



## FAVOURABLE DEMOGRAPHICAL CONDITION PAVES THE WAY FOR POSITIVE INFLOW OF FDI IN INDIA THAN OF CHINA

Pappu Kumar  
Paswan

Research Scholar (Commerce) University Department of Commerce and Business Administration, L.N. Mithila University, Darbhanga

### ABSTRACT

Demographic dividend refers to a change in the age distribution of population from child ages to adult ages. It leads to larger proportion of population in the working age group compared to younger and old age groups. Apparently, given the diversity in the fertility transition in India, the demographic dividend is likely to continue as it shifts from one state to another based on the pace of demographic changes in the respective states. It is generally argued that the demographic change in India is opening up new economic opportunities. There is generally high optimism both based on the experience of many other countries and from India that demographic changes will take the country to newer economic heights. Along with high optimism, there are also larger concerns on the ability of the nation to take full advantage of the demographic dividend. India is enjoying this demographic favour in terms of attracting more FDI than of China. This paper is a modest attempt to study the favourable demographical condition paves the way for positive inflow of fdi in india than of china

### KEYWORDS :

### INTRODUCTION

Census 2011 results shows, that there has been significant inflow of migration to many southern states in India. Tamil Nadu, Karnataka and Andhra Pradesh are attracting huge inflow of migrants from other states. In these states, the enumerated population has been far higher than the projected population. Perhaps, it points towards a replacement migration taking place into these states. The replacement migration refers to migration occurring as a result of age structure changes. With the demographic and age structure changes, there will be scarcity of labour particularly in the unskilled sector. This labour has to be replaced from other places with abundance of labour due to lack of any significant demographic changes.

In the context of the western countries, the replacement migration mainly came from poor developing countries. On the contrary, India is able to take care of the replacement migration from within due to large diversity in the nature of demographic transition. The replacement migration in to Kerala is well known and many studies have pointed out large inflow of such migrants from other parts of the country. Thus it is clear that the demographic changes create demographic opportunities and dividend and the concern that India may not be able to experience demographic dividend is perhaps not empirically validated. There is also ample evidence to suggest that demographic changes enhance economic changes. Micro level evidence also suggests that age structure changes lead to substantial investment in children both in terms of education and health. Thus the demographic dividend emanates from rapid changes in fertility which has several positive impacts both at Macro and household level.

Table-1: The world's 10 most populous countries 2010

Country	Population 2010(millions)	% Annual Growth Rate	Estimated Population 2050(millions)
China	1320	0.6	1437
India	1173	1.4	1755
United States	310	0.6	438
Indonesia	243	1.4	343
Brazil	201	1.0	260
Pakistan	184	2.0	295
Bangladesh	156	2.1	215
Nigeria	152	2.4	282
Russia	139	-0.4	119
Japan	126	-0.1	101

Source: World Population Data Sheet<sup>5</sup>

### Favourable Demographical Condition in India than of China

The demographic dividend is of a shorter duration for any country and eventually the nation will move into an ageing population. Although not immediate, change in the age structure from young to old are also accompanied by several social changes with considerable implications on any nation. The size of the Indian elderly (60 years and above) is expected to triple in the next four decades from 92 million to 316 million, constituting around 20 percent of the population by the middle of the century. There is no significant empirical evidence to suggest that larger proportion of elderly population would impede the economic progress of a nation. At the same time, there are many social changes expected as a result of ageing population in any nation. The major challenge would be on the care for the elderly.

Demographic and economic changes are often accompanied by enhanced migration of people in search of better and quality employment. As a result of this adult migration, the elderly are often left behind. The living arrangement pattern of the elderly are expected to undergo rapid changes during the period. Such changes are already visible in states like Kerala with early demographic transition. Even though the proportion of elderly at the national level has been low, the ministry of social justice and empowerment (MOSJE), Government of India deserves recognition for its foresight in drafting a National Policy on Older Persons (NPOP) as early as in 1999, when less than 7 percent of the population was aged 60 and above. The policy vision statement is well articulated and action strategies cover important aspects of financial security, health, shelter, education, welfare and protection of life and property. The major lacuna of NPOP, however, has been lack clear prioritisation (increasing old-older proportion, feminisation and ruralisation along with inter-State variations). Although many important aspects of ageing policy are mentioned in the NPOP, it is unclear what the specific goals are, what steps are envisaged towards achieving these goals, and how it fits in to a realistic implementation schedule given the emerging demographic scenario in the country and the current institutional arrangements. (James & Sathyararayana, 2011) India is soon to follow the foot-steps of China and is likely to surpass Chinese population to become the country with the largest population in the world between 2025 and 2030.

China through policy action has been pushing forward healthy sustainable development of undertakings for its ageing population. The government has attached importance

to publicizing and popularizing laws, regulations and policies concerning senior citizens. It has set up an inter-agency / inter-ministerial committee on ageing to monitor and implement policies and programmes for older people. As socio-economic processes associated with ageing are complex, the country needs to plan and gear up well in advance to face the challenge. Sudden intervention may not be appropriate and may not provide significant dividend. Many countries have realized the importance of preparing for the ageing in advance through several policy and programmatic intervention. Perhaps, India too, needs to follow the footsteps of these nations at the earliest to minimize the ill effects of a larger social change.

In a nutshell, demographic and age structure changes are inevitable and generally contribute positively to the nation. The demographic changes are also accompanied by considerable social and economic changes. In the future, the success of a nation will critically depend upon its ability to address such sweeping demographic changes effectively through policies and programmes. India is on the course of rapid demographic changes. Hence preparedness in advance might provide dividends in the future.

Even though China has for long remained favorite destination for global investors, India has pipped its neighbour in 2018 for the first time in the last 20 years in terms of attracting foreign direct investment (FDI). With 253 inbound deals amounting to \$39.515 billion, India's annual FDI was higher than that of China's so far this calendar year, according to data from Dealogic, a global financial markets platform. China attracted FDI to the tune of \$33.02 billion in 397 inbound deals in the same period, the data showed.

In 2017, while India had attracted FDI worth \$18.57 billion in 205 inbound deals, China's FDI amounted to \$32.49 billion in 383 inbound deals. Explaining what led to India surpassing China in terms of attracting FDI this calendar year, Rucha Ranadive of CARE Ratings told FE Online: "The stable macroeconomic environment and slowdown in the Chinese economy has helped India attract more FDI. In addition, the Govt. of India has taken various initiatives. It has opened up various sectors for FDI investment and has promoted Single window clearance."

### Change in the Spending Habits

Consumer spending can be categorized into regular spends and lifestyle spends. Regular spending includes the basic necessities of life, while lifestyle spending includes spending on a computer, internet, car, cell phone, etc. Analysis of consumer spending in the past 10 years reveals that the average consumer has been spending on an increasing number of different goods. There are a number of factors affecting the consumer spending pattern in India; these include growing income levels resulting in more disposable income with individuals, changing attitudes towards consumption, changes in prices, introduction of new products, availability of credit such as loans, mortgages and credit cards, rising aspiration levels, increased literacy, growing brand consciousness and rapid urbanization.

Spending habits are different for people belonging to different sections of society. For instance, people belonging to the middle class consider basic necessities and education and spending toward the future of their children as their top priorities, followed by lifestyle goods. The rich class spends more on luxury goods and international brands. The super rich class spends on ultra luxury goods. It is observed that as disposable income increases, people prefer more of branded goods, shift to processed foods, and the expenditure on food, beverages, tobacco, and transport and communication also increases. A comparison of consumer spending habits in 2012

with those in 2017 revealed that expenditure on food, clothing and personal care has remained more or less constant, but expenditure on entertainment has increased.

By now, the explosion of consumer spending in Asia and the BRIC countries (Brazil, Russia, India, and China) and the revival of luxury spending in developed markets are common knowledge. Despite these clear economic surges, however, retailers and Consumer Packaged Goods (CPG) manufacturers still struggle to fully understand how people in different markets spend their money, and how their spending patterns change over time as consumers get wealthier.

Knowing consumers' product preferences and purchase dispositions can have an immediate impact for marketers and provide a longer-term advantage for brand and product strategies. Marketing and promotional resources can be modified as necessary to deliver the products and services that consumers demand. Brand and product portfolios can be crafted for specific markets based on consumer spending patterns. Best practices can be carried to different markets where consumers share similar characteristics—not only anticipating changing spending patterns but also designing plans to capitalize on them.

### Concluding Remarks

The upcoming changes in the Indian consumer market will create major opportunities and challenges for Indian and multinational businesses alike. For example, companies will need to attract and educate large numbers of new consumers, establish and retain brand loyalties as tastes change with rising incomes, and introduce high-value products and services at sufficiently low prices to be accessible to the emerging middle class. The quadrupling of the Indian market will present companies competing in India with a critical discontinuity to navigate—who the leaders of this changed market will be has yet to be decided.

Growth in Indian incomes and consumption will also deliver extensive societal benefits, with further decline in poverty and the growth of a large middle class. We should emphasize again, however, that the overall outcome we have described, depends significantly on India maintaining a relatively high rate of long-term growth, in the range of 7 to 8 percent. That in turn depends crucially on the government continuing to pursue a pro-reform, pro-growth economic agenda. Our results do not assume an unrealistic breakthrough, but rather that India continues to open its markets to both domestic and foreign competition, and that the government follows through on its pledges to address key infrastructure and education issues better than of China.

### REFERENCES:

1. James, K.S. & Satyanarayana, K.M., (2011), July, Demographic Change, Age Structure Transition and Ageing in India: Issues and Challenges, Yojana, New Delhi, PP-28-31.
2. Census 2001, Registrar General, GOI, New Delhi.
3. Visaria, L., (2011), July, India's 15th Population Census: Some Key Findings, Yojana, New Delhi, PP-16-19.
4. Bose, A., (2011), July, Census of India 2011: Some Highlights, Yojana, New Delhi, PP-5-9.
5. World Population Data Sheet, 2010.
6. Chrys Kamber, 1 Dec.2011, Economic Snapshot India
7. www.managementparadise.com
8. Maulick, B., (2011), July, Literacy Trends in the Country, Yojana, New Delhi, PP-34-37.
9. Registrar General and Census Commissioner, (2011), Ministry of Home Affairs, GOI, New Delhi, India.
10. Mohanty, S.K., (2011), July, Population Growth and the Millennium Development Goals in India, Yojana, New Delhi, PP-38-41.
11. Ibid.
12. Muttreja, P., (2011), July, Family Planning: The Need to Reposition in the Context of Maternal and Child Health, Yojana, New Delhi, PP-11-14.
13. Ibid
14. Rath, S.P., (2007), Feb., Demography of India, Indian Express, Hyderabad Edition.
15. www.mckinsey.com