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Youths make 25% of India's earners

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It's the youth workforce that is driving India's economy. A quarter of the chief earners in Indian households fall in the age group of 26-35 years, said a new study by the Centre for Macro Consumer Research (CMCR), an arm of the National Council of Applied Economic Research's (NCAER).

The report titled 'How India Earns Spends and Saves', said the chief earners in about 140 million households out of a total of about 205 million households are under the age of 45 years. This population accounts for about 60.9 per cent of the total income in the country.

The study is based on a survey of 4.4 lakh households across 24 states in 2004- 05 by the National Survey of Household Income and Expenditure (NSHIE).

The report laid stress on the importance of education in terms of job prospects and income levels. Only about 13.7 per cent of the households have an earner with a graduate degree and above, the report said. However, this population accounts for about 28 per cent of the total income.

In comparison, the number of illiterate earners is higher. "There are 42.3 million (or nearly 21 per cent) households in the country, where the chief earner has had no formal education or is illiterate," the study said. It brought out the stark contrast in per capita income of the illiterate and literate (at least a graduate) populations - about '7,292 per annum and '27,718, respectively.

Nearly 81 per cent of the households save for children's education, the data showed. However, average expenditure on education is only 6.4 per cent in rural India and 8.7 per cent in urban. The study said only about 10 per cent of the savings are turned into financial investments by the rural households against 14 per cent by their urban counterparts.

While nearly 81.4 per cent of households pan- India save a part of their earnings.

Interestingly, on an average the urban population tends to save almost twice as much as the rural people. However, the tendency to invest the savings and surplus income is lacking in India. According to the study 41.7 per cent of the savings in rural India is kept at home.

Kaushik Basu, chief economic adviser to the ministry of finance, noted that this could turn out to be a big resource if the funds were diverted and invested.

The size of rural India is shrinking, the report said. It said that 45 per cent of Indians (about 379 million) would be living in towns and cities by 2050. This is an indicator of a rapid shift from rural to urban living.

Basu said, "We need to create non-agriculture jobs in India. Also, provide better infrastructure and connectivity to the villages. This would lead to a springing up of enterprises all over the country and ease the pressure on cities."

Going forward, the report said that if the current growth rate of 8.75 per cent is maintained till 2015 then the average increase in household income will be about '60,000 with the top 20 per cent of the urban population rising at a faster rate.

However, the study did not predict any significant improvement for the bottom 20 per cent of the population.

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