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# Beyond administration: time to overhaul the NSFAS as we know it

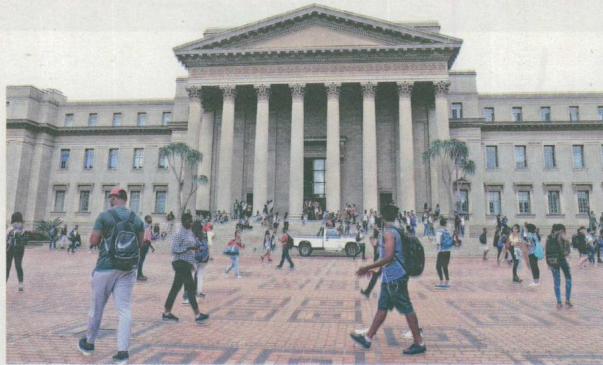
Several aspects of the scheme have failed to evolve alongside SA's economic realities

**B**uried in a policy circular distributed recently to universities is an admission that South Africa's student funding model might no longer be financially sustainable in its current form.

Now placed under administration for the third time since 2018, the National Student Financial Aid Scheme (NSFAS) does not need another temporary administrator. It needs an overhaul.

The reason lies not only in its governance failures or operational shortcomings but in a policy shift that raises questions about the sustainability of the current funding model.

The latest policy standard document outlining NSFAS criteria and conditions for financial aid, signed by Minister of Higher Education and



National Student Financial Aid Scheme funding for students will now be subject to the "available budget". / Gallo Images

hold incomes exceed the R350 000 threshold but who are unable to cover the full cost of higher education.

Roughly half of SU's ballooning student debt can be linked to NSFAS delays, while the remainder is owed by self-funded students struggling to meet their financial obligations.

### Silver lining

If there is any silver lining to the NSFAS being placed under administration yet again, it is that it forces decision-makers back to

loan-based model to a fully funded bursary scheme might have been politically expedient but it was never matched by the policy certainty, administrative capability or long-term financial planning and commitment required to sustain it.

Several aspects of the scheme have failed to evolve alongside South Africa's economic realities. For instance, capping the household income threshold for bursary funding at R350 000 despite inflationary pressures, increasingly undermines the credibility and fairness of the entire model.

For universities, the systemic weaknesses translate into mounting financial exposure.

At Stellenbosch University (SU), operational income declined from a R304 million surplus in 2015 to a deficit of R25 million in 2025, driven largely by outstanding NSFAS-related debt. By the end of December 2025, SU's gross outstanding student debt stood at an alarming R1.12 billion — a 60% increase from 2024 and directly linked to the cumulative outstanding payments from the NSFAS to SU.

Even excluding the NSFAS, there was a 29% increase in outstanding student fees from 2024 to 2025, highlighting that outstanding student debt constitutes a significant financial risk for universities.

The pressures are not unique to SU. Across the sector, institutions are increasingly absorbing the financial and administrative consequences of NSFAS instability worsened by a student finance model that appears increasingly unsustainable.

Administrative delays worsen the crisis. As of March 2026, SU had received only 17% of the funds claimed from the NSFAS (excluding student allowances) for the current academic year. This follows the low payment

rate for 2025, where the NSFAS has yet to pay out R296m outstanding to SU. While the scheme attributes the delays to cash-flow management and prioritising direct student allowances, the practical consequence is that universities are forced to advance funding before they are reimbursed.

The increase in NSFAS-related debt has become a primary driver of SU's cash flow challenges and delays in payments have significantly reduced operational liquidity.

The financial strain is compounded by historically slow and dysfunctional appeals and migration processes, where portal failures and closed windows prevent rejected students from resolving their status. Universities continue to fund them during ongoing appeals, absorbing immense financial risk.

Another addition is the

2026 policy standard impacts both institutions and students (the same applies for designating an area as metropolitan or not for determining the applicable accommodation allowance rate).

### Human cost

While the balance-sheet numbers are staggering, the human cost is even more concerning. Students who complete their degrees burdened by debt often find their academic certificates withheld, placing their employability at risk.

With South Africa's youth unemployment rate sitting at 45.8% and graduate unemployment rising sharply, according to Statistics South Africa, withholding degrees turns what should be an economic launchpad into a reinforcing cycle of poverty and exclusion.

Although by the end of 2025, 1 429 SU graduates have had their certificates withheld because of unpaid debt, the university provided academic records and proof of qualifications to prospective employers to help indebted graduates secure employment.

In addition, SU has implemented initiatives such as the Student Debt Working Group and a partnership with Standard Bank, whereby the university signs surety on loans to ensure final-year students are not financially blocked from registration or from graduating.

We remain one of the few institutions aggressively trying to recover outstanding funds owed by the NSFAS from the Closeout Project (2017–2022), designed to reconcile historic student-level transactions. Through our development and alumni relations division, we also continue to mobilise donor funding and alternative financial pathways to assist students.

While the NSFAS struggles to stabilise itself, a parallel crisis has intensified for the "missing middle" whose house-

Half of SU's student debt can be linked to NSFAS delays

the negotiation table. The NSFAS allocates funds for loans and bursaries to eligible students. The criteria and conditions for the granting of these are determined in consultation with the minister of higher education and training. The NSFAS cannot resolve the issue independently, even if it could do so. The political stakeholders responsible for funding policy and the business and organisational model of sustainable and inclusive student financing in South Africa must be involved.

This is the ideal moment for diverse political voices in the government of national unity to collectively acknowledge the urgency of practical, sustainable reform if we hope to widen and sustain access to higher education.

We must openly deliberate alternative governance and financial frameworks, including income-contingent loans and direct institutional funding limiting the involvement of intermediaries.

A funding system in which qualifying students cannot be guaranteed support beyond a single academic year is not merely administratively broken; it signals a funding model in urgent need of redesign.

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The aid scheme needs an overhaul

Training Buti Manamela and finalised and distributed only in May, introduces a new principle: funding is "subject to available budget".

The amendments apply to all NSFAS-funded students, irrespective of whether they are returning, continuing or first-time-entering students.

Students who continue to meet the academic and financial criteria stipulated in the policy are therefore not assured of funding to complete their studies, as continued funding is made subject to the availability of funds.

While explicitly outlining the conditions for financial aid provides some protection for the NSFAS if it experiences funding shortfalls — as history has shown it has repeatedly — it offers little comfort to the qualifying students unable to study with the peace of mind that as long as they continue to do their part, they will be supported to complete their studies.

The vision behind expanded student funding was necessary and morally compelling.

The NSFAS is supposed to be, as Manamela recently noted, "one of the most important public institutions in our democratic project".

Yet, the latest policy document raises questions about the long-term sustainability of the current funding model.

### Systemic weaknesses

The rapid transition from a

Ongoing administrative delays worsen the crisis

prohibition on "top-ups", which will result in shortfalls this year.

As an example, institutions usually updated registration data when a student's cost of study changed, such as moving from home or private accommodation to university residence or vice versa. Historically, the changes required updates to funding allocations to accurately reflect the student's cost of study but this will now no longer be possible. Introducing the limitation four months into the academic year is problematic.

The delay in publishing the

