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From Income to Inclusion: A Comparative Human Capabilities Index for South Asian Economic Development

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Abstract

A new Comparative Human Capabilities Index (CHCI), which goes beyond conventional measures like GDP or HDI, is presented in this study to evaluate the economic progress of South Asian nations. GDP per capita, GDP per person employed, trade as a percentage of GDP, life expectancy, secondary school enrollment, and GDP per capita are the six main variables that make up the index, which is based on Amartya Sen's capability approach. Data were collected from the World Bank for eight nations between 2001 and 2015: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. In order to ensure comparability across variables, the CHCI was built using equal weighting and min-max normalization. The findings indicate that while Bangladesh and India have made notable progress over time, the Maldives and Sri Lanka continue to rank first in terms of human skills. Despite beginning with lower levels, Afghanistan and Nepal showed signs of improvement over time. As an alternative to more conventional indices like the Human progress Index (HDI), the index offers a more human-centered and inclusive lens through which to view the region's economic progress. This strategy emphasizes how crucial it is to make investments in productivity, health, and education in order to achieve long-term, fair development.

Keywords: Income, Inclusion, Comparative Human Capabilities Index, South Asia

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1. Introduction

In South Asia, trade volume, GDP growth, and per capita income are commonly used indicators of economic development. Although useful, these indicators provide only part of the picture. Rather than concentrating on people's living conditions and opportunities, they primarily emphasize economic productivity. However, poverty, inequality, and social exclusion can coexist with rapid economic expansion in many South Asian countries (Azam & Ahmed, 2010). Conventional economic indicators overlook essential dimensions of people's lives. For example, they do not adequately represent access to quality healthcare, education, or individual freedoms. Similarly, they do not directly capture political voice, decision-making opportunities, and gender inequalities. Therefore, using GDP alone to assess development may produce an incomplete picture of economic and social progress (Appleton & Teal, 1998).

Human-centered indicators offer an important complementary approach to assessing progress. People's capabilities—the substantive opportunities available to pursue lives they value—should also inform assessments of development. This perspective is associated with the capability approach discussed in the human-development literature (Yılmazer & Çinar, 2015). In addition, human-capital research emphasizes how education and skills contribute to economic growth (Barro, 2001). This study presents the Comparative Human Capabilities Index (CHCI) as a tool for assessing economic progress from a broader perspective. It combines economic performance with selected health and education indicators. Gender equality, political participation, and access to essential services are also important capability dimensions; however, the six indicators included in the present CHCI do not measure them directly. Therefore, the index represents selected economic and human-development outcomes rather than every dimension of individual freedom (Yılmazer & Çinar, 2015).

The CHCI covers eight South Asian countries: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Although these countries share some regional economic challenges and historical connections, their development pathways differ. Therefore, comparing the CHCI scores may help identify differences in measured development, areas of relative progress, and potential policy priorities. Such comparisons should nevertheless be interpreted in relation to the indicators included in the index. The proposed index is not intended to replace GDP. Instead, the CHCI complements conventional economic indicators by highlighting selected areas where income growth and human-development outcomes may differ. In addition, it offers a descriptive basis for considering investment in education, health, and productive employment. Therefore, the main objective of this study remains to develop and apply a Comparative Human Capabilities Index (CHCI) to measure economic development across South Asian countries.

The findings contribute to the discussion of sustainable and inclusive development, particularly the importance of considering health, education, and productive employment alongside income. However, the index does not measure every Sustainable Development Goal or establish the causal effects of particular policies. Rather, the CHCI can support more informed discussion of people-centred development priorities. In addition, this study offers a regional perspective on South Asia's economic development by considering selected human-development indicators alongside conventional economic measures. It advocates a people-centred interpretation of progress rather than relying exclusively on aggregate growth. Consequently, the findings may provide a useful starting point for researchers and policymakers seeking to identify areas requiring closer investigation.

To ensure a coherent presentation, this study is divided into five main sections. The first section introduces the research objectives and significance and explains why it is important to assess human-development progress across South Asian countries. The second section reviews relevant literature on human capital, the capability approach, and comparative development analysis. The third section describes the data sources, indicator selection, construction of the Comparative Human Capabilities Index, and analytical approach. The fourth section then presents and discusses country-level findings using six indicators: GDP per capita, gross domestic savings, trade as a percentage of GDP, life expectancy, secondary school enrollment, and GDP per person employed. The final section presents conclusions, policy implications, and recommendations to support human-capital development and reduce inequalities across South Asia.

2. Literature Review

2.1 Human Capital, Growth, and the Capability Perspective

The relationship between human capital and economic development has attracted considerable attention because income growth alone cannot capture the conditions that shape people's opportunities. Economic output provides information about production, whereas education, health, and employment-related capabilities reveal other dimensions of development. The capability perspective considered by Yılmazer and Çinar (2015) therefore offers a basis for examining outcomes beyond income alone. Similarly, Romer (1993) explained the importance of ideas and knowledge for economic development, suggesting that the productive use of human capital matters for long-term growth. These perspectives differ in emphasis; however, both support examining factors that extend beyond the volume of economic output.

Azariadis and Drazen (1990) examined threshold externalities and their implications for economic development, indicating that insufficient human-capital accumulation can constrain longer-term progress. Barro (2001) similarly discussed the link between human capital and growth. In addition, Yılmazer and Çinar (2015) developed a comparative human capability index, providing an established reference point for combining measures of development. The present study builds on this line of work by examining the experience of eight South Asian countries over a common historical period. Its contribution lies in the regional comparison and reported CHCI trajectories; because an earlier comparative index exists, novelty should not be attributed solely to the index's name.

2.2 Education, Health, and Demographic Conditions

Human capital quality is important in addition to the quantity of schooling. Chakravorty (2012) examined its relationship with economic development, while Neagu (2011) addressed health as a component of human capital and its relationship with economic output. Therefore, education and life expectancy provide relevant, although incomplete, perspectives on human-development outcomes. Demographic changes also shape the broader context in which these outcomes develop. Iontsev and Magomedova (2015) investigated demographic aspects of human-capital development, whereas Liana and Noja (2013) discussed migration, investment in human capital, and competitiveness. These studies suggest that population conditions and worker mobility deserve attention when interpreting differences among countries.

2.3 Migration, Innovation, and Economic Openness

The migration of skilled workers can involve both costs and benefits for the countries concerned. Beine et al. (2008) examined how brain drain may affect human-capital formation in developing countries. Similarly, Laskowska and Dańska-Borsiak (2016) studied the importance of human capital for economic development across European regions, while Bakirbekova and Konys (2016) considered its contribution to regional innovation. Such evidence helps frame interpretations of South Asian differences, although findings from other regions cannot automatically apply to these eight countries. Moreover, Edwards (1998) discussed openness, productivity, and growth, indicating that trade deserves consideration alongside human development. Trade openness, however, is an economic characteristic and should not be treated as a direct measure of individual inclusion.

The benefits of international economic activity may also depend on knowledge and human-capital conditions. Elmawazini et al. (2013) examined foreign affiliates, technology diffusion, and host-country development, whereas Gylfason (2001) discussed natural resources, education, and economic development. Similarly, Appleton and Teal (1998) considered the relationship between human capital and development. Mustafin and Ignateva (2016) assessed human-capital quality, and Tamura (2002) examined human capital within the economic-development process. Taken together, these contributions demonstrate the relevance of productive capacity and education while reinforcing the need to interpret economic indicators alongside social outcomes.

2.4 Synthesis and Regional Research Contribution

Diana (2013) further examined human-capital formation in economic development. Accordingly, the literature supports considering income, employment-related productivity, education, and health together, rather than making judgments based exclusively on GDP. The CHCI also incorporates gross domestic savings and trade openness as aspects of the economic environment. However, those two variables are not direct measures of people's freedoms, and the index cannot capture all dimensions of the capability approach. This distinction is particularly important for a study concerned with inclusion.

The six indicators should therefore be treated as an operational and comparative selection, not as a complete representation of social inclusion or human capabilities.

Although the literature identifies relationships among human capital, economic activity, and development, South Asian countries follow different historical paths. A comparison based on a consistent set of indicators can make these differences more visible. Building on the comparative index discussed by Yılmazer and Çinar (2015), this study focuses on Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka during 2001–2015. Its main purpose is to describe these countries' development trajectories through the six selected indicators. In addition, the country-level results provide a basis for identifying areas that need further, more detailed research. This regional contribution does not imply that the study has established a new causal theory of development.

3. Data and Methodology

This study applies the Comparative Human Capabilities Index (CHCI) to examine selected dimensions of economic and human development in South Asia. The framework draws on capability-oriented literature, which emphasises opportunities and conditions of life alongside economic output (Yılmazer & Çinar, 2015). Specifically, the analysis combines six economic, education, health, and labour-productivity indicators in a composite measure. The principal aim is comparative and descriptive: the index examines changes across countries and over time. Consequently, the methodology does not attempt to estimate causal effects of individual policies or to identify the determinants of national economic growth.

3.1 Data Source

All data were obtained from the World Bank's World Development Indicators (WDI) database (World Bank, 2024). The analysis covers Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka between 2001 and 2015, subject to the availability of the selected indicators. This period provides a historical basis for examining trends in the eight countries. However, the data do not describe subsequent developments; accordingly, conclusions must be restricted to the period studied. The World Bank source provides a common statistical framework for cross-country comparison, although differences in national reporting and missing observations remain potential limitations of international datasets.

3.2 The Comparative Human Capabilities Index (CHCI)

The CHCI is constructed from six indicators intended to represent selected dimensions of economic development, population health, education, and labor productivity. These are GDP per capita, gross domestic savings, trade as a percentage of GDP, life expectancy at birth, gross secondary school enrollment, and GDP per person employed. Each indicator contributes a different perspective. Nevertheless, the selection is necessarily limited, because dimensions such as income distribution, gender equality, political participation, and access to essential services are not measured directly. The six components are described below.

1. GDP per capita reflects average economic output per person; however, it does not directly measure income distribution.
2. Gross domestic savings reflect the share of resources potentially available for domestic investment and provide an additional macroeconomic perspective.
3. Trade as a percentage of GDP indicates the degree of international trade openness and economic integration.
4. Life expectancy at birth is a broad indicator of population health and longevity, although it does not directly measure healthcare quality.
5. Gross secondary school enrollment measures participation in secondary education, although it does not directly capture educational quality or learning outcomes.
6. GDP per person employed measures average labor productivity, rather than every dimension of workers' skills or employment quality.

CHCI = (1/6) × (normalized GDP per capita index + normalized gross domestic savings index + normalized trade index + normalized life expectancy index + normalized secondary enrollment index + normalized GDP per person employed index). (1)

To construct the Comparative Human Capabilities Index, the indicators are first converted into component indices using min–max normalization, following the general approach discussed by Yılmazer and Çinar (2015). This transformation scales observations to a relative range of 0 to 1 using

the selected minimum and maximum values. The six standardized components then enter the composite index with equal weights. In this way, the CHCI combines variables originally recorded in different units. However, the rankings remain sensitive to indicator choice, normalization boundaries, and weighting assumptions. Because the original data and calculation settings are not fully reported, we should not present the published scores as independently replicated in this revision.

The component indicator index is calculated as follows:

CII = (observed value − minimum reference value) / (maximum reference value − minimum reference value). (2)

3.3 Interpretation of the Composite Index

In Equation (1), each of the six terms should represent the normalized component index calculated from Equation (2), rather than the indicator in its original units. Consequently, CHCI values describe relative positions under the selected normalization procedure. A value of 0 indicates the lower bound of the observed or specified reference range; it does not mean that people have no capabilities. Likewise, a value of 1 indicates the corresponding upper bound and does not establish complete development or inclusion. Equal weights provide a transparent basis for comparison; however, alternative weights could produce different rankings. The study does not report a sensitivity test, and the index should therefore be interpreted with that limitation in mind.

3.4 Software and Analytical Approach

The study used Microsoft Excel and SPSS. The study prepared data, constructed the index, and created visualizations in Excel, while using SPSS for statistical processing. The reported findings focus on descriptive CHCI trends and country comparisons; therefore, they should not be presented as evidence of formal significance testing or causal effects. In addition, the published indicator definitions and normalization procedure should enable readers to understand the index's construction.

3.5 Measurement Limitations

The selected CHCI indicators capture only part of the broader concept of human capabilities. For example, the index does not directly measure inequality, political freedom, gender equality, or access to essential public services. In addition, its historical period ends in 2015. The reported results do not include formal validation against the Human Development Index, tests of alternative weights, or calculations of the contribution of individual indicators. These analyses would be useful extensions, but they have not been undertaken here. Therefore, the findings should be understood as a descriptive comparison within the stated measurement framework rather than a definitive measure of inclusion.

4. Results and Discussion

4.1 Regional Patterns in CHCI Scores

Table 1 presents annual CHCI scores for eight South Asian countries between 2001 and 2015. The comparison indicates that all eight countries ended the period above their initial reported values, although their trajectories varied substantially. Bangladesh increased from 0.04 in 2001 to 0.85 in 2015, while India rose from 0.00 to 0.81. Similarly, Nepal rose from 0.27 to 0.81, despite considerable fluctuations in between. The Maldives recorded a final score of 0.88, the highest in 2015, but did not occupy the leading position in every year. These results suggest different patterns of change within the selected composite indicators. However, the table does not identify which component contributed most to each country's performance.

Table 1: Annual Comparative Human Capabilities Index Scores, 2001–2015

Year	Bangladesh CHCI	Afghanistan CHCI	Bhutan CHCI	India CHCI	Nepal CHCI	Maldives CHCI	Pakistan CHCI	Sri Lanka CHCI
2001	0.04	0.2	0.18	0	0.27	0.31	0.19	0.3
2002	0.15	0.28	0.19	0.04	0.12	0.36	0.24	0.34
2003	0.15	0.35	0.23	0.11	0.11	0.43	0.36	0.36
2004	0.16	0.38	0.28	0.25	0.27	0.34	0.38	0.44
2005	0.22	0.28	0.26	0.33	0.29	0.17	0.51	0.46
2006	0.32	0.4	0.53	0.41	0.24	0.56	0.53	0.46
2007	0.35	0.4	0.45	0.55	0.3	0.68	0.56	0.48
2008	0.33	0.44	0.52	0.56	0.41	0.72	0.56	0.45
2009	0.44	0.45	0.51	0.59	0.45	0.63	0.52	0.44

Year	Bangladesh CHCI	Afghanistan CHCI	Bhutan CHCI	India CHCI	Nepal CHCI	Maldives CHCI	Pakistan CHCI	Sri Lanka CHCI
2010	0.5	0.6	0.66	0.71	0.6	0.7	0.53	0.43
2011	0.59	0.68	0.77	0.77	0.7	0.7	0.58	0.61
2012	0.68	0.74	0.83	0.79	0.67	0.66	0.59	0.75
2013	0.78	0.8	0.64	0.8	0.74	0.69	0.67	0.74
2014	0.88	0.74	0.75	0.84	0.86	0.75	0.68	0.73
2015	0.85	0.67	0.75	0.81	0.81	0.88	0.69	0.73

The country-level patterns provide a basis for the following interpretation.

4.2 Differences in National Development Trajectories

Bangladesh and India recorded among the largest increases over the observed period; however, their scores were not uniformly higher in every successive year. Nepal's trend was comparatively uneven, including a decline between 2001 and 2003 followed by later improvements. Bhutan also experienced marked variation: its score reached 0.83 in 2012, fell to 0.64 in 2013, and stood at 0.75 in 2015. Afghanistan improved from 0.20 to 0.67, although it declined after reaching 0.80 in 2013. Consequently, the reported data do not support a description of uninterrupted progress. The differences warrant further investigation into the individual measures underlying the index.

Pakistan's CHCI increased from 0.19 in 2001 to 0.69 in 2015, while Sri Lanka's rose from 0.30 to 0.73. The Maldives increased from 0.31 to 0.88 and showed substantial fluctuations during the period. In addition, Sri Lanka's comparatively high early scores did not translate into a consistently leading position at the end of the series. These country differences should be interpreted as relative outcomes of the six selected components rather than direct evidence about the effectiveness of particular national policies. Although the CHCI includes education and life expectancy, the composite scores in Table 1 cannot determine their separate contributions. Similarly, claims about gender inclusion or governance would require additional indicators not included here.

4.3 Interpretation in the Context of Previous Research

The literature offers useful context for these country patterns. Barro (2001) discussed human capital and growth, while Romer (1993) emphasized knowledge and ideas in economic development. Similarly, Neagu (2011) considered the contribution of health to human capital and economic output. The present study is consistent with the view that development cannot be described solely through aggregate income. Nevertheless, its findings are descriptive and cannot establish that improvements in education, health, governance, or technology caused changes in CHCI. A more detailed analysis of the six component series would be necessary to explain those relationships.

The interpretation of the cross-country rankings depends on the six indicators and the normalization procedure. Therefore, small differences between national scores should not automatically be treated as meaningful differences in people's opportunities. Moreover, the study does not report formal significance tests or the robustness of rankings to alternative index weights. Comparing CHCI with other measures of development would help clarify its distinctive contribution. These limitations do not invalidate the historical comparison; however, they require the claims drawn from Table 1 and Figure 1 to remain proportionate to the evidence.

4.4 Trends Shown in Figure 1

Figure 1 presents the CHCI trajectories for the eight countries from 2001 to 2015 and complements the annual values reported in Table 1. The lines indicate increases over the full period but also reveal fluctuations and changes in relative country positions. Accordingly, the figure should be interpreted as a descriptive visual comparison rather than as evidence of statistically significant growth or convergence.

- The CHCI values generally increased between 2001 and 2015, although several countries experienced intermittent declines and periods of slower progress.
- In 2015, the highest CHCI scores were recorded for the Maldives (0.88), Bangladesh (0.85), India (0.81), and Nepal (0.81), based on the rounded values in Table 1.
- Bangladesh and India recorded substantial long-term gains; however, the annual series also includes periods of slower growth or decline. Nepal's scores fluctuated more noticeably.
- Afghanistan recorded notable gains after 2010, although its score declined after 2013; similarly, the Maldives increased substantially between 2005 and 2007, with fluctuations thereafter.

- Pakistan and Sri Lanka recorded positive changes between 2001 and 2015; however, their gains were smaller than those observed for several other countries in the same period.
- In 2001, India recorded the lowest displayed CHCI value (0.00); by 2015, it had increased to 0.81, after peaking at 0.84 in 2014.

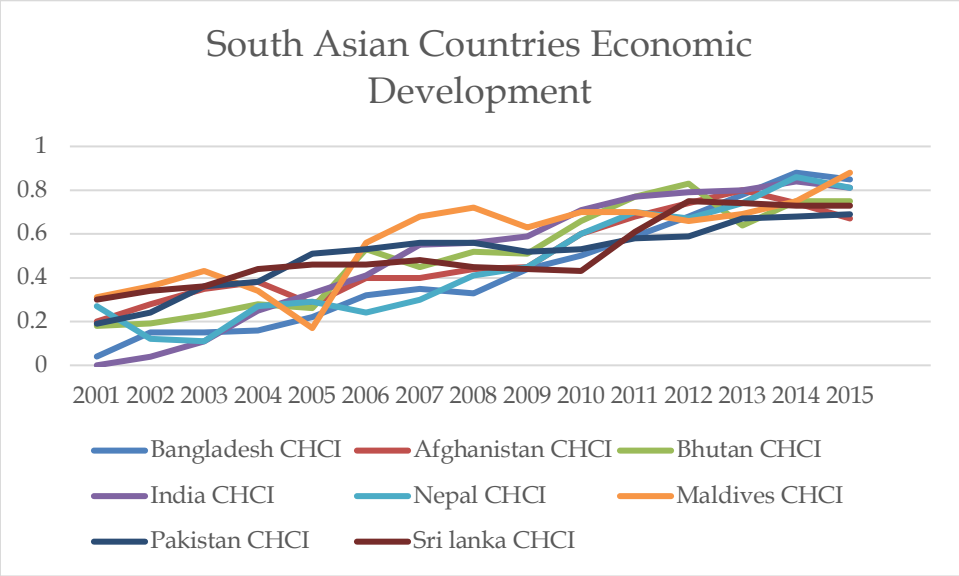


Figure 1: Trends in the Comparative Human Capabilities Index across South Asian Countries, 2001–2015

5. Conclusion and Recommendations

5.1 Conclusion

The study demonstrates that the reported CHCI scores increased between 2001 and 2015 for all eight South Asian countries, despite substantial differences in the timing and pace of change. Bangladesh and India registered considerable gains, while Nepal and Afghanistan improved from their initial positions despite noticeable fluctuations. The Maldives ended the study period with the highest score, whereas Pakistan and Sri Lanka also recorded positive long-term changes. These findings underline the value of viewing economic development through a combination of income, savings, trade, health, education, and labor productivity. However, the results do not directly measure every dimension of human capabilities or establish the causal impact of particular policy measures. The CHCI is therefore best interpreted as a historical comparative tool that complements rather than replaces conventional measures of economic development.

5.2 Implications for Future Research

Future research could extend the CHCI series beyond 2015, where comparable data are available, and examine whether the observed rankings remain stable under different normalization and weighting procedures. In addition, comparing the CHCI with established indices such as the Human Development Index could show whether it conveys distinct information. Making the six component series, normalization boundaries, and calculation steps publicly available would also support replication and reuse by researchers. Such developments would deepen the contribution of the same regional research theme without altering the historical findings reported in the present study.

5.3 Policy Recommendations

The following policy recommendations are informed by the study's findings and the wider human-capital literature:

- Invest in Human Capital: Governments should prioritize access to quality healthcare and education, since both dimensions are important for sustained development (Barro, 2001; Neagu, 2011). In addition, improving the quality, not only the quantity, of these services may support more inclusive opportunities.
- Boost Labor Productivity: Policies that support skills development, adoption of appropriate technology, and innovation may strengthen labor productivity and economic opportunities (Romer, 1993; Elmawazini et al., 2013). However, these relationships should be examined with additional data before attributing observed changes in CHCI to specific interventions.

- Encourage Inclusive Economic Measures: Policymakers should consider how economic gains are distributed and strengthen opportunities for marginalized populations. Similarly, advancing gender equality and improving social protection may complement investments in education and health, although the current CHCI does not directly measure these dimensions.
- Promote Regional Cooperation: South Asian countries may benefit from sharing evidence and policy experience relating to education, healthcare, and productive employment. In addition, regional cooperation could improve access to comparable statistics and facilitate the exchange of effective approaches to human-capital development.

Ethical Statement: The study uses publicly available, country-level secondary data from the World Development Indicators. It does not report primary data collection involving human participants.

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