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Beyond Funding Enrolment: Building a Sustainable Student-Financing System Through Student Success in South Africa

1. Introduction

For many young South Africans, obtaining a place at university is only the beginning of a much bigger challenge. Students must still find ways to pay for tuition, accommodation, food, transport and other study-related expenses while trying to complete their qualifications. Government has made important efforts to improve access through the National Student Financial Aid Scheme (NSFAS), but the growing demand for financial assistance raises questions about how the system can be maintained over time. More importantly, providing funding does not automatically guarantee that students will graduate or find employment. South Africa therefore needs to reconsider how it measures the success of student financing. This essay argues that a fiscally sustainable system should focus not only on funding students to enter higher education, but also on helping them complete their studies and participate in the economy. By combining targeted grants, income-contingent loans, academic support and partnerships with employers, South Africa can improve access while making better use of limited public resources. International experiences from Australia, Germany and New Zealand provide useful lessons for developing such a model.

2. The real challenge: Access is only one part of student financing

2.1 Expanding access to higher education

Higher education can improve an individual's employment opportunities and earning potential. It also contributes to economic development by increasing the supply of skilled workers, supporting innovation and improving productivity. However, these benefits cannot be achieved if students are excluded because they cannot afford to study.

In South Africa, financial assistance has played an important role in opening university and TVET college opportunities to students from low-income households. According to the Department of Higher Education and Training (DHET, 2026), NSFAS supported 812,618 students during the 2025/26 period, including 549,190 university students and 263,428 TVET college students. This demonstrates the scale of public support required to make post-school education accessible.

Nevertheless, the expansion of access also creates a responsibility to ensure that the funding produces meaningful results. Government should not only ask how many students have received financial assistance, but also whether those students are able to remain registered, progress academically and eventually graduate.

2.2 The difference between enrolment and completion

One of the important issues in South African higher education is that gaining access to a university does not necessarily mean that a student will complete a qualification. Students may experience financial difficulties, academic challenges, inadequate learning resources or personal circumstances that affect their ability to continue studying.

Research published by the Southern Africa Labour and Development Research Unit (SALDRU) in 2026 indicates that the expansion of NSFAS has improved access, particularly for students from lower-

income schools. However, these gains have not been matched by similar improvements in academic performance and completion rates (Branson and Whitelaw, 2026).

This finding is important because it shows that financial assistance is necessary, but it is not the only requirement for student success. A student may receive funding and still struggle with the transition from school to university, particularly where their previous schooling did not provide a strong academic foundation.

From a fiscal perspective, this matters because government commits resources to students over the course of their studies. When students repeatedly fail modules, extend their studies or leave without completing their qualifications, the cost of providing financial assistance can increase without producing the expected skills and qualifications.

South Africa should therefore move towards a financing system that considers both access and academic progression. This does not mean withdrawing funding from students who experience difficulties. Instead, it means combining financial support with academic interventions that improve their chances of completing their studies.

3. Why the current financing approach requires reform

3.1 Growing pressure on the government budget

The government has several responsibilities, including providing healthcare, improving infrastructure, supporting basic education and maintaining social protection programmes. Student financial assistance must therefore be considered within the broader public-finance environment.

NSFAS's Annual Performance Plan for 2026/27 shows that its student-funding allocation declined from a revised allocation of approximately R69.1 billion in 2025/26 to approximately R54.1 billion in 2026/27. The higher allocation in 2025/26 included additional funding that was provided as a once-off intervention to address student-funding shortfalls (NSFAS, 2026).

These figures illustrate the difficulty of maintaining a system that depends heavily on public funding. As more students qualify for financial assistance, government must find ways to accommodate increasing demand without placing unsustainable pressure on the national budget.

However, reducing student funding without considering the consequences could undermine access to higher education and worsen existing inequalities. The objective should rather be to improve the efficiency of the funding system and introduce additional sources of financing.

3.2 The missing-middle problem

Another challenge is the position of students whose household incomes are above the NSFAS bursary eligibility threshold but are still insufficient to cover the cost of higher education.

These students are often referred to as the missing middle. Their families may earn too much to qualify for full financial assistance, but not enough to pay tuition, accommodation and other expenses without experiencing financial hardship.

This situation exposes a weakness in a financing system that relies heavily on a distinction between students who qualify for government bursaries and those who are expected to pay privately.

A more flexible approach is needed. Students should receive assistance according to their actual financial circumstances rather than being placed into categories that do not fully reflect their ability to afford higher education. This could involve combining partial grants with affordable loans for students who fall within the missing-middle income group.

3.3 The importance of accountability

Financial sustainability also depends on how effectively public funds are managed. Even a substantial funding allocation may have limited impact if there are weaknesses in application processing, payment systems, student verification and financial reporting.

The challenges experienced by NSFAS have highlighted the importance of strengthening institutional governance. Government announced in 2026 that NSFAS had been placed under administration to support institutional reform and improve its governance systems. The intervention followed concerns about the scheme's operational and administrative capacity (DHET, 2026).

This demonstrates that financial sustainability is not simply a question of raising additional money. It also requires institutions to account for how funds are allocated and spent. Better financial management can help reduce unnecessary expenditure, improve the reliability of student payments and ensure that funding reaches the intended beneficiaries.

4. International experience and lessons for South Africa

Countries have adopted different approaches to financing higher education. Some rely mainly on government grants, while others combine public assistance with loans that graduates repay after entering employment. South Africa can learn from these experiences, although international models must be adapted to local economic conditions.

4.1 Australia: Linking repayments to graduate income

Australia provides an example of how student loans can be designed around the financial circumstances of graduates. Through its Higher Education Loan Program (HELP), eligible students can defer certain education costs and repay their loans once their income reaches a specified threshold.

The main advantage of this arrangement is that graduates are not required to make compulsory repayments while their earnings remain below the threshold. Repayments are also calculated using marginal rates, meaning that the repayment obligation is linked to income earned above the relevant threshold rather than applying a repayment rate to the graduate's entire income (Australian Taxation Office, 2026).

This approach is relevant to South Africa because graduates enter a labour market where employment opportunities and salaries differ significantly. Requiring every graduate to make fixed monthly repayments could create financial pressure, particularly for those who struggle to find employment.

South Africa could therefore introduce an income-contingent repayment system for students who receive loans. Repayments would begin only when graduates earn above a predetermined income level and would increase as their earnings improve.

However, Australia also demonstrates that loan financing requires careful management. If loan balances increase faster than graduates' incomes, student debt can become a long-term financial burden. South Africa would need to establish fair interest or indexation arrangements and ensure that the repayment threshold protects graduates with low incomes.

4.2 Germany: Sharing the cost through grants and loans

Germany offers another useful example through its BAföG student-support system. Under the standard arrangement, eligible students receive half of their financial assistance as a grant and half as an interest-free loan. The loan portion is repaid after studies, subject to limits and provisions that allow repayment to be deferred when a graduate cannot afford it (Federal Government of Germany, n.d.).

The strength of this approach is that students do not have to repay the entire amount they receive. Part of the funding remains a public contribution towards developing the country's skills base, while the loan component allows some of the money to return to the financing system.

South Africa could adapt this principle by introducing different combinations of grants and loans based on household income. Students from the poorest households could continue receiving full bursaries, while students with greater financial capacity could receive partial grants and affordable loans.

This would help distribute the costs of higher education more fairly. It would also reduce the need to treat every student as either fully funded or entirely responsible for paying their own fees.

4.3 New Zealand: The importance of recovering student loans

New Zealand provides an example of a student-loan system in which repayments are linked to borrowers' income. Its Student Loan Scheme allows eligible students to borrow towards tertiary education, while the Inland Revenue Department administers repayments.

The country's 2024/25 Student Loan Scheme Annual Report recorded approximately NZ$1.6 billion in repayments during the year. However, it also reported that 104,406 borrowers had overdue repayments, with 82% of these borrowers living overseas (New Zealand Ministry of Education, 2025).

This highlights a limitation that South Africa should consider before expanding loan financing. Even when repayment obligations are linked to income, recovering loans can become difficult when graduates leave the country or fail to meet their repayment obligations.

South Africa would therefore need an effective system for tracking loan accounts and collecting repayments. Cooperation between NSFAS, SARS and other relevant institutions could improve the administration of repayments, provided that appropriate privacy protections and legal safeguards are in place.

The experience of New Zealand shows that introducing student loans does not automatically guarantee that government will recover the money. The state must account for the possibility of non-repayment when calculating the long-term cost of the financing system.

5. A proposed model: Financing students from enrolment to employment

South Africa should develop a student-financing model that considers the entire journey from entering higher education to completing a qualification and participating in the labour market. This would require a combination of financial assistance, academic support and mechanisms that allow part of the funding to return to the system.

5.1 A grant-based foundation for disadvantaged students

The first component should be the continued provision of non-repayable bursaries to students from poor and vulnerable households.

These students should not be expected to finance their education through loans when their household circumstances make repayment uncertain. Government should therefore continue protecting grant funding for those who need it most.

Financial support should also cover more than tuition fees. Accommodation, meals, transport and learning materials are important for students who cannot rely on their families for additional financial assistance.

Maintaining this grant-based foundation would help prevent a situation in which students are admitted to higher education but cannot afford the basic expenses required to complete their qualifications.

5.2 Income-contingent loans for the missing middle

The second component should be an expanded income-contingent loan system for students who do not qualify for full bursaries but cannot afford the cost of studying independently.

The repayment structure should be designed around the graduate's ability to pay. Graduates who are unemployed or earn below the repayment threshold should not be required to make compulsory repayments during that period.

The system should also avoid charging excessive interest that causes outstanding balances to grow beyond reasonable levels. Repayment thresholds should be reviewed regularly to reflect inflation and changes in the cost of living.

This approach would allow government to recover some of its investment from graduates who benefit financially from their qualifications, while protecting those who have not yet achieved financial stability.

5.3 Linking funding to academic support and student progression

The third component should focus on improving the chances of students completing their qualifications.

Financial assistance should be accompanied by access to tutoring, academic mentoring, counselling and additional learning support. Universities should identify students who are struggling early enough to provide assistance before they accumulate failed modules or consider leaving their studies.

For example, first-year students from disadvantaged schools may need additional support when transitioning into university-level mathematics, accounting, economics and other demanding

subjects. Institutions could use academic performance information to identify areas where students require assistance.

However, academic progression requirements should be applied fairly. A student who experiences temporary difficulties should not automatically lose financial assistance, particularly where those difficulties are linked to circumstances outside their control.

The objective should be to reduce unnecessary delays and improve completion rates, rather than simply removing students who are struggling.

5.4 Supporting the transition from education into employment

A further weakness in student financing is that funding arrangements often focus on the period during which a student is registered, without sufficiently addressing the transition into employment.

Partnerships between universities, TVET colleges, SETAs and employers could help address this gap. Employers could contribute towards bursaries and provide internships, workplace training and graduate development opportunities.

These partnerships should focus on qualifications and skills that are relevant to the economy, including engineering, healthcare, education, information technology and other areas where additional skills are required.

The private sector benefits from access to skilled graduates, while students benefit from opportunities to gain practical experience and improve their chances of entering employment.

Government should nevertheless retain responsibility for ensuring that students from disadvantaged backgrounds have access to a broad range of qualifications. Funding should not be limited only to fields that generate immediate financial returns for private companies.

5.5 Measuring the economic returns of student funding

The final component should involve improving the way government evaluates student-financing expenditure.

NSFAS should report not only on the number of students funded, but also on their academic progression, qualification completion, graduate employment and loan repayment outcomes.

This would help government determine whether funding is producing the intended results. It would also allow policymakers to identify institutions or programmes where students experience persistent difficulties completing their qualifications.

The development of linked administrative data provides an opportunity to improve this process. Research by Branson and Whitelaw (2026) highlights the value of connecting school, university and student-aid information to better understand students' educational pathways. Further links to labour-market and tax information could help policymakers assess what happens to graduates after leaving higher education.

Such information would make it possible to evaluate student financing as a long-term investment rather than simply an annual budget item.

6. Conclusion

South Africa has made important progress in expanding access to higher education through public financial assistance. However, the sustainability of the system cannot be measured only by the amount of money allocated or the number of students who receive funding. It must also consider whether students complete their qualifications, enter employment and contribute to the economy. International experiences from Australia, Germany and New Zealand demonstrate that income-contingent loans, grant-and-loan arrangements and effective repayment systems can contribute towards a more balanced financing approach. At the same time, these examples show that loan recovery and graduate affordability require careful consideration. South Africa should therefore build a system that protects grants for the poorest students, introduces affordable loans for the missing middle and provides academic and employment support throughout the student journey. Ultimately, the aim should be to ensure that public investment in higher education creates lasting opportunities for individuals while supporting the country's long-term economic development.

7. Recommendations

1. **Protect grant funding for disadvantaged students.** Government should maintain non-repayable financial assistance for students from poor households to ensure that higher education remains accessible regardless of family income.
2. **Expand income-contingent loans for the missing middle.** Students who cannot afford higher education but do not qualify for full bursaries should have access to affordable loans with repayments linked to future income.
3. **Introduce academic support alongside financial assistance.** Universities and TVET colleges should strengthen tutoring, mentoring and early-warning systems to help students overcome academic difficulties and complete their qualifications.
4. **Improve the transition from education into employment.** Government should encourage partnerships between educational institutions, SETAs and employers to provide internships, workplace training and graduate development opportunities.
5. **Strengthen loan administration and repayment systems.** NSFAS should work with relevant institutions, including SARS where legally appropriate, to improve income verification and loan recovery while protecting graduate information.
6. **Measure student success beyond enrolment.** Government should monitor academic progression, completion rates, graduate employment and loan repayments to evaluate the effectiveness of public expenditure.
7. **Use education data to improve funding decisions.** Linked administrative information should help government identify where students experience difficulties and direct academic and financial support towards the areas where it can have the greatest impact.

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