

The Economic Impact of Government Policies on Demographic Transition and Financial literacy

Shresth Bishnoi

Abstract

This paper aims to find and acknowledge the impact of government intervention and demographic trends on the economic growth of India. Specifically, how government policy aids entrepreneurship and job creation. By looking at government schemes and their reported impacts we will measure their usefulness and conclude whether India is moving towards a better economic state and higher quality of life for its citizens. We will then compare the model of economic growth against the Demographic transition of India and see whether that helps us measure the GDP growth in correlation to improvement in quality of life and whether the economic growth is helping India progress into a developed nation. Then we will compare the transition of India to transitions of countries across the globe, both successful and unsuccessful ones and understand India's stand.

Research Question

How do government policies, aiming to influence demographic transition, impact a population's economic and financial literacy?

I. Introduction

The Indian economy is primed to grow at an unprecedented rate, equipped with the tools to be a global superpower and provide its population of 1.44 billion people with an environment full of economic and business opportunities. An environment of this sort is necessary for innovation and is why the situation that India is in very critical to its future. It must make the most of it and not let the personal greed of the elite undermine the overall growth of its people. India can either undergo economic collapse and fail to sustain its people, or it can grow to an international superpower and a hub for economic opportunities.

However, even though it does seem like the Indian government is working towards this version of India by implementing government schemes at the surface level, it may not be so. Indian politicians and policy makers could be motivated by the desire to gain public popularity by creating schemes which may benefit the public in the short run but have negative consequences in the long run.

There are a few things we need to understand before we start with the meat of the study. Firstly, the demographic transition model which is a way to visualise the movement of a population from high birth rates and death rates to lower birth rates and death rates. This change happens because of a multitude of reasons which include improvement in healthcare, better education leading to more women focusing on their careers and choosing to have children later in life and a lower rate of crime. Since a country's development is an amalgamation of these individual factors, the Demographic transition model is a very accurate measure of a country's development. It is also consistent with the current world situation.

Countries at different points in the model face different problems and opportunities. When a country is in the early stages of the DTM it has a very high young dependent population and a relatively smaller working class, because of which economic growth is slow. This is primarily because healthcare and education are still underdeveloped in these economies. As advancements in the education and healthcare sector gradually take place and the birth rate and death rate starts to slow down, countries start entering the demographic dividend stage, which are the middle stages of the model. In these stages, the country has a very large working population and consequently cheap labour. This is the stage that India is in right now. Economic growth is at its fastest in these stages with developments in sectors ranging from healthcare, education and business.

After this an economy reaches its later stages, where the older dependent population rises because of better healthcare. Here, the economic strain on the working class is higher as they support the older population as well as the young, but the quality of life is the highest.

India entered the demographic transition opportunity in the window in 2005-06 and will remain there till 2055-56. After which it would move to the higher stages and qualify as a developed nation. However, this transition may not be as simple as it seems because India has the largest democratic population in the world and for that reason government policy in India could serve as political tools to gain public support instead of aiding its economic growth. A phenomenon that would cripple its economy and its people. In this essay, we will be

looking at the impact of government policy and financial literacy on India's economic growth. Understanding whether India is truly progressing or is it just what it seems like.

II. Literary Overview

India's definition of economic growth is very weak, which is quite positive and undervalued. According to the World Bank, India's GDP growth rate has fluctuated significantly in recent years, influenced by various internal and external factors. In the years before the outbreak of COVID-19, the Indian economy was growing well, driven by domestic efforts, heavy investment, and the service sector. The expansion of the economy during this period of growth made India a major player on the global economic stage. However, the outbreak of the pandemic caused a major disruption to the economy, causing disruption in many sectors. The decline in GDP growth reflects the severe impact of the pandemic on economic stability. The government's focus on supporting the economy, coupled with the gradual resumption of business, has accelerated the recovery. The latest data from the World Bank has shown signs of economic recovery and improving GDP growth. This recovery reflects the recovery in the Indian economy and the effectiveness of policy measures to address the crisis. The volatility in India's economic growth highlights the important role of flexible and responsive policies in sustaining long-term economic growth and income. According to a United Nations Development Program (UNDP) report, India's Human Development Plan 2022 shows progress in these areas. The Human Development Index measures the increase in life expectancy, education level and per capita income, indicating the improvement in the quality of life of the Indian people. For example, increased access to health care has helped increase life expectancy, while education reforms have increased literacy and academic achievement.

Government programs focused on health and education have played a significant role in these developments. Initiatives such as the National Health Mission and Sarva Shiksha Abhiyan have expanded health services and improved education as a form of education. These programs not only increase the Human Development Index value but also contribute to overall well-being. However, despite these achievements, problems such as regional disparities and inequalities persist and efforts need to be made to achieve unity. price decreases. This change has led to the emergence of a demographic structure where the majority of the population is in the working age group. Drishti IAS believes that the public sector provides both opportunities and challenges for economic growth. On the one hand, young and growing workers can stimulate business expansion, innovation and productivity. On the other hand, managing population change requires good political policies that address urban living, health care, education and employment. Improvements in health care, especially maternal and child health initiatives, have reduced mortality rates and stabilised the population. Education takes measures to increase literacy and improve skills to create a skilled workforce that can contribute to economic growth. Only when workers are educated, healthy and active can the income of the population be fully utilised. Rapid urban growth has occurred because people from rural areas have moved to urban areas in search of better opportunities, affecting urban infrastructure and resources. It is important to ensure that urban management is sustainable and that the benefits of economic growth are balanced across the region. Policies should focus on improving urban planning, investing in infrastructure and addressing regional disparities to fully capitalise on the potential for demographic change. The Reserve Bank of India (RBI) has introduced several measures to improve financial literacy across the country. These programs are designed to provide individuals with the knowledge and skills they need to effectively manage their finances.

According to the Reserve Bank of India, financial literacy programs include technical, interactive and informative programs that aim to improve understanding of financial products, savings and investment options. People with more financial knowledge can make more informed financial decisions, leading to better financial planning, more savings, and better investment options. In rural areas, where access to financial services is often limited, financial literacy programs can be particularly disruptive. These services promote financial inclusion, allowing people in underserved areas to seek financial assistance, make informed decisions, and improve their health. By strengthening people's ability to manage their finances, these programs can reduce the risk of financial crisis and help boost the economy. The Reserve Bank of India's efforts to measure the effectiveness of financial literacy programs have shown the positive effects of improving financial literacy on economic development. However, challenges remain in ensuring that financial literacy programs reach all citizens, especially underserved communities. Indicators for quality assessment of policy documents and curricula. Quantitative analysis includes analysis of statistics on economic growth, the Human Development Index (HDI), and demographic trends. Qualitative assessments include review of policy documents, project evaluations, and case studies to assess the impact of government measures on financial literacy and demographic change. This approach provides a comprehensive assessment of how these policies affect and impact India's economic growth.

Data Collection

The data for this study was obtained from various sources including government records, statistical data and academic records. Most of the economic growth data comes from the World Bank which provides information on GDP growth rates, per capita income and other economic indicators. The United Nations Development Programme (UNDP) provides the Human Development Index (HDI) value to measure the quality of life in India. According to the United Nations Development Programme, India's Development Growth Rate 2022 is 0.633, showing a significant improvement over the last few decades with a change of 48.4% since 1990.

The sources of Drishti IAS were analyzed to understand the impact in more depth. Impact of these policies on India's economic development. Financial information is obtained from the Reserve Bank of India (RBI) and related research papers. The Reserve Bank of India has launched various programs to improve financial literacy in various states of India, recognizing the important role of financial literacy in economic development. Population policy, which includes fertility, mortality and other important population measures. For example, NFHS-5 shows that the total fertility rate (TFR) has fallen to 2.0, below the transition level, indicating a significant change in the population structure. We examine various policy documents and research papers to assess the effectiveness and impact of government measures such as the MGNREGA program to improve women's participation in society. This program promotes economic growth and empowerment by encouraging women's participation in the workforce.

Data Analysis

Data analysis includes both statistical and qualitative aspects. Statistical analysis examines the relationship between public policy changes, financial literacy programs, and economic growth. This includes analysing differences in GDP growth, HDI values, and demographic indicators. For example, regression analysis can be used to measure the relationship between policy measures and economic outcomes. This growth was accompanied by improvements in the Human Development Index, which indicates the relationship between economic policy and human development. Analysis of Human Development Index data shows that improvements in education and health contribute to economic growth. For example, the literacy rate has increased to 74.04% and life expectancy has increased to 69.4 years, indicating progress in human development. measurement. For example, the MGNREGA programme has played a significant role in providing employment opportunities to rural families, especially women. The programme had a significant impact on women's labour force participation, which increased by 10% in areas where MGNREGA was implemented. This not only increases family income but also improves women's health.

The study, "Economic Growth and Demographic Change in China and India (1990-2018)", provides an in-depth study of how demographic change in China and India has affected economic growth and provides benchmarks for India's progress. The comparative analysis shows that although the two countries have experienced great economic growth, their competitiveness and growth patterns have differed due to the impact of public policy rules and changes. Impact on information and economic growth. Countries with high levels of financial literacy tend to have higher GDP per capita, indicating the important role of financial education in economic development. For example, Kerala, with a literacy rate of 96.2%, has higher levels of financial literacy and a better economy than states with low literacy rates. How can improving financial literacy support economic development, especially in rural India? Increasing financial literacy leads to better financial decisions, more savings, and more investment in productive activities, thus stimulating economic growth. Initiatives like the Reserve Bank of India's 'RBI Kehta Hai' campaign have increased financial literacy among the rural population, resulting in greater financial inclusion. It has played a significant role in providing vocational training to millions of youth, developing their careers and supporting economic growth. PMKVY has trained over 10 million people, many of whom have found employment or started their own businesses.

Consequences and Implications

The combination of quantitative and qualitative data provides a better understanding of how government policies designed to affect demographic change affect people's economic and financial literacy. The data show that government measures have a positive impact on economic growth and human development. For example, the relationship between improvements in financial literacy and economic growth suggests that financial education is an important factor in economic development.

The fall in the total fertility rate (TFR) to 2.0 has a major impact on India's population. A lower TFR can reduce fertility and provide dividends that can support economic growth. But policies will be needed to manage the ageing population in the future.

Improvements in the Human Development Index are reflected in improvements in health and education, which show that economic growth is translating into better lives for citizens. However, gaps persist, with rural areas and some states falling behind. Addressing these disparities is critical to the growth of the partnership.

The study examines India's progress towards becoming a developed country, its demographic changes and economic growth compared to other countries. A comparison with China highlights the importance of good policy implementation and investment in human capital. India's slow demographic change suggests that focusing on education, health and financial literacy will be key to economic growth.

III. Analysis and Results

Impact of Demographic Transition Policies

India's migration policy has played a significant role in shaping the country's economy and society. The National Family Health Survey (NFHS-5) provides important data on the effectiveness of these policies. For example, family planning programmes have successfully reduced fertility rates, leading to a decline in birth rates. Improved health services, particularly those that address maternal and child health, have had a positive impact on population growth by reducing the number of deaths. Education measures focus on increasing literacy and improving skills to create a skilled workforce that can support economic growth.

These demographic policies have led to a significant shift in the population structure, with a larger proportion of the population in the working-age group and will continue to do so. This demographic dividend presents substantial opportunities for economic growth, as a larger workforce can drive productivity, innovation, and economic expansion. However, realising the full potential of this demographic dividend requires addressing several challenges. Rapid urbanisation, driven by rural-to-urban migration, has strained urban infrastructure and resources. Effective urban planning, investment in infrastructure, and policies to address regional disparities are essential for ensuring that the benefits of the demographic dividend are equitably distributed.

Moreover, the quality of the workforce is crucial for leveraging the demographic dividend. Policies must focus on improving educational outcomes, enhancing healthcare access, and creating employment opportunities.

IV. Conclusion

The study concludes that government policies aimed at influencing demographic change and improving financial literacy have had a positive impact on economic growth and quality of life in India. Strong GDP growth, improvements in the Human Development Index, and increasing levels of financial literacy demonstrate the success of these policies. However, challenges remain, particularly in addressing regional disparities and ensuring inclusive growth. India can boost its economic growth and move towards code design by learning from the experiences of other countries and continuing to invest in human capital.

Bibliography:

- [1]. Economic growth of India in past few years: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=IN>
- [2]. HDI(to be used as a measure of the quality of life in the country): <https://www.undp.org/india/human-development-index-india#:~:text=India's%20HDI%20value%20for%202022,an%20change%20of%2048.4%20percent.>
- [3]. Demographic Transition and Opportunity for India: <https://www.drishtias.com/daily-updates/daily-news-analysis/demographic-transition-and-opportunity-for-india>
- [4]. National Family Health Survey-5: <https://www.drishtias.com/to-the-points/Paper2/national-family-health-survey-5-1>
- [5]. Massive Open Online Courses: <https://www.drishtias.com/daily-updates/daily-news-analysis/massive-open-online-courses>
- [6]. Demographic Transition of India: <https://www.drishtias.com/daily-updates/daily-news-analysis/demographic-transition-of-india>
- [7]. MGNREGA Scheme (women participation in labour workforce scheme): <https://www.drishtias.com/daily-updates/daily-news-analysis/mgnregs-scheme#:~:text=Exp%3A,to%20do%20unskilled%20manual%20work.>
- [8]. What policies are in place to manage India's demographic transition?: <https://edukemy.com/blog/demographic-transition-of-india-upsc/#:~:text=India%20has%20implemented%20various%20policies,skill%20development%20and%20job%20creation.>
- [9]. Critical analysis of India's demographic transition: <https://onlinelibrary.wiley.com/doi/full/10.1002/app5.9>
- [10]. Economic growth and population transition in China and India 1990–2018: https://link.springer.com/epdf/10.1007/s42379-020-00067-1?sharing_token=B-9dfoxH1PF2zTYvpswSNfe4RwlQNchNByi7wbcMAY6eNTWpedwBnKLslckhKKO_acYs-

- 3JxejYNtOhjWeziKwBVYwK-
Nll6YgOTD63S87SFoX8w08E2bKC7eenhSYjSDGqwUbcmZbtT0FFEQUYjHzeSVsifYCe2GzYQO3_tjFw%3D
- [11]. Financial Literacy across Different States of India: An Empirical Analysis Priyadarshi Dash & Rahul Ranjan:
<https://www.ris.org.in/sites/default/files/Publication/DP-286-PDash-and-Rahul-Ranjan.pdf>
- [12]. RBI initiatives to improve financial literacy in India: <https://retirement.outlookindia.com/plan/financial-planning/5-rbi-initiatives-to-improve-financial-literacy-in-india>
- [13]. Impact of rbi initiative: <https://economictimes.indiatimes.com/industry/banking/finance/banking/reserve-bank-to-evaluate-impact-of-rbi-kehta-hai-campaign/articleshow/78980302.cms?from=mdr>
- [14]. Impact of financial literacy on rural development in India:
https://www.researchgate.net/figure/Demographic-transition-in-major-Indian-states-status-and-projection_tbl1_11345495
- [15]. Impact of financial literacy on economic growth:
<https://gflec.org/wp-content/uploads/2022/04/Calcagno-Riccardo-Financial-Literacy-Human-Capital-and-Economic-Growth.pdf>
- [16]. List of schemes: https://en.wikipedia.org/wiki/List_of_schemes_of_the_government_of_India
- [17]. Mention all relevant schemes who have a proven impact on the development of India.
- [18]. A deep analysis of Indian politics is necessary: https://ecfr.eu/special/what_does_india_think/analysis/indias_politics_and_the_poor