+How can south Africa build a fiscally sustainable student financing model that enhances access to higher education

Higher education is an essential tool for young adults because it promotes economic, social and scientific development, including participation in a democratic state. However, in South Africa, access to higher education is linked to household income because financial inequality determines who gets the opportunity to further their studies. Student financing is therefore not only about budgeting, but also about social justice and the distribution of opportunities. Each year, the National Student Financial Aid Scheme (NSFAS) allocates billions of rand to help students enrol at universities. These costs continue to grow, which means that South Africa must meet the growing demand for education without promising more than public finances can sustain. Reducing expenditure on this budget may be helpful; however, it could reproduce the inequality that education should address.

This essay argues that South Africa should adopt a progressive student financing model that combines public grants, income-contingent loans, diverse funding sources, stronger financial accountability and phased implementation. International experience can help develop this model, but its success will depend on adapting international lessons to South Africa's unemployment, uneven household incomes and constrained fiscal space.

A progressive funding model

South Africa needs to implement a more progressive funding model for students. Students from less privileged backgrounds should receive grants to cover tuition fees and other necessary study expenses, such as accommodation, food, transport and learning resources. Those from households with better financial circumstances but who cannot afford all costs should receive a mixture of grants and loans. Students from wealthy households should contribute more towards the cost of their education. This aligns with the principle of vertical equity, whereby those who face greater financial barriers receive more public funding, while those who are more financially capable pay more (Duclos, 2006). South Africa has already recognised this issue in the first phase of its comprehensive student funding model, and a large amount of funding goes towards loans. However, this covers only a small percentage of students, leaving out the majority. Therefore, South Africa needs a funding model that identifies the funding gap and determines how much additional funding is needed to support these students.

Household income should be accurately verified, taking into consideration factors that are not captured by income levels alone, such as households with multiple dependants studying at the same time, unemployed household members and people with disabilities. The NSFAS research programme identified household income verification and funding for students with disabilities as important issues (Mbhalati, 2024). If household income is not verified correctly, deserving students could be excluded from funding. While funding can help students access higher education, academic performance also depends on the quality of teaching, preparation, support and personal factors. The funding model should therefore be reviewed to ensure that students can register, remain registered and complete their qualifications. Grants should be provided to those who realistically cannot repay funding, while loans should be provided to those who can realistically repay them without sacrificing basic living costs. This would support fair funding, reduce unnecessary debt and help the country remain fiscally responsible by improving the distribution of public funding.

Fiscal responsibility

A progressive funding model can be sustained in South Africa if the government identifies where the money will come from, how much will be committed and how financial risks will be managed. The government should be the main source of funding because higher education benefits the country beyond the higher earnings received by graduates. National Treasury should work with the Department of Higher Education and Training to create a multi-year funding envelope for students. Core grant funding should come from the national budget. Additional funding could come from employer bursaries in areas with genuine skills shortages, philanthropy and university endowments. These sources should not replace the government's responsibility to students who cannot afford higher education. Although the exact amounts will depend on the financial year and accounting basis, student funding is a large, ongoing public cost, so future expenses must be planned for.

There should be three scenarios. A low-repayment scenario should assume that graduates will struggle to find employment and that less money will be repaid. A medium scenario should use realistic assumptions about employment and earnings. A high-repayment scenario should assume that graduates will find employment more easily. Each scenario should identify how much money will be spent on grants, how many new loans will be issued, how much money is expected to be repaid and how much the government will need to subsidise. This will help prevent lenders from assuming that the loans will always be self-funding. NSFAS and other

student loan providers should report clearly on how the money is spent. An independent review should be conducted each year to compare projections with actual expenditure and repayments. Any major differences should be explained, and recommendations should be made. If less money is repaid than expected, the government should improve administration and consider slowing down new lending rather than suddenly stopping funding for current students. The funding model should demonstrate fiscal responsibility through credible budgets, clear risk assessments and responsible implementation.

International experience

International experience shows the choices South Africa must make. International experience strengthens the case for a hybrid model because countries distribute the costs of education through different combinations of public funding, grants, tuition fees and loans. The OECD's comparative analysis identifies several broad approaches, including systems with low or no tuition fees and substantial public support, as well as systems that combine higher tuition fees with extensive student assistance (Greben&Parashchenko, 2024). This evidence challenges the claim that one financing arrangement is universally superior. Australia's income-contingent loan system offers an important lesson: graduates can repay according to their earnings instead of facing identical immediate obligations regardless of their income. For the 2025/26 income year, Australia set a minimum repayment threshold of A$67,000, with repayments calculated on income above that threshold (Dearden., et al 2025).

South Africa should adopt the principle of income protection rather than copy the Australian threshold, because income, living costs and labour-market conditions differ significantly between the two countries. A locally appropriate threshold would protect low-wage graduates while allowing those with higher earnings to contribute gradually. However, income-contingent loans do not eliminate public costs; they redistribute costs over time between graduates and the state. England demonstrates this limitation. England's 2025/26 student loan forecast estimated that 55% of full-time undergraduate borrowers entering that academic year would repay their loans in full (Gayardon &Callender,2025). This indicates that a significant share of loans will not be fully repaid. This is particularly relevant to South Africa, where high unemployment and unequal earnings may limit graduates' ability to repay their loans.

A financing model that assumes every graduate will repay their loan in full is not financially responsible. It is based on a risk that the state has chosen not to acknowledge. Chile offers a different lesson. In 2025, the country allocated more than 730,000 higher education benefits,

including over 604,000 benefits supporting eligible students through tuition-free study (Roser &Murons,2024). This demonstrates the potential reach of public support, but it does not prove that South Africa can finance an equivalent expansion without significant budgetary trade-offs. Chile is therefore a useful example of prioritising access, not proof that one particular funding arrangement can easily be transferred to another country. Germany provides another comparison because most bachelor's programmes and many master's programmes at public universities do not charge tuition fees, although exceptions apply. Its experience challenges the idea that students must always face substantial tuition costs. It also shows why public institutions need reliable funding if tuition barriers are to remain low. These comparisons reveal a common policy choice: who pays, when they pay and what happens when they cannot pay. South Africa should combine Australia's protection of low-income graduates, Chile's emphasis on access and Germany's recognition of public responsibility. It should also learn from England that loan subsidies must be included in long-term financial projections.

However, it is important to recognise that no international system can remove the need to make difficult decisions about limited public resources. The key question is whether a policy principle from another country can work within South Africa's labour market and public budget. International experience should guide adaptation, not imitation. A model is worthwhile only if it increases access while remaining economically and socially viable in South Africa.

Phased implementation must protect students, public finances and institutional quality

A phased implementation will protect students, public finances and institutional quality. Even a sound financing model may fail if it is introduced without reliable administration, measurable goals and clear responsibility for correcting problems. South Africa should therefore implement reform in three phases, with expansion depending on evidence rather than optimistic projections.

During the first phase, the Department of Higher Education and Training and NSFAS should strengthen household-income verification, improve registration-data systems, publish clear eligibility rules and establish baseline measures. These measures should cover student numbers, the funding gap, payment delays, completion rates, administrative costs and outstanding debt. The importance of this groundwork is demonstrated by the Department of Higher Education and Training's 2024/25 annual report, which recorded university enrolment below its planned target and identified budget pressures affecting enrolment and completion

outcomes. This does not mean that every shortfall is caused by student funding alone. However, funding policy should also take institutional capacity and educational outcomes into account.

During the second phase, the government should pilot income-contingent loans for eligible missing-middle students, alongside grants for students from poor and working-class households. The pilot should have a defined budget ceiling, a safe income threshold, affordable repayment rates, a hardship provision and a transparent method for calculating expected public subsidies. National Treasury should publish the fiscal assumptions before the pilot begins. NSFAS should report quarterly on payments, processing times and administrative costs. Universities and TVET colleges should provide verified registration and progression data. The South African Revenue Service should participate in repayment administration only where legal authority, data security and operational capacity have been established.

During the third phase, expansion should take place only after an independent evaluation shows that the pilot is financially manageable and does not reduce access or completion. The evaluation should measure the proportion of eligible students funded, the time taken to pay approved allowances, registration and completion rates, graduate repayment performance, administrative expenses and the public subsidy per student. Results should be reported by household income, institution type and area so that national improvements do not hide gaps affecting rural students, students with disabilities or those facing high accommodation and transport costs. The government should also establish a clear review timetable, publish an annual report and conduct a comprehensive independent assessment after the first three years. The model should protect both institutional sustainability and student affordability.

If students are admitted but cannot afford to complete their qualifications, or universities cannot maintain laboratories, libraries, staff and student support, access exists on paper rather than in practice. The Presidency's reported approximately R23 billion in student debt owed to public universities illustrates the danger of allowing education costs to accumulate without a credible solution (Herrine, 2026).

This does not mean that universities should be compensated for every unpaid fee without examination. Rather, the causes of debt must be identified and addressed through better funding design, transparent fee rules and targeted assistance. If the pilot shows lower repayments than predicted, the government should revise its assumptions and strengthen administration. It should also manage the expansion of new loans carefully rather than cutting grants for the poorest students. Accountability must apply to the government, NSFAS, universities and

borrowers, while reflecting each party's power and capacity. Students should meet reasonable academic and administrative requirements. NSFAS must manage funding effectively and provide universities with reliable data and transparent services. The government should maintain a predictable funding framework. These measures would turn the proposal into a practical policy programme with clear responsibilities, measurable results and protection against avoidable financial risk. The objective is not simply to reduce the government's immediate bill, but to build

a system capable of supporting students across generations without undermining educational quality.

South Africa's student financing challenge cannot be resolved by choosing between unlimited public expenditure and shifting costs to students. It requires a progressive, financially responsible and socially just funding model that recognises both the limits of public finances and the wider value of higher education. Carefully designed grants should protect students who cannot afford to study, while income-contingent loans should support eligible students who can reasonably repay them after finding employment. The government should remain the principal funder, supported by supplementary contributions, transparent multi-year budgets and realistic assessments of repayment risks.

The missing-middle funding figures show that a programme can be established without reaching every eligible student, while international comparisons reveal that loan, grant and tuition arrangements involve different costs and trade-offs. South Africa should therefore proceed through phased implementation, independent evaluation and measurable safeguards for students and institutions. The true measure of fiscal sustainability is not simply whether the state reduces its immediate expenditure, but whether it can finance higher education reliably without reproducing the inequality that prevents talented students from developing their potential. A successful model should expand access, protect new graduates from unreasonable debt, support financially stable institutions and ensure that public expenditure generates meaningful educational and social returns.

Finally, fiscal sustainability and social justice should be designed together. A system that is financially reasonable but excludes poor students is unfair, while a system that promises access without credible long-term financing is unstable. South Africa needs a funding model that expands opportunity and sustains it for generations.

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