

# Impact of the economic crisis on management education in India

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A decorative graphic consisting of a thick teal horizontal bar at the top, followed by a white horizontal bar, and then three thin teal horizontal lines of varying lengths extending from the right side of the white bar.

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# India...and the slow down....

## *Some facts*

- India faces a slowdown in the economy...
- **GDP growth rate:**
  - In 2006-07 GDP growth rate was around 9% ;
  - In 2008-09 GDP is estimated to have grown at 6.7%;
  - For 2009-10 GDP is being predicted to be : conservatively around 6.6% & optimistically around 9%;
- **last 5 years :**
  - Service Sector has been accounting for more than 50% of contribution to GDP in the last couple of years;
  - IT & ITeS, Retail, Real Estate, Bio-technology, financial services, automobile, telecom;
  - These high growth sectors have created euphoric employment opportunities in the last 4-5 years.

# India ... & the slow down...

## *Sectoral impact*

- IT & ITeS, Real estate, exports, mining, financial services, small & medium enterprises;
- For the first time in years the IT sector showed a fall in revenues;
  - TCS : fall in revenue by 2.1%;
  - Infosys : Expected drop between 3.1-6.0% in 2009-10, 2100 people were sacked in April 2009.
- Real Estate growth rate : Around 33% in early 2008, between January 2008 & May 2009, Market cap for most of these builders fell by close to 75%;
  - More than 400 residential & commercial projects have been either stalled or failed to launch.
  - DLF : 78.7 % fall in market cap, 93% fall in net profits, Sales down by 69%
  - UNITECH : 87% fall in market cap .

# India...and the slow down...

## *Sectoral impact*

- Exports grew by only 3.4% in 2008-09 as compared to 20% clocked last year;
  - 2.5 million workers have already been laid off by exporters
  - If indirect job losses are included the number doubles upto 5 million
  - In April 2009 in the export declined by 33% as compared to same period last year.
  - Between Oct –Dec 2008,gems & jewellery, metals, textiles all registered job losses
- Stock markets reflected by the BSE index plunged from 21000 to 8000 points following the global markets downswing, owing to withdrawal of major FII investments in the market.

# India...and the slow down....

*the positive side..*

- The economy is largely driven by domestic demand, exports contributing to only about 15% to the GDP;
- Core sectors showed a growth rate of 4.5% in May 2009, recovering from a low of 1.1% in December 2008;
- FMCG sector saw volume growths of over 20% in April-May 2009;
- Agriculture contributes upto about 20% of GDP employing close to 65% of the population;
- Banking sector despite the global crisis is still fuelling the economy;
- Relatively high savings rate of about 30% ; careful consumption is ingrained in every Indian's DNA;
- Despite temporary setbacks, India will continue to develop impressively on the strength of a young and self-confident population.

# How is India reacting?

- Revisiting & reviewing expansion plans-people, projects & business;
- Cash conservation;
- Focus on reducing the right costs;
- Rationalization of expenditure ;
- Improving operational efficiency;
- Lower tolerance on poor performance;
- Government is providing stimulus in the form of tax breaks, tax holidays & extended credit at comparatively lower interest rates.

# India...and the slow down....

## *the new governments agenda*

- A newly emboldened Congress and a stable government is set to push economic reform programs across the board ;
- Health, education & social security are the top priorities getting complete attention, funding and careful monitoring for implementation;
- Highways and other infrastructure development programs to get a major push;
- Financial sector reforms , disinvestment & FDI to boost economy;
- New capacity addition in the power sector;
- Right to education & foreign education providers bill get attention on Day 1 by the new ministry of human resource development (MHRD);
- The new ministerial team is a mix of youth & experience, emphasizing 100 day agenda to accelerate economic growth & generate employment opportunities.
- Stock markets already showing signs of recovery

## India advantage..

- A large but young population, 450 million people are below the age of 21;
- The size of the middle class in India is close 350 million, with rising aspirations and incomes;
- Private sectors role in fueling the growth in the economy;
- Rise of the B & C class cities;
- Culturally India is a resilient society, has a tremendous capacity to rebuild, reinvent and progress.

# Impact on management education

# Management Education landscape

- Close to 1700 institutions providing management education;
- A 1000 of these have been added in last 9 years;
- 276,000 students took the CAT ( Common Admission Test) for 1800 seats in the IIMs. An increase of 23% in total number of applications. (CAT is the elimination/eligibility test for A league business schools in the country);
- 374,000 students took the MAT ( Management Aptitude Test) exam this year. An increase of 31% in the total number of applications;
- The fees for a two year PGDM/MBA is anywhere between 10,000-15,000 Euro;
- Acute shortage of well qualified faculty;
- High degree of variance in quality of education across schools;
- Work required to strengthen governance, approval mechanisms and accreditations.

## Are business school's in India impacted by *the slowdown.....??*

- Most management schools are seeing a stable demand;
- Slight increase in demand in schools taking candidates with experience;
- Most business school have increased the fee by 10-15%, supported by easy education loans;
- The 6<sup>th</sup> Pay Commission announced earlier this year, a salary revision for those employed by the government increasing salary's by close to 40%;
- Better business schools have revised faculty salary's upwards to a scale of 20-40%;
- Training and placements did see a substantive fall in initial salaries which have come down by 15-30% across schools.

# Placements this year..

## *..the signs*

- IIMs and other A+ league schools saw placement season running over weeks rather than days;
- Fewer jobs from the IT & ITeS sector; finance jobs saw a downswing;
- Significant movement towards Public Sector placements;
- Sharp fall in salary's offered at the second rung business schools, with withdrawal of offers by many regular recruiters;
- Drop in overseas offers and salary's at A league schools;
- The schools are inviting a larger spread of companies from unexplored sectors to be able to temper the impact;
- An MBA pay back period has increased from 2 - 4 years as of today.

## Possible curriculum reform..

- A holistic approach to management education;
- Emphasis on rational decision making rather than speculative decision making;
- Advantage in “thinking through”;
- Core values, ethics and governance should be focused;
- Importance of collaborative work and inclusive growth;
- A curricula that encourages the spirit of entrepreneurship;
- Planning, forecasting & management of change go hand in hand.

# NKC's recommendations...

## ..the future...

- The national knowledge commission (NKC), set up in 2005 “to create a second wave of institution building and of excellence in the fields of education, research & capacity building” as a high level advisory body to the Prime Minister of India;
- Its recommendations for the management education sector are towards an inclusive progress:
  - A new regulatory framework for management education entities;
  - Improving access based on work experience and educational loans besides the framework of affirmative action;
  - Sensitize management education to our unique socio-cultural situation;
  - Integrate management with other knowledge sources;
  - Encourage MEEs to offer executive programs to govt. officials;
  - Revamp existing undergraduate programs;
  - Capitalize the potential of distance learning;
  - Focus on entrepreneurship, leadership & innovation;
  - Incentives for entrepreneurs to set up centers of excellence;
  - Allow foreign universities to enter with regulation being at par with private institutions.

# IILM ....Some statistics in the context

- Established in 1993, as a not for profit, autonomous business school.
- Emphasis on core values of integrity, honesty & uprightness; focus on lifelong learning
- Offers business management programs- post graduate and undergraduate
- Expansion between 2004-09
  - Student intake went up from 180 to 1080
  - Faculty strength up from 32 to 160
  - 3 campuses in the national capital region
  - Started distance education last year
  - Globally connected
- Curriculum focus on concepts, value based education & faculty development

*Thanks for your patience*

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