UNDERGRADUATE

Entry #407

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

Word count: 1940

1. Introduction

For many South African students, being academically accepted into university does not necessarily mean that they can afford to attend. Tuition is only one part of the cost. Students may also need accommodation, food, transport, textbooks and internet access. Student financing therefore plays an important role in determining whether higher education is genuinely accessible.

The National Student Financial Aid Scheme (NSFAS) has helped to reduce this financial barrier. However, the amount of public money required to support students has grown significantly. This creates a difficult question for South Africa: how can the country continue helping students who cannot afford higher education while ensuring that the system remains affordable to government in the long term?

This essay argues for a progressive hybrid student-financing model. Students from financially vulnerable households should continue receiving strong grant support, while students with greater financial capacity could receive a mixture of grants and income-contingent financing. Where funding is repayable, graduates should only contribute once their income shows that they can reasonably afford to do so. Lessons from Australia, England and New Zealand show how income-linked repayment can work, but South Africa needs a model designed around its own inequality, unemployment and fiscal constraints.

2. The problem South Africa needs to solve

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South Africa has greatly expanded financial support for students. According to the Department of Higher Education and Training (DHET, 2026), 812 618 university and TVET college students received NSFAS support in 2024, compared with 332 187 in 2011. Total NSFAS funding reached R50.5 billion in 2024.

This expansion matters because many students would struggle to study without financial assistance. At the same time, its scale raises questions about how the system will be financed in future. National Treasury (2026) recorded expenditure of approximately R55.5 billion on the NSFAS student-centred model in 2024/25.

The answer cannot simply be to reduce the number of students receiving support. Doing this may improve the budget in the short term but make higher education less accessible to students from poorer families. The challenge is therefore not just to spend less, but to use public funding in a way that can be maintained across generations.

There is also the problem of the **"**missing middle**."** NSFAS currently applies a household-income limit of R350 000 a year for the main bursary for qualifying non-SASSA applicants. Undergraduate students from households earning between R350 000 and R600 000 may qualify for the NSFAS loan scheme (NSFAS, 2026).

This recognises an important reality: earning more than R350 000 as a household does not automatically mean that a family can comfortably afford university. Two households earning the same amount may have very different responsibilities. One may support one child, while another may support several children and other dependants.

South Africa therefore needs to move away from thinking only in terms of who is "poor enough" to receive assistance. A better question is how much support a student needs to gain access and how much they may reasonably be able to contribute later.

3. Lessons from international experience

South Africa does not need to copy another country, but international experience can show which ideas are worth adapting.

Australia's Higher Education Loan Program (HELP) links compulsory student-loan repayments to income. From 2025/26, the minimum repayment threshold increased to A$67 000 (approximately R780 000) and repayments are calculated on income above the threshold rather than total income (Australian Government Department of Education, 2025).

The principle is useful for South Africa because a graduate earning a low salary should not carry the same repayment burden as someone earning substantially more. It also recognises that a student's financial position at university and their financial position after establishing a career may be very different.

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England follows a related approach. Under its Plan 5 system, borrowers repay 9% of earnings above £25 000 (approximately R570 000) for the 2026/27 tax year. If earnings fall below the threshold, compulsory repayments stop (UK Government, 2026).

England also provides a warning. Giving students loans does not remove the cost from government. The state still provides money upfront and carries the risk that some borrowers will repay slowly or never repay the full amount. South Africa should therefore not assume that converting bursaries into loans would automatically solve the fiscal problem.

New Zealand offers another useful lesson. Student-loan deductions for employees are connected to the tax system. For the 2026 tax year, borrowers pay 12% of earnings above NZ$24 128 (approximately R280 000) (Inland Revenue New Zealand, 2026).

The rand values are approximate because exchange rates change, but they help show that repayment thresholds differ greatly between countries. South Africa should therefore not copy these amounts directly.

The common lesson from these countries is not that South Africa should introduce more student debt. It is that repayment can depend on the ability to pay. South Africa can adapt this principle while keeping stronger protection for poor students.

4. A progressive hybrid model for South Africa

I propose that South Africa build a Progressive Hybrid Student-Financing Model around three questions.

First: What support does the student need to study now?

Second: How much of that support should be a public grant?

Third: If some funding is repayable, can the graduate actually afford to contribute later?

Students from the poorest households should continue receiving predominantly grant-based funding. Asking these students to take on large debts would weaken the purpose of widening access to higher education.

For students with greater household resources, support could gradually move towards a combination of grants and income-contingent financing. Missing-middle students could receive a larger repayable component instead of being expected to fund the full cost themselves.

This would avoid a sharp funding cliff. A family should not suddenly lose most public assistance simply because its income moves slightly above one threshold.

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The repayable part should also work differently from a normal bank loan. Graduates should not automatically receive a fixed monthly bill after leaving university. Compulsory repayments should begin only once taxable income exceeds a carefully calculated threshold.

Someone who is unemployed would pay nothing. Someone earning just above the threshold would make a relatively small contribution. As income rises, the contribution could rise progressively.

The exact threshold should not be guessed. It should be calculated using South African evidence on graduate salaries, living costs, employment and taxation and reviewed regularly. This is particularly important because South Africa's labour market differs greatly from those of Australia, England and New Zealand.

4.1 Collection through SARS

Collection could be connected to the South African Revenue Service (SARS). For formally employed graduates, contributions could potentially be deducted through the PAYE system. Self-employed graduates could contribute through the tax-assessment process.

This would require legislation, reliable information sharing and strong protection of personal information. However, it could make repayments respond automatically to actual income.

If a graduate loses their job or their income falls below the repayment threshold, compulsory payments would stop. When their financial position improves, contributions could resume.

This is more appropriate than treating student financing like an ordinary commercial loan because it recognises that a graduate's income can change considerably over time.

4.2 A Higher Education Opportunity Fund

Most importantly, recovered money should return to student financing. South Africa could establish a dedicated Higher Education Opportunity Fund.

The cycle would work as follows:

Government funds a student → the student studies → the graduate enters employment → income eventually exceeds the threshold → part of the funding is repaid → the money helps another student.

The fund would not replace government funding. Grants would still be required and some graduates would never earn enough to repay their full financing. The purpose would instead be to recover a reasonable amount from those who eventually have the financial capacity to contribute.

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This makes the model different from simply replacing NSFAS bursaries with loans. Public funding remains strongest where financial need is greatest, while repayment is concentrated among beneficiaries whose later economic circumstances allow it.

It also creates a sense of shared responsibility. Government and taxpayers support a student when that person has limited financial resources. If the investment later helps the graduate reach a stronger financial position, the graduate contributes towards giving another student the same opportunity.

5. Would the model actually be sustainable?

Income-contingent financing also has weaknesses.

The biggest risk in South Africa is unemployment. Statistics South Africa (2026) reported graduate unemployment of 10.3% in the fourth quarter of 2025. A financing model cannot therefore assume that every graduate will immediately find a job.

An unemployed graduate should not be required to repay, but this also means that government will not recover money during that period. Repayment forecasts must account for unemployment, low earnings and graduates who may never earn above the repayment threshold.

Informal employment creates another challenge. Statistics South Africa (2026) reported that approximately 18% of employed graduates were in informal employment in the fourth quarter of 2025. This could make income more difficult to identify than ordinary PAYE employment.

For these reasons, the Higher Education Opportunity Fund should initially supplement rather than replace public funding. Government would still have to finance today's students while waiting several years for some graduates to reach the repayment threshold.

South Africa should therefore introduce the model gradually. A pilot programme could measure graduate employment, earnings, repayment rates, collection costs and the percentage of financing government realistically recovers. These results could then be used to adjust the model before expanding it.

Fiscal sustainability should also consider whether funded students actually complete their qualifications. Supporting a student who eventually graduates may produce a greater economic and social return than funding repeated years that end in dropout. Academic support, tutoring and early intervention should therefore form part of student-financing policy.

The aim should not be to recover every rand. Some public subsidy is justified because higher education benefits more than the individual graduate. The aim should instead be to make the government's contribution predictable and affordable while recycling some funding from graduates who become financially able to contribute.

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6. Conclusion and recommendations

South Africa's student-financing debate should not be reduced to a choice between free higher education and student debt. Both access and fiscal sustainability matter.

International experience shows that student repayments can be linked to income rather than demanding fixed payments regardless of a graduate's financial circumstances. However, South Africa's inequality, unemployment and labour-market conditions mean that foreign systems cannot simply be copied.

A progressive hybrid model offers a possible middle path. Poor students would remain protected through grants. Missing-middle students would receive stronger access to public financing. Repayments would depend on future income, and money recovered from graduates would help finance future students.

Implementation should be gradual. South Africa should pilot income-contingent repayments, investigate SARS-linked collection, publish realistic estimates of how much financing can be recovered and regularly review repayment thresholds against earnings and living costs.

Fiscal sustainability should ultimately mean more than reducing today's expenditure. A sustainable system is one that South Africa can still afford to offer to the next generation.

A student's lack of money today should not decide whether they can develop their potential. At the same time, when public investment helps a graduate reach a position where they can reasonably contribute, part of that benefit can be passed forward. In this way, student financing becomes not only assistance for one student, but an investment that helps keep the door to higher education open for the student who comes next.

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