

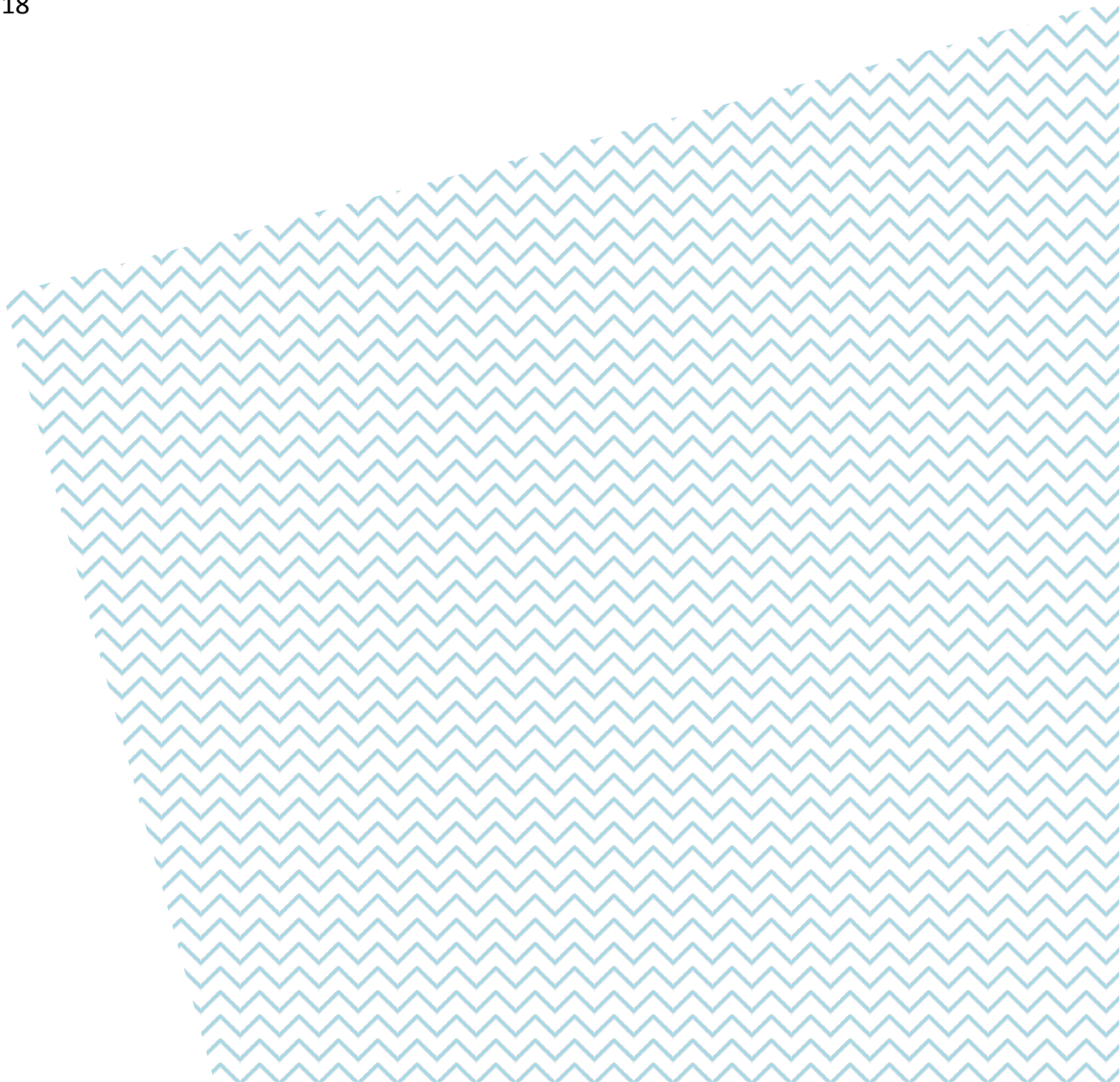


Melbourne Centre for the Study of Higher Education

Eggs and Baskets: Lessons from the 2009 decline in Indian student enrolments

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31 October 2018



One of the notable achievements of Australian universities in the last two decades has been their success in attracting international students. There are ten times as many international university students in Australia now as there were only two decades ago, with over 390,000 international students or 37 per cent of the total student population each year.¹

Observers have rightly argued this makes universities vulnerable to any change in overseas student preferences.² Perhaps less appreciated is what this means in practice for universities. Australia has suffered a major shock to its international student market before, when Indian enrolments halved at universities between 2009 and 2011, reducing from around 26,000 to 10,000.³ Enrolments did not recover to trend growth until 2016.

While Australian universities successfully weathered the temporary decline in Indian enrolments, the episode reveals useful lessons. The reduction in enrolments happened quickly – more quickly than anticipated – and took longer than expected to recover. It came at great cost: many Australian universities lost 60 per cent of their Indian enrolments in a single year. Annual fee revenue from Indian students dropped by \$225 million, and overall the slow recovery meant Australian universities likely missed out on \$1.3 billion dollars in tuition between 2009 and 2016.

One reason the effects of this shock are sometimes not appreciated is that they were concealed by rapid growth at the time in the number of students coming from other countries, China in particular. Despite its minimal net effects, the 2009 rapid decline in Indian enrolments and slow recovery is a useful case study illustrating the risk universities face in relying on students from a small number of international markets. Should a similar decline in international enrolments occur in the future, it might not be so easy for universities to avoid significant consequences.

¹ Department of Education and Training, uCube, Higher Education Statistics, <http://highereducationstatistics.education.gov.au/>, accessed 10 July 2018.

² Larkins, Frank, 2018, Narrowing Diversity of International Students Attending Australian Universities Can Compromise Educational Experiences and Regional Engagement, L H Martin Institute.

³ Department of Education and Training, uCube, Higher Education Statistics, <http://highereducationstatistics.education.gov.au/>, accessed 10 July 2018

Anatomy of the decline in enrolments

Between 2009 and 2012 Indian student enrolments in higher education declined by 56 per cent nationally before enrolment numbers started to recover, going from 26,251 in 2009 to 10,737 in 2012 when numbers started to pick up again. Enrolment numbers did not return to the 2009 peak until almost 2016 (Figure 1).

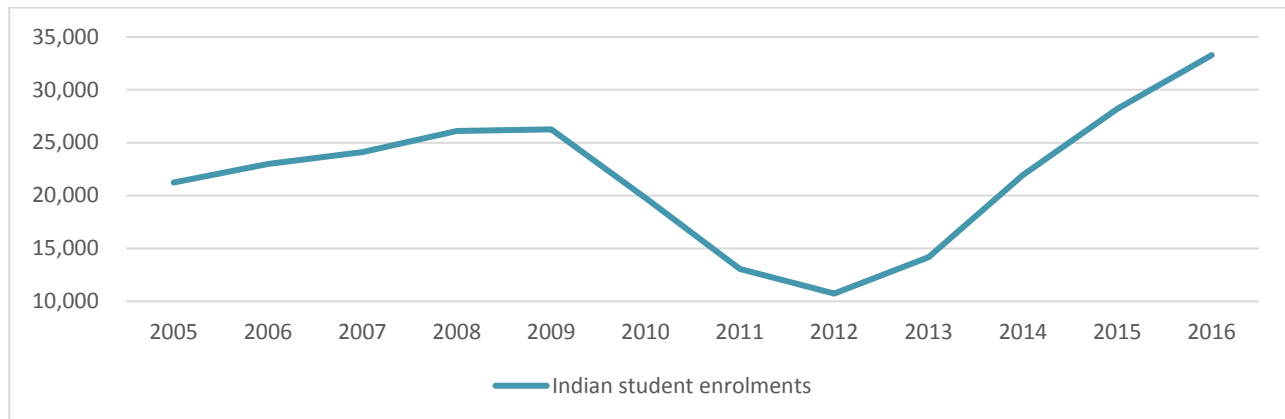


Figure 1: Indian student enrolments at Australian universities, 2005 to 2016 (source AEI)

The speed of the drop was striking, a point illustrated by the rapid reduction in commencing Indian students in 2010 compared to the previous year. Commencing student numbers declined from 11,305 in 2009 to 5,753, a drop of 49 per cent (Figure 2).

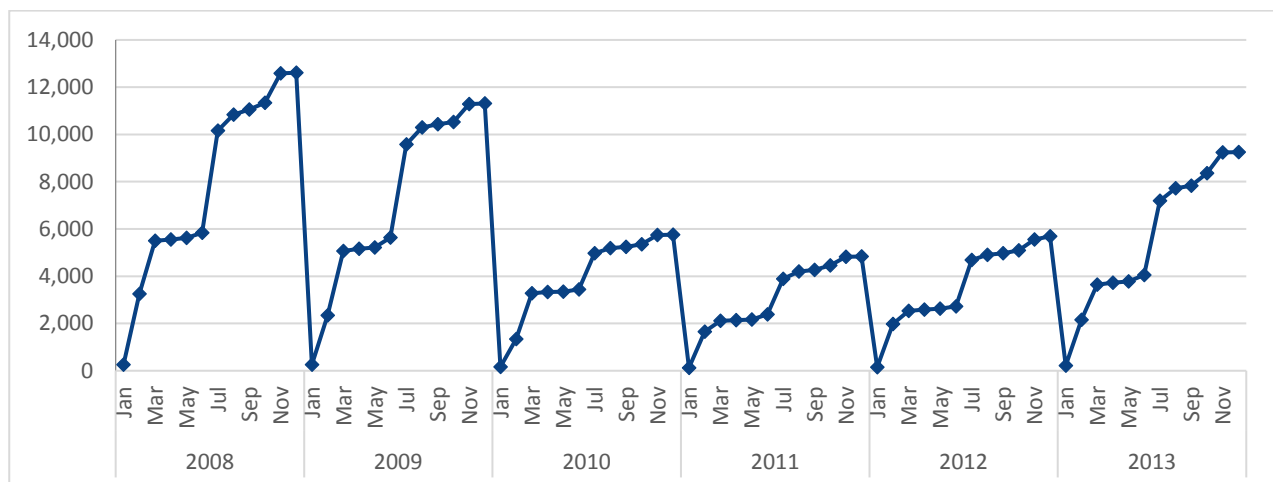


Figure 2: Year to Date commencements for Indian students in higher education (source AEI)

Most of the reduction in Indian enrolments between 2009 and 2012 in Australian higher education came from a few disciplines, predominantly Management and Commerce, and Information Technology, as Figure 3 shows. This echoes the fact that these areas of study have traditionally been the most popular for international students.

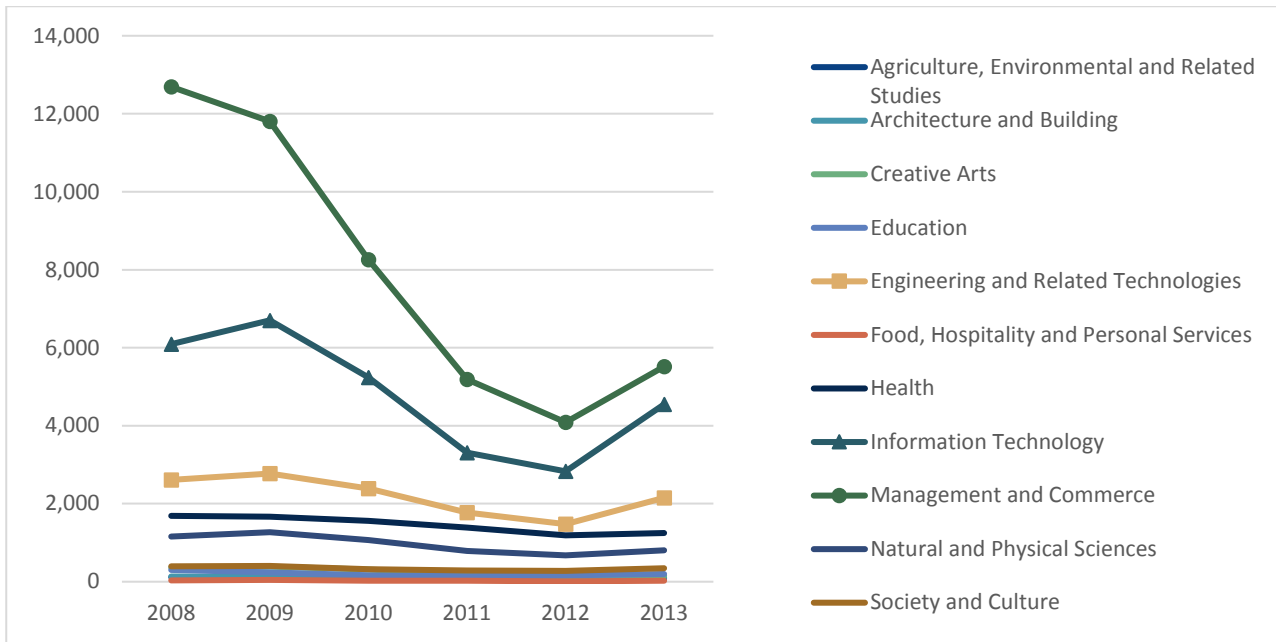


Figure 3: Indian university onshore enrolment (post graduate and undergraduate) by broad field of education (source AEI)

From 2009 to 2012 all but one Australian university saw a reduction in Indian students enrolled in Management and Commerce subjects, with 25 experiencing between a 60 and 90 per cent drop in enrolments (Figure 4).

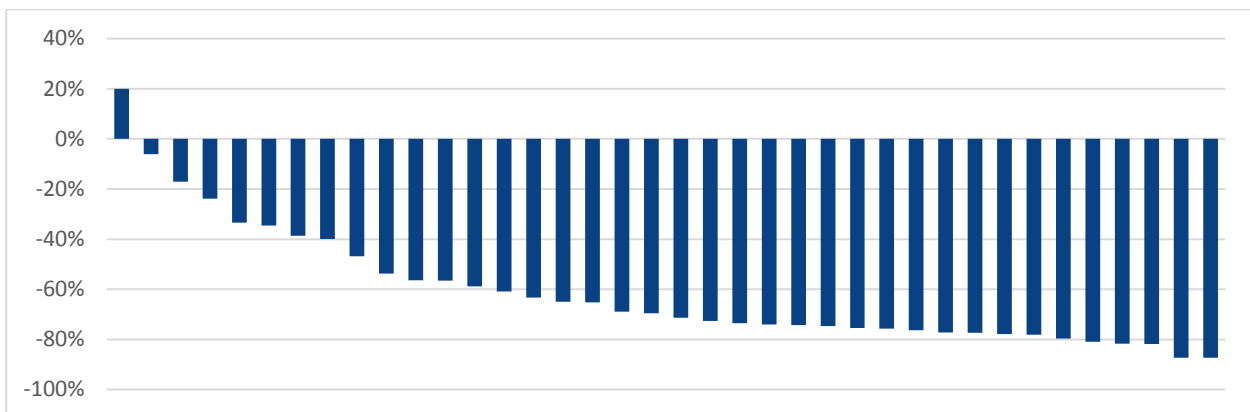


Figure 4: Change in Indian student enrolments in Management and Commerce 2009 to 2012, by university deidentified (source DoET)

A similar decrease occurred in Information Technology enrolments, although the reduction was less evenly spread across Australian universities than for Management and Commerce subjects (Figure 5).

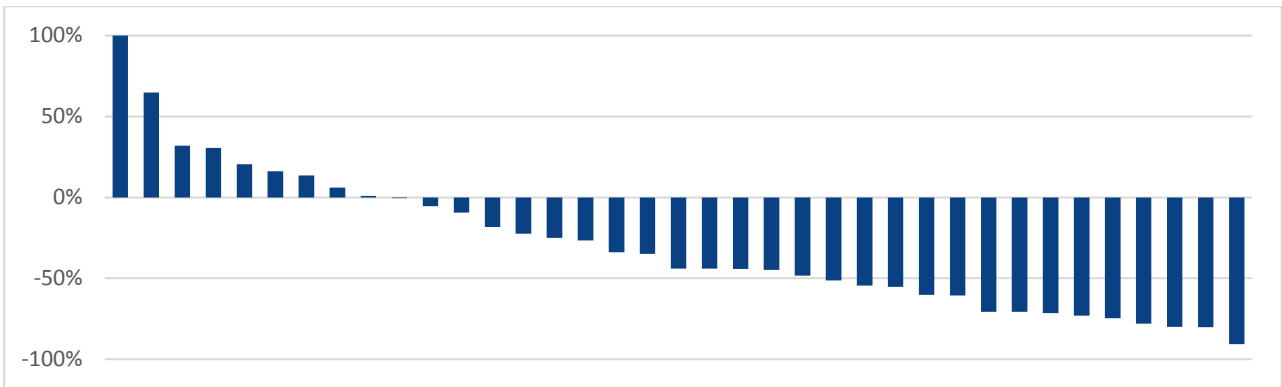


Figure 5: Change in Indian student enrolments in Information Technology 2009 to 2012, by university deidentified (source DoET)

Despite most Australian universities seeing a proportional decline in Indian enrolments, the largest reduction in actual enrolment numbers was confined to a smaller number of universities. However, those that suffered the largest declines were a diverse group in terms of their size. The rapid reduction in enrolments was not evenly distributed across Australian states and territories (Figure 6). The wave in reductions was slower to come to Queensland, Western Australia and the ACT than to New South Wales, South Australia and Victoria, where the effects were more pronounced. Northern Territory even grew its modest numbers between 2010 and 2012.

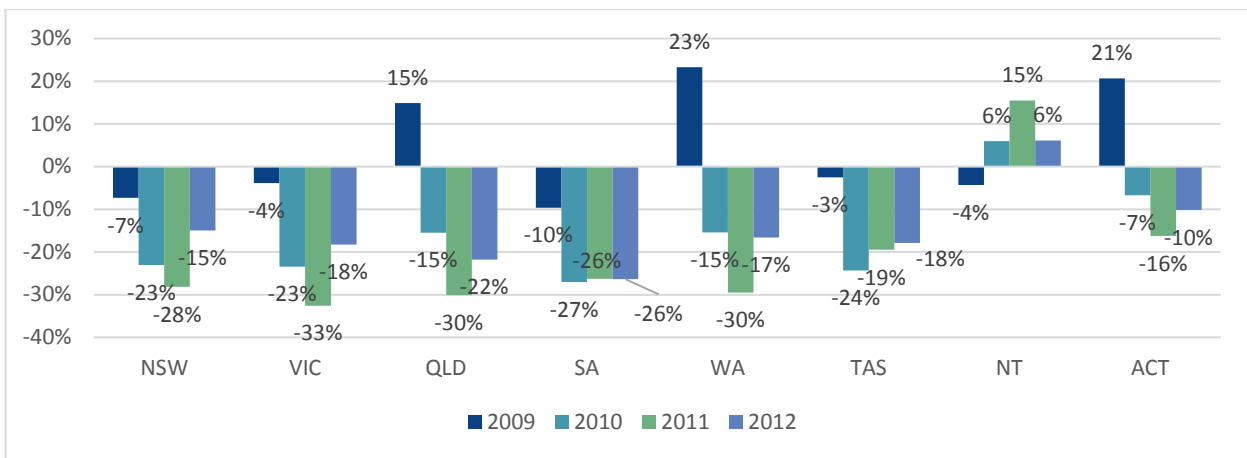


Figure 6: Change in Indian student numbers in higher education by state 2009 to 2012

Counting the cost of a sharp decline in Indian enrolments

The financial effects of this reduction and its concentration in Management and Commerce courses was significant. Through analysis based on publicly available fee data from the CRICOS website it is possible to tabulate the change in fee revenue due to the reduction in Indian enrolments to show the cost for Australian universities.⁴

Figure 7 sets out the change in per-year revenue from Indian student fees, showing that after the 2009 reduction, revenue from Indian students did not return trend growth until 2016. The drop in Indian student numbers represented a nearly \$1.3 billion reduction in revenue compared to a scenario where growth had continued from 2010 at the same rate that it had from 2005 to 2009 (the growth trend is illustrated by the dotted line in figure 7).

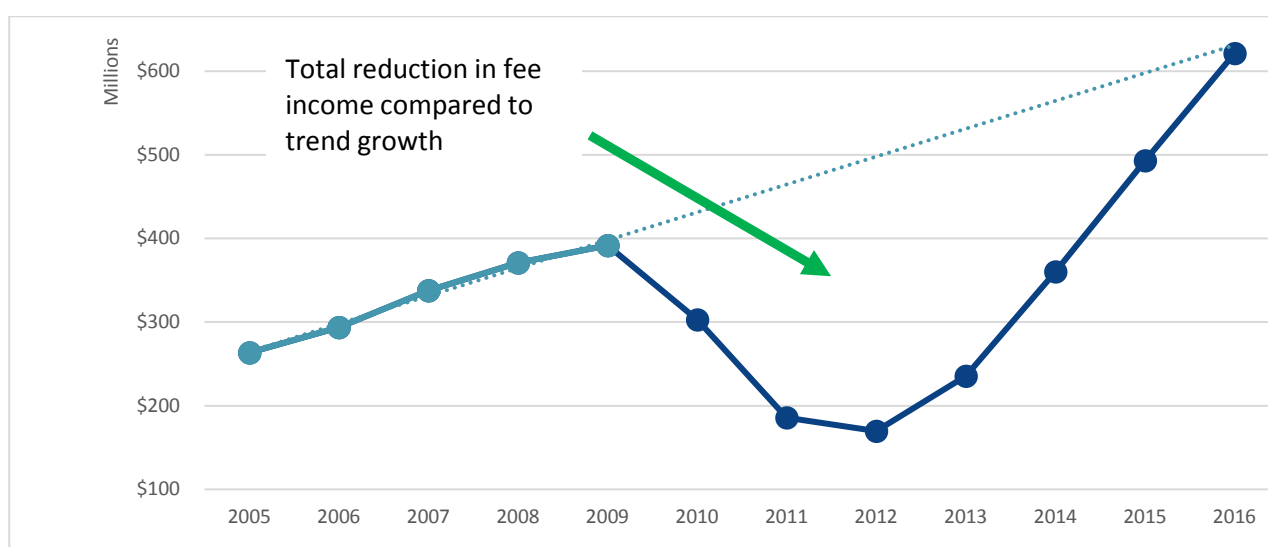


Figure 7: Indian student fee revenue at Australian Universities, 2005 to 2016. (source CRICOS and DoET)

Figure 8 provides an estimate of the change in per-year Indian student fee revenue by university, by comparing the peak in 2009 (the year before the enrolment crunch hit) with the trough in 2012 (the worst year of the enrolment crunch). The left axis (bars) illustrates the reduction in fee income, and the right axis (marks) shows the proportion of Indian revenue the enrolment change represents.

⁴ Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS), <http://cricos.education.gov.au/default.aspx>

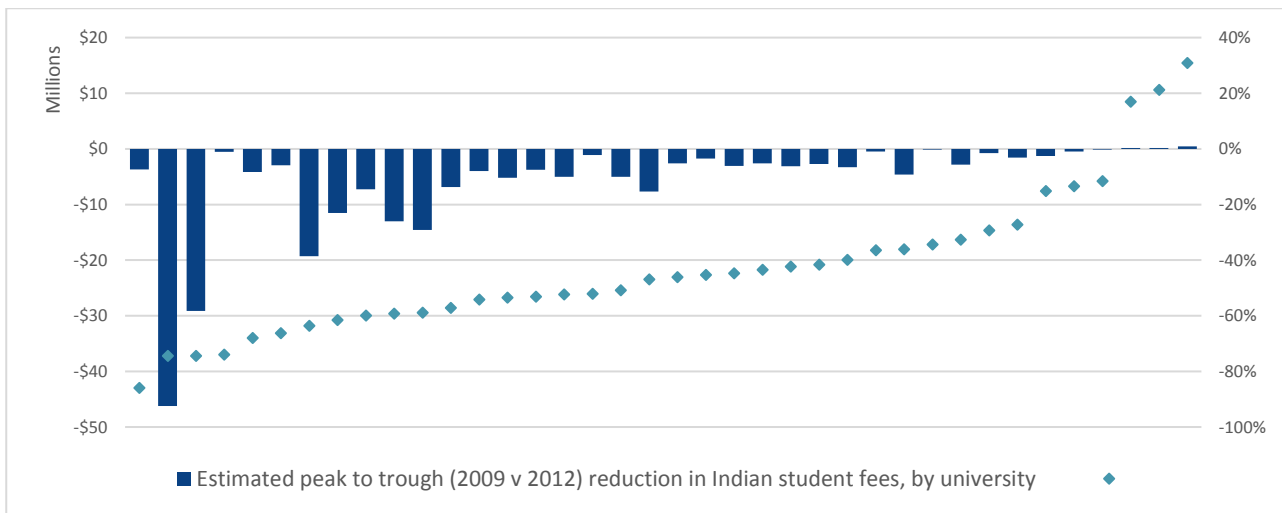


Figure 8: Change in fee revenue from Indian students 2009 versus 2012, by university (source CRICOS and DoET)

While most universities suffered a decrease in revenue, the effect was uneven across the sector, and more so than is suggested by the change in Management and Commerce student numbers alone. Several universities suffering the biggest reduction did so because they lost students paying the highest fees, such as those doing MBAs and other Master’s degrees.

The 2009 downturn in Indian student enrolments is a good example of how quickly and deeply a decline can affect budgets. For several universities that suffered the largest declines in revenue (above \$10 million per year) the reduction in Indian student fee revenue was a significant proportion of their total budget. This analysis suggests a spectrum of vulnerability across the sector, and while there is a general concern, some universities will be more vulnerable than others.

The net impact of Indian students turning away from Australia was varied but, in some cases, appears to have had significant consequences. In one of the worst instances, the reduction in Indian student enrolments caused net international fee revenue to drop by 12 per cent year on year, contributing to a significant overall university budget deficit. The speed of the reduction left institutional managers with little time to make up for the loss from other revenue sources. In one extreme case, fees from Indian students alone accounted for nearly 17 per cent of the total university revenue in a single year.

The events of 2009 are tangible example of the speed at which fortunes can change in international markets. At present Australia’s international student markets are skewed and rely on students from mainland China. Should a future decline in international enrolments occur at a similar pace to the decline in Indian student enrolments in 2009, then the speed and depth of its effects will take some universities by surprise. This would have long-lasting consequences for the overall health of international education in Australia.

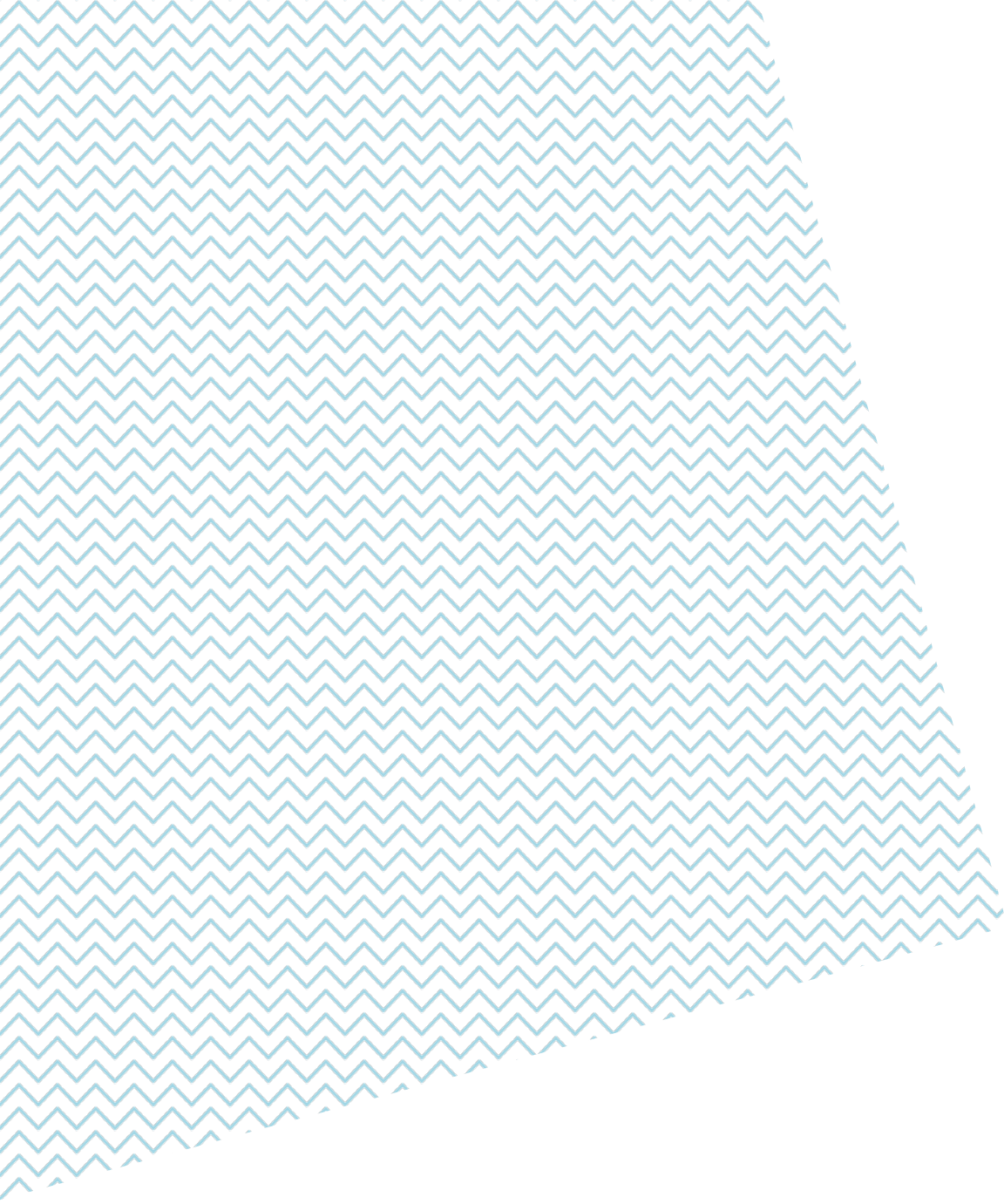
Lessons

The sharp reduction in Indian enrolments in 2009 came from a perfect storm: scandal in VET education, a high Australian dollar compared to the UK pound sterling and US dollar, and intense scrutiny by Indian media following highly publicised attacks on Indian students in Victoria. While it is difficult to predict specifics and timing, it is highly plausible there will be a future shock to the international market. Australia might run afoul of another government such as China, or an Australian policy change may make us much less attractive, such as forcing students to study only in some locations. There might be a global economic downturn on such a scale that the whole international student industry around the globe is affected.

How universities and governments guard against the possibility of a rapid decline in the international market is far from clear. While equalisation of enrolments across the countries students come from is one answer, meeting this aspiration may prove more difficult than it appears. International markets continue to become more competitive as many countries bolster their domestic higher education systems. Australia has benefited from its 'first mover' advantage, but this has now passed.

The key lesson from the events of 2009 and afterward is perhaps that Australian universities would do well to carefully plan for a future demand shock. This implies a broader conversation around the (structural) elephant in the room, being that Australian universities have come to rely on international student dollars. The success of international education in Australia is well deserved, helping propel the system to a globally recognised position it would not have achieved without embrace of overseas students in the 1980s.

The contribution of international students in Australia is a third element in balance with public funding and domestic student fees that has allowed the sector to thrive over the last three decades. It has achieved this despite numerous changes in government policy, student preference and technology. The immediate task is to ensure Australia can maintain this remarkable balance, so it continues to be a national asset envied by many people across the globe.



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