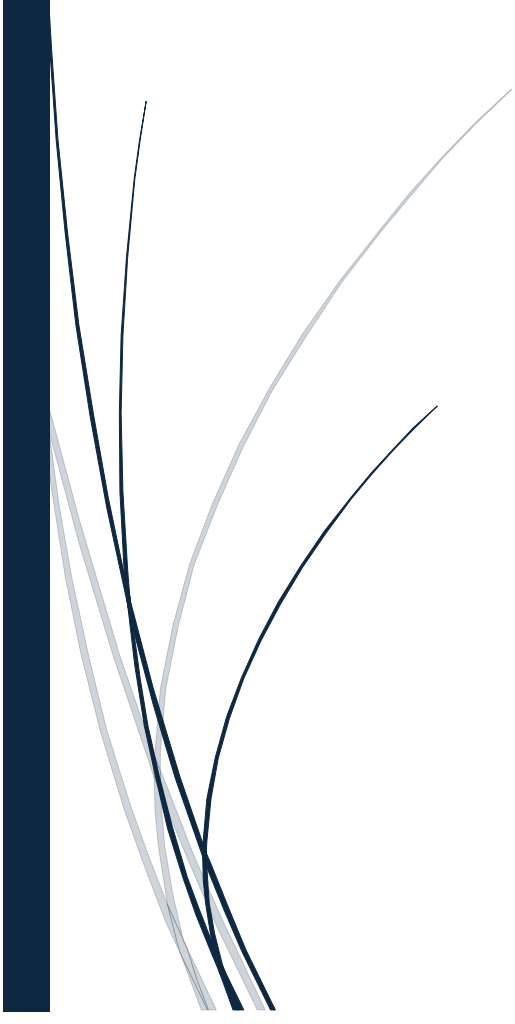
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HOW CAN SOUTH AFRICA BUILD A FISCALLY SUSTAINABLE STUDENT-FINANCING MODEL THAT ENHANCES ACCESS TO HIGHER EDUCATION? REFER TO INTERNATIONAL EXPERIENCE IN YOUR ANALYSIS.

Introduction

Retracing the furthest reaches of my memory, I recall how securing a place in higher education has long seemed out of reach for many students, with financial barriers standing in between ambition and opportunity. Growing up in a household where my grandfather, with his toolbox always by the door, worked tirelessly installing toilets, repairing taps, and maintaining drainage systems to provide for our family, I understood early on that I would not inherit wealth or a thriving business. For me, education represented the earliest path to success, and that path depended on funding.

When student funding works, it does more than transform individual lives: it strengthens the economy. The story of Dr Viwe Mtwesi, who rallied on NSFAS support and went on to become a successful medical specialist and entrepreneur, illustrates the long-term increasing returns of investing in students. Over the years, NSFAS has broadened access to higher education for millions of South Africans, including myself. Yet as demand continues to grow, with over 1.4 million students funded in 2026, an important question remains: How can NSFAS fund the next Dr Viwe Mtwesi, the next Aaron Moloisi, without bankrupting the country?

A fiscally sustainable financing model therefore refers to a funding system that can support access in the long term without depleting state resources or crowding out other national priorities. This essay will first trace NSFAS's evolution from a loan to a bursary and its successes, then evaluate its national disadvantages, and finally propose solutions for a sustainable future.

The success of NSFAS in breaking the vicious cycle

The evolution of student funding in South Africa must be understood as a deliberate intervention to break the vicious cycle of poverty. As discussed by Clunies-Ross et al. (2009, p. 537), early development theory suggested that low-income populations tend to save only a small part of their income. This makes investment and economic growth difficult unless measures are introduced to increase savings. In South Africa, this was the reality for the majority of Black families, as households earning below R350,000 per annum could not afford to save for higher education. To address this challenge, the state mobilised public domestic finance through the Tertiary Education Fund of South Africa (TEFSA) in 1991, which disbursed R33 million to 7,248 students. This later led to the establishment of the National Student Financial Aid Scheme (NSFAS) under the NSFAS Act No. 56 of 1999. For nineteen years (1999-2017), NSFAS operated as an income-contingent loan scheme, with approximately 90% of awards issued as loans, before changing to a full bursary system in 2018 following the #FeesMustFall movement. The growth of the scheme is clear, with funding increasing from R441 million in 1999 to R8.5 billion in 2013 and R12.4 billion in 2016/17, while the number of beneficiaries grew from 7,240 in 1991 to 451,507 in 2016/17.

This change reflected a shift from viewing education as a private expense to recognising it as a merit good. As explained by Clunies-Ross et al. (2009, p. 538), a merit good is provided by the state because it is considered beneficial for everyone to have access to it, even though it does not have all the characteristics of a pure public good. By removing repayment requirements for

first-time undergraduate students and introducing the R600,000 household income threshold for students living with disabilities, NSFAS improved access to higher education and promoted greater fairness. By 2026, NSFAS funded more than 1.24 million students across 26 universities and 50 TVET colleges. The scheme also supported inclusive growth, with approximately 52% of beneficiaries being female, most of whom came from rural and township schools.

The labour market outcomes of NSFAS graduates show the value of this investment. The HSRC study commissioned by NSFAS (2017) found that NSFAS graduates had an average employment absorption rate of 91%, increasing to 97% seven years after graduation. Although Stats SA (Q2 2026) reported graduate unemployment of 12.4%, this was still much lower than the national youth unemployment rate of 47.4%. This shows that higher education remains one of the most effective ways to improve employment opportunities and reduce unemployment. The story of Dr Viwe Mtwesi, who progressed from an NSFAS beneficiary to a medical specialist and entrepreneur, highlights these long-term benefits. However, as Clunies-Ross et al. (2009, p. 535) caution, domestic investment is not limited only by domestic savings. Its success also depends on how effectively those investments are used. NSFAS has successfully expanded access to higher education and helped develop human capital, but its long-term sustainability will depend on ensuring that this investment continues to produce economic and social benefits rather than becoming purely government expenditure.

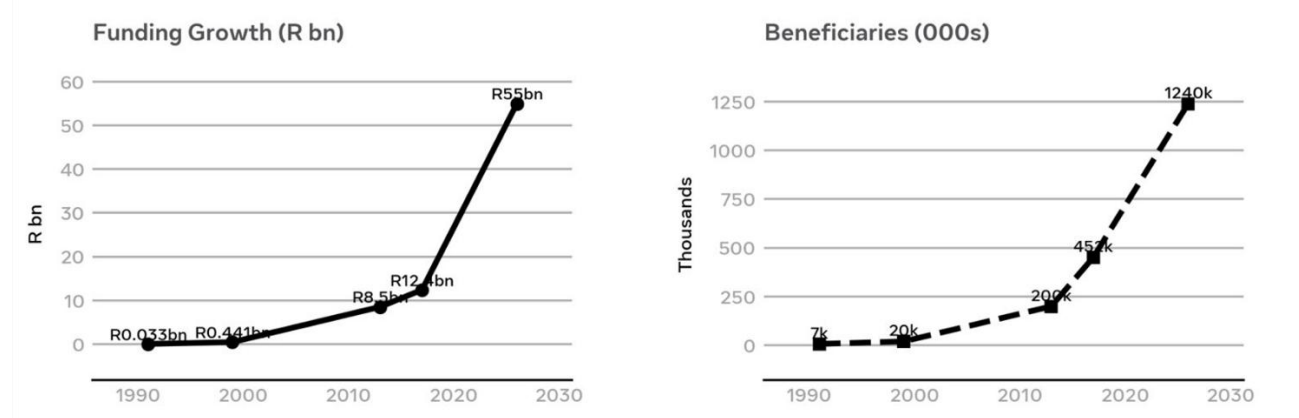


Figure 1: NSFAS Funding Growth (1991-2026). Source: Own compilation from TEFSA 1991, NSFAS Annual Reports 1999-2017 and NSFAS 2026 data.

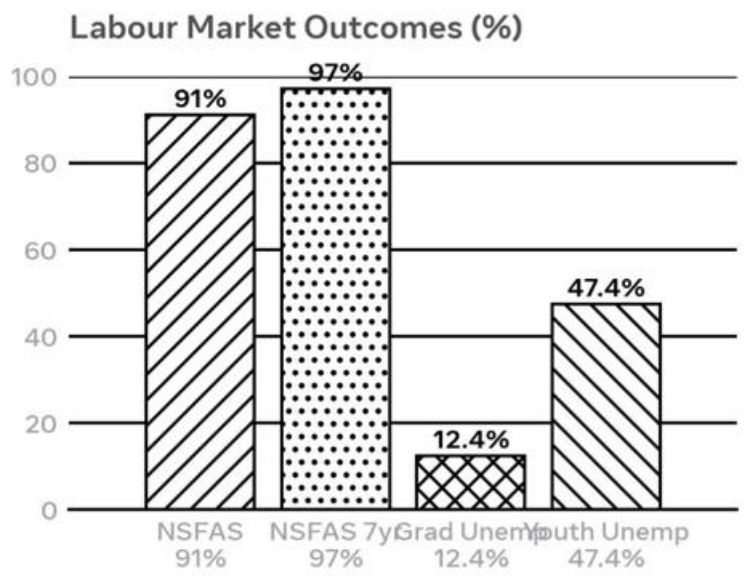


Figure 2: Labour Market Outcomes. Source: Own compilation from HSRC Study Commissioned by NSFAS (2017) and Stats SA QLFS Q2 2026.

Towards a fiscally sustainable model-Recycling Domestic Finance

The fiscal challenges facing NSFAS do not mean that the scheme should be scrapped. Instead, it needs to be redesigned so that money invested in students can be returned to the system and used to support future generations. According to Clunies-Ross et al. (2009), the main challenge of development finance is not always a lack of savings, but how available resources can be mobilised and used effectively. South Africa has successfully used public funding to expand access to higher education; the next step is to ensure that some of this investment flows back into the system. This can be achieved by adapting successful international funding models to South Africa's circumstances.

One possible solution is a graduate contribution model based on Australia's HECS-HELP system. Under HECS-HELP, students do not pay tuition fees upfront and only start repaying once they reach a certain income level. This protects students from low-income households while allowing government to recover some of the funding over time. South Africa could adopt a similar approach through a pay-as-you-work model. Unlike the pre-2018 income-contingent loan system, which achieved a recovery rate of only about 8% because many graduates could not be traced, repayments could be collected automatically through SARS using the PAYE system. Once graduates are formally employed and earn more than R350,000 per year, a small contribution, such as 2% of their tax payable, could be deducted. Rather than expecting graduates to repay the full cost of their studies, this approach would allow them to contribute gradually while they work. In this way, NSFAS could become a revolving fund that continuously supports new students. It would also support sustainable development by meeting current educational needs without reducing opportunities for future students.

For this model to succeed, funding should be linked more closely to employability. Successful bursary programmes such as Thuthuka, Siyakhula, ISFAP and Funza Lushaka show that support should go beyond simply paying tuition fees. These programmes often provide mentoring, workplace preparation and employment opportunities for graduates. If NSFAS adopted a similar

approach and played a greater role in helping students find employment after graduation, it could improve both graduate employment rates and fund recovery. Beneficiaries such as Dr Viwe Mtwesi, who progressed from an NSFAS-funded student to a medical specialist and entrepreneur, demonstrate how graduates can become contributors to future generations. In this way, graduates who have benefited from the system could help fund the next group of students, creating greater intergenerational equity.

South Africa could also reduce skills losses by adapting aspects of Singapore's Service Obligation Scheme. Under this system, students receiving full bursaries in scarce-skill fields such as Medicine, Engineering, Computer Science, Accounting and Economics could be required to work for a South African-based employer for at least three years after graduation. This would help ensure that the country benefits from the skills it has funded, while also increasing tax revenue and supporting economic growth. For qualifications that are not classified as scarce skills, a different funding structure could be introduced. Since higher education provides both private and public benefits, scarce-skill programmes could remain fully funded through bursaries, while other programmes could follow a 50% bursary and 50% income-contingent loan model. Continued funding could also be linked to academic performance, such as maintaining a 60% average. Such measures could help reduce the R54.3 billion NSFAS liability, address the R59 billion linked to student dropouts, and reduce the number of the 165,000 students whose certificates have been withheld because of outstanding debt.

Finally, the long-term sustainability of NSFAS will require funding sources beyond government expenditure alone. Additional funding can be raised by working with SETAs, banks through the Comprehensive Student Funding Model, and private companies that are willing to invest in education in exchange for service agreements or graduate employment commitments. Through these partnerships, NSFAS can move from being a system focused mainly on spending money to one that continuously recycles investment. By combining the accessibility of HECS-HELP, the practicality of a 2% pay-as-you-work contribution, the graduate support offered by programmes such as Thuthuka and ISFAP, and the retention benefits of Singapore's service obligation model, South Africa can ensure that access to higher education remains available for future generations while continuing to break the cycle of poverty.

Conclusion

In conclusion, the answer to NSFAS is not to end it, but to improve it. By focusing on recycling funds instead of simply spending them, NSFAS can remain financially sustainable while continuing to promote social justice. Moving from a system where money is spent once to one where graduates contribute back over time will help ensure that future generations can also access higher education without placing an ever-growing burden on the government. In this way, NSFAS can become more than a funding scheme. It can become a long-term investment in South Africa's future.

For students like me, who come from households with no business, farm, property, or family enterprise to inherit, higher education means much more than just getting a qualification. Access to university alone does not break the cycle of poverty if it is not linked to employment opportunities. However, when student funding is connected to employability and graduate support, a university degree becomes a new form of inheritance. It becomes an asset that can provide stable income, financial security, and opportunities that previous generations never

had. For many young people, a degree is not simply a certificate hanging on a wall. It is the key to a better future for themselves, their families, and the generations that follow.

Universities therefore become more than places of learning. They become places that create opportunities and help people improve their lives. When graduates stay in South Africa, find meaningful employment, and contribute towards funding future students, the benefits go far beyond one individual. They reach families, communities, and future generations. As Clunies-Ross et al. (2009) argue, the purpose of development finance is to direct available resources towards productive investment. NSFAS can achieve this by turning today's beneficiaries into tomorrow's contributors. Rather than being seen only as a cost to the state, NSFAS should be viewed as an investment whose return is an educated, employed, and economically active population that can help break the cycle of poverty for generations to come.

"Lets Remember that education is the most powerful investment, because when you fund a child's learning today, you are paying not for a degree but for a future free from poverty and despair"

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