UNDERGRADUATE

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How can South Africa build a fiscally sustainable student-financing model that enhances access to higher education? Refer to international experience in your analysis.

1. Introduction

Higher education promotes social mobility, economic progress, innovation, and skill development. However, its expenses may discourage eligible students from enrolling in or completing university and technical and vocational education and training (TVET), particularly those from low-income households. In South Africa, persistent poverty, unemployment, and inequality make this issue worse. Consequently, student assistance is a crucial tool for promoting educational reform and reducing socioeconomic inequality. The National Student Financial Aid Scheme (NSFAS) plays a major role in increasing access for eligible students. Research identifies NSFAS as a central mechanism for widening access to higher education among students from financially disadvantaged households (Bronkhorst & Michael, 2017; Mokgotho et al., 2023).

However, rising demand, competing budgetary priorities, increasing tuition and living costs, and administrative inefficiencies pose significant challenges to the system. Students classified as the "missing middle", whose household incomes exceed grant-eligibility thresholds but remain insufficient to cover the full cost of higher education, may also be excluded from financial assistance.

This essay examines how South Africa can develop a student-financing framework that promotes equitable access while ensuring long-term fiscal sustainability. It argues for a differentiated funding approach in which financial assistance is determined by students' financial needs and repayment capacities, drawing on international experiences to identify policy approaches suitable for South Africa's institutional and economic context.

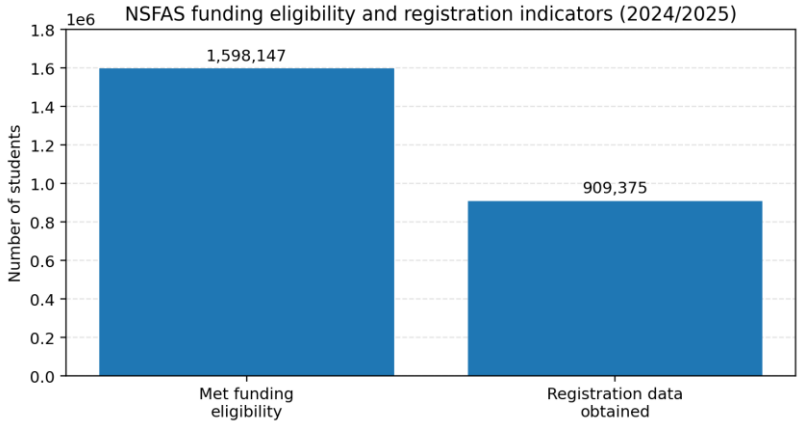
The essay is structured as follows. Section 2 examines student financing in the South African context, focusing on the role of NSFAS, the scale of funding demand, and recent efforts to support students in the missing-middle category. Section 3 compares international approaches to student financing through three country examples: Australia's income-contingent student loans, Germany's combination of needs-based grants and capped loans, and Norway's strong reliance on public financing. Section 4 draws on these experiences to propose a fiscally sustainable and equitable framework for South Africa, considering targeted grants, income-contingent loans, institutional contributions, multi-year fiscal planning, and equity in funding decisions. Section 5 addresses the governance and practical implementation requirements of the proposed framework, including phased piloting, clear institutional responsibilities, transparent decision-making, data protection, and independent evaluation. Finally, Section 6

concludes by summarising the main argument and its implications for the future of student financing in South Africa.

2. Student financing in the South African context

The NSFAS-managed public funds play a major role in South Africa's student financing system. By paying for eligible study-related costs, financial aid aims to help students who would not otherwise be able to attend public universities and TVET colleges. This responsibility has a large scope. According to the Department of Higher Education and Training (DHET 2025), 1,598,147 students fulfilled the conditions for financing eligibility during the reporting year, whereas registration information for 909,375 students was acquired. These figures show how much demand there is and how important it is to distinguish between eligibility, approval, registration, and actual payout when assessing system performance.

Previous studies have also examined the practical challenges associated with student funding, particularly the difficulties students encounter in accessing financial support and progressing through their studies (McKay et al., 2018; Chiramba & Ndofirepi, 2023). The graph below compares the two administrative indicators reported by DHET (2025).



Note: Eligibility and registration are distinct administrative indicators. Their numerical difference should not automatically be interpreted as the number of students rejected or left without funding.

Another government response was the Comprehensive Student Funding Model, which initially included a loan program for qualified missing-middle students. The 2024 announcement outlined an initial R3.8 billion capitalization commitment composed of contributions from the National Skills Fund and Sector Education and Training Authorities to serve a portion of the anticipated missing-middle cohort (DHET, 2024). The DHET annual report that follows details a lending program for households making more than R350,000 but not more than R600,000.

This program includes an incentive whereby a portion of the loan may be converted into a bursary if students finish within predetermined timeframes (DHET, 2025). The

need for a more inclusive and sustainable funding arrangement has also been highlighted in discussions of access, equity and redress in South African public universities (Mbhalati, 2024).

These changes point to a shift in the direction of a differentiated system. However, accurate means-testing, predictable commitments, efficient disbursement, repayment administration, and student completion are all necessary for sustainability, not just the introduction of loans or new financing sources. Educational outcomes can be compromised and support delayed by administrative shortcomings.

3. International approaches to student financing

3.1 Australia: income-contingent student loans

Income-contingent financing is exemplified by Australia's Higher Education Loan Program (HELP). This strategy allows qualified students to postpone certain educational expenses and use the tax system to pay back their debt after their income is above a set threshold. Instead of being fixed installments due right away after graduation, repayments are based on income. The Australian government has set a minimum payback income of AUD 69,528 for the 2026–2027 fiscal year. Compulsory repayments are determined using income over this threshold (Australian Government Department of Education, n.d.). Protection against exorbitant repayments during periods of low income or unemployment is the primary benefit. Repayment by graduates with formal employment can also be supported by tax system collection. Nonetheless, some borrowers pay back their debts slowly or never at all, which results in expenses for the government related to non-repayment and administration. With dependable coordination between pertinent institutions, South Africa might implement the notion of repayment above a certain income threshold.

3.2 Germany: needs-based grants and limited loans

A distinct strategy is provided under Germany's Federal Education and Training Assistance Act (BAföG). Support is means-tested and takes into account students' financial situations as well as those of their parents or partners where applicable. The Deutsches Studierendenwerk states that BAföG support is typically given in two ways: as a grant and as an interest-free loan with a repayment cap (Deutsches Studierendenwerk, n.d.). This agreement combines restricted repayment with governmental subsidies. It serves as an example of how student donations might represent household conditions without incurring undue debt. A comparable grant-and-loan arrangement might help households in South Africa that are able to make a partial contribution. However, local labor market and fiscal factors would need to be taken into account for income thresholds, grant proportions, and payback restrictions.

3.3 Norway: strong public financing

Norway is an example of a country where public funding for higher education is very significant. According to OECD comparative data, a significant amount of Norway's tertiary institutional spending comes from government sources, indicating a policy commitment to publicly funded higher education (OECD, 2026). This strategy promotes the idea that access to higher education shouldn't be largely determined by home wealth and lessens reliance on tuition fees as a direct source of institutional revenue. Norway emphasizes how consistent public investment plays a redistributive role. Due to differences in its income source, population size, tax capacity, and inequality profile compared to South Africa, its model cannot be directly copied. The pertinent lesson is that while the goal is to keep poverty from dictating educational opportunities, public support is still essential.

When combined, these examples show that varying balances between grants, loans, and public spending are involved in student-financing systems. The OECD (2025) emphasizes that students' financial circumstances are significantly impacted by the type and quantity of student support, including eligibility and repayment terms. Therefore, rather than only focusing on the headline level of expenditure, international comparison should also consider the design and distribution of support.

4. Towards a fiscally sustainable and equitable framework for South Africa

An appropriate framework for South Africa should address local financial constraints and inequalities while including the most pertinent aspects of international approaches. Four complementary elements could make up a differentiated, multi-source model.

First, the major tool for students from the poorest households should continue to be targeted public grants. Reliance on loans could perpetuate disadvantage for these students by shifting the expense of structural poverty to those with little potential for future earnings. Transparent and frequently updated household-income and vulnerability evaluations should be the foundation for grant eligibility. Since tuition support alone does not ensure that students can stay enrolled, funding should also take into consideration affordable living and educational expenses.

Second, students in the missing-middle category and those students with a proven but limited ability to contribute should be the main recipients of income-contingent loans. Only when a graduate's salary surpasses a suitably adjusted level does repayment start. Obligations should be postponed during times of unemployment or income below the threshold, and repayment rates should increase gradually with income. To avoid perpetual debt, a limited repayment period or a well-defined disposition of outstanding sums should be established. Although it requires careful adaptation to South Africa's high unemployment and sizable informal economy, this component is based on

Australia's repayment premise. Implementing income-contingent loans would necessitate efficient coordination between the financing agency, the South African Revenue Service, and pertinent employers, subject to privacy and data-protection protections, since they rely on accurate income information.

Third, universities could make a contribution by offering work-integrated learning opportunities, clear institutional bursaries, hardship funds, and ethical student debt management. The state's obligation to support students who cannot afford higher education should be supplemented, not replaced, by institutional contributions. Additionally, academic advising, early warning systems, and student support services should be strengthened by universities. Increasing completion rates is both an educational goal and a financial intervention: when students finish their degrees within reasonable timelines, the public funds used for their education are more likely to produce social and economic benefits. This emphasis is consistent with research showing that disadvantaged students' experiences of higher education extend beyond the availability of funding and include other barriers that can affect access and success (Chiramba & Ndofirepi, 2023).

Multi-year fiscal planning should be used to support the concept. Projections regarding the number of students, average funding expenses, grant commitments, loan disbursements, anticipated repayments, and the percentage of loans unlikely to be repaid should all be made public by the government. The implications of enrollment growth, inflation, unemployment, and shifts in graduate earnings should all be examined using scenario analysis. By identifying financial deficits before they interfere with research, these estimates would increase budget predictability.

The system's design and assessment must also incorporate equity. Rules governing eligibility should acknowledge that household income may not adequately reflect financial vulnerability, especially in situations where households must support multiple dependents or deal with extraordinary expenses. Appeals and funding decisions should be accessible, prompt, and transparent. Applications, approvals, registration, payments, student progress, completion, and debt recovery should all be distinguished in public reporting. Instead of just allocating dollars, these metrics would allow one to assess whether the system is enhancing success and increasing access.

5. Governance and implementation

Pilots and independent evaluation should be the first steps in a gradual implementation. Authorities should specify who is responsible for loan servicing, repayment, eligibility, allocation, and appeals. If judgments can be reviewed and personal information is secured, interoperable information systems may lessen duplication. Clear procurement and conflict-of-interest regulations, independent audits, and public reporting should all be part of governance. Before accepting financing, students must be informed of loan terms, payback criteria, and bursary-

conversion requirements. Outcomes for low-income households, historically underprivileged communities, rural children, and students with impairments should all be evaluated. Above all, budgetary sustainability must be evaluated over the entire student assistance life cycle. In the near term, a system that shifts excessive expenses onto students in order to decrease immediate expenditure may seem more cost-effective, but it may also increase dropout rates, graduate debt, and inequality. On the other hand, well-crafted loans and well-targeted grants can promote human capital development while more effectively allocating public resources.

6. Conclusion

The problem of student funding in South Africa necessitates striking a balance between the long-term affordability of public assistance and the growth of equal access. Experience from throughout the world shows that no one financing strategy can be applied everywhere. Germany shows how grants can be linked with limited and capped loans, Australia provides helpful guidelines for income-contingent repayment, and Norway highlights the importance of significant public expenditure in promoting access. However, each strategy is dependent on institutional and economic circumstances that are different from those in South Africa. A differentiated structure that maintains grants for the most financially vulnerable students, offers reasonably priced income-contingent loans for those with some repayment capacity, and encourages supplementary contributions from companies and universities is a better course of action. Sound financial forecasts, efficient management, open governance, and measures that enhance student advancement and completion would all be necessary for its viability. The ultimate goal should be to employ public and complementary resources in a way that increases opportunity, lessens financial exclusion, and creates long-lasting social and economic benefits rather than minimizing the state's role in higher education.

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