A REALITY CHECK FOR FOREIGN UNIVERSITIES

Relevant for: Developmental Issues | Topic: Education and related issues

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The Ashoka University campus. | Photo Credit: Partha Pratim Sharma

While some have rejected the government’s initiative to set up foreign universities in India calling it a predatory practice, others have embraced it as a quality-enhancing step. Missing from the conversation are the economic aspects. It appears that the assumptions that the Indian education market is attractive and would lead to relatively affordable, high-quality education are taken for granted. Ground realities compel a reassessment.

The OECD’s global study on the internationalisation of higher education pointed out that “no matter how altruistic and enlightened the motivation, financial aspects of setting up an off-shore campus are likely to prevail.” Though this observation was made more than 10 years ago, nothing has changed since then to reconsider this deal-breaker.

Two promising numbers drive the government’s assumptions. First, as the Ministry of Education recently clarified in Parliament, the number of Indian students going abroad increased from 4.4 lakh in 2021 to 7.5 lakh in 2022. The related outward remittance spent on education in 2012-2022 was about $5.1 billion, as per the Reserve Bank of India bulletin. The calculation is that India is an enticing market even if foreign universities can tap into a fraction of this outward flow.

Other reinforcing data are the enrolment figures. The All-India Survey on Higher Education estimates that 4.13 crore students are enrolled in higher education. If the policy target is to achieve a 50% enrolment ratio by 2035 from the current 27.3%, the intake of students will almost double in 15 years. Much of this is expected to happen in private institutions, which currently accommodate only about a quarter of enrolment.

Numbers appear good on paper, but how will they play out on the ground? One way to find out is to ask how foreign universities will position themselves in terms of fees and cost. If foreign universities want to compete with premier Indian institutes such as the IITs, they will have to bear in mind the actual costs this involves. For instance, IIT Madras, based on data filed with the National Institutional Ranking Framework, has about 7,000 students with an annual operating expenditure of 1,032 core (2020-21). The fees only partially meets this expense. Government support enables the institution to charge fees as low as 2 lakh yearly for its core programmes. If IIT had adopted an entirely fee-based model, it would charge at least 14 lakh a year to recover its operational costs. This is the baseline figure that foreign universities will have to bear in mind.

Furthermore, they have to offer services on par with what they offer at home — one of the key conditions of the University Grants Commission and a necessity for branding. In that case, they must bring in foreign faculty and invest significant capital. With this, if one factors in the rate of return, the fees, on a conservative estimate, would be around 20 lakh. Although this is less than what they would charge at home, how does this compare locally?

The local market is fragmented. Universities such as Shiv Nadar and Azim Premji, which are backed by philanthropic institutions, have managed to keep the annual tuition fees for four-year undergraduate courses low (around 1.6 lakh for humanities and sciences and 4 lakh for professional courses). Institutes such as the Vellore Institute of Technology (VIT) take the volume route and charge a mid-level fee. Others such as Ashoka University or Krea University follow the niche route and charge a relatively high fee. With about 38,000 students, VIT charges about 4.95 lakh (merit-based concessions offered), and Ashoka University, with about 2,800 students, charges 9.2 lakh for liberal arts education. In this landscape, foreign universities could position themselves as premier institutions and compete with elite private institutes.

Higher fees need not be a major barrier if institutes can create a premium for students. Recruiters should be willing to pay enhanced entry-level remuneration, which may offset higher education costs. The IITs and IIMs offer two different models. The IIT success mantra is low fees and a high premium. For example, IIT Madras had 90% placement for its four-year undergraduate programme (2020-21). It fetches students a median entry-level salary of 13 lakh per annum. The IIM model is high fees, high premium. For instance, IIM Calcutta charges a fee of 31 lakh per year, manages almost full placement and fetches a median salary of 30 lakh per annum (2021-22). Creating graduates who will be in demand is not easy. Even decades-old elite private institutes are yet to reach IIT or IIM levels. Their placement record is 60% -85%, and the median salary ranges between 5 lakh and 8 lakh. The 2019 Global Education Monitoring Report on the internationalisation of higher education in Gulf Cooperation Council countries too points out that despite GCC nations heavily investing in branch campuses of foreign universities and providing them financial incentives, “the employment workforce nationalisation has been elusive.”

Students travelling abroad pay more fees for better opportunities and enriching cultural experiences. Realising this, countries such as the UAE, where Indian students are the largest among international students, offer 10-year visas for exceptional students and five-year visas for others to seek work. This makes the UAE an attractive destination.

Setting up foreign universities will not lead to a radical reduction in outward flow, but would marginally increase local options and redistribute students amongst the elite institutions.

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