How can South Africa build a fiscally sustainable student-financing model that enhances access to higher education? Analysing international and domestic experiences.

Undergraduate

WC: 2186 words

"All the cultural treasurers of mankind shall be open to all, by free exchange of books, ideas and contact with other lands."

-The Freedom Charter, 1955

Introduction

The demand for higher education (HE) has risen substantially across the globe since the late 1980s (De Villiers & Niewoudt, 2010), a trend that continues to this day. This has increased the need for effective student-financing models that ensure reliable access to HE, particularly for individuals who come from disadvantaged backgrounds (Van Antwerpen & Van Schalkwyk, 2024). Increased HE participation rates, especially among the most disadvantaged members of society, can alleviate income and social inequality (Kromydas, 2017), and is generally associated with increased economic growth (Ismail, 2015). However, despite renewed focus on financial support for higher education institutions(HEIs) across Sub-Saharan Africa, including South Africa (SA), finding sustainable funding models has remained a peristent challenge (Amin & Ntembe, 2021).

This study will consider the international experience by analysing how other countries have implemented student-financing models, with the objective of increasing HE access, then discusses the potential merits and limitations of their approaches as highlighted in the literature. Following that, using a similar approach, this study will overview the current student-financing model in SA. The analysis rounds up using the outlined international and domestic experiences to suggest how SA can build a fiscally sustainable funding model that enhances HE access in a progressively realisable manner.

International Experiences

United States of America

Since the 1980s there has been an increasing reliance in the United States (US) on student loans as a vehicle through which many students get access to post-secondary education (Bullington, et al., 2025). This is amidst reduced state appropriations to the HE sector, increasing tuition fees and a shift, by the federal government, from offering grants to loans (Bullington, et al., 2025). These loans have

placed a massive financial burden on many young Americans, especially those from poorer backgrounds, and the impact continues to grow (Bullington, et al., 2025). As highlighted in table 1, student debt has grown to alarming rates in the US, with many students struggling to repay their loans: by March 2018, seven million borrowers were in default, with the total outstanding debt sitting at over $1.3 trillion (Barr, et al., 2019).

Table 1 Federally managed stock of student debt in the US (March 2018) – Sourced from Barr et al (2019)

Loan Status	Dollars outstanding: $ in billions	Dollars outstanding: % of total	Number of recipients (Millions)	Recipients share of total (%)
In-school	142.5	11.9	7.2	17.6
Grace	25.1	2.1	1.3	3.2
Repayment	643.0	53.8	18.6	45.4
Deferment	126.3	10.6	3.8	9.3
Forbearance	119.3	10	2.8	6.8
Cumulative in default	130.3	10.9	7	17.1
Other	9.6	0.8	0.3	0.7
Total	1196.1	100	41	100

Note: Recipient counts were based on individuals loans, so some recipients may have been counted multiple times

Part of the challenge with American student loans is that they are largely organised as mortgage-type loans, with recipients charged repayment amounts independent of their income and present financial reality, which must be repaid over a fixed period. This places significant repayment hurdles for low-income borrowers who are more likely to default. High repayment burdens also adversely impact on borrowers' labour market and family formation decisions, as well as harming their economic mobility through damaged credit reputations and added financial pressures (Chapman & Dearden, 2017; Barr et al, 2019; Bullington et al, 2025). Friedman (1955) further argued that mortgage-type loans do not appropriately price investment in skills, and the resulatant capital market failure leads to less-than-desirable investment in human capital.

England and Australia

In contrast to the US, both England and Australia offer near-universal Income Contingent Loans (ICLs) as a means to increase HE access (around 88% of students in Australia and 94% in England choose government-backed ICLs over paying tution up-front) (Barr, et al., 2019). Furthermore, according to their study,

these loans are based on borrowers future income, with in-built measures that avoid the adverse effects of mortgage-type loans. These include repayments only starting once a borrowers current income reaches above a certain threshold, protecting low-income borrowers, and repayments often being limited to a maximum set proportion of the borrowers repayable income (8% in Australia and 9% in England), helping reduce repayment burdens. Debt repayment is made administratively easier through automatic deductions, similar to social security contributions or income tax, where employers withold debt repayments on behalf of the government, whereafter they are recorded and reconciled by either the tax authorities (Australia) or a separate government loans agency (UK student loans company in England) (Barr, et al., 2019); this approach improves repayment compliance and lowers administrative complexity and costs for both the borrowers and government (Barr, et al., 2019).

Other studies highlight additional positive aspects of the English HE system that help increase access; one being the large number of universities available that can meet the increased demand, another being the flexible requirements for ‘mature’ students, which allows easier re-entry into the HE system later on for those who missed out on the first opportunity, or who did not have the necessary academic qualifications (McCowan, 2016).

However, inspite of the availability of loans, various factors exist which act as subtle barriers for disadvantaged students in England (Reay, et al., 2001). These include debt aversion, high opportunity costs and a general feeling of ‘not belonging’ in universities. These have prompted widening participation policies, and outreach work in schools to raise the aspirations of prospective students from ‘non-traditional’, poorer, backgrounds (Hoare & Johnston, 2011). Other concerns include the slow repayment of loaned amounts in England, with the median duration of repayments being about 30 years compared to 9 years in Australia (Barr, et al., 2019).

Ghana

HE in Ghana was generally free of charge before the 1990’s. However, as noted by Van Antwerpen & Van Schalkwyk (2024), in 1987 the Ghanian government moved to a cost-sharing student-financing model that distributed the burden of cost of HE among HEIs, parents and students, donor agencies, and private-sector HEIs due to the government’s recognition of the increasing burden placed on the fiscus by HE as access rapidly expanded.

In addition to a cost-sharing model that established a student loan scheme, several other measures were introduced by the Ghanian government to ensure access; these include expanding the role of private HEIs and increasing the number of public universities (Darvas, et al., 2017). The effectiveness of the student-loan scheme agency, however, is hampered by administrative challenges and poor loan recovery rates, and despite loans being subsidized by the government many students are still left with substantial debt (Acquah, 2021; Van Antwerpen & Van Schalkwyk, 2024).

The Ghanian experience highlights the importance of fiscal sustainability in the discussion of increasing access to HE, particularly in the context of developing nations like SA with limited resources, and other competing developmental

challenges vying for an increased share of the public budget. It also highlights the need to ensure the effective administration of any student loan scheme agency.

Domestic Experience

Funding models for public universities throughout the world more broadly tend to fall under three categories: a fully subsidised model; cost-sharing model; or a dual-track model (Marcucci , et al., 2008). According to Mbhalati (2024), SA falls within the latter category; in a dual-track model there tends to exist a system of need-based student financial aid, which in SA is administered through the National Student Financial Aid Scheme (NSFAS), which targets students from poorer backgrounds, while everybody else has to pay.

Since its establishment the NSFAS has been instrumental in increasing access to HE for students coming from poor and working-class backgrounds; more generally, the number of NSFAS-funded students has increased across previously advantaged universities, previously disadvantaged universities and new public universities, as shown in table 2 below. (Mbhalati, 2024)

Table 2 Proportion of NSFAS-funded students across SA universities between 2016-20

	Number of NSFAS students						Proportion of NSFAS students to total annual enrolment				
University	**2016**	**2017**	**2018**	**2019**	**2020**		**2016**	**2017**	**2018**	**2019**	**2020**
UCT	4823	4582	4832	4339	5300		17%	16%	17%	15%	19%
SU	2397	1906	3094	3167	3959		8%	6%	10%	10%	13%
UJ	15 637	18 589	22 338	22 060	23 789		30%	37%	44%	44%	49%
UNISA	17 595	35 696	62 059	79 590	158 155		6%	10%	17%	23%	41%
WITS	5504	6296	7380	7692	9052		15%	16%	18%	19%	22%
UKZN	18 311	17 043	20 659	21 930	24 167		39%	35%	42%	44%	52%
UFH	7 689	6 101	8 206	9 020	10 757		56%	40%	49%	53%	76%
UNIZULU	9 279	10 155	12 764	12 146	14 360		52%	59%	71%	69%	84%
UL	19 229	11 800	14 450	12 868	13 302		96%	57%	68%	60%	62%
WSU	—	17 757	19 868	22 492	21 455		—	58%	62%	65%	74%
UMP	335	794	1 766	2 428	3 227		26%	44%	71%	70%	74%
SPU	521	616	700	1 020	1 398		77%	59%	46%	52%	60%

Extracted and sourced from: Mbhalati (2024)

The NSFAS has undergone significant changes since its inception, the most prominent being the shift from offering ICLs, with a bursary component of up to 40%, subject to academic performance (Wangenge-Ouma, 2010), to being offered as a full

bursary for students coming from households earning less than R350 000 per annum. This change was brought abruptly following a late announcement by the former President Jacob Zuma in December 2017 that free HE will be provided to disadvantaged students starting in January 2018 (Blitzer & De Jager, 2018).

While the number of NSFAS-funded students has rapidly expanded since, the abrupt change left the agency severely unprepared, and this has resulted in recurring administrative difficulties (Du Toit, 2018; Mbhalati, 2024). Addtionally, underfunding, corruption, and the NSFAS's inability to recoup loans issued before 2018 have significantly undermined the agency's tranformative role *(*Yende, 2021; Matyana et al., 2023*).* These gaps leave NSFAS-funded students subject to neglect and stigmatisation (Mzileni & Noveve, 2025), ultimately undermining their academic performance; a study looking into the causes of high dropout rates among NSFAS-funded students highlighted as among chief causes the late allocation of funds, late payments or non-payments of allowances, insufficient funding and stringent NSFAS requirements (Mabuza, 2020). This points to the need of a sustainable funding model that not only looks at access, but also ensures success of outcome. The NSFAS's loan book worth R44 billion in outstanding loans (NSFAS, 2026), mainly issued before 2018, stands as signifcant potential funding source that can help the agency fulfill its mandate without any additional strain on the fiscus. To this end, NSFAS must improve its loan recovery efforts, and governement must ensure the necessary support is given.

Due to competing public finance demands, a fully subsidised student financing model would not be sustainable in SA (Wangenge-Ouma, 2021), thus universities also have a role to play in ensuring a sustainable financing model in SA is realised. According to Bronkhorst and Matukane (2017), universities should consider leveraging third-stream income (donations, revenue from investing activities, and entrepreneurial activities etc) to help alleviate pressures from government funding, while also figuring out ways to help students who cannot afford high tuition fees, specifically missing-middle students. Mbhalati (2024), acknowldges this strategy may only be viable for previously advantaged HEIs such as UCT, SU or WITS, but some previously disadvantaged HEIs have shown improvement in this area.

Conclusion and recommendations

The demand for HE has risen globally, including in SA, particularly among previously disadvantaged groups. HE access for previously disadvantaged groups can lower social and economic inequality, and is generally associated with higher economic growth. In a country like SA this neccesistates ensuring a sustainable student-financing model that increases access, and success of outcome, is in place. Countries across the world have implemented differing financing models, with the goal of increasing access, and have had varied results: although access has grown in America, the typically offered mortgage-type loans lead to under-investment in human capital, a situation at odds with SA's developmental needs, and leave students, particularly low-income borrowers, with enormous debt they cannot repay; the ICL systems in England and Australia have broadly increased access to higher

education, and are better alternatives to mortage-type loans on an equity and efficiency basis; Ghana highlights the importance of understanding government's fiscal constraints.

Based on this, this study recommends a three-tiered model based on household income, whereby households earning:

(1) below R350000 continue to recieve NSFAS bursaries;

(2) between R350000-R600000 get access to a NSFAS ICL, designed along the lines of England's and Australia's ICL systems;

(3) more than R600000 pay tuition fees.

For this model to be sustainable, NSFAS's administrative and financial capacity must be strengthened. Government should increase its administrative funding, while Parliament should introduce legislation enabling automatic loan repayments through SARS or employers. Recovering outstanding loans can strengthen NSFAS's capacity and provide initial capital for ICLs without placing additional pressure on the fiscus. Universities should also leverage third-stream income, while the private sector should expand bursary provision.

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