

Financing the Future Without Writing a Blank Cheque: A Sustainable Student-Funding Compact for South Africa

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Introduction: The real budget question

Whether higher education should be free is only one part of South Africa's student-financing controversy. It concerns how to increase access without committing to more public funds than the state can consistently provide. This trade-off is essential given the latest statistics. The National Student Financial Aid Scheme (NSFAS) student-centred financing line is budgeted at approximately R53.7 billion, excluding administration, while the higher education vote for 2026/27 is R149.2 billion (National Treasury, 2026). In early February, NSFAS said it had granted 660,039 applications for the 2026 financing cycle, although thousands were still awaiting documentation or verification (DHET, 2026a). These numbers show both strong public support and the administrative strain on the system.

A fiscally sustainable financing model must recognise the limits of public resources without forcing financially disadvantaged students to choose between meeting their basic needs and pursuing higher education. South Africa needs a diversified compact that includes grants for students who cannot repay them, income-contingent loans for students whose families do not qualify for bursaries, employer support for skill development, and stronger regulations that link expenditure to student achievement. While foreign experience might provide valuable insights, the design must consider South Africa's high rate of unemployment, inequality, and informal economy.

1. Protect grant funding for students who cannot afford to repay

First, grant-based assistance for tuition and other essential study expenses should go to students from the poorest households. If a loan leaves a low-income graduate unemployed while carrying debt, it is not an equitable opportunity. For financially disadvantaged students, the state should safeguard a well-defined funding package that includes reasonable accommodations, food, transportation, educational resources, and connectivity. Students whose circumstances have changed should have a prompt appeals procedure, and eligibility should be evaluated transparently.

The crisis of money is real. According to DHET's 2024–2025 annual report, 1,071,715 students were enrolled in public universities, while 505,845 university students received NSFAS subsidies. The report also showed 220,758 university qualification completions, below the department's goal of 237,000 (DHET, 2025). These numbers should not be interpreted as evidence that completion is solely determined by financing. They do, however, highlight the need for the government to monitor whether financial aid enables students to enroll in, stay in,

and finish their education. Widening admission without enabling completion might result from a grant system that covers costs but leaves students unable to pay for accommodation or food.

2. Introduce income-contingent loans for the ‘missing middle’, with safeguards

A reasonable alternative is required for students who are not eligible for a full bursary yet cannot pay the upfront costs. Instead of enforcing repayment on a set timetable regardless of employment, South Africa might test income-contingent loans for this population. Repayments would start only when a graduate's wages exceed a set level, and they would be based on that income. Repayments stop if income drops below it. After a predetermined period, the government would review any remaining balance according to explicit guidelines.

Australia provides a relevant, up-to-date lesson. The government's 2025 legislation impacted more than three million individuals by reducing eligible HELP student loan debts by 20%. The government also modified the 2025–2026 repayment plans, setting repayments at A\$67,000 and applying them to income over the threshold (Australian Government, 2025–26). In England, repayment is also income contingent. For instance, borrowers on Plan 2 do not make a fixed payment just because they owe money; instead, they repay 9% of earnings above the appropriate yearly level (UK Government, 2026). These methods do not show that student loans are free or appropriate for all students; rather, they show how repayment might be tied to financial ability.

South Africa adapts these models rather than replicating them. A tax-payroll-only system would overlook graduates who earn income outside official employment because of the high rate of informal work. Therefore, a pilot should combine SARS payroll data with annual tax assessments, transparent reporting guidelines for independent contractors, easily accessible online account statements, and a hardship procedure. The repayment threshold must protect basic living expenses, and loan interest should not let amounts increase faster than borrowers can reasonably repay. Rather than calculating each rand as if it will be returned, Treasury must disclose the plan's projected lifetime cost, including loans that will never be fully repaid.

3. Make employers co-invest without turning degrees into products

Employers could help fund bursaries, paid internships, work-integrated learning, and graduate placements in fields with evident skills shortages. The government should create a Skills Co-Investment Fund, with transparent contributions from participating employers, sector education and training authorities, and public funds. Contributions should be pooled and publicly reported, rather than allowing individual firms to decide who receives support.

This relationship cannot reduce higher education to a limited number of instantly lucrative professions. Beyond engineers and medical experts, South Africa also needs educators, journalists, researchers, social workers, artists, and humanities graduates who support democratic life and public discourse. The state's obligation should be complemented, not replaced, by employer support. Agreements should include fair access for students from underprivileged backgrounds, respectable internship conditions, and protection against unpaid labor offered as a learning opportunity.

4. Fund outcomes and fix administration, not only applications

The 2026 NSFAS upgrade shows that administrative performance must be part of financial sustainability. Early in February, 91,937 appeals had various statuses; 27,893 were still pending, and 3,209 were awaiting paperwork. In the same update, 13,052 loan candidates received bursaries after meeting the requirements, and 26,538 loan applications were received, of which 1,561 were accepted (DHET, 2026a). Although these are time-specific numbers rather than final year-end totals, they highlight the importance of clear regulations, prompt communication, and strong case-management capacity.

To reduce redundant paperwork and identify mistakes sooner, NSFAS, universities, TVET institutions, the Department of Home Affairs, and SARS should use secure, interoperable technologies. The government should release a quarterly student-financing dashboard showing applications, decisions, payment delays, appeals, accommodation payments, administrative expenses, and results by institution and student group. Independent audits should test financial controls and the timeliness of support for qualified students. To prevent students from being penalized for institutional shortcomings, universities should also disclose retention and completion rates.

To prevent minor financial or academic setbacks from turning into dropouts, funding must be combined with academic support. Early warning systems, tutoring, writing centers, mental health support, and emergency food or housing assistance can all help. Institutions shouldn't be rewarded just for enrolling more funded students; instead, a portion of performance funding should reflect progression and completion, adjusted for student disadvantage so that universities are not encouraged to exclude students who need extra support.

5. Put the model inside a credible multi-year budget

A publicly announced five-year financial plan that projects student enrolment, housing and tuition expenses, anticipated loan repayments, non-repayment rates, and the impact of unemployment is necessary for a sustainable model. Each year, Treasury and DHET should present Parliament with best-case, central, and worst-case scenarios. Because a loan is not the same as a grant and an unlikely-to-be-repaid loan is partially a public subsidy, grant commitments and loan assets must be disclosed separately.

The entire post-school system should be evaluated alongside the 2026–2027 budget. DHET's May 2026 budget statement allocated R14.7 billion to TVET colleges and noted the need to improve how transfers translate into outcomes (DHET, 2026b). A university-only approach would overlook technical and vocational avenues that offer beneficial routes into work. Therefore, rather than judging one path as intrinsically inferior, funding choices should evaluate costs and results across universities, TVET institutions, and community education.

Conclusion

South Africa should transition from a single, divisive debate over "free education" to an open student-financing agreement. First, safeguard student subsidies that students cannot repay. Second, test income-contingent loans with a protected wage threshold and truthful accounting

for non-repayment for qualified "missing-middle" students. Third, mandate that companies contribute to skill development while preserving the cultural and civic significance of all fields. Fourth, improve public reporting, academic assistance, and administration. Lastly, allocate funds using multi-year scenarios that the public and Parliament may examine.

While Australia's recent debt-relief policies likewise caution that loan design must be revisited when obligations become unreasonable, both Australia and England show that repayments may be linked to income. Neither nation offers South Africa a ready-made solution. Building a framework around local reality and quantifiable results is the lesson. Access shouldn't entail making unfulfilled commitments to the state; fiscal sustainability shouldn't mean turning away competent students. The goal must be to finance both enrolment in higher education and the practical chance to earn a degree and use it to build a life.

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