

The Impact of Ageing Population on Economic Growth in South Asia

D.K.Y. Abeywardhana¹

¹ Department of Accountancy, University of Kelaniya, Sri Lanka

Correspondence: D.K.Y. Abeywardhana. Tel: 947-1460-1643. E-mail: dilyapa@kln.ac.lk

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Abstract

The share of working age population has declined all over the world. It is forecasted that this will continue for the coming years in all countries in South Asia. Low growth in working age population in South Asia will be effecting negatively for the economic growth. This paper studies whether the South Asia 2050 employment targets would be sufficient to compensate for the downward impact of demographic burden and whether the impact of demography on economic growth differs between South Asian countries. The results show that decreasing working age population is the main challenge the South Asian region faces. Further it shows that growth in GDP mainly depend on the demographic change. Population who contributed the economic development become maturing and dependents of their children. The consumption of the ageing population is very high as of higher spending on healthcare facilities. This effect badly on the economic growth in the region and cause lots of challenges to the nations.

Keywords: demographic burden, economic growth, ageing population, South Asia

1. Introduction

All over the world, the number of people age over 60 and above is estimated to grow gradually over the coming years. In Asia this has increased from 207 million in year 2000 to 857 million in year 2050. Improvement in science and technology in the health sector improved the health condition of the people and as a result the death rates in the world reduced. At the same time in the twentieth century countries in the world controlled the birth rate and became succeeded in controlling population growth. This has created the biggest social challenge to the whole world (United Nations 2017). High proportion of dependents (children and elders) in the population reduces the working age population and increases the expenses on caring young and elderly which cause to decrease the economic growth of the country. Economic growth and working age population shows positive relationship (Headly & Hodge, 2009). Further Misra (2017) confirmed the same that demographic dividends has a positive impact on economic growth. Economic growth of a country depends on number, efficiency of working age population and technological innovation. Working more people increase the savings of the country where there would be an increase in investments. On the other hand working more people means less number of dependents are there in the economy. Moreover, working more people improve the infrastructure for education and that will ultimately lead to improve the quality of the labor force of the world in the future.

Declining fertility and changes in the age structure of the population decrease the working age population. As working age population decrease demographic dividend become demographic burden to the country. Higher the population aging lower the economic growth of the country as the decline in working age population reduces the labor force, wages and productivity, savings and industrial investments.

Change in age structure of the population is experiencing every single country in the world. Growth rate of the working age population is much slower than the growth rate of total population. This situation is severe for the Asian region. Table 1 shows the population of the major areas in the world from 2015 to 2100. Out of 7.3 billion of world population 4.4 billion lives in Asia which accounts for 60%. China and India being the two largest countries in the world represent 19% and 18% of the world population respectively.

According to the most recent data in 2015, 50.4% is male and 49.6% is female and 12% of the world population is 60 or over 60 years old. Only 62% are aged 15-59 and would be able to work and more than a quarter (28%) of the population are under 15 years old and over 60 years old (figure 1). This has been studied in several recent studies (Prskawetz, 2007; Bloom et al., 2003) and concluded that age structure matters for the economic growth. Change in the age structure is the major concern in research on ageing population and the objective of this study