ENTRY #1683

How Can South Africa Build a Fiscally Sustainable Student-Financing Model That Enhances Access to Higher Education?

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Introduction

Higher education is widely recognised as a key driver of economic growth, human capital development, poverty reduction and social mobility. In South Africa, higher education access has increased significantly through government funded initiatives such as the National Student Financial Aid Scheme (NSFAS), which has enabled thousands of financially disadvantaged students to pursue tertiary studies. However, the increase in access to tertiary education and increase in tuition cost put a financial pressure on the south African budget, which also have concerns about the long term sustainability of the current funding model (Southern Africa Labour and Development Research Unit [SALDRU], 2026).

The major challenges that the policymakers face are ensuring that higher education remains accessible to deserving students, mitigating fiscal unsustainability, and ensuring that public resources are protected

This essay argues that South Africa can build a fiscally sustainable student-financing model by adopting a balanced approach that combines targeted government grants, income-contingent loans, private-sector participation and efficient funding administration. Such a model would expand educational opportunities while ensuring the long-term viability of higher-education financing.

The Student Financing Challenge in South Africa

Both access to education and its long-term sustainability are being threaten by the South Africa's higher education financing system as it faces many challenges. the bigger major problem is continuous increase in the tuition fees which also put a financial burden to the students and to the programs that are designed by the government to assist to reduce that burden to the students. The more the tuition costs increase, the number of students that require financial assistance also increase to ensure that they continue to pursue their studies (Academic Jobs, 2026).

PMG (2025) argues that a larger portion of students of low-income families highly depend on NSFAS for financial assistances to have access to higher education. As I have also

faced the same problem, I was raised by a single mother who is a domestic worker who didn't even afford to pay a registration fee for the institution that I'm currently enrolled with I had to apply for NSFAS for assistance. This also put substantial strain on the National Student Financial Aid Scheme (NSFAS), which has experienced funding shortfalls and increasing obligations to institutions of higher learning, making it difficult to meet all funding needs while maintaining fiscal sustainability.

Many reports have highlighted poorer governance, delayed payments, unresolved student appeals, poor accommodation oversight, and financial management problems within NSFAS. These challenges have affected students' academic experiences and raised concerns about the efficiency of fund administration (Times Higher Education, 2026).

Targeted Grants for Poor Students

Many South African students with the potential to succeed face financial barriers to higher education. A sustainable financing model should prioritise low-income students through targeted government grants, ensuring poverty does not restrict educational opportunity (Havergal, 2026).

According to Havergal (2026**)**, the South African government continues to recognise the importance of supporting economically disadvantaged students through financial aid programmes such as NSFAS. also promotes equity and social justice by addressing historical inequalities that continue to affect access to higher education. South Africa's apartheid legacy left many communities with limited educational and economic opportunities

Investing in grants for financially vulnerable students should not be viewed merely as an expense but as a long-term investment in human capital development. Graduates contribute to economic growth through higher productivity, increased tax revenues, and reduced dependence on social assistance. Therefore, maintaining grant funding for the poorest students while introducing alternative financing mechanisms for those who can contribute financially would help South Africa balance equity objectives with fiscal sustainability (Kwon, 2025).

Comparison of South Africa Student-Financing Model with Five Countries

Country	Financing Mode	Strengths	Lesson for South Africa

South Africa	NSFAS grants and loans	Expands access for poor students	Faces funding shortages and sustainability concerns
Australia	Income-contingent loans (HELP/HECS)	Repayment depends on graduate income and is collected through the tax system	Use SARS to collect repayments automatically
United Kingdom	Income-contingent student loans	Graduates repay only when earnings exceed a threshold	Reduce repayment burden on unemployed graduate
Germany	Mostly tuition-free public universities funded by government taxation	Maintains broad access and low student debt	Increase public investment while maintaining accountability
Netherlands	Combination of grants, loans, and supplementary aid based on family income	Shared-cost system reduces pressure on government	Introduce more support for the "missing middle"
Finland	Strong state support, grants, loans, and student welfare benefits	High access and low financial barriers	Integrate broader student support services

These countries show that sustainable student-financing systems rely on targeted government support, income-contingent repayment mechanisms, and shared financial responsibility. South Africa could strengthen its current model by adopting elements of the Australian and Dutch systems, particularly income-based repayments and diversified funding sources, while continuing to protect access for students from disadvantaged backgrounds (Australian Taxation Office, 2024; Government of the Netherlands, 2026).

Proposed Sustainable Student-Financing Model

Introduce a Hybrid Funding System

sustainable student-financing model for South Africa should combine different funding mechanisms to meet the needs of students from various income groups while reducing pressure on public finances. Havergal (2026) explains that the South African government is exploring alternative funding approaches because the current NSFAS model is becoming increasingly difficult to sustain financially. Buti Manamela, the Minister of Higher Education and Training, indicated that future student-financing arrangements may need to include a greater loan component while continuing to support students from disadvantaged backgrounds.

To balance access with long-term financial sustainability, South Africa should consider alternative student-financing approaches. Under a hybrid funding model, students from low-income households would continue to receive government grants, while those from middle-income families could access income-contingent loans that are repaid once they are earning a sufficient income. Students from higher-income households would largely finance their studies through personal or private funding sources. This approach would allow government funding to be concentrated on the most financially vulnerable students while enabling those who benefit economically from higher education to share in the cost of financing the system (Havergal, 2026)

Expand Income-Contingent Loan Schemes

According to Havergal (2026), although financial aid expands access to higher education, many graduates still struggle to enter the labour market. High graduate unemployment makes it difficult for former students to repay loans and contribute financially to the system. A sustainable financing model must therefore consider graduates' ability to repay while ensuring that repayment obligations do not create further financial hardship. This is one reason why income-contingent loan systems, in which repayments depend on graduates' earnings, have gained attention as a possible solution for South Africa

South Africa should expand income-contingent loan schemes to improve the sustainability of higher education financing while protecting students from financial hardship. Under this model, students would receive funding for their studies and only begin repaying their loans once they earn above a specified income threshold.

The Australian Taxation Office (2026) explains that Australia's HELP scheme links loan repayments to graduates' income levels, allowing those who earn below the repayment threshold to postpone repayments until they are financially able to contribute. Repayments are collected through the tax system, which improves compliance and reduces default rates. South Africa could adopt a similar approach through SARS, enabling repayments to be deducted automatically from graduates' earnings. This would create a revolving funding system that supports future students while reducing pressure on government finances and assisting the "missing middle" who fall outside full NSFAS support.

For example Graduates should repay loans only after reaching a minimum income threshold.

A graduate earning:

- R8000 per month pays nothing.
- R20 000 per month pays a small percentage.
- R50 000 per month pays a larger percentage.

Strengthen Graduate Recovery Through SARS

South Africa could improve loan recovery by using the South African Revenue Service (SARS) to collect repayments directly from graduates' salaries once they earn above a specified income threshold. This approach is like Australia's Higher Education Loan Program (HELP), where repayments are linked to income and collected through the tax system (Australian Taxation Office, 2026). By integrating loan repayments into the tax collection process, South Africa could improve repayment rates, reduce administrative costs, and minimise loan defaults. The funds recovered could then be reinvested to support future students, creating a more sustainable and self-financing higher education system. Furthermore, graduates would only repay loans when they are financially able to do so, ensuring fairness while strengthening the long-term viability of student funding (Australian Taxation Office, 2026).

Increase Private Sector Participation

South Africa can improve the sustainability of its student-financing system by increasing private sector participation in higher education funding. Employers, industry organisations, and private companies can help finance students through bursaries, scholarships, internships, and work-back agreements, particularly in sectors facing skills shortages such as engineering, healthcare, agriculture, and information technology. By sharing the cost of education, the burden on government funding can be reduced while ensuring that more students gain access to higher education (OECD, 2024).

Expand Work-Study Programme

Strengthening the transition from education to employment is important for improving student outcomes and labour market participation. South Africa could expand work-study programmes that allow students to work part-time as tutors, library assistants, research assistants, or administrative staff while completing their studies. These programmes would help students earn an income, reduce their reliance on loans and grants, and gain valuable work experience. By improving employability and lowering the

financial burden on students, work-study programmes can enhance access to higher education while contributing to a more sustainable student-financing system(OECD, 2024).

Improve NSFAS Efficiency and Accountability

Buti Manamela (2026) emphasised that strengthening governance, accountability, and institutional capacity at NSFAS is necessary to ensure that the scheme can fulfil its mandate effectively and sustainably. Government interventions have focused on improving governance systems, strengthening oversight, enhancing service delivery, and recovering funds lost through inefficiencies and irregularities

NSFAS must improve its administrative efficiency, financial management, and accountability mechanisms. Reducing fraud, strengthening student verification processes, improving data management, and conducting regular audits would help ensure that funding reaches deserving students. Improved governance would reduce wasteful expenditure, increase public confidence in the scheme, and allow available resources to support more students. Therefore, enhancing NSFAS efficiency and accountability is essential for ensuring the long-term sustainability of higher education financing in South Africa

Reallocate Funding from Non-Priority and Underperforming Programmes

South Africa could strengthen student financing by redirecting savings from inefficient, underperforming, or duplicated government programmes towards NSFAS and higher education funding. The National Treasury (2026) states that budget reforms are aimed at removing waste, duplication, and ineffective programmes, while reallocating efficiency savings to priority areas. Similarly, Enoch Godongwana noted that the government's Targeted and Responsible Savings (TARS) programme identified billions of rands in savings by reducing wasteful expenditure and improving efficiency. Rather than increasing taxes or borrowing, some of these savings could be redirected to student funding, helping more deserving students access higher education while maintaining fiscal sustainability. However, such reallocations should be carefully managed to ensure that essential public services are not negatively affected (National Treasury, 2026; Godongwana, 2026).

Conclusion

In conclusion, South Africa faces the challenge of expanding access to higher education while ensuring that its student-financing system remains fiscally sustainable. The current NSFAS model has played a significant role in improving educational opportunities for disadvantaged students, but growing enrolments, funding shortages, administrative inefficiencies, and increasing pressure on public finances have highlighted the need for reform. A sustainable student-financing model should therefore combine targeted grants for low-income students, income-contingent loans for the missing middle, effective loan recovery through SARS, greater private-sector participation, skills-based funding, and improved NSFAS governance and accountability. Drawing lessons from countries such as Australia and the Netherlands, South Africa can develop a hybrid funding system that shares responsibility among government, students, graduates, and employers. By diversifying funding sources and improving financial management, the country can enhance access to higher education, promote social equity, and ensure the long-term sustainability of its higher education financing system.

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