

## Make in India A Key to Reap Demographic Dividend



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### Abstract

There are underlying dynamics that are affecting the economy everywhere due to changes in demography and technology. India is also witnessing this unique moment in history, Young people are at the heart of today's great strategic opportunities and challenges from rebuilding the nation to combating violent extremism to build sustainable democracies. India can reap the benefit of this youth bulge by evidence driven and result oriented investments which can positively affect the growth rate. 'Make in India' is definitely going to help in realization of this dream if understood, absorbed and implemented by all. India is on the threshold of major reforms it is poised to become the third largest economy of the world by 2030. It is increasingly important to address the demand and supply of job creation, promote self employment and entrepreneurship, engage youth productively in agriculture and value chains and expand access to services for economic success as financial literacy and information, communications technology, banking and credit. India's job market should be ready to absorb the excessive unemployment semi-skilled labor force by converting these head counts into positive constructive nation building human resource. 'Make in India' and its promising implementation nationwide may help in solving out the challenges emerging out of demographic dividend.

**Keywords:** Demographic Dividend, Youth Bulge, Benefits and Challenges.

### Introduction

India is witnessing clear and dynamic changes in its age structure with more of youths demanding quick policy implementation to improve the capacities and enable the aspiration of youth so that they can contribute to and benefit from more stable, democratic and prosperous India. Globalization, new technological advances, increased use of social networking offers new opportunities for youth to connect and become more active participants in development but at the same time it's also challenging to utilize their potentials positively. The need is to understand this demographic change and to integrate young people more fully in political, economic and social set up and enable them to share in the benefits of development.

### Objective of the Study

The objective of this paper is to

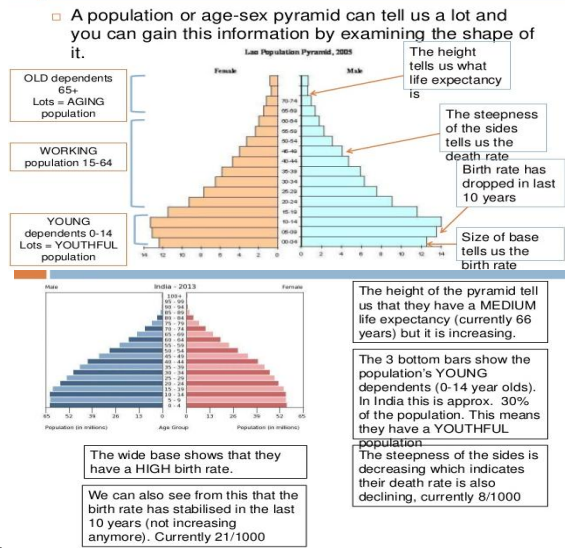
1. Strengthen the 'Make in India' program by realizing the severity of change in population structure.
2. Mainstream and integrate youth issues and engage young people in building India.

It is to explain and recognize the concept and importance of demographic dividend, population dynamics, changing age structure and youth bulge, which India is going to experience in upcoming decade.

To assure the positive utilization of this youth bulge it is important to understand and adopt the policy of 'Make in India' in a positive manner. Therefore we need to understand not only the severity of this change in age structure but have to discuss the opportunities and challenges India may face and have to try to simplify the solutions in making policies like 'Make in India' successful to reap the maximum benefit.

### Demographic Dividend

Demographic dividend is the economic boost that countries can receive when they shift from high rates of fertility, mortality, infant mortality to low birth rates and longer life expectancies. With development, improvement in health and other forces, large share of working age people, under the right circumstances fuel a strong economic transition under the wrong circumstances, it can lead to civil upheaval.



Changing structures can provide the opportunity to benefit from so called demographic dividend. It can at least add 2% to growth of the economy. Youth serve as energetic change agents in growth of economies. This large share of working population consists of the increasing number of youths in the economy causing a youth bulge. The youth bulge is a phenomenon in developing countries which occurs due to a stage of development where a country reduces mortality and infant mortality, but mothers still have a high fertility rate. This results in high share of children and young adults in the economy. In a country with a youth bulge the country's dependency ratio i.e the ratio of the non working population to the working age population will decline. If the working population of the country is employed in productive activities then it will lead to increase in level of average income and the per capita income. If they remain unemployed then the youth bulge will convert into youth bomb. Unemployment leads to increase in frustration that cause social and political instability therefore the need of time is to convert the youth bulge into a boost rather than a bomb for the economy.

The remedy to defuse this bomb are as follows

1. Successful development strategy that will facilitate the structural change and create job opportunities. Government needs to play a facilitating role in the process of structural change and this role needs to be structured according to clearly defined principles. For an economy to be competitive in both the domestic and international market, it should follow its comparative advantage, as determined by its endowment structure. For this infrastructure needs to be improved simultaneously reduce the firm's transaction costs and there is a clear rate for the government to play in this regard.
2. The need is to match education and training with emerging labor market needs.
3. Increase the ability of the economy to absorb and productively employ the extra workers.
4. Increase in savings: With declining number of dependents the individual savings increases. This

increases the national saving rates, which further enhances the stock of capital which will eventually raise the productivity as the accumulated capital is invested in the economy.

5. Increase in Investment on human capital will lead to better health and educational outcomes. Better education and development causes reduction in fertility which results in healthier women workforce and their increased contribution in human development.
6. Increasing domestic demand : By increasing GDP per capita and the decreasing dependency ratio, low fertility leads to low youth dependency and a high ratio of working age to total population.

Therefore there is a strategic urgency to put in place policies which take advantage of the demographic dividend. There is a very small window of opportunities and the country should plan for the demographic dividend when most of the population is still young, prior to entering the majority in working population. Investment should be promoted to help these young people to be more productive during their working years. Failure in doing so will result in raising unemployment and an increased risk of social unrest in the economy.

Economic recessions such as the ' Great depression of 1930's and the late 2000's recession are also claimed to be explained in part due to a large youth population who cannot find jobs causing social, political and economical unrest in the economy. It leads to heightened risk of violence and political instability.

A 2016 study finds that youth bulges increases the chances of non ethnic civil wars. Increasing number of working population creates the problem of unemployment which persists until the new employment opportunities are created.

In near future India will be the largest individual contributor to the global demographic transition. A 2011 IMF paper report finds that substantial portion of the growth experienced by India since the 1980's is due to the change in country's age structure and changing demography. The U.S Census Bureau predicts that India will surpass China as the world's largest country by 2025, with a large proportion of those in the working age category.

Over the next two decades the continuing demographic dividend in India could add 2% points per annum to India's per capita GDP growth. Extreme actions are needed to take care of future basic minimum living standards including food water and energy. As per Population reference Bureau India's Population in 2050 is projected to be 1.692 cr.

India is the world's second most populous country that added 181 million people over the last decade. It has the potential to enter demographic dividend over the next 15 years. In order to reap the benefit of this change in structure the policy choices particularly in calculation and health is to be taken care of. India has to start investing in people as there's really a lot at stake. If India misses this opportunity the boon may turn into a bomb.

The term demographic dividend and youth bulge are well suited to Indian scenario where there is an increase in labor force with change in age structure of the economy.

**Table : Age and Sex Structure 2012 and 2026**

Age group	2012		2026	
	Million	%	Million	%
0-14	352.7	29.1	307	21.9
15-59	757.8	62.6	927.7	66.3
60 & over	99.8	8.2	165.2	11.8
15-29	347	28.7	384	27.4
30-44	246.7	20.4	305	21.8
45-59	164.1	13.6	238.7	17
All ages	1,210.3	100	1,399.8	100

Source : The Financial Express, April 2013

The table clearly shows that the proportion of working age( 15-59) will grow from 62.6% in 2102 to 66.3% in 2026.

Dependency ratio (0-14 years + 65 years and above) to working population (15-59 years) will diminish from 59.6% in 2012 to 50.8% in 2026.

**Ages 0-14**

There will be a decline in all the states though it will be sharp in Bihar, Rajasthan and Jharkhand.

**Ages 15-59**

It will increase in all states except Tamil Nadu and Kerela, where it will decline Slightly. Bihar, Rajasthan and Haryana will see fairly large relative increases.

**Ages 60 and above**

It will rise generally with sharp increases in Kerela, Tamil Nadu, Bihar, West Bengal and Kolkata.

**Ages 15-29**

It will rise sharply in Bihar and Jharkhand and less sharply in Rajasthan

**Ages 30-44**

Rise in general but increase will be sharp for Himachal Pradesh, Haryana, Punjab, Jammu & Kashmir and Uttarakhand.

**Ages 45-59**

It will rise general but witness a sharp rise in Assam, Haryana, Gujrat, Maharashtra, Andhra Pradesh, Tamil Nadu and Kerela.

Under certain assumptions by 'The Financial express it is estimated that at least 223 million poorly educated persons ( illiterates and those educated only up to primary) of working age in 2026. This implies that about a quarter of this population of working age group will be poorly educated. The poorly educated would generally be aged above 29, having misses out on educational opportunities by 2012 while they were aged 15-29. They would find it difficult to access or benefit significantly from training programs and they will probably end up in low wage employment.

The most basic problem is setting up this coordination between the institutions and job markets. Education provided should build the foundation on which skills can be built and rebuilt. Education especially vocational education and some basic training may lead to better employment prospects. It should be combined with effective public policies to reap the benefit of this demographic dividend. It will help to gain more rapid economic growth and puts less strain on families. Increased women participation will lead to smaller families, rising incomes, and rising life expectancies in our country.

The 'Make in India' policy announced by the Modi Government matches up to find a solution to the

present problem of optimum and productive utilization of upcoming youth bulge in the economy.

**What is 'Make in India'?**

It is a request, an order, an invitation to showcase India's potential to be a great manufacturing hub.

Presently India Imports more and exports less, if we become a manufacturing hub we'll export more and will increase more foreign exchange for the country. To make India a manufacturing hub it needs to focus on four basic ideas (a) Increase the number of skilled labour in the country (b) to promote ease of doing business (c) Good infrastructure (d) and low costs.

India has huge manpower resources with committed workers. Key skills are to be injected in the economy through skill development centers of the governments and through institutions. The Infrastructure is needed to be developed to match the global standard and to create an environment for opening manufacturing units. Ease of doing business is planned by the government though this scheme by reducing paper work, Easy approval to new industrial establishments, Minimal human intervention in any process, and maximum human response when it comes to support and grievance redressal. To attract investments the most important element is cost, with increase in Chinese labor cost India is becoming a better alternative for labor cost and significant tax incentive. This will make India a cost effective alternative to china. Establishing more manufacturing unit means huge job opportunities, more purchasing power, smart cities, state of the art infrastructure etc. With of these a better life style for many Indian could be insured. This eventually opens a door for foreign direct investment, and for attracting FDI we need first to develop India.

The benefit to this dividend could be reaped only when the economies human resource are utilized at its full capacity and put into productive usage. India lags far behind in fuller utilization of human resources. That certainly needs an urgent treatment to avoid social political and economic unrest.

	Citizen participation	Economic opportunity	Education	Health	Safety/ Security
Australia	9	4	1	2	5
China	28	10	22	11	14
Colombia	1	21	11	22	25
Egypt	29	28	25	14	20
Germany	18	3	7	3	3
India	3	19	26	25	19
Jordan	25	29	15	10	10
Mexico	16	13	16	19	23
Morocco	19	26	27	13	11
Nigeria	17	27	30	29	30
Russia	30	15	13	26	29
Saudi Arabia	22	12	8	4	21
South Africa	2	30	14	26	26
Spain	26	25	2	1	7
Sweden	12	7	6	7	1
Thailand	8	5	10	15	22
Turkey	27	22	17	16	9
United States	20	1	3	12	8
Vietnam	21	6	20	6	15

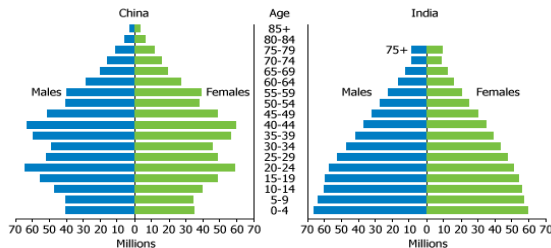
Source : World Development Report 2014

The above table gives in the detail of the citizen participation in the economy, the economic opportunities available in the economy to absorb the excess working population in the economy, the quality of human resource in terms of education and health and the safety/security of the population.

If we compare India and China two neighboring and the most populous economies of the world we find that India lags far behind in terms of

handling its youth bulge productively while China has enjoyed and reaped the maximum benefit out of its youth bulge.

If we study the demographic structure of both the nations we find that India is about to enter the demographic dividend with an upcoming and promising youth bulge in a decade, while China is on the verge of moving out of this stage with increasing the number of old age dependants in the country.



**Source : USAID Youth Bulges for India and China March 2011**

Therefore the need of time is timely realization and efficient implementation of the policies that could lead to generation of productive youths in the nation and their positive utilization.

The Make in India along with its several sub initiatives like skill India , stand up India, and start up India is certainly going to change the nations perspective towards promoting gainful and skill oriented educational system and their quick absorption in the economy. To understand this lets understand in detail what make in India speaks about.

The major objective behind the initiative is to focus on 25 sector of the economy for job creation and skill advancement. The initiative also aims at high quality standards and minimizing the impact on the environment.

**Bio- Tech**

India is amongst the top 12 bio-tech destination in the world and ranks 3<sup>rd</sup> in the Sia Pacific regions. India has the potential to become a major producer of transgenic rice and several genetically modified or engineered vegetables.

**Chemicals**

India is 3<sup>rd</sup> largest producer of chemicals in Asia and 6<sup>th</sup> by output in the world. It accounts for 2.11 % of nations GDP.

**Defense Manufacturing**

Current requirement on defense catered largely on imports. Opening of the strategic defense sector for private sector participation will help foreign manufacturers to enter into partnership with Indian companies will benefit the domestic and global business.

**Pharmaceuticals**

India is 6<sup>th</sup> largest market globally in terms of size. India’s generic drugs account for 20% of global export in terms of volume, making the country the largest provider of generic medicines globally.

Stress to be given on establishment and strengthening of ports, railways and highways.

To put special emphasis on textile and garments units of the country, as India is the second largest manufacturing capacity globally.

To establish DMIC cities to form strong economic base and global competitive environment.

To build industrial corridors in the country connecting Bengaluru and Mumbai, Amritsar and Kolkata, Chennai and Bengaluru, Chennai and Vizag.

This project aspire to double employment potential triple industrial output and quadruple exports from the region in the next seven to nine years.

Besides the focus has to be shifted to generate investment opportunities and manufacturing major initiatives has been enabled in 2014 only and this will positively improve the objective of ‘Ease of doing business’

‘Skill India’ is also one of the major objectives of Make in India project, It’s a multi skill development programme which has been initiated with a mission for job creation and entrepreneurship for all socio economic classes.

Digital India to integrate the governments, departments and the people of India and to ensure effective governance.It also aims at ensuring govt. services made available to citizens electronically by reducing paper work.

**India has a Manufacturing Laggard**

The contribution of India’s manufacturing sector to our GDP is lower than most Asian economies, including that of Sri Lanka and Bangladesh. The share of the manufacturing sectors is a little smaller than the average for low middle income countries and significantly lower than the average for upper middle income countries such as China.

**Manufacturing as percentage of GDP in 2014-15**

Country	GDP (%)
China	30
Malaysia	23
Indonesia	21
Sri Lanka	19
Mexico	18
Bangladesh	17.56
Vietnam	17
India	17
Russian Federation	16
Pakistan	14
South Africa	13
Brazil	12
Nepal	7

**Source : The Economic Times, April 2016**

To make this Make in India successful government has taken various policy initiatives which are as follows

1. The government has put in place an investor friendly policy on foreign direct investment. Foreign Direct Investment with FDI up to 100% is permitted under the automatic route in most sectors/ activities. Under this route, no permission from the central government is required for FDI inflow, but the same is subject to applicable laws/regulations, security and other conditions.
2. New exploration licensing policy and the coal bed methane policy have been put in place to encourage investments across the industry value chain.
3. Demand for primary energy in India is to increase three fold by 2035 to 1,516 million tons of oil equivalent from 563 million tons of oil equivalent in 2012.

Indian IT is connecting the rest of the world but the paradox is that a large part of India remains digitally disconnected. We are at 121 position of global digital infrastructure ranking. Therefore in order to make India digitally competent and to empower Indian youth we have to convert from users to producers of global brands from viewers to winners in world sports, and in a centre for global learning and ingenuity we have to accelerate our growth pace and become a 10 trillion –USD economy in the next 20 years. It's time for India to take the winning leap.

Investment growth has shown 27% increase through new proposals. FDI increased by 48% in 2015 that too in a sluggish world economy. GDP at 7% India is emerging as the fastest growing economy with investments in sectors ranging from infrastructure to textile and agro industries to manufacturing.

New investment infrastructure forum has been set up to accelerate growth in manufacturing sector. Start up India and Stand up India, are the two latest initiatives taken in this direction to serve the younger generations and unleash greater employment and economic growth in the economy.

Start up India and Stand up India was started on 16<sup>th</sup> January 2016 and was officially launched in Noida through which small entrepreneurs who wants to start their own business is taken into consideration and stand up India aims at promoting entrepreneurship among SC/ST's, and women communities are the beneficiaries.

Therefore the need of time is to realize the strength of the world's largest democracy which is about to reap the benefit of the powerful demographic dividend with 65% of the youth population, generating a strong demand and a huge market. The three D's makes the Indian economy the most favored global destination. This is the need of time to realize and implement the right policy at the right time and make India the hub of manufacturing unit by utilizing its youth power.

There is nothing inevitable or automatic in achieving this, young people must be given the skills, resources and opportunities to succeed through quality education, access to health care, adequate nutrition, supportive families and social networks and the promise of good jobs. This will build stable democracy, strong society and prosperous economy. If ignored the large the large population consisting of unemployed, frustrated, volatile youths will bring disastrous outcome. Sizeable youth population are both an opportunity and a challenge. India in upcoming decade will have a population age structure that favors economic growth.

## Conclusion

While China, Japan and many other European nations face and ageing population, India's youth population is growing rapidly and will remain to do so for the next 30 years. Today more than half of India's population is under the age of 25 with 65% of the population under 35. By 2020 India's average age will be just 29 years in comparison with 37 in China and United States and 45 in Western Europe and 48 in Japan. The key to transform this demographic dividend into economic growth lies not just in having more people, but having greater number of better trained, healthier and more productive people. As

noted by India's former Minister of Human resource Development, Kapil Sibal, " It will be a Dividend if we empower our young. It will be a disaster if we fail to put in place a policy and framework where they can be empowered.

With a Human Development Indicators ranking 134 out of 187 countries India needs to swiftly invest in developing the potential of its enormous human capital. Imparting education and skill on the one hand and creating a job market with a potential to absorb 10 million workforce every year.' Make in India' is one such policy that says, 'Make in India, Manufacture in India' This will transform India into a global manufacturing hub with the focus on creating jobs and skill enhancement in 25 sectors. The Make in India Policy is a crucial step towards a fresh approach to development as it ensures youth's participation and providing them vision and skill to maximize their abilities and aspirations. This is a need of time is to realize the upcoming responsibility of positive utilization of youth and accepting 'Make in India' as a mission to mainstream youths into Strategies of the Government.

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