Entry#262

Fiscally Sustainable Student Financing Model for South Africa — Harvard Referenced

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

South Africa can build a fiscally sustainable student financing model by moving towards a mixed financing system that combines targeted grants, income-contingent loans, government funding and contributions from the private sector. The aim should be to expand access to higher education while ensuring that government funding is concentrated on students who cannot reasonably afford the cost of studying. International experience shows that countries use different combinations of grants, loans and student contributions depending on their higher education systems and fiscal circumstances.

One approach would be to reform the existing National Student Financial Aid Scheme (NSFAS) so that not all students receive the same form of financial support. Students from the poorest households could continue receiving non-repayable grants, while students who fall above the grant threshold but cannot afford university costs could receive income-contingent loans. This would allow government to prioritise limited resources towards students with the greatest financial need. NSFAS is already a major government expenditure, with its 2025/26 revenue expected to be approximately 94% dependent on transfers from the Department of Higher Education and Training (NSFAS, 2025). Reducing the reliance on direct government transfers would therefore be important for long-term sustainability.

Australia provides an important example of income-contingent student financing. Under its Higher Education Loan Program, students can defer eligible higher education costs and repay their debt through the tax system once their income reaches a specified repayment threshold (Australian Taxation Office, 2025). South Africa could adapt a similar model by using the South African Revenue Service (SARS) to collect repayments once graduates reach a particular income level. This would be preferable to fixed monthly repayments because graduates with low incomes or who are unemployed would not be required to make unaffordable repayments. Income-contingent repayment

systems therefore provide a mechanism for sharing the cost of higher education while reducing the immediate financial burden on students (OECD, 2025a).

However, international experience also shows that income-contingent loans do not eliminate the financial burden on government. In England, for example, student loans are repaid according to graduates' income, but the government continues to carry costs associated with loans that are not fully repaid (OECD, 2025a). South Africa should therefore avoid assuming that introducing loans would automatically make student financing self-sustaining. The repayment threshold, interest arrangements, maximum repayment period and mechanisms for recovering loans from graduates working outside South Africa would need to be carefully designed.

Another important lesson can be obtained from New Zealand, which also uses an income-contingent repayment system. Student loan repayments are linked to borrowers' income, with repayment obligations administered through the tax system (New Zealand Inland Revenue, 2025). South Africa could use this experience to strengthen the recovery of student loans while protecting graduates who have low or irregular incomes. This could also reduce the administrative burden associated with manually collecting repayments from thousands of graduates.

South Africa should also consider means-tested grants rather than providing the same level of subsidy to all students. The OECD (2025b) indicates that countries use different combinations of grants and loans to distribute the cost of tertiary education between governments, students and graduates. A South African model could therefore provide full grants to students from very poor households, partial grants combined with income-contingent loans to lower-middle-income students, and predominantly loan-based assistance to students with a greater capacity to repay. This would allow government funding to remain focused on reducing financial barriers to participation.

At the same time, fiscal sustainability should not be achieved simply by reducing the number of students who receive assistance. Higher education contributes to the development of human capital, employment opportunities and economic productivity. The OECD (2025b) notes that investment in tertiary education can generate benefits for both individuals and society. Consequently, South Africa needs to balance the immediate cost of student funding against the longer-term economic and social benefits of producing more graduates.

Another area that requires attention is the recovery of existing student loans. NSFAS reported relatively low loan recoveries compared with the overall scale of its funding responsibilities. In 2023/24, actual recoveries were approximately R144.7 million, while the projected recovery for 2025/26 was R250 million (National Treasury, 2025). Improving the identification of employed graduates and linking repayments to existing tax and employment information could increase recovery rates. However, strong privacy protections and appropriate legal safeguards would be necessary when linking student financing information with tax records.

The funding model should also involve universities and the private sector. Universities could be encouraged to improve student retention, academic support and completion rates so that public funding produces better educational outcomes. Businesses, professional organisations and industry bodies could contribute through bursaries, scholarships and employment-linked funding, particularly in areas where South Africa experiences skills shortages. This would diversify the sources of funding and reduce the pressure placed exclusively on the national fiscus.

Overall, South Africa could develop a more sustainable student financing system by combining targeted grants for students from poor households, income-contingent loans for students with some capacity to repay, improved loan recovery, private-sector participation and stronger institutional accountability. The experiences of Australia and New Zealand demonstrate how income-contingent repayment can link repayments to graduates' ability to pay, while England demonstrates that such systems can still generate significant costs for government (OECD, 2025a). South Africa should therefore develop a model suited to its own income distribution, unemployment levels and fiscal constraints rather than copying another country's system. Such a model could improve access to higher education while making the long-term financial responsibility for student funding more manageable for the state.

Reference list — Harvard style

Australian Taxation Office (2025) Study and training loans. Available at: https://www.ato.gov.au/individuals-and-families/study-and-training-support-loans (Accessed: 20 September 2026).

National Treasury (2025) Estimates of National Expenditure 2025: Higher Education and Training. Pretoria: National Treasury. Available at: https://www.treasury.gov.za/documents/National%20Budget/2025May/ene/FullENE.pdf (Accessed: 20 September 2026).

New Zealand Inland Revenue (2025) Student loans. Available at: https://www.ird.govt.nz/student-loans (Accessed: 20 September 2026).

NSFAS (2025) Annual Performance Plan 2025/26. Pretoria: National Student Financial Aid Scheme. Available at: https://www.nsfas.org.za/content/downloads/APP%202025-26%20Editorial%20document%20-%20Final%20Version%20with%20Signed%20Off%20%28Double%20Spread%29%2029%20May%202025.pdf (Accessed: 20 September 2026).

OECD (2025a) Education at a Glance 2025: OECD Indicators. Paris: OECD Publishing. Available at: https://www.oecd.org/en/publications/education-at-a-glance-2025_1c0d9c79-en.html (Accessed: 20 September 2026).

OECD (2025b) How is tertiary education financed? In: Education at a Glance 2025. Paris: OECD Publishing. Available at: https://www.oecd.org/en/publications/education-at-a-glance-2025_1c0d9c79-en/full-report/how-is-tertiary-education-financed_2845d742.html (Accessed: 20 September 2026).