

The Cost-Effectiveness of Export of Educational Services in Russian Universities

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Abstract—Although Russia has a strong educational potential, its share in the market of educational services is insignificant. This article analyzes the structure of income from the export of Russian educational services. The article provides calculations of the economic effect of the export of educational services, which is a combination of funds raised from students as payment for educational services, as well as additional expenses (payment for dormitories or rent, food, transport, entertainment, Internet and cellular communications, and other expenses). The leader in economic profitability among Russian universities due to the largest number of foreign students is the peoples 'Friendship University of Russia'. The article reflects the problems that create barriers to increasing such incomes and the economic efficiency of education exports as a derivative of such incomes. One of the key problems is the problem of the unattractiveness of the Russian economy for the subsequent employment of young professionals. The article examines recent policy changes that could significantly support the export of Russian education by increasing the number of foreign students, which is expected to increase the share of educational services exports in Russia's GDP, as well as the competitiveness of the national economy as a whole. It also examines the implementation of the Federal project "Export of education" of the national project "Education".

Keywords—international market of educational services, income from export of Russian educational services, efficiency of export of educational services, education, education of foreign citizens, higher education

I. INTRODUCTION

The total volume of the global educational market currently exceeds 100 bln US dollars [13]. Although Russia has a strong educational potential, its share on the market for educational service in year 2017/2018 was only 5.7% [3]. Russia was ranked 8th in the rating of countries exporting educational services in the years 2017/2018 based on the total number of foreign students falling behind such countries as the USA, the UK, China, Germany, Australia, Canada and France [2]. Against this background, the problem of increasing volume of

exported educational services, income from the export of such services and enhancing its efficiency is now becoming ever more relevant.

The problem of international export and internationalization of educational services has become subject of studies by a number of foreign researchers, including Phillip Altbach Jr. [11], Eric De Korte [6], Krum [10]. L.I. Abalkina I.V.[1], Balikhin G.A. [3], Kosevich A.V. [8], Dorokhova E.I. [4], tackled problems of export of educational services by the Russian universities and benchmarks for development of the Russian system of education. Phillip Altbach Jr. [11], Ya.G. Sadlak [12], and R. Eland [5] have analyzed imperfections of the international export of educational services, problems relating to its internationalization, as well as issues relating to forecasting student mobility.

Publications of recent years contribute significantly to the research on educational services. At the same time, it is still necessary to scrutinize the possibility of increasing the volume of export of Russian educational services and income from such services which absent increase expenditures should also boost cost-efficiency of such export. One needs to run a profound analysis on current export of educational services, including barriers slowing down the flow of foreign students and hinder the possibilities for the Russia universities to improve and develop their educational services.

II. RESULTS AND DISCUSSION

By year 2018/2019, the number of foreign students in Russia was 266.8 thousand. Only 23.3% of them (62 thousand students) were financed by the state or municipalities with the remaining 76.8% (204.8 thousand students) paying for their education (Table I).

Foreign students receiving education in Russian universities on contractual basis are a significant source of income for universities.

TABLE I. DISTRIBUTION OF FOREIGN CITIZENS WHOSE EDUCATION WAS FINANCED BY THE STATE AND WHO RECEIVED EDUCATION IN RUSSIAN UNIVERSITIES ON CONTRACTUAL BASIS IN YEAR 2018/2019

Educational Program	From Federal Funds		From Funds of the Constituent Entity of the Russian Federation		From the Local Budget		On Contractual Basis		Total Students
	Students	%	Students	%	Students	%	Students	%	
Bachelors	43 093	25,1	785	0,5	6 004	0,00	127 633	74,4	171 517
Specialists	7 798	12,0	59	0,1	0	0	56 958	87,9	64 815
Masters	10 102	33,2	156	0,5	0	0	20 194	66,3	30 452
Total	60 993	22,9	1 000	0,4	6 002	0,00	204 785	76,8	266 784

Compiled from the data in: [7]

The so-called “economic effect” from export of educational services is a composite of the funds raised from the students as payment for educational services as well as those “injected” into the Russian economy in course of their education (payments for the dormitory or rent, food, transportation, entertainment, Internet and cell phone charges and other expenditures).

Economic cost-effectiveness of the export of educational services is a ratio of the volume of income of universities from education of foreign citizens to expenditures on providing such education. Income of universities from education of foreign citizens is determined by the number of foreign students (including PhD candidates), the size of tuition and fees, lodging, food and other expenditures of the students.

Thus, the result of the export activity of an educational institution is the income received from providing educational services to foreign citizens, which depends on the volume services sold at a set price. The “economic effect” from export of educational services is calculated as follows:

$$Y \times n \quad (1)$$

where Y – is an average price of the service, and n – the amount of the services sold (number of students).

Knowing the number of foreign students and the average cost of education in universities one can calculate the economic effect from export of educational services – see the calculations for the Russian universities that are national leaders in export of educational services based on the number of foreign students (Table II).

TABLE II. ECONOMIC EFFECT FROM EXPORT OF EDUCATIONAL SERVICES BY RUSSIAN UNIVERSITIES THAT ARE LEADERS BASED ON THE NUMBER OF FOREIGN STUDENTS (YEARS 2017/2018)

No.	Name of the University	Number of Students, n	Average Price of the Service, Y, rub	Economic Effect, thousand rub
1	Peoples' Friendship University of Russia	7 500	220 950	1 657 125
2	Saint Petersburg Polytechnical University of Peter the Great	7 012	209 400	1 468 313
3	Kazan (Provolzhsky) Federal University	5 573	167 430	933 087
4	Lomonosov Moscow State University	4 278	328 870	1 406 906

5	Tomsk National Research Politechnical University	3 813	173 627	662 040
6	National Research Technical University “MISiS”	3 386	214 020	724 672
7	Ural Federal University in the name of the first President of Russia B.N. Eltsin	3 114	179 758	559 766
8	Far-Eastern Federal University	2 988	233 000	696 204
9	Tomsk National Research State Politechnical University	2 483	166 152	412 555
10	First Moscow State Medical University in the name of I.M. Sechin	2 200	169 400	372 680
11	South-Ural State University (national research university)	2 003	144 489	289 411
12	Tyumen State University	1 960	124 379	243 783
13	National Research University “Higher School of Economics”	1 711	321 700	550 429

Compiled from the data in: [14]

As mentioned above, economic efficiency of export of educational services by a university depends primarily on the number of foreign students that pay for their educational services, tuition (which usually depends on the ranking of the given university), facilities and resources, qualification of the faculty etc. Based on the data above, Peoples' Friendship University of Russia is a leader in economic cost-efficiency among the Russian universities due to the largest number of foreign students educated in this institution.

Managerial decisions adopted by the Russian universities may have significant influence on the income of a given university from educational services in the future. Thus, income and cost-efficiency from export of educational services should be measured for a certain period. For example, when a university lowers its requirements for the foreign applicants the number of foreign students increases but this may subsequently result in the “devaluation of the degree”, damage to the reputation of the university and, accordingly, to the volume of the exported educational services. Or, for example, the university may invest in the development of the educational facilities and resources, educational programs for foreigners in English, all of which will lower cost-efficiency from export of educational services for a certain period of time. However, such measures may in the future increase the demand for such services from foreign students and increase income from such services.

Attracting foreign applicants is a key priority for universities of various departmental affiliation. Based on the data set out in the Table III below, universities affiliated with the Ministry of Science and Higher Education have the highest cost-effectiveness with the total tuition of 13 655.3 mln rubles.

TABLE III. AVERAGE COST OF EDUCATION AND TOTAL INCOME FROM TUITION PAYMENTS FROM FOREIGN STUDENTS IN THE RUSSIAN UNIVERSITIES WITH DIFFERENT DEPARTMENTAL AFFILIATION AND OWNERSHIP IN THE YEAR 2017/2018

Departmental Affiliation / Ownership	Number of Students Paying Tuition	Average Cost of Education, rub	Total Size of Tuition, thousand rub
Universities of the Ministry of Science and Higher Education	97 377	140 231	13 655 330
Universities of the Ministry of Health	31 887	168 562	5 374 965

Universities of the Government of the Russian Federation	8 703	267 552	2 328 508
Universities of the Ministry of Culture and Mass Media	2 442	211 762	517 124
Universities of the Ministry of Foreign Affairs	1 005	463 008	465 323
Universities of the Ministry of Agriculture	4 263	90 628	386 350
Universities of the Federal Agency of the Railway Transportation	2 450	131 649	322 542
Universities under the President of the Russian Federation	773	203 407	157 234
Universities of the Federal Agency of Fishery	1 307	121 829	159 232
Universities of the Ministry of Transportation	1 050	133 538	140 215
Universities of the Ministry of Communications and Mass Media	464	111 453	51 715
Universities of the Ministry of Sport, Tourism and Youth Policy	704	101 938	71 764
Universities of the Ministry of Economic Development and Trade	291	81 923	23 840
Universities of the Ministry of Justice	138	126 254	17 423
Universities of the General Prosecutor's Office	13	12 703	165

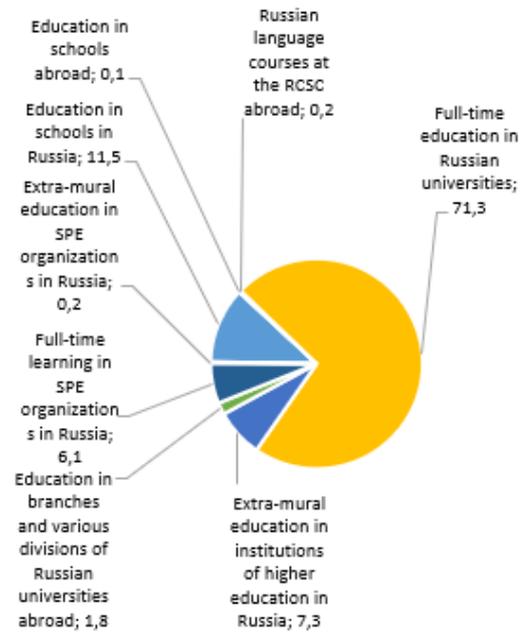
Compiled from the data in: [2]

The key source of income from export of the educational service remains education of foreign citizens in the full-time programs by the Russian universities located on the territory of the Russian Federation – 71.3% from the total income from export of the Russian educational services, which is a 4.8% decrease compared to the year 2016/2017. At the same time the share of income from full-time secondary-level professional education increased by 1.7% to 6.1%, and the share of extra-mural education in Russian universities increased by 1.1% to 7.3% (Fig. 1).

Increase in the volume of exports of educational services could increase the cash flow of the Russian universities. At the same time, we note that mutually beneficial economic and political contacts with different countries could be established through foreign students that return to their home countries after having received their education in Russia. Hence, through expansion of the export of the Russian educational services Russia could also increase its geopolitical influence in various regions of the world. Finally, one may also observe a demographic effect of increase in volume of educational services export and educational migration as foreign students may stay in Russia as permanent residents and start families, if the necessary conditions are created. With reduction of the Russian population from 1993 and workforce – from 2007 such demographic potential is more than ever important for the economic development of Russia.

When discussing the problems and barriers on the way of increasing the volume of export of educational services one should note that those could be classified as institutional problems whose solution will require tectonic upheaval in economic development of our country, and problems that can be resolved in the short run. One of the key institutional problems is that Russian economy and the country as a whole is relatively unattractive for the subsequent employment of young specialists. Indeed, when we analyze why certain countries are leaders in the area of export of educational

services, we see that the US leadership is determined not only by high quality of the educational programs and prestige of the educational system as a whole but also by the fact that the country is attractive for subsequent employment.



Compiled from the data in: [2]

Fig. 1. Structure of income from export of Russian educational services in year 2017/2018 based on the type of the Russian educational institutions, their location and mode of education, %

Moreover, US diplomas and work experience are widely recognized in the world. The US also has a number of programs like Optional Practical Training (OPT) that allow foreign students to stay and work in the US without a new visa within a year after graduation from university, which eases the first stages of the immigration process for many young specialists.

Problems that can be resolved in the short run include, first – the need to increase funding of the Russian system of education. Currently, more than half of foreign students in Russia are citizen of the former republics of the USSR, which chose cheap extra-mural and distance education programs. Other numerous groups of foreign students include citizens of China, India, Vietnam, countries of Africa and Latin America: many of these countries get quotas to receive education Russia. Thus, such students may not be a substantial source of income for their educational institutions, and Russian export of educational services as a whole does not currently bring substantial income. Thus, increase in financing can either occur as a result of increase in state funding, or as a result of increase in income received by educational institutions from tuition.

Second, there are a number of problems that complicate the process of export of educational services: imperfections of the regulatory framework for the channels of migration in the area of educational services, difficulties that foreign students experience when looking for practical training opportunities or subsequent employment, difficult social and living conditions and unsatisfactory command of the Russian language by many foreign students [10].

A number of the problems above is expected to be resolved through implementation of the Federal Project “Export of Education” of the National Project “Education”. As a part of

implementation of the Rules on Providing Grants in the Form of Subsidies from the Federal Budget to Implement Certain Measures under the Federal Project “Export of Education” of the National Project “Education” (hereinafter – the “Rules”), approved by the Government Decree No. 569 “On Approving the Rules on Providing Grants in the Form of Subsidies from the Federal Budget to Implement Certain Measures Under the Federal Project “Export of Education” of the National Project “Education”” dated 8 May 2019, the Government shall issue grants for, among others, the following purposes:

- creation of programs to support and develop export of education to the reference groups of the partner countries and territorial and sector segments of the global market;
- information campaign to attract foreign citizens to obtain education in the Russian universities;
- increase by no less than 2 times of the number of the foreign citizens attending Russian universities compared to year 2017; and
- employment of no less than 5 per cent of foreign students that completed their education in Russian universities with high-demand majors by the Russian companies, including for work abroad.

III. CONCLUSIONS

We believe that the funds issued and yet to be issued under the Rules should provide significant support to the export of Russian education. In particular, they could increase the number of foreign students obtaining education in the Russian universities and scientific institutions, and as a result, increase the volume of funds that Russian universities will receive as a result of the provided educational services. The latter may lead to increase of the share of exports of educational services in the Russian GDP and enhance the competitive ability of the national economy as a whole.

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