

Higher Education Funding and Student Perception in South Africa

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Abstract: In this study, the challenges that South African students experience with funding is explored. The study is motivated by the student riots that engulfed the country early this year. Three universities based in three provinces of the country were studied. They comprise of two metropolitan and one semi metropolitan province. The students believe that apart from funding bodies such as the National Research Foundation (NRF), National Student Financial Aid Scheme (NSFAS) which are usually funded by government, universities should also be held accountable for some funding shortfalls. They further claim that universities portray poor economic management of their resources, finances, income and expenditure. A mixed method approach was used to analyse the data obtained from questionnaires and run through SPSS Software Version 23. Students pointed out that they believe corruption still undermines the fairness of who gets funding. Private sector has also stepped in to offer support through scholarships and loans although there are still complaints from students on the high interest rates charged by banks for example. Students also blame the high levels of unemployment experienced in the country to failure in paying back loans.

Key words: Management, performance, funding, higher education, students

INTRODUCTION

According to PWC, the cost of delivering university education in South Africa amounts to close to R50 bln. annually. South Africa subscribes to a funding framework in which costs are shared among the beneficiaries of university education which are government and students. In this regard, universities rely on student tuition fees to cover the shortfall in finances experienced after government subsidies. However, due to the hard social economic times that South Africa as an emerging economy is encountering, most students face challenges in paying high exorbitant tuition fees. They further argue that universities do not manage resources and finances prudently so as to ensure students are assisted with tuition fees. University budgets in South Africa come from three main sources which are government, student fees and private sources. Private sources include donors, fundraising and financial institutions. Good economic governance, including transparency in financial management is an essential pre-requisite for promoting economic growth and reducing poverty in the world over. There has been a lot of debate on the performance of most institutions with regard to economic management. Institutions such as universities have been marred with mismanagement of finances which in turn affect students and destabilises funding models created by government to improve capital of the institutions.

According to Nxasana (2016), the proportion of Higher

Education and Training's budget vote declined in real terms from R22.9 bln. in 2000 to R15.95 bln. in 2014, respectively. It constituted 49% of total university income in 2000-40.9% in 2014. Universities usually raise student fees to offset the decline in state funding. The contribution of student fees to university income rose from R7.8 bln. (24%) in 2000 to R19.6 bln. (35%) in 2014. SA's spending on universities is comparatively low by world standards. In 2011, the state budget for universities including funding for the NSFAS as a percentage of Gross Domestic Product (GDP) was 0.75%, just less than Africa as a whole standing at 0.78%. The overall government contribution is made up of a block grant and an earmarked grant. Universities can spend the block grant largely as they wish but the earmarked grant is for a number of specific areas of spending, including infrastructure, training and the National Student Funding Aid Scheme (NSFAS) among others. Over the 2000-2012 period the block grant fell from 88-72% of the government's total contribution while NSFAS component doubled from 7-14% (DHET, 2012).

According to Fuzile (2016), the global outlook for economic growth is subdued, weighed down by a prolonged slump in commodity prices and slower growth in China. There is a pronounced slowdown in developing countries with some in deep recession. South Africa's low savings rate makes the country vulnerable to external shocks as do domestic structural weaknesses. In this regard, domestic growth forecasts over the medium term comprising of government's 3 years budgeting window

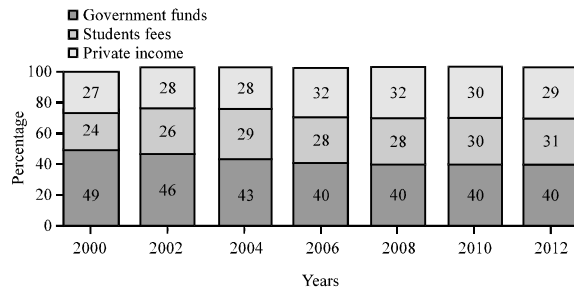


Fig. 1: South African Universities Funding; Department of Higher Education and Training and Moving Forward

have been revised down. A tax revenue shortfall of R4 bln. is expected for 2015/16 compared with the most recent forecast in October 2015. In an environment of rising inflation, higher debt and debt-service costs and increasing public-sector wages, slow revenue growth threatens to widen the budget deficit, diminishing government’s capacity to meet the targets of the National Development Plan (NDP). The National Development Plan aims to increase the number of students in higher education to 1.62 m from approximately 750 000 and produce at least 5 000 doctoral graduates per year from 1 420 in 2010 to achieve its vision 2030 (Theobald, 2015). The aim of the study was to establish the challenges that students encounter in accessing financing for higher education as well as their perceptions on funding for higher education (DNT, 2016).

Literature review: In South Africa, the source of income for public higher education depend on three structures namely government funds, student fees and private income. Since the year 2000, government was the main funder of South African public universities at 49% (Theobald, 2015). However, funding decreased reaching a low level of 40% in 2006-2012. The decline can be attributed to the slowdown in economic growth experienced worldwide due the 2007-2009 financial crisis. Some of the setbacks experienced due to the decrease in government funding was an increase in student fees. These high fees were required by universities to cater for the shortfall that was experienced from reduced government funding. In addition, private income increased at a diminishing rate from 2008-2012. Figure 1 shows higher education funding trend from 2000-2012.

The increase in student enrolment at universities from poor and middle income families is a step towards the right direction in the alleviation of poverty in the country. This is based on the notion that an educated society is

more prosperous than one without the skills or tools required to be financially independent. However, it should be noted that the increase in enrolment has also caused serious strain on the financial support required for student fees. Government funding has been stretched and universities tend to increase fees which eventually led to the fees must fall campaign country wide.

National student funding aid scheme: According to the South African government, NSFAS is a loan and bursary scheme funded by the department of higher education and training for students who do not have the financial means to fund their studies and cannot access bank funding, study loans or bursaries. Furthermore, NSFAS is a registered credit provider in terms of the National Credit Act 34 of 2005 (NCRP 2655). NSFAS has a provision of converting up to 40% of loans into bursaries depending on the student’s pass rates. The interest charged on loans is subsidized and therefore considerably less than the commercial rate which is charged by banks. Loan repayments are recycled to help future generations of students. According to the NSFAS Act of 1999, employers are allowed to deduct loan repayments from monthly salaries of those who received assistance from the scheme. Bursaries, loans and scholarships are different. In this regard, each can be explained as follows.

Bursary: Is a form of financial assistance given to a student for further study or training. Bursaries may differ in terms of amount of money and duration. Students are selected according to various criteria set by donors which could include academic merit and financial need. Some bursaries require that students sign a contract to enter the employment of the donor after graduation (Theobald, 2015).

Loan: The money borrowed which must be repaid upon completion of studies. Loans are available from banks and government funded institutions.

Scholarship: An amount which is normally based on outstanding academic achievement. Scholarships do not normally require the recipient to repay the amount back and usually have no employment conditions attached (Nxasana, 2016).

The three universities considered in this study outlined they follow policies that adhere to NSFAS standards in awarding loans to students. These include only students who are South African citizens accepted by a university to undertake first tertiary qualification full time and students intending to register for specific post-graduate causes such as Post Graduate Certificate in

Education (PGCE) are considered for NSFAS funding. The Size of the loan is determined by a means test prescribed by NSFAS. The target population is mainly students coming from underprivileged backgrounds where families have insufficient income to pay the fees. In this regard, some proof is required by NSFAS when assessing applications to enable deserving students get the financial assistance they require.

However, there have been complaints of inconsistencies in the way bursaries and loans are administered at NSFAS. Students complain of biasedness from universities and other corrupt practices in securing funding for higher education. In this regard the NSFAS chairperson Nxasana (2016) said the funding body was working on ideas around how to deal with the pressing issues of corruption and funding in order to strengthen the department and continue to help the students. He further said NSFAS is looking at ways of improving its current low recovery rate of outstanding student loans which would in turn be able to help more students in need. In addition, Nxasana (2016) highlighted that they would also work on drawing back private sector donors who pulled out because of the negative publicity around NSFAS. The department also highlighted the inability of students to pay back their loans as partly because of internal inefficiencies but also as a result of South Africa's economic position taking into account that most students who owe money are unemployed.

According to DHET (2009), the review committee found that NSFAS was established primarily as a loan organisation and is not fully equipped to be a bursary manager, despite having entered into various public and private sector contracts to distribute tens of millions of rands in bursaries to thousands of students. The committee was impressed by conditions in the bursary contracts that allowed students to repay their bursaries by working for a stipulated period in the chosen field of study. In this regard, student organisations called for this scheme to be extended to all students receiving financial aid (DHET, 2009).

National research foundation: According to the National Research Foundation (NRF) website, the foundation was established as an independent government agency, through the National Research Foundation Act (Act No. 23 of 1998). The mandate of the NRF is to promote and support research through funding, human resource development and the provision of the necessary research facilities in order to facilitate the creation of knowledge, innovation and development in all fields of science and technology, including indigenous knowledge and thereby contribute to the improvement of the quality of life of all South Africans. The NRF was established through the National Research Foundation

Act (Act No. 23 of 1998), following a system-wide review conducted for the Department of Arts, Culture, Science and Technology (DACST). The new entity incorporated the functions of the research funding agencies that were previously servicing various sections of the research community, namely the former Centre for Science Development (CSD) of the Human Sciences Research Council (HSRC) and the former Foundation for Research Development (FRD) that included several National Research Facilities by DHET.

The NRF due to its aim on the development of research and innovation in South Africa mostly targets postgraduate students who undertake research. These students are funded from honours to post-doctoral level by means of bursaries and grants. It can be argued that some students who wish to continue with postgraduate studies but still owe NSFAS might encounter hurdles in accessing the NRF funds. This however is yet to be justified as students have benefited from both funding mechanisms and continue to do so. Universities usually also motivate as to why students should get the funding and give bursaries to academically deserving candidates.

The call for free education in South Africa: According to Nxasana (2016), the year 2015 was a watershed year in the higher education sector which saw student protests across most South African Universities calling for university fees to fall under the #FeesMustFall campaign. Some students were calling for free tertiary education. Chapter 2 sub section 29(1)(b) of The Constitution of the Republic of South Africa states that "everyone has a right to higher education which the state, through reasonable measures, must make progressively available and accessible". It is quite clear that the Constitution of the Republic does not create an obligation on the state to provide free higher education.

Many factors have to be considered before any meaningful conclusion can be reached on the possibility of free education in South Africa. The main factors being economic and social status of the country. With limited growth being experienced in the country and increase in the demand for higher education, it is difficult for an emerging economy like South Africa to do away with student fees completely as they are the main source of income for universities. Government subsidies and funding are usually affected by the performance of the economy and these subsidies are determined by student numbers and the number of accredited articles produced by a university's academics and researcher.

According to Block (2015), the number of people enrolled at South Africa's universities has increased in the past few years. Historically disadvantaged universities such as the universities of Venda and Fort Hare and Vaal University of Technology were

under-funded by the homeland states and apartheid institutions such as the coloured affairs department. These have since come under the democratic government's funding. There are many problems for the government, including the state of the world economy which ensures that there is not enough money. These issues raise concern to the plight of free education as universities need funding to survive. Free education entails that government and the private sector pay the bill for all student fees. However, South Africa is still facing a lot of challenges including in the health and agriculture sectors and diverting too much funds to the higher education sector still remains a debatable issue today.

Education funding in other countries: According to Lamrani (2015), Cuba's educational system has been run by the state nationalized private institutions at all levels of education since 1961. The education system is 100% subsidized by the government which means that Cuban students at all levels can attend school for free. The Cuban government has been investing a significant part of its budget into education for many years. Furthermore, according to the World Bank, Cuba is the only nation in the world that allocates the highest share of its national budget to education at 13%. All universities and technical schools are run by the Ministry of Higher Education. The responsibilities of the Ministry of Higher Education include managing the schools, regulating teaching methodology and courses, establishing educational policies and ensuring all the schools comply with government standards.

According to the Centre on International Education Benchmarking, all children in Singapore are entitled to Free State education and all schools receive the same level of public funding. Funding is administered directly by the central government. Schools are classified as either "government" or "government-aided;" government schools are fully funded while the aided schools which are religious only receive partial government funding, though this can be up to 90% of their total revenue.

According to Kehm, Germany is a federal country with 16 autonomous states responsible for education, higher education and cultural affairs. The German higher education system consists of 379 higher education institutions with about 2.4 million students. In this regard, it is a public system which is publicly funded. There are a number of small private institutions but they enrol <5% of the total student body. The current situation is that all higher education institutions receive a budget from the responsible ministry of the state in which they are located, based on annual or biennial negotiations. The basic education budget is complemented by additional agreements between higher education institutions and the

state concerning the intake of additional numbers of students and the money to compensate the loss of income from tuition fees.

MATERIALS AND METHODS

In the study, questionnaires from a total number of 65 randomly selected students in three universities were analysed. The universities were randomly selected from two metropolitan and one semi metropolitan province. The provinces comprise of Gauteng, North West and Western Cape provinces. The analysis was done using the Statistical Package of Social Sciences (SPSS) Version 23. The study used a mixed method comprising of both qualitative and quantitative analysis which merges the data and use the results to understand the research problem. Qualitative data provides a deep understanding of survey responses and statistical analysis can provide detailed assessment of patterns of responses. The purpose of mixed methods design is to simultaneously collect both quantitative and qualitative data, merge the data and use the results to understand a research problem (Driscoll *et al.*, 2007).

Furthermore, Babbie (1998) pointed out that there exists the inherent danger in qualitative research of 'selective perception' where the researcher observes only things that support theoretical conclusions but also suggests that this may be partially avoided by augmenting qualitative observations with quantitative ones.

Data analysis: The data collected on students in the universities comprised of key questions which were focused around the challenges encountered in accessing funding for higher education. The main challenges were centred on the following:

- The perceptions of students on access to funding for higher education
- Student funding institutions and their targeted outcomes
- Possibilities of free education in emerging economies with regard to South Africa
- Increase in higher education demand and availability of funding

The responses were measured on a scale of 1-5. In this regard represented strongly disagrees, disagree, uncertain, agree and strongly agree.

RESULTS AND DISCUSSION

Table 1 presents the responses to the questions relating to "to higher education funding in South African universities". The respondents were requested to respond

Table 1: Responses of students to challenges in higher education funding

Statements	Strongly disagree	Disagree	Uncertain	Agree	Strongly agree	Total
The belief that student fees should be removed with the current tough economic situation that South Africa is experiencing	4 (6.2%)	8 (12.3%)	4 (6.2%)	33 (50.8%)	16 (24.6%)	65 (100)
Government has put in measures that ensure that all students in higher education are sponsored	5 (7.7%)	11 (16.9%)	2 (3.1%)	26 (40.0%)	21 (32.3%)	65 (100)
The NSFAS has achieved its intended objective of giving loans to deserving and under privileged students	4 (6.5%)	4 (6.5%)	3 (4.8%)	26 (41.9%)	25 (40.3%)	62 (100)
The NSFAS loan scheme is marred by inconsistencies and corruption when awarding funding	1 (1.6%)	5 (7.8%)	5 (7.8%)	34 (53.1%)	19 (29.7%)	64 (100)
The NRF has funded disadvantaged students in pursuing research related issues	4 (6.3%)	6 (9.5%)	8 (12.7%)	27 (42.9%)	18 (28.6%)	63 (100)
Universities have not been able to manage the resources at their disposal to the satisfaction of students in need of funds	0 (0.0%)	4 (6.2%)	2 (3.1%)	32 (49.2%)	27 (41.5%)	65 (100)
Students from historically disadvantaged backgrounds are not given preference when giving funding	11 (18.3%)	11 (18.3%)	6 (10.0%)	20 (33.3%)	12 (20.0)	60 (100)
The private sector has been helpful in assisting with funding through bursaries and scholarships	1 (1.5%)	3 (4.6%)	2 (3.1%)	30 (46.2%)	29 (44.6%)	65 (100)
The global economic downturn has had a negative effect on South African higher education funding	0 (0.0%)	1 (1.5%)	3 (4.6%)	25 (38.5%)	36 (55.4%)	65 (100)
Increase in demand of higher learning puts strain on students qualifying for and receiving funding	8 (12.3%)	7 (10.8%)	2 (3.1%)	26 (40.0%)	22 (33.8%)	65 (100)
Universities should receive sufficient funding from government to enable free higher education become a reality	4 (6.6%)	3 (4.9%)	1 (1.6%)	27 (44.3%)	26 (42.6%)	61 (100)

to eleven statements thereof. They were asked to rate each item on a scale of 1-5 (1 = strongly disagree = disagree = uncertain, = agree and = strongly agree). Accordingly, 75.4% (50.8 and 24.6%) of the respondents agreed that student fees should be removed despite the tough economic situation that South Africa as a country is experiencing. The 72.3% (40 and 32.3%) of the respondents agreed that government has been successful in putting up measures that ensure that students are funded. The 82.2% (41.9 and 40.3%) of the respondents agreed that the NSFAS has achieved its desired objective of giving funding to underprivileged students. The 82.8% (53.1 and 29.7%) of the respondents agreed that there are inconsistencies in the awarding of funding with corruption and nepotism playing a major role in this regard. The 71% (42.9 and 28.6%) of the respondents agreed that the NRF has been able to reach out to students who cannot afford funding when conducting research. The 90.7% (49.2 and 41.5%) of the respondents believed that universities had not been able to manage the resources in their possession prudently. The 53.3% (33.3 and 20%) of the respondents agreed that students from historically disadvantaged backgrounds had not been given preference when awarding funding. The 90.8% (46.2 and 44.6%) of the respondents agreed that the private sector was doing its best in assisting students with loans and scholarships to cover their fees. The 93.8% (38.5 and 55.4%) of the respondents agreed that the global economic downturn has had a negative impact on the funding of higher education in South Africa. The 73.8% (40 and 33.8%) of the respondents agreed that the increase in student demand for education strains funds budgets of institutions such as the NSFAS and makes it difficult for

students to access those funds. Finally, 86.9% (44.3 and 42.6%) of the respondents agreed that more money should be allocated to the education sector so as to enable universities have sufficient capital to operate without demanding shortfalls from students through fees.

CONCLUSION

The main findings in this study show that some of the challenges encountered in the education sector are not totally due to under funding from the government. South Africa on the other hand still needs to increase its funding from around 0.75% to about 2.5% of its GDP in order to reduce the financial burden that students face with funding. However, the increase in the number of students demanding education causes the price of fees to increase as well. NSFAS has pointed out that it is difficult to reclaim some of the debt owed to them by students which makes it hard to raise capital for other deserving students. Students in this regard blame the high levels of unemployment being experienced in the country. Inconsistencies in the awarding of funding is also another worry as some students believe that they are side-lined by university authorities that nominate and award funding to relatives. Furthermore, students pointed out that corruption still undermines the fairness of who gets funding. Private sector has also stepped in to offer support through scholarships and loans although there are still complaints from students on the high interest rates charged by banks for example.

In this regard, government still needs revised models to improve funding to higher education institutions. The

fact that most historically disadvantaged students from poor backgrounds still encounter challenges in acquiring funding should be a cause for concern. Also, measures should be put in place by funding institutions to enable that the outcry on corruption and nepotism when awarding funding to students is curbed. On the reality of free education, the current slow economic growth and social unrest in the country makes it difficult for this goal to be achieved. More planning and consultation with stakeholders is required but with support from government, free education is viable in the long run. Free higher education is viable for South Africa in the long run as some countries such as Cuba, Singapore and Germany have shown substantial progress in providing free education for students. Government should also work on incentives which will assist in reducing the high levels of unemployment so that funding institutions can get back some capital and fund other students in turn.

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