

IIMs talk BUSINESS

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COST-BENEFIT

| Name of Institute | MBA fees (in Rs lakh) | Average starting salary* |
|-------------------|-----------------------|--------------------------|
| IIM-A | 11.5 | 16-17 |
| IIM-B | 9 | NA |
| IIM-C | 7 | 16.4 |
| IIM-K | 6 | 14.83 |
| ISB | 14 | 19 |
| SP Jain | 4 | 14 |
| MDI | 8 | 12.50 |
| XLRI | 5.47 | 14.75 |

*Annual salary in Rs lakh

No pain, no gain. Any Olympics sportsperson worth a podium finish knows it. The Chak De! girls knew it. Sunil K knows it too, but now the pain is not just mental and physical, it's also financial. He can handle the physical grind of long hours spent on MBA tutorials. He has even conquered the fear of failure. The new money equation makes him uneasy, but a quick back-of-envelope calculation tells him he needn't lose sleep over it: The return on investment (RoI) for an MBA course is high, very high. The premier Indian Institutes of Management can raise the fees all they want, as they have just done.

Sunil K is a composite character of our imagination but he could be any one of the tens of thousands of very real young persons across the country. As Prof V S Somanath, dean, Amrita School of Business, Coimbatore, says, "Despite the steep hike in course fees, MBA graduates know that once they start working, they will break even very quickly."

Of which Niketa Kejriwaal, a graduate on a sabbatical for CAT preparation, is a classic example: "I graduated last year and have been at home preparing for CAT ever since. I'm not at all worried about the IIM fee hike. If I make it to the IIMs, I'll accept the admission right away. It's insanely tough to get in; I don't think anybody who gets admission there would refuse it on account of fees. After all, the salary an IIM graduate earns is so high that it would not take long to recover the cost of studying there. Anyway, most private B-schools charge double the fee of an IIM."

Like the Indian School of Business in Hyderabad. Deepak Chembath, a student there, is not perturbed: "The high fees at ISB are justified as we have excellent guest lecturers from around the world. You can easily recover the cost of studying as the placement offers are really high."

Given the RoI, not many are overly concerned about the fee hike. What bothers Pervin Malhotra, director, Career Guidance India, New Delhi and well-known career counsellor is something else: "The worrisome factor is that all the lesser B-schools will feel emboldened to hike their fees. And, there are about 1400 B-schools registered with the AICTE. Hopefully, the course fee structure will get rationalized soon."

Whether that happens or not, Kanika, a 21-year-old BA Economics (honours) student from Lady Shriram College, Delhi is quite cool about it: "My parents will fund my MBA fee or I'll take a bank loan. But for the middle-class student the fee hike is a huge concern. Post-fee hike, two things may happen: students would be discouraged to apply there or if they have to pay so much, they might prefer to go abroad or apply to a school like ISB."

While CAT aspirants sweat it out in the summer heat, they can take heart from the fact that the RoI is well worth the pain. An IIM-Ahmedabad alumnus of the late 1970s is today the chief executive of a consulting company. "From what I remember, it was Rs 3,500 for Year 1 and Rs 5,500 for Year 2 and the first salary was a monthly stipend of Rs 1400." If you're reaching for your cellphone to do the math to adjust for inflation, put it away. An accurate perspective of the change in cost to company from then to now would be the percentage increase. He says, "It has gone up 250 times, i.e. 25000%."

That's one of the good stories, but at the other end of the spectrum are those who don't feature in the media. As Pervin cautions, "While the media celebrates the topgrossers among management graduates, there are several MBAs across the country working as BPO executives and salespersons."

But brand image, not fees, is top of the mind for most aspirants. "When I decided to do an MBA last year, the factors uppermost on my mind for choosing a school were its placement record, brand image with corporates, faculty, infrastructure and industry interface. I never gave much thought to fees. I always thought I could easily take a bank loan. The recent fee hike has come as a shock. If I get a call from both IIM-Ahmedabad and IIM-Calcutta, I might go to IIM-C. The fee at IIM-A, earlier my first choice, is just not affordable now," says Mudit Mathur (22), a B.Tech in Electronics from Manipal Institute of Technology and currently working. Eventually, he wants to join his father's business. He got calls from four IIMs — Ahmedabad, Calcutta, Kozhikode and Indore.

Professor Somanath also makes a sobering observation, "There's been a great increase in the number of B-schools. It's likely that there will be a drop in quality of the final product. The primary reason for a student to opt for management, even if s/he has no aptitude for it, is the financial carrot which awaits him/her. The other two are role models from the business world and the visibility of managers as projected by the media."

The media also projects them as confident people taking on the world. Something Shahnawaz Islam, student at ISB, Hyderabad embodies: "I paid over Rs 15 lakh as fees and I'm confident of recovering my education loan in a couple of years. When I joined ISB last year, I heard from other students that fees could be recovered in a few years. After this year's placements, I've discovered it for myself."

What they also discover is that an 'MBA' on the resume opens many doors and one from the IIM gets you calls rather than you having to make them. Brand consultant Harish Bijoor says, "The IIM is a dog tag of great value. It spells immediate recognition. When slapped onto a resume, it evokes respect and at times awe. It helps resumes float above the rest. It is a quick introduction."

J Prasanna Kumar, who has just passed out of the management programme at Christ College, puts it succinctly, "I think it's okay for IIMs to hike fees. It is a small amount considering the benefits they get. The students can easily reap the money back."

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(With inputs from Neelima Mahajan, Anahita Mukherjee and B Pradeep Nair)