How are Government Expenditure and Complaint Lodged About the Abuse of Authority Entangled: Evidence from Nepal's Federal Ministries

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Abstract

Effective investment of government expenditure has long been a hot topic for government, policy makers, civil society, scholars, and researches working in this area. In Nepal, there is a constant increase in the amount of government expenditure as well as complaint lodged about the abuse of authority. The connection between government expenditure and complaint lodged about the abuse of authority entails many facets to explore because their relationship is not straightforward. This study attempts to analyze the possibility that government expenditure positively contributes to corruption, considering recurrent and capital expenditure as the proxies of government expenditure and complaint lodged about the abuse of authority as a proxy of corruption. Based on federal level ministerial data of government (i.e. recurrent and capital) expenditure and complaint lodged about the abuse of authority for the latest available year that is from 2019 to 2024, this study used panel data and Least-Square Dummy Variable (LSDV) technique, Fixed Effect Model (FEM) to examine the relationship between recurrent expenditure, capital expenditure and complaint lodged about the abuse of authority. It was assumed that recurrent expenditure and capital expenditure increases complaint lodged about the abuse of authority. The results show significant relationship between recurrent expenditure and complaint lodged about the abuse of authority whereas, insignificant between capital expenditure and complaint lodged about the abuse of authority. This indicates that recurrent expenditure may serve as a contributing factor in increased abuse of authority.

Keywords: abuse of authority, complaint lodged, recurrent expenditure, capital expenditure, government expenditure

1. Introduction

In Nepal, the government expenditure has been rapidly increasing, and the total government expenditure[1] has grown from 1,315.16 NPR billion in fiscal year 2018/19 to 1,751.31 NPR Billion in 2023/24 (Government of Nepal, Ministry of Finance, Financial Comptroller General Office, 2025). The ratio of consolidated recurrent expenditure, capital expenditure, and financial expenditure to total consolidated expenditure for the three tiers of governments after elimination are 57.01%, 31.54%, and 11.45% respectively in FY 2022/23 (Financial Comptroller General Office [FCGO], 2024). In recent years, government expenditure has increased quite sharply across different ministries. Ministries with the top 5 budget allocations in FY 2023/24 budget allocations are: The Ministry of Finance-including debt repayment, miscellaneous expenditures, and civil service pensions, (32.41%), Ministry of Education, Science & Technology (11.27%), Ministry of Home Affairs (11.09%), Ministry of Physical Infrastructure & Transport (7.67%), and the Ministry of Energy, water Resources and Irrigation (5%) as well as the Ministry of Health and Population (4.80%) (European Union and United Nations Children's Fund, 2023).

Effective investment of government expenditure has long been a hot topic for government, policy makers, civil society, scholars, and researches in this area. Over the past decade there also has been a renewed interest among researchers, national governments and international organizations about the causes and consequences of corrupt behavior within government bureaucracies (Haque & Kneller, 2009). Corruption is a constant concern for countries facing economic problems and a considerable amount of research has gone into understanding its economic effects (d'Agostino, Dunne, & Pieroni, 2016). The evidence from the international anti-corruption crusader, the transparency international, is not encouraging for Nepal. Nepal was ranked 108th least corrupt country out of 180 countries in the world, and the score, 35 out of 100, has been the best so far, since 2012, from all the effort put in combating corruption in the nation. In 2012, the country's score was 27 occupying the 139th least corrupt position, in 2013 it was 116th with the score of 31, 2014 was 126th with the score of 29, 2015 was 130th with the score of 27, 2016 was 131th with the score of 29, 2017 was 122th with the score of 31, 2018 was

[1] Total expenditure includes recurrent, capital and financing expenditure.

124th with the score of 31, 2019 was 113th with the score of 34, 2020 was 117th with the score of 33, 2021 was 117th with the score of 33 and 2022 was 110th with the score of 34 (Transparency International, 2024). According to the Transparency International (2024), "corruption can happen anywhere: in business, government, the courts, the media, and in civil society, as well as across all sectors from health and education to infrastructure and sports; corruption can involve anyone: politicians, government officials, public servants, business people or members of the public; and corruption can take many forms, and can include behaviors like: public servants demanding or taking money or favors in exchange for services, politicians misusing public money or granting public jobs or contracts to their sponsors, friends and families, corporations bribing officials to get lucrative deals."

Federal and sub-national governments are committed to transparency and accountability in public expenditures and overall financial management in Nepal. In Nepal's decentralized system, the federal government dominates in raising revenues and spending resources. Expenditure allocations are made in the budget primarily based on the Redbooks, budget speeches, and economic surveys. Financial reporting system and framework are based on the Nepal Public Sector Accounting Standard 2022 (NPSAS), aligned with International Public Sector Accounting Standard (IPSAS) 2017. Revenue Information Management System (RIMS), Treasury Single Account (TSA), Subnational Treasury Regulatory Application (SuTRA), Provincial Treasury Single Account (PTSA), and Financial Management Information System (FMIS) are in place.

The interconnectedness of government expenditure and corruption is always a top concern of many countries (Haque & Kneller, 2009). In particular, effective management of government expenditure is hampered by corruption. Government budget allocators (policy makers and bureaucrats) can indulge in illicit practices since they have discretionary power in public spending and the allocation of resources. This situation gives them two options – either to take decisions in the interest of citizens/society or seek rents, a form of corruption. It is clear that some countries get stuck in a vicious circle of corruption and low growth and it is not always clear how to get them out of it.

The correlation between corruption and the level of development is evident both anecdotally and at a more formal level (Haque & Kneller, 2009). There is a general acceptance among the considerable body of literature that corruption affects growth and development (D'Agostino et al., 2016; Aidt, 2009; Bazie et al., 2024; Dzhumashev, 2014; Haque & Kneller, 2009; Hodge et al., 2011; Iliyasu & Muhammed, 2023; Johnny, 2018; Mauro,1998; Mauro, 2002; Monte & Pennacchio, 2020; Nguyen & Bui, 2022; D'Agostino et al., 2020). The main findings of the aforementioned empirical literature have been that corruption tends to hamper government expenditure which leads to lower economic growth and development. D'Agostino et al. (2016) states that corruption tends to lead to lower growth, hampering both private and government investment spending, and inhibiting the efficiency of public services.

Research work on causes and consequences of corruption is limited because the degree of efficiency of government institutions cannot easily be quantified and it is a difficult phenomenon to measure (Mauro, 2002). Recent innovations at the theoretical and empirical level have allowed this conviction to be tested formally, and there is now a large body of evidence to support the idea that corruption and development are strongly related (Haque & Kneller, 2009). Even though, plenty of empirical works are done in terms of corruption and economic growth or development, previous empirical work on the potential links between corruption and government expenditure is extremely limited. Mauro (2002) states that the potential effects of corruption on the composition of government expenditure, is a previously unexplored issue.

While the relationship between corruption and the level of development or growth is well established in empirical studies, the assumed linearity falls short of explaining the cause-effect relationship between corruption and government expenditure, in a direct way. The main findings of the empirical literature have been that corruption tends to lead to lower growth, hampering both private and government investment spending, and inhibiting the efficiency of public services (D'Agostino, Dunne, & Pieroni, 2016).

Studies have empirically shown that corruption influences public expenditure (Mauro, 1998; D'Agostino, 2016). But In contrast to previous studies that examined the relationship between

corruption and military spending (D'Agostino, 2020), or economic growth (Dzhumashev, 2014; Jonny, 2018; Hodge et al., 2011; Mauro, 2002), or to the individual segments of public expenditure such as infrastructure (Liu & Mikesell, 2014), education (Hashem, 2014; Liu & Mikesell, 2014; Mauro, 1998) and healthcare (Hashem, 2014; Mauro, 1998; Liu & Mikesell, 2014), I aim to analyze if and to what extent are the government expenditure and corruption entangled. Previous studies have paid little attention to this relationship in dis-aggregated level. This paper shifts the focus to examine the inter-connectedness between corruption and government expenditure, provides some explanations of their cause-effect relationship and also searches for the location of corruption within the sectors (as defined by Wu, Li, Nie, & Chen, 2017). This paper takes a critical look at the link between corruption and government expenditure. The analysis centers on whether corruption is a cause in government expenditure or government expenditure is a cause in corruption. I will be evaluating these based on the panel cross-ministerial data. These tests also explore cross-ministerial variation in corruption and government expenditure. This study has defined public sector corruption in the usual way, as the complaint lodged about the abuse of authority by public sector officials. The analysis in this research respects the notion that public sector corruption not only influences but is also influenced by government expenditure. This two-way causality allows to explain why the incidence of corruption may vary markedly across sectors, even if ministries share essentially the same structural characteristics. Cross-sector variations in the level of corruption may occur both across and within these ministries. For example, two otherwise identical ministries, in terms of spending government expenditure, may end up with very different levels of corruption depending on their nature.

Recently, the debate about the implication of corruption has emphasized the damaging effects on government expenditure. Less attention has been paid to the effect of corruption on government expenditure and also the effect of government expenditure on corruption. This is surprising when policy-makers are increasingly focused on corruption and concerned about government expenditure but very few papers have empirically analyzed the relationship between corruption and government expenditure. This paper helps to fill this research gap,

investigating whether corruption exacerbates government expenditure across ministries in Nepal and whether its adverse effect depends on their sector.

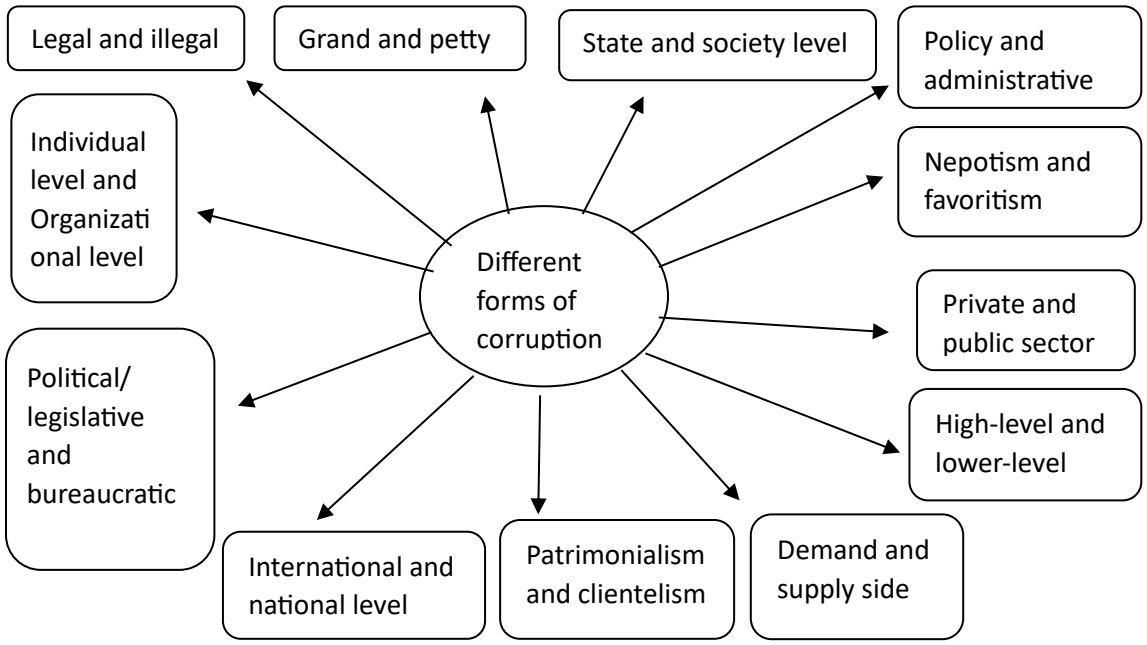
The proceeding sections of this report include a thorough review of previous literature and an examination of the research gap, research methods, results and discussion and conclusion.

2. Literature Review

Defining Corruption

There are various forms of corruption (Gephart, 2009; Anderson, 2020) and it may take many different shapes (OECD, 2024). They are patrimonialism, clientelism, rent seeking behavior, pork barreling, opaque procurement (Adhikari, Patron-Client Politics and Governance System in Nepal, 2015), abuse of entrusted power for private gain (Transparency International, 2024), influence trading, embezzlement of public property, use of confidential information and the abuse of power (OECD, 2024), illegally transferred funds, bribery, misappropriation, undue advantage, the abuse of functions or position, illicit enrichment, laundering of proceeds of crime, concealment and obstruction of justice (United Nations, 2004), petty and political corruption (Transparency International Nepal, 2014), inappropriate use of political power (Jain, 2001), deviation from the fromal duties of a public role (Nye, 1967), political and administrative corruption (Adhikari, 2021), nepotism, official theft, fraud, patronage, election fraud (Johnston, 2001), favoritism, graft, other unfair means adopted by government (Dwivedi, 1967), giving and taking graft, accepting goods or services free of cost or at lower price, taking gift, present, award or donation, taking commission (remuneration, brokerage fee, benefit or advantage), leaking revenue, getting illegal benefit or causing illegal loss with mala fide intention, preparing false documents, translating false documents, tempering government documents, causing damage to government or public documents, disclosing secrecy of the question papers or altering the result of examination, engaging in illegal trade or business, claiming false designation, giving false particulars, damaging public property, exerting illegal pressure, giving false report, acquiring property in an illegal manner (Government of Nepal, 2021).

Figure 1: Forms of corruption



Source: Adhikari, 2021

Through Figure 1, Adhikari (2021) explains that different forms of corruption exist across the region and it takes place in different level such as individual, organizational, governmental or state-level, society level, national, and international level. Corruption can take on a multitude of faces; its scale can be grand or petty (Campos & Bhargava, 2007; Adhikari, 2021).

Government Expenditure

Government expenditure involves allocating and utilizing funds to support government operations, which have grown to address the needs of the economy and various objectives (Kharel & Adhikari, 2021). Government expenditure refers to the total amount of money that a government spends on goods, services, and public projects to fulfill its functions. This includes spending on infrastructure, education, healthcare, defense, social welfare, and other public services. It is a critical component of fiscal policy and is used to influence economic activity, support development, and meet the needs of citizens. In the context of a market economy with competition in developing countries, the relationship between entrepreneurs and public authorities in terms of budget allocation is of particular importance (Bazie, Thiombiano, & Maiga, 2024).

In developing countries, few studies have examined how is the government efficiency in budget allocation (Bazie, Thiombiano, & Maiga, 2024). Analyzing the efficiency of governments in allocating budgets and distributing public spending in Nepal is of prime interest, since it is struggling to ensure the development efficiently in a context of transition economies with discretionary administrative power and institutional failure. Unfortunately, increased government spending has not translated into substantial growth and development, and Nepal remains one of the world's poorest countries. Despite policy efforts to achieve elevated and justifiable GDP growth, the Nepalese economy has historically been stuck in a low growth trap (Dhungel, 2022).

Theory

Agency theory provides a framework to understand the dynamics between principals and agents where principal is the citizen and agent is the political actors. The principal hires the agent to perform tasks or make decisions on their behalf and for the welfare of the majority. It is especially concerned with the conflicts that can arise between them especially when the agent establishes policies that benefit only them or their interest groups. The interest of agent differs from those of the principal when the interests of the agent differ from those of the principal and agent has more information than the other party. This creates the potential for agents to act in their own self-interest rather than in the best interest of the principals and to pursue projects that enhance their own prestige or job security rather than maximizing citizens' value. It has significant applications in government where there is often a separation between decision-makers (agents) and the public (principals). Often, agents are primarily motivated by a) self-interest, potentially underestimating other motivations such as loyalty and ethical considerations, and b) financial incentives by ignoring social factors.

Resource allocation theory is concerned with how resources (for this study, capital) are distributed within an economy or system to achieve the most efficient or effective outcomes. It is based on the idea that resources are scarce, and decisions must be made about their optimal use to maximize output, utility, or social welfare. But in the process of prioritizing and make trade-offs between different needs and wants, policy makers in government seek economic rent

and are prone to extortion. Efficiency is central to resource allocation theory which means resources are allocated in such a way that maximizes total welfare or utility. However, in the name of pareto efficiency - 'no one can be made better off without making someone else worse off', corrupt government officials prefer directing resources to sectors that are susceptible to bribes. Generally, governments use cost-benefit analysis to ensure that public funds are allocated in ways that maximize social welfare. In non-market systems, governments often play a role in allocating resources, especially for public goods and welfare programs. But, the major challenge in resource allocation is ethical consideration. The resource allocation can involve difficult ethical decisions, especially when resources are scarce.

Public choice theory explores how self-interested individuals, including politicians and bureaucrats, behave within political processes and how their actions influence policy outcomes. Public choice theory assumes that politicians seek to maximize votes and bureaucrats aim to expand their budgets or power that benefit them personally, often at the expense of the broader public interest. If there is a government failure, government intervention often leads to inefficient outcomes due to the self-interested behavior of bureaucrats and political actors, rent-seeking, and policies that benefit special interest groups at the expense of the general population. Rent-seeking refers to efforts by individuals or groups to use the governance process to obtain economic benefits without contributing to productivity. Public choice theory also focuses on designing rules and institutions that can help minimize government failures and limit the self-interested behavior of the actors. This includes the role of checks and balances, separation of powers, and the establishment of rules that constrain governance discretion. When political actors prioritize personal gain over public interest, they may engage in corrupt practices such as bribery, favoritism, or rent-seeking behavior. The theory also explains how political systems with weak checks and balances are more prone to corruption. The theory sheds light on why legislators support projects that may be wasteful or unnecessary, such as pork-barrel spending. Through political bargaining, representatives trade votes to secure benefits for their own constituency, even if the overall cost to the public is high. By applying economic principles to politics, it reveals how self-interest, rent-seeking, and institutional incentives can lead to inefficiencies and government failure.

Bureaucracy theory examines the structure, functions, and dynamics of bureaucratic organizations, focusing on how they operate and influence decision-making. It is particularly concerned with the efficiency, rules, and hierarchy of bureaucratic systems. Bureaucracies are necessary for managing large organizations and complex tasks in modern society, but do have potential shortcomings. Bureaucracy can become inefficient and encounter a variety of challenges, such as red tape, rigidity, and resistance to change. While rules are meant to promote fairness and consistency, too many rules or overly complex processes can lead to frustration, delays, and poor service delivery. Bureaucrats are self-interested actors and they may seek to maximize their own benefits (such as job security, power, and budget) rather than serving the public interest, leading to inefficiencies and government failures. In bureaucratic organizations, bureaucrats (agents) may pursue their own interests rather than the goals set by elected officials (principals), leading to a misalignment of objectives and inefficient outcomes. Bureaucrats may seek to maximize their department's budget, staff, or power. This behavior leads to inefficient government growth as bureaucrats push for more resources regardless of whether those resources are used effectively. Bureaucrats have an incentive to seek larger budgets because their influence and job security are often linked to the size of the agency they manage. While bureaucracies are necessary for managing complex tasks and ensuring order, they often suffer from inefficiencies, rigidity, and a focus on rules over results.

Empirical Review

The correlation between corruption and the level of development is evident both anecdotally and at a more formal level (Haque & Kneller, 2009). This correlation (reverse causation) between corruption and development is summarized in various literature. Mauro (1995) and Knack and Keefer (1995) have for example, found evidence of a significant relationship between higher levels of corruption and lower rates of growth (of both output and capital investment). If corruption is pervasive then agents will choose to be corrupt also, whereas if others are generally honest then agents will choose not to be corrupt (Haque & Kneller, 2009).

Government expenditure plays an important role in resource allocation in the economy, and therefore, it can have a significant impact on EG (Nguyen & Bui, 2022). The role of government

expenditure in economic growth has been increasingly improved, especially in the case of the countries in the process of industrialization and urbanization. Indeed, increased and effectively used government expenditure can improve the quality of public services, stimulating domestic consumption, as well as also facilitating and promoting private sector investment. Accordingly, if government expenditure is used ineffectively, it can reduce the quality of public services, limit consumption, and can overwhelm or inhibit private investment, thereby reducing economic growth (Nguyen & Bui, 2022).

Overall, it seems that there is suggestive, though by no means conclusive, evidence that corruption is negatively associated with government expenditure on education and possibly on health. Even though there are indications that the direction of the causal link may be at least in part from corruption to the composition of spending, the issue of the direction of causality remains somewhat unresolved (Mauro, 2002). Whether corrupt politicians choose to spend more on those components of public expenditure on which it is easier to levy bribes. The question whether corruption affects the composition of government expenditure is an interesting one to consider because, even though the empirical literature has so far yielded mixed results on the effects of government expenditure and, in particular, its composition, on economic growth, most economists seem to think that the level and type of spending undertaken by governments do matter for economic performance (Mauro, 2002).

Measuring the effects of corruption on the composition of government expenditure may help quantify the severity of the principal-agent problem that exists in this respect between citizens and politicians or, following the literature on the fungibility of aid resources, aid donors and recipient governments. In order to study empirically the relatively unexplored relationship between corruption and the composition of government expenditure, paper of Mauro (1998) uses corruption indices produced by a private firm for a cross-section of countries. It finds that corruption alters the composition of government expenditure, specifically by reducing government spending on education. There is also some evidence that corruption reduces spending on health.

Government expenditure on capital and recurrent goods or services seems to be a waste of resources and to the detriment of the taxpayers and the public in general as the economy does not physically depict the level of development (Johnny, 2018). Tanzi and Davoodi argue that the total amount of expenditure is artificially inflated by the sums embezzled or bribed when public decisionmakers are corrupt, particularly in a "bureaucratic" regime. Sahnoun and Abdennadher and Jajkowicz and Droiszova provide empirical evidence that corruption hurts public spending in developing countries. Mauro provides empirical evidence that for a high preference for bribes, public authorities are likely to invest in projects that offer the best rent-seeking opportunities. Indeed, these types of expenditure may involve high-tech goods produced by oligopolistic markets, corruption being difficult to detect since the prices of high-tech products are not comparable to the prices of innovative products. On the one hand, it inflates the overall level of public investment, and on the other, it affects the composition and allocation of public spending. The results indicate that corruption distorts budget allocation in favor of sectors where the risk of detecting corruption is very low, to the detriment of sectors where it is difficult to extract rent (Johnny, 2018).

According to the definition given by the Chinese Ministry of Finance, the purpose of government expenditures is to supply public products and services and meet society’s common needs. Government expenditures can be divided into three types: administrative service expenditures, investment development expenditures, and safeguard governance expenditures. The Chinese Bureau of Statistics changed the statistical caliber of government expenditures in 2007, and the classification in this text is based on the statistical caliber given by the China Statistical Yearbook after the change. Administrative service expenditures represent mainly the operational cost of government agencies, which include expenditures on general public service, foreign affairs, national defense, public security, transportation, other business expenses, and urban and rural community affairs. It should be noted that general public service expenditures refer to the money the government spends to provide basic public management and service. Money spent on diplomacy, national defense, or public security are not been included for all of which have significant national externalities. Investment development expenditures refer mainly to expenditures on short-term and long-term investment incomes, including expenditures on

education, science, technology, culture, sports and media, medicine and health, agriculture, forestry, and water. Expenditures on education, health care, and culture fall under investments in human capital. Science and technology expenditures fall under technological innovation, technological improvement and efficiency improvement in production processes. Expenditures on sports and media fall under meeting people's diverse needs. Safeguard governance expenditures focus primarily on compensating for situations of extreme poverty caused by negative economic externalities, environmental pollution, and natural disasters like earthquakes. They also seek to address social economic losses caused by the prevention of major infectious diseases, expenditures on environmental protection, social security and employment, post-earthquake recovery and reconstruction, etc. As expenditure data in some areas is missing, protection and governance expenditures have begun to focus primarily on the above all (Wu et al, 2017).

Bazie et al. (2024) states that corruption not only increases the overall level of public expenditures, but also distorts the allocation of public resources between different sectors of activity. Corruption positively affects the share of public funds allocated to health, the army, fuel and energy and transport on the one extreme, and on the other, but negatively affects the share of resources allocated to education, communication and mining. It should be noted that the results are significant, of the order of 1% for the defense sector, 10% for health and 5% for energy and transport. Indeed, a 1% increase in the level of public corruption leads to a 0.386% increase in health-care spending. This result can be easily interpreted as the purchase of certain imported materials, the net costs of which are difficult to verify, and other large-scale projects in the health field. In the defense sector, a 1% increase in corruption leads to a respective increase of 0.928% in military expenses, The results show that a 1% increase in corruption leads to a drop in public spending in certain areas. In fact, these are sectors where the risk of corruption being detected is very high, and rents are difficult to extract. These include education, down 1.222%, communications, down 0.0377%, and mining, down 0.0894%.

The quality of institutions also drives the efficiency of the public sector, and hence it determines the optimal size of public spending. corruption affects economic performance also through the (in)efficiency of public spending, driving a disparity between actual and optimal government

sizes. Thus, the relationship between corruption and growth depends directly on governance as this drives the level of corruption; and indirectly through the interactions between the efficiency of government spending and the distortions caused by corruption in the cost–benefit balance of the public sector (Dzhumashev, 2014).

(Mauro, 1998) stated that evidence of a negative, significant, and robust relationship between corruption and government expenditure on education, which is a reason for concern, since previous literature has shown that educational attainment is an important determinant of economic growth. A possible interpretation of the observed correlation between corruption and government expenditure composition is that corrupt governments find it easier to collect bribes on some expenditure items than on others. Education stands out as a particularly unattractive target for rent-seekers, presumably in large part because its provision typically does not require high-technology inputs to be provided by oligopolistic suppliers. A potential policy implication might be that it would be desirable to encourage governments to improve the composition of their expenditure by increasing the share of those spending categories that are less susceptible to corruption. However, an important issue remains whether, as a practical matter, that composition could be specified in such a way that corrupt officials would not be able to substitute publicly unproductive but privately lucrative projects for publicly productive but privately non-lucrative ones within the various expenditure categories.

We imagine an economy with government intervention, in which corruption arises because of an opportunity for bureaucrats to appropriate public funds when they are given the responsibility for providing productive public services. Such behaviour is risky since there is always a possibility that the government will detect it, in which case a bureaucrat will be dismissed from the job without pay. Such behaviour is costly to the society because it reduces the resources for public investment through which growth and development take place. A bureaucrat's expected gains and punishments from appropriating public resources depend on the level of economic development, as determined by the process of capital accumulation, which in turn, depends on the number of other bureaucrats who are also appropriating funds (Haque & Kneller, 2009).

This does, however, not mean that corruption is harmless—the micro evidence clearly demonstrates that it is not. Even at the macro level there is ample evidence that corruption affects adversely many of the proxy causes of economic growth—e.g. investment in manufactured and human capital. Moreover, high levels of corruption tend to go hand in hand with a lack of political accountability and with disrespect for property rights, factors which themselves tend to be obstacles to economic growth. More fundamentally, however, there is a sense in which the focus on growth in GDP per capita is misguided. Ultimately, development is about sustainable improvements in human welfare. It is well known that GDP per capita is not a measure of welfare (Aidt, 2009).

Government expenditure contributes to increased public debt but does not reinforce the damaging effect of corruption. On the contrary, some specific categories of public spending reduce the damaging impact of corruption, and this suggests that advanced economies could strengthen control of corruption if they increased specific categories of expenditure (Monte & Pennacchio, 2020).

Johnny (2018) has examined the relationship of corruption, government recurrent expenditure, and government capital expenditure in his study. Data were collected from secondary sources mainly the Central Bank of Nigeria statistical bulletin and Transparency International publications on corruption. Aggregate data covering the period 1994 through 2017 of corruption perception index (CPI), government recurrent expenditure (RCE), and government capital expenditure (CPE) in Nigeria were collected and analyzed using vector auto regressive technique. The empirical estimates revealed that corruption affects both recurrent and capital expenditure negatively but not significant, on the other hand, it was recurrent and capital expenditure in Nigeria that do influence corruption greatly. However, the direction of impact varies with time and the variable of measurement.

Literature Overview

While the review of the literature has presented the variables that are related to corruption as though they could unambiguously be categorized as either causes or consequences of it, the direction of causality is rather blurred in some cases, For example. it is not clear whether the

existence of regulations may lead bureaucrats to ask for bribes to help entrepreneurs circumvent them, or whether corrupt bureaucrats may be more likely to create regulations. It is not clear whether the existence of corruption may cause a less-than-optimal composition of government expenditure, it may be the case that high government spending on items where monitoring is difficult causes opportunities for corruption. The empirical section of this paper has made some attempts to identify the correct direction of the causal links, but the issue of causality has not been fully resolved, and perhaps it is unlikely to be even with further research, since causality may well operate in both directions. Examining the effects of corruption on government expenditure and more importantly, how this relationship is influenced by the quality of governance, the size of public spending, and economic development is the primary focus of this paper. The question whether corruption affects the composition of government expenditure may have important implications. while the empirical literature has so far yielded mixed results on the effects of government expenditure.

3. Research Methods

Scope and Study Design

Secondary data was mainly exercised in this study. This study investigated the relationship between government expenditure and complaint lodged about the abuse of authority using a panel dataset comprising 20 federal ministries observed over a period of 6 years, ranging from 2019 to 2024 (2076 to 2081 BS). The scope of the research is limited to federal ministries, providing a focused analysis of the government expenditure and complaint lodged about the abuse of authority over time.

The data structure is a balanced panel[2], where repeated observations of the same cross-sectional units (i.e. federal ministries) are available across multiple time periods (i.e. 6 years). This panel structure allows for the control of both temporal and individual-specific effects that may otherwise bias the results.

[2] Equal number of observations for each ministry for entire period

To estimate the relationship between the government expenditure and complaint lodged about the abuse of authority, the study employed a Fixed Effect Model (FEM) using the Least-Square Dummy Variable (LSDV) technique. The method has also involved ministry-specific dummy variables to account for all time-invariant characteristics of each cross-sectional unit, effectively controlling for unobserved heterogeneity that could correlate with the explanatory variables. The LSDV estimator, while increasing the number of parameters due to the inclusion of dummy variables, offered a transparent and interpretable way to isolate the impact of key regressors while holding constant all unit-specific effects.

Operationalization and Data Sources

To fulfill the objective of this study, secondary data were collected from different sources. Data about government expenditure was collected from Government of Nepal, Ministry of Finance, Financial Comptroller General Office. This research has included cases/numbers of complaint lodged about the abuse of authority that has published by the Commission for the Investigation of Abuse of Authority in its annual reports. The study focused on all the corruption cases that were exposed by Commission for the Investigation of Abuse of Authority during the last 6 years, 2019 to 2024, for two reasons. First, all the number of complaints lodged about the abuse of authority gives a complete picture about the pattern and trend of corruption. Second, the corruption cases might be petty/small or grand/big.

Model and Variables

The main concern of this study is to determine the effect of government expenditure on complaint lodged about the abuse of authority. Recurrent expenditure is considered as the proxy of government expenditure and complaint lodged about the abuse of authority is considered as the proxy of corruption. *Equation* 1, 2 and 3 have been used to analyze the impact of government expenditure in complaint lodged about the abuse of authority (COMABU). In Equation 2 and 3 other variables also have been used as a control variable and this has been done to obtain an unbiased estimate of causal effect.

$$\text{COMABU}it = \beta 0 + \beta 1\, RECEXPit + uit \quad \ldots\ldots (1)$$

Where, i = each ministry and t = time, RECEXP is recurrent expenditure, COMABU *is* complaint lodged about the abuse of authority, u_{it} is error term, and $\beta 0$ and $\beta 1$ are regression parameters.

$$\text{COMABU}it = \beta 0 + \beta 1\, RECEXPit + \beta 2\, CAPEXPit + Vit \text{ ..... (2)}$$

Where, CAPEXP is capital expenditure, and $\beta 2$ is a regression parameter.

$$\text{COMABU}it = \beta 0 + \beta 1\, RECEXPit + \beta 2\, CAPEXPit + \beta 2\, BERit + Vit \text{ ..... (3)}$$

Where, BER is *beruju*, and $\beta 3$ is a regression parameter

$$\delta\text{COMABUt MOICS} \neq \delta\text{COMABUt MOEWRI} \neq \delta\text{COMABUt MOF} \neq \delta\text{COMABUt MAFFAIRS} \neq \delta\text{COMABUt MOALD} \neq \delta\text{COMABUt MODW} \neq \delta\text{COMABUt MOHA} \neq \delta\text{COMABUt MOCTCA} \neq \delta\text{COMABUt MOFE} \neq \delta\text{COMABUt MALLEVIATION} \neq \delta\text{COMABUt MOPIT} \neq \delta\text{COMABUt MWELFARE} \neq \delta\text{COMABUt MSPORTS} \neq \delta\text{COMABUt MOUD} \neq \delta\text{COMABUt MOCIT} \neq \delta\text{COMABUt MADMINISTRATION} \neq \delta\text{COMABU MOHPt} \neq \delta\text{COMABUt MSECURITY} \neq \delta\text{COMABUt MOEST} \neq \delta\text{COMABUt OPMCM} \text{ ..... (4)}$$

Where, OPMCM, MOF, MOICS, MOEWRI, MAFFAIRS, MOALD, MODW, MOHA, MOCTCA, MOFE, MALLEVIATION, MOPIT, MWELFARE, MSPORTS, MOUD, MOEST, MOCIT, MADMINISTRATION, MOHP, and MSECURITY are the 20 federal ministries of Nepal (please see Annex 5 further details)

Equation 4 has been created to examine if there are any significant differences in the complaint lodged about the abuse of authority across ministries.

$$\delta\text{COMABUt } 2024 \neq \delta\text{COMABUt } 2023 \neq \delta\text{COMABUt } 2022 \neq \delta\text{COMABUt } 2021 \neq \delta\text{COMABUt } 2020 \neq \delta\text{COMABUt } 2019 \text{ ..... (5)}$$

Equation 5 has been created to examine if there are any significant differences in the complaint lodged about the abuse of authority across times.

Econometric Issues and Data Analysis

Given that this study used a time series data, the diagnostic tests like multicollinearity test, autocorrelation test and heteroscedasticity test were done (please refer Annex 1, 2 and 3). For

the multicollinearity test, correlation between predictor variables and variance inflation factor (VIF) were done. The correlation coefficient values for predictor variables are found to be less than 0.8, VIF values are less than or equal to 1.05, and tolerance statistic are not below 0.2. From all these evidences, there seems no issue of collinearity in the data set. However, after incorporating ministry-wise dummy variable, two [i.e. capital expenditure (ratio scale) and Ministry of Physical Infrastructure and Transport (dummy variable)] of the VIF values and tolerance statistics are found to be problematic and they are omitted in the model (see Annex 1).

For the autocorrelation test, correlation between errors in the regression model was tested. Durbin–Watson test was done to check for serial correlations between errors in regression model. Specifically, it tests whether adjacent residuals are correlated, which is useful in assessing the assumption of independent errors (Field, 2017). After omitting two variables from the model [i.e. capital expenditure (ratio scale) and Ministry of Physical Infrastructure and Transport (dummy variable)], the Durbin–Watson value becomes 1.429. According to Field (2017), 'the test statistic can vary between 0 and 4, with a value of 2 meaning that the residuals are uncorrelated and values less than 1 or greater than 3 are cause for concern.' Since, in this study the Durbin–Watson value is 1.429, it is not a cause for concern to proceed further.

For the heteroscedasticity test, histogram of regression standardized residual, normal P-P plot of regression standardized residual and scatter plot of regression standardized residual and regression standardized predicted value were analyzed. The distribution is normal since the histogram is symmetrical and approximately bell-shaped (see Annex 3). The P-P plot figure (see Annex 3) depicted that the dots lie almost exactly along the diagonal, which also indicated a normal distribution and also suggested that the residuals are normally distributed (Field, 2017).

4. Results and Discussion

Time Fixed Effects (Year - Dummies)

One of the objectives of this study was to examine if there are any significant differences in the complaint lodged about the abuse of authority across times. Taking the 2076 as a reference

year, this study discovered that, in most of the cases (year 2077, 2078, 2079 and 2080) the slopes are negative and they are ranging from -30.23 to 75.32 (Annex 4). The negative slopes basically indicates that over the time number of complaint lodged about the abuse of authority are appeared to decrease.

The time fixed effects, captured across years, provide insights into systemic changes in complaint lodged about the abuse of authority over the observed period. Specifically, the slope for the year 2077 was -30.23 which indicates that the complaint lodged about the abuse of authority was 30.23 units lower compared to the base year (i.e. 2076), holding all else constant. Likewise, the slope for the year 2078 was -44.40 which indicates that the complaint lodged about the abuse of authority was 44.40 units lower compared to the base year (i.e. 2076), holding all else constant. Similarly, the slope for the year 2079 was -47.70 which indicates that the complaint lodged about the abuse of authority was 47.70 units lower compared to the base year (i.e. 2076), holding all else constant. As in the earlier years, the slope for the year 2080 was also negative with the slope value of 75.32 indicating that the complaint lodged about the abuse of authority was 75.32 units lower compared to the base year (i.e. 2076), holding all else constant. In reverse, the slope for the year 2081 was 42.88 which indicates that the complaint lodged about the abuse of authority was 42.88 units higher compared to the base year (i.e. 2076), holding all else constant. Though the complaint lodged about the abuse of authority was slightly higher than the base year, it is not statistically meaningful (p = .125).

Notably, the year 2080 exhibits a statistically significant negative coefficient (β = -75.32, p = .008), indicating a substantial reduction in number of complaints lodged about the abuse of authority relative to the reference year (i.e. 2076) across all ministries. While other years also show negative coefficients, these are not statistically significant, suggesting that — aside from 2080 — complaints lodged about the abuse of authority levels remained relatively stable over time across ministries. Other years do not show significant differences compared to the reference year, suggesting limited time variation in complaints lodged about the abuse of authority levels across the study period.

Findings revealed that coefficients for 2077 to 2079 are negative but coefficient for 2081 is positive and not statistically significant at conventional levels ($p > .05$). This indicates that, aside from 2080, corruption remained relatively stable across years. It suggests that though there are minor year-to-year variation, but they are not enough to draw strong conclusions. Findings of this study 'complaints lodged about the abuse of authority levels remained relatively stable over time across ministries' is consistent with other findings (Andrews, Pritchett, & Woolcock, 2017; Transparency International, 2022; World Bank, 2020) which have reflected either the persistence of structural factors influencing corruption or the absence of impactful system-wide reforms during the study period. It is difficult to experience transformative reform from the weakly acountable and limitedly enforced governance structure (Andrews, Pritchett, & Woolcock, 2017). As argued by the World Bank (2020), the stability in corruption levels may also reflect the ineffectiveness of anti-corruption initiatives, which often lack continuity, coordination, or enforcement capacity. Moreover, CIAA continues to operate under constraints, with limited scope and reduced deterrent effect (Transparency International, 2022). One positive explanations regarding the finding is that anti-corruption agencies like CIAA getting its chief/chief commissioner, in comparision to without chief/chief commissioner, has been effective and efficient (Adhikari, 2020). Historically, there have been instances where the CIAA operated without a Chief Commissioner due to political disagreements and delays in appointments. But, since 2018, CIAA has maintained continuous leadership within the commission with the Chief Commissioner and other Commissioners intact and inplace. Nevertheless, a statistically significant decline in complaints could be attributed to temporary administrative disruptions, lower citizen engagement, or reduced public reporting. As such, it may indicate a reporting anomaly or behavioral shift, rather than a substantive improvement in institutional performance or an improved integrity.

Ministry-Level Fixed Effects (Ministry - Dummies)

Another objective of this study was to examine if there are any significant differences in the complaint lodged about the abuse of authority across ministries. Taking the OPMCM (Office of the Prime Minister and Council of Ministers) as a reference ministry, this study discovered that, in all of the 19 ministries the slopes are positive ranging from 16.31 to 1870.88 (Annex 4). These

coefficients capture how corruption levels differ across ministries, holding other factors constant. These dummy coefficients reflect within-ministry variation over time. The positive slopes/coefficients suggest higher number of complaints lodged about the abuse of authority with those 19 ministries compared to the base/reference ministry (i.e. OPMCM). Moreover, positive and significant values mean complaints lodged about the abuse of authority is systematically higher in those ministries across the panel.

Several ministries exhibit statistically significant and positive fixed effects, implying that, on average, these ministries tend to experience higher levels of complaints lodged about the abuse of authority compared to the reference ministry (i.e. OPMCM). Significantly higher number of complaints lodged about the abuse of authority are appeared to find in the ministries like Ministry of Finance (MOF), Ministry of Industry, Commerce and Supply (MOICS), Ministry of Energy, Water Resources and Irrigation (MOEWRI), Ministry of Agriculture and Livestock Development (MOALD), Ministry of Drinking Water (MODW), Ministry of Home Affairs (MOHA), Ministry of Culture, Tourism and Civil Aviation (MOCTCA), Ministry of Forest and Environment (MOFE), Ministry of Land Management, Cooperative and Poverty Alleviation (MALLEVIATION), Ministry of Urban Development (MOUD), Ministry of Education, Science and Technology (MOEST), Ministry of Communications and Information Technology (MOCIT), Ministry of Federal Affairs and General Administration (MADMINISTRATION) and Ministry of Health and Population (MOHP).

Notably the Ministry of Finance (MOF) ($\beta = 443.72$, $p < .001$), Ministry of Industry, Commerce and Supply (MOICS) ($\beta = 242.76$, $p < .001$), Ministry of Energy, Water Resources and Irrigation (MOEWRI) ($\beta = 512.13$, $p < .001$), Ministry of Agriculture and Livestock Development (MOALD) ($\beta = 205.81$, $p < .001$), Ministry of Drinking Water (MODW) ($\beta = 179.73$, $p < .01$), Ministry of Home Affairs (MOHA) ($\beta = 756.95$, $p < .001$) , Ministry of Culture, Tourism and Civil Aviation (MOCTCA) ($\beta = 302.51$, $p < .001$), Ministry of Forest and Environment (MOFE) ($\beta = 233.95$, $p < .001$), Ministry of Urban Development (MOUD) ($\beta = 181.68$, $p < .01$), Ministry of Education, Science and Technology (MOEST) ($\beta = 921.73$, $p < .001$), Ministry of Communications and Information Technology (MOCIT) ($\beta = 214.26$, $p < .001$), Ministry of Federal Affairs and General

Administration (MADMINISTRATION) (β = 109.79, $p < .05$)and Ministry of Health and Population (MOHP) (β = 593.95, $p < .001$) show significantly high positive effects. A particularly extreme coefficient is observed for the Ministry of Land Management, Cooperative and Poverty Alleviation (MALLEVIATION), with a value of β = 1870.88 ($p < .001$), indicating unusually high reported complaints lodged about the abuse of authority, which may reflect an outlier, warranting further investigation.

Conversely, some ministries do not exhibit statistically significant deviations from the base/reference ministry, suggesting their complaints lodged about the abuse of authority levels are statistically indistinguishable from the reference ministry. Four of the ministries [i.e. Ministry of Law, Justice and Parliamentary Affairs (MAFFAIRS) (β = 16.31, $p > .05$), Ministry of Youth and Sports (MSPORTS) (β = 43.08, $p > .05$), Ministry of Women, Children and Social Welfare (MWELFARE) (β = 70.24, $p > .05$), and Ministry of Labour, Employment and Social Security (MSECURIT) (β = 54.51, $p > .05$)] were found to have positive slopes/coefficients but not-significant indicating that though they have higher number of complaints lodged about the abuse of authority but they are similar to the reference ministry (i.e. OPMCM).

The findings of ministry-specific dummy variables provide insight into the structural or institutional factors contributing to complaints lodged about the abuse of authority. It was found that certain ministries consistently report higher complaints lodged about the abuse of authority relative to the OPMCM, with the most notable effects in Ministry of Land Management, Cooperative and Poverty Alleviation (MALLEVIATION), Ministry of Education, Science and Technology (MOEST), Ministry of Home Affairs (MOHA), Ministry of Health and Population (MOHP), Ministry of Energy, Water Resources and Irrigation (MOEWRI) and Ministry of Finance (MOF). The fact that aforementioned ministries having higher complaints related to abuse of authority can be interpreted through both institutional characteristics and governance realities. Ministries like Ministry of Education, Science and Technology (MOEST), Ministry of Home Affairs (MOHA) and Ministry of Health and Population (MOHP) are heavily involved in direct service delivery to the public, which increases both the opportunity for misconduct and the visibility of corrupt or abusive behavior. Ministries like Ministry of Energy, Water Resources

and Irrigation (MOEWRI) and Ministry of Finance (MOF) control massive budgets, fund flows, and large infrastructure or utility projects. The Ministry of Land Management, Cooperative and Poverty Alleviation (MALLEVIATION) stands out with an exceptionally high and statistically significant coefficient, raising potential concerns about the presence of uniquely high systemic complaints lodged about the abuse of authority. Meanwhile, several ministries exhibit no statistically significant deviation from the base-ministry, indicating relatively moderate or comparable levels of complaints lodged about the abuse of authority over the period studied.

Land administration has historically been sources of dispute and corruption in Nepal due to issues surrounding land ownership and the capture of public land for private purpose or use. Land disputes often involve vulnerable populations and significant personal stakes, which leads to high reporting of grievances and corruption-related complaints. In recent years, Nepal has seen several cooperatives related fraud and financial mismanagement. There have been several allegations regarding embezzlement of billions of rupees through fake loans, illegal land transactions, and money laundering.

Relationship Between Government Expenditure and Complaint Lodged About the Abuse of Authority

This study employed a panel data regression framework to analyze the determinants of complaint lodged about the abuse of authority across various ministries and over multiple fiscal years in Nepal. The research model was structured around the Fixed Effects estimation technique, specifically using the Least Squares Dummy Variable (LSDV) approach, to control for unobserved heterogeneity among ministries and time-specific shocks. The dependent variable, complaint lodged about the abuse of authority, is modeled as a function of both continuous and categorical predictors. Continuous variables such as recurrent expenditure, capital expenditure, and unsettled audit irregularities (*beruju*) captured fiscal and administrative inputs, while ministry and year dummy variables accounted for fixed institutional and temporal effects, respectively. The inclusion of these dummy variables ensured that the analysis controls for all time-invariant characteristics unique to each ministry and any macroeconomic or policy changes affecting all ministries in a given year. This methodological design allows for a nuanced

understanding of both financial influences and structural governance patterns that contribute to variations in complaint lodged about the abuse of authority within Nepal's federal ministries.

Empirical results show that the magnitude of recurrent expenditure impact on complaint lodged about the abuse of authority is large enough (please see Annex 4). The results are robust and unaffected by multicollinearity, autocorrelation and heteroscedasticity. The regression model with continuous variables like recurrent expenditure, capital expenditure, unsettled audit irregularities (*beruju*) factors and time factor dummy and ministries dummy has explained complaint lodged about the abuse of authority exceptionally well, with strong goodness-of-fit indicators (R^2 and Adjusted R^2), and a manageable level of prediction error.

An *R* value of 0.985 suggested that the model's predictions are highly aligned with the actual data and indicated a very strong linear correlation between the observed values and the predicted values of the dependent variable (complaint lodged about the abuse of authority).

The *R* Square (R^2) value of 0.971 means that 97.1% of the variance in the dependent variable (complaints lodged about the abuse of authority) is explained by the model of this study. The value is found to be exceptionally high and indicated that the combination of predictors - year dummies, ministry dummies, and continuous variables like recurrent expenditure, capital expenditure, and unsettled audit irregularities (*beruju*) - collectively account for nearly all variation in the corruption data. It suggested that the model has strong explanatory power.

The adjusted R^2 value of 0.963 is still exceptionally high crucial in this study. It is the corrected value that corrects for the number of predictors in the model. Since the model of this study includes many dummy variables, this correction is crucial. While slightly lower than R^2, an Adjusted R^2 of 0.963 is still very high, indicating that even after adjusting for the number of predictors, 96.3% of the variance is still explained by the model. This means that adding the predictors did not artificially inflate the model's performance, and most are contributing meaningful information.

The ANOVA results of this study (please see Annex 4) indicate that the regression model is highly significant ($p < 0.001$) and that the combination of continuous variables like recurrent

expenditure, capital expenditure, unsettled audit irregularities (*beruju*) factors and time factor dummy and ministries dummy meaningfully explains variation in complaint lodged about the abuse of authority. This has validated the model's overall usefulness in identifying drivers of complaint lodged about the abuse of authority in Nepal.

The key objective of this study was to examine if there is any significant relationship between the government expenditure and complaint lodged about the abuse of authority. If capital expenditure is considered as a proxy of government expenditure, the hypothesis that 'government expenditure and complaint lodged about the abuse of authority are related' was found to be rejected as per the findings of this study. Findings revealed that neither capital expenditure nor unsettled audit irregularities (*beruju*) were significant predictors of complaint lodged about the abuse of authority (please see Annex 4). Capital expenditure was found to be a negative predictor of complaint lodged about the abuse of authority, but was insignificant (β = -2.21E-09, $p > .05$), whereas, unsettled audit irregularities (*beruju*) was found to be a positive predictor of complaint lodged about the abuse of authority, but still insignificant (β = 2.58E-06, $p > .05$). Finding of this study with insignificant relationship between capital expenditure and complaint lodged about the abuse of authority is inconsistent with past findings (Knack & Keefer, 1995; Johnny, 2018) and consistent with the findings of Jonney (2018). Whereas, Knack and Keefer (1995) have found evidence of a significant relationship between higher levels of corruption and lower rates capital investment, Jonney (2018) discovered two-way cause and effect between capital expenditure and complaint lodged about the abuse of authority. As per Jonney, "corruption affects capital expenditure negatively but not significant. And, on the other hand, it was capital expenditure in Nigeria that do influence corruption greatly." However, he has warned that the direction of impact varies with time and the variable of measurement.

As discovered by this study, the insignificant relationship between capital expenditure and complaint lodged about the abuse of authority is a surprising finding to discuss. It indicated that capital expenditure is not being effective in significantly determining complaint lodged about the abuse of authority. This was against the expectation that the increased capital expenditure is hyping the complaint lodged about the abuse of authority across federal ministries. Usually, a

large portion of the capital budget remains unspent or is hurriedly spent toward the end of the fiscal year in Nepal. It is considered as a poor execution and delayed implementation of capital expenditure. Due to such delays, the public does not experience the intended impact of capital investments, such as infrastructure or public services, in real time. As a result, there may be fewer immediate complaints lodged related to abuse of authority that are directly linked to capital spending. This is because the projects either haven't started, are incomplete, or are poorly executed and the time duration is too short to scrutinize.

Another possible reason behind the insignificant relationship between capital expenditure and complaint lodged about the abuse of authority may be due to citizens or stakeholders unable to track misuse or pinpoint responsibility. In most of the cases, capital expenditure often involves large-scale, technically complex projects (e.g., roads, hydropower, or buildings), many of which are outsourced to contractors and handled through multi-layered procurement processes. These projects can be opaque, making it difficult for citizens and general public with lack of transparency and technical knowledge among them.

In Nepal, most complaints related to the abuse of authority are lodged in sectors such as service delivery, public administration, land management, and law enforcement. These areas are more closely tied to recurrent expenditure, including salaries, permits and daily operations. Since capital expenditure is not often perceived as the direct cause of bureaucratic hassles, bribery, or favoritism, or citizens/actors engaged in the transactions of capital expenditure are used to in paying such bribes, it may tend to escape from lodging the complaints.

Importantly, if recurrent expenditure is considered as a proxy of government expenditure, the hypothesis that 'government expenditure and complaint lodged about the abuse of authority are related' was found to be accepted as per the findings of this study. Findings revealed that recurrent expenditure was significant predictors of complaint lodged about the abuse of authority (please see Annex 4). Notably, recurrent expenditure was found to be a positive and significant predictor (β = 1.31E-09, $p < .05$) of complaint lodged about the abuse of authority, holding other factors like capital expenditure, unsettled audit irregularities (*beruju*), time factor (dummy) and ministries (dummy) constant. Although all the continuous control variables like

capital expenditure, unsettled audit irregularities (*beruju*) are found to have insignificant relationship with complaint lodged about the abuse of authority, many of the fixed-effect dummy control variables like time factor and ministries are found to have significant relationship with complaint lodged about the abuse of authority. Finding of this study with significant positive relationship between recurrent expenditure and complaint lodged about the abuse of authority is consistent with past findings (Johnny, 2018; Mauro, 1998; Monte & Pennacchio, 2020; D'Agostino et al., 2016; Wu et al., 2017).

Mauro (1998) states that corruption is negatively associated with government expenditure. Johnny (2018) argues that government expenditure on capital and recurrent goods or services seems to be a waste of resources and to the detriment of the taxpayers and the public in general as the economy does not physically depict the level of development (Johnny, 2018). Tanzi and Davoodi argue that the total amount of expenditure is artificially inflated by the sums embezzled or bribed when public decisionmakers are corrupt, particularly in a "bureaucratic" regime. Government expenditure contributes to increased public debt but does not reinforce the damaging effect of corruption, but, public spending reduces the damaging impact of corruption (Monte & Pennacchio, 2020). D'Agostino et al. (2016) states that corruption tends to lead to lower growth, hampering both private and government investment spending, and inhibiting the efficiency of public services. Likewise, Wu et al. (2017) explains the inter-connectedness between corruption and government expenditure and provides explanations of their cause-effect relationship.

As discovered by this study, the significant relationship between recurrent expenditure and complaint lodged about the abuse of authority is defined by a mixture of several factors. Recurrent expenditure largely covers operational costs such as salaries, administrative services, office maintenance, allowances, and travel expenses. The more the recurrent spending, the greater the volume of such interactions regarding service coverage. This coverage thereby raises the likelihood of corrupt acts being perceived and formally reported. In Nepal, citizens frequently interact with public officials for services such as passport issuance, land registration, license renewals, social security disbursement, and education or health-related services. These

interactions often involve opportunities for rent-seeking behavior or delays, leading citizens to suspect and lodge complaint about the abuse of authority.

Likewise, since recurrent expenditures are directly related with services and personnel that are constantly in the public eye, any inefficiency or misconduct is more easily observable and attributable. For instance, if a government hospital mismanages funds leading to lack of basic medicines or if an administration officer does wrongdoings, citizens can trace the problem easily. In the context of Nepal, these days where social platforms are increasingly vigilant, such instances often escalate into formal complaints about abuse of authority, particularly if there is a perception/experience of mismanagement and wrongdoings.

Unlike capital expenditure, which often undergoes project-based planning and monitoring, recurrent spending lacks stringent output-based monitoring. In many government offices in Nepal, oversight of how administrative funds are used - such as those for travel, fuel, or allowances - is weak or non-transparent. This opens the door for misuse of state resources which are easily noticed by coworkers, whistleblowers, or citizens engaging with the system. These repeated, often visible misuses of funds or authority become grounds for filing complaints with the Commission for the Investigation of Abuse of Authority.

There are several ways in which this research can be extended in the future. A first direction to extend this work consists of examining the government expenditure and the complaints about abuse of authority by employing larger dataset, at least of 10 years. A second way of improving this study depends on adding more relevant variables in the model. While the definitions are conceptually clear, in practice, the overlap between capital and recurrent expenditures is significant. A third mode of improving this study rests in the better classification between then. This study is purely based on complaints about abuse of authority published by the CIAA. If there is any biasness in the complaints reporting then this study might have affected. A fourth direction to extend this work consists of using corruption experience related data.

5. Conclusion

The paper attempted to analyze the possibility that government expenditure contributes to corruption with an emphasis on the impact of recurrent expenditure and capital expenditure on complaint lodged about the abuse of authority, based on data by federal ministries over the last 6 years.

The study clearly reveals insignificant relationship between capital expenditure and complaint lodged about the abuse of authority, whereas, significant relationship between recurrent expenditure and complaint lodged about the abuse of authority. Specifically, the study discovered that aside from the year 2080, corruption remained relatively stable across years with the implication that though there are minor year-to-year variation, but they are not enough to draw strong conclusions. The findings of ministry-specific dummy variables provide insight into the structural or institutional factors contributing to complaints lodged about the abuse of authority. It was found that certain ministries consistently report higher complaints lodged about the abuse of authority. Ministries with high complaint levels must be prioritized for enhanced internal auditing and compliance mechanisms but having interventions on corruption within a ministry alone may not help country like Nepal to achieve zero-tolerance towards abuse of authority or corruption. Using real-time expenditure tracking systems, particularly in procurement-heavy ministries like MOF and MOEWRI are equally crucial in controlling abuse of authority. Specifically, publishing information online in a citizen-friendly format and developing digital dashboards to show real-time service delivery progress serve as contributing factor in fighting against corruption. For the long-term efforts, the government should target corruption controlling institutional reforms, strong surveillance and monitoring, transparency-enhancing measures, and citizen empowerment and engagement to address the disproportionately high levels of abuse of authority in certain ministries. Furthermore, efforts in systemic vulnerability reduction, not just post-incident enforcement is equally important.

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Annexes

Annex 1: VIF Ranges of the Variables for Multicollinearity Test

Collinearity Statistics for the Ratio Scale Variables		
	Tolerance	VIF
Recurrent	1.000	1.000
Capital	.951	1.052
Beruju	.951	1.052

Collinearity Statistics for All Variables (Scale and Nominal)		
	Tolerance	VIF
Recurrent	.210	4.753
Capital	.036	28.075
Beruju	.364	2.748
1 = Mof	.278	3.599
1 = Moics	.470	2.126
1 = Moewri	.328	3.048
1 = Maffairs	.450	2.222
1 = Moald	.471	2.124
1 = Modw	.470	2.128
1 = Moha	.238	4.201
1 = Moctca	.465	2.149
1 = Mofe	.486	2.060
1 = Mallevia	.459	2.181
1 = Mopit	.043	23.403
1 = Mwelfare	.451	2.218
1 = Msports	.459	2.178
1 = Moud	.375	2.670
1 = Moest	.415	2.408
1 = Mocit	.453	2.206
1 = Madminis	.518	1.930
1 = Mohp	.519	1.927
1 = Msecurit	.452	2.213
1 = 2081	.583	1.715
1 = 2080	.583	1.715
1 = 2079	.582	1.718
1 = 2078	.517	1.934
1 = 2077	.528	1.895

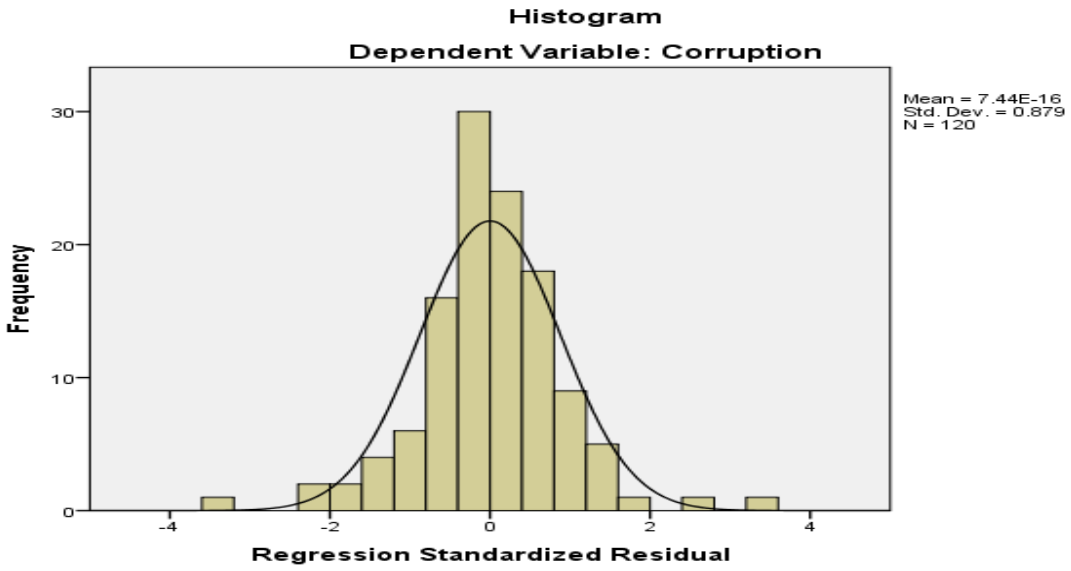
Collinearity Statistics After Omitting 2 Variables from the Model (Scale and Nominal)		
	Tolerance	VIF
Recurrent	.263	3.795
Beruju	.415	2.408
1 = Mof	.462	2.163
1 = Moics	.652	1.533
1 = Moewri	.670	1.492
1 = Maffairs	.643	1.556
1 = Moald	.678	1.475
1 = Modw	.664	1.505
1 = Moha	.289	3.466
1 = Moctca	.655	1.526
1 = Mofe	.660	1.516
1 = Mallevia	.674	1.483
1 = Mwelfare	.642	1.557
1 = Msports	.648	1.542
1 = Moud	.670	1.492
1 = Moest	.654	1.529
1 = Mocit	.684	1.462
1 = Madminis	.679	1.472
1 = Mohp	.688	1.454
1 = Msecurit	.646	1.549
1 = 2081	.585	1.709
1 = 2080	.592	1.688
1 = 2079	.589	1.699
1 = 2078	.538	1.859
1 = 2077	.535	1.868

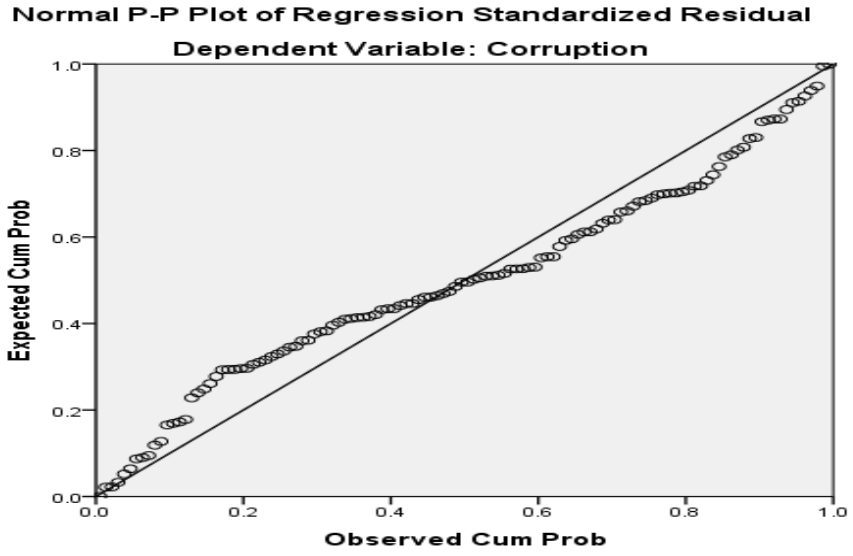
Annex 2: Durbin-Watson Value for the Variables (Autocorrelation Test)

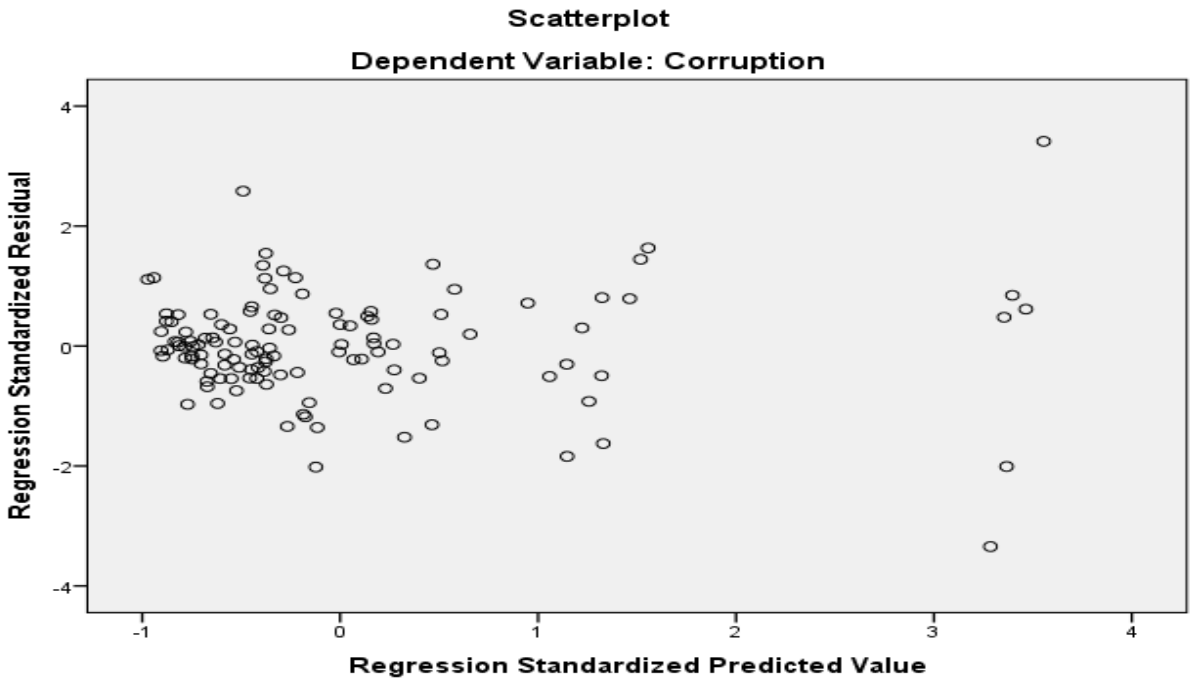
Durbin-Watson Value for All Variables (Scale and Nominal)					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.985[a]	.971	.963	86.23421	2.076
a. Predictors: (Constant), 1 = 2077, 1 = Msecurit, 1 = Mohp, 1 = Madminis, 1 = Mocit, 1 = Moest, 1 = Maffairs, 1 = Moewri, 1 = Moics, 1 = Mwelfare, 1 = 2078, 1 = Mopit, 1 = Mallevia, 1 = Mofe, 1 = Moctca, 1 = Mof, 1 = 2079, 1 = Moha, 1 = Modw, 1 = 2080, 1 = Moald, 1 = Msports, 1 = 2081, 1 = Moud, Beruju, Recurrent, Capital					
b. Dependent Variable: Corruption					

Durbin-Watson Value After Omitting 2 Variables from the Model (Scale and Nominal)					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.976[a]	.953	.941	108.72093	1.429
a. Predictors: (Constant), 1 = 2077, 1 = Msecurit, 1 = Mohp, 1 = Madminis, 1 = Mocit, 1 = Moest, 1 = Maffairs, 1 = Moewri, 1 = Moics, 1 = Mwelfare, 1 = 2078, 1 = Mallevia, 1 = Mofe, 1 = Moctca, 1 = Moha, 1 = Modw, 1 = 2079, 1 = Moald, 1 = Mof, 1 = 2080, 1 = Msports, 1 = Moud, 1 = 2081, Beruju, Recurrent					
b. Dependent Variable: Corruption					

Annex 3: Histogram, P-P Plot and Scatterplot (Heteroscedasticity Test)






Scatterplot
Dependent Variable: Corruption
Regression Standardized Residual
Regression Standardized Predicted Value
4
2
0
-2
-4
-1
0
1
2
3
4

Annex 4: Model Summary, ANOVA and Coefficients

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.985[a]	.971	.963	86.23421
a. Predictors: (Constant), 1 = 2077, 1 = Msecurit, 1 = Mohp, 1 = Madminis, 1 = Mocit, 1 = Moest, 1 = Maffairs, 1 = Moewri, 1 = Moics, 1 = Mwelfare, 1 = 2078, 1 = Mopit, 1 = Mallevia, 1 = Mofe, 1 = Moctca, 1 = Mof, 1 = 2079, 1 = Moha, 1 = Modw, 1 = 2080, 1 = Moald, 1 = Msports, 1 = 2081, 1 = Moud, Beruju, Recurrent, Capital				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23054880.176	27	853884.451	114.826	.000[b]
	Residual	684143.124	92	7436.338		
	Total	23739023.300	119			
a. Dependent Variable: Corruption						
b. Predictors: (Constant), 1 = 2077, 1 = Msecurit, 1 = Mohp, 1 = Madminis, 1 = Mocit, 1 = Moest, 1 = Maffairs, 1 = Moewri, 1 = Moics, 1 = Mwelfare, 1 = 2078, 1 = Mopit, 1 = Mallevia, 1 = Mofe, 1 = Moctca, 1 = Mof, 1 = 2079, 1 = Moha, 1 = Modw, 1 = 2080, 1 = Moald, 1 = Msports, 1 = 2081, 1 = Moud, Beruju, Recurrent, Capital						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	74.347	45.462		1.635	.105
	Recurrent	1.310E-009	.000	.091	2.361	.020
	Capital	-2.208E-009	.000	-.101	-1.076	.285

	Beruju	2.576E-006	.000	.032	1.082	.282
	1 = Mof	443.722	68.523	.217	6.476	.000
	1 = Moics	242.764	52.667	.119	4.609	.000
	1 = Moewri	512.130	63.057	.251	8.122	.000
	1 = Maffairs	16.314	53.841	.008	.303	.763
	1 = Moald	205.818	52.639	.101	3.910	.000
	1 = Modw	179.731	52.688	.088	3.411	.001
	1 = Moha	756.949	74.029	.371	10.225	.000
	1 = Moctca	302.508	52.949	.148	5.713	.000
	1 = Mofe	233.947	51.837	.115	4.513	.000
	1 = Mallevia	1870.885	53.342	.917	35.074	.000
	1 = Mopit	581.315	174.734	.285	3.327	.001
	1 = Mwelfare	70.244	53.792	.034	1.306	.195
	1 = Msports	43.077	53.304	.021	.808	.421
	1 = Moud	181.676	59.022	.089	3.078	.003
	1 = Moest	921.732	56.047	.452	16.446	.000
	1 = Mocit	214.263	53.648	.105	3.994	.000
	1 = Madminis	109.793	50.179	.054	2.188	.031
	1 = Mohp	593.952	50.146	.291	11.844	.000
	1 = Msecurit	54.512	53.735	.027	1.014	.313
	1 = 2081	42.881	27.666	.036	1.550	.125
	1 = 2080	-75.323	27.666	-.063	-2.723	.008
	1 = 2079	-47.700	27.683	-.040	-1.723	.088
	1 = 2078	-44.398	29.376	-.037	-1.511	.134
	1 = 2077	-30.233	29.076	-.025	-1.040	.301
a. Dependent Variable: Corruption						

Annex 5: List of Federal Ministries Used in the Study and Their Acronyms

	Ministry
OPMCM	Office of PMCM
MOF	Ministry of Finance
MOICS	Ministry of Industry, Commerce and Supply
MOEWRI	Ministry of Energy, Water Resources and Irrigation
MAFFAIRS	Ministry of Law, Justice and Parliamentary Affairs
MOALD	Ministry of Agriculture and Livestock Development
MODW	Ministry of Drinking Water
MOHA	Ministry of Home Affairs
MOCTCA	Ministry of Culture, Tourism and Civil Aviation
MOFE	Ministry of Forest and Environment
MALLEVIATION	Ministry of Land Management, Cooperative and Poverty Alleviation
MOPIT	Ministry of Physical Infrastructure and Transport
MWELFARE	Ministry of Women, Children and Social Welfare
MSPORTS	Ministry of Youth and Sports
MOUD	Ministry of Urban Development
MOEST	Ministry of Education, Science and Technology
MOCIT	Ministry of Communications and Information Technology
MADMINISTRATION	Ministry of Federal Affairs and General Administration
MOHP	Ministry of Health and Population
MSECURITY	Ministry of Labour, Employment and Social Security