

How can South Africa build a fiscally sustainable student-financing model that enhances access to higher education?

Undergraduate:

Introduction

The problem of access to higher education: despite the number of universities available and funding for disadvantaged students, a peculiar group still struggles to access higher education (The African,2023). Interventions which were implemented in 1996 have significantly expanded the enrolment of disadvantaged communities, but access remains a pervasive issue (Wangengeouma,2012, p.832). Another issue further widening the gap of higher education exclusion is the rising tuition fees. University tuition fees increase annually, with institutions arguing that the increase is necessary to manage inadequate levels of government funding and the persistent rising cost per student (De Jager,2026, p.24). With Blade Nzimande proposing another 4.5% increase in fees for 2025 to 2027, which was challenged by the South African Union of Student (SAUS), arguing that “a fee increase in tuition and residence would minimise access to universities for many students who rely on funding schemes such as National Financial Aid Scheme (NSFAS)” (Motsoere,2024).

The tension between widening access and government’s fiscal constraint: while policies such as fee-free education has promoted higher education inclusion (Yende and Mthombeni,2023), they also exhibit a degree of vulnerability linked to the availability of government resources.

This essay will examine South Africa’s current student financing problem, discuss what makes a model sustainable, and draw from international context to formulate a model suitable for South Africa, acknowledging the trade-offs that policy makers should consider.

South Africa’s current student financing problem

The problem in graduates: Inflation in tertiary education services has far exceeded that in the general level of consumer goods and services prices as measured by the headline CPI (South African Reserve Bank,2015).

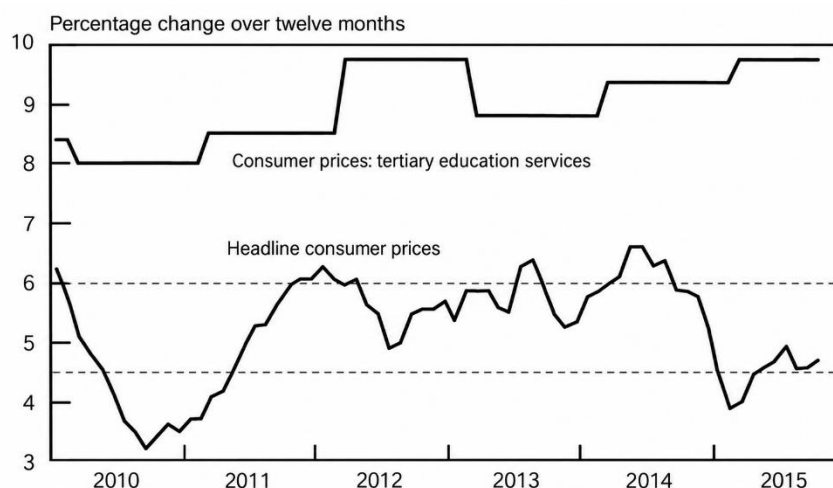


Figure 1: Headline consumer and tertiary education services price inflation, 2010-2015 (percentage change), South African Reserve Bank (2015).

High fees make access to education almost impossible for disadvantaged students. Therefore, financial exclusion is indirectly reinforced through these higher fees. In response to these challenges, NSFAS, implemented under the Department of Higher Education and Training was established under the NSFAS Act (Act 56 of 1999) to provide financial aid to disadvantaged students pursuing further

education at public universities or TVET colleges (NSFAS. n, d). NSFAS covers from accommodation, living allowances, transportation, to learning material. There are requirements that must be met for a student to be eligible for this aid: Applicants must be South African citizens and have a household income of not more than R350,000 per annum.; For persons with disabilities, household income must not exceed R600,000 per annum.; For students who started studying before 2018, it must not exceed R122,000 per annum. Although these measures were implemented to ensure that aid reaches intended beneficiaries, there's gaps within them. Applicants are rejected because they are considered middle class. These are students who are considered financially stable enough not to qualify for financial aid but too financially constrained to afford tertiary education (Swartz, 2018, cited in Cele and Gaillard, 2025, p.57). This is because evaluation of eligibility is done through considering household, income including parents who contribute. This criterion also fails to exclude students who are capable and have the capacity to afford higher education. These fixed criteria fail to acknowledge trends in university income and expenditure. Therefore, the financial need criteria of NSFAS do not consider that financial need does not mirror the real costs of higher education.

University	Weighted graduates	Enrolment full time equivalent students	Total academics	Student-lecturer ratio	Real income	Real expenditure
UNISA	11%	8%	10%	-2%	11%	9%
UZ	11%	3%	2%	0%	8%	4%
UL	8%	7%	2%	5%	10%	12%
CUT	7%	1%	2%	-2%	8%	10%
WSU	7%	-3%	-2%	-1%	4%	-2%
UFS	6%	3%	0%	3%	6%	6%
WITS	6%	2%	4%	-2%	7%	6%
NMMU	6%	1%	1%	1%	8%	11%
VUT	6%	-1%	5%	-6%	10%	13%
UWC	5%	6%	2%	3%	9%	11%
NWU	5%	4%	9%	-4%	10%	10%
UKZN	5%	3%	1%	2%	6%	5%
UFH	4%	3%	0%	3%	3%	9%
RU	4%	1%	4%	-3%	8%	9%
UJ	4%	-1%	-9%	9%	9%	8%
DUT	3%	2%	2%	0%	5%	4%
UCT	3%	1%	7%	-5%	6%	8%
UP	3%	1%	1%	0%	3%	7%
CPUT	2%	2%	3%	-1%	8%	8%
SU	2%	1%	2%	-1%	8%	8%
TUT	2%	-1%	2%	-3%	6%	7%
UNIVEN	-4%	0%	5%	-5%	11%	11%

Table 1: Compounded annual growth rates of enrolment, graduation, income and expenditure, 2009-2013.

Source: Marire (2017, p.122), based on centre for Higher Education Trust data.

Marire (2017, pp122-123) distinguishes between indicators in universities. Real expenditure grew at the same rate as real income in the last five years, which indicates that universities are not accumulating reserves. Real expenditure has also grown in a pace faster than growth rate of students. Real income has also grown at a higher rate than full-time equivalent student numbers have. The most alarming observation is that NSFAS criterion that is based on household income, neglects the fact that the actual cost of higher education can differ between institutions and qualifications. If eligibility rules fail to reconcile this gap, middle class applicant who are above the R350,000 threshold, may still struggle with expenses, and this also apply to eligible students struggling with costs that are not covered by the NSFAS scheme.

What makes a model sustainable?

for a student financing model to be fiscally sustainable, it must meet certain 4 essential criteria.

The model should promote equitable access to higher education, ensuring that capable but disadvantaged students are empowered to pursue tertiary qualifications. True equity in student financing requires measures to ensure that financial aids, are directed to those ingenuine need. A robust model must not create fiscal pressure on the budget and burdens on public finances or divert resources from other critical industries. Lastly, administrative practices are essential to ensure appropriate use of model throughout its life cycle. This is to ensure that fraud is prevented, institutional compliance aligns with the models' policies, and payments to students and institutions must be timely and accurate.

International experience

Norway-paying for completion: Norway's student support programme, administered by the State Educational Loan Fund (SELF), was implemented with intentions of producing high skilled workforce. The programme's objectives is to; promote equal access to education irrespective of geographical location, age, gender, disability, or financial and social background; to ensure supply of highly skilled labour to the society and the labour market; and to facilitate educational attainment under satisfactory working conditions that promote sufficient study progress (The Student Financial Aid Act 2020, section 1). The Norwegian model extends financial support to student sat both the secondary and tertiary levels. For individuals over the age of 19, eligibility for student support is independent of parental or partner income. However, the amount of support is reduced if the applicant earns more than 20,000 euros annually or possesses more than approximately 40,000 euros in savings. The support package is initially structured as a loan, but up to 40% of the loan amount may be converted into a grant if students meet specific criteria: residing away from parental homes, successfully completing coursework, and attaining a degree, conditions established under the broader quality reform framework. Interest on the loan is applied from the first month following graduation, with repayment commencing seven months post-graduation. These programmes are funded through annual appropriations from the state budget. By 1972, the structure of the student support programme had evolved from a needs-based grant system to one in which all individuals aged 20 and above became eligible for both loans and grants (Askim,2022).

Australia-Recovering the rest: Higher Education Contribution Scheme (HECS) was established in Australia as a response to the transition from a no-fee approach to an income-contingent model of higher education funding. This policy shift was later adopted by other countries seeking to strengthen their student financing systems. HECS was introduced primarily due to the increasing demand for higher education, driven by rising rates of high school completion. Additionally, policymakers sought to address the issue of regressive income distribution, arguing that a higher education system financed almost entirely by tax revenue disproportionately benefited households with greater financial capacity. repayments are determined by the graduate's income, with payment obligations activated only when earnings exceed a specified threshold. Moreover, the use of the tax system as a collection mechanism enhances administrative efficiency and reduces the risk of default, except in cases where graduates' incomes remain below the repayment threshold (Chapman & Sinning, 2014, pp. 572, 574). Importantly, students are protected from defaulting due to an inability to pay; if their income is sufficient and falls within the designated repayment bracket, repayment occurs automatically, embodying the core principle of contingency (Chapman & Sinning, 2014, p. 574).

Kenya and Ghana- targeting the funding: Kenya introduced a more laser focused model under the Higher Education loans board (HELB). This model combines scholarships, loans and household

contribution to extend help to students. This design was to ensure an equitable higher education frontline (Wanjiru, 2026). Wanjiru (2026) argues that this model categorises applicants into five bands based on household income and the need and provides variable scholarships, loans, and household contribution for university and TVET studies. The main idea is that students from poorer households are intended to receive priority by getting more scholarships and carry smaller financial burden, while students who are wealthy receive less government support and are expected to contribute more. But this idea only holds if students are correctly classified. But the model faces challenges to properly define financial needs. Given that most families in Kenya are operate in informal sectors, therefore, evaluating household income is difficult. Student loans spread the cost of higher education across students, parents, government and institutions, as well as donors and philanthropic bodies (Johnstone, 1996, cited in Atuahene, 2008, p. 411).

In Ghana the Student Loan Trust Fund's (SLTF) objective is "to provide financial resources for the sound management of the Trust for the benefit of students and to help promote and facilitate the national ideals enshrined in Articles 28 and 38 of the 1992 Constitution" (SLTF, 2006, cited in Atuahene, 2008, p. 413). The SLTF is funded from several sources: about 10% of the money paid into the Ghana Education Trust Fund, voluntary individual contributions, contributions from international partners, tax-deductible corporate contributions, and loans from the Social Security and National Insurance Trust (Atuahene, 2008, p. 413). To qualify for an SLTF loan, an applicant must be a Ghanaian citizen admitted to an undergraduate or postgraduate programme at an accredited public or private university, show financial need, and maintain satisfactory academic progress (Atuahene, 2008, p. 414).

A model for South Africa

Firstly, support should be based on financial need rather than on fixed requirements like the R350,000 threshold. NSFAS's R350,000 threshold fails to exclude households with sufficient capabilities, but HELB's graduated bands targets the poor and shares costs among the wealthy. However, this system relies heavily on concrete data; therefore, the system should be used in parallel with accurate verification to properly categorize applicants, as HELB integrates the tax system to avoid misclassification and misconduct that undermines NSFAS. Secondly, any aid that exceeds the grant tier should be in the form of a loan, regulated through the tax system just like under HECS, so that expenses can be recovered and poor households are protected. However, we must consider that this requires appropriate and accurate income records. Fixed repayment schedules and market-linked interest, as under SLTF, shouldn't be applied given how unemployment is a problem in South Africa, which is why these models cannot be studied in isolation from historical context and the structure of the economy. Third, aid should be linked to completion, just like SELF's conversion of up to 40% of a loan into a grant upon completing a degree, which speaks directly to the 50% dropout rate among NSFAS recipients. Support should also include TVET and shorter credentials, so funding matches skills demand, not just traditional degrees. Fourth, there should be a stable funding base, such as the share of GET Fund inflows that finances SLTF and the VAT allocation from HELB, and eligibility should be matched to available funds, since declaring all placed students eligible without commensurate funding left over 100,000 Kenyan students unfunded in 2024/2025. A sustainable and accessible system depends on explicitly deciding which costs to accept.

Trade-offs: No single model can provide a quick fix for sustainable student financing, so the South African government must acknowledge the trade-offs that come with these models. HELB's five-band system requires extensive administrative capabilities and concrete information about household income, which is hard to apply in developing countries since most citizens operate in informal sectors

with no regulations to keep track of cash flow. Income-contingent repayment, as in HECS, protects poor applicants but exposes the government to a greater burden if graduates cannot reach a certain income threshold. Income-contingent models depend on a strong graduate job market. Considering the unemployment rate, it is not guaranteed that a graduate will find employment. Furthermore, fixed repayment schedules, as in SLTF, are efficient in fund collection but expose the poor to financial burdens and potential default. Completion incentives, as in SELF's loan-to-grant conversion, improve the return on government spending and encourage efficient participation in higher education given that most NSFAS beneficiaries fail to graduate. Lastly, earmarked funding from SLTF stabilizes revenue at the cost of fiscal flexibility, while maintaining universal eligibility within a fixed budget. Fiscal sustainability relies heavily on which trade-off policymakers are willing to make, the opportunity cost policymakers can afford.

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