

# OPINION | Removing the financial obstacles for access to tertiary education

## THE NATIONAL STUDENT FINANCIAL AID SCHEME: IMPORTANT GAINS, SIGNIFICANT CHALLENGES

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### Introduction

During apartheid, the vast majority of students at higher education institutions (HEIs) in South Africa were white. In 1980, for example, they constituted 74.8 per cent of students, compared to the 12.5 per cent that were black. A decade later, in 1990, black students still represented only 37.7 per cent of all the students (De Villiers 1996). This disproportionate relationship between demographic share and representation at tertiary institutions was a reflection of the broader injustice of the previous political dispensation. It had to change.

As a result, high expectations emerged around the time of the country's political transition that it would also herald a period of increased access to those groups that were previously denied access on the basis of racial criteria. However, for reasons that will be discussed in this contribution, tuition fees of HEIs increased substantially in subsequent years, making affordability a new hurdle in access for the (mainly black) poor. With the overt racial obstacles removed, economic ones came to replace them. The introduction of the National Student Financial Aid Scheme (NSFAS) was an initiative to counter this and make higher education (HE) more affordable for the poor and more representative of the country's demographics.

This article looks briefly at the public financing of HE in South Africa over the past two decades, and then proceeds to outline the history of NSFAS since its introduction in the mid-1990s and how it grew and developed over time. It will highlight the demographic profile of the students that received NSFAS awards, as well as the academic achievements of these students.

### Public financing of the South African higher education system

In the past two decades, the public financing of HE decreased in real per capita terms. State allocations increased from

R1 422 million in 1987 to R10 215 million in 2005, and to R19 534 million in 2010. However, this did not keep up with student numbers, and real state appropriation per weighted full-time equivalent (FTE) student decreased by 36 per cent for universities and by 43 per cent for technikons between 1987 and 2005. (Steyn & De Villiers 2006).<sup>1</sup> This trend continued during the period 2000–2009, when real state appropriations decreased by 1.1 per cent per annum per FTE student (Bunting 2011). The workload on lecturers also increased, because over the period 1987–2003 the number of weighted FTE students increased by 141.3 per cent (from 183 604 to 442 962), but the number of weighted FTE instruction/research personnel increased by only 53.5 per cent, from 14 036 to 21 510 (Steyn & De Villiers 2007).

These trends can be seen clearly in Figure 3.2.1. While about 0.83 per cent of GDP was spent on HE in 1987, this declined to only 0.68 per cent of GDP by 2009. Public spending on HE decreased from 3.03 per cent to 2.39 per cent of total public expenditure over the same period. Within the educational budget, HE's position deteriorated over time: in 1987, it received 15.43 per cent of the total education budget, but its share decreased quite substantially to 11.51 per cent in 2009.

Table 3.2.1 shows that public expenditure on HE in South Africa lags behind the rest of the world. While the government is currently spending 0.68 per cent (and 0.64 per cent in 2007) of GDP on HE, the international average is a much higher 0.82 per cent of GDP. Only the countries in East Asia and the Pacific spend a smaller percentage of GDP than South Africa. Compared to more developed regions like North America and Western Europe, South Africa lags even further behind. A disturbing fact is that even in the sub-Saharan Africa region, South Africa (which is frequently seen as the growth train of Africa) lags behind the average. Despite this, trends in public financing of HE suggest that this picture is unlikely to change

much in the immediate future. This clearly illustrates why HEIs have come under more financial pressure and have had to increase tuition fees (in real terms) to survive. Unfortunately, this has had very negative consequences for prospective students from poor communities, because it has made HE more unaffordable to the poor.

Owing to the decrease in real terms in state appropriations per student, tuition fees at universities increased in real terms by 49 per cent between 1986 and 2003 and by 85 per cent at technikons from 1987 to 2003 (Steyn & De Villiers 2006). From 2000 to 2010, tuition fees per FTE student increased by 2.5 per cent per annum in real terms (Bunting 2011). While universities were expected to become more inclusive in terms of attracting a more diverse student profile, these inevitable cost increases became a prohibitive factor for poor students to enter the system. Those who did become saddled with huge debts.

Although data on outstanding student debt at HEIs are not readily available, Steyn and De Villiers (2006) have shown that for the 26 (out of 36) HEIs with available data, student debt almost doubled from R669.0 million in 2001 to R1 337.4 million in 2003. Student debt written off increased from R94.2 million in 2000 to R190.2 million in 2003. This amply illustrates the problems students experience in financing HE, which is the very reason why NSFAS was introduced – to make HE more affordable for the poor and in this way to contribute to changing the demographic profile of students attending HEIs in South Africa.

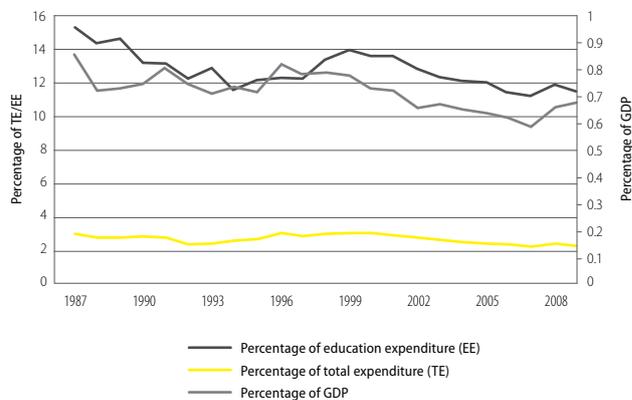
## The National Student Financial Aid Scheme

### Background

Since the early 1990s, when South Africa embarked on a reform process towards becoming a democracy, the problem of outstanding student debt threatened to create a situation where certain HE institutions would have been unable to continue their activities. Some form of financial aid had to be put in place to help students from previously disadvantaged communities to enter and complete HE. The provision of additional financial aid to poor students was an effort to create equal opportunities and access to HEIs and, by extension, to eradicate the extreme racial imbalances that characterised registration in these institutions.

The National Commission for Higher Education advocated a national financial aid scheme in its report of 1996 (European Commission 2000), a view that was fully endorsed in the Education White Paper 3 (RSA 1997). The Tertiary Education Fund of South Africa (TEFSA), established in 1991 by the Independent Development Trust as a not-for-profit company to provide loans to HE students, had the necessary infrastructure to administer the new aid scheme, which was to be funded primarily by the state. Therefore, TEFSA was contracted by the minister of education to administer NSFAS. The first state allocation for NSFAS was made in 1995. However, the need for financial assistance was so overwhelming that NSFAS was

Figure 3.2.1: Expenditure on higher education in South Africa, 1987–2009



Source: Steyn & De Villiers (2007); DoE (2007–2009); SARB (2007–2009)

Table 3.2.1: Total public expenditure on higher education as a percentage of GDP by continent/region, 2007

Continent/region	Number of countries	Percentage of GDP average
Sub-Saharan Africa	22	0.69
South and West Asia	5	0.72
North America and Western Europe	21	1.05
Latin America and the Caribbean	21	0.81
East Asia and the Pacific	10	0.62
Central and Eastern Europe	15	0.90
Arab states	6	0.85
South Africa*		0.64
<b>Total</b>	<b>100</b>	<b>0.82</b>

Note: \*The value for 2007 (not the latest available figure) is used for the purpose of comparison with the other regions

Source: Own calculation using UNESCO (2009: 53 and Table 13)

unable to respond to the massive demand. For example, 223 000 students applied for loans in 1996, but only some 70 000 could be assisted. NSFAS was formally established by the National Student Financial Scheme Act 56 of 1999. In 2000, TEFSA was reconstituted as NSFAS – a statutory agency with a board, representing all major stakeholders in HE in South Africa, appointed by the minister of education. NSFAS could also collect and allocate donor funding to provide loans and bursaries for needy students.

In principle, NSFAS aims to ensure that most citizens have access to and can afford higher education and training. NSFAS receives allocations from the state as well as donations from local and international donors, and then provides assistance to disadvantaged students by means of bursaries and/or loans. According to the NSFAS Act, any student may apply in writing for financial assistance, but, in order to be eligible for a NSFAS loan, a student must:

- » be a citizen of South Africa;
- » be accepted as a registered student at a traditional university, comprehensive university or a university of technology in South Africa when the award is made;
- » be studying for a first tertiary qualification, or be studying for a second educational qualification provided that this second qualification would enable the student to practice a chosen profession;
- » be judged to have the potential to succeed; and
- » be regarded as financially needy.

For this process to be successfully undertaken, a means test has to be applied. HEIs have customised the means test to suit their specific contexts, but, in general, the test can be classified in terms of one or more of the following categories:

- » calculations of gross family income, with applicants qualifying if their income is below a certain predetermined maximum;
- » per capita income, which takes into account the gross income of the family and the number of dependents in the household;
- » a points system that takes account of the above, and takes into consideration if parents are divorced or other dependents in the household are also studying at an HEI;
- » a questionnaire and interview by a skilled interviewer to explore the complexities of the student's background; and
- » a calculation of notional disposable income that takes into account family size, what each member of the household needs to live on and the income available to finance the applicant's studies.

These criteria demand high levels of administrative capacity, and because NSFAS cannot handle all the administration, they rely on the financial-aid offices of the HEIs to act as local agents in executing the disbursement system. The institutions

finalise the written agreement with NSFAS, grant the bursaries or loans, report on the progress of these students and notify the board if the borrower discontinues his or her studies.

To ensure that NSFAS funds are divided equitably between the different HEIs, the institutional allocations are based on the number of disadvantaged students at the respective HEIs, as well as the costs of study (according to study programme) at each institution. The average full cost of study (FCS) for all academic programmes at an institution includes both tuition fees and residential fees. The weighted number of disadvantaged students (WDS) at each HEI is determined by means of the following formula:

$$\text{WDS} = (\text{FTE enrolled black students} \times 3) + (\text{FTE enrolled coloured students} \times 2) + (\text{FTE enrolled Indian students} \times 1)$$

Finally, the WDS and FCS measures for each institution are then used to apportion the total NSFAS allocation for a specific financial year between all the HEIs. Thus, the amount that each HEI receives is determined solely by the racial composition of the student body at the institution, especially the number of black students. However, at each institution itself, no distinction is made according to racial category, and the poorest students (those meeting the criteria of the means test) should receive NSFAS awards irrespective of their race group.

In determining the size of the award for qualifying students, HEIs are supposed to use the following formula (although the actual experience of most HEIs is that the maximum amount available through NSFAS is not enough to cover all the costs of a student):

$$\text{NSFAS award} = \text{costs} - \text{bursaries} - \text{expected family contribution}$$

### Number of students helped

Table 3.2.2 provides a breakdown of the number of students that received financial support, as well as the amount that was paid out in NSFAS awards, between 1995 and 2011. It points to a significant expansion in the numbers of students with access to HE funding, averaging 91 888 students per year over the period.

The amount paid out in terms of awards increased substantially over the years, from a mere R154.0 million in 1995 to R3.3 billion in 2010. Over the period 1995–2010, R18.5 billion was granted to needy students in the form of NSFAS awards.

Table 3.2.3 shows that the maximum amount a student could receive in 1999 was R13 300; this increased substantially to R47 000 in 2010. Over the period 1999–2010, the maximum amount increased by an average of 12.2 per cent per annum, which meant that the monetary value of support also increased significantly in real terms.

Although the percentage splits between racial groups and sexes differ between years, on average about 54 per cent of recipients were women and 46 per cent were men. Approximately 93 per cent of recipients were black, 5 per cent

coloured, 2 per cent white and 1 per cent Indian (see <http://www.nsfas.org.za/profile-statistics.htm>). The government's contribution to NSFAS was a mere R40 million in 1995. Table 3.2.2 also illustrates unequivocally the significant growth in government contributions over time. From 1995 to 2010, no less than R12.9 billion was paid to NSFAS, and in 2011 R5.4 billion was budgeted for NSFAS. The government's intention to make HE more affordable for needy students through NSFAS awards is clear. As a result, very poor students should be able to afford HE if they receive the maximum amount as a NSFAS award.

### Repayment of loans

NSFAS functions as an income-contingent loan and bursary scheme. This means that loan recipients only start repayments once they are in employment and earning above a threshold level of income. This threshold income level is currently set at R30 000 per annum. A student will then be liable to pay 3 per cent of his/her income as a premium on the loan (thus, a mere R75 per month). This percentage increases on a sliding scale until it reaches a maximum of 8 per cent of income once a person earns R59 300 (at this salary, it translates to R395 per month). According to the Council on Higher Education (CHE 2004), the initial student award is a 100 per cent loan. Up to a maximum of 40 per cent of the loan can be converted into a bursary, with the extent of the conversion determined by the student's academic results. If 25 per cent of the courses are passed, 10 per cent of the loan is converted into a bursary; if 50 per cent of the courses are passed, 20 per cent of the loan is converted into a bursary; and so on. Interest on loans used to accrue at approximately 2 per cent above the inflation rate (based on the previous year's CPI), but since 1 April 2008 it has been pegged on 80 per cent of the repo rate as determined by the South African Reserve Bank (5.2 per cent for 2010).

The repayment of loans after recipients have left the HEIs seems to be the biggest problem that such schemes experience internationally. NSFAS is no exception. The tracking of debtors between the time when they exit the HE system and their first place of employment has proved to be very complex and time-consuming. The situation is even worse for students that fail and drop out of the HE system. Frequently, the NSFAS office loses contact with these students, which makes the recovery of outstanding debt a difficult task. These problems are experienced despite the fact that employers are obliged by law to report when they employ NSFAS students.

Table 3.2.4 shows that despite these problems the capital payments received from former recipients of NSFAS awards increased substantially over the years, from R30.3 million in 1998 to R636.3 million in 2009. However, a personal enquiry at the NSFAS headquarters made it clear that information is lacking on how much it is owed, given the absence of a clear information system detailing repayment requirements and actual repayments. It is, therefore, unclear whether South

**Table 3.2.2: NSFAS awards paid out, 1995–2010, and state budget, 1995–2011**

Year	Number of students	Amount paid out (R million)	State budget (R million)
1995	40 002	154.0	40.0
1996	67 641	333.3	300.0
1997	63 272	350.9	200.0
1998	67 558	394.5	296.3
1999	68 363	441.1	384.8
2000	72 038	510.8	437.4
2001	80 513	635.1	440.0
2002	86 147	733.5	489.0
2003	96 552	893.7	533.0
2004	98 813	985.0	578.0
2005	106 852	1 217	864.0
2006	107 586	1 358	926.0
2007	113 519	1 791	1 113.0
2008	117 766	2 375	1 502.0
2009	135 208	3 154	2 015.0
2010	148 387	3 344	2 373.0*
2011	n/a	n/a	5 400.0**

Note: \*MTEF estimates; \*\*Announcement by Minister Blade Nzimande

Source: NSFAS (2007, 2008, 2010, 2011); Steyn & De Villiers (2006); MoE (2004, 2005, 2006); MoET (2009); SAPA (2011)

**Table 3.2.3: Minimum and maximum amounts of NSFAS awards, 1999–2010**

Year	Minimum	Maximum
1999	1 100	13 300
2000	1 200	14 600
2001	1 300	16 000
2002	1 400	17 600
2003	1 500	20 000
2004	2 000	25 000
2005	2 000	30 000
2006	2 000	32 500
2007	2 000	35 000
2008	n/a	38 000
2009	n/a	43 000
2010	n/a	47 000

Source: NSFAS (2007); <http://www.nsfas.org.za/profile-statistics.htm>

Africa is doing any better than countries elsewhere in the world that use a similar type of scheme. The percentage of capital payments received from former recipients that are re-injected into the fund to be paid out as new awards has remained fairly constant at around 29 per cent of the amount received. As a result, the amount received from former recipients, which is paid out in new awards, has increased substantially over the years. For example, in 2009 a healthy R580.1 million of receipts was re-injected into the pool of funds to be used for new awards. For the period 2001–2009, on average 20.4 per cent of disbursed funds were receipts re-injected into the fund.

The provision for doubtful debt (loans that are unlikely to be repaid) should give one an idea of the success with which repayment of loans takes place. Table 3.2.5 offers a summary of provision for doubtful debt since 2004. The percentage written off is derived by taking into account the economic status of the country (which determines the unemployment rate of recipients of NSFAS awards once they have completed their studies), the number of recipients that have died (HIV/AIDS played an important role in this regard), recipients that became permanently disabled and recipients that dropped out of the system. The lower rates from 2005 can probably be attributed to improved loan recovery strategies that were put into place, as well as lowered mortality from HIV/AIDS. In 2010, the scheme undertook a student loan-book review that took into consideration the impact of legislation and economic factors (NSFAS 2010). According to the NSFAS annual report for 2010, an impairment of R2.6 billion was effected on student loans. This explains the very low 2.9 per cent provision for doubtful debt in 2010, although it is not clear from the report why exactly this was the case.

### Success of students that received NSFAS awards

As indicated above, an incentive is built into the scheme for students who are successful in their studies to convert part of the loan into a bursary. In terms of this model, up to 40 per cent of the loan can be converted into a bursary if a student passes all of his or her courses. From Table 3.2.6, it is clear that if the reported statistics of NSFAS are accurate, then their students are very successful with their studies. Over the period 1996–2009, NSFAS reports that students passed on average 74.3 per cent of the courses for which they entered. However, the ministerial committee on the review of NSFAS reported that of all the students NSFAS has funded over the years, 33 per cent are still studying while the other 67 per cent are not at HEIs anymore (DHET 2010). Of the students no longer studying, only 28 per cent had graduated, while the remaining 72 per cent had dropped out or did not complete their studies. If one takes into consideration that on average 28.5 per cent of loans of the maximum of 40 per cent that can be converted were converted into bursaries, this is consistent with an approximate 70 per cent success rate. Thus, the NSFAS and ministerial committee statistics seem to be contradictory.

**Table 3.2.4: Funds recovered from former NSFAS award recipients, 1998–2009**

Year	Amount (R million)	Amount re-injected from loan recovery (R million)
1998	30.3	–
1999	67.7	13.7
2000	91.7	9.2
2001	112.4	149.3
2002	155.8	150.0
2003	208.5	168.8
2004	245.3	246.5
2005	329.0	261.3
2006	392.4	296.0
2007	479.2	294.8
2008	555.7	396.9
2009	636.3	580.1

Source: NSFAS (2007, 2008, 2009, 2010)

**Table 3.2.5: Provision for doubtful debt, 2004–2010**

Year	Amount (R million)	Percentage
2004	1 239.9	38.4
2005	1 115.5	29.9
2006	1 264.3	27.4
2007	1 234.4	22.8
2008	1 464.9	23.2
2009	1 774.1	23.8
2010	174.9	2.9

Source: NSFAS (2008, 2010)

However, one must bear in mind that passing courses is not the same as obtaining a qualification. This may partly explain these apparently contradictory statistics.

### Success of NSFAS students using individual data

This section deals with the results of a recent research report on the progress of students that received NSFAS awards in the period 2000–2004 using Higher Education Management and Information System (HEMIS) data up to 2009 (see De Villiers, Van Wyk & Van der Berg 2012). The researchers tracked students through the HE system by making use of *individual* student data. Students can be tracked through HEMIS to determine when they change courses or institutions, when they drop out of the HE system or drop back in again, whether they stay in the system without obtaining a qualification or whether they obtained a qualification. De Villiers et al. (2012) investigated how students that received a NSFAS award for the first time in 2000 progressed through the HE system for the time period 2000–2009. The same procedure was followed for the cohort groups that received a first award in 2001 to 2004. To make results comparable, they calculated the results for students that were first year students for the first time in those five years.

Of those that were first-time first-year students in 2000 and received a NSFAS award, 55 per cent obtained at least one qualification (diploma, certificate or degree) by the end of 2008. Of the original cohort group, 38 per cent dropped out of the system without any qualification, while 6 per cent were still in the system but had not obtained any qualification. Interestingly, this is better than the situation of the non-NSFAS students that started their studies in 2000. By 2008, 48 per cent obtained a qualification, 46 per cent dropped out without any qualification and 6 per cent were still in the system without obtaining a qualification. The other cohort groups showed remarkable consistency in success/failure rates, but only the 2004 group (compared with the 2000 group) will be discussed here. The success rate of the 2004 cohort group is slightly lower than that of the 2000 cohort, as fewer years had passed since they started with HE. By 2008, 44 per cent of NSFAS students obtained a qualification, 38 per cent dropped out without a qualification and 18 per cent of the original group were still in the system without obtaining a qualification. Of the non-NSFAS students, 42 per cent obtained a qualification, 43 per cent dropped out without a qualification and 15 per cent were still in the system without any qualification.

From this analysis, it seems that NSFAS students are more successful in the sense that a higher percentage of them obtain qualifications and a smaller percentage drop out of the HE system without a qualification. It appears that the financial support makes it possible for these students to continue with their studies even when not fully successful, whereas non-supported students tend to drop out more easily. Of the money spent on the 2000 cohort group, 71.2 per cent was spent on successful students (that obtained a qualification);

**Table 3.2.6: Percentage of courses passed by recipients of NSFAS awards and of capital converted into bursaries, 1996–2009**

Year	Percentage of courses passed	Percentage of capital converted into bursaries
1996	72.6	26.6
1997	75.3	28.9
1998	76.1	29.4
1999	73.8	28.8
2000	74.6	29.4
2001	73.1	28.9
2002	73.9	28.7
2003	72.3	28.2
2004	74.3	29.1
2005	73.9	28.6
2006	73.4	27.5
2007	74.7	27.9
2008	72.9	28.3
2009	73.9	28.0
<b>Average</b>	<b>74.3</b>	<b>28.5</b>

Source: NSFAS (2007, 2010); <http://www.nsfas.org.za/profi-statistics.htm>





Financial support makes it possible for these students to continue with their studies even when not fully successful, whereas non-supported students tend to drop out more easily.

this drops to 64.2 per cent of the money spent on the 2004 cohort group (mainly due to the shorter period of this cycle, 2004–2009). Although it seems that money was spent reasonably efficiently, it did take too long in some instances to identify unsuccessful students that are still receiving an award. Some students received an award for 9 years, without having obtained a qualification.

## Conclusion

Over time, government spending on HE has decreased, both as a percentage of GDP and as a proportion of the education budget. This runs contrary to the international norm. Because government appropriations decreased in real per capita terms, HEIs had to increase their tuition fees by more than the inflation rate over the time period under discussion. While racial criteria fell away over this period, high fees introduced a new economic barrier to affordable education for the poor.

NSFAS was introduced in 1995 to change the racially skewed composition of the student population in South Africa by providing funds for disadvantaged but deserving students to afford HE. Since 1995, an average of 91 888 students have been financially supported each year with a NSFAS award; for the period 1995–2009, R18.5 billion was paid out to recipients. The state's contribution to NSFAS increased from a mere R40 million in 1995 to R2.7 billion in 2010. In total, R12.9 billion has been paid by the state towards NSFAS. Over time, the racial composition of the student population changed markedly.

In 1995, 50.2 per cent of students in HE were black and 37.5 per cent were white. By 2008, black students represented 64.4 per cent of the total and white students 22.3 per cent (SAIRR 2010). Although NSFAS is not the sole contributor to this phenomenon, it did play a positive anchoring role.

Over the years, NSFAS has contributed towards making HE more affordable to the poor, and has helped HEIs that traditionally serviced poorer communities to balance their books. Without question, the scheme has helped to make HE more accessible and affordable to the poor. NSFAS students performed better than non-NSFAS students. As NSFAS serves largely students from poorer backgrounds who are usually first-generation university students, the success of these students in progressing through the HE system is remarkable. There can be no question that NSFAS has played and is still playing a positive role in making HE more affordable and, thus, more accessible to the poor.

## Notes

1. The aggregation of the standardised credit values of the different modules for which a student enrolls in a particular year is known as the full-time equivalent value. A full-time student taking the full complement of modules normally prescribed for an academic programme in a specific year will usually have an FTE value of 1.0, but this could differ depending on specific module choices. A student enrolled for only one or two modules, or a part-time student, will have an FTE value of less than 1.0.

## IMPROVEMENTS IN ACCESS, BUT PARTICIPATION RATES STILL A PROBLEM

Gerald Wangenge-Ouma

### Introduction

The collapse of apartheid in 1994 was a watershed moment in South Africa's history, not only because it marked the onset of democracy, but mainly because it signalled the beginning of a deliberate and necessary process of undoing the effects of the many years of institutionalised racism, marginalisation and deprivation of a significant section of South African society. Despite laudable advances having been made in transforming the post-apartheid state and expanding access to opportunities and services, some persistent challenges serve to reinforce and, in some instances, exacerbate a legacy of poverty and inequality.

One of these is the field of higher education. Although the causal factors are manifold, the discussion here concentrates on funding-related issues, which, as acknowledged by educational economists, are intricately linked with issues of accessibility. The discussion attempts to highlight the various ways in which issues related to funding have constrained poor people's access to higher education in South Africa. The analysis first maps the changes realised in higher education access in South Africa since the end of apartheid; this is

followed by a discussion of various funding factors that have impacted on equitable access. The article closes with some concluding observations.

### Access to higher education

Several realities characterise the question of access to higher education in South Africa, and this has implications for its expansion and the achievement of equity. Compared to the total headcount enrolment of 525 000 in 1994 (Bunting & Cloete 2008), the figure for 2010 of 892 943 represents a remarkable improvement (see Table 3.3.1).

Table 3.3.1 also shows that the greatest quantitative expansion in enrolments was experienced in the African population group, from 353 327 in 2001 to 595 791 in 2010. However, this significant increase in enrolments has not translated into major changes in the participation rates of the African and coloured population groups, in particular, which stood at 14.1 per cent and 15.0 per cent respectively in 2010 (see Table 3.3.2).<sup>1</sup>

**Table 3.3.1: Total headcount enrolment by population group, 2001–2010**

Year	African	Coloured	Indian	White	Unknown	Total headcount enrolment
2001	353 327	32 900	43 436	173 397	1 879	604 939
2002	377 072	37 906	47 567	178 871	1 832	643 248
2003	403 235	42 390	51 611	184 964	2 270	684 470
2004	453 621	46 091	54 326	188 714	1 692	744 444
2005	446 945	46 302	54 611	185 847	1 331	735 036
2006	451 107	48 538	54 859	184 667	2 209	741 380
2007	476 680	49 001	52 579	180 435	2 194	760 889
2008	515 058	51 647	52 401	178 140	2 245	799 491
2009	547 686	55 101	53 629	179 232	2 131	837 779
2010	595 791	58 176	54 492	178 190	6 294	892 943

Source: DHET (2011)



The huge quantitative growth in access witnessed since the collapse of apartheid has not impacted significantly on higher education participation rates.

An obvious conclusion to be drawn from Table 3.3.2 is that access patterns in South African higher education reflect significant inter-group disparities. Reading the two tables together, it can be concluded that the huge quantitative growth in access witnessed since the collapse of apartheid has not impacted significantly on higher education participation rates, especially those pertaining to the African and coloured population groups. There is, therefore, a significant segment of these two population groups for whom the promise of access to higher education remains a mirage. In theory, it is within reach; in practice, it is almost impossible to obtain. In recent research on the so-called NEET (not in education, employment or training) group, Nico Cloete and his colleagues went to great lengths to describe the magnitude of this problem (see Cloete 2009). Their study showed that out of the 5 756 003 South Africans in the 18–24-year age cohort an astounding 41.6 per cent were neither employed, nor in education or training. Twenty-seven per cent, about 770 000, however, had the requisite academic qualifications to attend tertiary education institutions.

The data in Tables 3.3.1 and 3.3.2 also raise concerns about the higher education system's ability to expand in a way that would promote equity of access for the two least represented population groups. Looking at the headcount enrolment figures in Table 3.3.1, the African and coloured population groups accounted for 72 per cent of the total headcount enrolments in 2010, yet their participation rate averaged only 14.55 per cent. This means, *inter alia*, that if the entire enrolment in South Africa's higher education were to be made up of African and coloured students only, the impact on the participation rates of these two groups would still not be significant. This reality is critical and, as noted in the recent Green Paper on post-school education, should encourage a diversified post-school sector with well-developed college and further education and training sectors. On a positive note, enrolments by female students have improved significantly. Female students accounted for 52 per cent of all enrolments in 2000 and had reached 56 per cent by 2010. This is a laudable achievement, especially in Africa where female students tend to be in a minority.

The access challenge is not limited to low participation rates; the higher education system also has unacceptably high internal inefficiencies, which are manifested in low throughput rates. A recent analysis shows that only 45.6 per cent of the undergraduate cohort that entered the tertiary system in 2004 graduated in 2009; 40.3 per cent had dropped out, while the remaining 14.1 per cent were still studying towards obtaining their qualification (DHET 2011). Black African students had the lowest graduation rates. Further

**Table 3.3.2: Higher education participation rates by population group, 2001–2010**

Year	African	Coloured	Indian	White	Total
2001	9.9%	8.3%	40.1%	50.0%	13.6%
2002	10.3%	9.8%	43.9%	54.7%	14.4%
2003	10.9%	11.1%	46.4%	57.1%	15.2%
2004	12.2%	12.1%	47.8%	58.7%	16.4%
2005	11.9%	12.3%	47.3%	58.1%	16.1%
2006	11.8%	12.9%	47.0%	58.2%	16.0%
2007	12.2%	13.0%	44.7%	57.5%	16.1%
2008	12.8%	13.6%	44.2%	57.4%	16.6%
2009	13.3%	14.3%	44.9%	58.4%	17.0%
2010	14.1%	15.0%	45.6%	58.9%	17.8%

Source: DHET (2011)

analysis in this study showed that by 2009 only 38.3 per cent of African students, 42.1 per cent of coloured students and 48.5 per cent of Indian students from the 2004 cohort had graduated. The comparative figure for white students was 63.5 per cent. These poor graduation rates, especially those of black African students, have been confirmed by several studies. For instance, Bhorat, Mayet and Visser (2010) have shown that under existing conditions half of African males in the university system are likely to drop out before graduating. Students receiving financial aid have not fared much better than those studying without support. The recent review of the National Student Financial Aid Scheme (NSFAS) reported that 48 per cent of NSFAS beneficiaries (316 320) had dropped out or otherwise had not completed their studies (DHET 2009). Dropping out of college not only amounts to 'wasted access' that stunts the system's ability to absorb the challenge, but it also has equity implications, considering that those affected most by low completion rates are students from disadvantaged backgrounds.

Therefore, although expanded access has been achieved in South Africa's higher education system since 1994, a huge unmet demand, especially by (previously) marginalised communities, still exists. The system's current carrying capacity is woefully inadequate to make a significant impact on the magnitude of the challenge. As for equity, the higher education system is still characterised by gross discrepancies in the participation rates of students from different population groups, with the African and coloured groups being the worst affected. Lastly, it would seem that any gains made in terms of increased enrolment are negated by the high internal inefficiencies in the system. Again, students from marginalised communities are the worst affected.

## Funding

Inequalities in higher education participation in South Africa have been occasioned and sustained by several factors, which include historical considerations, unequal access to critical infrastructure and resources that provide opportunity, the mediocrity of the school system, and financial difficulties that put education out of the reach of many. A convergence of these factors has ensured that the majority of those from historically marginalised communities remain marginalised, even in the post-apartheid era where social justice and service delivery are supposed to be key policy imperatives. From a Rawlsian perspective, justice in the education system should be interpreted as improving the educational position of the most disadvantaged in society. Considering the nexus between

the funding of higher education and the attainment of important policy outcomes, such as equity of access, the following important question is worth posing: Has the higher education funding regime supported the improvement of the educational position of the most disadvantaged prospective students in society?

As indicated above, funding is a key determinant of access to higher education. This is especially the case in South Africa, where the greatest demand for higher education comes from those who are still struggling to overcome the effects of the many years of economic and social deprivation. Students from these communities, on average, are challenged financially, which means that significant state funding – to cover both tuition and living costs, as well as support programmes that seek to mitigate the effects of poor schooling – is required for any impact to be realised. In addition, as behavioural economists have shown, low-income students tend to respond negatively to the increasing costs of higher education and are averse to taking commercial loans to support their studies (Vossensteyn & De Jong 2006). The prohibitive terms of these commercial loans play a significant role in further excluding the poor from access to educational opportunities, which, in turn, puts additional pressure on the state to fill the gap. In such a context, the overall funding of higher education by the state, financial assistance for students, and tuition fee regimes are critical factors in the realisation of equitable access to higher education in South Africa. This section explores how these funding considerations have been supportive of the development of the most disadvantaged in South Africa.

### State funding of higher education

Globally, the funding of higher education is in decline. This phenomenon has been underpinned either by state funding cuts or by stable allocations and increases that have not kept up with the rising expenditures involved in running universities. In addition, a combination of the following factors has increased the financial difficulty facing universities:

- » per-student costs increasing (worldwide) at rates in excess of the average rate of cost increases in the general economy;
- » an acceleration in student enrolments, acting on the above-mentioned per-student (unit) cost increases; and
- » public revenues that generally (again worldwide) are unable to keep up with the trajectory of cost increases (a function of the two factors mentioned above), due, mainly, to the intense competition from other, also rapidly increasing, public needs, such as health, housing and security. (Johnstone & Marcucci 2010).

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To varying extents, the funding of higher education in South Africa has mirrored the above trends. State funding of higher education as a percentage of GDP declined from 0.72 per cent in 1995 to 0.69 per cent in 2012. The same downward trend was registered with regard to state funding of higher education as a percentage of total state finance. In addition to these two important indicators, it has been shown that state funding per full-time equivalent (FTE) student declined in real rands by 2.2 per cent per annum between 2000 and 2010 (DHET 2012).

Even though the diminishing state funding of public higher education in South Africa mirrors a global trend, this decline in state support for higher education is occurring at a time when the system is in great need of funding to achieve the policy goals articulated in the 2001 National Plan for Higher Education (MoE 2012). These include more equitable student access, improved quality of teaching and research, increased student progression and graduation rates, and greater responsiveness to social and economic needs.

To promote equitable access, through sustained high levels of enrolment, the government will have to make substantial investments. The introduction of enrolment caps in 2004 was probably the clearest indication that student enrolments in the sub-sector had exerted unsustainable pressure on the fiscus. The enrolment caps introduced in 2004 limited the number of students that institutions could enrol. In introducing the caps, the then Minister of Education, Naledi Pandor argued that the higher education system had grown more rapidly than the available resources. The enrolment caps effectively marked a shift from a policy of massifying higher education to one of affordability.

Declining state funding of higher education has meant that universities must seek income from alternative sources to make up for the shortfall. Since the emergence of the entrepreneurial university in the last years of the previous century, it is expected that universities increasingly tap income from various markets as a defence against 'government failure'. Despite the expectation that universities would seek income from so-called third-stream income sources, the South African experience has shown that students, through tuition fees, have become the most important source of non-government income. The heavy reliance on tuition-fee income by South African universities has obvious implications for equity of access.

### Tuition fees

Tuition fees are essentially education prices and, as expected of prices, they impact on both the demand and supply of higher education. From the supply side, tuition fees are an important source of revenue to universities, especially in a context of declining or inadequate state funding. They impact on demand, too, since tuition fees are obligatory for student enrolment and participation in higher education. One reason why the state funds universities and provides financial aid

to students is to drive down tuition fee levels by enhancing purchasing power.

South African universities have increased tuition fees over the years, in part because of declining state funding. Between 2000 and 2009, student fee income per FTE enrolled student grew in real (2000) rand at an average rate of 2.5 per cent. Over the same period, government funding per FTE student declined at an average annual rate of 1.0 per cent (Wangenge-Ouma & Cloete 2008). However, the increases in tuition fees cannot be blamed entirely on declining state funding. Some universities, especially the historically advantaged institutions, have increased tuition fees, inter alia, to maintain parity with their so-called peer institutions, but also because a significant section of their students come from privileged backgrounds and can afford higher fees.

It should be noted, however, that these apparently 'high fees' often amount to a discount for a section of students and their parents, who paid even higher fees for secondary education. This is symptomatic of the unacceptably high levels of inequality in the country. Universities, especially historically advantaged universities, therefore, are confronted with the challenge of setting fees at levels that do not discourage poor students from accessing higher education, without making the fees unnecessarily cheap for students from privileged backgrounds.

The affordability of higher education in South Africa is a real challenge, considering NSFAS's inability to provide financial support to all deserving cases. In addition, while historically disadvantaged universities charge relatively low fees, most of their students, who come from poorly performing schools, still cannot afford these fees, as is evident in the high levels of student debt at these institutions. The bottom line here is that there are South Africans who are not able to afford any level of tuition fees, regardless of their ability as students. Overall, high student fees, though an important source of revenue to universities, have become an obstacle to widening access for the poor, especially in a context of inadequate financial aid. It is against this background that demands have been made recently for free higher education for the poor.

### National Student Financial Aid Scheme

Student financial aid plays a critical role in expanding access, increasing the enrolment of economically disadvantaged students, and narrowing the access and achievement gaps between income and social groups. Generally, student aid is targeted at those who are regarded as poor for various reasons, with unaffordability of tuition fees, living costs and a relatively high price-sensitivity being considered.

NSFAS was established in 1999 to provide financial aid to intellectually talented but economically challenged students. Since its inception, NSFAS has provided financial aid to almost 700 000 students, and distributed more than R12 billion in student financial aid in the past ten years. The high number of students who have benefited from NSFAS support shows the



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crucial role the scheme has played in expediting access to higher education for South Africa's poor. Notwithstanding its laudable achievements, the scheme is confronted with challenges that have affected the scale of its impact. These challenges include inadequate state funding, which means that not all needy cases receive financial support or, in cases where it is offered, the amounts are insufficient to cover the full cost of studies.

The inadequate funding of NSFAS has been compounded by the increases in fees, discussed in the previous section. The impact of NSFAS has been diluted, because it cannot significantly increase the number of beneficiaries. This has implications for both the expansion of access and equity in the student population.

## Conclusion

The achievement of expanded higher education access for South Africa's poor is an important policy imperative – not only as a social justice issue but also to address the skills shortages in the country. South Africa's unacceptably high levels of inequality, which are linked to the imbalance between the demand and supply of skills, require that concerted efforts be made to address access and retention of students in the higher education system.

As noted in this discussion, there have been significant achievements in terms of higher education access. Yet, the steady growth in enrolments has also been stymied by several interlinked and intractable factors. The mediocrity of the school system has kept many students from poor socio-economic backgrounds from qualifying to enter higher education. Furthermore, funding, which plays a key role in enhancing access, has not grown at levels that support the

increase in demand. Consequently, poor South Africans remain excluded from participation in higher education. This exclusion has been made worse by the high levels of wastage in the system, considering that almost 50 per cent of students who enrol drop out.

The funding challenge is a complex one, and is inimical to wider access and participation. For public universities, the challenge is how to provide expanded access in a context of declining state financial support and public disapproval of tuition fee increases. For the government, the challenge is how to support expanded access in an economic policy context that increasingly is leaning towards cost containment and is characterised by competing claims from other equally deserving sectors, such as basic education, health, security and infrastructure. To students, especially poor students, the challenge is to carry the costs of higher education in a context where tuition fees have increased and student financial aid remains inadequate.

Thus, the present higher education funding context is one that requires significant interventions to support equitable access. Recent policy proposals to develop middle-level colleges and the further education and training sector seem to offer a viable strategy of alleviating pressure on the higher education system.

## Notes

1. The gross higher education participation rate is calculated on the basis of the total headcount enrolment in each year and the total population in the 20–24-year age group. Therefore, the gross participation rate refers to the proportion of a population enrolled in universities as a percentage of the total population in the 20–24-year age group, the official university-going age group.