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Article

Impact of Inflation on Government and Private Schools and College Operational Costs

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Name of Author:
Prof. Saroj Dayashankar Jha[1], Preksha Patil[2], Nikhil Singh[3], Shwetal Arekar4, Akshara Singh[5] and Shraddha Chauhan[6]

Affiliation:
[1]Assistant Professor, Department of Accountancy, St. John College of Humanities and Sciences (Autonomous), Palghar 401404, University of Mumbai, India.
[2]Department of BAF, St. John College of Humanities and Sciences (Autonomous), Palghar 401404, University of Mumbai, India.
[3]Department of BAF, St. John College of Humanities and Sciences (Autonomous), Palghar 401404, University of Mumbai, India.
[4]Department of BAF, St. John College of Humanities and Sciences (Autonomous), Palghar 401404, University of Mumbai, India.
[5]Department of BAF, St. John College of Humanities and Sciences (Autonomous), Palghar 401404, University of Mumbai, India.
[6]Department of BAF, St. John College of Humanities and Sciences (Autonomous), Palghar 401404, University of Mumbai, India.

Corresponding Author:
Prof. Saroj Dayashankar Jha

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Abstract: Inflation, understood as the sustained rise in the general price level of goods and services, has become a major factor shaping economic stability and social welfare around the world. In India, its impact reaches far beyond broad economic indicators and affects essential social sectors, particularly education. This study examines how inflation reshapes the operational costs of both government and private educational institutions—schools as well as colleges—by looking closely at their structural, administrative, and financial responses. While inflation reduces the purchasing power of households, it also puts significant pressure on educational institutions that must manage rising costs despite having limited and often inflexible income sources. The research explores how this economic pressure affects daily operations, staffing patterns, quality of learning, and the long-term sustainability of educational systems. Government institutions depend largely on fixed public budgets and grants that do not automatically adjust when inflation rises. As the prices of utilities, food, learning materials, and salaries increase, the real value of these funds shrinks, creating operational challenges and resource shortages. Private institutions, on the other hand, depend almost entirely on tuition fees. When inflation pushes their costs up, they often respond with annual fee hikes—usually between 7 and 15 percent—to compensate. However, these increases raise serious affordability concerns for families and can lead to protests or decreased student enrollment. Overall, the study finds that inflation is a systemic issue that affects educational equity, quality, and long-term sustainability. Addressing these challenges requires measures such as inflation-linked budgeting, timely release of government funds, stronger public–private partnerships, and diversified revenue streams. These steps are essential to easing financial stress on institutions while ensuring that education remains both affordable and high in quality.

Keywords: Inflation, Educational Institutions, Operational Costs, Affordability, Educational Sustainability.

INTRODUCTION

Inflation refers to the general rise in prices and the resulting decline in the purchasing power of money. It is a persistent issue that affects every part of the economy. The International Monetary Fund defines inflation as the rate at which prices increase over time, usually measured each year using a representative basket of goods and services. In India,

inflation is mainly tracked through the Consumer Price Index, which records the average change in prices paid by urban consumers. The Reserve Bank of India follows a flexible inflation-targeting approach, aiming to keep inflation at 4 percent with a tolerance range of plus or minus 2 percent. This helps maintain price stability while supporting economic growth and shaping public expectations.

Inflation can arise from demand-pull, cost-push, and monetary factors. Demand-pull inflation happens when overall demand exceeds production capacity, which in education can lead to higher fees in private schools and colleges. Cost-push inflation results from rising input costs such as wages, electricity, fuel, and imported materials, all of which directly affect educational institutions. India's inflation has shown volatility. After the COVID-19 pandemic pushed inflation to 6.6 percent in 2020 and 6.7 percent in 2022, it declined sharply to 1.55 percent in July 2025 due to falling food prices. However, economists believe this low level may not last.

The impact on education is significant because the sector is labor-intensive and dependent on energy and imported materials. When costs rise, institutions must either raise user charges, reducing affordability, or cut quality, which harms students. Education inflation has regularly surpassed overall inflation. Even though headline inflation was 1.55 percent in July 2025, the education index increased by 4.0 percent. This shows persistent cost pressures driven by rising staff salaries, digital learning tools, infrastructure needs, and compliance requirements. For middle-income households, this becomes part of a broader "cost of services inflation," which affects essential services necessary for upward mobility. The growing dependence on imported learning tools also exposes schools to currency fluctuations, adding further financial strain.

1. Institutional Context and Operational Costs

1.1 Government and Private Institutions in Indian Education

India's education sector is one of the largest and most diverse in the world. Institutions are broadly categorized as government or private. Government schools are funded and administered by the central, state, and local governments through taxes and public grants. Their main purpose is to offer affordable or free education, especially for socially and economically disadvantaged groups. Policies such as the Right to Education Act and the Midday Meal Scheme highlight the government's commitment to inclusive education.

Private institutions, established by trusts or corporate bodies, depend on student fees, private investments, and enterprise. They generally serve middle- and high-income families who seek high-quality education, English-medium instruction, modern facilities, and diverse activities. Private colleges now account for more than 70 percent of all colleges in India.

Financial sustainability is a major difference between the two sectors. Government schools are highly vulnerable to inflation because they operate with fixed budgets that do not adjust automatically when prices rise. This leads to staff shortages and delays in infrastructure maintenance. Private institutions can adjust fees to match rising costs, helping maintain quality, but often making education less affordable for many families.

1.2 Understanding Operational Costs in Schools and Colleges

Operational costs refer to the recurring daily expenses that allow institutions to function. They differ from capital costs and include both fixed and variable expenses.

Personnel costs include salaries, benefits, and allowances for teaching and non-teaching staff. Facility and maintenance costs include water, electricity, cleaning, and repairs, which ensure safe and functional environments. Supplies and consumables include textbooks, stationery, lab materials, and digital tools. Technology and infrastructure costs include computer labs, smart classrooms, and digital administrative systems. Student welfare services include meals, counseling, sports, and extracurricular activities, all of which support well-being and retention.

Effective management of these costs is essential for maintaining learning continuity and preparing students for future challenges.

1.3 Challenges Faced by Government Educational Institutions

Government institutions face serious difficulties when inflation rises, mainly because their budgets remain fixed while costs increase.

Fixed budgets do not adjust quickly to changes in electricity, water, maintenance, and food prices, leading to financial gaps. The Midday Meal Program, serving over 120 million children, struggles to maintain quality when food prices rise. Even though allowances were revised in 2025, costs still increased faster, forcing some schools to reduce portions or remove nutrient-rich items.

The rising cost of textbooks due to increases in paper, ink, and transportation has delayed distribution, especially in states like Rajasthan and Uttar Pradesh, where students began the academic year without materials. Scholarships lose real value as inflation

rises, making previously meaningful amounts inadequate.

Teacher salaries, revised slowly through mechanisms like Pay Commissions, fail to keep up with inflation. As a result, teachers face reduced real income, lower motivation, and increased frustration. Delays in releasing government funds further complicate operations. Schools have reported borrowing from local vendors to continue meal programs until funds arrive.

1.4 Inflation's Impact on Private Educational Institutions

Private institutions rely mostly on tuition fees, making them sensitive to rising costs.

To manage higher expenses in salaries, utilities, and technology, they often increase fees by 7 to 15 percent annually. Over a decade, private school fees have increased by 169 percent, placing pressure on families and leading to protests or reduced enrollment. When fee increases are restricted, cost-cutting measures are introduced, such as larger class sizes, hiring less experienced staff, cutting extracurricular programs, or delaying infrastructure upgrades. These actions affect educational quality and staff morale.

Inflation also reduces the real value of teacher salaries, leading to high turnover. Salary growth in 2025 is expected to be only 3 to 5 percent, far below education inflation rates of 8 to 12 percent. Without government support, private institutions must carefully balance financial sustainability and affordability. Some adopt energy-efficient systems or diversify income sources, but these require investment and planning.

1.5 The Need to Study Operational Cost Burden Under Inflation

Inflation has become an unavoidable long-term challenge for educational institutions, making it increasingly difficult to cover essential expenses such as salaries, utilities, and maintenance. These financial pressures affect students directly, often through larger class sizes, reduced programs, or outdated materials. Institutions in rural or low-income areas suffer the most, widening the gap between well-resourced and under-resourced schools.

Teachers also face shrinking real income when wages do not keep pace with inflation, contributing to burnout and high attrition. Despite these widespread consequences, research and policy discussions have not sufficiently addressed the link between inflation and operational costs. There is a strong need for inflation-indexed education budgets so that school funding automatically rises with the cost of living.

LITERATURE REVIEW

The literature confirms that education is highly inflation-sensitive due to its labour-intensive and service-oriented nature.

- Tilak (1980s): Provided the systematic taxonomy of education costs, showing that India's salary-heavy cost structure makes the system sensitive to inflation, with resource cuts first visible in maintenance and quality inputs.
- Brookings Institution (2019, 2022): Documented the growing shift of financial burden from the government to households due to stagnated public allocations. Conceptual studies explained that universities face a "cost disease" because their labor- and service-intensive nature causes costs to grow faster than the general CPI.
- Raza (2020): Analyzed cost patterns in Indian higher education, finding operational costs (manpower, maintenance, utilities) rising faster than funding between 2000–2019. This led state universities to impose hiring freezes and private colleges to diversify revenue
- Yurtseven (2024): Cross-country study highlighting that private schools partially absorb inflation through deferred maintenance or larger classes, and recommending temporary subsidies to maintain quality without excessive fee growth.
- Education Inflation Trends (2025): Reports show that education costs across India are escalating much faster than general inflation, with an annual education inflation rate of 11–12%, nearly twice the overall CPI (~6%),.
- PM POSHAN and RTE Costs (2025): The PM POSHAN (mid-day meal) scheme saw a 5% increase in material cost (raising primary allowance to ₹6.78), aiming to counteract food price inflation. However, private unaided schools in Maharashtra continue to receive a stagnant RTE reimbursement of ₹17,670 per student, which fails to cover operational costs amid rising inflation.
- Bhattacharjee (2017): Explored how rising commodity prices force low- and middle-income families to prioritize basic needs over education, making professional courses unaffordable and deepening socioeconomic disparities in access.
- Wang and Kimura (2024): Concluded that rising operational costs restrict the accessibility of private schools for middle-income families and recommended blended models, such as Public-Private Partnerships

(PPPs), to sustain quality while managing costs.

Objective

- The study explores how inflation raises the operational costs of government and private schools and colleges.
- It compares how both sectors are affected differently because of their distinct funding and financial structures.
- It examines how institutions cope with rising expenses through budget changes, resource adjustments, and fee increases.
- It looks at how inflation impacts education quality, staff hiring, student affordability, and infrastructure.
- It aims to offer practical recommendations to help institutions stay financially stable and ensure fair access to quality education.

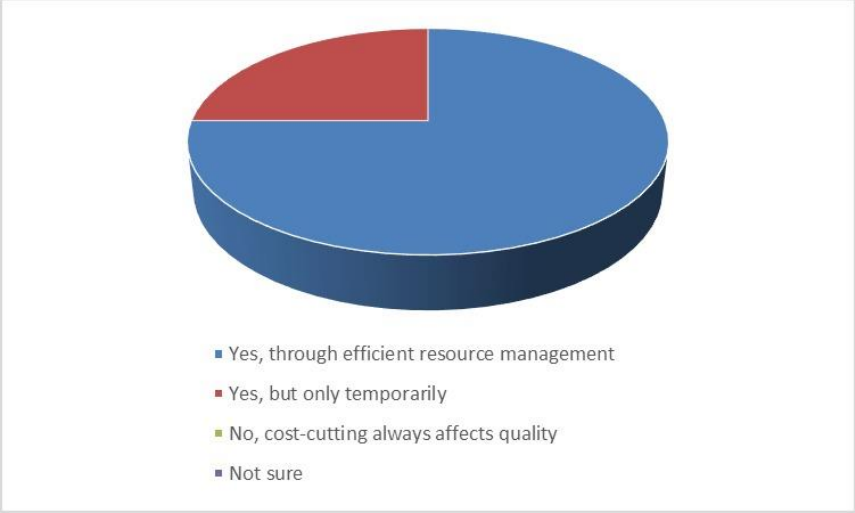
METHODOLOGY

- The study used a descriptive mixed-method design with a deductive approach to examine measurable links between inflation and institutional spending.
- Four institutions (two government, two private) were selected through purposive sampling.
- Data was collected through interviews with administrators, questionnaires for staff, and secondary sources like reports and inflation statistics.
- Thematic analysis was used for qualitative data, while descriptive statistics (mean, median, SD) were applied to quantitative data.
- A comparative analysis highlighted differences in how inflation affects government vs. private institutions.
- The study focuses on operational costs (wages, utilities, materials) but is limited by the small sample size and reliance on self-reported financial data.

Data Interpretation

The following graph clearly illustrates how inflation is impacting different operational areas in both private and government schools and colleges.

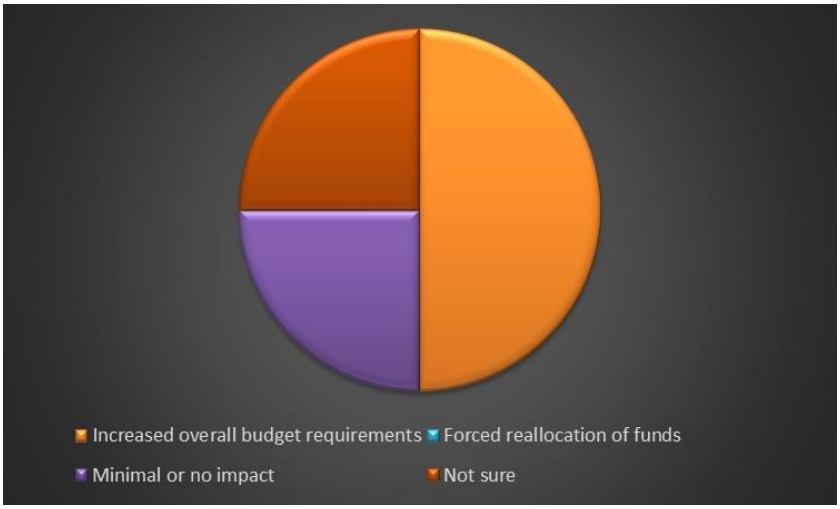
1.Can schools and colleges reduce certain expenditures without compromising quality?



Response	Percentage
Yes, through efficient resource Management	75%
Yes, but only temporarily	25%
No, cost-cutting always affects quality	0%
Not sure	0%

Most respondents (75%) believe schools can reduce expenses through efficient resource management, showing confidence in strategic planning. A smaller group (25%) thinks savings are only temporary, suggesting limits to long-term cost-cutting.

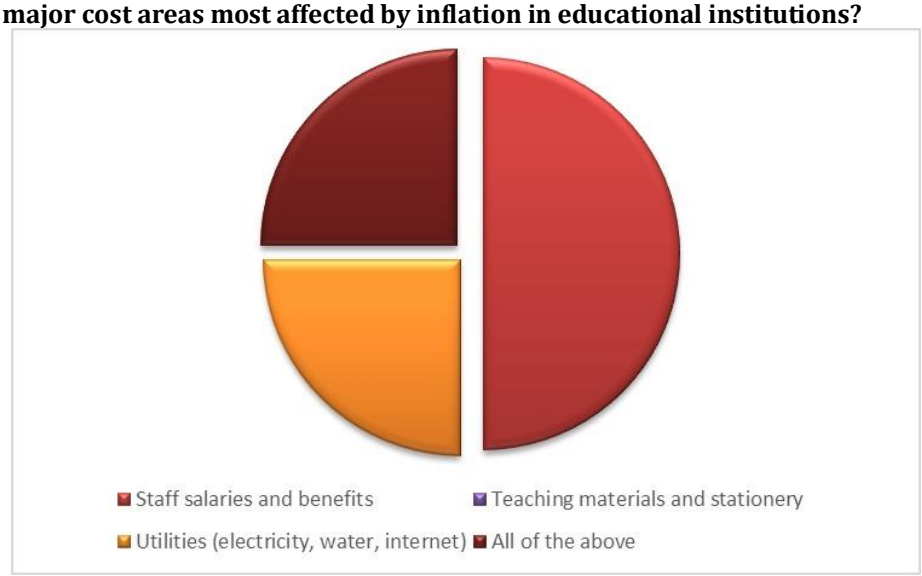
2. How has inflation impacted the annual budget planning in schools and colleges?



Response	Percentage
Increased overall budget requirements	50%
Forced reallocation of funds	0%
Minimal or no impact	25%
Not sure	25%

Half of the respondents (50%) report that inflation has increased overall budget requirements, showing a noticeable financial strain. Meanwhile, 25% feel the impact is minimal, and another 25% are unsure, indicating that inflation affects institutions differently.

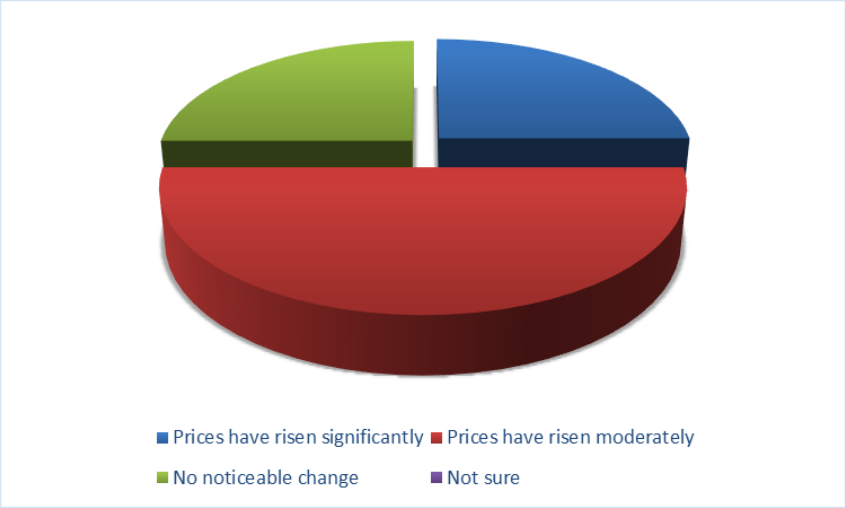
3.What are the major cost areas most affected by inflation in educational institutions?



Response	Percentage
Staff salaries and benefits	50%
Teaching materials and stationery	0%
Utilities (electricity, water, internet)	25%
All of the above	25%

A large portion (50%) believe staff salaries and benefits are the most affected by inflation, showing pressure on human resource budgets. Another 25% point to rising utility costs, while 25% feel all areas are affected, suggesting widespread inflation impact.

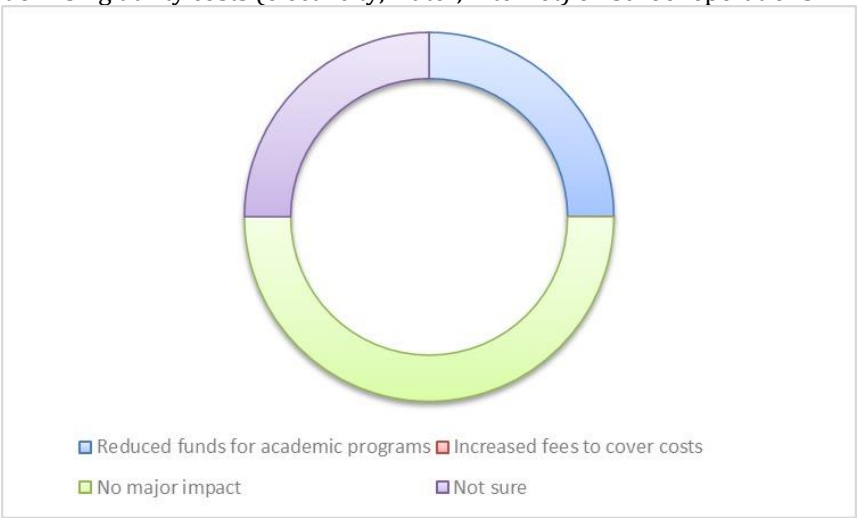
4.How does inflation the cost of teaching materials, books, and stationery?



Response	Percentage
Prices have risen significantly	25%
Prices have risen moderately	50%
No noticeable change	25%
Not sure	0%

Half the respondents (50%) say teaching materials have become moderately more expensive, while 25% report significant increases. Another 25% see no change, which shows that inflation does not affect all schools in the same way.

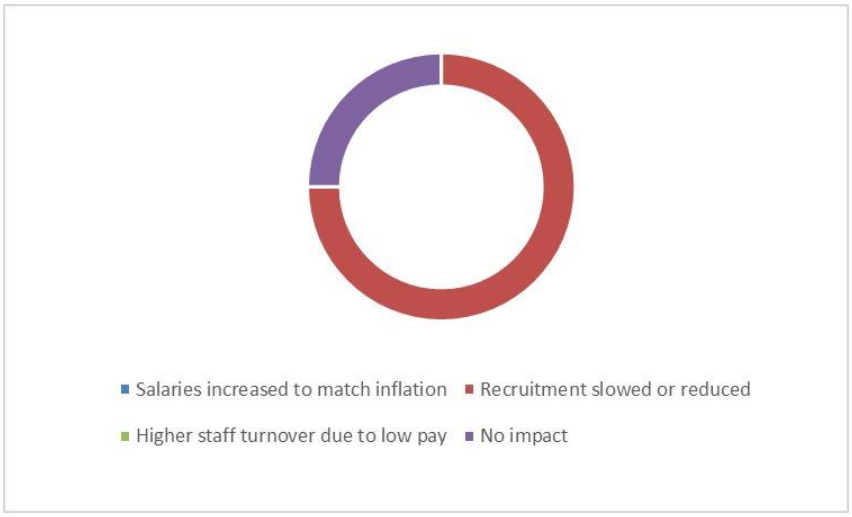
5.What is the impact of rising utility costs (electricity, water, internet) on school operations?



Response	Percentage
Reduced funds for academic programs	25%
Increased fees to cover costs	0%
No major impact	50%
Not sure	25%

For 25%, rising utility costs reduce funds available for academic programs. However, 50% report no major impact, showing that some schools manage these costs better. Another 25% are unsure, reflecting varied institutional experiences.

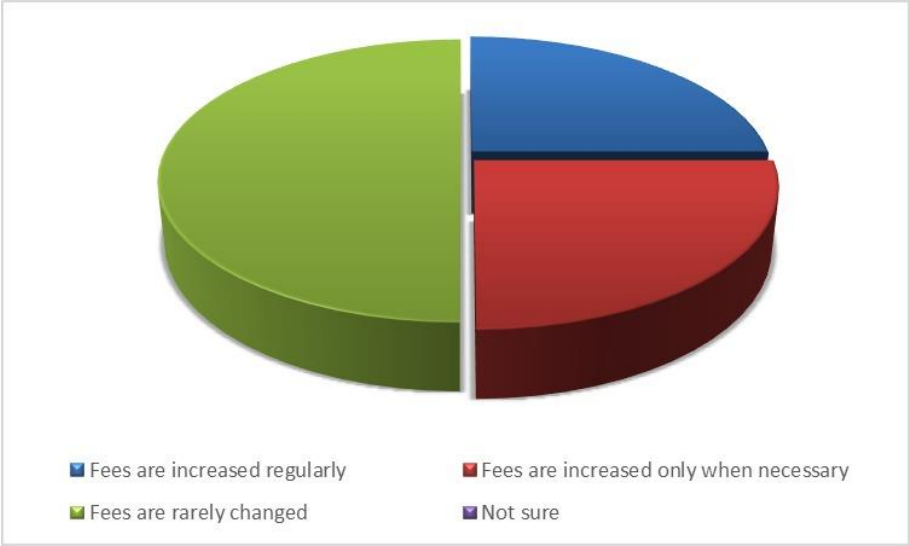
6.How has inflation affected staff salaries, recruitment, and retention in schools and colleges?



Response	Percentage
Salaries increased to match inflation	0%
Recruitment slowed or reduced	75%
Higher staff turnover due to low pay	0%
No impact	25%

Most respondents (75%) say inflation has slowed recruitment, indicating restricted budgets and hiring challenges. A smaller group (25%) sees no impact, meaning some institutions continue operating normally despite rising costs.

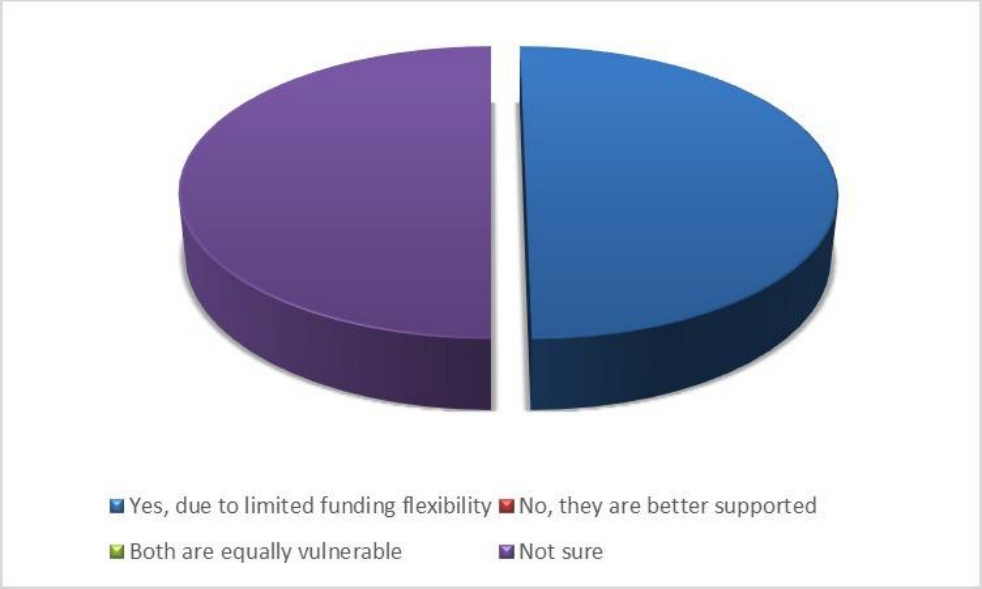
7.How do fee structures change in response to inflation?



Response	Percentage
Fees are increased regularly	25%
Fees are increased only when necessary	25%
Fees are rarely changed	50%
Not sure	0%

Half (50%) say fees are rarely changed even during inflation, showing institutions' efforts to reduce pressure on families. The rest are split between increasing fees regularly (25%) and only when needed (25%), suggesting varied fee policies.

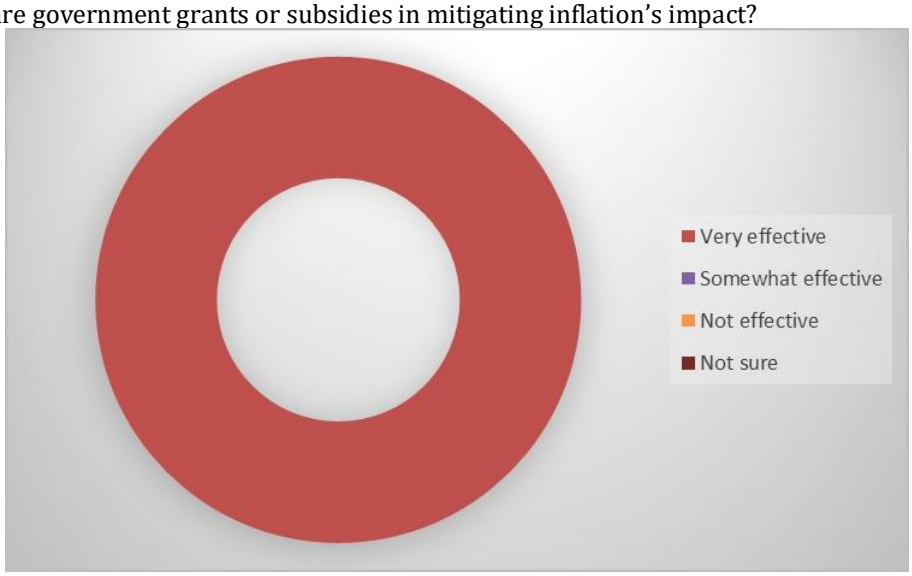
8.Are government-aided schools more vulnerable to inflation than private institutions?



Response	Percentage
Yes, due to limited funding flexibility	50%
No, they are better supported	0%
Both are equally vulnerable	0%
Not sure	50%

Half the respondents (50%) believe government schools are more vulnerable due to limited funding options. The other 50% are unsure, indicating a lack of clear understanding about how inflation affects different types of institutions.

9.How effective are government grants or subsidies in mitigating inflation's impact?

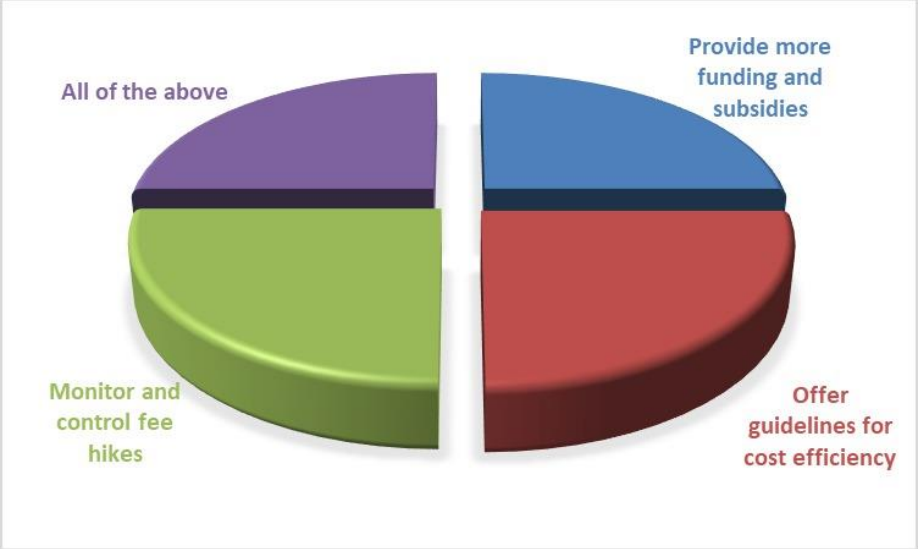


Response	Percentage
Very effective	100%
Somewhat effective	0%
Not effective	0%
Not sure	0%

All respondents (100%) agree that government grants are very effective in reducing inflation's impact. This shows

strong trust in external financial support as a stabilizing factor for schools.

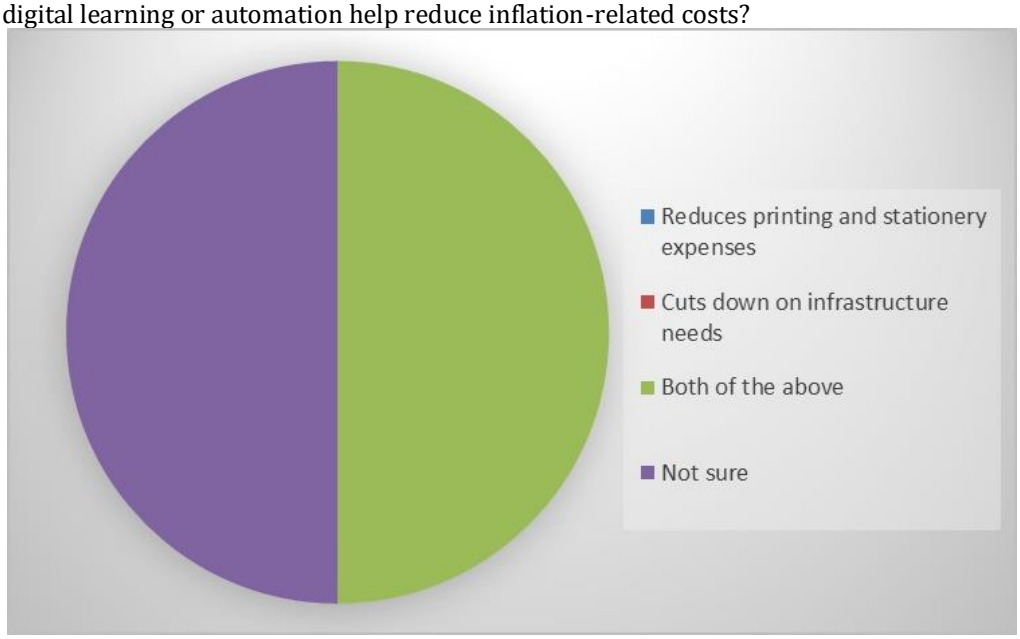
10.What role should regulatory bodies play in helping schools manage inflation-driven costs?



Response	Percentage
Provide more funding and subsidies	25%
Offer guidelines for cost efficiency	25%
Monitor and control fee hikes	25%
All of the above	25%

Each option received equal support (25%), showing that respondents believe regulatory bodies should contribute in multiple ways—by providing funds, offering cost guidelines, monitoring fees, or overall supporting institutions during inflation.

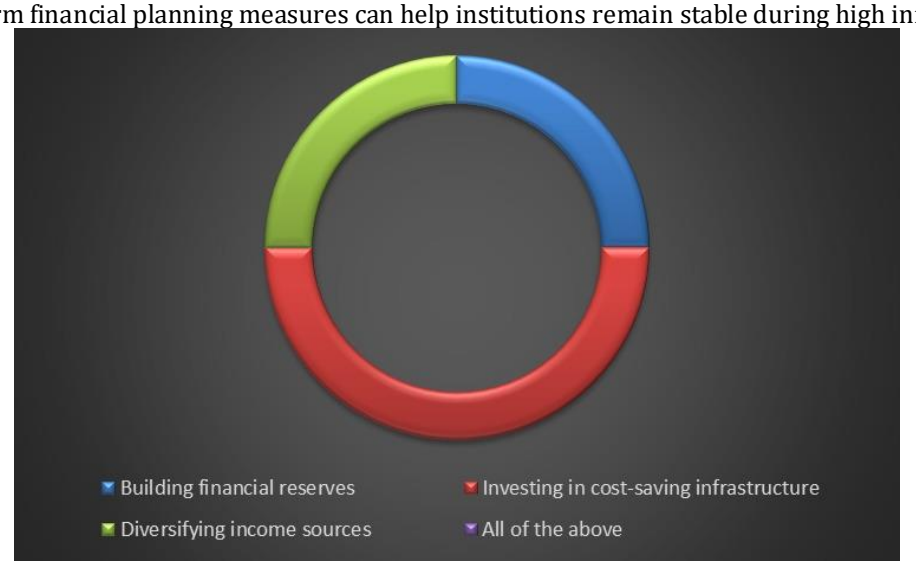
11.How can digital learning or automation help reduce inflation-related costs?



Response	percentage
Reduce printings and stationery expenses	0%
Cuts down on infrastructure needs	0%
Both of the above	50%
Not sure	50%

Half (50%) believe digital learning helps reduce costs in multiple areas, showing its potential for efficiency. The other 50% are unsure, which suggests limited implementation or awareness in some institutions.

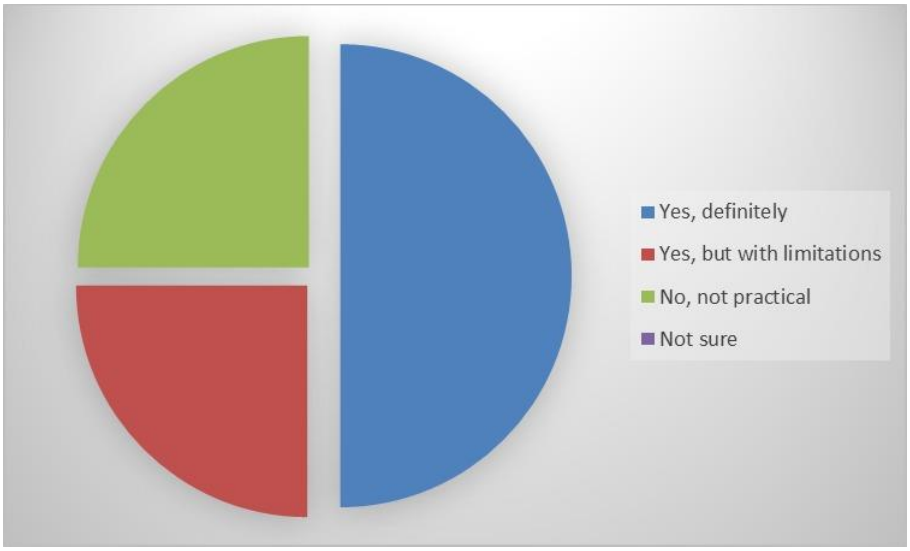
12.What long-term financial planning measures can help institutions remain stable during high inflation?



Response	Percentage
Building Financial reserves	25%
Investing in cost saving Infrastructure	50%
Diversity income sources	25%
All the above	0%

Half of the respondents (50%) feel investing in cost-saving infrastructure is the best long-term solution. Others support building reserves (25%) or diversifying income (25%), showing that schools need a mix of financial strategies to stay stab

13.Could alternative revenue streams (e.g., renting premises, short-term courses) be viable during inflationary periods?



Response	Percentage
Yes, definitely.	50%
Yes, but with limitations	25%
No, not practical	25%
Not sure	0%

Half (50%) believe alternative revenue options, such as renting premises or offering short-term courses, are clearly viable. However, 25% think they come with limitations, and another 25% find them impractical, showing that feasibility depends on the school's capacity and resources.

Findings and Suggestions

The study explored how inflation is affecting both government and private educational institutions, looking closely at how it influences budgeting, staff management, resource use, and long-term planning. The findings show that many institutions believe they can still cut certain costs through better planning, increased use of digital tools, and more efficient resource management—without lowering the quality of education. Even so, inflation has sharply increased expenses related to utilities, teaching materials, and maintenance. Government institutions feel this pressure more intensely because they depend on fixed budgets and slow-moving policy changes, while private institutions are able to adjust more quickly by frequently revising budgets and reorganizing their finances.Staff salaries and benefits have been particularly impacted. As the cost of living rises, institutions feel pressured to increase pay, yet many are unable to match inflation rates. This has slowed down recruitment, and delays in hiring have become more common. Teaching materials and stationery have also become more expensive. Private institutions are managing this by buying in bulk or switching to digital materials, while government schools struggle due to limited grants. Although about half of the respondents reported that fee increases are not common, both government and private institutions agree that raising fees still doesn't fully solve the financial strain caused by inflation.

Government-aided institutions are especially vulnerable because they rely heavily on fixed grants, though respondents across the board agree that government funding and subsidies remain essential for coping with inflation. Digital learning is widely seen as a helpful way to reduce long-term costs, but the initial investment required continues to be a major barrier, particularly for government schools. For long-term stability, private institutions tend to prioritize diversifying their income sources, while government institutions focus more on developing durable infrastructure.To address these growing challenges, the study recommends linking government funding to inflation and ensuring that financial support is released on time. Stronger public–private partnerships could also improve resource sharing and expand access to digital tools. Institutions are encouraged to invest in cost-efficient technologies, renewable energy, and contingency funds to better withstand future inflation shocks. Ensuring teacher welfare remains critical, and this includes providing regular salary revisions that reflect inflation. Policymakers should also consider offering tax concessions, subsidized utilities, and centralized purchasing systems to help reduce overall institutional costs. Finally, the study emphasizes the need for data-driven monitoring and financial planning to ensure that education remains both high-quality and affordable, even during periods of rising inflation

CONCLUSION

Inflation is placing growing pressure on India's education system, pushing up the costs of salaries, utilities, teaching materials, and maintenance. Government institutions are hit the hardest because their budgets do not rise with increasing prices. As a result, they face delays in important programs, shortages of essential resources, and stagnant teacher salaries. Private institutions are able to adjust more quickly, but they often do so by raising fees or cutting certain expenses—both of which can negatively affect affordability and the overall quality of education for students and parents.

Rising digital and energy costs are also widening the gap between well-funded schools and those with limited resources, particularly in rural areas. Although many institutions are trying to cope by adopting cost-saving practices such as digital systems and renewable energy solutions, these efforts are difficult to sustain without stronger government support and clear policy measures.

The study stresses the importance of linking government funding to inflation, ensuring timely release of financial resources, and giving schools more flexibility in how they manage their budgets. Strengthening public–private partnerships and implementing transparent fee policies can further help maintain both quality and affordability. Ultimately, tackling inflation is crucial to safeguarding educational access, promoting equity, and ensuring the long-term sustainability of India's education system.

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