Demographic Dividend of India-Hit or Miss

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Abstract:
By the year 2020, the average Indian will be only 29 years old, compared with 37 in China and the US, 45 in West Europe and 48 in Japan this revealing fact shows the demographic dividend of country. More working hands means more income for the nation and more expenditure but this will also ensure that there is a rise in the living standard of the people of the country which obviously is a good sign for the economic growth of the country. The working population being more than the dependent population is beneficial for the economy and how the opportunities can be exploited ensuring optimum utilization of resources of the country.

This paper focuses on the issues involved in taking advantage of the demographic dividend and how to overcome these issues, the strategies involved in optimally utilizing the present situation which will not only ensure that there will be a rise of national income but also it will be an overall development of the nation and upliftment of the standard of living of the society. This paper highlights the key development areas on which India is already successful and the areas in which it is putting efforts to develop a forte. Some crucial steps are also suggested which are required to be taken by the Indian Government to encash the demographic dividend window.

Keywords: Demographic dividend, Population, Resources. Human Capital

Introduction
The demographic dividend is a rise in the rate of economic growth due to a rising share of working age people in a population. Demographic dividend in India can be treated as a boon or bane because it can result in more of working population or youth but can also be a basis of the fact that more working hands but no job for them so its just not a demographic gift but also a point to worry.

Consistent and moderately high GDP growth rates during most years since 1980 have encouraged optimistic projections about India's future growth potential. Needless to say, such projections must be based on an assessment identifying potential sources of the new dynamism. One such assessment turns on the demographic advantages that India currently has relative to the developed countries and also countries such as China. India is and will remain for some time one of the youngest countries in the world. A third of India's population was below 15 years of age in 2000 and close to 20 per cent were young people in the 15-24 age group.

The population in the 15-24 age group grew from around 175 million in 1995 to 190 million in 2000 and 210 million in 2005, increasing by an average of 3.1 million a year between 1995 and 2000 and 5 million between 2000 and 2005. Currently the 15-64 age group is around 65% of the population of India which has reached to the figure of 1.7 or 1.8 billion according to the decadal census held in 2011. In 2021, the average Indian will be only 29 years old, compared with 37 in China and the US, 45 in West Europe and 48 in Japan.

Objective: India’s demographic dividend has a potential for the development of the economy so it is very important to do an in depth study of this state and find out the advantages it has got for our economy. It is also of prime importance to find out the hurdles, pressures, obstacles which are needed to overcome in the present situation and find out the measures to be taken.

Reasons
India’s human capital is fast emerging as the key source of its economic growth. The consequent increase in the number of young workers is leading to higher savings, higher investment and consequently a higher growth rate.(Nandan Nilekani, Imagining India)

An increase in the working age ratio can raise the rate of economic growth, and hence confer a “demographic dividend.” People of working age are on average more productive than those outside this age group. Also, because workers save while dependants do not, a bulge in the working age ratio contributes to higher savings rates, increasing the domestic resources available for productive investment.( IMF Working Paper The Demographic Dividend: Evidence from the Indian States)

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While there is a sizeable literature on demographic trends and their economic ramifications, the econometric evidence
for the growth impact of the working age ratio is more limited. Bloom and Canning (2004) is a landmark contribution: for a panel of countries from 1965–1995, the authors find a sizeable impact of the working age ratio on economic growth but only if the economy is “open.” Thus, they conclude that the potential for a dividend exists but that it is realized mainly when incentives are in place to exploit that potential.

Other papers focus on particular countries or regions. Person (2002) and Feyrer (2007) document the relationship in the US between demographic structure and, respectively, output and productivity. Bloom, Canning and Malaney (2000) and Mason (2001) conclude that East Asia’s “economic miracle” was associated with a major transition in age structure, while Bloom, Canning and Sevilla (2002) find that much of Africa’s relatively poor economic performance can be accounted for by the lack of such a transition.

Bottlenecks

A number of scholars have talked about this demographic dividend although being a positive sign still scholars have shown a grey picture of garnering this dividend when it comes to India as they say that India lacks the education system, infrastructure, quality of education, school and college drop outs etc.

A lot of economists question the very capability of India to reap the benefits of demographic dividend. There may be workforce ready for use, but till the time economy has enough jobs to offer, the entire purpose gets lost. So job creation is one of the biggest challenges in India. But this cannot come about with the improvements in the education sector – which is the most important ingredient to develop human capital and capabilities.

Steps towards Demographic Dividend

But still India is doing fairly good in terms of its expansion globally. India’s best companies are targeting global markets, as Tata Steel’s $11 billion takeover of its Anglo-Dutch rival Corus shows.

Prahalad proposes that businesses, governments, and donor agencies stop thinking of the poor as victims and instead start seeing them as resilient and creative entrepreneurs as well as value-demanding consumers. He proposes that there are tremendous benefits to multi-national companies who choose to serve these markets in ways responsive to their needs. After all the poor of today are the middle-class of tomorrow. There are also poverty reducing benefits if multi-nationals work with civil society organizations and local governments to create new local business models.

The current global economic situation is a concern but India remains hopeful of meeting its $300 billion export target for the fiscal year ending March 2012, Commerce and Industry Minister Anand Sharma said recently in Jakarta.

In consideration with these advantages in the Indian economy the country can achieve a very high GDP and great heights when it comes to the world economy and so we have such companies which are successfully operating not only in India but also in different parts of the world.

It will be unfair if it is not mentioned that India has successfully tapped its human resources when we talk about India’s global presence and this can be seen by the number of companies coming to India for FDI and the indigenous companies going global and making their presence globally.

TATA International- It is considered as the gateway of Tata Group's business to the world. The company was founded in the year 1962. The global business units of the company are minerals, engineering, steel, chemical and bulk commodities. This marketing company also markets consumer products and IT services. It has offices in Thailand, India, UK, Singapore and across other countries of the world.

Hindustan Lever Limited–This is the leading marketing company of India, which believes that someone somewhere chooses their product about 160 million times a day.14 categories of 400 brands ranging from personal care, food products and home touches the lives of many which is done by no other company. The company has about 174 000 people in 100 countries across the globe and also supports many suppliers, contractors and distributors.

Wipro Consumer Care, Godrej Consumer Products, Dabur and Marico have been snapping up brands and companies abroad for some time, the country's retailers are relatively new to cross-border play. In 2008, watchmaker Titan Industries drew up a strategy to catapult from a market leader in India to a pan-Asian brand by 2015. At the same time, the management also decided to narrow its overseas focus to a basket of 10 countries including Dubai, Saudi Arabia, Singapore, Malaysia, Sri Lanka and Vietnam, despite having a distribution network across 26 Asian countries. Some players such as Marico's Kaya Skin Clinic, Café Coffee Day and Fab India have taken acquisition and strategic investment routes to grow market share overseas.

Marico acquired the skincare business of Derma Rx Asia Pacific, a Rs 50-crore aesthetics business in Singapore, in May. This gives Kaya ready access to markets such as Singapore and Malaysia. At present, Kaya has 19 outlets across the Middle East and Bangladesh, where it found it easier to penetrate because of the similarity of skin type. There are numerous companies which have identified the advantages of growth in India and so want to work with India by establishing businesses in the form of FDI.

Targeting the growing corporate sector in India, global serviced-residence owner-operator The Ascott International aims to double its presence by 2015 at an investment of about USD 250 million (Rs 1,250 crore). Ascott Ltd Chief Investment Officer, Ronald Tay told PTI they are focusing on a market which attracts huge FDI. "FDI is increasing (in India). I think it is growing steadily. Demand is there in India. Specifically because India and China is where growth (is happening) very fast. When developed markets are
From comparative to competitive advantage: With shift towards advantages based on availability, lower cost and skills of the technical and scientific manpower, Indian companies’ need to create complementary skills and the success are governed by competencies developed within a company and aspirations of its top management. Favourable ‘push’ and ‘pull’ conditions for overseas successes: For an increasing number of industries, Indian companies are reaching the point of having global advantages—favourable factor conditions, domestic demand characteristics comparable to that overseas, presence of ancillary and supportive skills, and pervasive confidence for looking beyond domestic markets. On the ‘pull’ side, from the situation of Indian origin being a handicap, the world has come to acknowledge ‘India advantage.’

Three strategy types for Indian companies in overseas markets: ‘Outsourcing,’ where the domestic market is either very small or unattractive; ‘Internationalization,’ where companies are aiming to expand market or balance business downturns and risks of domestic market; and, ‘Multinationalization,’ where companies are aiming to create sustainable competitive position in several geographies.

Differing requirements of the institutional and the retail customers: Joint ventures are generally not viable for institutional customers, while being a useful option for reaching the latter—with benefits related to local knowledge, capital, brand, and distribution. Organizing for growth and capability building: Structure for the three strategy types is different and a ‘dual-core’ model could balance requirements of risk-taking in new areas with efficiency in stabilized activities. While carrying Indian imprint, the culture will be company-specific and should be allowed to evolve in a directed way. Critical role of conviction-laden leadership: This is a common element across all the Indian companies that have made overseas breakthroughs and the leadership traits of being clear, fundamentals oriented, and planned need to be supplemented with international orientation and preparedness for longer haul for success in overseas markets.

What is the need of the hour?

The value of India’s demographic dividend will depend in great measure on whether the public and private sector have the political will and foresight not only to create jobs but also to train the new workforce, encourage global trade, improve a failing education system, provide better housing, lure capital to support innovation, and implement policies that engender confidence in the economy. Given India’s relatively strong democracy, government institutions, and entrepreneurial sector, its attempts to grapple with these thorny issues would seem to offer learning opportunities for other countries that are still a step or two away from enjoying a demographic bounty.

Despite the demographic determinism that characterises the work of those who emphasise the significance of the demographic dividend, many of them admit that there is no guarantee that the benefits of the “window of opportunity” created by the population bulge may remain underexploited. To quote analysts David Bloom and David Canning, “both empirically and theoretically there is nothing automatic about the link from demographic change to economic growth. Age distribution changes merely create the potential for economic growth. Whether or not this potential is captured depends on the policy environment”. Thus while East Asia’s macroeconomic performance is seen as being tracked quite closely by its demographic transition, with as much as a third of its “miracle growth” estimated to be on account of the “demographic dividend”, Latin America is seen to have “stumbled” during the 1950s and 1960s, when its demographic trends resembled those in East Asia.

The real problem is the use of a notion of the dependency ratio, defined as the ratio of the non-working age to working-age population rather than the ratio of non-workers to workers. The difference between the two is determined by the extent of absorption into work of the available labour force, which must take account of unemployment and underemployment. This difference explains why some countries are able to exploit the demographic advantage while others are not.

INDIA is indeed in the midst of a process where it faces the window of opportunity created by the demographic dividend. During the first two decades of post-Independence development, while infant mortality rates fell significantly, the fertility rate remained more or less stagnant. This would have increased the population of young people significantly, merely because of greater child survival. In the three decades since then, though the fertility rate has been declining, the infant mortality rate has fallen quite sharply, with possibly the same effect.

Source: The Hindu Business Line Jan 17 2006

The effect of these trends on the dependency ratio defined merely in terms of age groups is quite visible. The total dependency ratio began to fall from 79 in 1970 as the child dependency ratio fell with the baby boom generation moving into working-age groups and with old-age dependency rising only marginally because of reduced death rates in older age groups. It is estimated to have fallen to 64 in 2005. Thus India had begun to reap the demographic dividend around 1980. But the process is likely to extend well into this century with the age-based dependency ratio
projected to fall to 48 in 2025 because of continued fall in the child dependency ratio and then rise to 50 by 2050 because of an increase in the old-age dependency ratio as the bulge moves forward and the death rate in the older income groups declines. The window of opportunity offered by a population bulge has clearly opened for India.

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-06</td>
<td>40,06,80</td>
<td>38,06,80</td>
<td>78,13,60</td>
</tr>
<tr>
<td>2006-11</td>
<td>38,90,80</td>
<td>36,90,80</td>
<td>75,81,60</td>
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<tr>
<td>2011-16</td>
<td>37,80,80</td>
<td>35,80,80</td>
<td>73,61,60</td>
</tr>
<tr>
<td>2016-21</td>
<td>36,80,80</td>
<td>34,80,80</td>
<td>71,60,60</td>
</tr>
</tbody>
</table>

Source: The Hindu Business Line Jan 17 2006

The problem, however, is that the evidence on the employment of these new workers is disconcerting. Results of the National Sample Survey relating to 1999-2000 and the 2001 Census of India reveal a sharp, and even startling, decrease in the rate of employment generation across both rural and urban areas. Indeed, so dramatic is the slowdown in the rate of employment growth that it calls into serious question the pattern of growth during the years since liberalisation began. This is true of India's young population as well. The rate of growth of employment in the 15-30 age group, which stood at around 2.4 per cent a year between 1987 and 1994 for both rural and urban men, fell to over the 0.7 for rural men and 0.3 per cent for urban men during 1994 to 2004. This deceleration in employment growth suggests that the advantage offered by a young labour force is not being exploited.

**Conclusion**

The implication is clear. Just as the "excess population" argument failed to recognise the benefits that can be garnered if these excess workers could be put to work, the "demographic dividend" argument ignores the fact that available workers are not automatically absorbed to deliver high growth. Strategies exist to exploit the demographic window of opportunity that India has today. But they need to be adopted and implemented. India's experience during the liberalisation years suggests that markets do not ensure that they would, resulting in the waste of a potential resource that the country's demographic transition temporarily offers.

Although India has garnered huge attention as being a growth hub and has attracted foreign countries for investment and growth opportunities but there is still a long way to prove itself in identifying its own potential and utilising it. To encash this demographic dividend India has to focus on the education system, providing employment opportunities to the people. As India having young population does not mean that the problem of unemployment, illiteracy, poverty, illegal activities could be resolved if this population is not put to use for the society by providing them employment, education, opportunity.

So it is high time for India to realise the potential and take steps for the improvement of the conditions otherwise this window of opportunity will close down.

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