nature. In doing so, the research paper brings to the fore ways and means by which the Indian economy can leverage the demographic of the nation, and build the human capital capacity.

IV. Human Capital

What do we understand by human capital and its importance? It is the sustained investment in the human resource of the nation, in order to boost their productivity, by providing quality education, good nutrition and sustainable employment. To measure the human capital of a nation, the Human Capital Index (HCI) is used, which determines the amount of human capital a child who is born today may expect to achieve by the time the child turns 18, that is, this metric focuses on the human capital of the next generation, all the while accounting for the hindrances of poor health and education in the country the child is born in to, by measuring the health infrastructure, expected years of schooling and the odds of survival till the day human capital accumulation via education can begin (World Bank Group, 2018). Developed nations like Canada with a HCI of 0.80, United Kingdom with HCI of 0.78 and Germany with HCI of 0.79 fair very highly in terms of HCI, where as India scores 0.44, thereby standing at 115 out of 157 nations (World Bank Group, 2018). This highlights the potential of human capital that India still needs to excavate from its population of 1,380,381,949 as of Sunday, July 12, 2020, based on Worldometer elaboration of the latest United Nations data, which is equivalent to 17.7 percent of the world population (Worldometer, 2020). One of the best ways to improve the human capital potential of the nation is through education. India needs to improve the quality and standard of education in the nation, additionally it also needs to ensuring the children enrolled have the opportunity to have education for at least 15 years, because India scores 10.2 years as per the latest figures of HCI's Expected Years of School (World Bank Group, 2018).

V. Demographic Dividend

India's birth rate is approximately 18.2 and death rate is approximately 7.3, thereby leaving the country with a growing population and a 'youth bulge' (Word Bank Group, 2020). Nations with the highest development opportunities with respect to their demographics are those countries who can boast of a favourable working-age population that has good health, high quality of education, decent employment in the future once their education is completed and a lower proportion of young and old dependents on them (United Nations Population Fund, 2020). The smaller the household, the larger can the investment in per child be, more time for the mother to look after her health and work if she so desires and consequently a larger proportion of saving for contingencies in old age (United Nations Population Fund, 2020). When all of the above happens, we can call this favourable situation the demographic dividend, as the economic payoff will be positive.

VI. Education And Skill Development

Education is the key to achieve the economic dividend of the demographic dividend, as through proper and appropriate education can the people be trained and converted to human capital (Cuaresma, et al., 2014). Education is a strong tool that can be leveraged to upskill the population and develop human capital. The latest census of India, in 2011, highlighted that the literacy gap between men and women has reduced from 22 points in 2001, to a much lower 16 point difference (Office of the Registrar General & Census Commissioner, 2011). At the same time, there should be equal opportunity provided to all individuals, irrespective of their gender, which may not be the case always. Literacy rates among the rural population has been on the rise, with women's literacy moving upwards from 26 percent in 1951 to 80 percent in 2011, and men's literacy too rising from 22 percent in 1951 to 79 percent in 2011 (Visaria, 2014). Yet, a lot more needs to be done to bridge the literacy gap between the urban and rural population of the nation.

VII. Population Burden

Having a large population has its merits and demerits, as on one hand it provides a large potential human capital, while on the other hand it is a herculean task to convert human resource into human capital. With a larger population, the nation has to cater to a situation where the demand of good education, good healthcare, good infrastructure and viable work opportunities is far greater than the supply of the same (Nuñez & Murakami-Ramalho, 2012). Over and above this, there is the constant pressure of food security, potable water, housing, sanitation and financial security that has to be provided, in order to provide for good quality of life for the citizens of the nation, and reap the fruits of the demographic dividend (Bloom, et al., 2003). The burden of population needs to be tackled by an adept government, capable to create jobs and provide for good quality of life. In India, the government has undertaken steps in the direction of job creation by undertaking steps to develop infrastructure, rural agriculture and tribal development (The Economic Times, 2019).

VIII. Role of The Government

The government needs to dedicate the resources it has to the aim of upskilling and developing the human resource of the nation, so that the vast population can translate into potential human capital. The government has undertaken and launched schemes which address the issue of job creation and adequate and appropriate skills development through the *Skill India Mission*, put in to effect in 2014. Schemes such as *Deen Dayal National Rural Livelihood Mission* and the *Sansad Adarsh Gram Yojana* aims to create job opportunity in the rural areas of the nation, along with boosting social and cultural development in rural parts of India (Gupta, 2020). *Shramev Jayate Yojana*, a scheme launched in 2014, has a mission to enhance labour development, increase the productivity and employability of labour, thereby helping to upskill the labour of the nation, and form a talent pipeline for the industries of the nation (India Today, 2014). To encourage individuals to be self-reliant and be entrepreneurs, the government has made provisions to provide loans with low interest, in order to ease repayment, by putting in place the *PM Mudra Yojna*, which in turn created 5.5 crore jobs (The Economic Times, 2017). Start-up India too stands as a portal of job creation and an incubation hub of innovation, which will boost the ability of India to nurture talent, boost the formation of native companies and consequently create employment opportunities. Infrastructure building is an age-old technique employed by countries to increase employment, boost income, increase purchasing power, increase demand, increase consumption and consequently boost economic growth. The government launched the *Setu Bharatam Yojna* in 2016, with a pointed aim to build more bridges in the country; 24 projects are underway (PM India, 2016). This will give employment to many individuals, as and when the projects are launched. In the times of the Coronavirus pandemic, the Indian government launched the *Garib Kalyan Rojgar Abhiyan*, will provide employment opportunities to the migrant workers of 116 districts of India, with livelihood of 125 days provided (The Economic Times, 2020). This scheme will have an estimated outlay of INR 50,000 crore. "The first priority is to provide immediate relief to workers who have gone back to the districts", Nirmala Sitharaman, Finance Minister, Government of India.

IX. Conclusion

The government and the people of India need to work together for the overall growth of the nation, with equal importance development. Having a large population has the inherent problem inequitable distribution of the resources, with the economically and socially backward individuals of society having the least access to resources, as seen by Oxfam's 'Time to Care' report, where study has determined that 1 percent on India's richest control greater than 4 times the wealth held by 70 percent of the poorest (The Economic Times, 2020). India stands as being the second most unequal country in the world, where cities find poverty and wealth in close proximity, making high and growing level of inequality all the more conspicuous (Alvaredo, et al., 2018). For India to reap the benefits of the potential demographic dividend it needs to first and foremost provide for widespread job opportunities and quality education to the human resource at its command, before they can be moulded into the human capital the economy needs. The government needs to undertake concerted and effective steps to ameliorate poverty and pull people out of poverty, because as long as poverty persists, India being a low income economy, the human capital and potential demographic dividend will be a distant reality (Reyar, 2019). With a large population the problem of inequality persists, and only through concerted efforts can the same be appropriately tackled.

Works Cited

- [1]. Alvaredo, F. et al., 2018. World Inequality Report 2018, s.l.: World Inequality Lab.
- [2]. Bloom, D. E., Canning, D. & Sevilla, J., 2003. Demographic Transitions and The 'Demographic Dividend'. In: The Demographic Dividend: A New Perspective on the Economic Consequences of Population Change. Santa Monica, Arlington, Pittsburgh: RAND Corporation, p. 25-42.
- [3]. Cuaresma, J. C., Lutz, W. & Sanderson, W., 2014. Is the Demographic Dividend an Education Dividend?. *Demography*, 51(1), pp. 299-315.
- [4]. De, S., 2019. The World Bank Blog. [Online]
- [5]. Available at: <https://blogs.worldbank.org/peplemove/internal-migration-india-grows-inter-state-movements-remain-low>
- [6]. [Accessed 13 July 2020].
- [7]. Domínguez, G., 2015. DW. [Online]
- [8]. Available at: <https://www.dw.com/en/how-can-india-capitalize-on-its-population-growth/a-18691742>
- [9]. [Accessed 12 July 2020].
- [10]. Gupta, M. D., 2020. The Print. [Online]
- [11]. Available at: <https://theprint.in/india/these-are-the-schemes-that-will-be-covered-under-modi-govts-rs-1-7-lakh-crore-package/389641/>
- [12]. [Accessed 11 July 2020].
- [13]. India Today, 2014. India Today. [Online]
- [14]. Available at: <https://www.indiatoday.in/india/north/story/shramev-jayate-10-key-points-modi-emphasised-223373-2014-10-16>
- [15]. [Accessed 12 July 2020].
- [16]. Lal, D., 2006. India: Population Change and Its Consequences. *Population and Development Review*, Volume 32, pp. 145-182.
- [17]. Nuñez, A.-M. & Murakami-Ramalho, E., 2012. The Demographic Dividend. *Academe*, 98(1), pp. 32-37.

- [18]. Office of the Registrar General & Census Commissioner, 2011. Census of India 2011, New Delhi: Office of The Registrar General and Census Commissioner, Government of India.
- [19]. PM India, 2016. PM India. [Online]
- [20]. Available at: https://www.pmindia.gov.in/en/news_updates/pm-launches-setu-bharatam-a-programme-for-bridge-building-to-ensure-seamless-travel-on-national-highways-2/
- [21]. [Accessed 12 July 2020].
- [22]. Reyar, A., 2019. Times Now News. [Online]
- [23]. Available at: <https://www.timesnownews.com/india/article/watch-in-1-minute-who-is-fuelling-india-s-population-growth-and-is-it-good-or-bad-for-the-country/473881>
- [24]. [Accessed 12 July 2020].
- [25]. Thakur, A., 2019. The Economic Times. [Online]
- [26]. Available at: <https://economictimes.indiatimes.com/news/economy/indicators/india-enters-37-year-period-of-demographic-dividend/articleshow/70324782.cms?from=mdr>
- [27]. [Accessed 12 July 2020].
- [28]. The Economic Times, 2017. The Economic Times. [Online]
- [29]. Available at: <https://economictimes.indiatimes.com/news/economy/policy/narendra-modis-mudra-yojana-generates-5-5-crore-jobs-says-report/articleshow/60435774.cms>
- [30]. [Accessed 12 July 2020].
- [31]. The Economic Times, 2019. The Economic Times. [Online]
- [32]. Available at: <https://economictimes.indiatimes.com/news/economy/policy/mission-to-create-5-crore-jobs-government-taking-steps-to-boost-economy-nitin-gadkari/articleshow/72839618.cms?from=mdr>
- [33]. [Accessed 12 July 2020].
- [34]. The Economic Times, 2020. The Economic Times. [Online]
- [35]. Available at: <https://economictimes.indiatimes.com/news/economy/indicators/wealth-of-indias-richest-1-more-than-4-times-of-total-for-70-poorest-oxfam/articleshow/73416122.cms>
- [36]. [Accessed 13 July 2020].
- [37]. The Economic Times, 2020. The Economic Times. [Online]
- [38]. Available at: <https://economictimes.indiatimes.com/news/economy/policy/pm-modi-to-launch-rs-50000-cr-job-guarantee-scheme-for-migrant-workers/articleshow/76447151.cms?from=mdr>
- [39]. [Accessed 12 July 2020].
- [40]. United Nations Population Fund, 2020. Demographic dividend, United Nations Population Fund. [Online]
- [41]. Available at: <https://www.unfpa.org/demographic-dividend>
- [42]. [Accessed 12 July 2020].
- [43]. Visaria, L., 2014. Population, Education and Development. *Economic and Political Weekly*, 49(45), pp. 38-43.
- [44]. World Bank Group, 2020. Data. [Online]
- [45]. Available at: <https://data.worldbank.org/country/india>
- [46]. [Accessed 12 July 2020].
- [47]. World Bank Group, 2018. The Human Capital Project, Washington, DC: International Bank for Reconstruction and Development / The World Bank .
- [48]. Worldometer, 2020. Worldometer. [Online]
- [49]. Available at: <https://www.worldometers.info/world-population/india-population/>
- [50]. [Accessed 12 July 2020].

Divya Tahira Mayadas . "India's Demographic Dividend and Future of the Indian Population."
IOSR Journal of Economics and Finance (IOSR-JEF), 11(4), 2020, pp. 01-04.