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Investing in Education for Human Resource Optimization: A Comparative Study on Bangladesh Budget

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Abstract

Education is the best investment segment to promote a nation as well a society and even individual development. It has already been proved by the education expert and economist that investing in education is one of most fruitful choices by a government, entrepreneur or even individual. But it's a matter of verity that our country Bangladesh invest only 2.4% of the GDP in education segment. The anticipated rate in this sector is 6 % for generating the education sector as it should be. In this study the researchers try to find out the present trends of investment in education for human resource optimization of Bangladesh government and a comparative situation of Bangladesh budget with India and Malaysia budget about human resource optimization. Different documents about Bangladesh, India and Malaysia budget are taken as a sample and used to analyse the situation. In this study it is found that, there is a stable condition of Bangladesh budget in investing in education for human resource optimization for last 10 years and among India, Bangladesh and Malaysia Budget, Bangladesh invests less from others. It might be a reason for those countries to be a developed one then Bangladesh.

Background

Barro (1990) was the first to show that for a given level of wealth, the economic growth rate was positively related to the initial level of human capital of a country, whereas for a given level of human capital, the growth rate was negatively related to the initial level of GDP per capita. Convergence, therefore, appears to be strongly conditioned by the initial level of education. Azariadis and Drazen (1990) assume that economic growth is not a linear process; rather, it goes through successive stages in which the stock of physical and human capital enables a country to reach a given growth level. Their results show that the initial literacy rate plays a different role in predicting growth rates at different levels of development. Literacy is correlated with the variations of growth in the least advanced countries, but it does not seem to be related to most developed countries' growth. Mankiw, Romer, and Weil (1992) assume that the level of saving, demographic growth, and investment in human capital determine a country's stationary state. They also find that these different stationary states seem to explain the persistence of development disparities.

Objectives

- To identify the rate of investment in education for human resource optimization of Bangladesh budget

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- To identify the present trends of Bangladesh Budget in investing for human resource optimization through education
- To compare the investment of Bangladesh budget with India & Malaysia national Budget

Methodology

The study is conducted in quantitative approach. It is an empirical study based on primary document. In order to ensure time management and feasibility of the study, only 10 years of Bangladesh Budget and two neighboring country India and Malaysia budget is selected for the study sample. The two countries of India and Malaysia are selected conveniently basically based on the economic situation of those countries near after 1971. As a tool for collecting data documents on budget are used and for analyzing data the researchers used percentage as a descriptive statistics and different types of graphs by the help of Ms Excel. Percentages of different fiscal years are used to find out the trends of present investment and to compare the situation of Bangladesh government with Malaysia and India government.

Literature review

Human resource optimization

According to Schultz (1993), the term “human capital” has been defined as a key element in improving a firm assets and employees in order to increase productive as well as sustain competitive advantage. To sustain competitiveness in the organization human capital becomes an instrument used to increase productivity. Human capitals refer to processes that relate to training, education and other professional initiatives in order to increase the levels of knowledge, skills, abilities, values, and social assets of an employee which will lead to the employee’s satisfaction and performance, and eventually on a firm performance. Rastogi (2000) stated that human capital is an important input for organizations especially for employees’ continuous improvement mainly on knowledge, skills, and abilities. Thus, the definition of human capital is referred to as “the knowledge, skills, competencies, and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being” (Organization for Economic Co-Operation and Development or OECD, 2001: 18).

According to the (Alam, 2006) report, “Human capital plays a more important role in generating income and wealth in an economy/society than the traditional factors of production, e.g. land, capital and machinery.” They report the fact that the GDP of Bangladesh is not favorable, “about 42-45 percent of households live below the absolute poverty line.” “The moot question in a developing country such as Bangladesh is what socio-economic and political objectives the higher or tertiary education sub-sector can achieve. Can tertiary education become a major force in this big challenging task to allow the country to break out from the vicious cycle of poverty/stagnation by producing an educated stock of manpower?”

So, how are the tertiary education institutes performing? One question that may be asked is how does one measure the performance of tertiary education? One way may be to examine the nature of the questions students are required to face at tertiary level examinations. For example, testing whether tertiary level exam questions require students to think analytically and solve problems. Whether exam questions give students practice in analytical thinking and provide the opportunity to solve problems at least on paper?

Human resource optimization in the world prospective

According to Moti (2010) Global or international human resource management is the process of employing, developing and rewarding people in international or global organizations. It involves the world-wide management of people, not just the management of expatriates. An international organization or firm is one in which operations take place in subsidiaries overseas, which rely on the business expertise or manufacturing capacity of the parent company. Such companies or organizations bring with them their own management attitudes and business styles. Human resource managers of such organizations cannot afford to ignore the international influences on their work.

Human resource optimization in Bangladesh budget prospective

In recent time the government of Bangladesh is trying to give adequate emphasis on education sector. Furthermore it is one of the core strategies for poverty alleviation and development. The government of Bangladesh has already approved the national education policy with 24 targets as a step towards introducing modern employment oriented education system. It will pave the way of economic development of the country.

According to Bangladesh Budget (2010-11) there would be 100 percent enrollment of students at the primary level by 2010. Perhaps, it was quite an ambitious target. However, to achieve this target within the shortest possible time, the government have undertaken projects like school feeding program in the poverty-stricken areas, stipend for primary education, establishing 1500 primary schools in areas without schools, constructing 40,000 new classrooms (31,650 has already been constructed), starting pre-primary education in the government primary schools and establishing child-friendly teaching centers at char, hoar, tea-garden and remote areas. Besides, Government will continue with distribution of stipend amounting TK. 4,035 crore from its own resources till 2013, so that the education of a huge number of primary school going children is not hampered due to poverty. Recently, the coverage of stipend has been widened to 78.17 lakh students.

In this connection, the authority emphasizes that the present Government is making all out efforts to build a corruption-free, transparent, efficient and dynamic education administration. The Government has given top priority to education in terms of allocation of financial resources. Allocation for education under revenue and development budget is being progressively enhanced. The government of Bangladesh (GoB) propose to allocate TK. 17,959 crore in the budget for FY2010-11, development and non development combined, for the Ministry of Education and Ministry of Primary and Mass education. This allocation is 13.5 percent higher than The revised budget of the current fiscal year (Fy 2009-10).

Indian national budget

As cited in Wikipedia (2012) during the Financial Year 2011-12, the Central Government of India has allocated Rs 38,957 crores for the Department of School Education and Literacy which is the main department dealing with primary education in India. Within this allocation, major share of Rs 21,000 cores, is for the flagship program 'Sarva Siksha Abhiyan'. However, budgetary allocation of Rs 21,000 crores is considered very low in view of the officially appointed Anil Bordia Committee recommendation of Rs 35,659 for the year 2011-12. This higher allocation was required to implement the recent legislation 'Right of Children to Free and Compulsory Education Act, 2009, In recent times, several major announcements were made for developing the poor state of affairs in education sector in India, the most notable one being the National Common Minimum

Programme (NCMP) of the United Progressive Alliance (UPA) government. The announcements are; (a) To progressively increase expenditure on education to around 6 percent of GDP. (b) To support this increase in expenditure on education, and to increase the quality of education, there would be an imposition of an education cess over all central government taxes. (c) To ensure that no one is denied of education due to economic backwardness and poverty. (d) To make right to education, a fundamental right for all children in the age group 6–14 years. (e) To universalize education through its flagship programmes such as Sarva Siksha Abhiyan and Mid Day Meal.

Malaysian national budget

According to Malaysian Budget -2012 key features include- Knowledge is key in any civilisation or any developed nation. Education sector will be provided RM50.2 billion with extra RM1 billion to repair, build all schools. All fees for exams, co-curriculum, insurance for schools will be abolished in 2012 onwards. This means, education is now free for primary and secondary schools. Rural Transformation Program is set up to fund water, electricity and roads. Civil servants are offered masters degrees and PHDs opportunities to further their studies on part time basis. RM80 million is allocated for this to improve their careers.

As cited in Malaysian budget speech of 2010, in line with the objective to develop high quality human capital the government will allocate RM30 billion for primary and secondary education which will benefit 5.5 million students nationwide. This allocation includes emoluments amounting to RM19 billion, RM2.8 billion for students assistance and scholarship program, RM1.6 billion for construction of 80 new schools as well as 1100 additional blocks and 347 school replacement projects.

Comparative analysis of Education Sector of Bangladesh budget for Hman Resource Optimization: In this sector, we compare the total allocation for human resource optimisation particularly in education sector in Bangladesh national budget of last 11 years and the sub-sector of education of last three years. At first we compared last 11 years development and revenue Budget allocation in education sector. Those Budget is given in Core (1 Core = 10 Million).

Development and Revenue Budget Allocation

Year	National Allocation	Total Allocation in MoE (% of National Allocation)
2001-2002	38692.00	3227.52 (8.34%)
2002-2003	42407.00	3559.35 (8.39%)
2003-2004	49269.00	3818.19 (7.75%)
2004-2005	75903.11	4459.35 (5.88%)
2005-2006	80654.67	6423.91 (7.96%)
2006-2007	71410.00	5709.25 (8.00%)
2007-2008	80346.00	6396.20 (7.96%)
2008-2009	94140.00	6739.22 (7.16%)
2009-2010	110523.00	8971.67 (8.12%)
2010-2011	132170.00	9824.36 (7.43%)
2011-2012	163589.00	20339.00(12.4%)

Source :Ministry of Finance website

The data in the table show the total allocation and the percentage of allocation in education sector for last 11 years. It is found that most of year the total allocation of education budget faced some up and down situation except 2004-2005 annual budget. In 2010-2011, 2008-2009, 2007-2008, 2005-2006 and 2003-2004 annual budget the total allocation in education sector was less than 8%. But most of the annual budget (2009-2010, 2006-2007, 2002-2003 and 2001-2002) allocated more than 8% in total allocation. In 2002-2003 annual budget the highest allocation in was education sector that is 8.39% of total allocation. On the other hand, in 2004-2005 annual budget the lowest allocation in education sector that is 5.88%. in 2011-2012 annual budget, the highest allocation in education science and technology that is 12.4%. But this financial year shows not only educational allocation but also education, science and technological sector allocation. So, it is doubtful to say that it is the highest allocation in education sector.

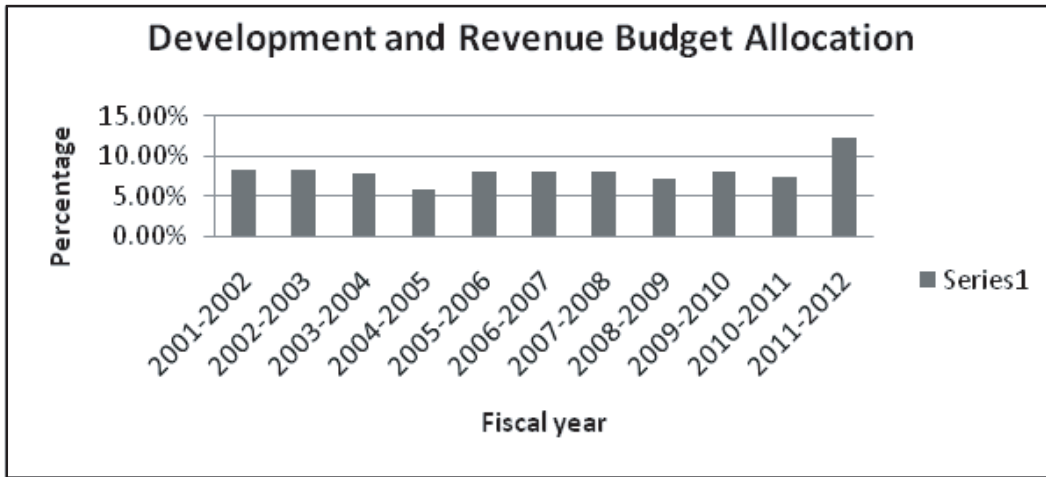


Figure: comparative analysis of different fiscal year of Bangladesh budget

Secondly, we compare the sub sector investment under ministry of education. That investment is also shown in core. (1 corer= 10 million)

Sub-Sector wise Last 3 years Development Budget Allocation

Sl. No.	Education Development Programme	2008-2009	2009-2010	2010-2011
1	Secondary, Higher Secondary and College Education	478.50 (47.82%)	792.08 (55.36%)	930.04 (57.24%)
2	EED	262.53 (26.24%)	271.01 (18.94%)	117.00 (7.20%)
3	Technical and Vocational Education	83.01 (8.30%)	97.16 (6.79%)	233.64 (14.38%)
4	UGC	168.11 (16.80%)	261.08 (18.25%)	340.30 (20.95%)
5	MoE	8.39 (0.84%)	9.47 (0.66%)	3.71 (0.23%)
Total		1000.54	1430.80	1624.69

Source :Ministry of Finance website

The data in the table shows the total allocation and the percentage of allocation in sub sector wise development budget allocation for last 3 years. In sub sector in secondary, higher secondary and collage education, the highest allocation (57.24%) of this sector was in 2010-2011 annual budget. But in the sector of EED it is found that the allocation for this sector chronologically decreases and ends at the percentage of 7.20%. It is also found that in Technical and Vocational Education Bangladesh government allocate 233.64 core taka which is quite positive. About UGC the allocation from Bangladesh government is also positive. The allocation is increased from 16.80% to 20.95%. and at last the allocation for MoE (Ministry of Education) is gradually decreasing from 0.84% to 0.23%.

Comparative analysis of Bangladesh budget with India and Malaysia budget

It is also necessary to compare the Bangladesh budget with other countries to see the position. On the basis of Bangladesh, India and Malaysia budget 2011-12, the allocation of education sector are quite different from each other. The graph below shows the major difference of allocating money of these three countries.

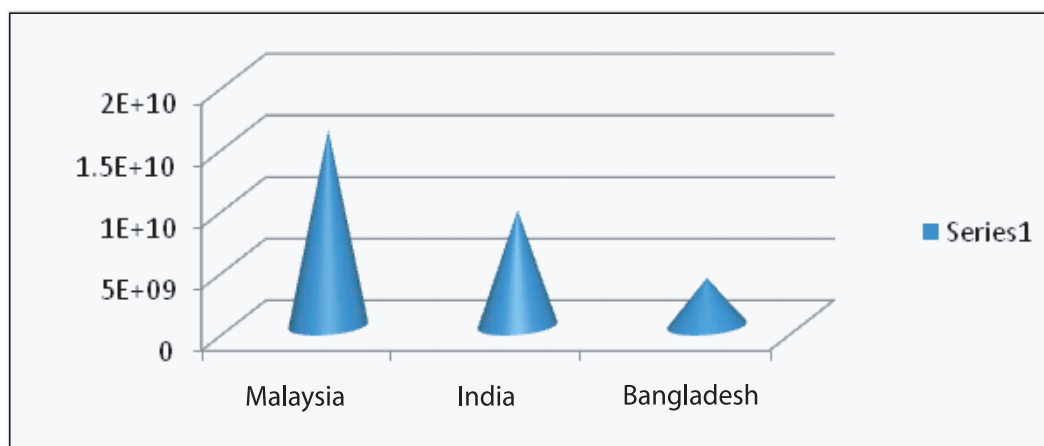


Figure: investment in education in Government Budget on 2011-2012

In this figure the comparison among three countries is the total investment in education on their 2011-2012 budgets is shown. It is found that Bangladesh invests lowest in comparison to India and Malaysia. And Malaysia is the highest investor in education among three countries. Budget got the second priority as an investment sector in Malaysia, which is very much advanced then India and Bangladesh investment in education sector for human resource optimization. All the three countries gave emphasis on primary and secondary school system. But among them India gave more emphasis on the investment of higher education scholarship then Malaysia and Bangladesh. India has also allocated 658 core rupee on skill development and also allocated more than 1 core rupee on Rabindranath Tagore birth celebration for human resource optimization. On private sector of education Malaysia gave emphasis more than India and Bangladesh. But Bangladesh gave emphasis on eliminating gender discrimination in education sector through different stipend project which is quite neglected in India and Malaysia budget. There are some similarities on some sector between two of three countries. That is, on the primary sector India and Bangladesh gave more importance then Malaysia and on the sector of school administration Malaysia and Bangladesh

gave more importance than India. And lastly on vocational and technical education all the three countries gave importance on the investment of these sectors differently.

Recommendations

- Investment percentage on education should be more clear and specific.(it should be not as titled education and information technology).
- Need to give emphasis on primary and non-formal education investment.
- For sustainable literacy investing in continuing education is very important now.
- For reducing dropout rate scholarship should be given up to secondary level to both male and female students.
- Financing on vocational school in Bangladesh is very important now. (every district)

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