

India's Demographic Time Bomb

The general view of India is one of a country with a burgeoning and young population (more than 1.25 billion people with a national fertility rate of 2.3), hence the prospects for growth in terms of consumption and production is usually seen as a blue skies scenario.

The devil as usual is in the details.

The fertility rates of 11 states comprising 43% of India's population is below 2.1 (ie. below replacement rate). The least fertile states are West Bengal (1.6), Punjab (1.7), Himachal Pradesh (1.7) and Tamil Nadu (1.7). Unsurprisingly, these 11 also tend to be the wealthier and more developed states. Their average GDP per capita is nearly 110,000 rupees and literacy rates are generally well above 75%, mainly above 80% and even reaching 94% in the case of Kerala.

The fertility rate in the states holding the other 57% of the population ranges from Haryana (2.2) all the way to Bihar (3.4). And no surprise, their average GDP per capita is well below 70,000 rupees and literacy rates are generally lower, in many cases well below 70%. The major state with the lowest literacy rate is Bihar at 64%.

India's national literacy rate is around 75%. Contrast that with Vietnam (94%), Indonesia (93%), Philippines (95%) and China(95%).

The typical demographic dividend happens in two stages. The first stage is a high population growth rate feeding large amounts of labour into the economy. In parallel, there must be large scale investment in education for the masses. During the second stage, as average incomes become middle class and population growth levels off, the investment in human resource begins to pay off in the form of a leap towards higher value-added economic activities that offsets the deceleration in labour supply. This has been experienced by all the newly industrialized countries like South Korea, Taiwan and Singapore.

In India's "low fertility" states, the average GDP per capita has not even reached US\$2,000 (well below middle income) and already fertility rate has dropped significantly below replacement. Meanwhile the average literacy rate is only 79%. Where is the demographic dividend going to come from?

In the "high fertility" states, the GDP per capita is near US\$1,000 (even lower than Myanmar and barely half of Vietnam) and the masses of poorly educated people are growing by leaps and bounds. It would seem to be more like a recipe for social instability than for "demographic dividend".

(For comparison, the GDP per capita of Indonesia, Vietnam, Philippines and China is \$3500, \$2100, \$2900 and \$7600 respectively)

There is more – sectarianism.

Overall, Muslims are 15% of the population but not only do they have higher fertility rate than the non-Muslims, they are also typically less educated and further behind, economically speaking. Some studies have projected that within 30 years, Muslims could become 20% of India's population.

Among India's "low fertility" states, the percentage of Muslims is 14%, slightly lower than national average. But if one assumes that Muslims have a higher fertility rate, the fertility rate of the non-Muslims may be starting to approach that of some developed nations!

Among the "low fertility" states, the biggest is Maharashtra, population 113 million, 12% Muslim and fertility rate of 1.8. This is also the state that has set off a massive controversy by banning the slaughter of cows in effect depriving the Muslim community of beef as a protein source and devastating the leather industry (dominated by Muslims). Now, the Hindu nationalists, supported by Narendra Modi, is pushing for the same ban to be extended nationwide.

Remember, the dominant Hindu's are wealthier, more educated but no longer replacing their numbers. The Muslims are poorer, less educated and increasing in their relative numbers. And yet, there are regulatory initiatives that could potentially make them feel oppressed.

The good news is Maharashtra is a relatively advanced state with GDP per capita of over \$2200 and literacy rates of 83%.

Among the "high fertility" states, Muslims are 16% and rising. Here, the biggest state is Uttar Pradesh, population 200 million, 20% Muslim and overall fertility rate of 3.1. It is also one of the poorest states in India with a GDP per capita of less than \$800 and a literacy rate of 70%. Uttar Pradesh has the biggest Muslim population in India and if the national pattern holds, a Muslim population with fertility rate well above 3.1.

The "high fertility" states also includes Bihar - fertility rate 3.4, population 104 million, 17% Muslim, GDP per capita of under \$600 (the poorest state in India!), literacy rate of 64%.

What will happen if the "cow slaughter" ban is extended to Uttar Pradesh and Bihar which holds 55 million of the poorest and least literate Muslims in India with burgeoning young populations all struggling to make a living? Can there be a good outcome if they are driven to face down an equally poor Hindu majority that is also young, poorly educated and struggling.

The rise of Hindu nationalism in India may be a subconscious existentialism reaction to being bordered on the left by Pakistan (182 million) and Bangladesh (160 million), both overwhelmingly Muslim countries, with fertility rates equal or higher than India's.

In fact, the 0-14 age group in Pakistan and Bangladesh combined number 120 million. Add to that the 60 million Muslim young in India, you have a combined 180 million Muslims aged 0-14 in South Asia. The Hindu 0-14 age group in India number about 50% more.

While this still puts Hindus as a continent wide majority by far, it is very different from what it used to be. If one looks at the 25-54 age group, the combined population of Pakistan, Bangladesh and Muslim India is 220 million while the Hindus in India number nearly 80% more.

Given the demographic profile of India and the subcontinent as a whole, I would seriously question the wisdom of pushing the Hindu nationalist agenda too far.

Actually, India has another demographic problem that resembles China, although less severe. And the problem is sex.

Among 15-24 year olds, there are 113 males for every 100 females. The “natural ratio” should be about 105 males for every 100 females. This amounts to more than 8 million “excess” males.

Among the 0-14 year olds, the ratio is worse – 114 males per 100 females. The “excess” male count is nearly 14 million.

China has experienced this as well. Among their 15-24 age group, the “excess” males number over 7 million. Among the 0-14 age group, the figure is nearly 12 million. That’s a total of 19 million men who will come of age over the next 25 years with no hope of ever finding a mate. There are widespread reports of “bachelor” villages. Fortunately, this has not led to social unrest perhaps because the population is much more prosperous and literacy rates are much higher. The frustrations and self-esteem problems of a young testosterone-laden “excess” male would be significantly less if he can at least have a job that provides him with an acceptable standard of living. He might be willing to accept a lonely future if he at least believed that his economic future is bright.

India, because of its higher birth rate, has 22 million men coming of age over the next 25 years with no hope of ever finding a life partner. If they are poor and illiterate, their lot will be even more desperate. Will they too resign themselves to a life of loneliness in “bachelor” villages or will their heightened frustrations drive them towards socially disruptive activities?

It is true that many Indians have entered the “middle class” and large numbers continue to do so. But these large numbers need to be seen in the context of India’s population which is nearly 1.3bn, the 2nd largest in the world. For a country this size, even 200 million middle class is barely 15% of the population!

Ultimately, when I think of India not in terms of absolute numbers but percentages, the outlook seems to me to be more of furrowed-brow concern than wide-eyed optimism.