



Price Hike and Nepali Students' Perception towards Inflation

Pramshu Nepal¹, Keshav Raj Panthee²

¹Associate Professor, Central Department of Economics, Tribhuvan University, Nepal

²Lecturer of Economics, Department of Economics, Koteswori Multiple Campus, Nepal

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Corresponding Author: Pramashu Nepal; Email: krpanthee@gmail.com

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Abstract

This study investigates the perceptions of college-level Nepali students toward inflation, a critical economic phenomenon characterized by a continuous rise in the general price level of goods and services. The research has used a quantitative approach, gathering data from 208 students of bachelor and master level in community colleges of Kathmandu and Rupandehi districts via a structured questionnaire. The survey reveals significant concern among students about inflation's impact on their lives. The findings underscore a prevalent skepticism among students towards government-published inflation rates, reflecting broader societal doubts about economic transparency and management. The majority of respondents express concerns about how inflation impacts their personal finances, career decisions, and access to essential services like education and healthcare. Moreover, there is a notable perception among students that inflation exacerbates income inequality and poses substantial challenges to economic stability in Nepal. In the context of rising cost of living of average Nepali people, findings of such study could provide guideline for policy makers.

Keywords: Community college, cost of living, determinants of inflation, perception on inflation

Introduction

Inflation is a crucial economic phenomenon that involves a continuous increase in the general price level of goods and services in an economy over

the period of time. The rise in price diminishes the purchasing power of money, which means that each unit of currency buys fewer goods and services than before. It is a critical measure of

Price Hike and Nepali Students' Perception towards Inflation

economic health, influencing interest rates, employment, and the value of a nation's currency (Mankiw, 2017). While it's generally accepted that stable, moderate rates of inflation are good for boosting consumer spending in an economy (Wilkinson, 1997). However, it can have a significant impact on society in a number of ways (International Monetary Fund, 2024). For businesses, inflation impacts cost structures, pricing strategies, and profit margins. For consumers, it affects daily living costs, savings, and financial planning (Samuelson & Nordhaus, 2010). It means every sector of the economy is affected by inflation.

Broadly speaking inflation originates either from demand pull or cost push. Demand-pull inflation occurs when the demand for goods and services exceeds their supply, leading to higher prices. This type of inflation is typically seen during periods of strong economic growth when consumers and businesses are confident and willing to spend more. An example of this is the post-World War II economic boom in the United States, where increased demand led to higher prices (Blanchard, 2017). Cost-push inflation happens when the costs of production increase, causing producers to raise prices to maintain profit margins. Common causes include increases in wages and prices of raw materials. The 1970s oil crisis is a classic example, where the sharp rise in oil prices led to widespread inflation as production costs soared (Mankiw, 2017).

An increase in the money supply can lead to inflation if it exceeds the economy's ability to produce goods and services. This can occur when central banks issue more money or when there is an increase

in the velocity of money. Central bank policies, such as low interest rates and quantitative easing, can also stimulate borrowing and spending, leading to higher demand and inflation (Friedman, 2005).

Understanding inflation is essential for policymakers, businesses, and consumers because it shocks various sector of the economy, including consumer spending, business investment, and monetary policy. For policymakers, controlling inflation is essential to maintaining economic stability and fostering sustainable growth. Central banks use monetary policy tools, such as adjusting interest rates and conducting open market operations, to control the money supply and influence inflation. Raising interest rates can reduce spending and borrowing, thereby lowering inflation. During inflation, central bank can use of interest rate hikes policy to control inflation (Blanchard, 2017). Government spending and tax policies can influence inflation by managing aggregate demand. Reducing government deficits, cutting public expenditure, or increasing taxes can help control demand-pull inflation. Strictness measures in various countries following the debt crisis were aimed at controlling inflation and stabilizing economies (Mankiw, 2017).

Understanding how students perceive inflation is crucial because these perceptions can impact their confidence and outlook, regardless of the official inflation rates. Students' sentiments, in turn, affect their spending behaviors and economic participation. For students, rising inflation means increased costs for essential items such as food, rent, and educational materials, which can significantly hurt their financial

Price Hike and Nepali Students' Perception towards Inflation

resources. Many students are directly and indirectly aware of inflation because it affects their cost of living. This economic pressure influences many Nepalese students to seek education abroad in pursuit of better opportunities and a more stable economic environment. In Nepal, inflation has profound implications for various sectors, including education. The current inflation rate of 4.61% illustrates the ongoing economic challenges faced by the country (Nepal Rastra Bank, 2024). Scholars have often shown an optimal level of inflation for Nepal as 6.25 percent (Nepal Rastra Bank, 2017). So, it is a major macroeconomic issue of concern for all. In this context, this research study is one of the new attempts to explore the perception of college students on inflation.

This study aims to investigate the perceptions of inflation among college students in Nepal, focusing on their understanding, concerns, and expectations regarding this economic phenomenon. By surveying students from community colleges in the Kathmandu and Rupandehi districts, the research seeks to capture a comprehensive view of how inflation impacts their personal lives, financial planning, and future career choices. Additionally, the study examines the perceived effectiveness of government and central bank measures to control inflation, the sources of students' knowledge about inflation, and the primary causes of inflation in Nepal as identified by the respondents. Through this analysis, the study endeavors to provide insights that could inform policymakers and stakeholders in addressing inflation-related challenges in the Nepalese economy.

Research Methods

This research utilizes a descriptive survey design to explore the perceptions of inflation among college students in Nepal. The study targets students from community colleges in the Kathmandu and Rupandehi districts, chosen to provide a diverse sample from both urban and semi-urban areas. A random sampling technique was employed to select 208 respondents, ensuring a representative mix of age, gender, education level, and residence. Data was collected using a structured questionnaire distributed to the selected respondents. This questionnaire aimed to gather both quantitative data on students' perceptions and understanding of inflation and qualitative data on their personal experiences and views on government policies.

The collected data was analyzed using descriptive statistical methods. Descriptive statistics, including frequencies, percentages, and means, were used to summarize the respondents' general characteristics and their perceptions of inflation. Analysis was performed using SPSS and Microsoft Excel software. To ensure the reliability and validity of the data collection instrument, the questionnaire was pre-tested with a small group of students from the same population. Feedback from the pre-test was used to refine the questions and improve clarity. The study acknowledges its limitation in that it only captures the perceptions of students from community colleges, which may not fully represent the views of students from other types of institutions.

Results and Discussion

Nature of Respondents

Table 1 displays the nature of selected 208 respondents. It shows that respondents are primarily college-

Price Hike and Nepali Students' Perception towards Inflation

level youth students, with the largest group being those aged 18-20 years, representing 69.7% of the participants. This is followed by participants aged 21-24 years, making up 25.9%. A smaller number of respondents are aged 25-29 years, accounting for 3.36, and those aged 30 or older make up 0.9%. The

gender breakdown shows more females, comprising 60.57% of respondents, compared to males at 39.42%. Most respondents have a Bachelor's degree, representing 85.09%, while 16.35% hold a Master's degree. In terms of residence, the majority of the respondents live in urban areas, followed by semi-urban and rural areas.

Table 1
General Characteristics of the Respondents

Age	Fre- quency	Gender	Frequen- cy	Education Level	Fre- quency	Residence	Fre- quency
18-20	145					Urban	104
21-24	54	Male	82	Bachelor	174	Semi-urban	70
25-29	7						
30 or above	2	Female	126	Master	34	Rural	34
Total	208	Total	208	Total	208	Total	208

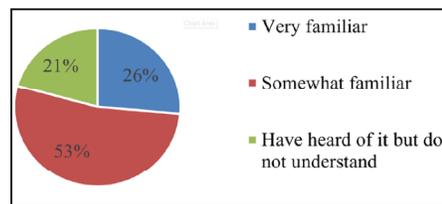
Source. Field Survey, 2024

General Perception on Inflation

This section included the general perception of students on inflation and inflation data published in Nepal.

Figure 1

Familiar to Inflation



Source. Field Survey, 2024

Figure 1 shows the respondents' familiarity with the concept of inflation. A significant portion of the respondents (53%) are somewhat familiar with inflation. Meanwhile, 26 percent of them

considered themselves very familiar with the concept. The remaining 21% have heard of inflation but do not understand it. This distribution suggests that while a majority of the respondents have some level of understanding of inflation, a major portion still lacks a comprehensive grasp of the concept.

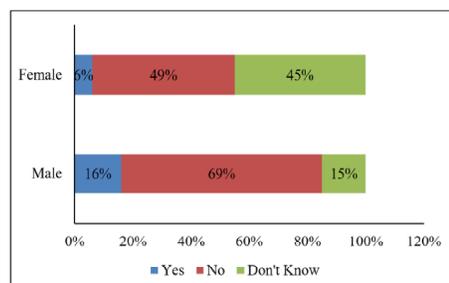
Similarly, figure 2 examines whether respondents believe the government-published inflation rate accurately reflects the common people's cost of living or not. Among female respondents, only 6% agree that it does, 49% disagree, and the remaining 45% are uncertain about this. The issue of distrust is found similar like that of the students of Turkey (Gunduz et al., 2020). In contrast, 16% of male respondents believe the inflation rate is representative, while a significant 69% disagree, and 15% are unsure. This data

Price Hike and Nepali Students' Perception towards Inflation

indicates a general skepticism among both genders regarding the accuracy of the government-published inflation rate, with a higher percentage of males expressing doubt compared to females, who show a higher level of uncertainty.

Figure 2

Trust with Government Published Inflation Rate

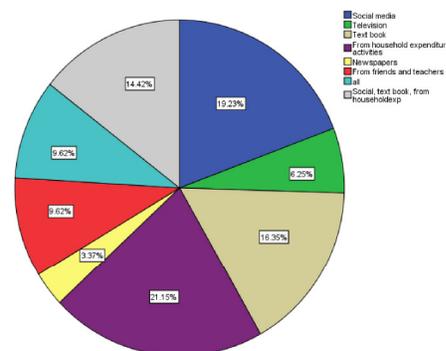


Source. Field Survey, 2024

Figure 3 displays the different sources from which students derive their understanding of inflation. The largest group i.e. 21.15%, learn about inflation through household expenditure activities. Social media is the next most common source, used by 19.23% of respondents. Television is another source for 16.35%, while 14.42% get their information from a mix of social media, textbooks, and household expenditure. Both newspapers and friends or teachers each contribute to 9.62% of the respondents' knowledge. Textbooks alone are utilized by 6.25%, and the smallest group, 3.37%, uses all available sources. This variety in sources underscores the multiple avenues through which students gain insight into inflation, with household experiences and digital media being particularly influential.

Figure 3

Sources of Knowledge on Inflation



Source. Field Survey, 2024

Perception on the Role of Government to Control Inflation

This section includes the perception of students on the role played by government and central bank to control inflation. Table 2 shows that the respondents generally express doubt about the Nepalese government's efforts to control inflation. Only 6.7% believe the government is effectively addressing inflation, while 58.2% think it is not. Additionally, 25.0% feel the government is somewhat effective, and 10.1% are unsure. Regarding the Ministry of Finance, just 13.0% view it as effective in managing inflation, 55.8% notice it as ineffective, and 31.3% are uncertain. The Central Bank receives slightly more favorable opinions, with 32.2% considering its role effective, 47.1% deeming it ineffective, and 20.7% unsure. Overall, these responses reflect significant doubt about the effectiveness of key government institutions in managing inflation in Nepal.

Price Hike and Nepali Students' Perception towards Inflation

Table 2

Perception on Government Initiation for Controlling Inflation

Do you believe the Nepalese government is effectively addressing inflation issues?	Yes	No	Some-what	Unsure	Total
Frequency	14	121	52	21	208
Percent	6.7	58.2	25.0	10.1	100.0

How do you perceive the role of the Ministry of Finance in managing inflation in Nepal?	Effective	Ineffective	Unsure	Total
Frequency	27	116	65	208
Percent	13.0	55.8	31.3	100.0

How do you perceive the role of the Central Bank in managing inflation in Nepal?	Effective	Ineffective	Unsure	Total
Frequency	67	98	43	208
Percent	32.2	47.1	20.7	100.0

Source. Field Survey, 2024

Influence of Inflation on Personal Life

This section deals with the perception of students on the impact of inflation on the personal life of Nepalese people. The findings shown in table 3 shows significant concerns about its effects on personal lives. About 64% of respondents are worried about inflation, believing it will reduce the average citizen's standard of living. Nearly half of those surveyed (46%) say inflation forces them to cut back on spending or saving. Looking ahead, a large majority (94.3%) expect inflation to influence their career choices

or financial planning. Concerns also include widening income inequality; with over 54% fearing inflation will exacerbate disparities. Additionally, a majority (69.7%) are concerned that inflation will make education and healthcare less affordable. It was justified in Nigeria that inflation decreases enrollment in educational institutions (Ahmed & Okoye, 2024). These findings highlight inflation's broad impact on personal finances, career decisions, income equality, and access to essential services in Nepal.

Table 3

Concerns about Inflation and Its Impact

How concerned are you about inflation in Nepal?	Not concerned	Slightly concerned	Neutral	Concerned	Extremely concerned

Price Hike and Nepali Students' Perception towards Inflation

	9.6	21.6	4.8	34.6	29.3
How do you think inflation affects the average Nepalese citizen's standard of living?	Greatly decreases	Slightly decreases	No significant impact	Slightly increases	Greatly increases
	42.3	41.3	4.3	9.6	2.4
How does inflation impact your personal budget and spending habits?	Forces me to spend less	Causes me to save less	Forces me to spend more	No significant impact on my budget	
	25.0	21.2	42.8	11.1	
How do you think inflation will influence your career choices or financial planning in the future?	Will impact my career choices significantly.	Will have some influence on my career choices.	Will not influence my career choices.	Total	
	63.0	31.3	5.8	100.0	
In your view, how does inflation impact income inequality in Nepal?	Widens income inequality	Narrows income inequality	No significant impact on income inequality	Not sure	
	54.8	20.2	7.7	17.3	
How might inflation affect access to education and healthcare for Nepalese citizens?	Makes education and healthcare more affordable	Makes education and healthcare less affordable.	No significant impact on affordability.	Not sure	
	6.7	69.7	9.6	13.9	

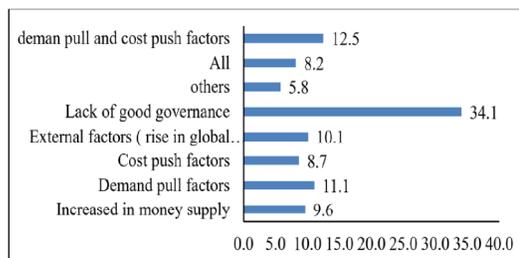
Causes of Inflation in Nepal

Figure 4 depicts various factors

contributing to inflation in the country, along with their respective percentages.

Figure 4

Perception on Causes of Inflation in Nepal (in percentage)



Price Hike and Nepali Students' Perception towards Inflation

The most significant contributor is the lack of good governance, accounting for 34.1% of the inflation. The students in Lahore also realized the important relationship between bad governance and rapid inflation (Manan, 2023). Other major factors include the combined effects of demand pull and cost push factors (12.5%), external factors like the rise in global oil prices (10.1%), and an increased money supply (9.6%). Additionally, demand pull factors contribute 11.1%, cost push factors

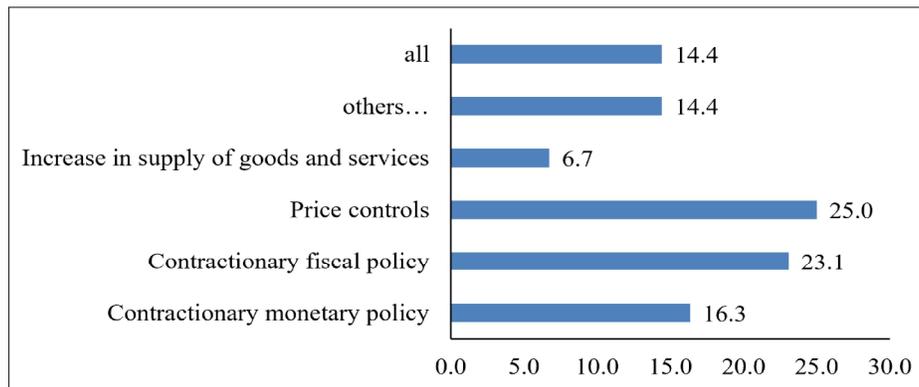
8.7%, a mix of unspecified factors 8.2%, and other miscellaneous factors 5.8%. This graph highlights that governance issues are seen as the primary cause of inflation in Nepal, followed by a combination of internal and external economic influences.

Control of Inflation in Nepal

This section provides information on the perception of the respondents on the measures to control inflation.

Figure 5

Perception on Measures to Control Inflation (in percentage)



Source. Field Survey, 2024

Figure 5 shows that the most popular policy is implementing price controls, which has 25%. This is followed by contractionary fiscal policy, supported by 23.1% of respondents. Contractionary monetary policy is favored by 16.3% of respondents. Additional measures include increasing the supply of goods and services, supported by 6.7%, and a combination of all proposed measures, which is preferred by 14.4%. Another 14.4% of respondents support unspecified other measures. The graph points out that the most favored strategies to control inflation in Nepal are price controls and

fiscal policy adjustments, with monetary policy and supply-side measures also seen as important by a major portion of the population.

Similarly, figure 6 shows the perception on how inflation in Nepal can be controlled in the future. It presents various strategies for managing inflation and the corresponding support percentages from male and female respondents. The most favored measure among males is increasing domestic production, with 57% support, compared to 25% among females. Both genders

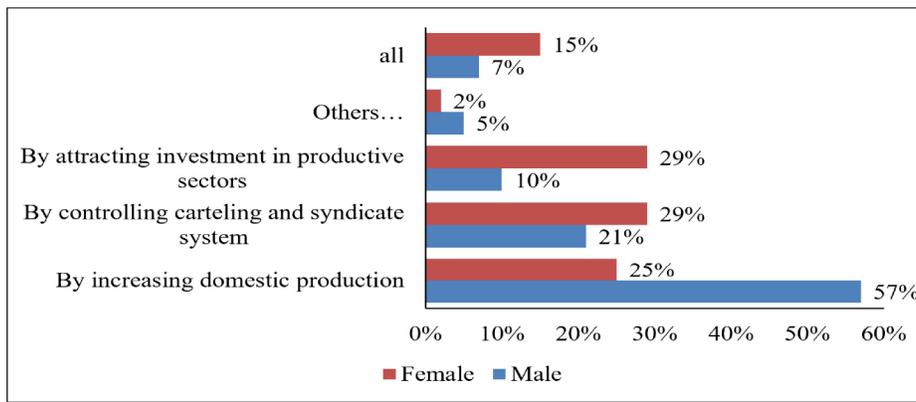
Price Hike and Nepali Students' Perception towards Inflation

equally support attracting investment in productive sectors, each with 29% backing. Controlling carteling and the syndicate system is preferred by 29% of females and 21% of males. A combination of all proposed measures is favored by 15% of males and 7% of females. Additionally, 3% of males and

2% of females suggest other unspecified measures. The graph underscores that increasing domestic production is the top strategy among males, while both genders equally prioritize attracting investment and controlling carteling as crucial measures for controlling inflation in Nepal.

Figure 6

Perception on Control of Inflation in Future



Source. Field Survey, 2024

Based on the analysis, the 208 respondents, primarily college-level youth students aged 18-20 years old (69.7%), have a higher percentage of females (60.57%) than males (39.42%). They are predominantly Bachelor's degree holders (85.09%) residing in urban areas. Most respondents are somewhat familiar (53%) or very familiar (26%) with inflation, learning about it mainly through household expenditure activities and social media. Significant doubt exists towards government-published inflation rates, with only 6% of females and 16% of males finding them accurate. Doubts extend to the government's efforts to control inflation, with only 6.7% viewing them as effective, and similar skepticism directed at the Ministry of Finance and the Central Bank. Students express

considerable concern about inflation's impact on their finances, careers, and access to essential services, attributing it mainly to governance issues and a mix of economic factors. To control inflation, they favor price controls and contractionary fiscal policy, with increasing domestic production being the top strategy among males. Both genders equally prioritize attracting investment and controlling carteling.

Conclusion

This study explores how Nepalese college students view inflation, showing us what they understand, worries about, and expect about this economic issue. They believe inflation reduces the standard of living (83.6%) and affects personal budgets, often forcing them to

Price Hike and Nepali Students' Perception towards Inflation

spend or save less. Most (94.3%) students anticipate that inflation will influence their career choices and financial planning. Respondents also perceive inflation as widening income inequality and making education and healthcare less affordable. Students attribute inflation primarily to poor governance (34.1%), followed by a mix of demand-pull and cost-push factors. They suggest increasing domestic production as a key strategy for controlling inflation, particularly among males (57%). Both genders equally support attracting investment in productive sectors and controlling carteling. The results further reveal that many students doubt the inflation rates reported by the government, which reflects wider concerns in society about how transparent and effective economic policies are.

The study acknowledges limitations in geographical representation and demographic diversity, suggesting avenues for future research to broaden its scope across different regions and educational institutions in Nepal. However, the findings of the study derived from the perception of students of community colleges where mostly

low and medium-income level students study could provide policy guidelines for the government bodies as well as stakeholders of the economy. By being more transparent about economic information and policies, they can build more trust and confidence among people who might doubt them. Overall, this study gives us good ideas about what students think about inflation in Nepal. It also suggests more research and practical ways to improve economic knowledge, make policies better, and handle inflation's challenges well.

Author Contribution

The corresponding author has contributed overall writing of all sections of the paper. The coauthor has collected data and presented the findings of the study in the form of tables and figures with the help of SPSS and Microsoft Excel software.

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