

Trends in Budgeting in the Education Sector of Nepal

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Keywords

Budget allocation, education sector, e-resources, budget trend, sustainable development goals

Abstract

This paper analyzes the trends in budgeting in the education sector of Nepal. Budget allocation trends are essential in the education sector for ensuring equality, improving education quality, enhancing accountability, and guiding policy decisions. This paper argues that investment in education is indispensable for national development. To fulfill this objective, the trends in budget allocation in the education sector support working among the stakeholders to ensure access to quality education. This paper is based on reviews of documents related to the ten-year budget allocation practices of the government of Nepal from 2012–13 to 2022–23. Other documents were collected from archived records and e-resources from Google. The finding reveals that the trends in total budget allocation have been increasing year by year, while the annual budget in the education sector remains eleven percent of its total budget in these periods. This paper concludes that fifteen percent of the total budget is required to attain Sustainable Development Goal 4. Thus, the government should increase its budget in the education sector to fulfill the commitment of the signatory state in various international forums.

Introduction

Budgeting in the education sector refers to the process of planning and allocating financial resources for educational institutions such as schools, colleges, universities, and other educational organizations. It involves estimating and determining the amount of money required to fund various educational activities and programs while considering the available resources and financial constraints. Ionescu et al. (2013) revealed that increasing

the budget for education also increases the number of educated people, improves health status, increases civic consciousness, encourages political engagement, promotes social construction, and decreases unemployment.

Budgeting in the education sector involves collaboration among various stakeholders, such as administrators, finance officers, teachers, and staff. It requires careful

consideration of factors like enrollment numbers, staffing requirements, infrastructure needs, curriculum development, technology upgrades, student services, and any external funding sources available. Effective budgeting helps ensure that educational institutions operate efficiently and effectively while providing quality education to students. However, Psacharopoulos and Woodhall (1993) have argued that the lack of political and social commitment to increase the expenses of education makes it impossible to make an effective contribution in the educational sector. The literature revealed that increasing investment in the education sector supports a higher level of socio-economic development and fulfills the demand for high-quality human resources in national development. Thus, the value of education in economic development can be compared to the motherboard of a computer, which contains the devices needed to manage the complete computer system. Similarly, education can connect the hubs of other sectors that function as the coordinating units of the economy. In this context, investment in the education sector can be considered an essential tool for increasing human knowledge and skills to achieve the millennium development goals (Nguyen & Cicea, 2019; Carnoy, 2017; Aring, 2015; Sallis & Jones, 2013; Hanushek & Woessmann, 2010; Hanushek & Woessmann, 2010; Foray, 2004; Spring, 1998).

The allocation of expenses in the educational sector benefits the national economy as well as individuals' lives. It provides monetary and non-monetary benefits to society (Enrique Hinostrroza, 2018). Various studies revealed a significant relationship between expenses on education and increasing GDP and improving quality of life. It can be argued that investment in education provides opportunities for human capital formation, enhances better lifestyles, and increases production and social relations

(Stevens & Weale, 2004; Ionescu et al., 2013; Bacovic et al., 2022; Sachs et al., 2022).

The Government of Nepal allocates a certain portion of the national budget to the education sector. The Ministry of Education, Science, and Technology (MoEST) is responsible for formulating policies and implementing programs in the education sector. The national budget is allocated across different sub-sectors of education, such as school education, higher education, technical and vocational education, and adult education. The budget for the education sector in Nepal is funded through government revenue sources, including taxes, fees, and grants. The government may also receive financial assistance from international donor agencies for specific education programs or projects. The literature reveals that the budget allocation systems may vary at different levels of government in Nepal, such as the federal, provincial, and local levels (Regmi, 2021). Each level may have its own budgeting processes and mechanisms to allocate funds for education. The government of Nepal allocated the budget in the education sector out of the total budget within ten years, continuously decreasing from seventeen percent to eleven percent; however, Education for All provides the suggestion to the Nepal government not to allocate less than fifteen percent of the total budget in education. In this context, this paper attempts to analyze the trends in budgeting in the education sector of Nepal.

Methods and Materials of the Study

This paper based on the review of secondary data sources. These data were collected from the publication of the Central Bureau of Statistics (CBS) Nepal and the Economic Survey from 2012/13 to 2022/23. The data education budget were classified into different sectors, such as total budget, the

gender-responsive budget in education, and the education budget that allocated by the federal, provincial and local governments in 2023/24. Collected data were organized into tables and figures under multiple subtitles. The study analyzed the budget allocation trend in education under the eleven-year budget and compared the education budget in various subtitles of 2079/80. The researcher calculated the percentage change in the education budget for eleven years.

Result and Discussion

Budget Allocation Practices in Nepal

The first stage of budget planning in the Nepalese context is forecasting, which identifies the sources of income and prospective areas of expenditure. A Resource Committee supervises the forecasting procedure. The vice chair of the National Planning Commission (NPC) serves as its chair. Members of the NPC and representatives from the Financial Comptroller General's Office (FCGO), the Central Bank of Nepal, and the Ministry of Finance (MoF). The budget committee, which is made up of delegates from the NPC and the MoF, receives the completed prediction when it is finished. The committee developed the budget ceiling after rigorous consideration, which limits expenditures based on industry sectors and resource availability.

Trends in budget allocation paint a clear picture of the government's priorities in each area of the economy. On the other hand, the size of the budget is a vital source for enhancing any part of the economy. According to Srinivasu and Rao (2013), education is the most important sector in every country and has a immense impact on the nation's physical and intellectual development. More funding for the education sector is crucial for the long-term and sustainable growth of the nation (Hussin et al., 2012).

The operation of educational systems depends on the financial side, which is getting increasing attention as unmet needs and impending challenges are handled. As Nepal moves from a unitary to a federal government, it is essential to lay out a federated health system with a financial model. Another crucial issue will be making sure that central government funds are allocated properly while simultaneously carrying out the necessary duties of tax collection, resource pooling, and purchasing goods and services from other federation states. It is essential for achieving effective federalism and a quantifiable improvement in education.

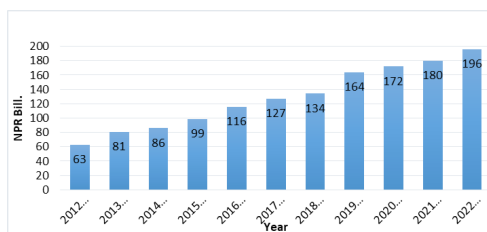
Budget Allocation Trends in Education Sector

Trends for money allocated to the education sector in budgets can help to ensure that there is enough money to support educational institutions and activities. In particular, for disadvantaged and marginalized communities, this is essential for enhancing educational standards and expanding access to education (Hansen & Van der Stede, 2004). It contributes to the promotion of equality by ensuring that resources are allocated properly and that underprivileged groups receive the support they need. This is especially important to promote gender equality and ensure that girls and women have equal access to education. Budget allocation patterns in the education sector can also help improve educational quality by allocating money for teacher training, curriculum development, and educational technology.

This is required to ensure that kids receive a top-notch education that will prepare them for success in the future. Budget trends in the education sector can help improve instruction by giving money for teacher training, curriculum development, and educational technology. Making sure they receive a top-

notch education that will help them flourish in the future is essential. Policymakers can also benefit from budget allocation patterns in the education sector since they can point out areas where more funding is needed or might be used more efficiently (Declaration, 2015). This can help policymakers create effective educational policies and programs. Budget allocation patterns in the education sector are crucial for ensuring that educational systems are adequately funded, advancing equality, raising the standard of education, boosting accountability, and assisting in the formulation of policy. Stakeholders can collaborate to ensure that education systems are appropriately supported and that all children have access to high-quality education by tracking and analyzing budget allocation trends (Bose et al., 2007).

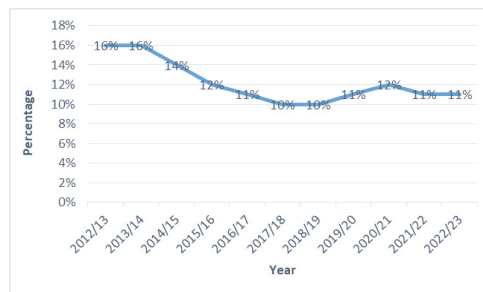
Figure 1
Consolidated Education Budget and its Growth Rate



Source: Red book of eleven years

The government of Nepal wants to spend at least 15% of its budget on the education sector in order to reach its goal of universal education. However, during the past eight years, it has consistently allocated only ten to twelve percent of the entire budget to the education sector. Since the preceding eleven years, Nepal's education budget has grown from 63 billion NPR in fiscal year 2012/13 to 169 billion NPR in fiscal year 2022/23.

Figure 2
Education Budget in the percentage of total budget



However, the COVID pandemic causes the government's average growth rate for its education budget, which is eleven percent, to drop to five percent. According to Figure 1, the education percentage in the consolidated budget ratio decreased from 16 to 11 percent between 2012–13 and 2022–23. On the other side, the government wants to spend about 6% of GDP on education. Unfortunately, the allocated budget is consistent at around 4%. Figure 2 illustrates the education budget's share of the overall budget in terms of GDP.

As of 2016/17 B.S., Nepal's government has been allocating roughly 11 percent of the total budget to the education sector; however, in fiscal year 2012/13, as shown in Figure 2, it allocated 16 percent. However, budgets for education in other developed and developing nations have been allocated at rates higher than 13 percent in years like these.

Education Budget Based on Different Governments (2079/80) (2022/23)

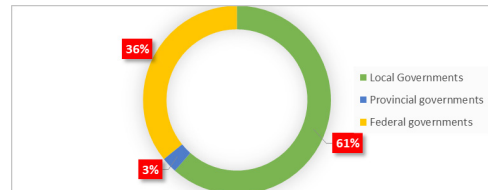
As of 2018, Nepal adopted the three-sector yearly budget process from the 2015 Constitution of Nepal. In order to solve it, the Constitution calls for a federal structure that divides authority among the three political, social, and economic challenges

stated above. The constitution establishes an executive branch with "self-rule" and "shared governance," while judicial authority is restricted to legislatures and local units, placing it under the purview of local governments. The federal government's organizational capacity has significantly increased. Most of the new local units have covered a larger geographic area than the old structure. The local government is empowered under the constitution to levy taxes, create local funds, and present and approve annual estimates of revenue and expenditure. According to the constitution, local governments have the authority to impose taxes, create local funds, and present and approve annual budgetary forecasts through their municipal legislatures (Acharya & Zafarullah, 2020). The tenet that "Not a penny will be spent without the consent of the Parliament" serves as the foundation for Nepal's financial federalism.

Notably, local governments and the federal and central governments do not directly communicate with one another regarding their separate duties for education outside of the three-tiered joint intersection. However, the federal or central government gives restricted funds to local governments in order to disburse budgetary resources (grants). The Education Development Coordination Units and other institutional arrangements at the previous district level were designed by the Constitution to temporarily offer this contact. This new system of tiring responsibilities is still being unpacked in terms of coordination and horizontal and vertical hierarchical linkages. The government is the main source of funding for education development at all levels—national, provincial, and municipal. The authority of the government in power and the amount of money available in its coffers on a yearly basis determine who has access to these funds. Politicians must enact laws for

the distribution of this kind of educational financing.

Figure 3 *Educational budgets based on different Governments*



Another way to look at it is that funding for education could come from donors, the private sector, and non-governmental organizations (NGOs). Of the 196 billion total education budget, a share goes to the federal, provincial, and local governments. The municipal government received the largest portion, or 61 percent, or 121.1 billion dollars, followed by the federal government at 36 percent, or 70.5 billion dollars, and the state government at 3 percent, or 5.32 billion dollars. The budget for education appears to be increasing in absolute terms for both the national and local governments. Figure 3 depicts the funding allocation for education according to the various categories.

Budget Allocation in Fiscal Year 2079/80 Linking with Education Sector

The total budget for Nepal has been set at NPR 1.793 Trillion. By aiming for equitable development, inflation management, appropriate resources for subnational governments, and an independent economy for the fiscal year 2079–2080. The Ministry of Education, Science, and Technology (MoEST) has been given a budget of NPR 196 billion out of the entire budget. The ministry, province, and local governments have provided the budget. NPR. The province received 5.32 billion, the ministry was

given 70 billion, and the local government received 1.21 billion. The budget has made connections between labor, employment, production, and education. The establishment of environments that guarantee vocational knowledge and skill, the development of qualified and effective human resources, the continuation of the school sector reform program, an increase in the youth literacy rate, an increase in gross enrollment, and other factors are some of the essential components of the education sector.

By giving the health and education sectors top priority, the human development index will increase by 0.65%. A budget of NPR 70.5 billion has been allocated to the Ministry of Education, Science, and Technology by the federal government. The provincial government has allocated out NPR 1.21 billion for regional organizations, compared to NPR 5.32 billion for education. In order to establish a high-quality educational environment across the country, the government has allocated NPR. 8.30 billion for promoting technical and

business education. international students' accommodations and convenient visa help. To ensure that higher education is based on research, the government has prioritized making Tribhuvan University a Center of Excellence. Community schools get access to increase information technology, community schools have access to internet connectivity at a reduced cost.

The government has decided to offer a 75% tariff reduction for up to two school buses purchased by the neighborhood or public schools. It is regrettably a synonym for investment in the education sector in many less developed countries, in stark contrast to developed ones, according to statistics obtained by the World Bank over a number of years. The message is clear: In order to achieve general national improvement, we must begin investing more in education. If the authorities are honest about guiding the nation toward progress and prosperity, they must go beyond the usual platitudes.

Table 1
Composition of Education Budget (2079/80)

Title	Total	Federal Government	Province Government	Local Government	Percentage of Total
Education	1,96,89,31	70,55,33	5,32,36	1,21,01,62	11
Pre-primary and Primary Education	65,86,73	1,81,31	0	64,05,42	
Secondary Education	17,87,49	0	0	17,87,49	
Non Formal Education	46,05,08	1,64,01	5,32,36	39,08,71	
Subsidiary Services to Education	62,22,49	62,22,49	0	0	
Research and Development	1,51,42	1,51,42	0	0	
Education Not classified elsewhere	3,36,10	3,36,10	0	0	

Source: Red Book 2022/23

. According to Gyawali (2016), the estimated average annual SDG financing shortfall from 2016 to 2030 is 585 billion rupees. From 2016 to 2019, it averaged 8.8% of GDP and reached 12.3% in 2019. From 2020 to 22: 12.3%; from 2023 to 25: 13%; and from 2026 to 30: 16.4%. The estimated annual funding shortfall from 2016 to 2030 is 12.8% of GDP (NPC, 2020). In comparison to the government's commitments made in national and international forums (Declaration, 2015), which called for allocating 15-20% of the national budget and 4-6% of GDP to the sector, this budget for education is significantly less. The government could not implement the budget despite it being published, leaving Nepal's educational system with insufficient funds. The whole budget for education has allocated to six primary groups. Table 1 provides details.

Pre-primary and primary education have been given the majority of the education budget. The local government is responsible for many tasks, while the federal government is also responsible for some. Additionally, given the federal government's overall jurisdiction, the second-largest budget for education is set aside for ancillary services to education. The government's disregard for development and research is shown by the fact that research and development account for the smallest portion of the education budget (1,51,42).

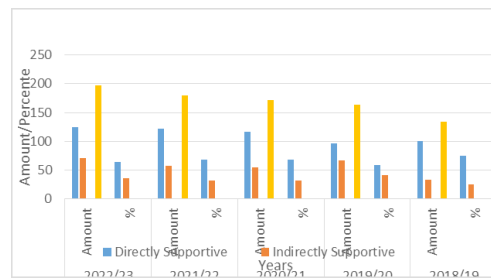
Gender Responsive Budget Allocation in Education Sector

A Gender Responsive Budget Committee with its headquarters in the Ministry of Finance determines the amount in each year's education budget allocations that directly and indirectly supports gender equity and is neutral in advancing gender equality. The requirements adhere to best practices for gender budgeting around the world. The Nepali government also distributes the

education money, considering gender. The government provides a budget, both directly and indirectly, to help reduce the gender gap in the nation's educational system.

Figure 3

Gender-responsive budget allocation over five years



Source: Red Book 2022/23, 2021/22, 2020/21, 2019/20

The budget for programs that presently assist 50% or more of the participants who are women is the directly supportive budget, in accordance with international standards. Less than 50% of participants in programs that offer indirect help were female, with more than 20%. A neutral budget additionally supports educational initiatives with fewer than 20% female participants. The gender-responsive allocation for schooling across a five-year period is depicted in Figure 3.

Five years ago, the government started looking at the budget from a gender viewpoint. It is practically less than the previous year's contribution of 63.57% of the education budget to directly supportive, gender-responsive activities. Furthermore, 36.19% of the funding is allocated to assist initiatives that directly or indirectly promote gender responsiveness. In fiscal year 2079–2080, the 0.24% budget's gender responsiveness is unaffected. We can only hope that government initiatives to promote gender equity will

contribute to the achievement of gender equality and equity in education.

Conclusion

This paper attempts to analyze the trends in budget allocation in the education sector in Nepal. For this purpose, the eleven-year trend analysis result revealed that only 11 percent of the total budget has been allocated to the education sector by the government of Nepal. Despite the fact that at least 15% of the total budget is required to fulfill the provisions of Sustainable Development Goal 4, This figure indicates that the government has given education a lower priority in its budget allocation as compared to its demand. However, the consolidation of the government budget has been increased in different fiscal years, but the total amount of budget in the education sector remains insufficient to achieve quality education. In this context, the finding shows that the government needs to increase the percentage of budget allocation in the education sector.

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