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India's Demographic Shift in 2025: Can the Youth Bulge Translate to a Dividend?

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India is on the brink of becoming the most populous country in the world, and a massive youth population drives the population increase. In 2025, nearly 65% of India's population will be below 35, a demographic advantage lauded as a potential economic dividend.¹ However, it is still uncertain if this demographic shift will result in the economy's growth.² This paper will explore India's demographic structure in 2025, examining the current youth population's size, distribution, and socio-economic characteristics. The paper will also compare and analyse India's situation with global precedents such as East Asia's successful transformation and Latin America's missed opportunity. To understand the reasons for their success and shortfalls, respectively. Secondly, the article will critically analyse the structural impediments, such as skills mismatch and unemployment, to informal labour conditions and gender disparities, and assess whether India's current infrastructure and policies will help harness the potential of the youth. Studies suggest that if the youth demographic is utilised correctly, there can be a growth of 1-2% of the

¹ Sophie Malin and Ashima Tyagi, 'India's Demographic Dividend: The Key to Unlocking Its Global Ambitions' (S&P Global, 03 August 2023) <<https://www.spglobal.com/en/research-insights/special-reports/look-forward/india-s-demographic-dividend-the-key-to-unlocking-its-global-ambitions>> accessed 27 May 2025

² Abhishek and Kshamanidhi Adabar, 'Demographic Dividend and Economic Growth: Evidence from India' (2022) 51(1) Demography India <<https://iasp.ac.in/uploads/journal/6.%20Demographic%20Dividend%20and%20Economic%20Growth%20Evidence%20from%20India-1669206645.pdf>> accessed 27 May 2025

GDP, making the stakes higher. The third aspect the article will focus on will be recommendations to convert India's demographic momentum into inclusive and sustainable growth.

Keywords: *demographic shift, youth, population, economy, unemployment, gdp.*

INTRODUCTION

India's demographic trajectory is undergoing a significant change. With a population of 1.4 billion, the major demographic that supports this is the age group under 29 years of age. The country is experiencing what economists call a “Youth Bulge.”³ This represents a rare opportunity but also a challenge: whether India can transform its demographic advantage into a demographic dividend or not, or will it succumb to the demographic liability.

Demographic dividend refers to the potential for accelerated growth when a country's working population grows larger than the dependent population.⁴ This demographic window opened in the 2000s and is expected to open until 2040-2050.⁵ However, just because of this, it does not automatically translate into dividends. Many enabling factors include quality education, employment generation, gender participation, healthcare facilities, etc.

In 2025, the youth population (15-35 years) will contribute 65% of the population, making India one of the youngest countries in the world.⁶ While this demographic advantage is often celebrated in the political and economic arenas, the realisation of the dividend is optional. Problems such as high youth unemployment, rural–urban disparities, and a mismatch between education and market skills. Still poses an excellent risk for India to leverage the potential dividends the population can achieve fully.

This journal article examines whether India's current institutions, policies, and economic frameworks provide a fertile environment to harness the demographic dividend. Using a

³ Malin (n 1)

⁴ Aparna Pande, ‘India’s Demographic Dividend: Potential or Pitfall?’ (*Hudson Institute*, 21 May 2025) <<https://www.hudson.org/terrorism/indias-demographic-dividend-potential-or-pitfall-aparna-pande>> accessed 27 May 2025

⁵ United Nations Population Fund, *State of World Population Report* (2023)

⁶ India’s Growing Focus on Youth and Sports’ (*PIB*, 01 February 2025) <<https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2098454>> accessed 27 May 2025

combination of quantitative demographic analysis, policy evaluation, and comparative analysis of countries worldwide, the paper will provide insights into how India will overcome potential hurdles it might face in the future. The central argument here is that, right now, India has enormous potential to grow. Still, the growth can only be unlocked through state capacity-building, inclusive economic strategies, and sustained investments in human capital. Without this, the very potential can become India's most significant liability.

UNDERSTANDING INDIA'S YOUTH BULGE

The average age in India is currently 28.4, as compared to 38.9 in the USA, 42.7 in China and 48.4 in Japan⁷. This positions India as one of the youngest large economies in the world. This youth majority is not evenly distributed; states like Bihar, Uttar Pradesh and Madhya Pradesh have higher fertility rates and younger populations, whereas southern states like Tamil Nadu and Kerala are already undergoing ageing transitions.⁸ So this divergence and uneven spread create challenges and opportunities for policy implementation.

Adding on to this, India's population is not homogeneous. The rural-urban divide is very prominent; over 65% of young Indians live in rural areas, where quality of education, skill development and employment opportunities remain limited.⁹ While there are big metropolitan cities across India that are leading the technological changes and are innovation hubs, in rural areas, there are high levels of disguised unemployment and underemployment, especially among the young graduates.

Another important dimension that needs to be addressed is that of the gender gap. Female workforce participation among the youth is very low. The estimates are around 20%, which, compared to the global average, is much less.¹⁰ The main factors contributing to the low participation of women in the workforce, even in the 21st century, are mainly due to social barriers, unpaid domestic work, safety concerns, and lack of access to modern technology.

⁷ UN Department of Economic and Social Affairs, *World Population Prospects 2022* (2022)

⁸ *Ibid*

⁹ 'State of Rural Youth Employment 2024' (*Transform Rural India*) <<https://www.trif.in/state-of-rural-youth-employment-2024/>> accessed 27 May 2025

¹⁰ 'Annual Status of Education Report (ASER) 2024- Explained Pointwise' (*Forum IAS*, 04 February 2025) <<https://forumias.com/blog/annual-status-of-education-report-aser-2024-explained-pointwise/>> accessed 27 May 2025

Looking at the youth bulge from an educational point of view, though India has expanded access to school through schemes like Sarva Siksha Abhiyan and the Right to Education Act, these sorts of schemes and statutes are present, yet we can see that there is a disparity in education. While there are some institutions that provide world-class education, on the other hand, there are institutions that don't even have the basic necessities.

The Annual Status of Education Report (ASER) 2023 revealed that nearly 40% of rural class VII students could not read a basic English sentence, and around 50% lacked basic knowledge of numbers. The output of this becomes that most people, though graduated, lack basic employable skills, which makes them a liability to society.

THEORETICAL POTENTIAL OF A DEMOGRAPHIC DIVIDEND

Demographic dividend is a concept that points to the economic growth that can potentially emerge when there is a decline in mortality rate and fertility rates within a country that results in an increase in the proportion of working-age individuals to the dependents therein¹¹. This demographic dividend can be managed to surge the productivity, income levels. Savings provide a boost to the economy. However, this phenomenon can be a potential that should be aided by appropriate economic and social policies.

Global Lessons, A tale of Two Continents: East Asia is the area that is often recognised for making the best use of a demographic dividend. One of the reasons that explains almost a third of South Korea, Taiwan, and Singapore's economic growth during 1965-1990 was due to substantial investment in healthcare and education, along with job creation in manufacturing sectors and demographic changes. These countries not only made investments in top-tier educational institutions but also restructured their labour markets to ensure that the growing workforce was optimally utilised.

On the other hand, Sub-Saharan Africa and parts of Latin America suggest the contrary. The countries falling under this region were unable to take advantage of the favourable demographic potential due to the lack of proper governance, investment in human capital and the informal economy. They are evidence of population dynamics not being enough by showing that the

¹¹ 'Demographic Dividend' (*United Nations Population Fund*) <<https://www.unfpa.org/demographic-dividend>> accessed 27 May 2025

advantages of their young demographic were subdued by high rates of unemployment, inequality and political instability.

Demographic Dividend vs Demographic Disaster: A demographic dividend can rapidly change into a demographic disaster, characterised by widespread youth unemployment, social unrest, crime, and mass disillusionment. India is already showing early signs: high NEET rates, rural-to-urban distress migration, and increasing automation threatening low-skill jobs¹². These trends depict the urgency of reform and investment during this narrow demographic window.

STRUCTURAL BARRIERS IN INDIA

India's demographic potential is being hindered by several structural barriers. These barriers hinder the education, gender, technology and institutional infrastructure, which threatens to overturn the demographic advantage into a long-drawn liability if not addressed urgently.

Skilling Deficit and Employability Crisis: India's education system has seen significant growth; however, the quality of education remains inconsistent. Reports like Periodic Labour Force Survey (PLFS) 2023–24 indicate that less than 47% of Indian graduates are employable in industry roles despite the rise in gross enrollment ratio. The technical and vocational institutions operate either below capacity or fail to update their curricular according to the recent market needs. Government-initiated programs like Skill India, PMKVY are a few among the others that help in filling the lacunae, though they are marked by poor implementation, primitive certification and low industry participation.

Unemployment and Informality: In India, the rate of unemployed youth is approximately 17.5% as of 2024, with female youth unemployment being as high as 28%. Over 90% of India's labour force, additionally, lies in the informal sector with zero job security, lacking social protection and a constant income source. These present inconsistencies act as barriers to productivity and render the Indian youth economically vulnerable.

There exists a stark difference between the job creation and job seeking profiles in India. There is a shortage of demand for the qualifications in high-growth sectors, even though lakhs of youth

¹² 'Statement 25: Investment Outstanding in Treasury Bills' (*Reserve Bank of India*, 30 November 2021) <<https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=20875>> accessed 27 May 2025

annually graduate with general degrees. On the contrary, in MSMEs that employ 30% of India's workforce, they face capital restraints and unpredictable policies.

Gender Disparity: Deeply ingrained socio-cultural norms, lack of financial inclusion and infrastructural deficits are a few factors that challenges and prevents the women to actively take part in the working sectors compelling the female labour force participation to decline to just 25.1% as per 2023 date in India, making it the lowest participation of women youth in the workforce in the world. Digital platforms and gig economy jobs, to a certain extent, offer some promising advantages; however lack systematic efforts, especially in semi-urban and rural India.¹³

Educational Inequality and Digital Divide: As per the ASER 2024 reports, there is a wide disparity in learning outcomes between private and government schools, as well as across states. The digital divide and regional inequality on the basis of access to education prevent equal opportunity for upliftment.¹⁴ The digital literacy in rural India, especially among the youth, is relatively very low, with only 35% of rural males and 18% of rural females. This difference is further widening the gap when intersected with caste and income hierarchies.

Health and Nutrition Challenges: The productivity of the workforce is directly linked to its health. Even though India has progressed in maternal and child health, India still has a high level of under-nutrition. The reports as per NFHS-5 indicate that 35.5% of children under five are stunted and 19.3% are wasted. Various studies indicate that malnourished children are more likely to grow into adults with lower cognitive capacity, which hinders long-term economic growth. It also includes one of the larger issues persisting in India, which is the unaddressed mental health problems that are being challenged with the rising cases of anxiety and depression, especially after the pandemic, directly and significantly affecting the youth and thereby the economy.

¹³ Rajshree Bedamatta and Mridusmita Bordoloi, 'India's Missing Female Youth Labour Force: Size, Characteristics and Policy Concern' (2024) 67 Indian Journal of Labour Economics
<<https://doi.org/10.1007/s41027-024-00493-6>> accessed 27 May 2025

¹⁴ Annual Status of Education Report (ASER) 2024- Explained Pointwise (n 10)

POLICY FRAMEWORK AND INSTITUTIONAL READINESS

To convert India's demographic potential into a dividend depends significantly on the institutional and policy frameworks aligned to equip, employ and support the youth of the country. There have been multiple attempts by the successive governments in power over the years. With the initiation of schemes aimed at promoting education, access to health care, entrepreneurship and a focus on youth engagement. Even though the policies laid down are well-intended on paper, in implementation, there is fragmentation and inconsistency.

Skilling and Employment Policies: The Skill India Mission was introduced in 2015 with an ambitious goal of training over 400 million Indians by the year 2022. As part of the mission and to encourage market-linked vocational training, initiatives like the National Apprenticeship Promotion Scheme (NAPS) and the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) were launched.¹⁵ However, post the introduction, there are several reports specifically from the Standing Committee on Labour that draw attention towards the problems that come with the schemes, which include low course completion rates and inadequate oversight.¹⁶

Further, initiatives like Start-up India and MUDRA loans have encouraged self-employment but lack long-term viability due to the absence of post-credit mentorship.¹⁷ Although the major drawback includes inaccessible digital skill platforms like National Career Service and e-Skill India in the larger mass of rural areas.

Education and Curriculum Reforms: The government of India launched a New Education Policy in 2020 to provide a long-term vision for a more versatile and interdisciplinary curriculum focusing on skill development.¹⁸ The new policy emphasises the need for early childhood care, vocational integration at the school level and digital literacy. However, the implementation has major lacunae pertaining to its reach, especially in government schools and schools in rural

¹⁵ National Skill Development Corporation, *NSDC Annual Report 2023–2024* (2024)

¹⁶ Committee on Labour, Textiles and Skill Development, *Fourth Report of the Standing Committee on Labour, Textiles and Skill Development (18th Lok Sabha) on Demands for Grants (2025-26) of the Ministry of Labour and Employment* (2025)

¹⁷ *Ibid*

¹⁸ 'National Education Policy 2020' (Ministry of Human Resource Development, 30 July 2020)

<https://www.education.gov.in/sites/upload_files/mhrd/files/NEP_Final_English_0.pdf> accessed 27 May 2025

areas. Lack of infrastructure and implementation of policies and absence of teachers are a hindrance to a fair education opportunity and are shortcomings of such policies.

Since education is not an academic-industrial focus and has a gap between the real market needs, youths from different parts witness the unequal divide. Schools frequently lack the freedom to explore, innovate and invent or even to adapt to the current or future market needs in the curriculum. This, in return, leaves the fresh graduates with no knowledge of the changing economic landscape.

Digital India and Inclusion Efforts: The broadband infrastructure and the digital service delivery have been accelerated and witnessed significant growth since the launch of the Digital India Mission. PMGDISHA (Digital Literacy for Rural Citizens) and DigiLocker aim to provide and build an inclusive digital sphere.¹⁹ Despite several attempts, there still exist disparities, with nearly 30% of rural households still lacking reliable internet. Language and gender gaps additionally act as a tool to alienate a larger section of the youth population.²⁰

Governance and Institutional Gaps: Although there are many ministries and schemes focused on youth development, there is only minimal policy coordination or accountability among such departments.²¹ The country lacks an integrated system; therefore, the various departments lack coherence. Such fragmented governance models restrict the impact and response that these schemes could achieve.

The NITI Aayog and State planning departments acknowledge the significance of a well-coordinated strategy to manage the demographic dividend, but the operation is still slow-moving. In the areas of skill development, employment and higher education reforms, public-private partnership, which is seen as the future, remains at a nascent stage.

¹⁹ 'Pradhan Mantri Gramin Digital Saksharta Abhiyaan' (*MyScheme*)

<<https://www.myscheme.gov.in/schemes/pmgdisha>> accessed 27 May 2025

²⁰ Telecom Regulatory Authority of India, *The Indian Telecom Services Yearly Performance Indicators 2023-2024* (2024)

²¹ 'SDE India Index 2024 Towards Viksit Bharat Sustainable Progress, Inclusive Growth' (*NITI Aayog*, 2024) <https://www.niti.gov.in/sites/default/files/2024-07/SDG_India_Index_2023-24.pdf> accessed 27 May 2025

OPPORTUNITIES AND INNOVATION LEVERS

India possesses a lot of potential to change this demographic advantage to transformative growth through strategy, planning, innovation and coordination. Focused on this is the Digital Public Infrastructure(DPI), which includes Aadhaar, UPI, DigiLocker, and e-KYC. The RBI annual report 2024-25 highlights that UPI processed 185.8 billion transactions, including 83.7% of all retail digital payments and enabled 48.5% of world real-time payments. This signifies the extent of digital inclusion for the youth in the country.²² The platforms do not only serve for transaction purposes but also cater for skill mapping and verification of credentials. When such digital awareness programs are merged with the network growth, they bridge the urban-rural divide.

The concept of the green economy is a powerful tool as the majority of the younger population is attracted towards cleantech and renewable energy industries as a pledge to safeguard the climate and work towards making India net-zero by 2070, as targeted. Reuters Report suggests that the wind and solar industries are in urgent need of expanding vocational training as they lack approximately 1.2 million competent workers.²³ This will pave a path for the youth can take advantage of such job opportunities created by skill-centric programs, which are based on energy efficiency and electronic transport and sustainable technology.

Flexible and novice entrepreneurship is offered by the gig and platform economy. According to the NITI Aayog report of 2022, gig workers are expected to rise to 7.7 million by 2029-2030. This will bring India's non-agricultural workforce to 6.7%. However, the gig employment comes with multiple setbacks, such as unstable income, minimal social security, which are worsened by the horrific stories of exploitation of workers.²⁴ The Code on Social Security, 2020, must be executed effectively to secure teenage gig labour. This aims to offer health, insurance, and pension benefits for informal and platform workers.

²² 'UPI share in digital payments rises to 83.7% in FY25' *Financial Express* (29 May 2025) <<https://www.financialexpress.com/business/banking-finance-upi-share-in-digital-payments-rises-to-83-7-in-fy25/3861812/>> accessed 27 May 2025

²³ Manoj Kumar and Sethuraman NR, 'Skills shortage hobbles India's clean energy aspirations' (*Reuters*, 20 November 2024) <<https://www.reuters.com/business/energy/skills-shortage-hobbles-indias-clean-energy-aspirations-2024-11-20/>> accessed 27 May 2025

²⁴ Yuthika Bhargava, 'India's gig workforce will grow to 2.35 crore by 2029–30: Niti Aayog study' *The Hindu* (28 June 2022) <<https://www.thehindu.com/business/indias-gig-workforce-will-grow-to-235-crore-by-2029-30-niti-aayog-study/article65573464.ece>> accessed 27 May 2025

Lastly, India's startup serves as a platform for young people to flourish, as India is third third-largest globally with over 110 unicorns.²⁵ Startup India, TIDE 2.0, and Atal Innovation Mission offer mentorship and grant finance. India can democratize access to entrepreneurship by inculcating these programs with DPI and educational institutions, which will aid young people to address regional issues.

RECOMMENDATIONS

To convert these levers into visible outcomes, India needs to carry out coherent, inclusive and result-oriented reforms in the following areas:

Skilling and Education: To reimagine vocational education, we must focus on human-centred design that covers the skill gaps, therefore supporting every learner. To guarantee practical value, data-driven internships are important and strong apprenticeships and industry-aligned courses. Decentralisation of implementation under Skill India and NEP 2020 will equalise access in rural areas as well.

Formalisation and Labour Inclusivity: ensure that gig and platform workers will acquire health insurance, pension coverage and basic assistance by effectively implementing the Code on Social Security. Youth employment missions at the central and state levels to coordinate labour, education will help in rural development programs. In tier-2 towns, schemes like MGNREGA will offer dependable green-collar jobs.

Gender-Sensitive Innovation: encouraging women to engage in supporting the economic development by providing gender targeted startup grants and credits. Creating infrastructural supports, such as childcare centres and workplace safeguards, to encourage women to pursue entrepreneurship. Financial and digital literacy will break down the barriers for the underserved populations.

Governance and Institutional Coordination: To connect youth performance across ministries, NITI Aayog or a partner organisation should establish a National Youth Development Commission. A youth dividend index will promote transparency and information on education, employment, skills and funding. Outcome-based budgeting in projects such as NEP, Startup

²⁵ *Ibid*

India will be effective. These reforms will necessitate an intensive oversight and feedback approach for development.

CONCLUSION

India stands at a critical age in 2025, as 65% of the population is under the age of 35, and therefore, the potential of the 'demographic dividend is still idealistic. This paper analyses and demonstrates that although youth-centric schemes and policy infrastructure have been set up on the basis of several systematic issues still prevail and threaten this potential.

The window for a great opportunity is, however, not fully shut. India has levers among the few other countries due to the booming green economy and its thriving culture of startups. This demographic dividend will not achieve its potential on its own but requires urgent attention and long-term and inclusive governance. To ensure that young people, especially women. Disadvantaged groups and rural communities are the driving actors rather than being passive players. Such reforms must be sensitively designed and carefully but firmly implemented.

In conclusion, India's demographic shift can only be made possible with its unique features and if the government adopts system and scheme-centric planning. This dividend will garner positive results with the generation of employment and the skills being offered. India still has time to achieve a demographic dividend in the course of time.