

How can South Africa build a fiscally sustainable student-financing model that enhances access to higher education? Refer to international experience in your analysis.

ABSTRACT

South Africa's pure NSFAS bursary model is fiscally unsustainable: near-zero cost recovery, high administrative costs and weak throughput incentives place growing pressure on the fiscus while leaving the "missing middle" without workable options. Drawing on a personal Unisa experience in which a R20 410 NSFAS payment was followed by suspension over a single additional module of R2 240, this essay argues for a differentiated hybrid. International lessons from Australia's HECS-HELP, the United Kingdom's income-contingent loans, Chile's reform and Germany's tax-funded model inform a three-tier design: 60 % grant + 40 % income-contingent loan for households earning R0–R350 000; 100 % income-contingent loan for the missing middle (R350 000–R600 000); and self-pay with a completion rebate for higher-income households. SARS-based collection can reduce administrative costs from roughly 12 % to under 3 %. Conservative estimates suggest annual net fiscal improvement of R8–12 billion by the early 2030s while protecting access and recognising the distinct needs of distance-education students.

1. INTRODUCTION

Education remains one of South Africa's most powerful tools for reducing inequality, yet for many young people acceptance into university does not guarantee the ability to complete a qualification. Tuition, materials, data, electricity and living costs can determine whether a student stays academically active. The challenge is therefore not merely to spend more, but to design a system that expands access while remaining sustainable for the state, institutions and future generations.

My own experience at Unisa illustrates the practical consequences of rigid design. In March 2026 NSFAS paid R20 410, clearing my account to zero after registration of multiple modules. In July I added one extra module (R2 240) to repeat a failed course. Because the annual allocation had already been disbursed, both the original and the additional module were financially suspended in September. Credits of R1 500 were applied to each, leaving a balance of –R760 due to me, while registration was cancelled and monthly allowances stopped. A relatively small additional cost produced a binary outcome: continued study or sudden exclusion. This micro-level rigidity reflects a larger national problem.

2. THE FISCAL AND ACCESS PRESSURE

NSFAS remains a major item in the higher-education budget. Recent Estimates of National Expenditure allocated approximately R54.3 billion for 2026/27 to support roughly 744 000 students — a nominal decline from the previous year's R58.2 billion. At the same time, more than 110 000 matriculants with bachelor's passes were unable to secure places at public universities in 2025, and outstanding student debt across the post-school system has reached approximately R59 billion. Simply expanding pure bursaries indefinitely is therefore neither affordable nor sufficient.

Four structural weaknesses stand out. First, near-zero cost recovery turns almost every rand into a sunk cost; only a minority of graduates are systematically tracked through SARS. Second, households in the R350 000–R600 000 band — the missing middle — fall outside bursary eligibility yet often cannot access affordable commercial credit. Third, weak throughput incentives mean many NSFAS-supported students take five or more years to complete a three-year degree; each repeated module carries both direct and opportunity costs. Fourth, administrative costs in the region of 11–12 % of disbursements are high compared with tax-based collection systems that operate at 1.5–2.5 %.

3. INTERNATIONAL EXPERIENCE

Australia's HECS-HELP scheme allows students to defer tuition and repay only once income exceeds a threshold, at progressive rates collected through the tax office. Net-present-value recovery has typically been in the high 70s to low 80s percent, administrative costs around 1.8 %, and low-socio-economic participation has risen. Repayments automatically fall when earnings fall.

The United Kingdom's post-2012 income-contingent loans use a repayment threshold, a fixed percentage of income above that threshold, and a long write-off horizon. Although planned non-repayment is substantial, the system remains cheaper than pure grants and protects low earners. Female graduates, who on average earn less, repay less — an automatic progressive feature.

Chile's earlier commercial-interest loan scheme produced default rates near 38 %. Reform toward income contingency reduced defaults to around 12 %, confirming that market interest rates imposed on low-income students generate high default and political resistance. Germany's fully tax-funded free tuition is feasible only with a much higher tax-to-GDP ratio and lower enrolment rates; it cannot be replicated wholesale in South Africa.

The consistent lesson is that income-contingent instruments, properly administered, can recover a meaningful share of costs while protecting access better than either pure commercial loans or pure grants. South Africa should adapt, not copy.

4. A THREE-TIER HYBRID MODEL

A differentiated hybrid can reconcile access, equity and sustainability:

Household income	Instrument	Key parameters
R0 – R350 000	60 % grant + 40 % ICL	CPI interest only; 5 % of income above R150 000; 20-year write-off
R350 000 – R600 000 (missing middle)	100 % ICL (tuition)	CPI + 1 %; 7 % of income above R240 000; modular e-wallet voucher
Above R600 000	Self-pay + rebate	15 % tax rebate if completed in N+1 years

A modular e-wallet would prevent the exact problem I encountered: a modest additional module would convert automatically into an income-contingent obligation rather than triggering suspension and the loss of allowances. Collection through SARS can cut administrative costs to approximately 2–2.5 %. A minimum 60 % credit-pass rule would retain the grant component and strengthen throughput incentives. Universities would carry a modest 10 % risk-share if graduates do not earn above the repayment threshold for ten years. A portion of the savings would be earmarked for expanded TVET places, improving both equity and the skills mix.

Under conservative assumptions — a 55–65 % net-present-value recovery rate (lower than Australia's because of South Africa's larger informal sector and emigration) — the hybrid could generate R8–12 billion in annual net fiscal improvement by the early 2030s once fully implemented.

5. ACCESS, EQUITY AND DISTANCE EDUCATION

Income-contingent loans do not deter low-income students when the repayment threshold sits above typical early-career earnings. Australian evidence shows that students treat the obligation as a graduate tax rather than conventional debt. A graduate earning R200 000 would pay only 5 % of the amount above R150 000 — roughly R208 per month. Because female graduates on average earn less, they repay less, making the scheme automatically progressive on gender. A shorter write-off for graduates working in designated rural areas would further strengthen geographic equity.

Distance education requires particular attention. Unisa students do not face daily transport costs, yet reliable data, devices, electricity and digital platforms are essential. A sustainable model should therefore differentiate support according to mode of study rather than applying identical allowances to every student. Flexible digital-learning support and negotiated connectivity arrangements can reduce waste while protecting genuine educational need.

6. IMPLEMENTATION AND COMPLEMENTARY MEASURES

Year 1 should amend the NSFAS Act, integrate NSFAS and SARS systems, and pilot the modular e-wallet at Unisa and one residential university. Year 2 can roll out the missing-middle loan and the modular voucher nationally so that small debts no longer trigger suspension. Year 3 can introduce the university risk-share and begin reallocating savings to TVET expansion.

Financial support must be accompanied by academic support: early-warning systems, tutoring and advising that help students progress rather than simply remain enrolled. Better administration — accurate registration records, timely communication and regular reconciliation between institutions and NSFAS — is equally essential. Transparency matters: students should know what they qualify for, when payments will be made, and why funding status changes. Universities, employers and carefully regulated private financing can complement public resources without privatising the system.

7. CONCLUSION

South Africa cannot sustain a pure bursary system at current enrolment and cost trajectories, nor can it leave the missing middle without realistic options. An income-contingent hybrid administered through the tax system, differentiated by household income, and designed with modular flexibility offers a fiscally credible path that protects access. My trajectory

from fully funded registration to suspension over a single R2 240 module shows why design must operate at the level of individual modules and academic progression, not only annual envelopes.

The poorest students should receive the strongest protection. Students in the missing middle should have responsible financing options. Graduates who later earn sufficient incomes can contribute toward the next generation. Universities, government and the private sector should share responsibility. Ultimately the success of student financing should be measured not simply by how much is spent, but by what that investment makes possible: entry, progression, graduation and meaningful contribution to society and the economy. That is the balance South Africa must achieve — access for those who need it, responsibility from those who can contribute, and sustainability for generations still to come.

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DECLARATION: This is original work by Entry #522. The Unisa case study is the author's personal experience and is used solely to illustrate systemic design issues. All policy proposals are offered in good faith for public debate.