Indian Economy · GS - III

Distinguish between the Human Development Index (HDI) and the Inequality-adjusted Human Development Index (IHDI) with special reference to India. Why is the IHDI considered a better indicator of inclusive growth?

EXAM YEAR	PAPER	SUBJECT
2025	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

HDI, IHDI, health, education, income, inequality, human development loss, inclusive growth, India, UNDP

Model Answer

Introduction

HDI measures average achievements in three dimensions—health, education and standard of living—whereas IHDI adjusts these achievements according to their distribution among the population.

1. HDI versus IHDI

HDI uses life expectancy, education indicators and GNI per capita to assess average human development. IHDI discounts the HDI according to inequality in the distribution of each dimension. Thus, two countries with identical HDI can have different IHDI values if their distributional outcomes differ.

For India, the 2025 UNDP Human Development Report recorded an HDI of 0.685 in 2023. UNDP's India data also indicates a substantial loss in human development because of inequality.

2. Why IHDI is better for inclusive growth

IHDI captures whether improvements in income, education and health reach different social and economic groups. It therefore reveals hidden disparities related to gender, region, caste, class and rural-urban location.

A rising HDI alongside a large inequality-related loss indicates that aggregate progress is not equally shared.

Conclusion

Hence, HDI measures the “average level” of development, while IHDI captures its “distribution”. For evaluating inclusive growth, IHDI provides a more socially sensitive measure because it incorporates both achievement and equity.