

How can South Africa build a fiscally sustainable student-financing model that enhances access to higher education?

Undergraduate

Words:2178

1. Introduction

1.1. The problem of access to higher education

Despite the number of universities available and funding for disadvantaged students, a peculiar group still struggles to access higher education (The African,2023). Interventions which were implemented in 1996 have significantly expanded the enrolment of disadvantaged communities, but access remains a pervasive issue (Wangenge-ouma,2012, p.832). Another issue further widening the gap of higher education exclusion is the rising tuition fees. University tuition fees increase annually, with institutions arguing that the increase is necessary to manage inadequate levels of government funding and the persistent rising cost per student (De Jager,2026, p.24). With Blade Nzimande proposing another 4.5% increase in fees for 2025 to 2027, which was challenged by the South African Union of Student (SAUS), arguing that “a fee increase in tuition and residence would minimise access to universities for many students who rely on funding schemes such as National Financial Aid Scheme (NSFAS)” (Motsoere,2024).

1.2. The tension between widening access and government’s fiscal constraint

while policies such as fee-free education has promoted higher education inclusion (Yende and Mthombeni,2023), they also exhibit a degree of vulnerability linked to the availability of government resources. The Heher Commission indicated that the government lacked the financial capacity to provide free higher education and training (News24 2017b, cited in De Jager 2026, p. 26).

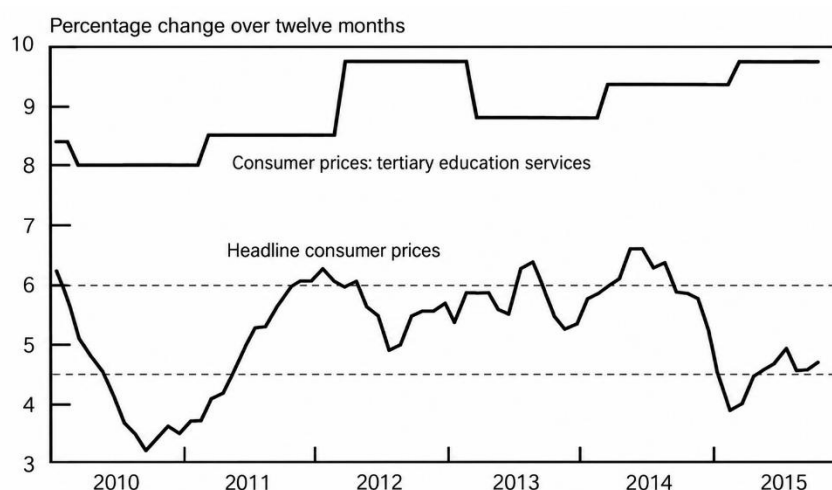
This essay will examine South Africa’s current student financing problem, discuss what makes a model sustainable, and draw from international context to formulate a model suitable for South Africa, acknowledging the trade-offs that policy makers should consider.

2. South Africa’s current student financing problem

2.1. The problem in graduates

Inflation in tertiary education services has far exceeded that in the general level of consumer goods and services prices as measured by the headline CPI (South African Reserve Bank,2015). This is evident in figure 1 below with consumer prices in tertiary education services following a relative upward trend that is higher than the headline consumer prices.

Figure 1: Headline consumer and tertiary education services price inflation, 2010-2015.



Source: South African Reserve Bank (2015).

Financial exclusion is indirectly reinforced through these higher fees. In response to these challenges, NSFAS, implemented under the Department of Higher Education and Training was established under the NSFAS Act (Act 56 of 1999) to provide financial aid to disadvantaged students pursuing further education at public universities or TVET colleges (NSFAS. n, d). NSFAS covers from accommodation, living allowances, transportation, to learning material. There are requirements that must be met for a student to be eligible for this aid: According to NSFAS (NSFAS, n.d.), applicants must be South African citizens and have a household income of not more than R350,000 per annum.; For persons with disabilities, household income must not exceed R600,000 per annum.; For students who started studying before 2018, it must not exceed R122,000 per annum. Although these measures were implemented to ensure that aid reaches intended beneficiaries, there's gaps within them. Some applicants are rejected because they are considered middle class. These are students who are considered financially stable enough not to qualify for financial aid but too financially constrained to afford tertiary education (Swartz, 2018, cited in Cele and Gaillard, 2025, p.57). This is because evaluation of eligibility is done through considering household income, including parents who contribute. This criterion also fails to exclude students who are capable and have the capacity to afford higher education. These fixed criteria fail to acknowledge trends in university income and expenditure. Therefore, the financial need criteria of NSFAS do not consider that financial need does not mirror the real costs of higher education. The costs and income per university are indicated in table 1 below.

Table 1: Compounded annual growth rates of enrolment, graduation, income and expenditure, 2009-2013.

University	Weighted graduates	Enrolment full time equivalent students	Total academics	Student-lecturer ratio	Real income	Real expenditure
UNISA	11%	8%	10%	-2%	11%	9%
UZ	11%	3%	2%	0%	8%	4%
UL	8%	7%	2%	5%	10%	12%
CUT	7%	1%	2%	-2%	8%	10%
WSU	7%	-3%	-2%	-1%	4%	-2%
UFS	6%	3%	0%	3%	6%	6%
WITS	6%	2%	4%	-2%	7%	6%
NMMU	6%	1%	1%	1%	8%	11%
VUT	6%	-1%	5%	-6%	10%	13%
UWC	5%	6%	2%	3%	9%	11%
NWU	5%	4%	9%	-4%	10%	10%
UKZN	5%	3%	1%	2%	6%	5%
UFH	4%	3%	0%	3%	3%	9%
RU	4%	1%	4%	-3%	8%	9%
UJ	4%	-1%	-9%	9%	9%	8%
DUT	3%	2%	2%	0%	5%	4%
UCT	3%	1%	7%	-5%	6%	8%
UP	3%	1%	1%	0%	3%	7%
CPUT	2%	2%	3%	-1%	8%	8%
SU	2%	1%	2%	-1%	8%	8%
TUT	2%	-1%	2%	-3%	6%	7%
UNIVEN	-4%	0%	5%	-5%	11%	11%

Source: Marire (2017, p.122), based on centre for Higher Education Trust data.

Marire (2017, pp122-123) distinguishes between indicators in universities. Real expenditure grew at the same rate as real income in the last five years, which indicates that universities are not accumulating reserves. Real expenditure has also grown in a pace faster than growth rate of students. Real income has also grown at a higher rate than full-time equivalent student numbers have. The most alarming observation is that NSFAS criterion that is based on household income, neglects the fact that the actual cost of higher education can differ between institutions and qualifications.

For example, two students from Venda and Zululand earning R345,000 per year each qualify for financial aid under the R350,000 NSFAS threshold. According to a means testing by NSFAS, they will be treated the same, even though real expenditure at Venda grew by 11%, compared to 4% at Zululand. Therefore, students with the same financial need can attend institutions with different costs, so financial need on its own does not reflect the real cost of education.

If eligibility rules fail to reconcile this gap, middle class applicant who are above the R350,000 threshold, may still struggle with expenses, and this also apply to eligible students struggling with costs that are not covered by the NSFAS scheme.

2.2. What makes a model sustainable and enhance access to higher education?

True equity in student financing requires measures to ensure that financial aids, are directed to those in genuine need. A robust model must recover share of costs and should not create fiscal pressure on the budget and burdens on public finances or divert resources away from other critical industries.

2.3. International experience

2.3.1. Norway-paying for completion

Administered under The State Education loan fund (SELF), the programme's objectives is to; promote equal access to education regardless of geographical location, age, gender, disability, or financial and social background; to ensure supply of highly skilled labour to the society and the labour market; and to facilitate educational attainment under satisfactory working conditions that promote sufficient study progress (Norway, 2005, s. 1, cited in Askim, 2022). The Norwegian model extends financial support

to students at both the secondary and tertiary levels. For individuals over the age of 19, eligibility for student support is independent of parental or partner income. However, the amount of support is reduced if the applicant earns more than 20,000 euros annually or possesses more than approximately 40,000 euros in savings. The support package is initially structured as a loan, but up to 40% of the loan amount may be converted into a grant if students meet specific criteria: residing away from parental homes, successfully completing coursework, and attaining a degree, conditions established under the broader quality reform framework. Interest on the loan is applied from the first month following graduation, with repayment commencing seven months post-graduation (Askim, 2022). These programmes are funded through annual appropriations from the state budget. By 1972, the structure of the student support programme had evolved from a needs-based grant system to one in which all individuals aged 20 and above became eligible for both loans and grants (Askim, 2022).

2.3.2. Australia-Recovering the rest

Higher Education Contribution Scheme (HECS) was established in Australia as a response to the transition from a no-fee approach to an income-contingent model of higher education funding. HECS was introduced primarily due to the increasing demand for higher education, driven by rising rates of high school completion. Additionally, policymakers sought to address the issue of regressive income distribution, arguing that a higher education system financed almost entirely by tax revenue disproportionately benefited households with greater financial capacity. repayments are determined by the graduate's income, with payment obligations activated only when earnings exceed a specified threshold. Moreover, the use of the tax system as a collection mechanism enhances administrative efficiency and reduces the risk of default, except in cases where graduates' incomes remain below the repayment threshold (Chapman & Sinning, 2014, pp. 572). Importantly, students are protected from defaulting due to an inability to pay; if their income is sufficient and falls within the designated repayment bracket, repayment occurs automatically, embodying the core principle of contingency (Chapman & Sinning, 2014, p. 574).

2.3.3. Kenya and Ghana- targeting the funding

Kenya introduced a stricter model under the Higher Education loans board (HELB). This model combines scholarships, loans and household contribution to extend help to students. This design was to ensure an equitable higher education frontline (Wanjiru, 2026). Wanjiru (2026) argues that this model categorises applicants into five bands based on household income and the need and provides variable scholarships, loans, and household contribution for university and TVET studies. The main idea is that students from poorer households are intended to receive priority by getting more scholarships and carry smaller financial burden, while students who are wealthy receive less government support and are expected to contribute more. But the model faces challenges to properly define financial needs. Given that most families in Kenya operate in informal sectors, therefore, evaluating household income is difficult.

In Ghana, Student loans spread the cost of higher education across students, parents, government and institutions, as well as donors and philanthropic bodies (Johnstone, 1996, cited in Atuahene, 2008, p. 411). Student Loan Trust Fund's (SLTF) objective is "to provide financial resources for the sound management of the Trust for the benefit of students and to help promote and facilitate the national ideals enshrined in Articles 28 and 38 of the 1992 Constitution" (SLTF, 2006, cited in Atuahene, 2008, p. 413). The SLTF is funded from several sources: about 10% of the money paid into the Ghana Education Trust Fund (GET Fund), voluntary individual contributions, contributions from international partners, tax-deductible corporate contributions, and loans from the Social Security and National Insurance Trust (Atuahene, 2008, p. 413).

Key lessons: The convertible loan acts as an incentive for students to improve their performance, whilst the government gets productive return on spending.; SELF is independent on parents for means testing which addresses the middle-class issue faced in South Africa.; HECS ensures that the government recovers the share of costs and relief the pressure on the budget.; While HELB ensures that the cost is shared amongst broader participants and; SLTF, provides a stable funding base that is independent of the government budget.

3. Conclusion

Challenge faced by the current student financing model is the balance between promoting higher education participation without applying fiscal pressure on the government budget, since government resources can only stretch so much. NSFAS's inefficient criteria and fixed budget render the system subject to greater fiscal pressure and poor results. On the contrary, international experience demonstrates promising models and offers complementary lessons. A sustainable model that also promotes access to higher education should combine need-based grants, income-contingent loans collected through the tax system, incentives for completion, and a dedicated funding source independent of the state's budget, with eligibility matching the availability of funds.

Recommendations:

NSFAS-4P (NSFAS FOUR-PILLAR MODEL)

Firstly, support should be based on financial need rather than on fixed requirements like the R350,000 threshold. NSFAS's criteria lack efficient allocation of resources, but HELB's graduated bands targets the poor and shares costs among the wealthy. HELB integrates the tax system to avoid misclassification and misconduct that undermines NSFAS. Any aid that exceeds the grant tier should be in the form of a loan, regulated through the tax system just like under HECS, so that expenses can be recovered and poor households are protected. Through HECS, it is to ensure relief of fiscal stress on the government's budget, but at the same time, to ensure that equity is the core centre of the model through HELB.

Secondly, Aid should be linked to completion, just like SELF's conversion of up to 40% of a loan into a grant upon completing a degree. Support should also include TVET and shorter credentials, so funding matches skills demand, not just traditional degrees. There should be a stable funding base, such as the share of GET Fund inflows that finances SLTF and the VAT allocation from HELB to ensure independence from government budget, and eligibility should be matched to available funds. These measures are to enhance a stable funding source through SLTF's funding mechanism and an incentive for completion through SELF to promote completion and improve return on spending. These mechanisms incorporated together can strengthen NSFAS rather than abandoning the model. A sustainable and accessible system depends on explicitly deciding which costs to accept (Trade-offs).

Trade-offs: HELB's five-band system requires extensive administrative capabilities and information about household income, which is hard to apply in developing countries since most citizens operate in informal sectors. Income-contingent repayment, as in HECS, protects poor applicants but exposes the government to a greater burden if graduates cannot reach a certain income threshold, and this model depends on a strong graduate job market. Furthermore, fixed repayment schedules, as in SLTF, are

efficient in fund collection but expose the poor to financial burdens and potential default. Completion incentives, as in SELF's loan-to-grant conversion, improve the return on government spending and encourage efficient participation in higher education, but every grant granted is a rand that the scheme cannot recover. Lastly, earmarked funding from SLTF stabilizes revenue at the cost of fiscal flexibility, while maintaining universal eligibility within a fixed budget.

References

- Askim, J. (2022) 'Student financing for social equity in Norway, 1947–2020', in de la Porte, C. et al. (eds.) *Successful public policy in the Nordic countries: cases, lessons, challenges*. Oxford: Oxford University Press, pp. 153–173. doi:10.1093/Oso/9780192856296.003.0008.
- Atuahene, F. (2008) 'The challenge of financing higher education and the role of student loans scheme: an analysis of the student loan trust fund (SLTF) in Ghana', *Higher Education*, 56(4), pp. 407–421. doi:10.1007/s10734-007-9101-5.
- Cele, S.M.K. and Gaillard, C. (2025) 'The impact of financial challenges on the attrition of Black African students in South African universities', *Journal of Research in Higher Education*, 9(1), pp. 49–68. doi:10.24193/JRHE.2025.1.3.
- Chapman, B. and Sinning, M. (2014) 'Student loan reforms for German higher education: financing tuition fees', *Education Economics*, 22(6), pp. 569–588. doi:10.1080/09645292.2012.729327.
- De Jager, E. (2026) 'Free higher education in South Africa: the funding issue', *South African Journal of Higher Education*, 40(1), pp. 22–40. doi:10.20853/40-1-6666.
- Marire, J. (2017) 'Are South African public universities economically efficient? Reflection amidst higher education crisis', *South African Journal of Higher Education*, 31(3), pp. 116–137. doi:10.20853/31-3-1037.
- Motsoere, G. (2024) 'SAUS rejects proposal to increase fees at institutions of higher learning', *EWN*, 10 January. Available at: <https://www.ewn.co.za/2024/01/10/saus-rejects-proposal-to-increase-fees-at-institutions-of-higher-learning> (Accessed: 21 October 2026).
- National Student Financial Aid Scheme (NSFAS) (n.d.) *NSFAS*. Available at: <https://www.nsfas.org.za> (Accessed: 12 September 2026).
- South African Reserve Bank. (2015, December). Box 4: Financing of tertiary education. *Quarterly Bulletin*. <https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/boxes/2015/7161/122015Financing-of-tertiary-education.pdf>
- The African (2023) *Higher education in South Africa still for a select few*. Available at: <https://theafrican.co.za/education/2023-03-24-higher-education-in-south-africa-still-for-a-select-few/> (Accessed: 21 October 2026).
- Wangenge-Ouma, G. (2012) 'Tuition fees and the challenge of making higher education a popular commodity in South Africa', *Higher Education*, 64(6), pp. 831–844. doi:10.1007/s10734-012-9531-6.
- Wanjiru, N. (2026) 'Kenya's new university funding model: promise of equity or rising burden for students?', *People Daily*, 4 May. Available at: <https://peopledaily.digital/insights/kenyas-new-university-funding-model-promise-of-equity-or-rising-burden-for-students> (Accessed: 28 September 2026).
- Yende, S.J. and Mthombeni, Z.M. (2023) 'The cost of equality: analysing the unforeseen financial strains of fee-free higher education in South Africa', *E-Journal of Humanities, Arts and Social Sciences*, 4(11), pp. 1380–1390. doi:10.38159/ehass.20234116.