ENTRY #318 – Undergraduate Category

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Topic: How can South Africa build a fiscally sustainable student-financing model that enhances access to higher education? Refer to international experience in your analysis.

Higher education in South Africa is one of the most powerful tools for young people to build a better future and lift our families out of poverty. As a first-year student currently taking macroeconomics as a module, I see the debate over student funding not just as GDP growth figures in my textbook, but as a daily reality on campus. Every day at university, I see students worrying about missing fee deadlines or struggling to afford textbooks and residence rent.

Right now, South Africa relies heavily on the National Student Financial Aid Scheme (NSFAS) to provide fully sponsored bursaries for students from households earning under R350 000 per year. However, this leaves out the "missing middle", which are children of nurses, teachers, and police officers whose families earn too much for NSFAS grants, but far too little to afford university fees out of pocket. To build a system that is both fair and financially viable, South Africa needs a balanced economic framework.

In economics, goods are categorized by who benefits from them. Private goods mainly benefit the individual consumer, while public goods benefit society. Higher education is a mix of both. It has private benefits because individual graduates gain higher future lifetime earnings and better career prospects. But it also creates massive public benefits because a skilled workforce drives national productivity, fuels macroeconomic growth, and expands the country's tax base. Because these benefits are shared between the individual and society, both the state and individual students should share the financial responsibility.

To see how South Africa can fix this, we can look at international experience, specifically Income-Contingent Loans (ICLs), such as Australia's Higher Education Loan Program (HELP). In Australia, the government pays tuition fees upfront, and graduates only start repaying the loan once they cross a specific income threshold. Repayments are automatically collected as a small percentage of earnings through the tax system (**shown in figure 1**). If a graduate loses their job or earns below the threshold, repayments automatically pause.

Figure 1 – From www.ato.gov.au

Table 1: 2026–27 repayment income and rates - Australia	
Repayment income	**Repayment on this income**
$0 – $69,528	Nil
$69,529 – $129,717	15c for each $1 over $69,528
$129,718 – $186,050	$9,028 plus 17c for each $1 over $129,717
$186,051 and over	10% of your total repayment income

This table shows the repayment thresholds in Australia.

An Income-Contingent Loan system offers major economic advantages for South Africa. First, it makes education fairer and more affordable by removing up-front costs for low and middle-income students. Second, it creates fiscal sustainability, as graduates enter the workforce and pay back their loans, those funds replenish the pool, allowing future generations of South African students to study. Instead of creating a whole new expensive system to collect student loan payments, the government can use SARS to automatically deduct repayments from graduates' monthly salaries, just like income tax. This keeps running costs low and ensures almost everyone pays back what they owe once they earn enough.

However, applying this model locally requires realistic adjustments for our economic environment. Unlike Australia, South Africa faces an extremely high youth unemployment rate. As of 2025, youth unemployment among individuals aged 15 to 34 reached 46.1% (**shown in figure 2**), marking a significant increase from previous periods and highlighting the persistent challenges faced by young South Africans entering the labour market. If graduates struggle to find jobs, loan recovery rates will drop, placing financial strain back on the state. Therefore, South Africa should maintain full NSFAS grants for the most disadvantaged students to promote better economic opportunities, while implementing income-contingent loans specifically to bridge the gap for "missing middle" students who currently fall outside financial aid criteria.

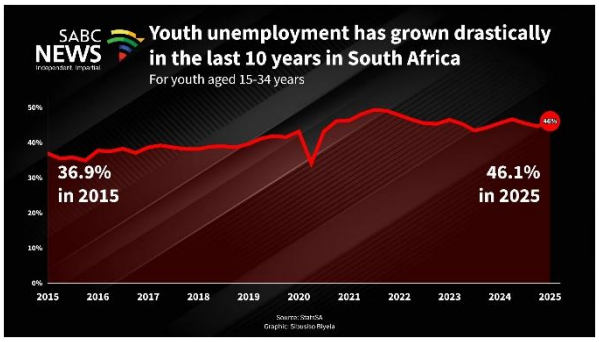


Figure 2 – From www.sabcnews.com

This graph illustrates the growing unemployment rate in South Africa.

One of the primary failure points of traditional student loan schemes (like NSFAS historically) is high administration costs and difficulty tracking borrowers once they leave higher education. By embedding ICL repayments directly into the Pay-As-You-Earn (PAYE) tax collection framework managed by the South African Revenue Service (SARS), tracking becomes automatic whenever a graduate secures formal employment. They could also consider integrating compulsory internships and graduate placement programs into university curricula lowering the barrier to entry for first-time job seekers.

South Africa can construct a sustainable student-financing model by pairing full bursaries for the most vulnerable with an income-contingent loan system supported by SARS collections. By sharing the financial cost between the state and successful graduates, South Africa can open the doors of learning to all deserving students without exhausting the national treasury.