

THE COMPLEXITIES AND POSSIBILITIES OF FUNDING HIGHER EDUCATION IN SOUTH AFRICA

Undergraduate Application
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Introduction

Higher education is one of the most important investments a country can make in its people. It contributes to skills development, can lead to better employment opportunities, enhance productivity as well as promote economic growth. In South Africa, however, access to higher education remains closely linked to a student's financial situation. While some students have the resources to pay for their studies, others depend entirely on government assistance, and many fall somewhere in between.

The question that remains is: “How can South Africa build a fiscally sustainable student-financing model that enhances access to higher education, without placing an unsustainable financial burden on the individual as well as on the state?”

The South African government has responded with aid in the form of the National Student Financial Aid Scheme (NSFAS), which has played a significant role in assisting students who otherwise could not have afforded higher education. NSFAS has thus far helped more than 5 million students receive a higher education and has grown from its humble beginnings in the early 1990s, with a budget of R33 million in 1991 serving 7, 240 students, to about R47.6 billion in 2023 supporting 1.1 million students (SA Government, 2024). Despite this huge achievement, there is a growing demand for a financing model that is more equitable, sustainable and suited for our nation.

This essay explores three student narratives, each displaying the different financial realities of students in South Africa. This is to emphasise that a single financing approach may not meet the needs of every student. Through their circumstances, a model that has been adapted from lessons learnt from other countries will be proposed while specifically considering our unique African experience. This model will combine government grants, income-contingent interest free/low loans, personal contributions, public private partnerships, and the recovery of loan repayments.

Literature Review

South Africa faces several economic challenges, including persistent unemployment, poverty, inequality, public debt, poor/lack of infrastructure and skills shortages that directly affect the states' ability to finance higher education.

These challenges demonstrate why student financing cannot be considered separately from the broader economy. A sustainable model must expand educational opportunities while recognising the limits of public finances and the importance of employment after graduation.

Consider our first hypothetical student, a hardworking young female with aspirations of becoming an accountant. Her upbringing in a low-income household, relied heavily on the Child Support Grant (CSG) to help meet the family's basic needs. Her parents cannot afford university tuition, accommodation, transport, food, learning materials or other study-related expenses. For this student, higher education is not simply a personal ambition, but a potential route out of poverty.

The SA government should assist students like this one, with a means-tested government grant or bursary (OECD, 2020, p. 59). Students who previously received the CSG, with the family's household income under about R67,200/year (single parent) or R134,400/year (married couple) (SASSA, 2026), should preferably be granted free tertiary education with a bursary, covering all tuition, accredited accommodation, food, transport, learning materials as in the case of Germany, Norway and even African countries like Morocco and Kenya (Lynch, 2020). Unfortunately, the dropout rates are staggeringly high in these students lying at 48% (SA Government, 2024, p. 14), necessitating academic mentoring and support to improve completion rates. After completion of their studies, these graduates may work in the industry for the period that they have received the bursary as interns within their career field. In this way, they benefit from employment, earning an income, paying taxes along with supporting their families and contributing to the economy.

In contrast to the first student narrative, the second one explores students from a working household. It represents what we commonly describe as the "missing middle". The parents earn an income between R350, 000, but not more than R600, 000 per annum (SA Government, 2024) and can contribute towards some of his expenses, namely, transport, or food, however, they are unable to afford the full costs of higher education.

Similar students would benefit from a differentiated funding arrangement where the household, would contribute an amount based on its actual capacity to pay, while government could provide a grant for the essential costs. An income-contingent interest free loan could be considered to cover the remaining eligible expenses, as the student should not be expected to bridge the entire gap through commercial borrowing or unsecured loans. The loan repayments may only commence once their earnings exceed

a clearly defined income threshold. Repayments should also protect these students in the dread cases of unemployment, severe illness or serious financial hardship.

Australia developed the Higher Education Loan Program (HELP) in 2005, allowing eligible students to defer specified tuition contributions, with repayments linked to their income and collected through the tax system (Education, 2024). This principle could be applied in the context of South Africa by introducing an interest-free, income-contingent student loan system designed to assist eligible students who fall within the missing-middle income bracket. Government would provide funding when needed, while graduates who later earn sufficient incomes would contribute towards the funding pool and in that way, fund the education of future generations of “missing middle” students.

Lastly, the third narrative depicts a student from an affluent family that can comfortably afford all university expenses without compromising essential household needs. This student has access to opportunities that others represented in the previous two narratives did not have. The household’s financial position indicates that he does not necessarily require the same level of financial assistance as they did.

This student should be expected to contribute towards his own education as his household can reasonably afford to do so. He could potentially pay the applicable fees directly or make use of an interest free income- contingent student loan to defer payment until after completion of his studies.

In addition, South Africa could create opportunities for financially secure students, graduates, families and businesses to support disadvantaged students through voluntary bursaries, donations, alumni funds and educational endowments. Employers could also contribute by sponsoring students in need, funding work-integrated learning, providing equipment/learning materials or supporting apprenticeships.

After successful graduation and employment, those from the third and affluent narrative may voluntarily contribute annually to a university fund or sponsor a student in a field where South Africa faces scarce skills shortages, and by doing so, there would be annual reduction in their taxes as an incentive.

The significant contributions of this model, alongside government funding could significantly reduce pressure on the national fiscus.

Examples from other countries who have successfully implemented similar interventions for these 3 narratives include: Germany that uses targeted financial assistance within a publicly supported affordable higher education system; Australia illustrates a useful manner of loan repayment and; Nordic countries that demonstrate the role of collective public investment, (OECD, 2020).

Whilst considering international trends, South Africa should develop its own unique and sustainable model, factoring in, inequality, household poverty and unemployment.

Those with greater financial means contribute appropriately, while disadvantaged students are not burdened by costly higher education in which they cannot reasonably afford. Emphasis should be placed on the societal benefits when people who have had access to opportunities help create opportunities for others like in the third narrative.

Given the three narratives that represent the financial realities of students in SA, the first requires protection from unaffordable higher education costs, the second requires a bridge between partial household affordability and the full cost of study, and lastly, the third, where the household can contribute more directly with voluntary contributions from financially secure families and graduates to supplement public funding.

It should be remembered that increased financial support without careful consideration, could mean that government would struggle to meet its commitments and similarly, cutting support indiscriminately could deny capable students the opportunity to contribute to the country's economic growth.

Ideally, a fiscally sustainable model should assess the full cost of grants and loans, realistic repayment rates, administrative efficiency, the economic and social benefits of completed qualifications as well as having an increase in the number of skilled people in scarce skill careers.

While recognising that higher education does not guarantee employment, the success of the financing model partly depends on the economy's capacity to create jobs, particularly for young graduates. Furthermore, partnerships with employers and stronger networking between education, skills development and labour-market needs can assist in improving these outcomes.

RECOMMENDATIONS

International experience shows that South Africa can learn from Australia's income-contingent loans, Germany's and Kenya's targeted support and the broader public-investment approaches used in Nordic countries. Nevertheless, the final model must be designed around South Africa's own fiscal capacity, unemployment rates, inequality and administrative realities. Based on this, South Africa should adopt a differentiated, sustainable fiscal model and formulate a policy built around the following principles:

1. Protecting the most vulnerable. Government grants should prioritise students whose households cannot reasonably afford higher education costs. These students should be offered to work for the organisation who provided the grant or bursary for the stipulated period as interns in line with their field of study. Similarly, provide interest free income contingent student loans to protect against financial vulnerability.
2. Sharing costs according to ability to pay. Students from households with a moderate degree of financial capacity should have access to affordable interest free loans from

reputable financial institutions and targeted assistance. Adjusted fees for foreign students can also be considered to alleviate strain due to grant allocation to needy students.

3. Public-private contributions and partnerships to supplement funding. Employers, businesses, universities, alumni, sector education and training authorities, other governments and philanthropic foundations should contribute through clearly governed partnerships to further aid in student funding. Negotiated university tuition and accommodation fees should be considered.
4. Responsible loan repayment from relevant graduates. Repayments from graduates into a funding pool from those who earn above a specified income threshold to assist in financing future students.
5. Strengthen governance and accountability. Ensure eligibility assessments, payment verification, monitoring and evaluation, financial reporting, appeals and independent audits.

Conclusion

The three student narratives collectively illustrate various financial circumstances that have a legitimate interest in a higher-education system that develops South Africa's human potential and economic growth.

The first student desperately required a grant due to her family's financial circumstances making repayment unrealistic. The second student needed a combination of partial assistance and an affordable income-contingent loan as his household can contribute partially, but not adequately to fund the entire cost of higher education. The third student can afford his education comfortably and may choose to help expand opportunities for others through bursaries, donations or future contributions to students in need.

These narratives highlight that equity does not require identical treatment for all students across South Africa but instead, a sustainable funding system that responds fairly to different needs and capacities of households represented.

Overall, the objective is not to transfer the entire cost of higher education from government to students but to ensure that public contribution is targeted effectively so that those who can comfortably afford to contribute do so fairly, and that additional funding sources strengthen that very system.

Ultimately, South Africa should move towards a system in which no student is excluded from higher education solely because of poverty. South Africa should therefore see student funding not simply as an expense, but as an investment in people's futures and in building a more skilled, productive and equal society.

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