Fix the Key, Open the Door: Making South Africa's Student Funding Work for Every Deserving Student

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1. Introduction: Thandi's Locked Door

Thandi passed matric with a bachelor's pass in Soweto. Her household earns R420,000 a year. That is too much for a bursary from the National Student Financial Aid Scheme (NSFAS), which stops at R350,000, yet too little to pay university fees (The Star: 2021). She belongs to the "missing middle", and she is not rare.

South Africa does not need a fifth funding scheme. It already has grants for poor students, a loan for the missing middle, bursaries for scarce skills and some help from employers. The real problem is that these pieces do not work well together, money does not always reach the right students, and the loan barely reaches anyone. This essay therefore asks a Finance Minister's question: how should the existing pieces be redesigned, coordinated, financed and monitored so that more deserving students get in and finish, without breaking the budget? Section 2 shows the problem. Section 3 learns from four countries. Section 4 redesigns the system. Section 5 tests whether it adds up. Section 6 concludes and Section 7 makes recommendations. The test throughout: does this open Thandi's door, and can the state afford the key?

2. The Problem: Money, Delivery and Fiscal Pressure

2.1 Not enough money for the promises made

The Treasury has set aside R54.3 billion for NSFAS in 2026/27, to support 744,203 students (The Citizen: 2026a). Even so, NSFAS expects to be about R10 billion short, partly because student accommodation costs more than planned (Daily Maverick: 2026).

2.2 Money that does not reach the right students

In March 2026 the Higher Education Minister reported that NSFAS had received the worst possible audit result, a disclaimer of opinion, for 2024/25. The Auditor-General found that NSFAS had paid 822 students who had died and had funded more than 14,000 students from households above the income limit (South African Government: 2026a). About one in five funded students also failed to meet the pass requirements needed to keep their funding (The Citizen: 2026b). Every rand lost to weak checks is a rand that an eligible student never sees.

2.3 The missing middle gets almost nothing

The loan for the missing middle began in 2024, when the government estimated that about 68,400 students needed it (Business Day: 2026). In 2026, 26,538 students applied. Only 1,561 loans were approved. Another 4,609 applicants were moved to bursaries, and 20,368 did not meet the academic or financial rules (South African Government: 2026b). By the end of 2024, universities were owed R24 billion in student debt, mostly by self-funded students, and were withholding certificates from 165,000 students (The Herald: 2026). Universities South Africa's more recent, unaudited figure is R59 billion, about R29 billion of it linked to students funded by NSFAS (PMG: 2026).

2.4 The budget limit

The state has little room to move. Debt-service costs take 21.3% of revenue and gross debt peaks at 78.9% of GDP (SAnews: 2026). Simply spending more is not an option. The money we have must be spent better.

3. Lessons from Abroad: Borrow Principles, Not Rates

Australia collects repayments through the tax system. In 2025/26 graduates repaid nothing below A$67,000 and 15 cents per dollar above it, up to A$125,000 (Australian Department of Education: 2025), although a 20% debt cut in 2025 shows how repayment can become political (Nexia: 2025). England also collects through tax. New Plan 5 borrowers repay 9% of income above £25,000 and balances are written off after 40 years, and the state publishes that it expects to fund about 24% of these loans (UK Government: 2022; UK Government: 2026). Chile used bank credit backed by state guarantees, which left the state with heavy costs, and it is now moving to a public income-linked scheme (La Nación: 2024; El Mostrador: 2025; Dearden, Valdes Aspillaga and Ríos-Jara: 2025). Kenya's means test leaned on local chiefs and pastors to verify need, met protests and court action, and was revised again in 2025 (Tech-ish: 2026; Eastleigh Voice: 2024; APHRC: 2026). Table 1 sums up the lessons.

Table 1: What other countries teach us

Country	What happened	Lesson for South Africa
Australia	Tax-based repayment that rises with income	Collect through payroll
England	Tax-based, 40-year write-off, cost published	Publish the subsidy
Chile	Bank loans with state guarantees, high cost	Keep risk out of banks
Kenya	Need judged by testimony, legal challenges	Use records and allow appeals

Source: author's synthesis of the sources cited in this section.

These lessons cannot be copied blindly. Australia and England collect mostly from formal payslips. In South Africa, 12.4% of graduates were unemployed in the second quarter of 2026 (NYDA: 2026) and much work is informal, so SARS will recover less and more balances will be written off. South Africa's Heher Commission proposed income-contingent loans collected by SARS in 2017 (SAnews: 2017), but they were never built. My task is therefore design and delivery, not a new idea.

4. The Redesign: Five Fixes to the Existing System

I keep every current funding stream and change how it is run. Table 2 shows what changes and why it is better.

Table 2: Today compared with the redesign

Area	Today	Redesign	Why it is better
Checking need	Errors found by auditors	Linked SARS and SASSA records	Fewer wrong payments
Grants	Open promise, shortfalls	Multi-year plan with a reserve	Predictable and honest
Missing-middle loan	1,561 approved from 26,538 applicants	Income-contingent loan collected by SARS	Repay only when earning enough
Finishing	One in five lose funding	Tutoring and loan-to-grant reward	Pay for graduates
Oversight	Disclaimer audit	Published cost and named owners	Accountability

Source: author's proposal.

First, check need with records, not paper. NSFAS should link SARS, SASSA and Home Affairs data, with consent and privacy safeguards, so students learn their result early. Each student gets an online account showing decisions, balances and appeals, and an independent panel hears appeals.

Second, make the grant promise honest. Households under R350,000 keep full bursaries, paid from a multi-year plan agreed by Treasury, the Department of Higher Education and Training (DHET), NSFAS and universities, built on forecasts of how many students will qualify. This is not a cap on poor students. A reserve sized from past overruns covers surprises. If demand still exceeds the plan, Parliament is told openly, those with the greatest need are protected first while Treasury decides on a top-up, and unfunded students are told early, not after registration.

Third, build a real income-contingent loan, which means a loan repaid only when you earn enough. A graduate repays 12 cents of every rand earned above R150,000 through PAYE, the balance grows at inflation plus 2%, and any balance is written off after 25 years. Someone earning R240,000 repays R900 a month, and someone earning R150,000 or less repays nothing. I tested alternatives. In my model, 25 years lets moderate earners finish in 22 years, 20 years would lift the cost to the state from 34% to about 38%, and going beyond 25 adds almost nothing. A 9% rate would leave moderate earners owing about R56,000 at year 25 and push the cost to 41%, while 15% would cut it to 32% but take more from graduates. These terms are a starting point for a pilot to test. A state-owned Student Loan Fund would fund the loans by issuing inflation-linked notes, so banks carry no risk.

Fourth, pay for the real cost of study and for finishing. NSFAS should pay accredited accommodation providers directly once occupancy is verified. Universities should be funded partly by cost per graduate, not only by registrations. Students need tutoring, advice and emergency help, and part of a loan should become a grant when a student finishes within a fair time, allowing for illness, disability and caring duties.

Fifth, share the load. SETAs and line departments can fund scarce-skills bursaries with work-back conditions, and employers and alumni can add to the pool. These top up a public funding floor and never replace it. NSFAS runs applications, SARS collects, Treasury publishes the risk and DHET plans enrolments.

5. Does It Add Up?

Take a R300,000 loan, my assumption for a three year degree at about R100,000 a year including accommodation. Follow three graduates in 2026 rands. Climbers start on R360,000 and grow 4% a year in real terms. Steady graduates start on R240,000 and grow 2%. Strugglers spend two years unemployed, then earn R120,000 and grow 1%. Figure 1 shows the outcome.

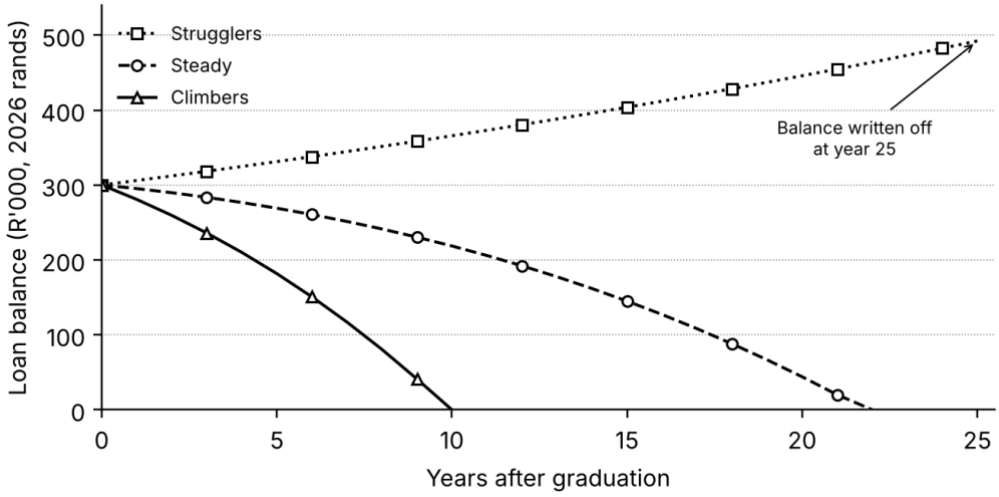


Figure 1: Loan balance by graduate type. Source: author's illustrative model

Climbers clear the loan in 10 years and Steady graduates in 22. Strugglers never earn above the threshold, so R492,000, of which R192,000 is interest, is written off at year 25. If 25% of borrowers are Climbers, 55% Steady and 20% Strugglers, and the state's real borrowing cost is 4% (my assumption), repayments recover about 66 cents per rand lent. The cost to the state is 34%, between England's 24% and 44% (UK Government: 2022). Lending R10 billion a year would cost about R3.4 billion.

These group sizes are assumptions, not measured South African data. I chose 20% Strugglers because 12.4% of graduates were unemployed in 2026 (NYDA: 2026) and some others earn little. If Strugglers reach 30% the cost rises to about 42%, and at 40% to about 50%. The model also ignores emigration, evasion, administration and interest during study, which would push costs higher. The pilot replaces assumptions with data from SARS records of graduate earnings and repayments. Treasury should then publish the expected cost every year with a bad-case range, and Parliament should review the loan terms if it passes 40%, never by asking low earners to repay more afterwards.

Reader's challenge: raise the threshold from R150,000 to R180,000. My model says the cost to the state climbs from 34% to 38%.

6. Conclusion

This essay asked how South Africa can open higher education to more deserving students without breaking the budget. It showed a grant system that leaks, a loan almost nobody can get and a tight budget. It learned from four countries, redesigned the existing parts and tested the cost with a calculation anyone can repeat. The answer is not another scheme. It is better checking of need, an honest grant plan, a loan people can really use, support to finish and open accountability. Done together, Thandi's door opens and the state can afford the key.

7. Recommendations

I recommend that government:

1. Link SARS, SASSA and Home Affairs data, with safeguards, so NSFAS checks need by records, and give every student an online account and an independent appeals route.
2. Publish a multi-year grant plan with a reserve, agreed by Treasury, DHET, NSFAS and universities.

3. Replace the missing-middle loan with a SARS-collected income-contingent loan (12% above R150,000, inflation plus 2%, 25-year write-off) funded by a state-owned Student Loan Fund.
4. Pay accommodation directly to accredited providers, fund institutions partly by cost per graduate and turn part of loans into grants for on-time completion.
5. Publish the expected loan cost every year, with a review if it passes 40%.
6. Pilot at several universities and TVET colleges in 2027 with an independent evaluation of approval times, wrong payments, completion, repayments and cost, before a national rollout in 2028.

When Thandi walks through her door, she will not be a debtor in default or a statistic in a deficit. She will be a taxpayer in the making, repaying only when she can and widening the door for the next student.

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