

Comparative Study of Demographic Dividend Relevance to Economic Growth and Development of India and China

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Abstract

“Demographic Dividend” is the subject of huge importance and interest to the researcher’s community worldwide. It is a boost in the economic productivity which occurs due to the raising share of the working-age-group population relative to the number of non-working-age-group dependents in the specific country. Demographic dividend is mainly affected by the two major factors first is the declining birth rate and second one is improving life expectancy. India is fastly approaching towards its peak demographic dividend due to the favorable distribution of the working-age-group population. Indian government is working through various policies and programmes on root level to uplift the present status of economic growth and development of the country and can achieve its motive by optimal utilization of the demographic dividend.

Keywords: Demographic Dividend, Economic Growth, Life Expectancy, Working-Age-Group,

Demographic Transition

Introduction

For economic welfare, studying the demography of any country is very important. India is one of the world's most populated countries but China is the country with first position among highly populated countries. India holds first rank around the whole world for youth population and has undergone significant, and significantly different, demographic transitions since the 1950s. The term demographic transition refers to a continuous process involving the transition from a young-aged population structure (high birth and death rates) to an old-aged population structure (low birth and death rates). Such kind of transformations in the structure of population age distribution has significant developmental implications for large and populous countries like India and China. As the demographic transition takes place results into the increase of the share of working-age population, which shall subsequently lower the dependency ratio over working-age population and accelerate to the economic growth. Demographic dividend is that economic benefits which are resulted from the demographic transitions/changes. It is the boom situation in the working-age-group population. It occurs mainly due to the falling birth rate which generates the changes in the distribution of the various age groups populations. Demographic dividend may also be characterized as the rise in the rate of economic growth because of the increasing share of the working-age-group population. Demographic dividend is mainly affected by the two major factors first is the declining birth rate and second

one is improving life expectancy. During the shift of the distribution of age among the population the Chinese economy witnessed unparalleled economic growth. But, now the Chinese young age population has started to shrink due to faster ageing during demographic transitions. On the other hand, today India is enjoying the phase where the young population is on boom which will witness continuous decline in the share of dependents (children and elderly). Present situation provides a chance to utilize the demographic dividend for the economical growth and development of the country. Now, India has a challenge that how it can utilize its demographic dividend toward national growth and development. An economy with lower dependency ratio having higher chances of economic growth and development because such economies allow for higher savings and investment in physical and human capital, contributing toward sustained economic growth and development.

Objectives of the study

1. How to convert the un-utilized demographic dividend mainly which is the slum population, beggars etc into the productive zone.
2. How to convert the non-government sectors, maximum profit generators for young unemployed population to utilize their skills potentially and profitably for economic growth and development.

Literature Review

Present section is one such an attempt to review the earlier studies related to the present field under study. It is essential to have a strong understanding about the field of research and an historical evaluation is inevitable to gain the grip. Bloom, Canning and Sevilla (2003) “The Demographic Dividend: A New Perspective on the Economic Consequences of Population Change” and concluded that reduction in fertility will lead to lasting changes in population age structures as well as the working age population is of relevant importance to demographic transition. Blacker (1947) in the article titled “Stages in Population Growth” evaluated that demographic cycle have five phases which are as follows; high stationary, early expanding, late expanding, low stationary and diminishing where are high marked by high birth rates and high death rates, high birth rates and low death rates, declining birth and death rates, low birth and death rates respectively. The last phase indicates the excess of deaths over births. Wang (2005) studied “Institutions, Demographic Transition and Industrial Revolution: A Unified Theory” and explained that the process from epoch of Malthusian stagnation to a state of sustained economic growth. Historical evidence from ancient China and Britain during Industrial Revolution are employed to investigate the problem. According to Bloom and Williamson (1998); Bloom and Finley(2009) estimated nearly one-third of the economic miracle of East Asian countries (including China) may occur due to the inevitable factor i.e. demographic dividend. Bloom (2011) studied the population dynamics of India and China with the main emphasis on India with relevance of the real GDP per capita. Gribble and Bremner (2012) analyzed that the net growth benefits derived from an increased share of working-age population due to demographic transition is referred to as the demographic dividend. The present literature study highlights the important role of working population

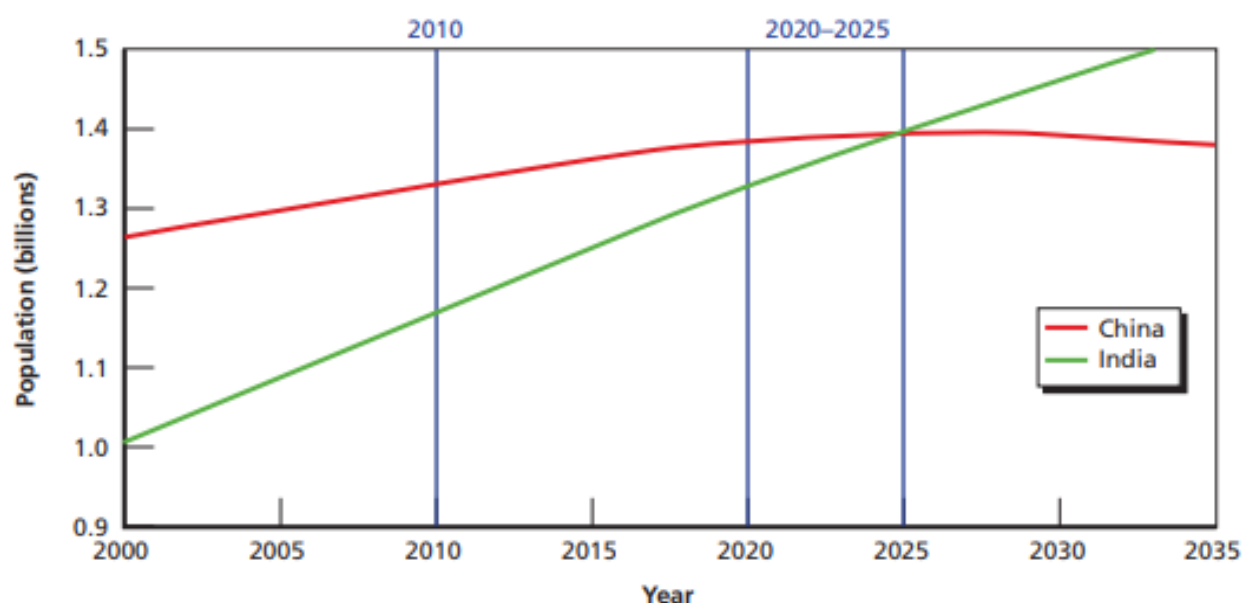
toward generating demographic dividend. Tyers and Golley (2013) studied the two demographic giants India and China and focused on demographic change and economic performance.

Comparative Study

At present, China is economically more advanced than India even its population is more aged than India's population and India holds first rank around the whole world for youth population and has undergone significant, and significantly different, demographic transitions since the 1950s. The term demographic transition refers to a continuous process witnesses the change of structure of population age distribution. Such kind of transformations in the structure of population age distribution has significant developmental implications over large and populous countries like India and China. China is World's most populated country around the globe but population growth rates have been significantly higher in India than in China since the early 1970s and will remain so during next coming years. India's population is estimated to surpassing China in 2025 with population figure of 1.656 billion while China's population is projected to reach a maximum up to the figure 1.395 billion, in 2026 which is due to the declined growth rate. At present, in both China and India, the number of births considerably exceeds the number of deaths. According to the data provided by U.S. Census Bureau, 2010 the graphical representation of population trend projection in India and China over the period 2000-2035 is as follows:

Fig.1

Total Population Sizes, and China and India, 2000–2035



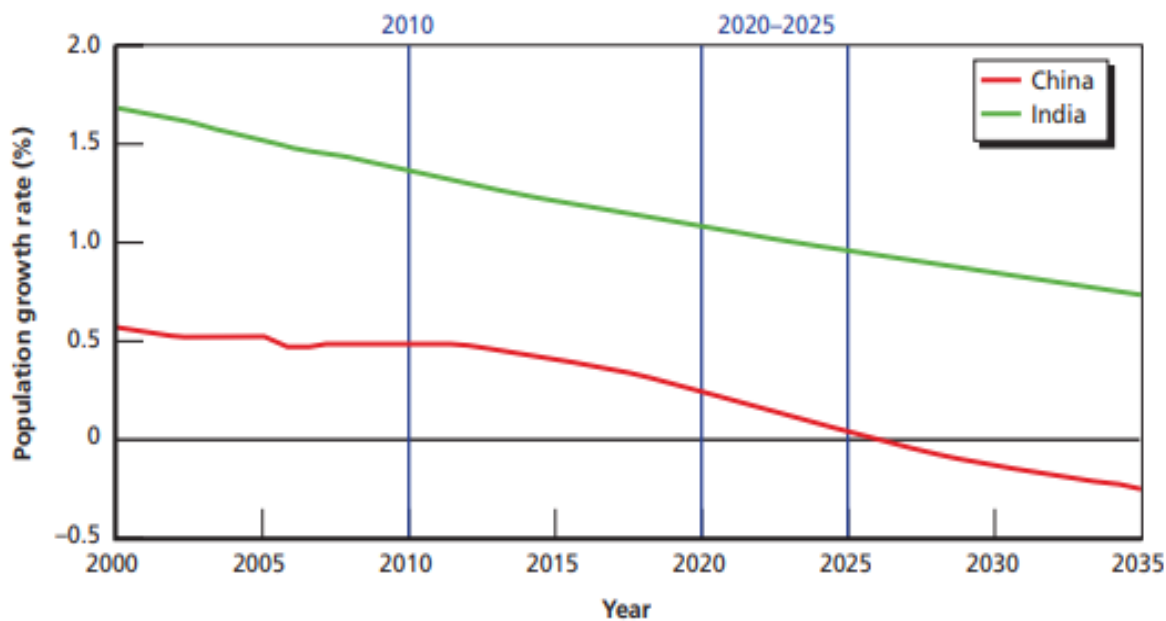
Source: U.S. Census Bureau, 2010

Above graph clearly reflects that in 2025 India will be the most populated country i.e. highest working age population with lot of opportunities of generating demographic dividend and to grow economically.

Also,

Fig.2

Population Growth Rates, China and India, 2000–2035

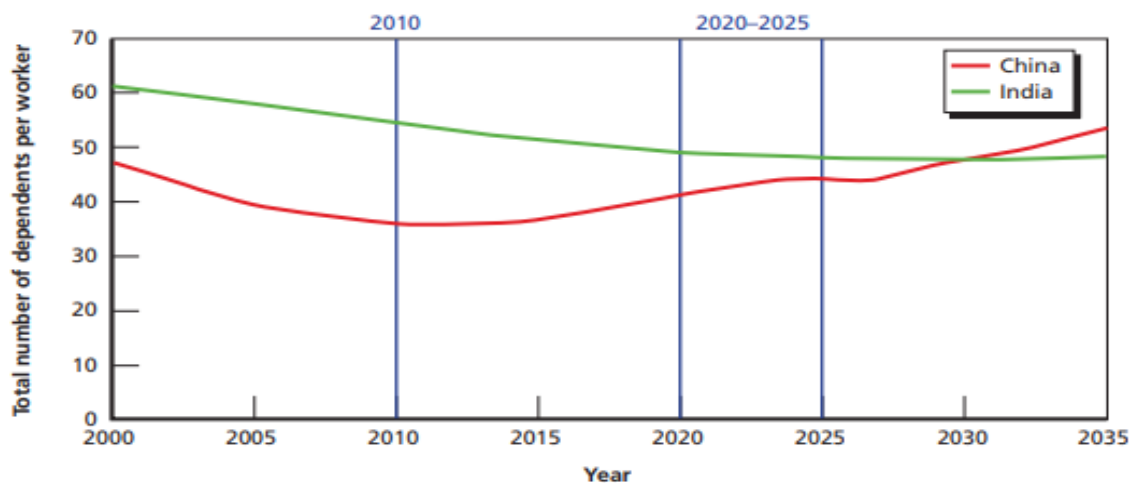


Source: U.S. Census Bureau, 2010

Analysis of the above graph shows that even the population of china is more than the population of india but the population growth rate of India is higher as compared to China. That’s why India’s population is estimated to surpassing China in 2025. In parallel the total dependency ratio is declining gradually in India while in coming years the total dependency ratio of China is going to boost due to aged population. This reflects that in future India will get more opportunities to reap the demographic dividend and graphically represented on the bases of the data of U.S Census Bureau, 2010 as follows :

Fig.3:

Total Dependency Ratios in China and India, 2000–2035



Source: U.S. Census Bureau, 2010

Conclusion

At present, China is economically more advanced than India even its population is more aged than India's population. But India is not able to generate high demographic dividend from its working age population more efficiently because of lack of smart planning about using working age population while the proportion of the population that is of working age will be higher in China than in India until 2030 and then starts to decrease slowly but steadily afterward. China's demographic window of opportunity is rapidly closing, while India's will remain open because India's working-age population is and will continue to be younger than China's. It is also suggested that the non-government sectors should be converted into maximum profit generators for young unemployed population to utilize their skills potentially to boost the economic growth and development of our country which is possible when the un-utilized young strength like slum population, beggars etc are skilled and converted into the productive zone which shall further reduce the dependency ratio fatly.

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