

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).¹ 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.

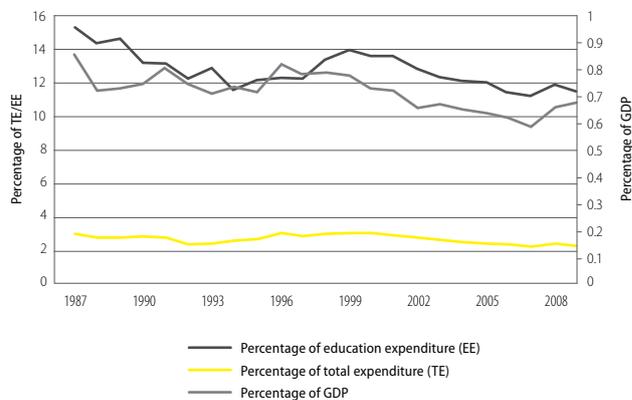
The National Student Financial Aid Scheme

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
Total	100	0.82

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
Average	74.3	28.5

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.