

South Asia Education Insight Hub

Impact of Sri Lanka's Economic Crisis on its students in the UK

Summary

In the aftermath of the Covid-19 pandemic, which struck an enormous blow to its previously burgeoning tourism industry, and rising global fuel costs, Sri Lanka is grappling with the worst economic crisis of its history, leading to depleted foreign reserves, depreciation of the Sri Lankan Rupee and an enormous debt crisis based primarily on market borrowings and bilateral loans. For the first time since Independence, the country has defaulted on its foreign debt.

Prices are rising, essential goods including medicines, fuel and power are in short supply and are being rationed. People have been on the streets for over a month, protesting against the President and seeking accountability. As a result, except for the President and the Prime Minister, the entire cabinet resigned in early April, and a new downsized cabinet has been sworn in on 18 April. The opposition intends to table a vote of no confidence.

The government in the meantime has agreed to an IMF bailout and until the negotiations are settled, it is reaching out to World Bank, ADB and other donor community for bridging finance. The government has also put a moratorium on paying its debts until discussion with IMF are completed.

There is mixed information about restriction on sending money outside the country for educational purposes. Banks report no such capping, but they are making their own decisions to respond to clients' forex requests. On the other hand, political parties in opposition flag that the restriction is creating challenges for parents of students studying in foreign universities to make payments and some are resorting to buy dollars from the black market.

Once the IMF loan is agreed and the restructuring of the economy takes place, it is hard to tell how it will unfold for the education sector and how hard it may hurt the purchasing power of people. However, going by examples of previous financial crisis globally, it is seen that it does impact mobility of students for higher education in the short to long term, but opens door for TNE collaborations.

Economic outlook

GDP growth in 2021 was 3.7% and the inflation has peaked to 18.7% in March 2022.

Currency devaluation of 15% took place in early March when Sri Lanka's central bank fixed the upper limit on the rupee at 230 to the dollar. The US dollar has become more dearer with 1US dollar equivalent to 313 Sri Lankan rupees as on 12 April 2022.

Food prices increased by more than 25% in March and so did the prices of medicines which are state mandated by 29%. According to media reports, petrol prices have increased by 90% and diesel by 138 % since the start of the year.

Sri Lanka's foreign exchange reserves have plunged some 70% in the past two years, hitting \$1.93 billion at the end of March. The Securities and Exchange Commission (CSE) of Sri Lanka has decided to temporarily close the stock market for five days starting on 18 April.

J.P. Morgan analysts estimate that Sri Lanka's gross debt servicing costs will amount to \$7 billion this year, with a \$1 billion repayment due in July. On 12 April, Sri Lanka announced

suspension of all external debt payment until agreement with creditors and support from IMF is worked out.

Half of Sri Lanka's debt of \$35 bn is owed to private bond holders in international credit market and to bilateral lenders, of which Japan and China are the biggest ones with 10% each of its debt followed by India.

As part of other urgent measures to enhance the foreign reserve position of the country to meet its day-to-day essential imports including food, fuel and medicine, the Central Bank of Sri Lanka has sent out an official message to Sri Lankans living abroad to support their country by donating much needed foreign exchange to the foreign reserves of Sri Lanka.

Further, recognising that the IMF bailout will accompany difficult and unpopular reforms, the government has already announced that it would raise taxes and fuel prices, reduce spending and begin restructuring of state-owned enterprises.

Political developments

The political situation is rapidly shifting. On 19 April, Prime Minister Mahinda Rajapaksa proposed to restore a legislation which will shift the power from the President to the Prime Minister and Parliament. This is being suggested as a short-term solution to deal with the crisis and is also seen as an attempt to assuage unprecedented public anger and criticism against the Rajapaksa family and their failures, which are widely perceived to have brought the country to this state.

Prior to this, President Gotabaya Rajapaksa accepted mistakes made by his government when it cut taxes, banned use of chemical fertilisers overnight, and his refusal to go early to the IMF.

A new governor of Central Bank of Sri Lanka, P Nandalal Weerasinghe has been appointed to lead the country's negotiations with the IMF and, along with the new Finance Minister Ali Sabry, steer the country out of this crisis. He has previously served as an alternative executive director at the IMF.

A new cabinet and state ministers have been sworn in. However, it should be noted that the coalition partners of the ruling government have all pulled out which means that the ruling government does not have parliamentary majority. A motion of no confidence led by the opposition seems likely in the coming days. It will need to be seen how this situation evolves and how the government is able to push through economic reforms.

Travel advice including safety and security

Based on the [FCDO travel advisory](#) and on-ground reports, following information to be considered before making plans to travel to Sri Lanka.

- There have been a number of protests since 21 March 2022. There are reports that further protests are likely to take place across the island.

-
- On 19 April, there was a report of police firing leading to death of one civilian and a few injured in a demonstration in Rambukkana town which is located in southern province. A curfew was temporarily in place in that area.
 - In certain areas, it was reported that the police had joined demonstrations led by civil, political and labour groups over economic issues.
 - Government employees from various sectors such as transport and healthcare have also threatened or held strikes and rallies over pending demands including wage dues in recent weeks.
 - Civil organisations are encouraging public to engage in silent protests.
 - Likelihood of increase in crime and theft due to poverty and pressure on livelihoods.
 - The worsening crisis has affected the healthcare system with the Colombo National Hospital limiting routine lab investigation services and another mainstream government hospital suspending non-life-threatening surgeries.
 - Due to a prevalence of COVID-19 cases in the community, there could be changes to flights and airport operations at short notice. Lockdowns could be imposed in affected areas, and travel restrictions may also be imposed at short notice.
 - The Government of Sri Lanka may impose local restrictions at short notice. Travellers should be vigilant, avoid any demonstrations or large gatherings, and follow the advice of the local authorities.

State of financial flows for overseas education

The Central Bank of Sri Lanka is involved in approving foreign exchange payments for educational purposes, while the commercial banks in Sri Lanka facilitate the outflow of remittances for foreign institutions for education and, at times, directly to students for their living expenses. Additionally, many private sector entities are facilitating the placement of Sri Lankan students into foreign universities or educational institutes.

According to input received from contacts in the banking sector, the government has placed no restrictions on sending money outside the country for educational purposes. However, given the limited foreign currency available, banks are prioritising on their own to serve their clients. For example, they may prioritise big businessmen who have factories and employ a considerable number of people, for this will ensure that they are able to preserve their key client base, profits accrued through them, and the livelihoods of many others that are dependent on this key client. Hence, due to the severity of the crisis there is a restriction generated organically in the banking sector which prevents payments for education purposes due to lack of priority.

Way back in July 2021, Ranil Wickremesinghe, leader of another political party in Sri Lanka had raised alarm over forex limitation. He had said that ‘there were many Sri Lankan students in foreign universities having completed their courses of studies halfway and they were in need of foreign currency to pay their dues to continue their education. Banks do not sell at least USD 25,000. Thousands of parents are now in a quandary.’

A research paper on student migration from Sri Lanka dated February 2022 points to guidelines for money transfers for students’ overseas education. It states that direct transfers are made through local commercial banks to the educational institute for tuition fees and for living expenses it goes to the student’s personal bank account which is capped at the published estimated cost of living of that particular education institute. To deal with this capping, the more

popular practice is that parents deposit Sri Lankan rupees in local commercial bank and their children withdraw money in foreign currency through ATM in their overseas place of stay. This would still be subject to foreign exchange rate and regulations on such withdrawals.

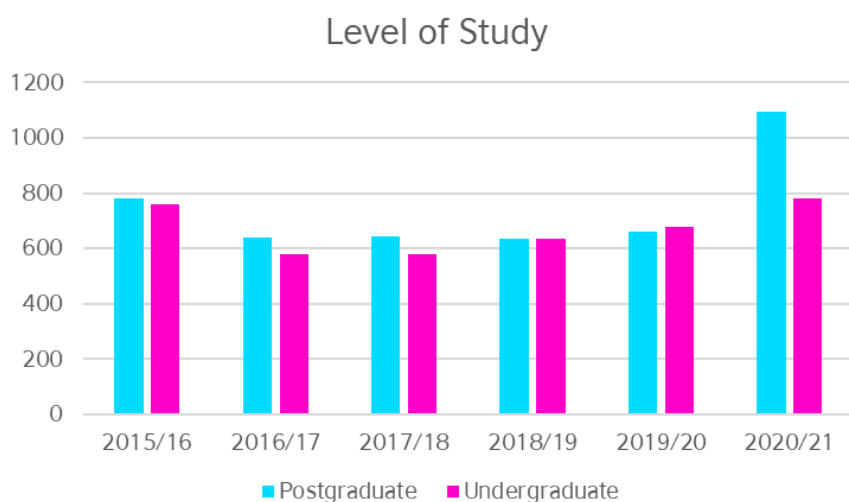
According to a local transnational education partner and industry business leader, Sri Lankan students in the UK may not be able to make their payments currently because of the following reasons:

- I. There is a general preference to pay fees in instalments. Parents and students did not pay the course fee upfront even when they had money in hand
- II. Unprecedented depreciation of rupee against GBP at present
- III. People are unwilling to convert currency due to the current situation (not willing to take out their FDs and savings)

According to the leading economist this situation will prevail for a minimum of another six months out of which the first three months will be extremely difficult; this could improve after six months down the line.

Current Sri Lankan student numbers in the UK

Latest HESA 2020/21 data reveals that there are 1,857 Sri Lankan students enrolled for postgraduate and undergraduate studies. There is a significant rise in numbers compared to the last five years. In percentage terms, there is a 66 percent jump for postgraduation and a 15 percent increase for under graduation from last year (2019/20).



Majority of the students are enrolled for business and management, engineering and technology and computing. Full details are available in annex.

Subject Area	Student numbers	Percentage
Business and management	510	27%
Engineering and technology	350	19%
Computing	205	11%

Social sciences	115	6%
Medicine and dentistry	100	5%
Law	95	5%
Subjects allied to medicine	90	5%

Table 1: Subject wise student numbers (source HESA)

Below table captures student numbers in various UK universities mapped against two key level of study markers for the year 2020/21. Complete list is provided in the annex.

UK universities	Post graduate	Under graduate	Total
University of South Wales	110	45	160
University of Northumbria at Newcastle	70	0	75
University of the West of England, Bristol	50	15	65
The Nottingham Trent University	35	15	50
Loughborough University	15	30	45
Coventry University	30	10	40
University of Hertfordshire	30	15	40
University of London (Institutes and activities)	5	35	40
The University of Sheffield	15	30	40
The University of Greenwich	15	15	30
The University of Sunderland	15	15	30
Brunel University London	15	15	30
Imperial College of Science, Technology and Medicine	5	25	30
University College London	10	20	30
The University of Warwick	10	20	30

Table 2: UG and PG break up of students for 2020/21 (source: HESA)

Sri Lanka student visa issuance in last three years

Visa Issuances	number	% Change
2019	591	-
2020	650	+9.9 %
2021	2,475	+280.7 %

Table 3

Number of undergraduate acceptances for Sri Lanka-domiciled students across the last 3 entry cycles

Undergraduate acceptances	2019 -> 2020 YoY change	2020 -> 2021 YoY change

2019	2020	2021		
180	190	245	5.5%	28.9%

Table 4

Transnational Education

Even though the number of Sri Lankan students are rising in the UK, there is increase also seen in transnational education numbers which suggests growing interest in acquiring UK qualifications.

Year	Number of students	Year on year change
2017/18	24,210	
2018/19	25,260	4%
2019/20	29,905	18%
2020/21	39,955	20%

Table 5

There are nearly 60 UK higher education institutions which are providing TNE programmes and close to 40,000 Sri Lanka students are enrolled

UK university	Sri Lankan TNE students (2020-21)
Cardiff Metropolitan University	5530
University of Bedfordshire	2740
The University of Westminster	2575
Coventry University	2270
University of Plymouth	2075
Staffordshire University	1730
The University of Wolverhampton	1705
Liverpool John Moores University	1680
Birmingham City University	1565
The University of the West of Scotland	1480
University of London (Institutes and activities)	1445
London Metropolitan University	1445
University of Northumbria at Newcastle	1110
The University of West London	1055

Table 6: Student TNE numbers in 2020/21 (source:HESA)

Impact on Sri Lankan students

Students who are already studying in the UK will be anxious and worried about fee payment and sustaining themselves in the UK and whether this will disrupt completion of their studies. They will be equally worried about their families back home and their welfare. These students might want to explore options to either defer their fee payment or take a semester gap. It has been observed that during economic crisis situations such as what Sri Lanka is going through, it is possible that some parents of students studying in the UK may face a cut in their salaries or lose their jobs. It is most likely that the value of property or collateral may significantly drop which will weaken paying capacity of the parents.

Prospective students who were making plans to study overseas in the new academic year may abandon their plans or delay by a few years until the situation stabilises. Based on affordability, two more possibilities can arise, which could be that the students may opt for the TNE route if they were still keen to acquire UK qualification or they may opt for another destination closer home and much cheaper than the TNE education costs.

Annex

Table 1: Subject wise student numbers

Subject Area	Student numbers	Percentage
Business and management	510	27%
Engineering and technology	350	19%
Computing	205	11%
Social sciences	115	6%
Medicine and dentistry	100	5%
Law	95	5%
Subjects allied to medicine	90	5%
Architecture, building and planning	65	3%
Biological and sport sciences	55	3%
Physical sciences	50	3%
Education and teaching	50	3%
Psychology	35	2%
Mathematical sciences	25	1%
Design, and creative and performing arts	25	1%
Geographical and environmental studies (social sciences)	20	1%
Historical, philosophical and religious studies	20	1%
Agriculture, food and related studies	15	1%
Language and area studies	15	1%
Media, journalism and communications	15	1%
Geographical and environmental studies (natural sciences)	15	1%
Combined and general studies	10	1%

Table 2: UG and PG break up of students for 2020/21 (source: HESA)

UK universities	Post graduate	Under graduate	Total
University of South Wales	110	45	160
University of Northumbria at Newcastle	70	0	75
University of the West of England, Bristol	50	15	65
The Nottingham Trent University	35	15	50
Loughborough University	15	30	45
Coventry University	30	10	40
University of Hertfordshire	30	15	40
University of London (Institutes and activities)	5	35	40
The University of Sheffield	15	30	40
The University of Greenwich	15	15	30
The University of Sunderland	15	15	30
Brunel University London	15	15	30
Imperial College of Science, Technology and Medicine	5	25	30
University College London	10	20	30
The University of Warwick	10	20	30
Birmingham City University	15	5	25
Kingston University	25	5	25
Middlesex University	10	15	25
The University of West London	10	10	25
The University of Birmingham	10	15	25
The University of Bristol	5	20	25
The University of Cambridge	20	10	25
The University of Surrey	15	10	25
The University of Aberdeen	5	20	25
Ulster University	20	5	25
The University of Manchester	10	15	25
The University of East London	15	5	20
The University of Huddersfield	15	5	20
Teesside University	15	5	20
Cardiff Metropolitan University	10	5	20
The University of Kent	5	15	20
The University of Leeds	5	15	20
King's College London	5	15	20
London School of Economics and Political Science	5	15	20
University of Nottingham	10	15	20
The University of Oxford	15	0	20
The University of Salford	20	0	20
The University of Southampton	10	10	20
The University of Edinburgh	10	10	20

Cardiff University	10	10	20
York St John University	10	0	15
University of Bedfordshire	10	5	15
Liverpool John Moores University	10	5	15
De Montfort University	10	5	15
Sheffield Hallam University	15	0	15
The University of Westminster	5	10	15
Robert Gordon University	15	0	15
The University of the West of Scotland	15	0	15
University of Durham	5	10	15
Queen Mary University of London	10	5	15
The University of Strathclyde	10	0	15
The University of Dundee	10	5	15
Queen's University Belfast	5	10	15
The University of Buckingham	5	10	15
University of Chester	5	0	10
Roehampton University	5	5	10
Anglia Ruskin University	5	5	10
The University of Bolton	10	0	10
University of Derby	10	0	10
The Manchester Metropolitan University	5	0	10
Oxford Brookes University	10	0	10
University of Plymouth	5	0	10
London South Bank University	5	0	10
The University of Bath	5	5	10
The University of Essex	0	5	10
The University of Exeter	0	10	10
The University of Hull	5	5	10
Keele University	5	5	10
The University of Leicester	5	5	10
The University of Liverpool	10	5	10
Royal Holloway University of London	5	5	10
Newcastle University	5	5	10
The University of Reading	5	5	10
The University of Glasgow	5	5	10
Heriot-Watt University	5	5	10
The University of St Andrews	0	5	10
The University of Law	10	0	10
Edge Hill University	0	0	5
The University of Northampton	0	5	5
Solent University	5	0	5
St Mary's University, Twickenham	5	0	5
Bournemouth University	5	0	5
The University of Brighton	0	5	5
The University of Central Lancashire	0	5	5

Leeds Beckett University	0	5	5
The University of Portsmouth	5	5	5
Staffordshire University	5	0	5
The University of Wolverhampton	5	0	5
Glasgow Caledonian University	5	0	5
Edinburgh Napier University	5	0	5
Aston University	0	0	5
The University of Bradford	5	0	5
City, University of London	5	0	5
The University of Lancaster	5	5	5
Birkbeck College	0	5	5
The University of Sussex	5	0	5
The University of York	5	0	5
The University of Stirling	5	0	5
The University of Wales Trinity Saint David	5	0	5
Bangor University	0	0	5
Swansea University	5	5	5
University of the Highlands and Islands	5	0	5
London Metropolitan University	5	0	5
University for the Creative Arts	5	0	5

Table 6: Student TNE numbers in 2020/21

UK university	Sri Lankan TNE students (2020-21)
Cardiff Metropolitan University	5530
University of Bedfordshire	2740
The University of Westminster	2575
Coventry University	2270
University of Plymouth	2075
Staffordshire University	1730
The University of Wolverhampton	1705
Liverpool John Moores University	1680
Birmingham City University	1565
The University of the West of Scotland	1480
University of London (Institutes and activities)	1445
London Metropolitan University	1445
University of Northumbria at Newcastle	1110
The University of West London	1055
The University of Northampton	755
The University of Sunderland	730
Buckinghamshire New University	630
Solent University	585
Robert Gordon University	570
Kingston University	520
Glyndwr University	470
University of the West of England, Bristol	465
Canterbury Christ Church University	420
De Montfort University	420
The University of Salford	230
The University of Bolton	220
Edinburgh Napier University	200
University of Gloucestershire	195
The University of Central Lancashire	190
The University of Wales (central functions)	165
University of Hertfordshire	135
The University of Greenwich	95
The University of East London	90
Oxford Brookes University	70
Leeds Trinity University	55
University of Wales Trinity Saint David	50
Teesside University	45
Falmouth University	40
Middlesex University	35

The University of Chichester	30
University College of Estate Management	30
Anglia Ruskin University	10
The University of Oxford	10
The University of Edinburgh	10
The Open University	5
Roehampton University	5
University of Derby	5
Leeds Beckett University	5
The Nottingham Trent University	5
The University of Bath	5
The University of Cambridge	5
The University of Leicester	5
The University of Liverpool	5
King's College London	5
The University of Aberdeen	5
Heriot-Watt University	5
The University of Dundee	5
University for the Creative Arts	5