

New route to funding higher education infrastructure

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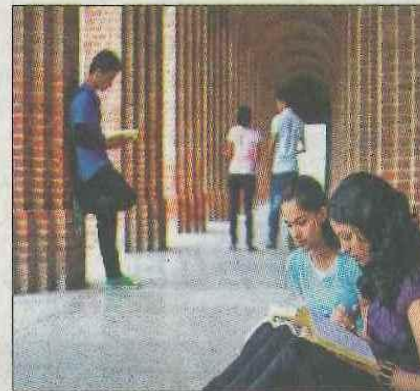
One are the days when universities and other higher educational institutions under MHRD would, beside maintenance grants, receive every five year development grants for creating physical facilities, infrastructure development and for starting new courses and programmes. Beginning from the current financial year, they would instead have to approach the Higher Education Funding Agency (HEFA) for loans.

Established as a joint venture of MHRD and Canara Bank, HEFA is a not-for-profit non-banking finance company. With an equity base of Rs 10,000 crore, the agency targets to mobilise Rs 1,00,000 crore through a mix of government guaranteed bonds and commercial borrowings to 'provide timely finance at low interest rates for capital assets creation in India's higher educational institutions and supplement it with grants by channelling Corporate Social Responsibility (CSR) funds from

corporates and donations from others'.

All higher educational institutions that are established, funded or referred to by the MHRD shall be eligible to receive funds for creation and renovation of physical facilities and infrastructure required for teaching, research and residences; library and laboratory equipment; and common facilities for students and other stakeholders. The maximum amount of loan that an institution can access is to be determined by the quality of projects it submits but more importantly by the cash flow stream from internally generated resources that it offers to service the loan. To ensure steady recovery of loans, the borrowing institutions are required to open an escrow account of the HEFA bankers and commit a portion of their cash flows for the repayment of loan.

As per the original scheme, the interest burden on such borrowings was to be serviced through grants-in-aid by MHRD or UGC, as the case may be, and the repayment of the principal was to be made by the borrowing institution over



ten years in equal instalments. Wary of the challenges of mobilising additional resources to service the debt, higher educational institutions have obviously been recalcitrant to the idea. It was, therefore, no surprise that HEFA could approve loan proposal worth about Rs 2,000 crore only to just handful of higher educational institutions, as against the targeted disbursement of about Rs 25,000 crore during the current financial year to hundred plus institutions.

Realising the realities of the higher

education scenario and responding to the concerns of the higher educational institutions, the government has come up with a new scheme called Revitalising Infrastructure and System in Education (RISE) by 2022 with the aim of fast track infrastructure development in higher educational institutions for creating state-of-the-art infrastructure by providing project-based funding through HEFA. RISE by 2022 reiterates that the interest burden on loan shall be serviced through grants from the respective funding agencies but classifies higher educational institutions into five categories with varying degrees of repayment obligation for the principal component of the loan.

Accordingly, while the technical institutions established more than ten years ago shall have to repay the whole of the principal portion of the loan through their internally generated resources, such of them which came into existence between 2008 to 2014 shall have to take care of only a fourth of the principal component and the balance is to be paid

out of grants by the government.

Similarly, the central universities established prior to 2014 shall be required to repay just a tenth of the principal component of the loan taken. Most importantly, those established after 2014 and other institutions under MHRD with little scope of fee revision and internal resource generation shall not have to repay the principal amount at all and the same shall be serviced out of grants by the funding agency. So shall be the case for the newly established All India Institutes of Medical Sciences (AIIMSs) and the Kendriya and Navodaya Vidyalayas. It appears that Rs 1,000 crore promised to each of the public-funded universities selected as institutions of eminence shall also be financed through RISE, though it is unclear as to what proportion of the principal component they shall be required to repay.

While the RISE by 2022 may not be as good as the development grant system prevalent so far but is indeed a reprieve to the higher educational institutions except the older technical institutions

when compared to the original scheme of funding under HEFA. They would still have to repay a portion of the principal through their own resources but the burden would be much less than if they had to repay the whole of the principal component. Higher educational institutions shall be all the more confident in accessing funds under RISE if they are further assured that the grants for servicing the principal and interest components of the loan shall not reduce or adversely impinge on the annual maintenance grants that they have so far been getting.

As regards national implications, HEFA and RISE are new experiments to finance capital investment in education through extra-budgetary resources. Had this funding window been over and above the development grants, it would have indeed fast-tracked infrastructure development in our higher educational institutions. Alas, they are only a substitute to the development grants.

The writer is the Secretary General, Association of Indian Universities. Views are personal.