

*Does spending bushels on your MBA really pay off? Jay Rege pits the Indian degree against its American cousin and wonders which one will emerge triumphant*

many happy  
returns



**WHEN Anamika Gupta decided to pursue her MBA, she was in a dilemma about which programme to select. Gupta worked as project head with a reputed IT firm for the past seven years and drew an annual salary of Rs 7.5 lakh when she decided to pursue her MBA. The question that was now bothering her was how much to invest on the MBA. Should she spend Rs 4 lakh on one of India's top 10 B-schools or spend Rs 15 lakh (approx \$35K) on a second tier B-School abroad? Else, should she spend Rs 45 lakh (approx \$100K) on one of America's Top 10 B-schools? Which MBA degree would give Gupta the best return on investment?**

Like any other investment, one should calculate the possible returns before investing on an MBA degree. In simple terms, the return on investment (ROI) of an MBA can be calculated as  $(\text{gains} - \text{costs}) / \text{costs}$ . 'Gains' are the financial gains resulting from the MBA while 'costs' are the expenses involved. Your gains would include an anticipated post-MBA raise in salary while costs comprise MBA tuition and fees, relocation and travel expenses, additional expenses due to change in living, opportunity costs in terms of lost wages during the two years spent at school as well as other expenses incurred during the MBA. Different MBAs have different ROIs and returns vary from person to person. How does the Indian MBA compare to a global one in terms of return on investment?

Amol Pathak placed his bets on a US MBA (at a cost of Rs 10 lakh, US \$22,000). Pathak had been working with a Mumbai pharmaceutical company for the past six years (he earned Rs 3.75 lakh pa) when he decided to get the MBA tag. He says, "I felt like I had hit a glass ceiling. That's when I decided to do my MBA" says Pathak, adding, "Although the curriculum offered by Indian B-Schools seemed challenging, I didn't fit in with the average class profile. Plus, I wanted a global perspective on business and a MBA

that would compliment my experience." Today, Pathak works as product manager with a leading Mumbai pharmaceutical company and draws a pay packet of Rs six lakh pa.

IT associate consultant Kapil Sarin too decided that a US MBA would be best for him. Sarin brought home a pay packet of Rs 3.5 lakh pa before he joined a second tier US B-School where he spent Rs 11 lakh (US \$25,000) on his MBA (including living expenses) degree. Says Sarin, "I opted for a US MBA as I wanted some US work experience post my degree." When asked what role his US MBA played in helping him get a job in India, he says, "No doubt an MBA helped me land a better job. But I don't think the US tag helped in any special way. I would have got an equally good job had I done my MBA from a reputed Indian school." Today, Sarin is employed as business analyst with an Indian IT firm and draws a salary of Rs 8 lakh pa.

Indian recruiters and HR managers agree, saying they don't give added preference to candidates holding foreign MBA degrees. "When recruiting, we look at the candidate's overall profile. We treat a foreign MBA on par with the Indian one," says the HR manager of a leading Indian management consulting firm. Software engineer Asheesh Sharma, who has two years work experience, earned Rs 3.5 lakh pa before deciding to do his MBA. He got his degree from America's Texas A&M University at a cost of Rs 7.5 Lakh (\$17,000). Today he works as financial specialist with a leading credit card company in the US and makes \$80,000 a year. "It wouldn't be fair to compare the ROI of a foreign MBA with an Indian one," argues Sharma, adding, "Most students from Indian B-Schools get jobs in India, whereas most of the Indians who do their MBA in the US take up jobs in the US itself. However, my company did recruit one student from IIM-B. But few Indian students manage jobs abroad and only those from top Indian B-schools are so lucky" he adds.

Neha Shastry on the other hand did her MBA from a reputed Mumbai B-School. Today she works as management consultant and earns Rs 7 lakh per annum. Neha spent Rs four lakh on her MBA, prior to which she worked for three years as executive in the FMCG sector, drawing Rs 3 lakh per annum.

	<b>Pathak</b>	<b>Sarin</b>	<b>Sharma</b>	<b>Shastry</b>
Salary before MBA	3.75	3.5	3.5	3
Salary Lost	7.5	7	7	6
MBA fees/living	10	11	7.5	4
<b>Total MBA Expense</b>	<b>17.5</b>	<b>18</b>	<b>14.5</b>	<b>10</b>
Salary after MBA	6	8	36	7
Gained Income per year	2.25	4.5	32.5	4
Income Gained over 3 years*	6.75	13.5	97.5	12
<b>ROI after 3 years</b>	<b>-61.43%</b>	<b>-25.00%</b>	<b>572.41%</b>	<b>20.00%</b>
Income Gained over 5 years*	11.25	22.5	162.5	20
<b>ROI after 5 years</b>	<b>-35.71%</b>	<b>25.00%</b>	<b>1020.69%</b>	<b>100.00%</b>

All numbers are in lakh Indian Rupees

\*For simplicity salary increments are not considered.

Evaluating the benefits of an MBA degree purely in terms of money spent on the degree and higher salary obtained post the MBA, shows that Sharma got the highest ROI followed by Shastry. However, it would be unfair to compare Sharma's salary (who earns and spends in dollars) with that of others who earn in rupees. (For fair and accurate comparison, we would have to take into account the purchasing power parity of the dollar as compared to the rupee and adjust it to cost of living standards.)

It can however, be concluded that if one is planning to opt for a career in India immediately after the MBA, ROI of an Indian MBA degree is definitely greater.

But does this mean that Indian students who plan to pursue a career in India after their MBA should not opt for a foreign degree? Should return on investment be the only deciding factor when selecting an MBA? Although getting a higher salary after the MBA is an important reason, there are other intangible benefits too. While evaluating, one should also consider factors like higher skills that the MBA would impart; possibilities and opportunities for a career change; networks and relationships that one would develop with classmates, alumni and teachers; personal growth and satisfaction that comes from earning an MBA degree. As for Gupta, she opted to do her MBA from one of the Top 10 US B-Schools. Her fees and expenses for a two-year course would add up to an estimated \$100,000. Gupta has availed a Citibank Loan to finance her MBA and is about to finish her second semester. She has two internship offers, both with Fortune 50 companies. When asked whether she considered the ROI from her MBA before making the decision, Gupta says, "MBA is a '*Lambi race ka ghoda*' and calculating its ROI over a three, five or even 10-year period is meaningless. Only time will tell the benefits that I reap from my MBA".

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