

## Financing Higher Education in Nepal: A Challenging Task

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### Abstract

*Like other developing countries, higher education in Nepal is also one of the main tools for socio-economic development. But in Nepal, financial problems have become more acute owing to the increasing demand for higher education and resource allocation that has not been matching with it. The government is the main financer for Tribhuvan University (TU), but its allocation to higher education indicates some declining trend. This article attempts to study the trends of expenditure pattern, unit cost and cost recovery rate of higher education at Tribhuvan University.*

### Introduction

Higher education plays a leading role in the development of nations and often speeds up national development towards modernity. And resource mobilization in higher education in Nepal plays an integral role in its development and future. Higher education basically depends on government financing. Before the introduction of NESP, the private sector was, to some extent, involved in the financing of higher education. After the implementation of NESP the government has suggested various measures to improve their financial problems. Higher education has been divided into technical higher education and general higher education after NESP. The government used to finance the entire cost for the operation of technical higher education whereas for general higher education it would finance only fifty percent of the cost to meet the teacher's salary. Other expenses of general higher education have to be met by Zonal Education Committee by levying "Education Donation" on consumer goods. Zonal Education Committees had not been successful in raising funds for financing higher education. So the government itself took full responsibility of financing higher education from 2032/33 (1976/77).

Expenditure on education has been increasing ever since. Between 1965/66 to 1971/72, about 7 percent of the government budget was spent on educational sector, but this allocation was increased to 9.7 percent in 11 years after the introduction of NESP in 1971 (UNESCO, 1991:170). In the early 1980s, the proportion of government expenditure on education (out of the total budget) had been less than 10 percent, which constitutes about 1.5 percent of the

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national income. The share of education in total national budget has increased during last decade and currently is about 15.99 percent. Nevertheless, the trend of financing higher education in Nepal is still not satisfactory because the share of government fund in higher education is unquestionably dismal that is depicted in Table 1.

As shown in this Table, the share of higher education budget vis-a-vis total education budget has been declining from 33.85 percent in 1984/85 to 27.83 percent in 1991/92 and 24.60 percent in 1994/95 to 8.86 percent in 2004/05. This means the government fund on higher education sector has been decreasing quite rapidly. This trends indicates that government fund to Tribhuvan University is likely to further decrease in the coming years. The government is an important stakeholder for university. However, the decreasing trends have adversely affected the TU's finances. TU's enrolments have grown by 7 percent per annum whereas public funding has grown by 3 percent (Agrawal, 2000:49). The report of high level National Education Commission 1998 has also recommended 16% share to higher education in the total education budget (NEC, 1998: 190). It means the government has given a low priority to higher education in terms of allocation of government grants. Agrawal (1999: 1) has stated that higher education has remained the "Poor Boy" in terms of government finance.

**Table 1 : Share of Higher Education vis-a-vis Total Education Budget  
(1984/85 - 2004/2005)**

Year	National budget	Education		Higher education		% in national budget
		Amount	%	Amount	%	
1984/85	9809264	910722	9.28	308276	33.38	3.10
1994/95	38942741	5020617	12.89	1235098	24.60	3.10
2000/01	91821355	11749578	12.80	1828680	15.56	2.00
2001/02	99792219	14072847	14.10	1680413	11.94	1.68
2002/03	96124796	14402421	14.98	1471090	10.21	1.53
2003/04	102400000	15613274	15.24	1528400	9.78	1.49
2004/05	143912300	23005525	15.99	2037550	8.86	1.42

Sources: Tribhuvan University (TU), Budget Section.

Ministry of Finance, The Budget document of different years (Red Book 2004/05).

Actually, government priority in sectoral allocation of funds in education has significantly changed in Nepal. High priority has been given to the basic and primary education, which accounts for 55 percent of the total education budget in 1999/00. But in 2002/03 about 60 percent of the total education budget was allocated to the basic and primary education, 21 percent to secondary, 10 percent to higher education and the remaining amount was shared

by other sub-sectors and activities like education administration, technical education, youth and sports development etc (MOE, 2003: 8). For primary education, free textbooks are free for pupils of 1-5 grades. Secondary education (until grade ten) is also free in public schools. Government allocation to this sector is increasing from 16.65 percent of the total education expenditure in 1995/96 to 20.65 percent in 1999/00 (MOE, 1999). Likewise, most of the Asian countries have allocated 48 percent of their public spending to primary education, 31 percent to secondary, and 19 percent to higher education. This declining pattern is similar to that in Latin America, where the corresponding shares of public spending are 51, 26, and 24 percents (World Bank, 1992:26).

### Trends of Expenditure Pattern of Higher Education at Tribhuvan University

The total expenditure of Tribhuvan University is divided into two headings: capital and recurring expenditures. The trends of both expenditures on higher education for the period of five years from 2000/01 to 2004/05 are presented in Table 2. It is evident that the total expenditure of TU. was mainly dominated by recurring expenditure.

**Table 2: Trends of Capital and Recurrent Expenditure**

Rs. in thousand

Year	Total expenditure	Capital expenditure	%	Recurrent expenditure	%
2000/01	1655880	62099	3.8	1593781	96.2
2001/02	1746001	53852	3.1	1692149	96.9
2002/03	1732888	87805	5.1	1645083	95.0
2003/04	1754630	84932	4.8	1669698	95.2
2004/05	1910966	68437	3.6	1842529	96.4

Source: Yearly report of different years (2000/01 -2004/05), Tribhuvan University, Planning Division.

The recurrent expenditure is high as compared to capital expenditure. Almost for the five years from 2000/01 to 2004/05, the share of recurrent expenditure was never been less than 95 percent. Its capital expenditure increased by 4.8 percent in 2003/04. However, after 2004/05 again it slightly decreased.

The capital expenditure in general, was never a cause for the increase in total expenditure of Tribhuvan University. The low level of capital expenditure and increasing number of students indicates that the inadequate provisions were made for physical and educational facilities. Besides the trends and share of capital and recurrent expenditure, the growth rate of both expenditures from 2000/01 to 2004/05 has also depicted in Table 3.

**Table 3: Growth Rate of Capital and Recurrent Expenditure**

Rs in thousand

Year	Total expenditure	Growth rate	Capital expenditure	Growth rate	Recurrent expenditure	Growth rate
2000/01	1655880	-	62099	-	1593781	
2001/02	1746001	5.4	53852	-13.3	1692147	6.2
2002/03	1732888	-0.8	87805	63.0	1645083	-2.6
2003/04	1754630	1.3	84932	-3.6	1669698	1.4
2004/05	1910966	8.9	68437	-19.0	1842529	10.4
AGR		3.7		6.8		3.9

Source: Budget Section, Tribhuvan University, Kirtipur, 2004/05

The total expenditure of Tribhuvan University was Rs. 16.5 million in 2000/01, which increased to Rs. 19.1 million in 2004/05 leading to a growth rate of 3.7 percent per year. However, the growth rate of capital and recurrent expenditure increased by 6.8 and 3.9 percent per year respectively. As presented in the Table 3 the proportion of capital expenditure is also very less as compared to the recurrent expenditure. That means the concentration of expenditure on recurrent expenditure is high.

### Unit Cost and Cost Recovery at Tribhuvan University

Before examining the unit cost and cost recovery at Tribhuvan University, it would be worthwhile to present the past five-year's trend of student's enrolment in higher education at Tribhuvan University. Tribhuvan University is the pioneer University of Nepal, which was established in 1959. In 1961, only 5143 students were enrolled at Tribhuvan University. However, in 2004/05 the number had increased to about 198783 students. Tribhuvan University alone has about 132779 students (TU, 2004/05) in its 60 constituent campuses and about 66004 in its 288 affiliated private campuses. The 1981 or 1986 amendment also made provisions for the affiliation of the campuses in the private sector to the university. Since then the various numbers of private campuses have been established to various part of the country. Most of these campuses offer Humanities and Social Sciences, Law and Management courses. Quite a few of the campuses offer sciences and other programs. TU alone accounts more than 91 percent of the total students in the higher education system in Nepal (Table 4).

**Table 4: Student Enrolment at Tribhuvan University  
(2000/01- 2004/05)**

Institutes	2000/01	2001/02	2002/03	2003/04	2004/05
1.Agriculture	745	718	564	586	643
2.Engineering	3610	4074	4291	4321	4050
3.Forestry	405	360	358	348	437
4.Medicine	1605	1747	1667	1640	1543
5.Science and Technology	12619	12265	11533	11475	12218
Total Technical Institutes	18984	19164	18413	18470	18891
6.Law	3836	2016	1390	697	832
7.Managment	39273	37433	37210	34821	36578
8.Humanities	62784	60894	61015	46747	51084
9.Education	21872	22801	22384	22831	25394
Total General Institutes	127765	123144	121999	105096	113888
Grand Total	146749	142308	140412	123566	132779

Source: Tribhuvan University, Planning Division, Central Office, Kirtipur.

Table 4 shows the decreasing trends of the student's enrolment until 2003/04 but after 2003/04 the students enrolment increased only by 7.5 percent. It means the trend of student's enrolments in Tribhuvan University is not encouraging and hence the following factors are mainly responsible for deteriorating position of Tribhuvan University.

1. Integration of Proficiency Certificate level of Government with the higher secondary (10+2) system
2. Opening of affiliated private campuses of different discipline in different region of the country.
3. Students moving to foreign institutes for good quality education and future prospects.
4. Opening of technical institute and short training courses (i.e. computer, hotel management, charter accountancy, business management, and poly-technique or choice of the courses as per the market needs).

#### **Trends of Per Unit Cost at Tribhuvan University**

Per unit cost for different years and institutes shows a great interfaculty disparity. Over the period of five years from 2000/1 to 2004/05, the most expensive education is Medicine and cheapest is Management as has been depicted in Table 5.

**Table 5: Per unit cost by institute in Tribhuvan University****(cost in NRs)**

Institute	2000/01	2001/02	2002/03	2003/04	2004/05
Agriculture	101551	84128	99042	180649	121142
Engineering	32844	28335	122248	122248	55000
Forestry	81883	77744	77744	102462	102462
Medicine	164489	193332	193332	193332	193332
Science	14741	16294	16221	16437	21270
<b>Total Technical</b>	<b>395508</b>	<b>399833</b>	<b>508587</b>	<b>615128</b>	<b>493206</b>
Law	8857	12663	24755	44903	44783
Management	2735	2782	3172	3548	4674
Humanities	4780	5604	5567	7405	8937
Education	4204	3768	4548	4548	5425
<b>Total General</b>	<b>20576</b>	<b>24817</b>	<b>38042</b>	<b>60404</b>	<b>63819</b>
<b>Grand Total</b>	<b>416084</b>	<b>424650</b>	<b>546629</b>	<b>675532</b>	<b>557025</b>

Source: Annual reports of different years (2000/01-2004/05), Planning Division, TU.

The per unit cost in the Institute of Medicine from the year 2000/01 to 2004/05 were Rs.164448, Rs.193332, Rs.193332, Rs.193332, Rs.193332 respectively. It means, from the last four years per unit cost of Medicine has not changed. Again, among different institutes of higher education the highest per unit cost was Institute of Medicine whereas Management is the least expensive in terms of unit cost. However, it should be noted that the share of expenditure of the Institute of Medicine accounts for more than 96 percent of the total expenditure. Therefore, the possible reason behind the high recurrent unit cost will be the high proportion of expenditure on three important items i.e. salary and allowances, educational materials and administrative expenses. Besides this, the trends of per unit income and expenditure of different years from 2000/01 to 2004/05 has also been depicted in Table 6.

### **Trends of Cost Recovery Rate at Tribhuvan University**

Internal revenue is the key to financial sustainability. However, the revenue of the Tribhuvan University is very modest. The revenue of TU increased at the growth rate of 5.9 and the expenditure grew at 3.7 percent per year from 2000/01 to 2004/05. In 2004/05 the total expenditure has increased with a growth rate of 8.9 percent over the previous year but the income went up just at a rate of 3.4 percent only, which is displayed in Table 6.

**Table 6: Cost Recovery Rate at Tribhuvan University from (2000/01 -2004/05)**

Year	Total Expenditure Rs. '000'	Growth Rate	Income Rs.' 000'	Growth Rate	No of Students	Per Students Income	Per Students Expenditure	Cost Recovery (%)
2000/01	1655880	-	227704	-	146749	1552	11284	13.8
2001/02	1746001	5.4	266070	16.8	142308	1870	12269	15.2
2002/03	1732888	-0.8	270095	1.5	140412	1923	12341	15.6
2003/04	1754630	1.3	275000	1.8	123566	2226	14200	15.7
2004/05	1910966	8.9	284415	3.4	132779	2071	14392	14.9
AGR		3.7		5.9				

Source: Projected programs and budget of different years and reports of different years (2000/01-2004/05), Planning Division, Central Office, Tribhuvan University, Kirtipur.

The trend of per student's expenditure and income for five year's from 2000/01 to 2004/05 shows that it has increased with the growth rate of 3.7 and 5.9 percent per year respectively. Because in 2000/01 per student income and expenditure was recorded at Rs.1552 and Rs.11284 whereas in 2004/05 it increased to Rs. 2071/- and Rs. 14392/- respectively. As shown in Table 6 the growth rate of income increase by 3.4 percent and expenditure increased by 8.9 percent in 2004/05.

If we examine the trend of cost recovery rate of 2000/01 and 2004/5, cost recovery in 2000/01 was 13.8 percent where as in 2004/05 it increases to 15.7 percent. But, it could not fulfil the target of TU, because TU had a target of 20 percent over all cost by the end of 2000. However, after the year 2001/02 there was slightly increasing trend of cost recovery, which has been clearly revealed in Table 6.

In spite of the fact that Tribhuvan University is the oldest and largest University of Nepal, the condition of financing higher education is deteriorating and in crisis. In fact, there are some responsible factors for the constraints on resources for higher education. They are: inability of government to allocate more money, low and nominal tuition fees, lack of mobilization of internal resources, lack of communities contribution, underutilization of available physical and human resources, the inequitable users charges, and inequitable allocation of funds to the subsection of education. Similarly, the resource constraints have visible impact on quantitative improvements in higher education. The World conference on higher education has also accepted that in most of the country higher education is facing greater challenges and difficulties due to financing. In fact, quality of output depends on quality of input. Therefore, provision of quality education needs a significant amount of expenses not only in salary and allowance components but also in the development of physical facilities. Regarding this fact, the following steps are recommended: Firstly TU should use its resources for maximum economic benefit. Not only that, TU income from

different assists should be accurately accounted for. Secondly, TU should make maximum utilization of its fixed assists for economic benefit. It should also concentrate its efforts for maximum utilization of human resources. Thirdly, one of the main sources of income in TU is a tuition fee, which is very low. Therefore, provision should be made to raise the tuition fee immediately. Fourthly, university should undertake some commercial steps for maximum utilization of its assists. These steps are definitely a very difficult and challenging but will help to improve the present financing situation faced by Tribhuvan University.

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