

## **An Analysis of the Structure and Unit Institutional Cost of Private Schools in Aizawl, Mizoram**

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### ***Abstract***

*This paper is an attempt to study cost bear by 40 selected private schools in running a school in Aizawl, Mizoram. To be precise, it is an attempt to study and understand the cost of education through the concept of institutional cost in private schools. Further, this paper analyzed the cost of education bear by the private institution under different heads that it incurred like salary paid to teachers per student, salary paid to non-teaching staff per student and so on under the concept known as institutional cost.*

### **Introduction**

Educational institutions such as schools, colleges and universities which are engaged in the production and supply of education constitute the firms' of educational industry. They transform inputs into outputs, incurring costs in the process. From the point of view of institutions offering education, the costs of education are constituted by the amount paid for the salaries of teachers and administrative staff, stationery items and other current expenses including student activities and capital outlays on building, library books, equipments and other durable assets. Expenditure on these items incurred for the maintenance and operational of educational institutions is called institutional cost; and it constitutes one of the most important components of educational cost

Generally, educational costs are classified into three main components. These are: (i) institutional, (ii) private or student cost, and (iii) opportunity. Among these three major components of educational cost, it is the institutional cost that this paper tries to focus on. Institutional cost is the cost incurred by the educational institution, whether it is a government run or private run institution, in operating and maintaining the institution to provide facilities of education. Private cost of education is that part of investment or spending in education which is made either by the student or his/her parents or both. Opportunity cost is the earnings

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forgone by the student on account of pursuing a given level of education or the benefits forgone that would have been available to the society in the absence of educational programme.

### **Literature Review**

Cost analysis in education becomes one of the most important fields of investigation in economics of education since the early 1960s when economists developed a strong interest in the theory of human capital formation. A large number of empirical studies on educational costs have been done in India and abroad over the years which provide educational planners and decision maker valuable information about the allocation and use of educational resources. For this paper, many writings on cost of education have been reviewed.

Hallak(1969) examined the problems related with the concepts, the estimates, the analysis and the use of unit costs in educational planning. The cost of education to the community was decomposed into expenditure on public and private education and opportunity costs. He categorized educational cost analysis into two aspects: overall analysis designed to define the place of education in the national economic context and the detailed analysis which defined total and unit costs by type and level of education and by purpose of expenditure. Hallak showed different ways to estimate unit cost of education such as cost per graduate, cost by level of education attained, unit cost per pupil, cost per average daily attendance, capital cost per place, average cost per class and average recurrent cost per teacher.

Dey (1969) made an attempt to show the extent to which cost concepts relevant to manufacturing industries can be applied to educational industry. He classified educational costs into four components: (i) direct expenditure, (ii) expenditure for meals and tiffins, (iii) expenditure of students on health service and (iv) expenditure on training of teachers. He gave empirical contents to his cost classification with the help of the data collected through a pilot enquiry of public health and educational services in Madhyagram, an urbanized village in the district of Twenty Four Parganas, West Bengal, during 1963.

### **Objective of the Study**

The objective of the study is to understand and study unit institutional cost in private schools of 40 selected schools in Aizawl, Mizoram

### **Methodology**

The study involved empirical observation and analyses of data on different aspects of private schools. The necessary information and relevant data for the study was collected from secondary sources. Secondly, in order to verify the data and its reliability, primary data through questionnaires was collected.

Attempt was also made to obtain relevant information from different sources. Data have also been collected from the concerned department and its various agencies. Questionnaires, interview and observation was the main tools for gathering necessary primary information.

### Calculation of Cost of Private Schools in Aizawl

An attempt was made to estimate and analyze the structure and unit institutional cost of private schools education on the basis of the data collected from a survey of 40 private schools in Aizawl city during 2015. The functional relationship between enrolment size (taken as output) and unit institutional cost (taken as average cost of the private schools) has been examined.

The costs of education (studied in terms of unit/average cost/ institutional costs) bear by the private schools are classified into recurring and non- recurring costs. The items under recurring costs were categorized into: (i) teaching cost, (ii) non-teaching staff cost, (iii) Miscellaneous cost like cost of day to day running of the schools, bills on water, electricity, telephone, stationery etc.,. Non- recurring costs are those expenditure that the school or institution bears like rent, construction of buildings, library and computer facilities, etc.

Table 1 present the recurring costs of each private schools. From the data collected on expenditure of 40 private schools we have found that on different components of average variable cost Rs. 3485.03 had been spend on teacher per student, Rs. 325.83 on non – teaching staff per student, Rs. 223.34 on miscellaneous (like school function, stationery, electricity bill, telephone bill, water bill etc.,) per student and Rs. 1767.83on boarding facilities per student. The amount spend on teacher per student is quite large and it might not be accurate. The reason might be that school #1, #2, #3, #16, and #31 spend much higher amount on the salary of the teacher. If we leave out these 5 schools the amount spends on teacher per students came down to Rs. 2651.739.On an average the private school industry in Aizawl had spent Rs. 5802.027on recurring items per student in the year 2015.

**Table 1: Average Variable Cost/ Recurring Cost bear by the Private Schools per Student**

Sl/ No	No. of students	Teaching cost	Non-teaching costs	Miscellaneous cost	Boarding Cost	Total Average Variable Cost/Recurring Cost
1	1130	6298.67	404.14	50.96	1430.84	8184.61
2	1237	6756.03	1340.48	72.76	211.79	8381.06
3	978	7582.76	552.15	230.07	582.75	8947.73
4	1100	1140	87.27	90.91	0	1318.18
5	266	2796.99	203.01	63.91	300.75	3364.66
6	437	1922.19	123.57	57.21	2116.7	4219.67
7	1480	2477.02	261.08	125.68	1216.21	4079.99
8	674	2789.91	135.31	163.2	4183.97	7272.39

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9	616	3204.54	467.53	132.37	0	3804.44
10	202	3059.4	772.28	1039.6	0	4871.28
11	185	156.75	81.08	81.08	0	318.91
12	214	1727.1	0	37.38	607.47	2371.95
13	188	3588.78	255.32	510.64	4691.48	9046.22
14	150	3720	240	40	1693.33	5693.33
15	784	3655.1	283.16	146.68	743.3	4828.24
16	58	6186.2	517.24	224.13	10344.83	17272.4
17	767	3504.56	244.07	268.58	2933.5	6950.71
18	179	1910.61	174.3	22.35	2318.43	4425.69
19	764	1264.39	157.07	78.53	0	1499.99
20	174	2255.17	0	55.17	0	2310.34
21	603	2606.96	79.6	149.25	0	2835.81
22	600	2530	190	294	2633.33	5647.33
23	197	1401.01	0	0	761.42	2162.43
24	192	4062.5	187.5	125	4375	8750
25	108	2166.66	166.67	41.67	2777.78	5152.78
26	190	3025.26	473.68	315.79	1315.78	5130.51
27	115	3860.86	521.74	78.26	3156.52	7617.38
28	393	2003.05	76.34	274.81	0	2354.2
29	111	2702.7	0	31.53	0	2734.23
30	121	3302.47	347.11	132.23	0	3781.81
31	180	19766.67	413.33	111.11	3777.78	24068.89
32	205	1960.97	117.07	34.15	0	2112.19
33	90	2066.67	133.33	83.33	0	2283.33
34	361	3240.99	0	199.45	1102.49	4542.93
35	121	2578.51	297.52	119.83	4296.52	7292.38
36	302	2543.04	397.35	115.89	4569.53	7625.81
37	284	4119.71	2514.08	228.87	4753.52	11616.18

38	160	1522.5	0	150	0	1672.5
39	107	2299.06	0	93.46	0	2392.52
40	220	5645.45	818.81	2863.64	3818.18	13146.08
Mean/average		3485.03	325.83	223.34	1767.83	5802.027

Source: Field Survey

**Table 2: Average Fixed Cost/Unit Cost/ Non-recurring Cost bear by the Private Schools in Aizawl**

Sl.No	No. of students	Buildings	Rent	Library& Computer	Total Fixed Cost
1	1130	737.58	1489.65	110.52	2337.75
2	1237	404.2	1505.63	361.52	2271.35
3	978	1400.47	960.73	174.41	2535.61
4	1100	1818.18	883.63	155.01	2856.82
5	266	187.97	1096.24	254.53	1538.74
6	437	0	518.99	146.91	665.9
7	1480	0	634.86	140.76	775.62
8	674	0	961.42	123.64	1085.06
9	616	35.39	631.16	94.56	761.11
10	202	19801.98	1363.36	440.89	21606.23
11	185	0	1050.81	239.53	1290.34
12	214	93.46	984.11	38.94	1116.51
13	188	0	861.7	487.57	1349.27
14	150	0	3672	611.09	4283.09
15	784	3520.41	1157.14	166.26	4843.81
16	58	0	1955.17	3088.82	5043.99
17	767	0	675.88	0	675.88
18	179	139.66	724.02	93.11	956.79
19	764	0	508.9	14.83	523.73
20	174	114.94	744.82	204.49	1064.25
21	603	116.09	295.52	0	411.61
22	600	0	972	27.78	999.78
23	197	0	986.8	465.27	1452.07

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24	192	0	1012.5	434.01	1446.51
25	108	0	900	30.86	930.86
26	190	3684.21	2387.36	0	6071.57
27	115	82.61	939.13	289.84	1311.58
28	393	381.68	618.32	134.49	1134.49
29	111	180.18	2043.24	75.07	2298.49
30	121	0	1204.96	0	1204.96
31	180	0	1080	0	1080
32	205	1219.51	948.29	0	2167.8
33	90	88.89	1800	92.59	1981.48
34	361	0	403.87	0	403.87
35	121	1198.35	937.19	0	2135.54
36	302	0	590.06	55.19	645.25
37	284	0	1197.88	1024.87	2222.75
38	160	62.5	742.5	0	805
39	107	18.69	908.41	0	927.1
40	220	90.91	1178.18	0	1269.09
Mean/ Average		884.45	1088.16	239.43	2212.041

Source: Field Survey

Table 2 shows average amount of capital spent by the 40 private schools taken as a whole on fixed items like building, rent, computers, books etc., per student in the year 2015. As we had observed, most of the private schools in Aizawl run their school on rented building. So the share of rent on fixed cost is the highest. Private school (40 schools taken together) spend on average Rs 1088.16 on rent per student in the year 2015, Rs. 884.45 on buildings, and Rs. 239.43 on combination of library and computer per student in the year 2015. On an average, Rs.2212.04 had been spent on fixed items per student in the year 2015.

### Conclusion

The 40 schools that were randomly selected can be said to be both profit maximisers and output maximisers. These schools are competing to have a better output (students' enrolment) by way advertising, better educational facilities, etc. At the same time they are profit maximisers by running the schools at a very low cost in terms of employing less number of teachers. And also, mention may be made here that there were quite a number of schools without any Non-teaching staff. These two alternatives i.e., profit maximiser and output maximiser reinforced each other in the private schools in Aizawl city.

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