

Inside India

A new status quo

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Foreword



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The future relationship with India is an essential one to invest in.

India will soon have the largest population in the world, more than half of which will be under 25, and the middle class will grow to over 500 million people. At that point, India will produce the world's largest university entrance-aged cohort, exceeding China's. India has enjoyed a decade of average GDP growth of 8% during which period R&D expenditure doubled. By 2030, India is forecast to have the third largest economy in the world and supply one quarter of the world's workforce. Links between India and the UK are deep and strong. The Indian diaspora, numbering some two million, is the largest in the UK. For all these reasons, India will remain one of the most important markets.

However, India provides real challenges; local legislation can be slow and ambiguous, the size, scale and diversity of the country makes it difficult to navigate and the greatest democratic show on earth will play out next year, with national elections, which will be disruptive. The significant reduction of Indian students applying to UK universities underlines just how competitive international student recruitment has become, how traditional markets can rapidly change and the importance of the latest market analysis.

Therefore, I hope the latest insight into the aspirations of young Indians and the findings of this report will serve as a useful resource for you. For 60 years, the British Council has been supporting UK universities in India, and we will continue to work with you, as these monumental changes unfold.

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Executive summary and key findings

We have entered a new phase of international student mobility. Traditional student flows are being disrupted by numerous forms of transnational, digital and domestic delivery. Nowhere is this more evident than India.

This report aims to capture and share the views of over 10,000 Indian students during this crucial phase of India's development and the world's interaction with its higher education market.

Rarely are huge shifts seen in flows of internationally mobile students. Only India and China have an active enough rate of participation in international education and the volume of outbound students to make shifts on such a significant scale. Numbers of inbound Chinese students to the UK, USA and Australia have in the past decade continued to increase. Arguably, as the number of families with enough disposable income grew larger, so did the number of students seeking international education opportunities in these popular host countries. However, the case has not been the same for India.

Since 2009/10 the movement of Indian students around the world has begun to change. There remains a lack of understanding of how such a vast market of students consisting of hundreds of thousands of individuals can shift so quickly, as well as a lack of evidence to explain why this has happened and looks likely to continue to happen into the future.

Through this study we aim to uncover a new status quo that has been created within the Indian higher education market. We will examine how domestic education provision has increased on a huge scale and how this has disrupted the once stable and constant flow of outbound Indian students. We aim to understand what students determine as return on their investment made in overseas education. Perhaps most importantly, we will look into what the extent of the impact the depreciation of the rupee has been on Indian households that strive to afford overseas education opportunities, and estimate how many families can still afford to do so.

Future study aspirations

- Survey respondents chose the UK as the most popular destination (21%) followed by the United States (19%) and India, with 14% of the total.
- Respondents that took part in our study indicated they wanted to study Engineering and Technology (17%), Computer Science (15%), Business and Administrative Studies (15%), Law (6%), Media Publishing and Journalism (6%), Social studies (6%) and Creative Arts and Design (5%).
- The largest proportion of students choosing Business and Administrative studies want to do so in the UK (4%). Those choosing Computer Science want to study in India (7%). Respondents that want to study Engineering and Technology (5%) would choose to study in the United States.
- The number of students studying at postgraduate level in India increased 47% from 1.8 million in 2009/10 to 2.7 million in 2010/11.

Indian household income and the cost of studying overseas

- Indian households spend on average 10% of disposable income on education.
- An average disposable household income of around US\$100,000 is required to finance overseas education.
- The percentage of households at this level of income and therefore in the position to fund international education is estimated at 0.4%, or 207,900 households, in 2012.
- The August 2013 valuation of the rupee increased the cost for Indian students studying overseas by roughly US\$10,000 annually.

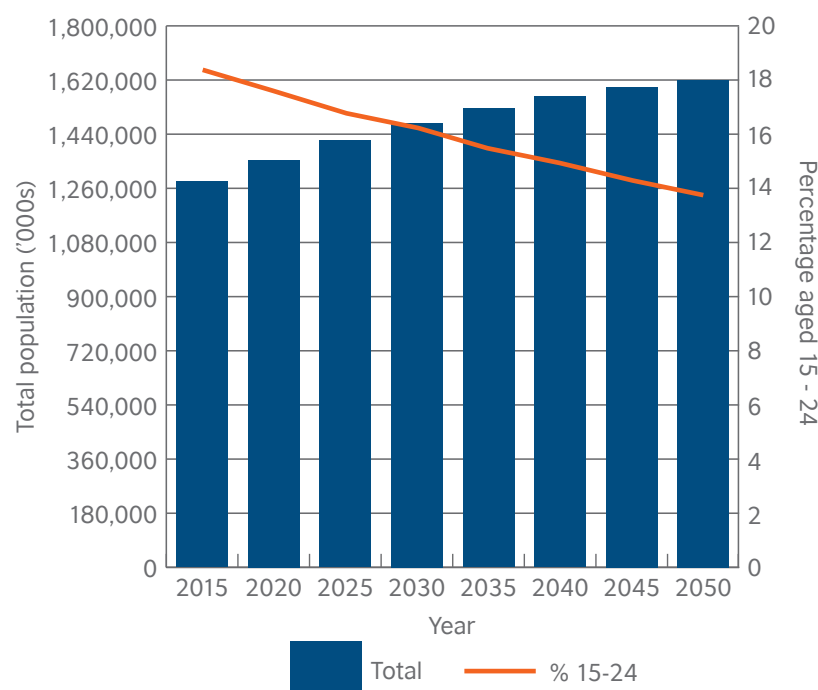
Return on investment in education

- 61% of respondents said the quality of education was the most important factor when selecting a destination.
- 65% of respondents indicated that high cost was the greatest deterrent of studying overseas.
- 27% of our survey respondents defined return on investment in their education as getting a well-paid job after graduation.
- 57% indicated good communication skills were the most crucial factor to create strong employability in graduates seeking their first job.

Population growth and education provision in India

The current world population of 7.2 billion is projected to increase by almost one billion people within the next twelve years, reaching 8.1 billion in 2025 and 9.6 billion in 2050, according to a new United Nations report, World Population Prospects: The 2012 Revision¹, launched June 2013. Most of the population growth will occur in developing regions, the populations of which are projected to increase from 5.9 billion in 2013 to 8.2 billion in 2050.

UN forecast population of India 2015 - 2050



Source: UN Population Division, World Population Prospects: The 2012 Revision

The population of India is expected to surpass that of China around 2028, when both countries will have populations of around 1.45 billion. Thereafter, India's population will continue to grow for several decades to around 1.6 billion and then decline slowly to 1.5 billion in 2100. While the UN report predicts that the overall percentage of 15 – 24 year olds will begin to decline in 2015 as the population begins to age, in real terms the number of 15 – 24 year olds will continue to grow each year as the overall size of the population expands.

The Indian education sector is characterized by a unique set of attributes and big system challenges that go hand in hand with the responsibility of educating such a large and growing population. The country has a huge market in terms of both students and annual revenues. Future possible entry of a significant number of foreign education providers, pending government policy decisions² on legislation, could completely re-shape the Indian education landscape.

¹ <http://esa.un.org/wpp/Documentation/publications.htm>

² Indian Higher Education Sector; Opportunities aplenty, growth unlimited', Deloitte, October 2012

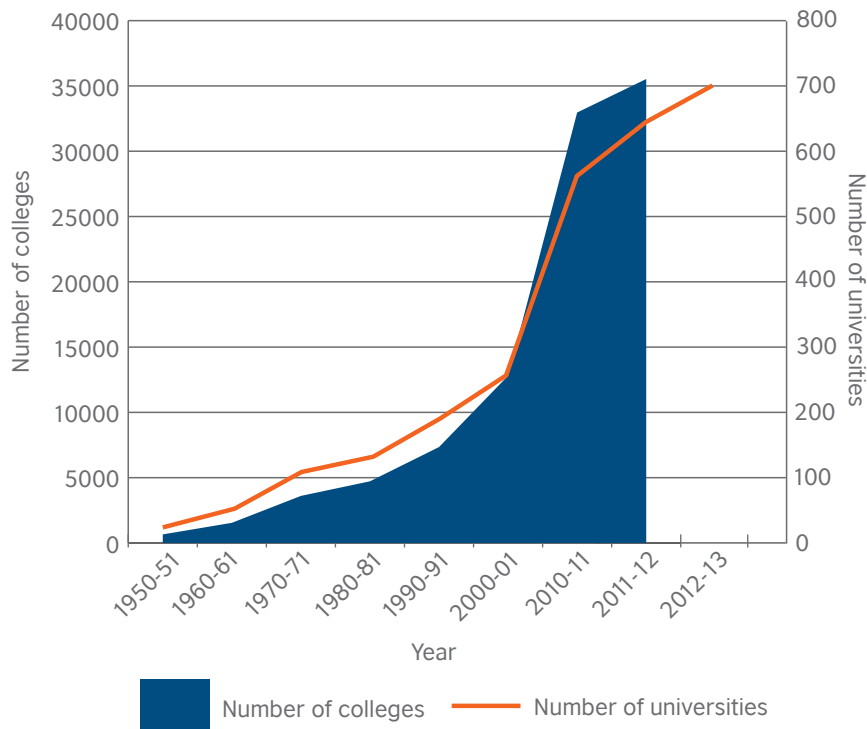
A 2011 report published by University Grants Committee entitled 'Inclusive and Qualitative Expansion of Higher Education 12th Five Year Plan, 2012 – 17', outlines the principal objectives, goals and strategies for the Five Year Plan (FYP):

'Higher education in India is passing through a phase of unprecedented expansion, marked by an explosion in the volume of students, a substantial expansion in the number of institutions and a quantum jump in the level of public funding. The enormity of the challenge of providing equal opportunities for quality higher education to ever-growing number of students is also a historic opportunity for correcting sectoral and social imbalances, reinvigorating institutions, crossing international benchmarks of excellence and extending the frontiers of knowledge. The 12th FYP shall focus on utilizing this historic opportunity of expansion for deepening excellence and achieving equal access to quality higher education³'.

Goals and objectives of the five year plan include the expansion of higher education, correcting regional, disciplinary and gender imbalances, lessening the burden of affiliation and creating greater autonomy, and exploring new models of private sector participation to supplement limited government funds.

³ www.ugc.ac.in/ugcpdf/740315_12FYP.pdf

India - growth in number of higher education institutions

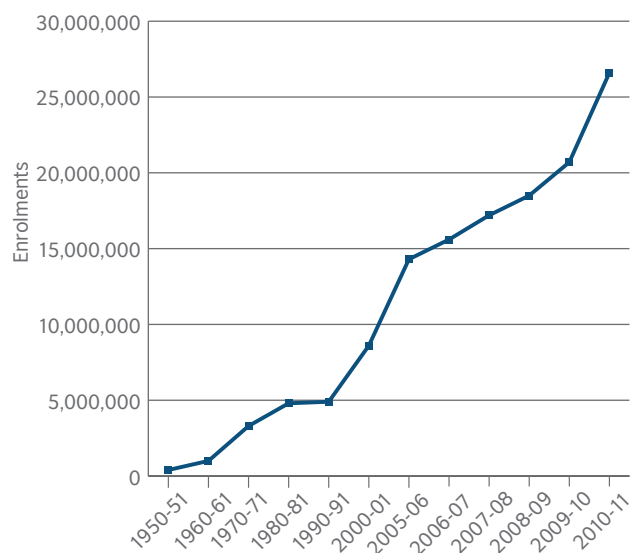


Source: MHRD, UGC

The Indian government is currently estimated to spend around 3.8% of national GDP on education. The OECD average is estimated to be around 5.1%. India's aspirations to grow its knowledge-based economy are built on the belief that education empowers individuals with the knowledge and skills needed to grow India's capacity as a nation. Quality of education has become a focus for Indian education providers and their students and increasing attention is being given to achieving excellence in teaching, learning and research in hopes of 'crossing international benchmarks of excellence and extending the frontiers of knowledge,' as outlined in the 12th five year plan. Since the beginning of the century the numbers of Indian colleges and universities have more than doubled. In 2000-01 there were 12,800 colleges; in 2011-12 there were over 35,000. The number of universities has risen from 256 in 2000-01 to over 700 in 2012-13.

The number of students enrolled in higher education in India has simultaneously risen quickly, from 8.6 million in 2000-01 to 26.6 million in 2011-12.

India - growth of student enrolment in higher education



Source: MHRD, UGC

The growth in higher education enrolments in India is stronger in particular subject areas than others. The number of undergraduate management students grew 287% in one year from 153,041 in 2009/10 to 592,143 in 2010/11. Growth in the number of students studying undergraduate Education and Teacher Training also grew by 252% during the same period, from 518,185 to 1,822,648.

The total number of students studying at postgraduate level increased 47% from 2009/10 to 2010/11, or from 1.8 to 2.7 million in real terms. Postgraduate subject areas that experienced the highest growth during this period were Education and Teacher Training, which grew a staggering 451%, Technical (165% increase) and Management (159% increase).

The rise in students studying Education and Teacher Training, with a combined growth in real terms of 1.4 million, shows the increase in the number of future teachers being trained in India. In real terms the number of postgraduate Management students studying in Indian higher education institutions jumped from 207,967 in 2009/10 to over half a million, 538,911 in 2010/11.

Level and subject enrolments in Indian higher education 2009/10 – 2010/11

Level	Subject	2009/10	2010/11	2009/10 - 2010/11 % Y on Y change
Ph.D./ M.Phil.	Total	92,211	90,658	-2
Postgraduate	Arts	753,068	1,018,331	35
	Science	439,725	459,830	5
	Commerce	207,542	202,151	-3
	Technical	76,565	202,699	165
	Medicine	35,596	45,072	27
	Agriculture/Allied	11,783	11,572	-2
	Management	207,969	538,911	159
	Education/ Teacher training	26,892	148,306	451
	Law	16,442	27,327	66
	Others	57,925	50,213	-13
	Total	1,833,507	2,704,412	47
Postgraduate Diploma	Total	89,092	120,864	36
Undergraduate	Arts	6,304,595	7,078,570	12
	Science	2,148,956	2,604,580	21
	Commerce	2,062,035	2,755,285	34
	Technical	1,928,998	3,846,851	99
	Medicine	318,588	561,075	76
	Agriculture/Allied	78,714	135,703	72
	Management	153,041	592,143	287
	Education/ Teacher training	518,185	1,822,648	252
	Law	200,512	174,203	-13
	Others	159,246	266,522	67
	Total	13,872,870	19,837,580	43

Source: Ministry of Human Resource Development 2012

Fluctuating trends in Indian students' overseas priorities

Indian students had for a number of years provided a steady and increasing flow of international students to the UK, the United States and Australia as well as many other student hosting destinations. According to the UNESCO Institute for Statistics in 2009/10, the total number of outbound Indian students was 200,621. The top 20 destinations were:

Country	Number of Indian students	Global market share %
United States	103,968	52
United Kingdom	38,205	19
Australia	20,429	10
China*	10,237	5
New Zealand	6,650	3
Canada	4,617	2
Russian Federation	4,286	2
Germany	3,867	2
Ukraine	2,413	1
Sweden	1,596	1
Cyprus	1,506	1
France	1,444	1
Ireland	1,396	1
Malaysia	1,152	1
Japan	576	0
Saudi Arabia	534	0
Switzerland	534	0
Kyrgyzstan	497	0
Republic of Korea	486	0
Oman	480	0
Italy	446	0

Source: UNESCO Institute for Statistics

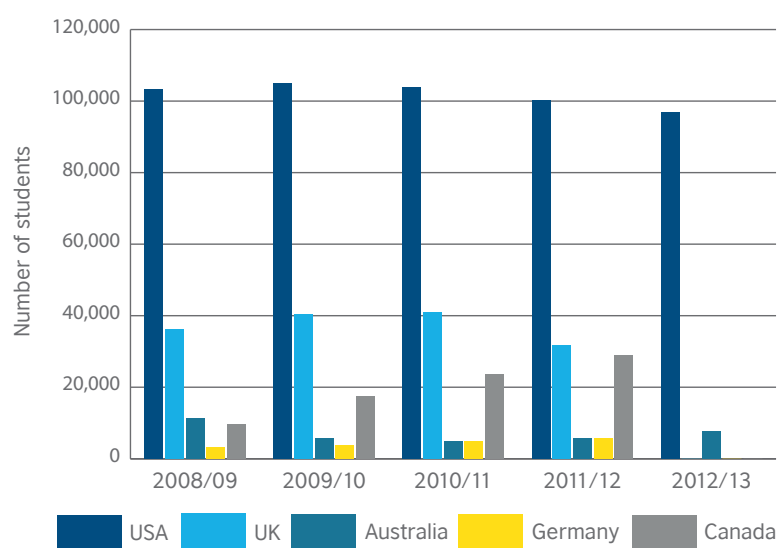
*China data is sourced from the Chinese Ministry of Education, 2012

UNESCO data do not include numbers of Indian students studying in China. The Ministry of Education reported an increase from 9,370 in 2011 to 10,237 in 2012. Canadian statistics here are not representative of recent growth shown by government figures.

Australia first began to experience the decrease in inbound students in 2010. Subsequent analysis of this decline carried out by the Australian Bureau of Statistics⁴ suggested that 'international media attention regarding incidents of violence against international students has had damaging effects on Australia's reputation as a safe destination for study, particularly among Indian nationals. Furthermore, the rise of the Australian dollar, which has a direct effect on the cost of living in Australia compared with alternative destinations, and increased competition from other countries in the international education market, may have had some effect on decreasing levels of visa applications.' The value of Australia's international student market was reported to fall from the 2009 historic high point of AUD 16.4 billion to just over AUD 14 billion in 2012.

⁴ www.abs.gov.au/ausstats/abs@.nsf/Lookup/4102.0Main+Features20Dec+2011

Indian students in overseas higher education



Source: IIE Open Doors, HESA, AEI, DAAD, Stats Canada

August 2013 data from Australian Education International have given an early indication that inbound Indian students to Australia have increased from the previous year. Preliminary figures from AEI from August 2013 as shown below highlight the increase, currently at 36%. The Australian government since the 2010 Knight review have put renewed effort into establishing international education as one of its most valued exports. This has included a review of the student migration policy and post study work opportunities.

Since 2008/09 both Germany and Canada have begun to see a steady and increasing flow of inbound Indian students. Between 2010/11 and 2011/12 Canada experienced a 23% increase in Indian students, equal to a rise of 5,328 in real numbers. During the same period Indian students in Germany increased by 19%, or 920 students.

	2008/09	2009/10	2010/11	2011/12	2012/13	Most recent year % change
USA	103,260	104,897	103,895	100,270	96,754	-4
UK	36,105	40,470	40,890	31,595	-	-23
Australia	11,266	5,672	4,817	5,699	*7,770	36
Germany	3,236	3,821	4,825	5,745	-	19
Canada	9,516	17,549	23,601	28,929	-	23

Source: IIE Open Doors, HESA, AEI, DAAD, and Statistics Canada

*Australia 2013 number based on August 2013 total

Interviews conducted as part of our research with students in Delhi, Mumbai, Chennai and Bangalore helped us to uncover and better understand the growing interest from Indian students in Germany and Canada as higher education destinations:

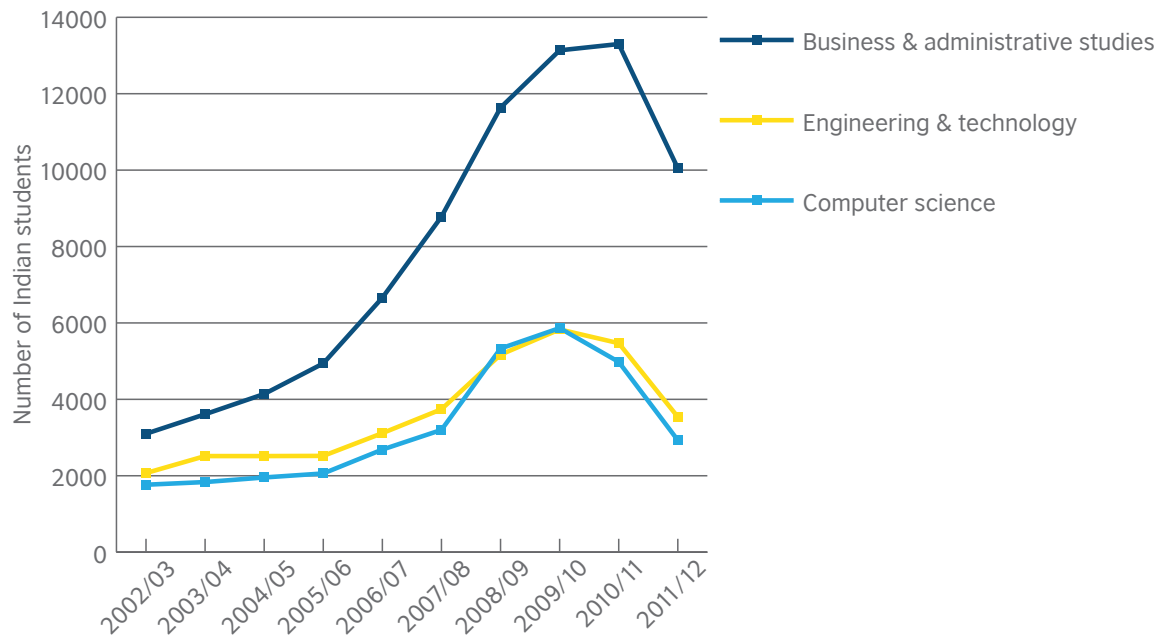
- Education in Germany is perceived to be free.
- A number of students that took part in our focus groups were learning German, alongside English, so they could apply to study in English-and German-speaking institutions.
- Germany is perceived to be the home of world class industries including manufacturing, automotive and engineering.
- Students associate the world class standard of German industry with the highest quality education they are seeking.
- Canada is perceived to be a safer, more accessible and less costly neighbour to the United States.
- Canada's economy is perceived to be strong and opportunities for future employment abundant.
- Canada is seen as giving plentiful opportunities for permanent migration.

Indian students had in the past gone to study in the UK mainly at postgraduate level, with postgraduates comprising between 75 – 80% of the Indian student population in the UK consistently between 2002-03 and 2011-12.

Academic year	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Postgraduate	9,590	11,420	12,785	14,325	18,400	22,045	29,690	33,255	32,160	23,380
Undergraduate	2,915	3,255	3,940	4,920	5,510	5,865	6,410	7,215	8,735	8,220

Source: Higher Education Statistics Agency 2013

Indian students in the UK at postgraduate level



Source: Higher Education Statistics Agency

In 2011/12 the UK began to experience a decrease in the number of inbound Indian students. This did coincide with changes that were perceived to be complex to the UK student visa Tier 4 category and alteration of post study work rights under Tier 2. Critics have attributed this as the sole reason for the decrease in inbound students to the UK. Following these changes in August 2012 was the highly publicised revocation of London Metropolitan Universities Highly Trusted Sponsor status by the then UK Border Agency. The university's status was returned and students that were affected were well cared for. However, as reported at the time, the long term damage could have been to the perception of the UK as an open and welcoming destination of international students. This was particularly prevalent in India where, as we will explore later, the media has significant influence on the views of students and their parents.

In 2010/11, a year before the UK experienced a drop in numbers, the United States had already experienced the beginning of its fall in Indian students by a small but significant 1%. This decrease has continued and grown, with the latest figures showing a 4% drop in Indian students inbound to the United States. Unlike in Australia or the UK there are no striking reasons that can be used to evidence this decrease. The United States continues to welcome more international students to its institutions of teaching and research every year, with 2012/13 showing a record high of 819,644, a 7.2% increase from the previous year; in 2012/13, a record number of 235,587 Chinese students, a 21.4% increase from 2011/12, travelled to the US for study.

As the data analysed above has shown there is not one broad explanation that we can apply to the current state of Indian student mobility. Students are not only deterred by changes to student visa criteria, perceived threat of violence or increasing cost of study. Nor are they only attracted by permanent migration opportunities. India students are as varied as they are vast, each seeking the overseas study opportunity to suit their academic needs and fit within their financial means.

Future study aspirations of Indian students

Survey respondents' demographics

Between September and November 2013 we surveyed 10,389 students from across India. Our aim was to understand their future study aspirations, what in their view makes a study destination desirable and what are the greatest deterrents to studying overseas. The online survey was written in English and distributed in partnership with a number of education focused organisations to ensure respondents were engaging with information about future education opportunities.

Age	% of the total	
	Female	Male
16 or under	2	4
17	2	4
18	3	5
19	4	4
20	4	7
21	4	13
22	4	6
23	3	5
24	2	4
25	2	3
26	1	2
27	1	2
28	1	1
29	1	1
30	1	1
31	0	1
32	0	1
33	0	0
34	0	0
35	0	0
Over 35	0	1

65% of respondents were males, 35% females. The greatest proportion, 13%, were males ages 21 years old. Respondents self-selected their location from a list of the 28 states and 7 union territories. Highest representation was from National Capital of Delhi 16%, Maharashtra 11%, Haryana 10%, Uttar Pradesh 6% and Tamil Nadu 5%. Some of the major cities in each of these states are:

State	Cities
Maharashtra	Mumbai, Pune, Nagpur
Haryana	Faridabad, Gurgaon
Tamil Nadu	Chennai, Madurai

Indian region	% of the total
National Capital Territory of Delhi	16
Maharashtra	11
Haryana	10
Uttar Pradesh	6
Tamil Nadu	5
West Bengal	5
Bihar	4
Karnataka	4
Kerala	4
Andhra Pradesh	4
Gujarat	4
Jharkhand	3
Rajasthan	3
Madhya Pradesh	2
Jammu and Kashmir	2
Punjab	2
Chandigarh	2
Assam	2
Himachal Pradesh	2
Goa	1
Chhattisgarh	1
Uttarakhand	1
Odisha	1
Manipur	1
Dadra and Nagar Haveli	1
Lakshadweep	1
Sikkim	1
Daman and Diu	1
Arunachal Pradesh	1
Tripura	1
Puducherry	0
Andaman and Nicobar Islands	0
Nagaland	0
Meghalaya	0
Mizoram	0

Survey respondents' preference levels and subjects of study

Twenty five per cent of respondents indicated they wanted to study at Research Postgraduate and Taught Postgraduate levels. Fifteen per cent have interest at the Undergraduate level, 13% Doctoral or PhD, 9% English Language, 7% Pre University level and 7% wanted to study vocational skills and training.

The highest proportion of respondents indicated they wanted to study Engineering and Technology (17%), followed by Computer Science (15%), Business and Administrative Studies (15%), Law (6%), Media Publishing and Journalism (6%), Social Studies (6%) and Creative Arts and Design (5%).

What course would you like to study	English Language	Pre University	Vocational skills training	Undergraduate	Research Postgraduate Masters	Taught Postgraduate Masters	Doctoral/ PhD level	Subject total
Engineering & technology	1	1	1	3	5	5	2	17
Computer science	1	1	1	2	8	2	1	15
Business & administrative studies	1	1	1	2	3	6	1	15
Law	0	1	0	1	1	2	1	6
Media, publishing, journalism	0	1	1	1	1	2	0	6
Social studies (Economics, Politics, etc.)	0	0	0	1	1	1	2	6
Creative arts & design	0	1	1	1	1	1	0	5
Medicine & dentistry	0	1	0	1	1	1	1	4
Languages and linguistics	1	0	0	0	1	1	1	4
English language	1	0	0	0	0	1	1	4
Biological sciences	0	0	0	0	1	1	1	3
Mathematical sciences	0	0	0	0	1	1	0	3
Physical sciences	0	0	0	0	0	0	1	3
Education (including teacher training)	0	0	0	0	0	1	0	3
Historical & philosophical studies	0	0	0	0	0	0	0	2
Architecture, building & planning	0	0	0	0	0	1	0	2
Agriculture & related subjects	0	0	0	0	0	0	0	1
Veterinary science	0	0	0	0	0	0	0	1
Level total	9	7	7	15	25	25	13	100

Source: Inside India November 2013, Education Intelligence, British Council

Future study destination priorities by level

From the 10,389 respondents surveyed, the UK was the most popular choice of future study destination, chosen by 21%. The United States was second most popular, selected by 19% of the overall total. The third most popular destination for Indian students was India, with 14% of the overall total. This was then followed by Australia (10%), Canada (5%), Germany (4%), Singapore (1%), France (1%) and New Zealand (1%).

Where would you like to study	English Language	Pre University	Vocational skills training	Undergraduate	Research Postgraduate Masters	Taught Postgraduate Masters	Doctoral/ PhD level	% of Total
United Kingdom	2	1	1	3	5	7	3	21
United States of America	2	1	1	3	4	5	3	19
India	2	0	0	1	8	1	1	14
Australia	1	2	1	2	2	2	1	10
Canada	0	1	0	1	1	2	1	5
Germany	0	0	0	0	1	1	1	4
Study a foreign qualification in India	0	0	0	0	0	0	0	1
Singapore	0	0	0	0	0	0	0	1
France	0	0	0	0	0	0	0	1
New Zealand	0	0	0	0	0	0	0	1

Source: Inside India November 2013, Education Intelligence, British Council

Studying a foreign qualification in India was the seventh most popular choice with 1% of the overall total.

Future study destination priorities by subject

Our results show that the largest proportion of respondents that want to study Business and Administrative studies (4%) want to do so in the UK. By far the largest proportion of respondents that want to study in India (7%) want to study Computer Science. Respondents that want to study Engineering and Technology (5%) would choose to study in the United States. The UK is also a strong choice for respondents that want to study Social Studies (2%).

What course would you like to study	United Kingdom	United States of America	India	Australia	Canada	Germany	Study a foreign qualification in India	Singapore	France	New Zealand
Engineering & technology	3	5	2	2	1	2	0	0	0	0
Computer science	2	2	7	1	1	0	0	0	0	0
Business & administrative studies	4	3	1	1	1	0	0	0	0	0
Social studies (Economics, Politics, etc.)	2	1	0	1	0	0	0	0	0	0
Law	1	1	1	1	0	0	0	0	0	0
Media, publishing, journalism	1	1	0	1	0	0	0	0	0	0
Creative arts & design	1	1	1	1	0	0	0	0	0	0
English language	1	1	1	0	0	0	0	0	0	0
Medicine & dentistry	1	1	0	1	0	0	0	0	0	0
Biological sciences	1	1	0	0	0	0	0	0	0	0
Languages and linguistics	1	1	0	0	0	0	0	0	0	0
Mathematical sciences	0	0	0	0	0	0	0	0	0	0
Education (including teacher training)	0	0	0	0	0	0	0	0	0	0
Physical sciences	0	0	0	0	0	0	0	0	0	0
Historical & philosophical studies	0	0	0	0	0	0	0	0	0	0
Architecture, building & planning	0	0	0	0	0	0	0	0	0	0
Agriculture & related subjects	0	0	0	0	0	0	0	0	0	0
Veterinary science	0	0	0	0	0	0	0	0	0	0
Grand total	21	19	14	10	5	4	1	1	1	1

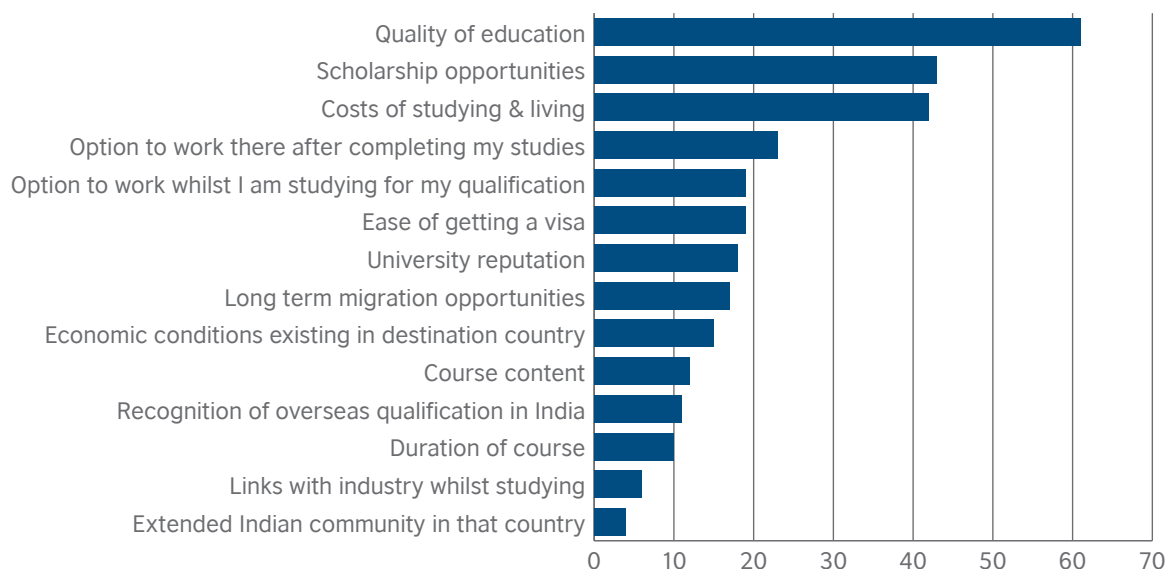
Source: Inside India November 2013, Education Intelligence, British Council

Quality of education is the greatest pull factor

Respondents were asked to select three answers from 14 possible options that determined the most important factor when selecting a study destination. When asked what the most important factor was, the largest majority of respondents (61%) said quality of education was the most important factor. The following four answers determined by our pool of respondents all evidenced cost as a factor:

- Scholarship opportunities (43%)
- Costs of studying & living (42%)
- Option to work there after completing my studies (23%)
- Opportunity to work whilst I am studying for my qualification (23%)

What is the most important factor when selecting a study destination



Source: Inside India November 2013, Education Intelligence, British Council

Quality remains by far the greatest pull factor for Indian students when selecting a study destination. However, India is a highly price sensitive market and the ranking of factors relating to the financial impact of studying in second, third and fourth places shows how much of an impact the cost of study is having on Indian students' overseas study priorities. The cost of studying and living, availability of scholarships and having the opportunity to work during and after completion of studies are crucial to students so they can have the opportunity to mitigate the huge financial impact gaining an education can have on them and their families.

Defining quality – the spectrum of meaning

As part of our research we conducted a number of interviews and focus groups with students in Delhi, Mumbai, Chennai and Bangalore. In these sessions we were able to understand in more detail what Indian students mean by the importance of high quality education.

Our analysis showed that students assess the quality of an education opportunity according to three core elements:

- The institution (directly linked to the country location)
- Their course
- Value added to their experience



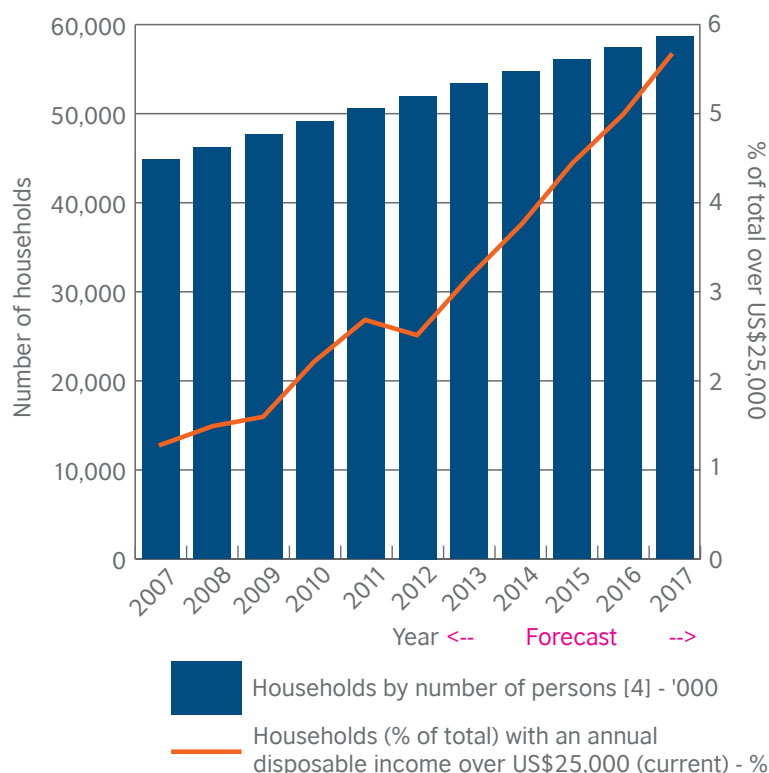
Market segmentation by household income

Despite India's large and increasing number of 15 – 24 year olds that could all be considered as potential higher education students, there is only a small proportion that can afford to pay the relatively high cost of studying overseas. The Indian Census Office⁵ estimated that in 2011 there were just over 240 million households in India with numbers of occupants varying from one to over nine. They also showed that in urban India, 56% of households now have four or less members. The latest data from Euromonitor International indicate that in 2012 there were on average just fewer than 52 million households with an average of four people per household in India.

Our previous research⁶ showed that one of the main drivers for an increased number of Indian students seeking international higher education overseas is the number of households with incomes over US\$25,000. This analysis revealed US\$25,000 to be the threshold at which Indian households could fund overseas education. Using this income level as a basis for calculation we can estimate how many of India's households fall within that income bracket, and therefore can potentially afford the cost of overseas education.

Of the 52 million Indian households in 2012 only 2.5 per cent had an annual disposable income of over US\$25,000. In real terms this equates to 1.29 million households with enough financial capital to pay for international education overseas.

Indian higher education market size and segmentation: 2007 - 2017



Source: Euromonitor International 2013

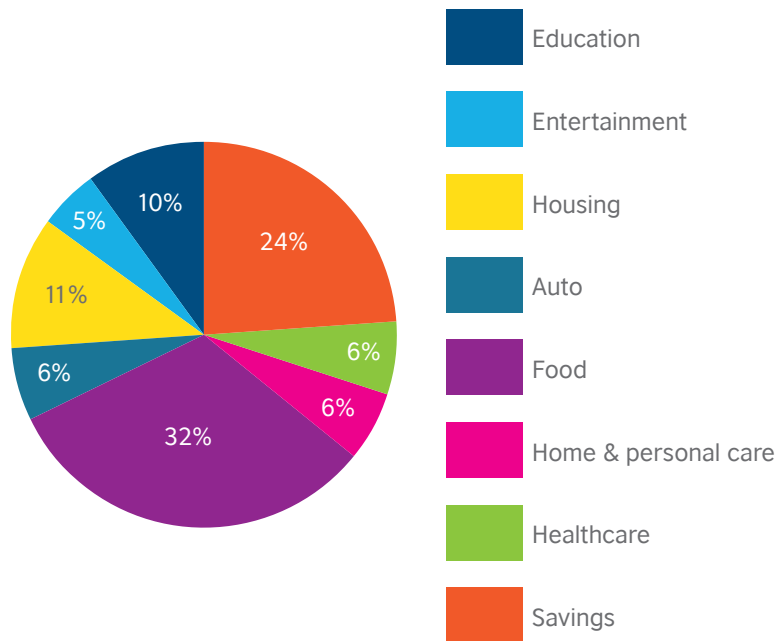
⁵ www.censusindia.gov.in/

⁶ *Students In Motion: India*, British Council, 2006

The forecast data show that by 2017 there are estimated to be 58.6 million households in India with an average of four people, 5.7% of which will have an annual disposable household income of over US\$25,000. This increases the forecast number of households in 2017 that pass the threshold of adequate income resource to 3.34 million.

A 2013 Indian Consumer Survey conducted by Credit Suisse calculated the annual expenditure of Indian households. The report showed that on average Indian households spend 10% of their income on education, 32% on food and put 24% in savings.

Indian household monthly spending patterns 2012

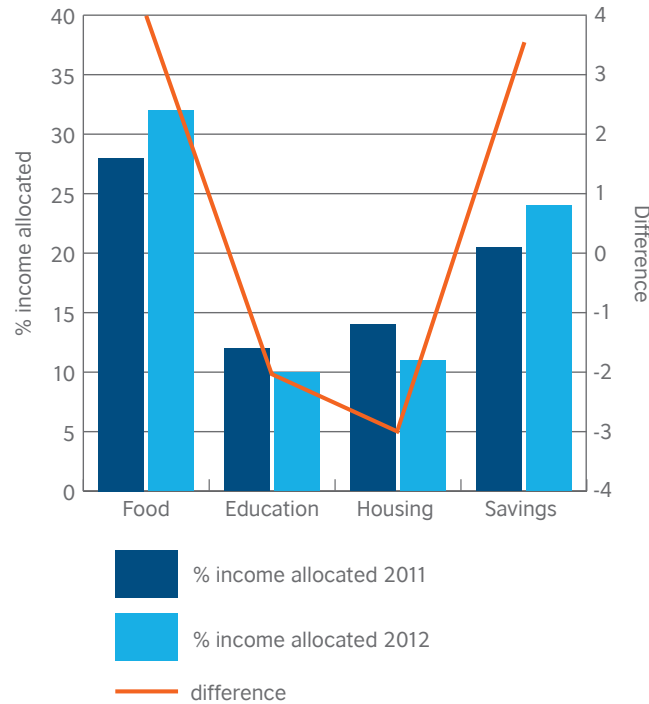


Source: Indian Consumer Survey 2013, Credit Suisse

By recalculating the market segmentation using data from this 2013 Indian consumer survey showing the average Indian household spends 10% of available income on education, and estimating that the lowest cost of funding overseas education would be US\$10,000, average disposable household income would have to reach into the range of US\$100,000 for families to afford even the lowest international tuition fees and costs of living. This would reduce the percentage of households able to afford overseas education to 0.4%, or 207,900 households in real terms, in 2012. Assuming one individual per household has the opportunity to study overseas, this figure would match the UNESCO Institute of Statistics 2011 estimate of globally-mobile Indian students.

The consumer survey analysis goes on to show 2011 expenditure in comparison to 2012. As expected in line with the depreciation of the Indian currency, spending on education and housing was reduced whilst spending on food and financial savings increased.

Indian annual household expenditure 2011 - 2012



Source: Indian Consumer Survey 2013, Credit Suisse

The impact of the rupee depreciation and high cost of overseas education

The depreciation of the rupee began in 2012 and continued until the currency hit an all-time low of 68.85 against the US dollar on 28 August 2013. It has been cited as the worst financial crisis in India in decades, affecting food prices and reportedly creating a very difficult environment for the India logistics sector owing to the increased costs of operation for both international shipping companies and domestic transportation companies, as well as increased costs of services for end users (manufacturing and distribution companies) within the country.

An August 2013 study compiled from publically available data by HSBC calculated the combined average cost of university fees and living expense in a number of countries. This was expressed in US\$ so each country's average could be compared. Studying in Australia was at that time found to be the most expensive study destination, combining both annual tuition fees and cost of living.

Country	Annual fees (US\$)	Annual cost of living (US\$)	Annual total (US\$)	2011 value of the rupee, annual cost	2013* value of the rupee, annual cost	2012 - 2013 cost difference US\$
Australia	25,375	13,140	38,516	1,887,284	2,619,088	11,629
United States	25,226	10,479	35,705	1,749,545	2,427,940	10,780
United Kingdom	19,291	11,034	30,325	1,485,925	2,062,100	9,156
Canada	18,474	7,537	26,011	1,274,539	1,768,748	7,853
Germany	635	5,650	6,285	307,965	427,380	1,897

Source: HSBC, Education Intelligence

* 2013 calculations based on the August 28th value of the Rupee 68.85: 1 US\$

Using this data as a basis for further calculations, we have managed to estimate the average increase in the cost of studying in Australia, the United States, the UK, Canada and Germany between January 2012 when the rupee remained at an 18 month stable value of 45.29 to 1 US dollar and the August 2013 high of 68.85 to 1 US dollar.

The depreciation of the currency alone increased the annual cost for Indian students studying in Australia by US\$11,629, those studying in the US by US\$10,780 and those studying in the UK by US\$9,156.

The study conducted by HSBC to calculate the cost of overseas study does not take into account all expenses incurred by students and their families, for example travel and associated costs for family members. Therefore the costs above and the increases calculated are considered to be conservative estimates of the financial impact the depreciation of the rupee has had on increasing the cost of overseas study.

The 10,389 students that took part in our national survey were asked what deters them most from wanting to study in a country. Sixty five per cent of respondents indicated that high cost was the greatest deterrent, followed by no scholarships being available to them (45%), difficulty getting a visa (44%) and not having the option to work (34%).

What deters you most from wanting to study in a country



Source: Inside India, Education Intelligence, British Council

The data we have analysed so far has shown that potential Indian students, whilst focused on obtaining a high quality education, are conscious of the potential cost and are interested in seeing a return on investment they have made. We wanted to understand fully how Indian students define return on investment and if this is also directly linked to the cost of study.

How would you define return on investment



Source: Inside India, Education Intelligence, British Council

Twenty seven per cent of our survey respondents said they defined return on investment as getting a well-paid job after graduation and 20% defined return on the investment made by themselves and their family as becoming an expert in their field. Fifteen per cent said they felt this was best shown by employers recognising their qualification globally, 12% said this was having the opportunity to get a job whilst studying and 10% said they felt return on investment was earning a qualification from a very prestigious university.

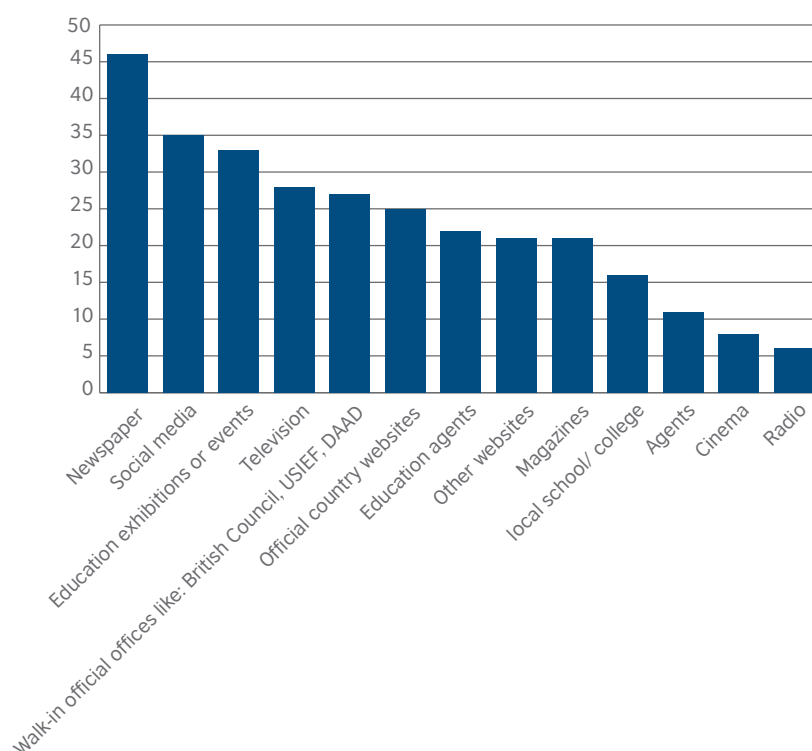
The impact of the Indian media and access to information

A November 2013 report released by the Internet and Mobile Association of India (IAMAI) suggested the number of Internet users in India reached 205 million in October this year, registering growth of 40% from 2012. The report also estimates that by June 2014, India will have 243 million internet users, at which point of time, it is expected to overtake the US as the second largest Internet base in the world. China currently leads with more than 300 million internet users while the US currently has an estimated 207 million internet users.

However despite the growth in internet users in India, traditional or print media channels are still widely used and popular. According to the World Association of Newspapers, more than 110 million daily newspapers are circulated in India. That is, one in every five daily newspapers in the world is being published in India. With Indian print media accounting for 45 percent of total advertising spend, it's clear that print media is widely read and impactful. The top 10 Indian daily publications have between 6 and 16 million readers; the only English language edition in that top ten is The Times of India with an estimated daily readership of over 7.5 million.

Respondents to our survey were asked from which of the following resources they get most of the news and information they need about international education opportunities around the world. Forty six per cent said they got most news and information from newspapers, 35% from social media, 33% from education exhibitions or events, 28% from television and 27% from walk in offices such as USIEF, DAAD or the British Council.

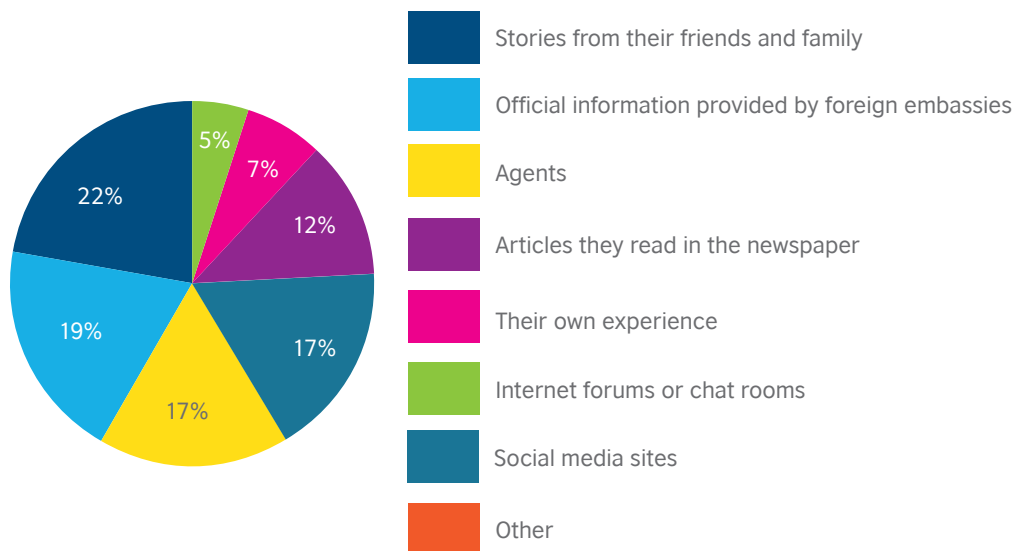
Information about international education opportunities



Source: Inside India, Education Intelligence, British Council

Further to this question we asked respondents on what they believed people based their opinions of getting a student visa. Twenty two per cent said they believed people based their opinion of getting a student visa on stories from their friends and family and 19% said official information provided by foreign embassies; seventeen per cent said agents, 17% said social media sites and 12% of respondents believed people's opinions of getting a student visa are based upon articles they read in the newspaper.

What do people base their opinion of getting a student visa



Source: Inside India, Education Intelligence, British Council

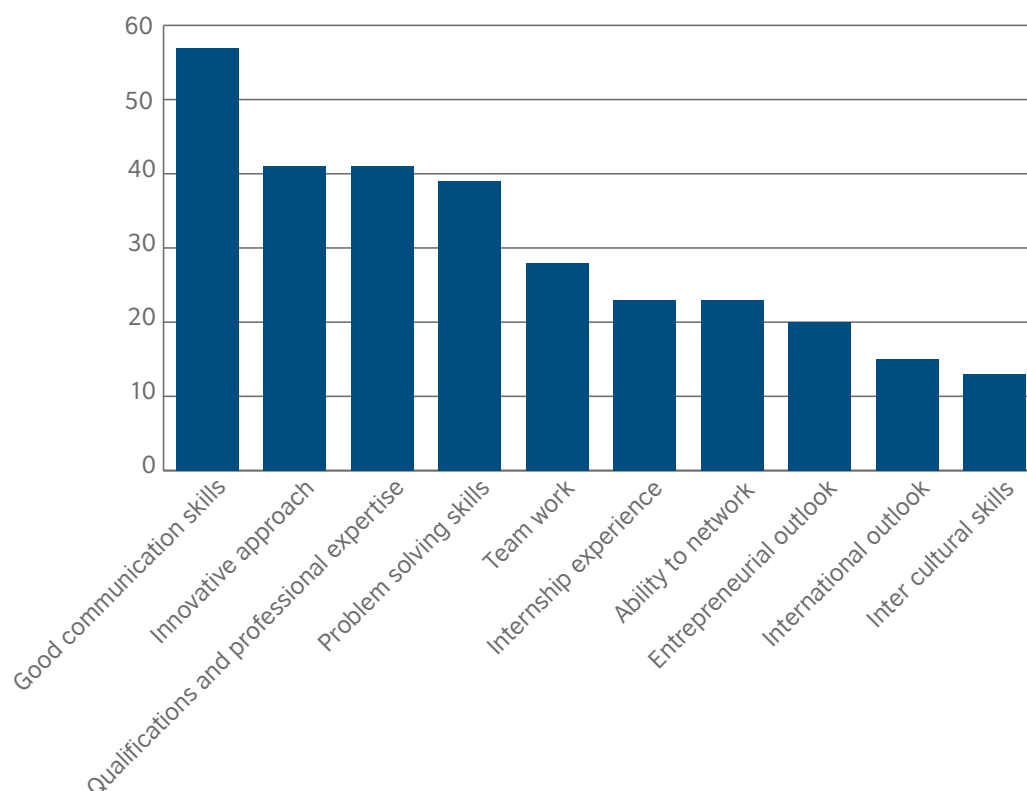
Defining strong employability

A 2013 report titled *Aspiring Minds Employability Report on Indian Graduates*, from a company of the same name⁷, tested more than 60,000 graduate students from numerous colleges across multiple states in India on different modules designed to test their employability. A key finding from the report claimed that 47% of graduates were not employable in any sector of the knowledge economy. The report suggested that less than 25% of students tested were able to apply concepts to solve problems, explaining that Indian higher education needs to lay greater stress on application of concepts and discourage rote learning.

Media coverage of graduate unemployment consistently reminds us that there is a shortage of jobs and an increasing number of under skilled graduates in fields like engineering that complete their studies without the necessary skills to apply their learning in the work place.

To understand more fully what prospective Indian students believe are the kind of skills they will need to obtain employment after graduation, we asked them to indicate which factors they believed create strong employability in graduates. Fifty seven per cent of respondents believed good communication skills create good opportunities to secure a job.

Factors that create strong employability in graduates

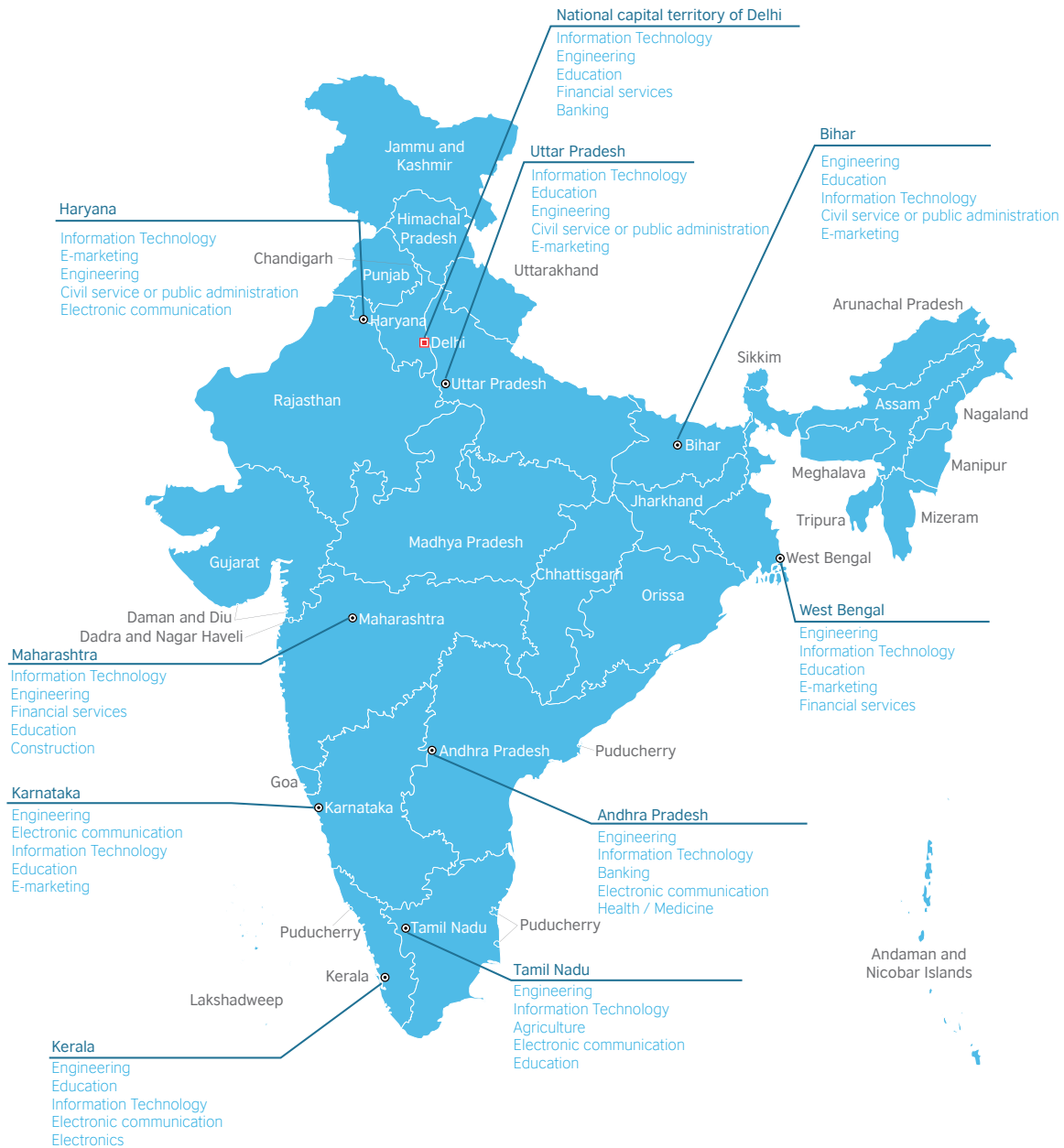


Source: Inside India, Education Intelligence, British Council

⁷ www.aspiringminds.in/researchcell/articles/highlights_of_aspiring_minds_employability_report_on_indian_graduates_2013.html

Future employment opportunities

Respondents that took part in our research were asked where they believe future employment opportunities in India are greatest, and in which field. Below is a map of the 10 states and union territories of highest representation in our study outlining where respondents believe future employment will come from.



Source: Inside India, Education Intelligence, British Council

Concluding statement

Our research has shown that there continues to be a huge appetite for international education opportunities across India. The interest in studying in the UK and the United States does remain strong, although emerging alongside these traditionally sought-after higher education providers is India. The focus from the Indian government within the 12th five year plan on improving not only volume but also the quality of higher education at home has positioned India's own education institutions as fierce competitors for domestic students on an unprecedented scale. Studying at home is generally less expensive than studying overseas, and cost is a factor that has shown in our study to be the most pronounced influence on students' study decisions.

The depreciation of the rupee and subsequent reduced spending power of Indian households has profoundly affected the size of the outbound Indian student market, potentially to only 0.4% of the total number of households, and will continue to do so as the currency continues to be valued at its current rate.

India has always been a very price sensitive market, but never more so than now. Access to any opportunity that may lighten the financial load is seen as crucial. Scholarships and opportunities to work during and after studying all impact the sum total cost of an overseas education and are therefore viewed as desirable. No clear pattern has emerged from our analysis that will allow us to predict Indian student mobility in the future. Choosing an overseas education, no matter where that might be, will incur considerable financial burden. The recent increase of students studying in Australia has happened when the currency valuation makes living costs very expensive. However new immigration policies and perceptions of consciously giving value to Indian students through work opportunities seems to have mitigated the effect of high costs of living and the negative sentiment created in 2009/10. The US and the UK have both recently experienced a reduction of inbound Indian students to their institutions. Arguably conditions for international students wanting to pursue employment in the UK have become more complex, offering some explanation for the decrease of Inbound Indian students. However, the US is experiencing a downturn at the same time.

Does the key then lie in the perception of return on investment being offered to Indian students who seek an overseas higher education? Return on investment is linked by students to either a direct financial saving or the high value placed on a formal qualification from a prestigious world class institution. There will continue to be a segment of Indian households that can afford to finance an overseas education and seek it as a highly valued opportunity. This segment has decreased and may continue to do so, contrary to popular views of the boundless untapped potential in India for international students.

We asked respondents that took part in this study if they felt access to international education opportunities would empower them to succeed in their future careers. Seventy eight per cent said yes. We asked respondents if they felt access to international education opportunities for young people would help India grow as a strong global economy and 66% said yes, they believed it would.

Market conditions in India have transformed; India has many aspiring world class higher education institutions competing for globally ranked positions alongside those in the UK and the US and a far smaller proportion of households that can afford to pay for overseas education in an increasingly competitive recruitment market. This is the new status quo in India and is dictating the market for student recruitment. Indian students will seek overseas education opportunities that meet their financial means and academic aspirations and make their selection from one of the many destinations now competing for their participation.

Research design and methodology

Total sample size

10,389

Data collection period

Data was collected between September and November 2013.

Survey design

The survey questions were designed by the British Council's education team in India and Education Intelligence researchers.

Sampling

The survey sample was made up of self-selected participants, who indicated their age, gender, regional location in India, subject, level and preferred study destination – here we included both studying in India and studying a foreign qualification in India as choice options. The questionnaire consisted of 18 questions in total. Participants were given the opportunity to take part in a prize draw as an incentive for taking part in the research. The online survey was only made available in English.

Research partners

We worked with a number of institutions and organisations to distribute the online survey designed by the British Council. To ensure participants that took part in the study were individuals that showed a genuine interest in education opportunities either at home or overseas we collaborated with partners that have involvement in the education industry, these included: The British High Commission India, The British Council, The Chopras, Education Matters, HR College of Commerce & Economics Mumbai, Indogenius, Interactive Avenues, The University of Leeds in India, MeetUniversity.com.