CAN NELFUND SUSTAIN ITSELF? FINANCING NIGERIA'S STUDENT LOAN SCHEME

BY JACOB SULE

In two years, the Nigerian Education Loans Fund (NELFUND) has become the largest tertiary education financing intervention in Nigeria's history, disbursing roughly N355.87 billion (approximately $268 million at prevailing September 2026 exchange rates) to about 850,000 unique beneficiaries as of its last independently reported count in July 2026 (Vanguard, 2026), and to 319 institution beneficiaries by September 3, 2026 (NELFUND, 2026). President Tinubu's administration has treated this scale as proof of concept. It is, in part, a real institutional achievement. However, it is not yet proof that the concept works. Nigeria has tried student loans three times before, in 1972, 1988, and 1993, and each attempt collapsed for the same reason because loans went out faster than the government could ever recover them.

NELFUND is now moving through the same early phase that preceded every prior collapse, generous disbursement, untested recovery, and a financing base that leans more on political discretion than on the statutory formula its own founding Act sets out. Whether it breaks that pattern will be decided in the next two years, before its first cohort of borrowers reaches the enforcement window the Act itself sets at two years after NYSC completion (Students Loans (Access to Higher Education) Act, 2024, s. 28(3)).

This policy brief evaluates NELFUND along four dimensions, access, recovery, financing, and governance, against the text of the 2024 Act itself, not against secondary summaries of it. It also sets out where NELFUND's own record complicates a purely critical reading, situates NELFUND against five comparable international systems, and closes with what Nigeria must do now to give the scheme a real chance of becoming self-sustaining rather than a fourth failed attempt.

A Genuine Institutional Achievement, with Real Limits

Before turning to the case for concern, the achievement deserves to be stated plainly. No prior Nigerian student loan scheme reached even a fraction of NELFUND's scale. The 1972 Nigerian Students Loans Board disbursed roughly N46 million over nearly two decades before recovery collapsed (Agora Policy, 2024; Woodhall, 1991). NELFUND disbursed more than that figure's modern equivalent in institutional charges alone within its first several months.

It has built, largely from nothing, a functioning national verification pipeline using NIN and BVN identity infrastructure that did not exist for any of its predecessors, processed 1,659,853 applications, and expanded institutional coverage to 319 institution beneficiaries as of September 3, 2026 (NELFUND, 2026). NELFUND would reasonably argue, and this brief accepts, that comparing a two-year-old institution's unresolved recovery design to the failures of schemes that had decades to fail is premature in one respect: NELFUND has not yet had the chance to fail at recovery, because no cohort has reached the point where recovery is tested. The concerns below are about design and foreseeable risk, not about a recovery failure that has already occurred. That distinction matters, and a fair assessment should not collapse it.

It does not, however, change the substance of the design questions that follow. A scheme can be a genuine administrative achievement in its first two years and still be built on statutory and financial foundations that will not hold once the recovery phase begins. Both things are true at once, and the remainder of this brief addresses the second.

NELFUND has Scaled Fast, but Its Own Rules Narrow Who Reaches It

Disbursement grew more than fifteenfold in nineteen months, from N22.7 billion in February 2025 to N355.87 billion by September 3, 2026 (NELFUND, 2026). That scale has not translated into equitable reach. Applications run roughly 4:1 male to female. That figure was disclosed at the NELFUND Women's Forum Programme in Abuja on March 10, 2025, held to mark International Women's Day, where NELFUND's Managing Director, Akintunde Sawyerr, could not attend in person and was represented by Oluwatosin Sanusi, the Fund's Head of Investments and Funds Management. Northern zones account for over 58 percent of beneficiaries; the South-East trails every other geopolitical zone in every reporting period examined, and no South-East or South-South state appeared among the ten highest-applying states as of February 2026 (Legit.ng, 2026; Economic Confidential, 2026).

Some of this exclusion is structural, not accidental. Eligibility under Section 23 requires Nigerian citizenship and admission into a public federal or state institution or a federally licensed vocational school; private-institution students are outside the Fund's statutory scope entirely, and no income (i.e. means) test applies, so NELFUND cannot distinguish a poor applicant from a wealthy one. Section 25 adds five disqualification grounds that go beyond financial capacity: prior default on any government education loan, current receipt of any other federal or state education loan or scholarship, institutional findings of plagiarism, examination malpractice, cultism, or drug possession, and criminal convictions for dishonesty, drug offences, violence, or cultism. These are reasonable integrity safeguards individually, but stacked together with the Act's national-spread mandate under Section 24, which requires only that the Board "take care to make provisions ensuring a minimum national spread," a standard with no enforceable floor, they leave regional and gender imbalance as a foreseeable outcome the statute does little to prevent.

It is also worth stating what is not known. NELFUND has not published disaggregated data on household income, disability status, or rural versus urban residence for any reporting period.

The gender and zonal figures cited above exist because NELFUND volunteered them at press briefings, not because the Fund publishes them on a fixed schedule. As a think tank, we have reached this position because of the limited data NELFUND chose to share publicly, and that is itself a finding that the absence of routine disaggregated reporting is as significant as any single ratio it has disclosed.

Recovery has not been Tested, and the Act's Own Design Works Against It

Section 28(4) caps repayment at monthly deductions “not exceeding 10% of the gross income of the beneficiary,” collected through employer withholding, with enforcement barred until two years after NYSC completion under Section 28(3). That design assumes a labor market where graduates hold trackable, formal payroll jobs. Nigeria's does not. The National Bureau of Statistics recorded 93 percent informal employment in Q2 2024, with self-employment at 85.6 percent (NBS, 2024). No cohort has yet entered repayment; the earliest possible inflows arrive no sooner than 2028.

The Act does give the Fund real recovery powers. Section 4(1)(j) empowers the Fund to recover any loan “through any legal means, including an action for debt recovery,” and specifies that such an action “shall not be statute-barred,” meaning NELFUND cannot lose the right to sue simply because time has passed. Section 29 imposes a reciprocal duty on every prospective employer to enquire about a job candidate's loan status, backed by a fine of at least N2,000,000 or imprisonment of at least one year for employers, directors, or officers who fail to comply.

On paper, this is a more aggressive enforcement architecture than any of NELFUND's three predecessor schemes carried. In practice, it depends entirely on employers who can be identified and monitored, which returns the analysis to the same 93% informality problem.

How this Compares Internationally

NELFUND's design sits closer to grant-like systems than to the tax-integrated models that have achieved the highest recovery rates elsewhere.

Ghana's Students Loan Trust Fund (SLTF) cut its study-period interest rate to 6 percent simple interest in November 2025, down from 12 percent compound, while the repayment-period rate remains pegged to the 182-day Treasury bill plus 2 percent, capped at 12 percent. Ghana relies on guarantor pursuit and, since 2021, credit bureau reporting for collection; SLTF publishes named lists of individual defaulters rather than a consolidated default-rate percentage, so no comparable aggregate figure exists.

Kenya's Higher Education Loans Board charges 4 percent annual interest plus a flat ledger fee. It integrates with the Kenya Revenue Authority and credit bureaus for tracing, yet its own Chief Executive disclosed that as of 30 June 2025, 32.5 percent of HELB's entire loan portfolio was in default. This is evidence that even meaningful tax-authority integration does not guarantee recovery where informality is widespread.

South Africa's National Student Financial Aid Scheme historically recovered only about 26 percent of loans disbursed under its earlier loan-based model. Since 2018, most university funding has been converted to a non-repayable bursary, and so a default rate no longer meaningfully applies to the bulk of current beneficiaries, but only to a shrinking pool of pre-2018 loans and a small post-2025 loan component for the “missing middle.”

The United Kingdom's Student Loans Company and Australia's HECS-HELP both use fully income contingent repayment collected automatically through the national tax authority, HMRC and the ATO respectively, which effectively eliminates default in the delinquency sense. It does not eliminate non repayment as a cost: the UK's own Resource Accounting and Budgeting charge, the share of loan value the government does not expect to recover, ran as high as 45 to 53 percent through the late 2010s, and by the Office for Budget Responsibility's own accounting model as high as 57 percent, and remains estimated at roughly 30 to 37 percent after recent reforms, with the exact figure depending on which body's model, the Department for Education's, the OBR's, or the Institute for Fiscal Studies', is used, while Australia's Grattan Institute estimated in 2014 that about 17 percent of new HECS-HELP lending was “doubtful debt” unlikely to ever be repaid, a figure that predates Australia's 2025 reforms and should be read as dated rather than current.

The United States offers further caution: fixed statutory interest rates of roughly 5 to 9 percent are collected through private loan services rather than automatic payroll withholding, with wage garnishment and tax-refund offset reserved for enforcement after default.

The Department of Education's official cohort default rate currently reads near 0 percent, but that figure is an artifact of the pandemic-era payment pause distorting the metric, not a genuine recovery success. A more current measure, the share of federal loan dollars delinquent, stood at about 10 percent as of the fourth quarter of 2025. The US case shows that even a largely formalized labor market and a mature credit and tax infrastructure do not guarantee strong recovery when enrollment in favorable repayment terms depends on the borrower opting in rather than being captured automatically.

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System	Interest	Repayment Method	% of loan defaulters
NELFUND (Nigeria)	Statutorily ambiguous; see below	Employer withholding, up to 10% gross income	Untested; no cohort has reached repayment
Ghana SLTF	6% simple (study); T bill+2%, capped 12% (repayment)	Guarantor pursuit; credit bureau reporting since 2021	No consolidated rate published; SLTF names individual defaulters
Kenya HELB	4% + ledger fee	Employer deduction; KRA and credit-bureau tracing	32.5% of loan portfolio in default (30 Jun 2025)
South Africa NSFAS	0% (post-2018 bursary); ~80% of repo rate (pre-2018 and missing-middle loans)	Tax-based salary deduction, loan portion only	~74% of legacy loan book uncollected (26% historical recovery rate); bursary portion has no repayment obligation
UK Student Loans Company	RPI to RPI+3% (Plan 2); RPI only (Plan 5)	Automatic payroll withholding via HMRC	No delinquency-style default; ~30-53% of loan value never repaid and written off (RAB charge)
Australia HECS HELP	Indexed to CPI/WPI, no real interest	Automatic payroll withholding via ATO	No delinquency-style default; ~17% of new lending classed as doubtful debt (2014 estimate, dated)
United States federal loans	~5-9%, fixed	Private servicers; wage garnishment and tax offset on default	~10% of loan dollars delinquent (Q4 2025); official cohort rate near 0% due to pandemic-pause distortion

The lesson for Nigeria is not that any one model transfers directly, and it is not simply that tax-authority integration solves recovery. The UK and Australia show that automatic payroll collection through a national tax authority eliminates default in the delinquency sense; no borrower there fails to pay in the way a HELB or NELFUND borrower can, but it does not eliminate the underlying fiscal cost, which resurfaces as a large, budgeted write-off instead. Kenya shows the opposite failure mode: real tax-authority integration exists, yet 32.5 percent of the loan book is still in default, because integration alone does not overcome informality once collection depends on locating the borrower rather than intercepting income automatically.

The distinction that matters for Nigeria is between these two failure modes: borrowers who cannot be found and never pay anything, NELFUND's current risk, versus borrowers who are found automatically but still cannot fully repay, the UK and Australia's risk, because only the first is solved by identity and income-tracking infrastructure. Section 29's employer-duty provision addresses neither well on its own: it is not automatic in the way payroll withholding through a tax authority is, and it does nothing for the self employed majority Section 28(4) also depends on. Building toward genuine Nigeria Revenue Service integration, not merely an employer-notification duty, is the highest-leverage recovery reform available to Nigeria, with the honest expectation that even success will default on their caps rather than eliminating fiscal cost.

The Interest-Free Claim does not Match the Provisions of the Statute

NELFUND markets its loans as interest-free, and its public terms and conditions promise repayment of principal only. The text of the 2024 Act does not support that claim as cleanly as the marketing suggests. Section 17(1)(c) lists, as an explicit revenue source for the Fund's General Reserve Fund, "repayment of capital and interest on any loan granted by the Fund." Section 28(4) separately provides that monthly deductions continue "until the loan and all charges are repaid to the Fund," language broad enough to cover more than principal.

Nowhere in the 38 sections of the 2024 Act does the statute state that loans are interest-free. That silence is itself significant: the repealed Students Loans (Access to Higher Education) Act, 2023 reportedly included an explicit interest-free provision at Section 13(a), which the 2024 repeal and re-enactment did not carry forward (PLAC, Bill Analysis, April 2024). What is directly verifiable from the 2024 Act itself is enough on its own: a statute that names loan interest as Fund revenue in Section 17(1)(c) and never states the loan is interest-free anywhere in its text is not the same instrument as one that guarantees interest-free borrowing.

Borrowers relying on NELFUND's public representation are relying on something the governing statute does not itself say, and the National Assembly should close that gap through amendment before the first cohort reaches its repayment window, not after a beneficiary or a court forces the issue.

Financing Runs on Discretion, not the Statutory Formula

Section 17(1) sets out a genuinely diversified funding base: 1 percent of all Nigeria Revenue Service collections, National Assembly appropriations, loan repayments, investment income, borrowed funds, education bonds, presidential-directed federal government money, Fund-collected charges, and donations. Section 22 exempts the Fund's investment income from tax entirely, a further, easily overlooked structural subsidy. In practice, actual funding has relied far more heavily on ad hoc transfers than on this statutory mix. The EFCC channeled N50 billion in recovered proceeds of crime to the Fund in August 2024 and again in 2025, with a further N50 billion and a directive to redirect unclaimed capital-market dividends approved in August 2026 (EFCC, 2024; ThisDay, 2026).

A new dedicated stream, 25 percent of the 4 percent Development Levy under the National Taxation Act 2025, took effect in January 2026, though independent analyses of the levy's distribution report a different split than NELFUND states (Vanguard, 2025). Section 17(2)(b) caps the Fund's own operational spending at no more than 10 percent of annual revenue, a sensible discipline on overhead, but it does nothing to address the more basic question of whether the revenue base itself is adequate or reliable. Until the Development Levy's audited yield is confirmed, NELFUND's financing looks more like a sequence of political decisions than the institutionalized revenue stream Section 17 describes.

This sits inside a national education budget that itself falls well short of international commitments. Nigeria's 2026 federal budget, as proposed, allocated N3.52 trillion to education, 6.1 percent of a N58.18 trillion total, against the Incheon Declaration's 15 to 20 percent benchmark (ICIR, 2026). A later account of the passed budget puts the figure slightly higher, at N3.59 trillion and 6.15 percent (CJID, 2026); neither figure changes the underlying conclusion. Nigeria's 1999 to 2021 average of 7.81 percent of the national budget on education trails Ghana's 24.37 percent, Kenya's 21.70 percent, and South Africa's 19.49 percent by a wide margin (eajournals.org, 2023). A loan scheme cannot substitute for base institutional funding; if public universities remain underfunded, NELFUND risks subsidizing continued under investment rather than expanding real capacity.

Governance has Real Statutory Teeth, and One Serious, Unresolved Allegation

The Act's accountability architecture is more substantial than NELFUND's critics sometimes credit. Section 19 requires audited accounts within three months of each financial year's end, by an independent firm drawn from a list approved by the Auditor-General for the Federation, a genuine external check rather than a self-selected auditor. Section 20 requires publication of those audited accounts within six months to both the President and the National Assembly, not to one or the other. The Board itself, under Section 7, must reflect Nigeria's six geopolitical zones and includes representatives of the Ministries of Education and Finance, Joint Admissions Matriculations Board, the National Universities Commission, National Identity Management Commission, Nigeria Revenue Service, the Central Bank of Nigeria, National Youth Service Corps alongside university, polytechnic, college of education, student, and private-sector representatives, a genuinely broad-based structure on paper. Members serve four-year terms, renewable once, while the Managing Director, Executive Directors, and Secretary serve five-year terms under Sections 12 through 14, each renewable once.

None of this statutory architecture has fully answered the most serious governance concern on record. On May 1, 2025, the ICPC stated that of N100 billion released to institutions, only N28.8 billion appeared to have reached students, implying that as much as N71.2 billion may have been diverted by university management (Daily Trust/ AllAfrica, 2025). The agency retracted that framing the following day, attributing the original statement to a drafting error, the omission of the word "not", and clarifying that no discrepancy in the disbursement process had in fact been established (New National Star, 2025). NELFUND separately maintained that the referenced N100 billion stemmed from a prior education financing program rather than the current loan scheme, and that no funds under NELFUND itself are unaccounted for. A published, institution-level audit has tested neither the original allegation nor its retraction, so the underlying question, where the N100 billion in question went, remains open notwithstanding the audit and reporting obligations Sections 19 and 20 impose.

The Act even anticipates disputes: Section 33 requires 30 days' written notice before any civil suit against the Fund, and Section 32 allows the Fund to compound, that is, settle, offenses under the Act by accepting a payment up to the maximum statutory fine. Those provisions exist to manage disputes once they arise. They are no substitute for resolving, through a published audit trail, whether the underlying question of where the N100 billion went has an answer.

Toward a Sustainable NELFUND

NELFUND's core statutory mission, set out in Section 2, financing tuition, fees, charges, and upkeep for qualified Nigerians while recovering what is owed, is sound. Reaching it requires a set of specific, near term corrections.

1. Build Recovery Infrastructure Before Section 28(3)'s Window Closes

This is the reform on which NELFUND's survival most directly depends: all three of Nigeria's prior student loan schemes, in 1972, 1988, and 1993, collapsed specifically because recovery was never built out before repayment came due, not because disbursement failed. Nigeria has roughly eighteen months before the earliest cohorts reach the end of their two-year post-NYSC enforcement grace period. That window should be used to integrate NELFUND with Nigeria Revenue Service income data for the self-employed, following the direction, though not yet the scale, of Kenya's tax-authority integration model. Section 4(1)(j)'s power to sue without a statute-of-limitations bar is only as useful as the Fund's ability to locate and identify defaulting borrowers in an economy where 93 percent of employment is informal.

2. Resolve the Interest-Free Ambiguity Now

The National Assembly should amend Section 17(1)(c) and Section 28(4), or NELFUND should issue a clarifying regulation under the Board's Section 23(3) rule-making power, before the first repayment cohort's enforcement window opens. Leaving this unresolved invites a legitimate legal challenge from borrowers who relied on NELFUND's public representation against a statute that names loan interest as Fund revenue, and it should not take a court case to force the correction.

3. Publish an Independent, Institution-Level Audit

Sections 19 and 20 already require an independently audited annual account published to the President and the National Assembly. NELFUND should extend that same discipline to an institution-by-institution breakdown that settles, rather than leaves open, whether the N100 billion at issue in the ICPC's initial and subsequently retracted statement reached students. Every subsequent disbursement number carries this open question until it is resolved.

4. Publish Disaggregated Beneficiary Data on a Fixed Schedule

Gender, geopolitical zone, state-level, and, where feasible, disability-status data should be published on a routine, dated schedule, not extracted from press briefings. Section 24's national-spread mandate cannot be assessed, let alone enforced, without the disaggregated data to check it against.

5. Clarify the Development Levy's Actual Distribution Formula

The gap between NELFUND's stated 25 percent share and the different split reported elsewhere should be settled by publishing the implementing regulations. Section 17(1)'s funding formula cannot be fiscally planned against a disputed number.

6. Insulate Core Financing from Political Discretion

NELFUND's long-term credibility depends on functioning through the statutory formula in Section 17, not through recurring EFCC transfers and executive directives that sit outside it. The Development Levy's first two years of audited yield are the clearest test of whether that shift is happening.

The Question that will Decide NELFUND's Future

Nigeria will not know whether NELFUND has broken from the pattern of 1972, 1988, and 1993 until its first cohort reaches the end of Section 28(3)'s enforcement grace period, around 2028. What happens between now and then, whether recovery infrastructure gets built, whether the interest ambiguity in Sections 17(1)(c) and 28(4) gets resolved, whether the Development Levy yields what Section 17(1) promises, will determine which outcome Nigeria gets. The difference between Nigeria's first sustainable student financing system and NELFUND will be decided by choices made now, not by the scale of what has already been disbursed.

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