

Paying for Business School:

Fewer Hesitations, Greater Investment from Parents, Value Remains Strong

September 2014

The Financing Mix

Few things in life have a greater payoff than an investment in education in terms of the opportunity it provides to acquire skills, build a career, boost income, and fulfill personal goals. But increases in costs for higher education and changes in the world economy have had an impact on decisions to enroll in graduate business programs.

From 2009 to 2013, prospective graduate business students intend to borrow less and count on greater contributions from parents investing in their education. The average financing mix varies greatly by citizenship, preferred program type, study destination, and other demographic factors.

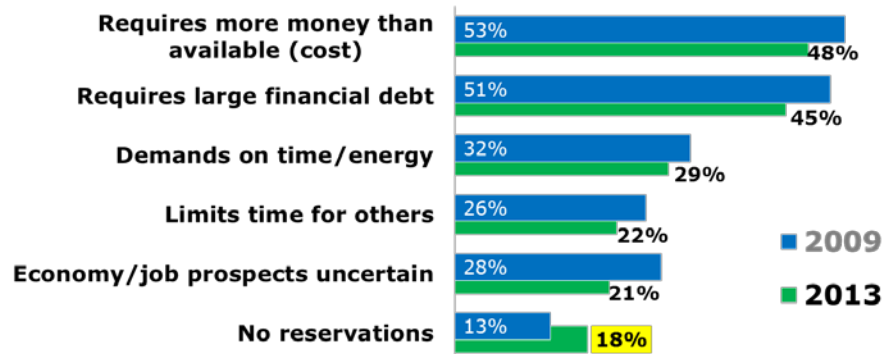
This Data-to-Go brief offers examples of the *financing mix* to demonstrate variations in funding expectations for business school, with additional resources provided for more detailed breakdowns.

Making the Investment

Since the height of the Great Recession, *fewer* prospective students considering MBAs or other graduate management programs cite reservations about pursuing a graduate business degree.

The Graduate Management Admission Council's mba.com Prospective Students Survey, which each year surveys more than 12,000 mba.com registrants, finds that the percentage of those saying they have no reservations about pursuing a degree rose from 13% in 2009 to 18% in 2013. Of those who do, cost and potential debt load remain the top reservations, but the percentage of prospective students concerned about them both declined from 2009 to 2013: cost, from 53% to 48%, and potential debt load, from 51% to 45%, as shown in [Figure 1](#).

Figure 1. Global Prospective Students' Reservations About Pursuing Business School, All Degree Types



Source: GMAC mba.com Prospective Students Survey, data for 2009 and 2013.

Financing Mix: Additional Resources

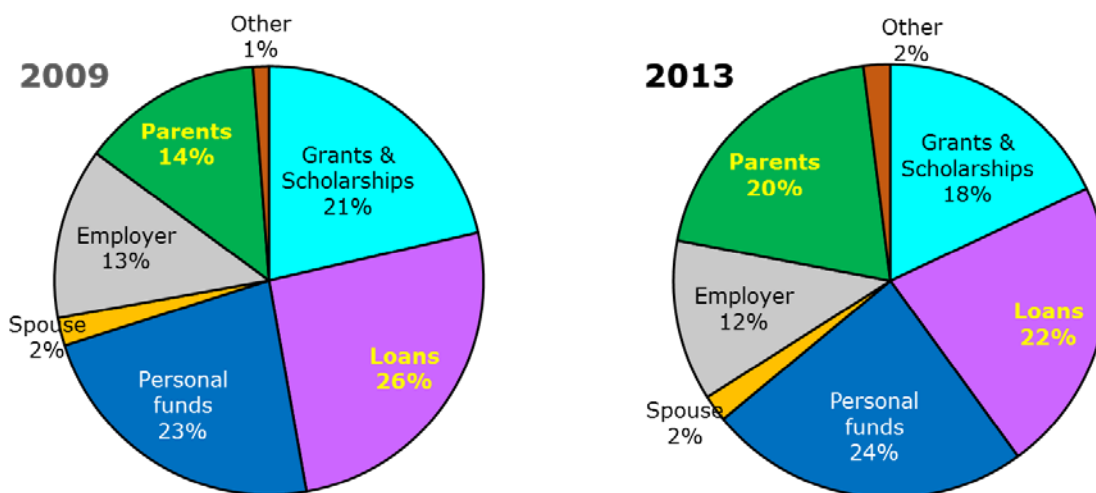
- Download the accompanying slides “Paying for Business School,” at gmac.com/prospectivestudents
- Explore the interactive report, “How Do I Pay for Business School?,” at gmac.com/prospectivestudents
- For more on the **Value of the MBA - in 3D**, go to the GMAC News Center at gmac.com/newscenter

At the same time, GMAC’s annual [Alumni Perspectives Survey](#) shows that graduate business school alumni continue to value their degree highly and experience a satisfying return on investment — personally, professionally, and financially. The vast majority (94%) of alumni surveyed agreed they would pursue their degree again, knowing what they know today, and rated their degree as a good to outstanding value.¹

WORLDWIDE

From 2009 to 2013, the percentage of funding that prospective graduate business students worldwide expect their parents to cover increased from 14% to 20%, respectively, as the portion they expect to borrow or cover with grants/fellowships, and scholarships both decreased ([Figure 2](#)). The popularity of specialized master’s programs in business, which draw younger students than MBA programs, may be a contributing factor, but prospective students in a range of programs expect more parental funding.

Figure 2. Average Expected Financing Mix, Worldwide, All Degree Types



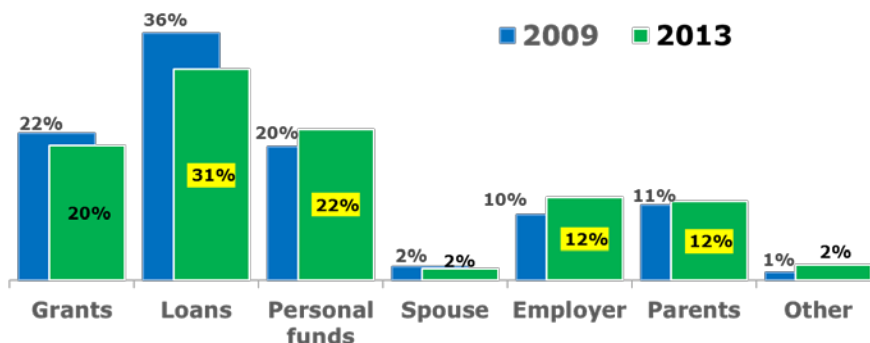
Source: GMAC mba.com Prospective Students Survey, data for 2009 and 2013.

UNITED STATES

In the US, where the full-time 2-year MBA is the signature program for many business schools, US citizens considering these programs expect to tap personal funds, employers, and parents to contribute more toward the cost of their education in 2013, and rely less on loans than in 2009, as shown in [Figure 3](#).

US citizens considering *all program types* of graduate management education expect loans to cover less of the cost in 2013 (27%) than in 2009 (31%).

Figure 3. US Citizens Considering Domestic Study for Full-Time 2-Year MBA



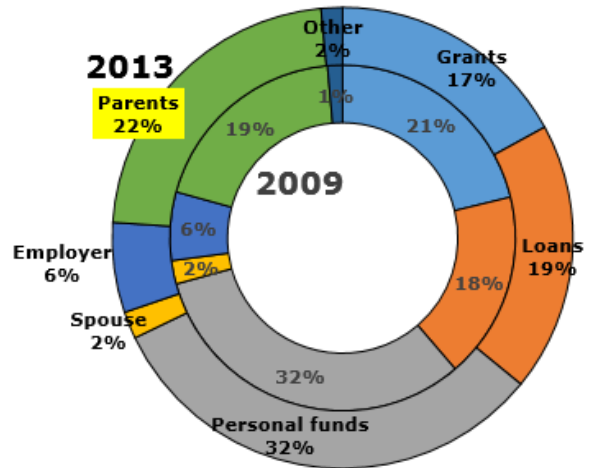
Source: GMAC mba.com Prospective Students Survey, data for 2009 and 2013.

¹ See GMAC (2014) Alumni Perspectives Survey at gmac.com/alumniperspectives.

EUROPE

Even though specialized master’s in business programs have become popular in recent years, the full-time 1-year MBA draws the greatest interest among prospective European students. Thirty-nine percent of Europeans consider pursuing full-time 1-year MBAs in 2013. They expect their parents to pay slightly more of the cost than peers in 2009, although they still expect their personal savings and earnings to cover nearly a third (32%) of the cost (Figure 4). European citizens considering *all types* of management education programs expect their parents to contribute more toward their educational investment (29% in 2013, up from 21% in 2009).

Figure 4. European Citizens Considering Full-Time 1-Year MBA

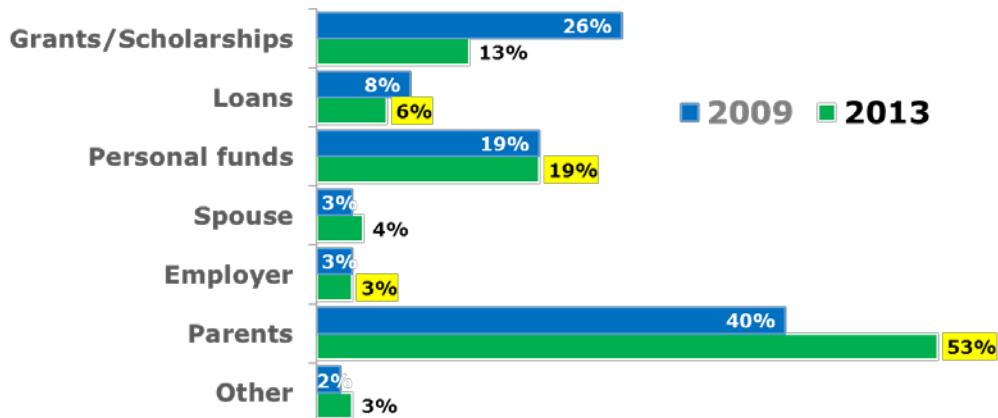


Source: GMAC mba.com Prospective Students Survey, data for 2009 and 2013.

CHINA

Specialized master’s programs in finance and accounting are highly popular with Chinese citizens, many of whom want to study abroad. These students have long looked to their parents as a major source of funding, and from 2009 to 2013 the portion they expect parents to pay has risen as they expect grants and scholarships to cover less (Figure 5).

Figure 5. Chinese Citizens Considering International Study for Master of Finance

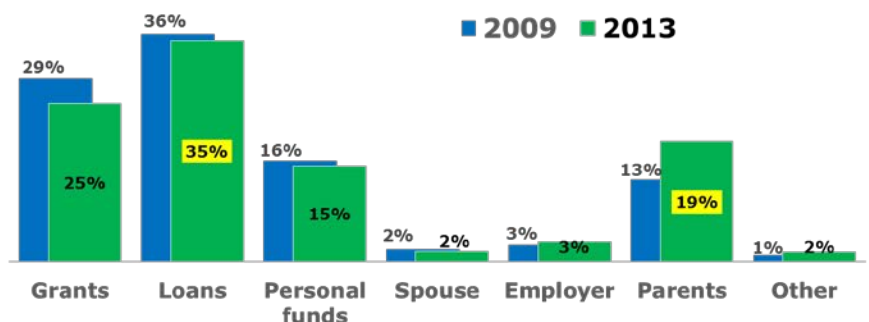


Source: GMAC mba.com Prospective Students Survey, data for 2009 and 2013.

INDIA

Indian citizens considering full-time 2-year MBA programs typically plan to study abroad and traditionally rely on loans to fund more than a third of the cost. From 2009 to 2013, they expect grants and scholarships to cover less, and they look to their parents to help them make up the difference (Figure 6).

Figure 6. Indian Citizens Considering International Study for Full-Time 2-Year MBA



Source: GMAC mba.com Prospective Students Survey, data for 2009 and 2013.

OTHER CITIZENSHIP GROUPS

Canadians considering domestic full-time 1-year MBAs in 2013 expect to pay for less of the cost with their own earnings and savings (35% in 2013 vs. 42% in 2009) and use a variety of sources to make up the difference.

Latin Americans considering full-time 2-year MBAs in 2013 expect less funding to come from grants and scholarships (22% in 2013 vs. 28% in 2009) and they plan to tap a variety of sources to make up the difference.

Africans considering full-time 1-year MBAs typically plan to study abroad and these students still expect grants and scholarships to cover quite a bit of the tab (40% in 2013, down from 43% in 2009). They expect parents to step in more (18% in 2013 vs. 12% in 2009) and will rely less on loans (9%, down from 13% in 2009) and personal funds (22%, down from 26% in 2009).

Data Notes

The data presented in this brief refer to the *Financing Mix*, or the percentage of the costs of the education prospective students intend to finance through each of the resources specified (sums to 100%). It does not reflect data about a prospective student's likelihood to use financial sources to pay for their graduate business education. This is often shown in GMAC data as the *Finance Plan*, which can sum to more than 100 percent due to multiple selections. For more information, see the [mba.com Prospective Students Survey Report](#).

Contact Information

For questions or comments regarding the information in this Data-to-Go brief, please contact the GMAC Research Department at research@gmac.com.

Authorship

The concept and interpretation of the information made available in this brief were led by Tracey Briggs, Media Relations Director, Corporate Communications at GMAC. Support in data accuracy, design/review, and intellectual content were provided by individuals in the GMAC Research Department, with contributions from Paula Bruggeman, Gregg Schoenfeld, and Michelle Sparkman Renz.

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