

Why rupee, higher fees don't deter students headed abroad



Premium Apart from the clout and swagger, there's more to US institutions that attract students despite the costs. Photo: Reuters *4 min read* . Updated: 11 Aug 2022, 08:00 AM IST
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Foreign education is getting dearer. The cost of living in the developed world is at record highs, education loans are set to get costlier, and a weak rupee is inflating foreign expenses. A Harvard degree will be 26% costlier this year than four years ago in rupee terms, even though the university raised fees by just 13%, show Mint calculations. Yet, given the fundamental need and non-discretionary nature of quality education, students' plans won't get much impacted, experts suggest.

A LocalCircles survey in July suggested that Indians don't see as much impact of the fall in the rupee on foreign education plans as they see on other expenses. This reflects a trend that's carrying over from before the pandemic, when the number of students going abroad was rising rapidly. The count doubled between 2016 and 2019 alone.

Cost of studying abroad

Despite a weak rupee, the US remains attractive. "The sentiments have not gone down at all and I don't see a major shift as long as the US continues to welcome students," said Sanjay Laul, chief executive officer of M Square Media, an international education platform.

However, Laul does see some shift from the US to low-cost countries. Since late February, the rupee has gained 6.1% against the British pound and 5% against the euro, compared to a 5.7% depreciation against the dollar. "While the depreciating rupee may have increased costs for US-bound students, that's not the case for other study destinations with less adverse currency fluctuation," said Arijit Sanyal, MD and CEO of HDFC Credila, an education loan company.

American dream

Apart from the clout and swagger that others lack, there's more to US institutions that attract students despite the costs. In January, an Interstride survey found that students rated the reputation of US colleges and universities as the most important driver. "The US is home to all the Ivy League colleges," said Vibha Kagzi, CEO of ReachIvy.com, an education consultancy. "The amount of funding they receive and a culture of giving back also helps the

colleges to reinvest in technology and infrastructure." Moreover, the pay-offs are huge, she added.

The demand is also driven by an aspiration to access quality higher education with an upgrade in the quality of living abroad, and the US has a lot to offer on this front, said Amit Gaiinda, MD and CEO of Avanse Financial Services, an education finance firm. This is another reason why the costs are not a big deterrent at a time when more Indian students are dreaming big.

Access to capital

For many, foreign studies become possible largely because of improving access to education loans. Education loans sanctioned by the State Bank of India for studies abroad increased nearly 35% between 2016-17 and 2018-19 to ₹3,431 i, latest available data shows. The pandemic impacted the education loan sector as students postponed their plans, but the massive pent-up demand at play currently after the pandemic will put loans again into the picture.

"In the current year, we continue to see robust growth in loan applications from students planning to study overseas, independent of the impact of the pandemic," Sanyal said.

Most lenders typically cover both the tuition fee and other expenses such as accommodation, travel and the purchase of study equipment. They often factor currency fluctuations while sanctioning loans. Overseas lenders also offer dollar-denominated loans but "with hardening of interest rates, dollar loans become expensive, and are usually not hedged, which adds to the risk", Gaiinda said.

Tackling expenses

Despite inflation and rupee depreciation, the high costs of education do not bother foreign-bound students because of its returns. A RedSeer analysis in 2021 showed that the salaries that one can get after a degree in the US or the UK can be nearly 10 times what they would get if they studied in India. Science, technology, engineering, and mathematics (STEM) fields, which remain the strong focus area for Indian students, also help them end up with careers that are stable financially.

"Even if the currency rate stays as it is, upon graduating, when they repay these loans, they will repatriate this fund at the increased dollar rate and loan repayment will become much easier," Kagzi said.

Meanwhile, to tackle high expenses, students can take up campus or part-time jobs or other remote working options, experts suggest.

All in all, the costs will be high, but the returns justify the expense for those really dreaming of a foreign degree.