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IS INDIA HEADING TO AN UNBALANCED ELDERLY POPULATION GROWTH?

It is widely perceived that India, being touted as Young Nation (compared to US & China), will remain young in the coming decades also. Even our estimates suggest that India's elder population will increase from 5.5% in 2011 to only 15.2% in 2050. The corresponding proportion of elder population will be 32.6% in China and 23.2% in US by 2050.

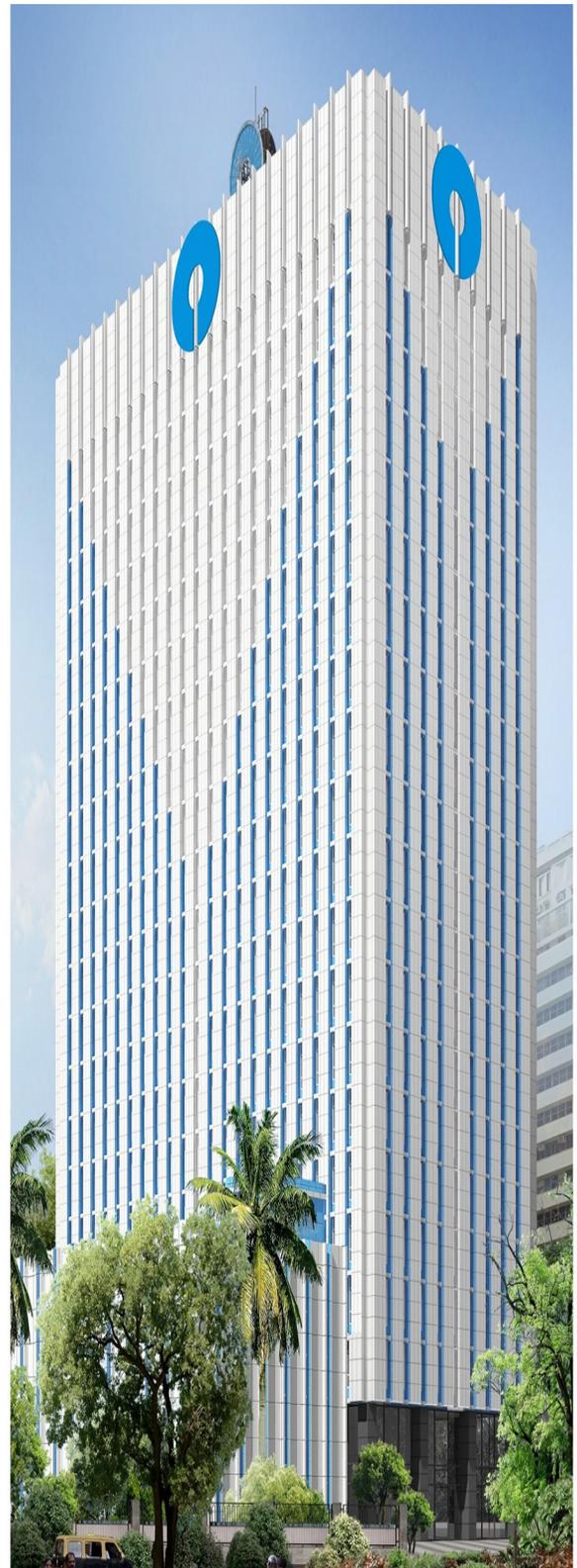
However our analysis suggests that situation of some of the States (particularly in South India) is very complex. As per our estimates India's population will reach 178 crore by 2050 (World Bank estimate: 173 crore by 2050) out of which 27 crore will be of age 65 and above. Apparently, this will not pose any problem at the macro-level. But if we look at state-wise numbers, the numbers look alarming. By, 2050 more than 1/5th of total population of 4 Southern states like Andhra Pradesh, Kerala, Karnataka and Tamil Nadu will turn elder. Similarly states like Maharashtra, West Bengal, Odisha will see a large percentage of population turning old. With the increase in the elder population in Southern States, the asymmetric income distribution gap will widen further.

We believe that this will have implications on continued inter mobility of labour from east and north east India (which has been happening for last one decade) to South India and even Western India.

States like Uttar Pradesh, Rajasthan, Assam, Bihar and Haryana will continue to have significantly young population even in 2050, thus engineering migration of such labour force to states that are ageing.

In particular, in coming decades, we can expect huge migration from '**Young North-India**' to '**Elder South-India**' resulting in imminent pressure on Southern states in terms of infrastructure (both social and physical).

As people turn older in the selected states, the savings might initially see a bulge as people start ageing and then should start declining with people living more on old age pensions and increasing health expenses. Such decline in savings could result in muted impact on state domestic product in such states as India's population is expected to decline meaningfully over the next decades. This would also mean that Indian banks will have to innovate to offer life cycle based deposit products for consumers. Also, states that have younger population would need to set up labour intensive industries to provide support to their young labour force.



PROJECTION INDIA'S OLDER POPULATION BY 2050

- ◆ In any country, an increase in the elder population (Age 65≥) leads to a drop in savings, and a decline in the labour force leads to a decline in return on investment, which reduces the investment rate.
- ◆ It is widely perceived that India, being touted as Young Nation (compared to US & China), will continue to remain young in the coming decades also. Even our estimates suggest that India's elder population will increase from 5.5% in 2011 to only 15.2% in 2050. The corresponding proportion of elder population will be 32.6% in China and 23.2% in US by 2050.
- ◆ However our analysis suggests that situation in some of the states (particularly in South India) is very complex. As per our estimates India's population will reach 178 crore by 2050 (World Bank estimate: 173 crore by 2050) out of which 27 crore will be of age 65 and above. Apparently, this will not pose any problem at the macro-level. But if we look at state-wise numbers, the numbers look alarming. By 2050 more than 1/5th of total population of 4 Southern states (Andhra Pradesh, Kerala, Karnataka and Tamil Nadu) will turn elder. Similarly, states like Maharashtra, West Bengal, Odisha will see a large percentage of population turning old.

SERIOUS IMPLICATIONS

- ◆ We believe that this will have implications on continued inter mobility of labour from east and north east India (as has already been happening for last one decade) to south India and even western India. States like Uttar Pradesh, Rajasthan, Assam, Bihar and Haryana will continue to have significantly young population even in 2050, thus further pushing migration of young labour force to the ageing states. This will solve the issue of labour supply to some extent. In coming decades, we can expect huge migration from '**Young North-India**' to '**Elder South-India**' resulting in imminent pressure on Southern states in terms of infrastructure (both social and physical).
- ◆ It may be noted that presently some southern States (e.g., Andhra Pradesh) have started encouraging people to have more children in order to avoid "demographic crisis". However, it will be difficult for some of the States to reverse the declining trend of fertility rate.
- ◆ Further, our analysis also reveals (evident from the FY17 State-wise per-capita income data) that the Southern States are already more prosperous than the Northern States and income-gap between the two regions is quite wide. For example, the per-capita income gap between Karnataka and Bihar stands at a whopping Rs 1.1 lakh and between Karnataka and the national average is around Rs 57,000. Going forward, by 2050, the elder population in Southern States will increase, which will widen the asymmetric income distribution gap further. Interestingly, the New World Wealth Report 2016 says that in South-India Bengaluru has largest number of millionaires (7,700) followed by Chennai (6,600 millionaires).
- ◆ As people turn older in the selected States, the savings might initially see a bulge as people start ageing and then should start declining with people living more on old age pensions and increasing health expenses. Such decline in savings could result in muted impact on state domestic product in such states as India's population is expected to decline meaningfully over the next decades. This would also mean that Indian banks will have to innovate to offer life cycle based deposit products for consumers. Also, states that have younger population would need to set up labour intensive industries to provide support to their young labour force.

Percentage of Elder Population (Age 65 & Above) in Total Population							
States	2001	2011	2020 P	2030 P	2040 P	2050 P	Per capita Income (FY17)
Andhra Pradesh	4.5%	6.0%	8.3%	12.1%	18.6%	30.1%	107622
Kerala	7.2%	8.3%	10.1%	12.9%	17.4%	25.0%	140388
Karnataka	4.8%	6.1%	8.0%	11.1%	16.1%	24.6%	137917
Tamil Nadu	5.5%	6.6%	8.1%	10.5%	14.4%	20.8%	132838
Himachal Pradesh	6.1%	6.9%	8.1%	10.0%	13.0%	17.9%	142645
Maharashtra	5.9%	6.6%	7.8%	9.7%	12.6%	17.4%	152122
West Bengal	4.7%	5.5%	6.7%	8.7%	11.8%	17.0%	93296
Odisha	5.3%	6.0%	7.1%	9.0%	11.8%	16.5%	72780
India	4.8%	5.5%	6.6%	8.2%	10.9%	15.2%	103219
Punjab	6.2%	6.7%	7.6%	9.1%	11.4%	15.2%	118129
Uttaranchal	5.0%	5.7%	6.7%	8.4%	10.9%	15.1%	148924
Gujarat	4.3%	5.1%	6.2%	7.9%	10.6%	14.9%	151340
Madhya Pradesh	4.5%	5.1%	6.1%	7.7%	10.1%	14.1%	59583
Jharkhand	3.5%	4.2%	5.3%	7.0%	9.6%	13.9%	53840
Rajasthan	4.3%	4.9%	5.7%	7.1%	9.2%	12.5%	80667
Uttar Pradesh	4.4%	4.9%	5.6%	6.8%	8.6%	11.6%	44786
Chhattisgarh	4.5%	4.9%	5.7%	6.8%	8.6%	11.5%	76486
Assam	3.7%	4.2%	5.0%	6.2%	8.1%	11.2%	59886
Bihar	4.1%	4.5%	5.2%	6.3%	7.9%	10.6%	28580
Haryana	5.2%	5.3%	5.7%	6.5%	7.8%	9.8%	158483

Source: Census 2001 & 2011; SBI Research; P: SBI Projections

ABOUT US

The Economic Research Department (ERD) in SBI Corporate Centre is the successor to the Economic and Statistical Research Department (E&SRD). The latter came into being in 1956, immediately after the State Bank of India was formed, with the objective of “tendering technical advice to the management on economic and financial problems in which the Bank has interest and which required expert analysis”.

After the first reorganization of the Bank, when specialized departments like Management Science, Management Information Systems, Planning and Market Segment Departments took over the statistical work of E&SRD, the Department was renamed as ERD.

However, with the ERD team now taking on multidimensional functionalities in the area of risk management , corporate analytics, strategy and so on, who knows, the time may have come to rename it again!

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CONTACT DETAILS

Dr. Soumya Kanti Ghosh
Group Chief Economic Adviser
State Bank of India
Corporate Centre
Madam Cama Road
Nariman Point
Mumbai - 400021

Email: soumya.ghosh@sbi.co.in
gcea.erd@sbi.co.in

Phone: 022-22742440

 : [@kantisoumya](https://twitter.com/kantisoumya)