How Can South Africa Build a Fiscally Sustainable Student-Financing Model That Enhances Access to Higher Education?

Category: Undergraduate category

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1. Introduction

Higher education changes lives, but its cost pressures families. Public universities had about 1.12 million students in 2024 (DHET 2024). Government must also fund health, social grants, infrastructure and debt.

Funding is under pressure. Vote 17 was allocated R149.2 billion in 2026/27, while NSFAS funding is expected to rise from R48.8 billion in 2025/26 to R54.6 billion by 2028/29 (National Treasury 2026; DHET 2026). NSFAS provides bursaries to eligible poor students and loans to qualifying missing-middle households earning R350 001 to R600 000 a year (NSFAS n.d.-a; NSFAS n.d.-b).

This essay argues that South Africa should not replace NSFAS with a full loan system. Instead, it should retain what works, address weaknesses and add complementary funding through grants, income-contingent loans, skills-linked funding, donors and a limited lottery top-up.

2. The Student Financing Challenge in South Africa

NSFAS supports students from low-income households by covering tuition and other study costs (NSFAS n.d.-a). However, students have different financial circumstances. Some may contribute towards their studies or repay a loan once employed.

The missing middle illustrates this challenge. These students are deemed to be too rich for a bursary namely NSFAS however too poor to pay fees. NSFAS introduced a loan scheme for qualifying households earning R350 001 to R600 000 a year (NSFAS n.d.-b). The Heher Commission (2017) also considered income-contingent funding to widen access while managing pressure on government.

I have experienced this pressure personally. During my undergraduate studies, my household fell into the missing-middle category - just above the NSFAS bursary threshold, but unable to afford upfront fees and registration. We borrowed from family and paid in instalments. At one point, I had to choose between accommodation and textbooks, photocopying chapters in the library for weeks. I was fortunate to eventually secure bursary support, which allowed me to continue and graduate on time. That experience showed me both sides: how a funding gap can push academically capable students to the edge, and how targeted support keeps them in the system. When

students are forced to pause for funding, the fiscus also waits - each delayed graduation delays a future taxpayer. South Africa must also learn from the previous NSFAS loan system. The Heher Commission (2017) identified difficulties recovering loans from unemployed or hard-to-trace graduates. Low repayment may reflect unemployment or weak collection systems, rather than unwillingness to pay.

3. Lessons from other countries

International examples show that student funding can widen access without upfront fees. Australia's Higher Education Loan Program (HELP) lets eligible students defer tuition, with repayments generally starting above an income threshold (Australian Government Department of Education n.d.). In England, graduates on the relevant plan repay 9% of earnings above the threshold (Department for Education 2026); some plans write off remaining balances after a set period (Business Debtline n.d.). The United States also combines grants with income-driven repayment (U.S. Department of Education 2025).

New Zealand shows how loan conditions can influence where graduates live. Student loans are generally interest-free while borrowers live in the country; those who move overseas may pay interest under the applicable rules (Inland Revenue New Zealand 2006).

Lottery funding can supplement student support if carefully managed. Brazil has directed unclaimed lottery prizes towards FIES, with more than R$4 billion reportedly provided between 2016 and 2025 (Ministry of Education Brazil n.d.; Sigma World 2026). Georgia's lottery has raised more than US$30 billion for education, supporting programmes such as the HOPE Scholarship (Atlanta News First 2025).

4. Proposed Funding Plan

4.1 Grants must stay at the centre.

4.2 For the missing middle, income-contingent loans make the most sense.

Graduates should repay only when they earn enough. Official unemployment was 33.6% in the second quarter of 2026 (Stats SA 2026. I have seen friends remain unemployed for a year after graduating with NSFAS debt. Starting repayments too early increases default risk.

These loans cost the state because some students will never earn enough to repay, that is the point I adapted England's model (Department for Education 2026) my proposal is to start repayments when annual taxable income exceeds R150 000, collected through PAYE. Table 1 proposes 3% on income in the R150 001–R300 000 band and 6% above R300 000. These rates are below England's 9%, and the thresholds need testing.

Table 1: Proposed repayment scale for the missing-middle loan

Yearly taxable income	Repayment rate
Up to R150 000	0%
R150 001 to R300 000	3% of income in this band
Above R300 000	6% of income in this band

Source: Own proposal, informed by Department for Education (2026).

South Africa should keep interest low. A zero or very low real rate, similar to New Zealand's approach for residents, would prevent balances from growing beyond borrowers' ability to repay. Charging interest to borrowers who move abroad could also encourage graduates to remain in South Africa (Inland Revenue New Zealand 2006).

South Africa already has a potential collection system. Employers report income and deduct employees' tax through PAYE (SARS 2026b). SARS could collect student-loan repayments through the same mechanism, potentially at less cost than creating a new agency.

4.3 Skills-linked bursaries

Funding for skills needs to work with the bursaries we already have, rather than adding a whole new system to manage. Funza Lushaka links funding to teacher shortages and includes a service obligation (Department of Basic Education 2026). Government should support established programmes and work with private providers such as KPMG, Deloitte, PwC and EY, which advertise bursaries (Deloitte South Africa 2026; EY South Africa 2026; KPMG South Africa 2026; PwC South Africa 2026). Partnerships could support nursing, engineering and digital-skills students where shortages exist, with transparent work-back arrangements tied to genuine employment needs.

4.4 Private and donor funding should add to government support, not replace it.

The Ikusasa Student Financial Aid Programme (ISFAP) shows how government, universities, businesses and donors can support students together (ISFAP 2026). The University of Pretoria also lists NSFAS, ISFAP, bursaries and loans as funding options (University of Pretoria n.d.). WaFunda offers income-share agreements, where students repay a fixed share of income once employed (WaFunda n.d.). Such arrangements can complement public funding but require clear rules, fair terms and oversight.

Section 18A could encourage private contributions towards student funding. Under current rules, qualifying donations to SARS-approved organisations for specified public-benefit activities may be deducted, generally up to 10% of taxable income, with eligible excess carried forward (SARS 2020; SARS n.d.). This essay proposes increasing the limit to 15% only for donations to approved organisations where funds are ring-fenced for bursaries, scholarships and other qualifying student-financing support. This could include initiatives such as ISFAP only where the recipient and funded activity meet section 18A requirements. The higher limit would not apply to general donations or unrelated charitable purposes. Table 2 illustrates the potential effect for a company with R10 million taxable income, using the 27% corporate tax rate for 2026/27 (SARS 2026a). Increasing the qualifying donation from R1 million to R1.5 million would add R500 000 to student funding and create an estimated additional tax saving of R135 000. This is R3.70 in additional donations for every R1 of additional tax relief. Regulations should monitor whether the incentive increases corporate social investment (CSI), rather than diverting donations from essential public-benefit organisations, including food-relief and healthcare NGOs. However, this deduction could be capped at R100 000 yearly to protect existing public benefit organisations.

Table 2: Illustrative cost of a proposed 15% Section 18A limit for qualifying student-funding donations

Limit	**Donation**	**Tax given up by government at 27%**
10%	R1 000 000	R270 000
15%	R1 500 000	R405 000
Extra	R500 000	R135 000

Source: SARS (2020; 2026a); calculations based on these figures.

4.5 Could Lottery Money Fund Students?

The National Lotteries Commission (NLC) manages the National Lottery Distribution Trust Fund (NLDTF), which distributes money for good causes (NLC n.d.). Lottery proceeds support charities, sport, recreation, arts, culture and heritage (Vuk'uzenzele n.d.).

Prizes unclaimed for 365 days after a draw are transferred to the NLDTF (NLC 2022; IOL 2024). Current figures are needed to establish how much could support students.

The NLC reported about R1.3 billion in project funding in 2019, compared with NSFAS's expected R48.8 billion budget in 2025/26 (NLC 2019; National Treasury 2026). Although the figures cover different years and purposes, redirecting the full R1.3 billion would cover only about 2.7% of the NSFAS budget. So, lottery money cannot replace NSFAS. At best, it buys laptops or covers registration for a few thousand students as a top-up, nothing more, not a replacement for sustainable funding. Since the NLC figure does not identify the share from unclaimed prizes, government should publish verified annual estimates before introducing a scheme. Any allocation should support a defined number of missing-middle students.

Lottery funding creates competition because charities, sport and arts organisations already rely on distributions; changing allocations may require amendments to the Lotteries Act (Republic of South Africa 1997). Public trust is another concern. The SIU investigated more than R1.4 billion in suspicious lottery grants, many linked to proactive funding without applications (Daily Maverick 2022). A student fund would need separate governance, transparent reporting and independent oversight to prevent diversion from existing beneficiaries.

Government could allocate a limited share of unclaimed prizes to student support, drawing on the reported Brazilian example (Sigma World 2026). It should publish annual figures on funding received, students supported and completion rates. Lottery funding should remain supplementary until governance concerns are addressed.

4.6 Looking at the Options

Table 3 compares the options by cost, risk and recommended use. Grants and loans should form the core, with other options providing targeted support.

Table 3: Comparing each funding option

Option	**Cost to government**	**Main risk**	**What to do**
NSFAS grants	Highest, R48.8 billion in 2025/26	Budget pressure keeps growing	Keep, for poor students
Income-contingent loans through SARS	Lower, some balances written off	Low earners may not repay	Use for the missing middle
Skills-linked bursaries	Medium, work service pays something back	Only covers a few fields	Expand where skills are short

Option	Cost to government	Main risk	What to do
Qualifying student-funding donors (proposed Section 18A incentive)	Tax relief; R135 000 additional relief in the example	Donations may replace existing giving; approval and ring-fencing are essential	Initially allow a 15% limit only for qualifying, approved student funding
Income share agreements	None, but students may pay more	High total repayment	Allow with strict rules
Lottery fund	Uncertain; amount must be verified	Competes with existing good causes; governance risks	Begin on a small scale, with independent oversight

Source: Own analysis and comparison.

5. How It Could Work

Implementation should be staged, using existing NSFAS systems and bursary partnerships. Government should introduce an income-contingent loan for missing-middle students, with SARS collecting repayments through PAYE (SARS 2026b). SARS should issue automated tax directives so employers can add repayments to payroll without manual calculations. Government should strengthen cooperation with public and private bursary providers, including work-linked schemes in shortage sectors. The Section 18A incentive should begin on a limited basis and apply only to approved organisations, with donations ring-fenced for eligible student support. Lottery support should also start small. Expand each initiative only if it adds funding, improves access and has effective oversight.

6. Conclusion

South Africa does not have to choose between access and affordability. It can keep NSFAS bursaries for poor students and add SARS-collected loans for the missing middle. My household was just above the NSFAS line. I had to choose between accommodation and textbooks and borrow from family for registration. That gap can delay studies and future tax. Loans should have 0% repayment up to R150 000, 3% on the R150 001 to R300 000 band and 6% above R300 000, with low real interest. Skills

bursaries, Section 18A donors and a small, audited lottery fund for laptops and registration can keep students in class while protecting the fiscus.

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