Entry 583

How can South Africa create a financially sustainable student funding model that increases access to higher education?

INTRODUCTION

South Africa needs to increase access to higher education while creating a sustainable student funding model. The state needs to find a fair, affordable and sustainable way to provide funding to students.

This research essay is a literature review using data from peer-reviewed research, OECD, government reports and NSFAS. This will look at the current National Student Financial Aid Scheme (NSFAS), the missing middle, international student funding models and public-private partnerships (PPP).

Overall, I believe the best student funding model for South Africa would be a state-led PPP. The state, who primarily get funding via taxation (via SARS) would provide full bursaries to students from poor houses, a graduated funding model for the missing-middle and income-contingent loans. Employers, banks, development finance institutions and philanthropy would all play a supplementary role. Although not a perfect model, it ensures equity, access, affordability and sustainability in South Africa's dual economy.

1. CURRENT STUDENT FUNDING MODEL IN SOUTH AFRICA

The main way the state funds higher education is via NSFAS. It is a bursary scheme for students who cannot afford to pay for their studies or access funding from banks,study loans or bursaries (Department of Higher Education and Training, 2024). These bursaries do not need repaying and are for students from households earning R350000 or less. This includes funding for tuition fees, registration fees, learning materials, accommodation, transport and a living allowance (National Student Financial Aid Scheme, 2025a; National Student Financial Aid Scheme, 2025b).

While it has made it less expensive for students from poor backgrounds to begin studies, over 70% of university students and over 90% of TVET college students are supported by NSFAS (Department of Higher Education and Training, 2024). However, costs are increasing and in 2025 there was a total of 738 117 bursary applications and 48 097 loan applications (National Student Financial Aid Scheme, 2025c). The Department had also had to re-prioritise R13.3 billion within their current funding available to assist with the funding shortage. 34 000 students were unable to register due to funding issues, and 15 000 students were unable to register in their second semester (Department of Higher Education and Training, 2025).

Due to this South Africa will need to develop a sustainable student funding model which does not solely rely on free state funding. The state should be the core of the funding model.

2. THE MISSING MIDDLE

The missing middle refers to students whose household earns between R350 000 and R600 000. These students do not receive the full bursary from NSFAS but may not be able to afford tuition fees, accommodation, transport and learning materials (National Student Financial Aid Scheme, 2025b).

To help with this problem the government developed a loan scheme called the Comprehensive Student Funding Model (Department of Higher Education and Training, 2024). The government have committed an initial R3.8 billion to this scheme in 2024 and plan to increase the seed funding to between R31.6 billion and R42.1 billion between 2025 - 2034 (Department of Higher Education and Training, 2024). However, in 2025 2 499 out of 65 812 applicants met all the eligibility criteria (National Student Financial Aid Scheme, 2025c). The scheme does have potential, but it can be improved. To improve this scheme, the eligibility criteria, outreach and execution needs to be improved.

A large issue with this scheme is verifying income. Income from the household is verified by information provided by students and information from third party providers such as SARS, SASSA, Home Affairs and credit bureaux (National Student Financial Aid Scheme, 2025d; National Student Financial Aid Scheme,

2025e). Income from the household is seen as both formal and informal income (National Student Financial Aid Scheme, 2025f). This may not fully capture irregular informal income, many dependents, debt and medical costs. Gross income is also easy to verify over disposable income (National Student Financial Aid Scheme, 2017). Disposable income can be estimated using tax tables and a subsistence allowance.

3. INTERNATIONAL STUDENT FUNDING EXAMPLES

3.1 Australia - Income Contingent Loans

Australia provides students government supported loans via the Higher EducationLoan Programe (HELP). Once a student reaches a certain income threshold they start to repay their loan. Repayments are calculated as a percentage of the student's income rather than fixed repayments (Australian Government, n.d.). This means access to education is increased while maintaining affordability.

South Africa can increase the loan scheme of NSFAS and create an income contingent repayment scheme. Repayments would decrease or stop while students are unemployed, earn little money or studying further. Graduates would also receive partial forgiveness for working in scarce skill roles in the public sector such as teaching, nursing and rural health. Ayuk and Koma (2019) agree with this as they state income contingent loans would be suitable for South Africa as it ties repayments to future earnings. However, it also needs to be tied to improving throughput and financial management within the institutions. Oketch (2023) also agrees with this statement as it depends on the ability to track income and repayments. As there is a high amount of informal employment in the country accurate data systems would be needed.

3.2 Ireland: Targeted Grants

Ireland has a student contribution fee with targeted grants provided through SUSI (Student Universal Support Ireland) (Higher Education Authority, 2026; Student Universal Support Ireland, 2026). In 2026/27 the student contribution fee is R2 350 per year. This is reduced by R500 for eligible students from households earning up

to R120 000 (Higher Education Authority, 2026; Department of Further and Higher Education, Research, Innovation and Science, 2026). This shows targeted grants can be used alongside student contributions.

South Africa could continue to provide full bursaries to students from poor households but could introduce a small, graduated contribution for the missing middle. This would be less for those just above the R350000 threshold and more for those close to the R600 000 threshold. Fully funding all missing middle students would cost R19.2 billion however funding with a graduated scheme would cost R11.4 billion (Garrod and Wildschut, 2021). This makes it a more sustainable option.

3.3 South Korea: Performance-Based Funding

South Korea have a tertiary attainment rate of 71% for those aged 25-34 however only 59.8% of tertiary funding is provided by public sources prior to transfers, compared to an average of 71.9% across the OECD (Organisation for Economic Co-operation and Development, 2025). Public spending for tertiary education is USD 6 617 per student, compared to an average of USD 15 102 across the OECD (Organisation for Economic Co-operation and Development, 2025). They also provide direct funding for institutions through Government Grant Type II which is based on efforts to reduce tuition fees (Korea Student Aid Foundation, n.d.).

South Africa could provide funding to Universities and TVET colleges based on performance. This could include completion rates, less dropouts, supporting first generation students and cost control. Institutions would need to publish data on fees and performance. However, funding alone is not enough (Mbhalati, 2024). Therefore, Universities would need to provide targeted support to academically at-risk students from disadvantaged backgrounds. Institutions supporting disadvantaged students should not be penalised for issues out of their control therefore funding should be based on student intake and cost of providing services in rural or under-resourced areas.

4. PROPOSED MODEL: STATE ANCHORED PPP

I believe South Africa should use a State-Anchored Higher Education Financing Partnership (SAHEFP). This would use state funding, private co-funding, income contingent loans and performance-based funding for institutions. This would not privatise higher education but would use private funding and expertise from employers to increase the fiscal space for students.

The state would act as the core as they have a constitutional obligation to increase access to education, and they can collect funding via SARS. They would provide full bursaries for students from households earning R350 000 or less (National Student Financial Aid Scheme, 2025a; National Student Financial Aid Scheme, 2025b), guarantee the base loan pool for the missing middle and regulate the scheme. Eligibility, funding and repayment would be managed by NSFAS, SARS, SASSA and Home Affairs.

Private funding would be supplementary. Employers in scarce skill areas would be able to contribute to a pooled fund called the Student Skills Fund. This would be linked to the Skills Development Levy and SETA discretionary grants. Banks, development finance institutions and philanthropy foundations would provide loan funding, guarantees and support to vulnerable and rural students. The state would control the eligibility criteria, maximum interest rates and would ensure repayment is income contingent. This would ensure private lenders cannot exclude students from poor backgrounds.

Table 1: Proposed student funding model for South Africa

Student group	**Recommended instrument**	**International inspiration**
Poor households, R350 000 or less	Full NSFAS bursary	Ireland's targeted grants
Missing middle, R350 001–R600 000	Sliding-scale support and income-contingent loan	Australia's HELP
Higher-income households	Moderate contribution plus loan access	Ireland's contribution charge
Universities and TVET colleges	Performance-linked funding	South Korea's tuition restraint

Scarce-skill graduates	Loan forgiveness or repayment reduction	Targeted public-interest financing

Source: Recommended by author, based on Garrod and Wildschut (2021), Ayuk and Koma (2019), Oketch (2023).

This has been created with South Africa's dual economy in mind. Students from the developing majority would receive grants and protection from debt. While students from the developed minority would contribute more via the contribution fee and loan repayments. Creating a graduated funding model means both groups can be covered by one model.

This provides protection for students from poor backgrounds as they receive free bursaries and protection for the missing middle as they receive graduated funding rather than commercial debt. The model is fiscally sustainable as private funding, employer contributions and repayments from graduates reduce pressure on state budgets. However, accurate income data would be required.

5. LEGISLATION TO PREVENT CORRUPTION AND FRAUD

A clear legal framework must be created around the PPP. The National Student Financial Aid Scheme Act 56 of 1999 should be amended to include private co-funding, income contingent loans and performance-based funding. Most of the legislation would already exist. The Public Finance Management Act 1 of 1999 controls public funding, The Public Audit Act 25 of 2004 empowers the Auditor General.

The Prevention and Combating of Corrupt Activities Act 12 of 2004 makes corruption a crime, The Protected Disclosures Act 26 of 2000 protects whistleblowers. The Special Investigating Units and Special Tribunals Act 74 of 1996 and Public Protector Act 23 of 1994 can investigate maladministration. The Public Procurement Act 28 of 2024 controls procurement, The Protection of Personal Information Act 4 of 2013 controls data privacy and Treasury Regulation 16 controls PPPs. If this is not enough a new act should be created called the Student Funding and Public-Private

Partnership Act. This would clarify who would have what role in the funding model. The state, NSFAS, private funders, employers, institutions and students.

An independent Higher Education Financing Oversight Authority should be created with representatives from government, institutions, students' organisations, employers, civil society and the Auditor General's office. This would monitor the scheme and provide reports to Parliament and the Minister.

All funding should be transparent and auditable. Digital verification would be used to ensure students meet the eligibility criteria. This would have strict consent and privacy policies (National Student Financial Aid Scheme, 2025d; National Student Financial Aid Scheme, 2025e). The Auditor General would audit NSFAS, private funders and institutions receiving public funding. Any institutions or private funders misusing funds should be penalised, their contracts cancelled, blacklisted and prosecuted. PPP contracts should be public, with limits on profits and fees. They should also have performance criteria and rights to cancel contracts. This is important as NSFAS have already had issues with funding and administration (Department of Higher Education and Training, 2025). However, if there is weak enforcement capability corruption cannot be prevented via legislation. Therefore, South Africa must invest in skilled administrators, digital systems and independent monitoring.

6. CONCLUSION

This essay asked how South Africa can create a financially sustainable student funding model that increases access to higher education. The current system is creating pressure on the state budget and there is inconsistency in administration. From the literature it has been shown that graduated funding is cheaper than full bursaries for the missing middle and income contingent loans increase access as repayments are tied to earnings.

I believe South Africa should use a state anchored PPP. This would provide bursaries and loan guarantees from state funding, private co-funding, income contingent loans and performance-based funding for institutions. This would provide protection for students from poor backgrounds, support for the missing middle and

provide value for public funding. Strong legislation, independent monitoring and auditing by the Auditor General would prevent corruption and fraud.

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