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

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1.Introduction

Substantial evidence shows that higher education improves purchasing power and creates greater opportunities for employment. However, the costs of tertiary education prevent many South Africans from accessing higher education. Financial constraints limit educational opportunities for many young South Africans, while tuition accounts for a significant share of the revenue earned by universities (Statistics South Africa: 2026a; Statistics South Africa: 2026b). Therefore, student funding should be accomplished in a manner that does not create excessive budgetary obligations for the government.

The National Student Financial Aid Scheme (NSFAS) was established to financially assist eligible students attending public universities and TVET colleges. In the 2026/27 financial year R54.3 billion was allocated to NSFAS to fund approximately 744,203 students (National Treasury: 2026). Although this is a considerable investment, it is essential to distinguish between grants and loans. A grant is a direct expense to the public while a loan creates repayment obligations, though some borrowers may default.

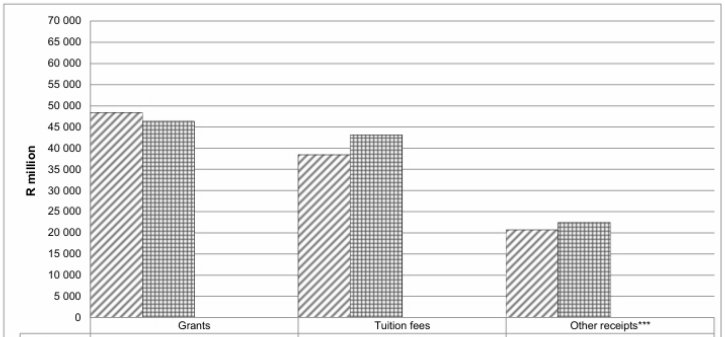
This essay presents the argument that a differentiated funding model would be preferable. It argues that students from low-income households should receive grants, while qualifying missing middle students should get income contingent loans, and repayments should reflect what families can afford. To assess viable funding options, a review of how Australia, England, Chile and the Nordic countries fund higher education finds that none removes all financial risk of tertiary education. Instead of copying one model, South Africa should adapt features of each funding model to local conditions like high unemployment and limited public resources.

2. South Africa's current student financing model

NSFAS awards bursaries to eligible students mainly those whose families are lower-income or working class. If a family doesn’t receive SASSA grants, eligibility for a bursary depends on its annual income which must be below R350,000. The interim loan program allows students from families earning between R350,000 to R600,000 annually to apply for loans as long as the student meets all eligibility requirements (NSFAS: 2026a; NSFAS: 2026b). The annual income limits define "missing middle” families whose income is higher than the amount of full bursary funding available but are unable to afford education and living costs.

Although R54.3 billion was allocated in the Budget for 2026/27, this does not show whether moving to loans will result in cost savings, this depends upon the number of students enrolled, loan amounts, programme administration by NSFAS, the average earnings of new graduates and repayment rates (National Treasury: 2026). Loans allow governments to shift their costs to the future rather than pay them today; however, those costs do not disappear. The figure below shows the main sources of university operating revenue in S.A and how these changed between 2023 and 2024.

Figure 1 – Economic classification of revenue cash flows for operating activities for the 2023* and 2024 financial years**



	Grants	Tuition fees	Other receipts***
2023	48 421	38 407	20 699
2024	46 340	43 108	22 472
Difference	-2 081	4 701	1 773
Percentage	-4.3	12.2	8.6

* Some of the figures have been revised since the previous publication.
** The breakdown can be found in the disaggregated tables available on the Stats SA website: www.statssa.gov.za.
*** Other receipts exclude tuition fees.

Figure 1 shows the economic classification of revenue cash flows for operating activities for the 2023 and 2024 financial years. In 2024, grants accounted for the largest proportion of revenue cash flows (R46 340 million), followed by tuition fees (R43 108 million) and other receipts (R22 472 million).

(Stats SA:2026)

Access to education also requires more than just tuition fees. Students may need help paying for accommodations, food, transportation, study materials and access to digital equipment.

Cutting down on grants without taking these expenses into account might lead to students leaving their studies or not being able to enroll in the first place. Allocating funds without proper eligibility verification, timely disbursements, and effective supervision can lead to the misuse of limited public resources. A sustainable system must therefore consider both the availability of education and the overall cost to the state.

3. **Access and fiscal sustainability**

Higher education can have positive effects on both society and the individual who completes it. Graduates often have the opportunity to earn more money, pay higher taxes, and provide valuable skills that are important for the economy. If students must pay all the costs themselves, students from low-income families who are incapable may be left out. Public support is therefore reasonable, especially for students who might not have the opportunity to study otherwise.

However, public funding comes with an opportunity cost. South Africa must allocate limited tax revenue to healthcare, social support, infrastructure, and debt-service obligations. High unemployment, informal employment, and irregular incomes also create risks for loan repayment. Some graduates may never earn enough to pay back their loans, so the government must acknowledge potential losses instead of assuming these loans will be self-financing.

The government should calculate the current value of the expected repayments and evaluate it against the amount of loans given out, grants provided, and the costs of managing the program. It should publish the expected cost of loans that are not fully repaid and test scenarios that include weaker graduate employment, slower wage growth, or lower collection rates. Expansion should be based on a clear understanding of the model's expected costs and available funding.

4. International experience

4.1 Australia

Australia's Higher Education Loan Program (HELP) connects required repayments to income levels of borrowers. For the 2025–26 fiscal year, the minimum income threshold for repayment has been increased to A$67,000. Repayments are now based on income that exceeds this threshold, rather than on the borrower's total income (Australian Department of Education: 2025). This protects lower-income graduates from unaffordable repayments, although the government still faces the risk of unrecovered loans.

The lesson for South Africa is to establish a clear income limit and design repayments that are progressive but base this limit and the repayment rates on local income levels and financial models, rather than simply copying figures from Australia. South Africa would also require accurate records of income and a system in place to manage earnings that are irregular or informal.

4.2 England

England shows why student loans should be treated as a public commitment. The Resource Accounting and Budgeting (RAB) charge calculates the portion of loan spending that the government anticipates will not be repaid, measured in present-value terms. In the 2024–25 academic year, the reported repayment amount for student loans was £6.2 billion, or 29.6% of the £20.7 billion in student loans issued (UK Parliament: 2026). This shields lower-income graduates from repayment burdens they cannot afford, even though the government remains exposed to the possibility of loans that are never fully recovered.

South Africa should not adopt England's exact figures, since local loan conditions, salaries, tuition fees, and repayment arrangements are different. Even so, England offers

a useful lesson on the need to project the fiscal cost of loans that are likely to go unpaid. South Africa ought to publish such projections together with its lending and repayment data, allowing the scheme's financial sustainability to be assessed with greater transparency.

4.3 Chile and Nordic countries

Chile serves as an important example of how significant student debt can become. A report by the Chilean government on the state-supported CAE student credit program analyzed 669,000 individuals in the process of repaying their loans at the end of 2020 (Undersecretariat of Higher Education, Chile: n.d.). This number alone does not set a standard rate, but it indicates that a big loan system results in a significant group of borrowers whose ability to repay needs continuous management. Chile's approach of combining credit support with free tuition for eligible students also shows the political and financial challenges of balancing the need to recover loans with the goal of preventing students from taking on too much debt.

Nordic countries such as Norway, Finland, and Sweden depend more on public funding and typically charge lower tuition fees for eligible students (OECD: 2025). These arrangements can reduce direct financial obstacles, but they rely on public funds and cannot easily be applied to a country with different levels of income and financial challenges. The lesson is not that South Africa should copy another country. It should include focused public grants along with thoughtfully structured loans, calculate the cost of debt not recovered, and ensure support for students who cannot make reasonable contributions.

5. Lessons for South Africa

South Africa can learn four things from experience elsewhere. First, students who cannot afford higher education should be given priority when it comes to grants. Second, graduates' earnings should determine debt repayment. Third, anticipated non-repayment must be recorded by governments as a public expense. Lastly, reducing waste requires efficient eligibility verification and repayment management.

The possibility that income-contingent loans are inappropriate for South Africa's labour market, however, is a compelling argument against them. Many graduates may not be able to make enough money to pay back their loans due to high unemployment, inconsistent earnings, and informal jobs. However, monitoring borrowers, confirming their income, and collecting repayments may result in administrative expenses that diminish or even surpass the financial benefits. In these circumstances, it could be more beneficial to increase grants based on financial need rather than implementing a loan system that results in a significant amount of outstanding debt. Because income-contingent loans do not ensure repayment, this criticism cannot be disregarded. However, completely giving up on loans would also force the government to bear the

entire cost of helping qualified missing-middle students. A more equitable strategy would keep subsidies for those who are unable to afford to repay while cautiously piloting loans for eligible borrowers. The government should evaluate collection rates, administrative expenses, and projected losses before extending the program. If loans turn out to be more costly than planned, the model should be revised.

The government could assess partnering with SARS by reviewing privacy issues and potential additional revenue from improved income contingent repayments. Existing repayment methods like payroll deductions and debit orders (NSFAS: 2026c) are available for repayment of prior NSFAS debt; they don't constitute a complete income-contingent collection process.

In South Africa, informal or unstable income makes collections more difficult. Payroll deductions cannot capture all borrowers; while aggressive collection actions may disadvantage low incomes earners and limit their access to other services. Therefore, there needs to be fair and reasonable repayment arrangements for borrowers. There needs to be clearly defined procedures allowing borrowers to dispute any repayment descions.

6. A proposed financial model and fiscal test

South Africa should introduce a three-tier model step by step and explain it to the public.

Tier 1: The grants for students from low-income families should cover tuition and basic study supplies. Regular review of eligibility must occur and a clear appeals process for students whose circumstances changed or if the borrower feels he was incorrectly assessed. This level ensures equal access to education and must be included in the annual budget.

Tier 2: Income-contingent loans for the missing middle. Students who are eligible and have household incomes ranging from R350,000 to R600,000 may be offered loans based on straightforward guidelines. Repayment of the loan should start only when a graduate's income exceeds a specific amount set by South African earnings. A gradual increase in the rate may occur as earnings rise, and payments should stop when income drops below threshold. The threshold and rates must be determined only after analyzing graduate earnings, living expenses, unemployment levels, and the potential effect on repayment amounts. The Australian threshold serves as proof that a threshold can be designed, rather than being a suitable random value to import.

Tier 3: Affordability-based household contributions. Families that have more financial resources should give a larger share before public loans or grants are provided. A sliding scale should consider verified household income and provide a way to review cases where income does not accurately represent available disposable resources, such as

when there are significant care expenses or other dependents. The goal is to focus on public funds, not to deny students admission just because their family income exceeds a fixed threshold.

Before expanding, the government should release yearly data on grants, new loans, repayments, administrative costs, remaining balances, the current value of anticipated repayments, and the cost of loans that are expected to be unrecovered. These should be compared with the R54.3 billion NSFAS allocation in the 2026 Budget, without assuming that the proposed model will have a lower cost (National Treasury: 2026). A pilot program should be assessed based on access, completion, repayment, and cost indicators, and any adjustments made to these indicators should be clear and transparent if the outcomes do not meet expectations.

7. Conclusion

While maintaining financially viable student funding, South Africa must increase access to higher education. Experience from around the world demonstrates that loans can shield graduates with lower incomes through income-based repayments, but unpaid debt results in costs to the public. Repayment capability, administrative effectiveness, and local labour market conditions all influence the proper ratio of grants to loans.

A model that is tailored to different situations is better than depending completely on grants or loans. Grants should ensure support for the most disadvantaged students, income-contingent loans should assist eligible missing middle students, and families with greater financial resources should pay their fair share based on their ability to contribute. The sustainability of the initiative will rely on accurate repayment expectations, efficient management, protection for graduates who are unemployed or in the informal sector, and clear annual reports. The model should be evaluated based not just on the number of students who get financial support, but also on their ability to finish their studies and whether the public cost stays reasonable.

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