

RESEARCH ARTICLE

RECENT TRENDS ON ALLOCATION AND UTILIZATION OF BUDGET FOR AGRICULTURE SECTOR IN NEPALESE BUDGETARY PLAN

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ABSTRACT

A budget is a financial plan that plays a pivotal role in the functioning of the state. This study looks at recent changes in the distribution and use of the budget for the agriculture sector during the last ten fiscal years. Following a review of the numerous journals, publications, budgets, and economic surveys available on the Ministry of Finance websites, the secondary data is presented and analyzed using STATA 13 and Microsoft Excel. Results showed that agriculture's share of the total gross domestic product has declined from 35.68 percent to 25.80 percent over the past ten years, while the national gross domestic product has increased by NRs. 2738.98 billion. Despite the country's growing overall gross domestic product, the agriculture sector only received an average of 3 percent of the entire budget, which is below par with its contribution to the country's gross domestic product i.e., 30 percent. However, the agriculture sector's contribution is declining, which shows that other sectors (such as industry and services) are expanding. Additionally, the agriculture sector is growing as a result of increased agricultural production in comparison to previous years. More budget should be allocated to the agriculture sector in the upcoming fiscal years as results indicate that it considerably contributes to the nation's overall gross domestic product.

KEYWORDS

Gross Domestic Product, Fiscal Years, Nation

1. INTRODUCTION

A budget is a financial plan that includes an estimation of revenue and expenses over a specified future period and is usually compiled and re-evaluated periodically for utilization by governments, businesses, and individuals. The budget is also an instrument that plays a pivotal role in the functioning of the state. Whether a budget is balanced, in surplus, or in deficit, directly influences the state's operation (Sharma, 2020). A budget not only establishes a linkage with the existing policies but also addresses the demands and needs of the citizens. Nepal is one of the Southeast Asian countries that have been searching to overcome serious obstacles; economies are facing difficult challenges and are still in the trap of poverty, unemployment, politico-economic instability, racial discrimination, and gender inequality (Sharma, 2013). The operation of the annual budget however plays a prominent role in accelerating the rate of economic development of a country; attempts of the Nepal government are in vain (Sharma, 2013).

With the advent of the democratic political system in 1951 A.D, the first annual budget was presented by the then finance minister Subarna Shamsher and the budgetary system as applied by the first elected government in 1958/59 A.D. is the first scientific budget. Since 1956 A.D., budget formulation started with the first five-year plan (1956-1961 A.D.) and was presented to parliament annually (NPC, 1956). According to the constitution of Nepal 2015 A.D., the federal government should present the national budget on the 15th of Jestha every year in the federal parliament. The provincial government should present its provincial budget on the 1st of Asar every year in the provincial parliament. Similarly,

local bodies should also present their budget every year in local bodies' assemblies. The budget plan in Nepal is presented for the fiscal year which starts on the 1st Shrawan of the year and ends on the 31st of Asar of next year (GoN, 2015).

The budget of Nepal is mainly divided into two parts. One is expenditure and the other is revenue. The expenditure part is divided into 3 subheadings: recurrent expenditure, capital expenditure, and financial management. Recurrent expenditures are all the payments other than for capital assets, including goods and services, wages, and salaries. A capital expenditure budget is a formal plan that states the amounts and timing of fixed asset purchases by a nation. Agriculture is the main stake in the Nepalese economy. About 60.4% of the total population is involved in the agriculture sector and agriculture contributes 25.8% of the total GDP of Nepal (MOF, 2020). Every year Government of Nepal allocates a certain amount to the agriculture sector. The allocated budget is both recurrent expenditure and capital expenditure. The development of agriculture is directly influenced by the amount of capital expenditure allocated in the agriculture sector.

The government of Nepal (GoN) has realized the importance of agriculture and has prioritized its plans, policies, and annual budget and programs. The MoALD reports state that every year budget under MoALD has increased substantially. However, the organized development of Nepal started along with the periodic plans after 1956. The first periodic plan emphasized agriculture both as an immediate action and laying of a foundation for future progress and allocated Rs. 12 million to agriculture out of Rs. 330 million (NPC, 1956). It was only the fifth plan (1975-80)

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which has prioritized the agriculture sector and celebrated 2032 BS as an agriculture year. The ninth periodic plan (1997-2002) is also an important period for the agriculture sector. During that period, a long-term strategy for the agriculture sector, Agriculture Perspective Plan (APP) was designed and formulated for the overall national growth through agriculture growth (Mogues et al., 2012).

2. MATERIALS AND METHODS

This review paper was accomplished based on secondary data. Various published articles from the journal, reports, newspapers, and proceedings are reviewed. The data are collected from the last 10 fiscal years (2011/12 to 2020/21) budget plan and economic survey published on the website of the ministry of finance (MoF). Further data and information were gathered from online sites of private, government, and non-governmental

organizations. The collected secondary data are presented and analyzed by using excel MS-Excel and STATA 13.

3. FINDINGS AND DISCUSSION

This section is concerned with the findings of the study which is described under different headings.

3.1 Allocation of Budget in The Agriculture Sector in The Last 10 Fiscal Years

Table 1 shows that the average annual budget allocated for the agriculture sector is 3% of the total budget in Nepal. This allocation is very low as compared to the agriculture sector's contribution to the total GDP of the nation. The average contribution of agriculture to the country's GDP is found to be 30%.

Table 1: Budget Allocation in the agriculture sector from FY 2011-2020

Fiscal year (A.D.)	Agriculture sector budget (NRs. billion)	Total budget (NRs. billion)	Percentage of agriculture budget in the total budget (%)
2011/12	12.43	384.90	3.23
2012/13	12.29	404.82	3.04
2013/14	21.40	517.24	4.14
2014/15	23.28	618.10	3.77
2015/16	26.68	819.46	3.25
2016/17	35.86	1048.92	3.41
2017/18	30.40	1278.99	2.37
2018/19	32.74	1315.16	2.49
2019/20	34.80	1532.96	2.27
2020/21	41.40	1474.64	2.80

Source: Yearly budget plan, MoF

3.2 Total GDP of Nepal and Contribution of Agriculture Sector in Last 10 Fiscal Years

Figures 1 and 2 clearly show the increasing total GDP of Nepal and decreasing contribution of the agriculture sector to the total nation's GDP in the last ten fiscal years. In these years, the total nation's GDP has increased by NRs. 2738.98 billion whereas agriculture's contribution to

the total GDP of Nepal is decreased to 25.80% from 35.68%. This decrease in agriculture contribution to total GDP is a good indication of economic growth. A decrease in the share of the agriculture sector in total GDP means that other sectors (industry and service) are growing. As agriculture production is also increasing as compared to previous years, we can say that the agriculture sector is also developing.

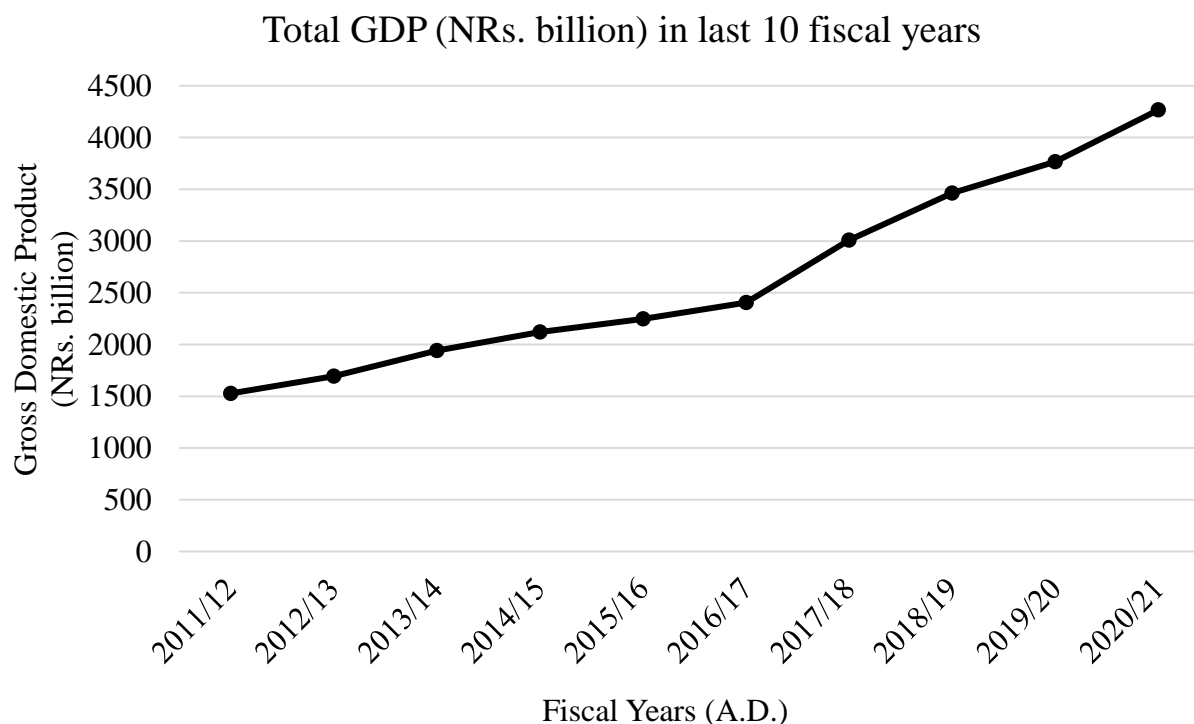


Figure 1: Total gross domestic product of Nepal in Fiscal Years 2011-2020 (Source: Economic Survey, MoF)

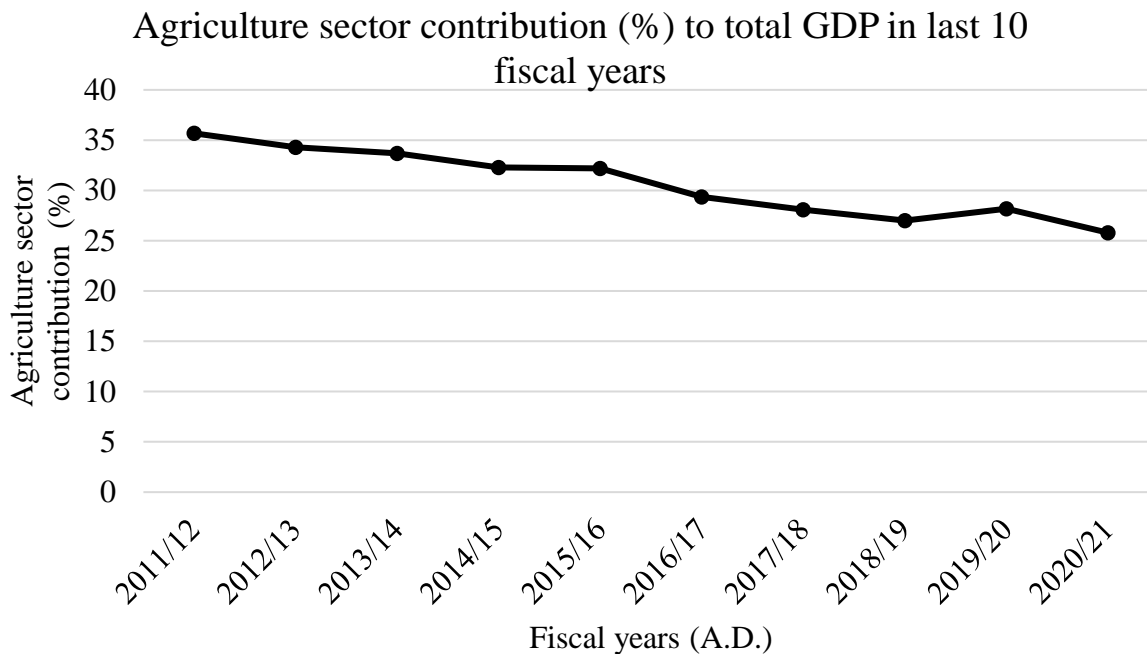


Figure 2: Contribution of agriculture sector to nation's GDP in Fiscal Years 2011-2020 (Source: Economic Survey, MoF)

3.3 Analysis of National GDP and Agriculture Budget

Regression analysis is done to know the relation between the agriculture budget and national GDP. National GDP is assigned as the dependent variable whereas agriculture budget as the independent variable.

National GDP = f (agriculture budget)

Table 2: Regression coefficients, Standard Error, t-test value, and p-value				
Coefficients	Estimate	Standard error	t-value	p-value
Constant	379.0089	462.4383	0.82	0.436
X1	83.49904	16.12517	5.18	0.001

$Y = 379.0089 + 83.49904X1$ (1)

Where Y=National GDP

X1= Agriculture Budget

Table 2 above reveals that the p-value for X1 (0.001) is less than our f-value (0.005) which means the agriculture budget and total national GDP are significant at a 5 % level of significance. For every unit change in the agriculture budget, there is a change in national GDP by 83.49 units.

3.4 Utilization of Budget for The Agriculture Sector

Reviewing the previous ten fiscal year agriculture sector budget, there were some common programs and projects where the budget was allocated on yearly basis. They are as follows:

- Prime minister agriculture modernization project (PMAMP)
- Nepal Agriculture research council (NARC)
- Subsidy in chemical fertilizers
- Subsidy for sugarcane growers
- Subsidy in agriculture insurance
- Agriculture loan

4. CONCLUSION

The study regarding the recent trends in allocation and utilization of the

agriculture sector budget in the national budgetary plan reveals that in the last ten year on average only 3 percent of the total budget was allocated for the agriculture sector which is below par when compared to an average contribution of the agriculture sector to national GDP in last ten fiscal year i.e., 30 percentage. However, the contribution of the agriculture sector is decreasing which indicates that other sectors (industry and service) are growing. The study shows that the agriculture budget contributes significantly to the national GDP of the nation. Recently agriculture sector budget was subdivided into a few major programs like PMAMP, NARC, and subsidy on chemical fertilizers, agriculture insurance, and subsidy for sugarcane growers. From this review, we can conclude that the agriculture budget play's an important role in the growth of the national GDP hence more budget should be allocated to the agriculture sector in the coming fiscal years.

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