

Human Development Index: Comparative Status of Key Countries and the Context of Nepal

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Abstract

Human development refers to the expansion of opportunities and freedoms for individuals. It encompasses the economic, social, and political transformation of people. It is associated with well-being and quality of life, ensuring equality and justice for all. The Human Development Index (HDI) varies among countries, with rankings ranging from 1 (highest) to 192 (lowest). HDI is generally measured using three key indicators: per capita income, life expectancy, and education. This article focuses on the concept, dimensions, components, and significance of human development. It presents a comparative analysis of the HDI of countries with very high human development. Additionally, it discusses the threshold criteria for graduating into a developing country and evaluates Nepal's performance. The article further explores HDI components in relation to the Sustainable Development Goals, the challenges Nepal faces, and possible forward-looking solutions to improve its human development status.

Based on the latest studies and reports, this article highlights Nepal's position in the global Human Development Index.

Keywords: Development, Human Development Index, Gini Coefficient, Standard of Living, Life Expectancy.

Background of the Study

Development involves long-term economic, social, and political transformations designed to enhance individuals' well-being and opportunities. Mahbub ul Haq, a former Finance Minister and economist of Pakistan, introduced the concept of human development. He collaborated with Amartya Sen, an Indian philosopher and economist, along with other scholars, to develop the Human Development Index (HDI). The inaugural Human Development Report, authored by Mahbub ul Haq in 1990 under UNDP, argued that GDP alone is insufficient to capture true human well-being.

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Quoted by Dulal (2023, June), the first Human Development Report was published in 1990 by Pakistani economist Mahbub ul Haq and the distinguished Indian laureate Amartya Sen. The United Nations uses the Human Development Index (HDI) to rank nations based on overall well-being and progress in key sectors, measuring their progress across multiple dimensions. Rankings are determined through indicators like life expectancy, educational attainment, GDP, poverty, and gender disparities. Countries are ranked on a scale from 0 to 1, with 1 representing the highest level of development. For example, in 2021, Switzerland, Norway, and Iceland topped the HDI rankings with scores of 0.962, 0.961, and 0.959 respectively, followed by Hong Kong (0.952), Australia (0.951), Denmark (0.948), Sweden (0.947), Ireland (0.945), Germany (0.942), and the Netherlands (0.941) (World Population Review, 2023).

Referring to Human Resource Management (2024), all 38 countries that are members of the Organization for Economic Co-operation and Development (OECD) achieved higher HDI scores in 2023 compared to their 2019 levels. However, among the 35 least developed countries (LDCs) that experienced declines in their HDI in 2020 and/or 2021, more than half (18 countries) have yet to recover to their 2019 human development levels. All developing regions have not met their anticipated HDI levels based on trends before 2019. This suggests a shift to a lower HDI trajectory, indicating potential permanent setbacks in future human development progress. The impact is especially pronounced in Afghanistan and Ukraine. Afghanistan's HDI has fallen back to levels seen a decade ago, and Ukraine's HDI has reached its lowest point in nearly two decades.

The Human Development Report (HDR, 2024) states that the first report in 1990 proudly proclaimed that “people are the real wealth of a nation.” This remains true today. The purpose of development is, and should always be, for the people. However, measuring people's progress must go beyond conventional indicators such as the HDI to include agency, the unique and limitless capacity of individuals to set and pursue goals, make reasoned choices that may or may not advance their own well-being, and lead purposeful lives that extend beyond themselves. The central focus of the Human Development Index is people, who are the true prosperity of a nation, emphasizing development for them and by them.

Introduction to Human Development

Human development is about broadening the choices and freedoms that individuals can access in their lives. It covers the economic, social, and political transformation of people. Human development also relates to the standard of living along with overall well-being, essentially, the quality of life that ensures equality and justice for all. According to the Human Development Report (HDR, 2020), human development is the prosperity of human life, capabilities, and the expansion of freedom, opportunities, and choices.

HDR (2024) further states: “Humans are relational beings. Social, economic, and environmental relations shape values, opportunities, and choices, implying that human development is a function not only of what people have or can do but also of how they relate to others, to the society they live in, and to nature. Throughout the lifecycle, people are embedded in social networks where they are at times dependent on and at times interdependent with others who influence opportunities, constraints, and well-being.”

This highlights that humans are inherently social beings who expand their opportunities by strengthening social networks and relationships within society, the nation, and the world.

In his landmark book, *Development as Freedom*, Amartya Sen redefines development as the pursuit of “greater freedom that enhances the ability of people to help themselves and to influence the world.” According to Sen, development is closely linked to liberty, which increases people's capacity for self-development as well as their contribution to humanity as a whole.

Human development is also related to the Gini coefficient, a statistical measure of income inequality within a country. A Gini coefficient of 0 indicates perfect equality, while a value of 100 indicates maximum inequality.

Clearly, human development creates opportunities, choices, and overall economic and social empowerment, granting individuals freedom in their work, opportunities, and participation for life advancement. As Izhar Ahmad (2023) quoted by Dulal (2023) explains, “Human development is a process of enlarging the range of people's choices, increasing their opportunities for education, health care, income, empowerment, and covering the full range of human choices, from a sound physical environment to economic, social, and political freedom.”

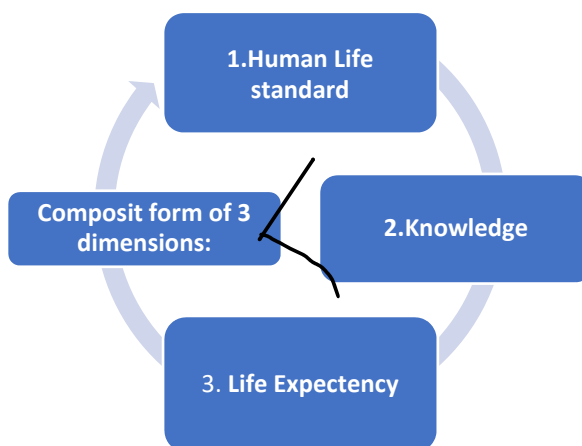
Dimensions of Human Development

Human Development Index (HDI) ranks countries on a scale from 1 (highest) to 192 (lowest) based on composite scores from three key dimensions:

1. **Per Capita Income:** Measures average income per person, indicating economic well-being.
2. **Education:** Measured by the expected years of schooling, which reflects how many years a child entering school can expect to study.
3. **Life Expectancy:** The average number of years a newborn is expected to live, reflecting health status.

Each HDI dimension—health, education, and income—is normalized between 0 and 1, and the final HDI score is calculated as the geometric mean of these three normalized indices. Higher HDI typically reflects improved well-being and a better standard of living for a nation's population.

This relationship between the dimensions and HDI is illustrated in the figure below.



a. Importance of Human Development

Human development goes beyond income, encompassing knowledge and a healthy standard of living. Its significance is reflected in various dimensions, including social, economic, and political spheres. The importance of human development can be summarized as follows:

- To implement the constitution and fulfill the country's international commitments
- To promote economic, social, and political freedom
- To improve literacy, living standards, and access to development opportunities, thereby enhancing economic productivity
- To enhance quality of life by ensuring health, happiness, and overall well-being
- To determine development priorities and guide national transformation needs
- To increase efficiency and expand resources through better management and investment
- To achieve planned development goals and realize national visions
- To support government reforms and ensure good governance
- To meet Sustainable Development Goals
- To help countries progress toward becoming developed nations
- To advocate for inclusive development that involves all sections of society
- To promote digital transformation, including the use of artificial intelligence, as a tool to improve education, healthcare, public services, and economic opportunities
- To drive long-term economic growth and national planning
- Examples:
 - Nepal's Fifteenth Plan vision: "Prosperous Nepal, Happy Nepali."
 - Nepal's Sixteenth Plan vision: "Good governance, social justice, and prosperity."

b. Addressing Human Development in Nepal

The Constitution of Nepal envisions sustainable peace, good governance, development, and prosperity grounded in citizen freedoms, human rights, democratic governance, and a capable judicial system. It guarantees essential rights related to education, health, and fundamental freedoms, encompassing 31 fundamental rights for individuals.

Nepal's Sixteenth Plan aims for "good governance, social justice, and prosperity." The plan includes transformative programs designed to improve the quality of health and education services, increase per capita income, meet SDG indicators, and achieve graduation from a Least Developed Country (LDC) to a developed nation.

c. Human Development Reports Published in Nepal

Since 1998, Nepal has published five Human Development Reports, reflecting context-specific priorities and developments in the country. These reports typically follow the release and dissemination of the international Human Development Report published by the United Nations Development Program (UNDP).

The international Human Development Report (2023/2024), published in 2024, carries the slogan: "Breaking the gridlock, Reimagining cooperation in a polarized world."

In line with this, Nepal is preparing to publish its next Human Development Report in 2025. The recent Human Development Report 2025 is entitled: A Matter of Choice: People and Possibilities in the Age of Artificial Intelligence.

Publication of HDI Report in Nepal



Source: Website of National Planning Commission.

i. Trend in Nepal’s Human Development Index Value

Nepal’s Human Development Index (HDI) value has shown consistent improvement over the years, moving the country three spots ahead to rank 146 out of 193 countries and territories. According to the recently released 2023/24 Human Development Report by the United Nations Development Programme (UNDP), titled “Breaking the Gridlock: Reimagining Cooperation in a Polarized World,” Nepal’s HDI value stands at 0.601, placing it in the Medium Human Development category.

Between 1990 and 2022, Nepal’s HDI increased from 0.395 to 0.601, reflecting an impressive change of 52.2%. Over the same period:

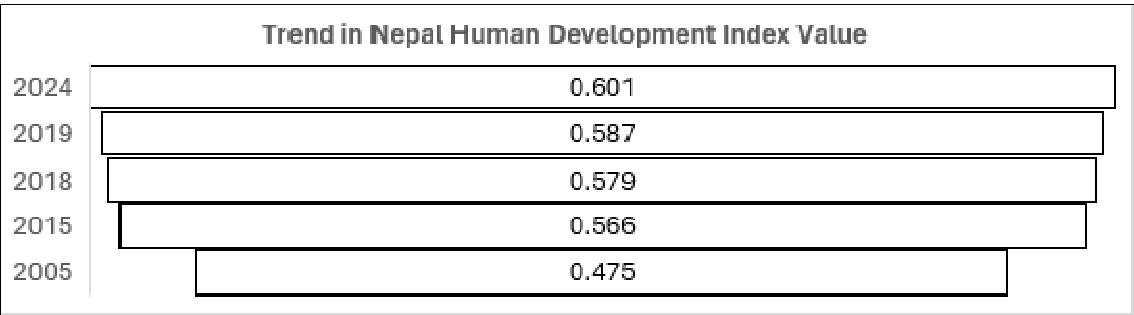
- Life expectancy at birth increased by 15.7 years
- Expected years of schooling increased by 5.4 years
- Mean years of schooling increased by 2.1 years
- Gross National Income (GNI) per capita increased by approximately 165.7%

These improvements demonstrate significant progress in the country’s human development indicators (HRM, 2023).

The upward trend of Nepal’s HDI is further illustrated by the increase from 0.475 in 2005 to 0.601 in 2024, as shown in the table and figure below.

Progressive status of HDI value in Nepal

Year	2005	2015	2018	2019	2024
HDI	0.475	0.566	0.579	0.587	0.601



Source: Nepal Human Development Report, 2020 and UNDP HDR, 2024

ii. HDI and its Components related to Sustainable Development Goals

The Human Development Index (HDI) represents three key dimensions, each assessed through distinct indicators. The dimension related to knowledge, or education, consists of two components: expected years of schooling (the number of years a child entering school is expected to study) and mean years of schooling (the average number of years of education completed by adults). HDI Components linkage to SDG.

S.No.	HDI Dimensions	Components	SDG 2030
1	Long and healthy life	Life Expectancy at Births	SDG 3
2	Knowledge/Education	Expected years of Schooling	SDG 4.3
		Mean years of Schooling	SDG 4.4
3	Standard of Living	GNI Per capita	SDG 8.5

Sustainable Development Goals Relevant to Human Development

SDG 3: Ensure healthy lives and promote well-being for all at all ages.

SDG 4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational, and tertiary education, including university.

SDG 4.4: By 2030, increase the number of youth and adults who have relevant skills, including technical and vocational skills for employment, decent jobs, and entrepreneurship.

SDG 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including young people and persons with disabilities, and ensure equal pay for work of equal value.

iii. Human Development Status of South Asian Countries

Per the 2024 HDR, Sri Lanka leads South Asia with an HDI of 0.780 (76th globally), followed by Maldives at 0.762 (ranked 88th). Other SAARC countries, including Nepal, are all placed lower than the 100th position. Following Sri Lanka, Maldives ranks 88th with an HDI of 0.762. Other SAARC member countries, including Nepal, have rankings above 100. Nepal is positioned at 149th with an HDI value of 0.601. The average HDI value for South Asian countries is 0.632, indicating that the region as a whole does not fall into the category of very high human development globally (Dulal, 2023).

HDI value and ranking of SAARC Countries

SN	Country	HDI Value	Life Expectancy at birth	Expected Years of Schooling	Mean years of schooling	GNI per capita	HDI Rank
1	Afghanistan	0.462	62.9	10.7	3.9	1219	183

SN	Country	HDI Value	Life Expectancy at birth	Expected Years of Schooling	Mean years of schooling	GNI per capita	HDI Rank
2	Bhutan	0.681	72.2	13.1	5.8	10625	125
3	Bangladesh	0.670	73.7	11.9	7.4	6511	130
4	India	0.644	67.7	12.6	6.6	6951	135
5	Maldives	0.762	80.8	12.2	7.8	18847	88
6	Nepal	0.601	70.5	12.6	4.5	4026	149
7	Pakistan	0.540	66.4	7.9	4.4	5374	165
8	Sri-Lanka	0.780	76.6	13.6	11.2	11899	76

Source: UNDP HDR, 2024

Human Development Status of China, Japan, Malasia, South Korea LDCs and OECD

South Korea is listed among the top 20 countries globally in terms of HDI, indicating advanced human development, with a high value of 0.929, placing it in the very high human development category. Japan follows closely, securing the 22nd position with an HDI value of 0.920. Among neighboring countries, China holds the 74th position with an HDI of 0.788, indicating steady progress in human development. Similarly, Malaysia ranks 68th with an HDI value of 0.807, reflecting its advancement in education, health, and income dimensions.

HDI value of Some Notable Countries and OECD, LDCS

S. No.	Country	HDI Value	Life Expectancy at birth	Expected Years of Schooling	Mean years of schooling	GNI per capita	HDI Rank
1	Japan	0.920	84.8	15.5	12.7	43644	22
2	China	0.788	78.6	15.2	8.1	18025	74
3	Malasia	0.807	76.3	12.9	10.7	27295	68
4	South Korea	0.929	84.0	16.5	12.6	46026	20
5	LDCs	0.542	64.9	10.1	5.0	3006	
6	OECD	0.906	80.1	16.6	12.2	46,318	

Source: UNDP HDR, 2024

Very High Human Development Index (HDI) Countries

The Human Development Index (HDI) ranks countries based on composite indicators across three fundamental dimensions: longevity (life expectancy at birth), education (mean years of schooling

and expected years of schooling), and income (gross national income per capita). The HDI reflects a nation's progress in providing a high standard of living, quality education, and long life expectancy.

The 2023/24 Human Development Report (HDR) by UNDP shows that Switzerland leads the global HDI rankings with a value of 0.967, earning the top position in 2024. The report also compares changes in country rankings from the 2021 HDI, based on updated and revised data made available in 2023. These rankings not only reflect human development outcomes but also highlight disparities between income-based and capability-based measures of development.

A list of top-ranking very high HDI countries is presented in the following table:

S. No.	Country	HDI Value	Life Expectancy at birth	Expected Years of Schooling	Mean years of schooling	GNI per capita	HDI Rank
1	Switzerland	0.967	84.3	16.6	13.9	69433	1
2	Norway	0.966	83.4	18.6	13.1	69190	2
3	Iceland	0.959	82.8	19.1	13.8	54688	4
4	Hong Kong China (SAR)	0.956	84.3	17.8	12.3	62486	3
5	Denmark	0.952	81.9	18.8	13.0	62019	8
5	Sweden	0.952	83.5	19.0	12.7	56996	5
7	Germany	0.950	81.0	17.3	14.3	55340	7
7	Ireland	0.950	82.7	19.1	11.7	87468	9
9	Singapore	0.949	84.1	16.9	11.9	88761	10
10	Australia	0.946	83.6	21.1	12.7	49257	5
10	Netherlands	0.946	82.6	18.6	12.6	57278	11

Source: UNDP HDR, 2024

Status Criteria for Graduation into a Developing Country and Nepal's Performance

The thresholds for graduation from the Least Developed Country (LDC) category to a developing country for the years 2015, 2018, 2021, and 2024, along with Nepal's performance in those corresponding years, are given below. According to the 2024 UN report, Nepal's Gross National Income (GNI) per capita is close to the graduation threshold, indicating positive progress. The Human Asset Index (HAI) is also at a satisfactory level. However, the status of the Economic and Environmental Vulnerability Index (EVI) remains risky and more sensitive compared to previous data.

As noted in the Human Development Report (2024): “Least Developed Countries have low levels of income and face vulnerabilities that make them the poorest and weakest segment of the international community.”

Status of Nepal in LDC criteria

Criteria	2015		2018		2021		2024	
	Threshold	Progress	Threshold	Pogress	Threshold	Progress	Threshold	Progress
Gross National Income per Capita (GNI US\$)	Min. 1248	659	Min. 1230	745	Min. 1222	1027	Min. 1306	1300
Human Asset Index (HAI)	Min. 66	68.7	Min. 66	71.2	Min. 66	74.9	Min. 66	76.3
Economic and Environmental Vulnerability Index (EVI)	Max. 32	26.8	Max. 32	28.4	Max. 32	24.7	Max. 32	29.7

Source: United Nations.

HDI According to Provinces of Nepal

Based on the analysis of provincial data, Bagmati Province has the highest Human Development Index (HDI) value at 0.661, followed by Gandaki Province with 0.618, and Koshi Province with 0.580.

In terms of the Life Expectancy Index, Koshi and Bagmati share the same value of 0.800, while Gandaki ranks highest among all provinces with a value of 0.820.

Regarding the Education Index, Madhesh Province ranks the lowest, with a value of 0.414. Similarly, Karnali Province has the lowest GNI Index, also at 0.414.

When comparing provincial HDI values to the national HDI average, Bagmati and Gandaki score above the national average, while all other provinces fall below it.

HDI value of Provinces of Nepal

Provinces	HDI value	Life Expectancy Index	Education Index	GNI Index	Ratio to National HDI
Koshi	0.580	0.800	0.508	0.480	98.8
Madesh	0.510	0.752	0.414	0.426	86.9
Bagmati	0.661	0.800	0.603	0.598	112.6
Gandaki	0.618	0.820	0.580	0.496	105.3

Provinces	HDI value	Life Expectancy Index	Education Index	GNI Index	Ratio to National HDI
Lumbini	0.563	0.751	0.517	0.459	95.9
Karnali	0.538	0.724	0.521	0.414	91.8
Sudur Paschim	0.547	0.712	0.530	0.434	93.3

Source: National Human Development Report, 2020

Problems of human development index in Nepal

The following issues related to Nepal's Human Development Index are based on recent progress reported in various publications and the recommendations of scholars:

- Nepal's HDI is increasing slowly, and its global ranking remains very low. According to the 2024 UNDP report, Nepal ranks 149 out of 191 countries, with an HDI value of 0.601.
- HDI measurements rely on international standards, which may not fully capture local and regional disparities across provinces and local levels in Nepal.
- National policies inadequately prioritize human development dimensions. Budget allocations repeatedly favor roads and physical infrastructure over education, health, and social protection.
- Health and longevity are difficult to maintain due to limited access to quality healthcare, especially in rural and remote areas. The maternal mortality rate stands at 151 per 100,000 live births, while child malnutrition remains high, with 36% of children stunted and 10% wasted (NDHS 2022).
- The quality of education remains a concern. Dropout rates are high, particularly in rural areas, due to poverty, poor school facilities, and lack of motivation. Youth migration abroad continues to rise, reflecting dissatisfaction with local opportunities and the limited relevance of education.
- Technical and vocational training is underdeveloped, limiting the employability of youth and the development of productive skills.
- Generating decent jobs for youth is crucial for sustainable human development. A large portion of the labor force is underemployed or engaged in informal sectors without job security or social protection.
- Per capita income is below USD 1,400, significantly lower than the global average, indicating limited access to basic needs and low purchasing power.
- Inadequate laws and weak implementation mechanisms hinder integrated human development. There are frequent gaps between policy and practice across sectors.
- Institutional weaknesses and poor coordination among governmental and non-governmental agencies reduce the effectiveness of HDI-focused programs and planning.
- There is no localized HDI measurement. Provincial and municipal-level data are not consistently available, making it difficult to address specific regional challenges.

Inequality remains a major issue:

- Gender inequality: The Gender Development Index (GDI) stands at 0.897, reflecting disparities in education, income, and political participation. Women's literacy and labor force participation are significantly lower than men's.
- Caste and regional disparities: Dalit, Janajati, and rural communities face limited access to healthcare and education, further widening the HDI gap.
- Poverty remains high, with 20.3% of the population living below the national poverty line. Poverty restricts access to quality services and perpetuates cycles of disadvantage, especially for children and rural families.
- Climate change and environmental degradation threaten gains in human development. Nepal is vulnerable to floods, landslides, and droughts, which damage infrastructure, displace families, and negatively impact agriculture-based livelihoods.
- Political instability and corruption remain persistent barriers. Frequent changes in government delay development, while corruption undermines the effectiveness of health, education, and welfare services.
- Fiscal discipline is weak. The country's economy and growth indicators have not improved as expected.

Forward-looking ways of human development index in Nepal

Enhancing Nepal's HDI demands integrated efforts across multiple sectors. First, localized HDI metrics should be developed at provincial and local levels to enable targeted planning and effective resource allocation.

Employment generation is key to inclusive development. Nepal should focus on job creation in labor-intensive sectors such as agriculture, tourism, and manufacturing. Policies like tax breaks for small businesses, youth entrepreneurship grants, and the development of Special Economic Zones (SEZs) can support sustainable employment.

To harness the potential of labor migration, the government should support returnee migrants through investment incentives and skills recognition programs. Remittances should be channeled into productive sectors such as agro-processing and ICT, through co-financed grants and low-interest loans.

Targeted support for marginalized groups, including Dalits, women, and people in remote regions, is essential. Measures such as free vocational training, income-oriented skill development, result-based cash transfers, and affirmative action in education and employment can help bridge inequality gaps.

Investing in health and education is crucial. Expanding digital governance, rural health infrastructure, and improving teaching quality and teacher training will enhance service delivery.

Making secondary education free and ensuring access to digital learning will raise the overall level of human capital.

To ensure inclusive and sustainable growth, Nepal must improve productivity in agriculture and industry through financial literacy, investment, technology, and access to markets. Promoting climate-smart farming and strengthening local value chains are essential.

Health insurance schemes should be expanded to ensure affordability and quality, while contribution-based social security programs should replace unsustainable handouts to ensure long-term sustainability. Promoting organic farming, healthy diets, and lifestyle awareness campaigns can improve long-term well-being. School mid-day meal programs, with a focus on local nutrition, can boost both health and education outcomes.

The implementation of Nepal's LDC graduation strategy must focus on improving trade promotion, integrated infrastructure, and the business climate. Simplifying regulations and leveraging international partnerships will help ease this transition.

Increased and collaborative investment in SDG indicators is necessary for achieving the 2030 targets, as outlined in Nepal's Sustainable Development Goals Needs Assessment, Costing, and Financing Strategy 2025: an update.

Finally, improved governance, through transparency, digital tools, and regular audits, is key to effective development. Institutions must be empowered to enforce laws consistently and deliver services efficiently. Similarly, regular monitoring and feedback mechanisms should be embedded in all HDI-related programs to ensure accountability, continuous improvement, and good governance.

Conclusion

In conclusion, Nepal's human development journey reflects significant progress over the years, with its HDI rising from 0.320 in 1996 to 0.601 in 2024. This growth is evident in improvements in life expectancy, education, and income levels, placing the country in the medium human development category.

However, when compared to global leaders like Switzerland and Norway, as well as the OECD average, Nepal still faces considerable challenges. Provincial variations in HDI components, as highlighted by the NHDR 2020, indicate the need for region-specific strategies that address localized strengths and weaknesses.

To ensure balanced and inclusive development, it is crucial to prioritize the timely publication of the National Human Development Report (NHDR) 2025, which will help track provincial progress and guide future policy.

Looking ahead, Nepal must continue to invest in equitable access to quality education, healthcare, and economic opportunities to sustain and accelerate human development for all citizens, while concentrating on national priorities and inclusive development goals.

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