India's Sizable Population: Demographic Dividend or Catastrophe

India has now become the most populous country in the world, with a population of 1.4286 billion, surpassing China's population of 1.4257 billion. Since 1950, India's population has increased by over one billion people, while China's population experienced its first decline, last year since 1960. In 1950, the population of China was approximately 540 million, which was over half a billion larger than the population of India, which was around 350 million. After gaining independence in the 1940s, there wasn't a significant difference between India and China's GDP in 1950 despite of huge difference in population India accounted for 4.2 per cent of global GDP, and China accounted for 4.5 per cent in terms of purchasing power parity. Both countries shied away from market capitalism and the private sector, and their economies and GDPs struggled for three decades. By 1980, China's GDP had reached 423 billion dollars, while India's was at 271 billion dollars. In 1947, the population of India was around 350 million. The country introduced its first national family planning policy in 1952. Between 1980 to 1990, India began to open up its economy to the private sector, and the country's growth rate increased to 5.5 per cent in 1990 and beyond 7 per cent on average from the late 2000s. Policymakers saw the growing young population as a demographic dividend, where a majority of the population fell within the working age of 15 to 64 years. This young population catalyzed further economic development, and India succeeded in moving people from farms to factories. However, the challenge was to provide well-paid jobs for the young workforce to earn and save enough. There are both pessimistic and optimistic views regarding the diversified and young workforce available in India.

After Covid-19 Companies are diversifying their businesses and investments beyond China, and India presents itself as a good proposition for them. The Chinese population is aging rapidly, and the share of the population above the age of 60 is expected to increase from 20 per cent at present to 30 per cent by 2035. Vietnam, which has recently become a manufacturing hub, is also aging rapidly. However India's workforce will not remain young forever, and with the falling fertility rate, the working population between the ages of 20 and 59 is expected to peak at 59 per cent of the overall population by 2041. However, the population figures are not the only significant factor when it comes to sustainable development or attracting investments and creating jobs. Countries like Bangladesh and Vietnam, despite their aging populations, are gaining more investments than India. According to the World Bank, public investment in Bangladesh was 6.5 per cent of GDP between 2011 and 2020, which was double India's public investment to GDP ratio. These countries offer a stable business environment and are much quicker in decision-making. In India, the problem lies in unpredictability, and the government needs to act swiftly to change the global perception and create incentives to create sufficient quality jobs. The leverage of the demographic dividend could be unleashed only if India ramps up investments and absorbs all the people into the workforce. Otherwise, India's much-acclaimed demographic dividend can turn into a demographic catastrophe.

Prof. Mahima Birla
(Editor-In-Chief)