

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

Undergraduate

Words:1989

Higher education is an investment in human capital, economic development and infrastructure. There is a tension between expanding access to higher education and the government's limited financial resources. South Africa needs a mixed, targeted and accountable financing model that combines grants, income contingent loans and diversified funding.

In South Africa we have higher institutions that charge high tuition fees and application fees that a disadvantaged family may not afford it, South Africa continues to face challenges related to unemployment, poverty and inequality and other factors that contributes to some families not being able to send their children to get higher education even though there is NSFAS, some people doesn't get that funding even including the middle class families that are too rich to qualify and too poor to afford tuition fees and it's not only tuition fees that disadvantaged families are worry about its also the accommodation fees, the textbooks and the grocery, living expenses in general. Another challenge facing South Africa is that the demand for financial assistance places pressure on the available funding system. According to the Department of Higher Education and Training (DHET, 2025), NSFAS received approximately 2.32 million applications for the 2024 academic year, of which approximately 1.60 million met the funding eligibility criteria (DHET, 2025). These figures demonstrate the considerable demand for student financial assistance, although eligibility does not necessarily mean that every applicant enrolled at an institution. This highlights the importance of distinguishing between the number of students applying for funding, those who qualify and those who register.

Furthermore, access to funding should not be measured only by the number of students whose tuition fees are covered. Students also require sufficient financial support to pay for accommodation, food, transport and textbooks. If these basic needs are not met, students may struggle to attend lecture classes, complete assignments and prepare for examinations. Consequently, a student financing model should consider the full cost of participation in higher education rather than focusing exclusively on tuition fees. The government should also ensure that financial assistance reaches eligible students on time so that administrative delays do not disrupt their studies. Addressing these challenges would help South Africa improve both

access to higher education and the likelihood that funded students complete their qualifications.

International Experience: Australia

Australia operates the Higher Education Loan Program (HELP), Which includes HECS-HELP. Eligible students can use loans to cover their student tuition fees, avoiding the need to pay the full amount upfront. Repayments are linked to income. It works in a way of instead of requiring every student to pay tuition fees immediately, the government advances the money. The student repays it later when their income reaches the applicable repayment threshold (Australian Government, Department of Education, n.d.).

Advantages for South Africa

Students can study without paying all the tuition fees up front.

Graduates who earn more can contribute towards the cost of their education.

Repayments can return money to the funding system for future students.

Students face less immediate financial pressure while studying.

Disadvantages for South Africa

Graduates who earn little or remain unemployed may repay little or nothing for a long time.

Some loans may never be fully recovered so the government must budget for these costs.

Lesson for South Africa

South African government can introduce a carefully designed income-contingent loans for eligible students whose households are above the threshold for full grants but cannot afford higher education fees. Repayments should be collected through the tax system with protections for low-income graduates. South Africa should not simply copy Australia's system because the graduate earnings, unemployment, tax administration and the ability to collect repayments differ between the two countries.

International Experience: Germany

Germany provides student assistance through a programme called BAföG. Under the standard arrangement, financial assistance is divided between a grant and an interest free loan, although special circumstances can change the arrangement. It works in a way that students who cannot afford to finance their studies receive support based on their circumstances. Under the standard arrangement part of the funding does not have to be repaid while the loan portion is repaid later under specific conditions (Federal Employment Agency, n.d.).

Advantages for South Africa

Grants protect students from poor households from excessive debt.

Loans allow some of the public investment to be recovered.

Combining the two approaches avoids relying exclusively on either grants or loans.

Disadvantages for South Africa

The government must still finance the grant portion.

Loan administration and repayment require effective systems.

Lesson for South Africa

The government can use a mixed funding model, students from the poorest households should receive grants while students who can contribute something towards their studies could receive a combination of grants and loans. This approach addresses the students' different financial circumstances; it also avoids forcing students into the same funding arrangement.

International Experience: Chile

Chile provides another useful example of how government assistance can reduce financial barriers to higher education. Through its Gratuidad programme, eligible students from lower income households can receive support for tuition and registration fees at participating institutions. The programme targets students from households within the lowest income 60% of the population, subject to the relevant eligibility requirements. This approach demonstrates how public funding can be directed towards students who would otherwise struggle to afford higher education (ChileAtiende, n.d.).

Advantages of tuition support

It reduces the cost of entering higher education.

It can improve opportunities for students from disadvantaged households.

It can reduce reliance on private borrowing.

Disadvantages

Expanding tuition subsidies requires substantial public resources.

If funding does not grow alongside enrolment and institutional costs, financial pressure may increase.

Free tuition alone does not cover accommodation, meals, transport and other living costs.

Lesson for South Africa

South Africa could learn from Chile by strengthening targeted financial assistance for students from disadvantaged households. However, tuition support alone may not be sufficient because students also need accommodation, meals, transport and learning materials. In addition,

expanding government funded tuition support can increase pressure on the national budget. South Africa should therefore assess the costs of extending financial assistance before expanding programme. The Chilean example suggests that targeted tuition support can improve affordability, but it must be accompanied by realistic budgeting and adequate provision for students living expenses. This would allow South Africa to widen access while taking the long-term financial implications of students funding into account.

Comparing International Approaches

The international examples demonstrate that there is no single student financing model that suits every country. Australia illustrates the use of income contingent loans, while Germany demonstrates the value of combining grants and loans according to student's financial circumstances. Chile provides an example of targeted tuition support for lower income students. The Organisation of Economic Cooperation and Development explains that countries use different combinations of students' loans, grants and scholarships to support access to tertiary education. These approaches involve different benefits and financial risks. Grants can protect disadvantaged students from debt, while loans can allow some of the initial public expenditure to be recovered. However, loans may be less effective than grants in encouraging low-income students to participate, particularly when students fear future debt. South Africa should therefore avoid copying any one country's approach without considering its own economic circumstances. High unemployment and unequal household incomes mean that some graduates may struggle to repay loans even after completing their qualifications. At the same time, providing grants to every student regardless of financial need could place considerable pressure on the public budget. A combination of targeted grants and carefully designed loans would allow the government to distribute support according to student's financial circumstances. This approach would recognise that equal access does not require identical funding arrangements for every student. Instead, assistance should be designed to remove financial barriers while ensuring that public expenditure remains manageable over time (OECD, 2024).

Recommendations

I believe the government should protect the disadvantaged students and expand affordable loans for the middle household so that they can be able to afford higher education fees, The South African government should consider restructuring the administration of student funding by gradually replacing the current NSFAS funding administration model with a more direct government managed system. Under this proposed model the government would take greater responsibility for allocating and disbursing student funding directly to eligible students and higher education institutions, thereby reducing unnecessary administrative layers. A centralised government funding system could improve coordination, strengthen financial accountability and reduce administrative costs if it is designed and implemented effectively. Furthermore, the government could establish a dedicated student funding account through which the funds would be allocated to universities and other eligible institutions according to the number of approved students and their funding requirements. This could help ensure that institutions receive funding timeously and that eligible students are not excluded because of administrative inefficiencies. However, eliminating NSFAS would not automatically guarantee

savings or increase the number of funded students. The government would therefore need to conduct a cost benefit analysis, establish effective oversight mechanisms and ensure that the proposed system has sufficient funding to accommodate eligible students. By improving the efficiency of funding administration and directing more resources towards student support, South Africa could strengthen access to higher education while promoting the responsible use of public finances.

Challenges of Implementing a Government Managed funding system

Although a government managed student financing system could improve coordination and accountability, its implementation would present several challenges. The government would need sufficient administrative capacity, reliable information systems and effective procedures for verifying student eligibility and transferring funds. Without these measures, replacing NSFAS could create further delays and additional costs rather than improving efficiency. Therefore, the government should conduct a detailed cost-benefits analysis before making structural changes. A phased implementation could allow the authorities to assess the proposed system at selected institutions, identify weaknesses and address problems before expanding it nationally. This would reduce the risks associated with a major institutional change and help ensure that students do not lose access to funding during the transition. The success of the proposed model should be measured by whether it improves service delivery, reduces avoidable costs and enables more eligible students to access and complete higher education.

Fiscal sustainability

The South African government should develop a long-term financial plan to ensure that student funding remains affordable and sustainable. This would involve preparing multi year budgets that estimate the future costs of funding students, taking into account increases in student enrolment, tuition fees and living expenses. Furthermore, where students' loans are provided, the government should establish reasonable repayment arrangements that allow graduates to repay their loans once they earn sufficient income. The government should also ensure transparency in the allocation and expenditure of public funds through regular financial reporting and independent audits. In addition, the effectiveness of student funding should be evaluated by monitoring graduation rates and graduate employment outcomes. This would help determine whether public expenditure is contributing to successful educational outcomes and improved employment opportunities. The government should recognise that not all graduates will find employment immediately and that some students' loans may never be fully repaid, therefore, loan repayments should not be treated as a guaranteed source of government revenue. By combining realistic budgeting, responsible loan recovery and effective financial oversight, South Africa can improve the sustainability of its students financing system without excluding disadvantaged students from higher education.

In conclusion, building a fiscally sustainable student financing model in South Africa requires a balance between expanding access to higher education and managing limited public finances responsibly. Lessons from Australia and Germany show that combining grants and affordable

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loans can help address students' different financial needs. The government should also consider improving the administration of students funding to reduce unnecessary costs and ensure that eligible students receive assistance. Through effective budgeting, transparency and accountability, South Africa can make higher education more accessible while supporting economic development and protecting public finances.

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