

## PUBLIC EXPENDITURE IN EDUCATION SECTOR OF NEPAL

Shree Prasad Devkota<sup>1</sup>, Ramesh Chaulagain<sup>2</sup>, Shiba Bagale<sup>3</sup>  
Sustainable Development and Empowerment Forum and Kathmandu University

<sup>1</sup>spdevkota@kusoed.edu.np

<sup>2</sup>chaulagainramesh@gmail.com

<sup>3</sup>shiba@kusoed.edu.np

**Abstract:** Hence the education is a primary need of an individual; the government of Nepal has the role to provide it to the people cheaper and quality. Education is one of the primary and significant social factors which is closely linked with individuals and is the prime indicator of development as well. From a very beginning the government of Nepal is being spent public resources to enhance the situation of educational environment of country and to increase the literacy rate. In the recent years too, the government of Nepal has been spent about 16 percent of total budget expenditure in the educational sector in an average. But there is only 65.9 percent literacy rate, of those who are above 5 years, is achieved till the date. There are several countries in the world with hundred percent achievement of such the literacy.

*General understanding about the issue is that there is a close relationship between the public expenditure and educational productivity. If the productivity of the education contrasts its expenditure, it is misuse of the scarce resources. It is because there are several social, infrastructural and economic needs and necessities of the people than the education in the country. It is obvious that the food, shelter and clothing are basic needs of the people rather than the education. To curb the situation there is need of rethink about the education policy, practices and procedures with respect to the utilization of its public expenditure. In one side, the huge resources from the public sector are spent in the education, unlikely the achievement is found no more satisfactory, comparatively. There is significant flow of foreign aid or assistance in this sector too, but there is strong debate and doubt of the quality of the education provided by the government. The paper tries to explore the issue of the rational utilization of the public expenditure in education in one side and the ways to make it more productive and result oriented in another. For it, some policies and literatures are reviewed and is compared it with some achievements.*

**Key Words:** Financing, Buddhism, Investment

### Background of Education Financing in Nepal

The educational background of Nepal is linked with some religious philosophies such as the Hinduism and Buddhism. Hence, the majority of the people, i.e. 81 % (Population Census, 2012) are the Hindu; previously it was Hindu country, whereas by 2006, Nepal is a secular country. In this connection Vedic education would be main educational base during that time. To educate and make the follower of the religion, the education was brought into light then. Later on, the Buddhism education also took place when the Lord Gautam Buddha was in lighted. Some social values, personal disciplines and code of conduct made by Lord Buddha later on became the Buddhism education. During that time, mainly the education was limited to the certain group of people and the place of teaching was Gurukul, Teacher's home/aashram, Gumba and alike. The state funding education was available only for the rulers, high class people and their kids to some extent. In these days education financing was made by personal efforts, mainly.

At that time, there was also the tradition of financing the education by the state itself. But most of the Buddhism educational system was financed by the Buddhism religious persons. In the modern history of Nepal, after the integration of the country by late Prithvi Narayan Shah in 17<sup>th</sup> century, the educational financing activities were around the palace or the state itself. After a long later, in 1910 BS, the Durbar High School was established to promote the English education financed by the state. It was the beginning and mile stone effort of educational institution in Nepal with state intervention. In that, late king Tribhuvan and then PM Chandra Shamsher Rana jointly established "Tri-Chandra College" to promote the higher education system with state initiation. The SLC examination system was began by 1990 BS, first from India and then from Nepal (Nepal, 2012).

The educational result in school level and situation was found very poor during 2007 BS (ibid.), not more than 2 percent people were primarily educated. 321 primary schools, 11 secondary level schools and one college were established. All these were financed, of course, by the government of Nepal, with the money of

public revenues. The first budget was announced by 2008 BS which tried to systematize the public expenditure, in the education as well.

From the beginning, the education was treated as the significant social need and foundation of the country, and likely the public expenditure was allocated. Recently also, even though, there are now different private investment systems in the educational sector in the primary, secondary, higher secondary and tertiary education, the government allocates a huge amount of its public revenue in the educational sector to achieve the higher educational productivity. In this connection, it is obvious that the education is funded, primarily, by the state. Milton Friedman (Friedman, 2002, p.87) says that the responsibility of providing the education is solely of the guardians, only a small part of the people who cannot afford at all only is to be subsidized by the government. He has also emphasized the government intervention in the education to some extent. Even though, Friedman is a strong proponent of liberalization principles, he advocated a limited government intervention in the educational financing by the state not directly, but by subsidizing.

### The Trend of Public Financing in Education

The government has the social responsibility towards the people and society to spend the public resources rationally. It is more rational in the developing countries like Nepal due to paucity of the resources. The government collects the revenues from the business and people within the country and demands the foreign assistance (debt plus grants) to fulfill the development desire of the people. Such the resources are spent in social, development and usual sector with two motives; viz, to maintain the regular expenditure and to maintain the development motives, i.e. capital expenditure.

In the education sector also the government spends, basically with regular expenditures and capital expenditure. In regular expenditure, the salary, subsidy, stationary and curriculum printing cost are major. And in capital expenditure, the construction of the physical infra structure of the schools and colleges are the main. Likely, the part of the expenditure in the education sector is also covered by the foreign aid. It can be shown by the following table:

FY	NB (in Rs)	BE (in Rs.)	% of BE to NB	Foreign Aid (Rs.)	% of FA in BE
2056/57	77238226	10176074	13.17	2648268	26.02
2057/58	91621335	11749579	12.82	2586095	22.01
2058/59	99792219	14072847	14.10	2462706	17.50
2059/60	96124796	14402421	14.98	2894966	20.10
2060/61	102400000	15613274	15.25	3228318	20.68
2061/62	111689900	18059654	16.17	5438077	30.11
2062/63	126885100	21250447	16.75	5784145	27.22
2063/64	143912300	23005525	15.99	3586495	28.63
2064/65	168995600	28390000	16.80	7754090	27.31
2065/66	236015897	39086407	16.56	11010323	28.17
2066/67	285930000	46616672	16.30	14553823	31.22
2067/68	337900000	57827542	17.11	13006340	22.49
2068/69	384900000	63918839	16.60	15240061	23.80

Source: Shaikshik Suchana, Ministry of Education 2012. (Amount in '000 Rs.)

NB= total national Budget, BE= Budget in Education, FA=Foreign aid (grants plus loans), FY = fiscal year

In the table above, the allocation of the public expenditure in education and the foreign aid received in the sector are presented. The table carries the data schedule of the latest 13 independent fiscal years. According to the above table, the portion of the expenditure in education from the national budget is significant, i.e. average 15.75%. It was highest in FY 2067/68 and the lowest in FY 2057/58. As already said above, the expenditure in the education is not merely covered by the public resources but also from the foreign aid. Generally, the foreign aid is received from the bilateral and multilateral foreign sources, that comprises the donor countries, international institutions (such as UNESCO) etc. The foreign aid also comprises the foreign loans and grants, which is first received by the government and then is allocated by the government according to the agreements.

According to the above table, the part of foreign aid is also significant in the expenditure in education. The part of educational aid is found highest in FY 2066/67, i.e. 31.22%. It means that the remaining part, i.e. 70.78 percent part of educational expenditure of the year was born from the national budget. Likely among the thirteen years data the educational aid was lowest in FY 2058/59, i.e. 17.50%.

The public expenditure on education with comparing GDP of the country can explain the efficiency of budget allocation in the sector. Education by comparing the GDP The public expenditure in GDP is found 4.2 percent in 2011/12 that indicates the worth of the education with respect to the resource allocation. And from the total public expenditure, about 15 percent of resource allocation is a significant resource contribution by the

country. By the resource injection, there is no more questions that the country is able to improve and develop the education sector. But the reality, whatever found, is something questionable. The question is; is there positive relationship of resource mobilization with its achievements? Is the budget allocation sufficient condition to boost up the educational environment? What may the gaps between the resource injection and its achievements? What may be the ways forward to fulfill the gaps?

### **The Theory Regarding the Scarcity of Resources**

Lionel Robbins, a great economist of twentieth century ( as cited in Cowel & Witztum), propounded a theory of scarcity of the resources, i.e. mostly the financial resources are scarce and emphasized to use it in most prioritized sector for better utilization and productivity. He further elaborated his idea as "... when time and the means for achieving ends are limited and capable of alternative application, and the ends are distinguishable in order of importance, then behavior necessarily assumes the form of choice. Every act which involves time and scarce means for the achievement of one end involves the relinquishment of their use for the achievement of another. It has an economic aspect" ( as cited in Cowel & Witztum). It shows the worth of public resources and the use of such the resources should be in more prioritized sector where more public benefit could be generated.

Robbins explained in his economics theory, the resources is always limited in the economy in one side and with individuals in another. The country always should try to utilize such the limited resources in optimum ways that the country can address the basic needs in the priority basis. He presented a philosophical base of human needs in an economy and not all the needs are equally significant. No matter, if there is resource abundant, all the needs could be fulfilled, but the realities are different. To curb such the contradictory situation, i.e. the resource limitation and unlimited needs; Robbins advised to make the list of the needs according to priority and their worthiness. Then try to manage the resources according to the priority of the list of needs. The wants, now, remain unfulfilled what are in the lower priority.

For a poor country like Nepal, has limited public resource that is collected as the tax revenue within the country. Additionally, the country collects the debt financing and grant financing from outside. But we have unlimited needs like health, foods, shelter, clothing etc as more urgent. Such the needs are more prior that to the education because all these needs are directly linked with one's survival. To maintain such the needs more amount of money is required for the government. She has to allocate more money to alleviate the poverty first. It means education is in lower priority rather than the survival of an individual. The worthiness of the resource should be used in more prior sector.

### **The Achievements in Education**

The education is the fundamental social sector from where good and responsible citizens are produced. According to Friedman (2002, p.86), the education of one child contributes to his/her welfare by promoting one a stable and democratic society. It is not feasible to identify the particular individuals or families benefitted and so to charge for services rendered. There is, therefore, a significant 'neighborhood effect'. It means when a person becomes educated he/she becomes an asset of a society, not only belongs to a single person. Here, even though, it is difficult to measure and quantify one's social contribution.

The achievement of the education can be quantified to some extent too. The physical infra structures, number of teachers, number of students enrolled, percentage of the result from different educational grades, overall literacy rates of the country, segregation of the literacy rate in different grades etc can say the quantitative productivity of the educational sector. Out of them the most common measurement of education is found overall literacy rate that commonly indicates the educational achievement of a country. There are some countries, mainly in Europe, that have achieved cent percent literacy rate, and some countries are nearer of that achievement. In Nepal the literacy rate (above 6 years) is found 65.9 percent. The percentage is not assumed as more satisfactory with compare to the financial and non financial efforts towards it. Likely, the physical infrastructures may also be considered as the achievement in the education sector because it is also necessary to run the educational activities well. Basically, the infrastructures are spent from the capital expenditure by the government. Following are the number of schools established by the government expenditure.

S.N.	Institutions	Numbers	Enrollment of students	No. of teacher
1	Plus two	2,499	6,55,415	17,445
2	Schools (all levels)	29,063	74,44,134	2,58,237
	Total	31,562	80,99,549	2,75,682

*Source: Nepal Education in figures 2012, Ministry of Education, GoN*

Whole talking about the physical infrastructure in educational sector of Nepal, there are total of 31736 educational institutions from public sector. The government has injected billion of rupees to construct such the buildings, still there is found a scarcity of sufficient rooms, bench, desk, toilets, black boards and other structures. The average students in a class are found more than 40 in the government educational institutions.

From the above figure, the ratio of teacher to students in plus two is about 38, and in other schools it is about 29. Comparatively, the teachers are inadequate in plus two, still in schools and universities are also no more sufficient numbers of teachers available. It is insufficient from the side of the vacancy announcement from the Teachers' Service Commission that has announced hundreds of teachers for the recruitments. From the above presentation, it can be said that, however the amount the government has spent in the educational physically, it is insufficient.

The productivity, in another side, is also found no more satisfactory. We can present the pass percentage of the SLC result of some latest 10 years by the following schedule.

Year	2068	2067	2066	2065	2064	6063	2062	2061	2060	2059	Ave.
Pass %	47.16	55.50	64.31	67.47	63.73	58.64	46.51	38.72	46.18	32.05	52.02

Source: Shaikshik Suchana 2012, Ministry of Education

If we see and think the result of the SLC examination of the latest 10 years, we find it no more satisfactory. It is found only 52.02 percent in an average. When we add the pass percentage of SLC 2069, i.e. 41.72 percentages, the average will again be lesser. It simply means that the level of pass percentage of the SLC is only about half of the total appeared in the examination. A big question is raised why not rest of half? Likely, the examination result of grade 11 and 12 held by HSEB in 2068 is found about 38 percent and about 48 percent respectively. Competitively, the result of higher schools is found more dissatisfactory than SLC. Kantipur Daily (2013) reports the SLC examination 2013 far below than that of the previous years. It is found only 41.57 percent pass in the exam, i.e. majority pupils failed. The newspaper reports that the state spends about rupees one hundred thousand unto SLC exams for each student, in this sense from the result, about rupees 25 billion is seen misused. The report explains that the nation has spent about rupees four hundred billion in the education sector, but found weaker class environment and infrastructures, low motivated and devoted teachers to teach, and thereby poor result like the SLC.

### **The Gaps Causing the Inefficiencies of the Public Expenditure**

From the above explanations some points are driven, first, the huge public resources are utilized in the education sector, which resource is scarce itself. Second, the infrastructures and number of teachers are still inadequate to well run the educational institutions. Third, the results of the educational institutions are found no more satisfactory.

The theory of scarcity and choice advocates about the limited financial resources within the country and the rational way of utilizing it is prioritizing the needs according to its worthwhile. It is obvious that in most of the developing countries like Nepal, the people are poor and cannot afford more. They are poor due to which they have limited sources of income. Whatever they earn is insufficient to maintain the survival cost, that's why the government of such the poor country cannot levy more tax to them. This is the reason to become the scarce resource to any developing country in one side. In another side, there are numerous survival needs like food, shelter and clothing. Development needs and requirement are also there. Without fulfilling such the core needs, one cannot think beyond. So, the scarce resource must be utilized in such a way that these needs be prioritized.

There is still more than one fourth of the population live under the absolute poverty line, without fulfilling the basic needs themselves in one side, and in another side, there is huge investment of about 16 percent of total public expenditure in the education. Still the result or productivity is still dissatisfactory. Why such gap is there? This is the matter of discourse to find the problem inside. What are the responsible factors for weak productivity of such the scarce public resource? May it be policy as such, or the implementing body i.e. the bureaucracy and the educational ministries and its wings, or others?

### **Rationale of the Discourse**

No doubt, the education has multidimensional effect in the society and national development. No one can find the actual result from such the social investment haphazardly. The investment in such the core sector has a long gestation period to make returns. Of course, there is still demand of more investment that has the rationale too. The question is, should not we evaluate the cost and benefit of the public resources? Because a pie of such the resources is also from his labor and sweats. It must be utilized. There may be different ways and methodologies to judge and evaluate such rational of the return of the public resources.

The objective of the writer of this essay is quite not against the public investment in the education sector. And it does not try to prove that the public expenditure in education sector is unnecessary and to be curtailed. The resources are still inadequate to get hundred percent literacy rates to build the foundation of the development and prosperity of the country. But it should not be used without proper planning and its proper control. We may have a lot of paper planning but the utilization and control part of the public resources is still found lacking. Such the gap between need of additional resources and scarce public resources may be fulfilled by the alternative sources too. These may be the injection of more private investment in the education sector in one hand, and in other hand, we can invite the foreign investment in the education sector. Even though, these

alternatives are also not free from the demerits and limitations. It is now obvious that, still there is additional need of resources in the educational sector for better educational productivity, but the public resources must be properly utilized.

### Concluding

We have a long history of the educational development in the country. It is the education that made the men/women from the animal. The education has the role not only of the development of the country but also to run the rules in the country. The education provided the guidelines of good rules towards the people. In sum total, the education is a base of change the world from the darkness to the brightness.

During the time being, the investment in the education became a crucial part and question of a society. How to run the schools and educational institutions became an important question. In the initial stage, there was no nay alternative way and sources to finance in the education, but during the time there are new sources found like community, private sector, foreign investment and donor agencies etc. still, the government or the public investment has significant role in financing the education in most of the developing countries like Nepal. A strong follower of the liberalism perspective Milton Friedman was also in favor of the subsidy by the government in the educational sector if there was needed. It was the usual way financing intervention in the education sector by the government. It also argues that there is need of public financing in the educational sector. Traditional economics is concerned primarily with the efficient, lest cost-allocation of scarce productive resources and with the optimal growth of these resources over time so as to produce an ever-expanding range of goods and services (Todaro & Smith, 2012). He also emphasized that in the most of the developing nations, there is resource abundant.

Recently, there are some emerging models of running the schools regarding the financial management. The models are used to collect the financial resources that are most needed to run the institutions, no doubt. Out of them, the government financing is most common and important, basically in developing countries, like Nepal. It is because; there is still dwell economy, i.e. the chronic poverty in one side where the people cannot afford the educational expenditure with their own income in one side, and in another there are some people who can easily afford the costly education system in the country and in the foreign too. Such the elite class is a few, on the basis of which the macroeconomic perspective is not to be determined. It means again, the government must run and invest in the education.

From the above analysis also there is still a situation of contradiction that there is strong need of, even, additional resources to be injected in the education to get the social objectives and channelize the development. As we know, the development of the country is merely the financial investment, making buildings, roads and big projects. If the level of people regarding the education and literacy is unable to absorb and utilize the physical facility, it again creates the gap between the people and development. On it, strong argument can be preceded that there is need of government financing in education. Another concern is also there that we must think what is our priority first, either poverty reduction or education. In it, my argument is still there that the education is way of decreasing the poverty indirectly. Directly, the too curb the poverty, employment and attainment of core basic requirements are most necessary. Education has the role to curb the poverty from the long path. So, here the limited resources must be thought to properly utilize.

Another part of the argument here is making the proper evaluation of utilization of the public resources in the education sector because there is general conception that the financing in education has no more successful result. It is now time to measure the effectiveness of the public financing in education both from qualitative and quantitative measurements. Such the research must prove the reasons and factors responsible for such the weaker result in the education sector and try to address the problem. It is also relevant with the point of view of social audit. It is obvious that a largest amount from the public resources out of social expenditure goes to the education sector, i.e. more than 15 percent of total public expenditure. The result also must suit to the expenditure. The mismatch of these two variables, the financing and the achievement raise the big question that must be addressed timely and properly. The usual question, here is, whether the supply of financing merely achieve the objectives or not.

### References

- Friedman, M. (2002). *Capitalism and Freedman*. London: The University of Chicago Press.  
 Government of Nepal. (2012). *Population Census*. Kathmandu: Central Burueu of Statistics.  
 Government of Nepal. (2012). *Shaikshik Suchana*. Kathmandu: Ministry of Education  
 Kantipur (2013). Kantipur Daily: 2013/06/12. Kathmandu: Kantipur Publications Pvt Ltd  
 Todaro P. M., Smith (2012). *Economic Development*, 10<sup>th</sup> Ediction. New Delhi: Dorling  
 Kinderley India Pvt Ltd