

## **ABSTRACT**

India has been identified to be in the midst of a demographic transition. The present study exploits the heterogeneity in the demographic profile across Indian states to identify the demographic dividend during the period 1983-2009. In doing so, we segregate the favorable effects of demographic changes into ‘pure demographic effect’ and ‘institutional effect’. The results suggest that the realization of demographic dividend is inevitable, thereby predicting an optimistic future for BIMARU states given that the rise in the share of working age population is expected to be maximum in these states. Further, to exploit the dividend occurring in India to the fullest possible extent, policies should be aimed at improving the institutions especially those which have been identified to augment the human capital.