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#Feesmustfall and beyond: Towards a sustainable National Student Loan regulatory framework – NWU view

"Overcoming poverty is not a task of charity, it is an act of justice. Like slavery and apartheid, poverty is not natural. It is manmade and it can be overcome and eradicated by the actions of human beings. Sometimes it falls on a generation to be great. You can be that great generation. Let your greatness blossom." ~ Nelson Mandela

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1 EXECUTIVE SUMMARY

Universities have been forced to raise higher education fees with above inflation rates due to increasing operating costs and higher student numbers and decreasing real term Government funding. While free higher education or other alternative funding models are being considered, it is important to remember that the higher education sector is at stake: a sector that plays a vital role in creating improved lives for all South Africans.

The psychological considerations surrounding fee free or more affordable higher education indicates a need for a stable funding framework. Financially, such a sustainable framework is desperately required or universities will once again need to increase student fees at unreasonable rates to maintain quality. Fee free higher education is not viable in South Africa as significant funds will need to be reallocated from other sectors that also require funding, or it will have to be collected from already overburdened tax payers.

This report therefore proposes a viable student fee regulatory framework: subsidised higher education with the effective use of the already implemented National Student Financial Aid Scheme.

2 IMPLICATIONS OF #FEESMUSTFALL FOR RSA UNIVERSITIES

On 23 October 2015, the presidency announced a zero percent tuition fee increase for the 2016 academic year after 10 days of revolutionary student protests (Fataar, 2015). Protests commenced on 14 October 2015 at Wits University in Johannesburg (Fataar, 2015) after an announcement of a 10.5 percent increase (almost double inflation) was communicated (Fourie, 2015).

The idea of free higher education, which had started with free education to the poor, became a demand for free education for all. Although free higher education may be an ideal, it has proven to reproduce and reinforce inequalities, and is not affordable by poor political economies in the long run as increased enrolments require growing resources to sustain quality education (Langa, Wangenge-Ouma, Jungblut, & Cloete, 2016).

Several political factors played a role in the #Feesmustfall campaign, which abused students' legitimate concerns and discredited the campaign. This report does not discuss these political factors.

2.1 PSYCHOLOGICAL CONSIDERATIONS OF FREE OR MORE AFFORDABLE HIGHER EDUCATION

Research indicates a variety of responses of people when people pay for a product in comparison with not having to pay for it. Some are of the opinion that cost reflects value, and the higher the financial investment made, the higher the value that is attributed. Cialdini (2009) proposes that scarcer things are valued more highly and that free commodities, which can mostly be considered as a scarcity, might therefore also then be valued highly. Free commodities also appear to be valued not only due to its decreased cost, and thus cost efficacy, but also due to higher associated benefits attributed to these products (Shampanier, Mazar, & Ariely, 2007). Whether a product is valued, depends more on an individual's need therefor, than whether it was paid for (Hoffman, Barrett, & Just, 2007).

The cost of tertiary education, however, is not a product that can be bought or 'given' – a price can only be attributed to the opportunity to study. The extent to which free or more affordable higher education may impact students, depends on the most prominent factors motivating students to study, and whether these factors may be impacted by introducing free or more affordable higher education.

Brophy (1987) suggested that the motivation to learn is an ability acquired through general experience, but encouraged most directly through modelling, communication of expectations and direct instruction or socialisation by others, especially parents or other primary caregivers and teachers. Parents are the earliest source of information, helping their children to understand and create an image of the outside world through answering their questions, familiarising them to different situations and sharing different rituals and stories. They are the primary intermediaries in the development of their children's attitude towards life and learning. Certainly, if children developed confidence, a sense of self-worth and competence, they will be ready to face challenges and attain successes. Regrettably, if children do not perceive themselves as competent, due to the unavailability or overly anxious and punishing involvement of parents, they may develop a fear of failing and will find it very difficult to motivate themselves from within.

In academic institutions, lecturers play a vital role in the development of their students' attitude towards learning through the nature of their teaching and the expectations they hold for their students (Afzal, Ali, Khan, & Hamid, 2010). Student motivation is often separated into two types, namely intrinsic and extrinsic motivation.

Intrinsically motivated students find their motivation within themselves and engage in learning out of interest, pleasure, or to achieve their own scholarly and personal goals and experience a sense of accomplishment (Afzal et al., 2010). Extrinsically motivated students engage in learning to attain a reward, such as good grades, prizes or a parent's or lecturer's approval or to avoid possible punishment (Afzal et al., 2010). Intrinsically motivated students tend to engage more intensively and consistently in their learning which produces better and more consistent academic performance. This is also found to be a mutually causal relationship where students' motivation enhances their academic performance, which again enhances their academic performance. On the other hand, students with extrinsic motivation who feel compelled to learn, and who may put minimal efforts to achieve maximum appreciations, may show difficulty maintaining their motivation or academic performance.

A study performed by Chamorro-Premuzic (2013) on the impact between compensation, motivation and performance in the work environment, concluded that extrinsic motivation, including financial benefits, has proven to be a poor motivating factor and may in fact be demotivating through diminishing intrinsic motivation (Afzal et al., 2010). Therefore, if we aim to understand or enhance student's attitudes towards and academic performances in their studies, one must focus on the intrinsic motivational factors of students and acknowledge uniqueness of the motivating forces at play in each individual's life.

It is also important to consider the South African context within which the #Feesmustfall campaign was launched. Students are sent to university with great struggle due to significant financial difficulties. It may be helpful to consider what the motivating factors may be for such students in the context of Maslow's hierarchy of needs. If students' fundamental needs aren't met we can imagine that it will be very challenging to remain motivated to persist in their studies. According to probably the most widely known theory of human motivation, as described by Maslow (1943), the five human needs motivating behaviour are physiological; safety; belongingness and love; esteem and self-actualisation needs.

These needs are arranged from lower (deficiency) needs which must at least be partially satisfied before the higher (growth) needs become influential (Sadock & Sadock, 2007). For instance if you are desperately hungry or have compromised safety and fear for your life or bodily integrity, your motivation will be dominated by these physiological needs (Maslow, 1943). But as these most basic needs are satisfied, motivation through the higher needs occur (Schultz & Schultz, 2001). Satisfaction of these higher needs can then contribute to improved health and growth and is also psychologically beneficial by leading to contentment, accomplishment and fulfilment. If a student arrives at a university, far from their home and support system, with only enough money to pay for registration, they are extremely vulnerable to deprivation of their fundamental needs, which will hinder them greatly in their motivation to study. The motivation of the student therefore also depends greatly on their ability to adjust to the demands that they are faced with, including but not limited to, academic demands. Support systems at universities are therefore very important, especially for students from less privileged backgrounds, which transcend providing free education.

From the above, it is clear that intrinsic motivation is necessary to create a student culture that is motivated, responsible, hard-working and appreciative. In doing this, students' primary needs need to be addressed by providing support and stability, which can be done through the provision of **subsidised higher education**.

2.2 FINANCIAL IMPACT AND GOVERNMENT PRIORITIES

In 2015, tuition fees ranged between R25 710 and R64 500 (Write, 2015). At an average of R45 105 and taking the number of university students of 2013 into account (983,698 students according to the Department of Higher Education and Training (2015)), it will cost the Government approximately R44.4 billion to achieve tuition free education. This calculation disregards any growth in student numbers from 2013 onwards, and excludes any cost adjustment to 2015 tuition fees. In addition, the amount neither includes any funding provided for infrastructure, development, etc. nor does it include any funding for accommodation, meals, books and travel that the National Student Financial Aid Scheme (NSFAS) currently offer. Currently, the NSFAS allows a maximum funding of R71 800 per annum per student, indicating that approximately 62.8 percent (45 105/71 800) relates to tuition fees. The 2016 NSFAS funding to universities amounts to R8.9 billion (Department of Higher Education and Training, 2016).

Table 1 indicates that a minimum of R17.1 billion additional funding is required to achieve fee free higher education.

Table 1: Minimum annual funding required from Government for tuition free higher education.

Description	Amount (R bn)
Tuition fees required (2015 tuition fees × 2013 student numbers)	44.37
2016 NSFAS funding for accommodation, meals, books and travel (R8.9bn × 37.2%)[1] (Department of Higher Education and Training, 2016)	3.31
2016 Buildings & other infrastructure earmarked grant (Department of Higher Education and Training, 2016)	2.43
2016 Development funds earmarked grant (Department of Higher Education and Training, 2016)	1.63
2016 Other earmarked grants (Department of Higher Education and Training, 2016)	2.23
Total	*53.97*
Total funding provided in 2016	*36.86*
Minimum shortfall for free higher education	*17.11*

Reallocating the amount from other sectors' funding, may create negative repercussions.

Currently, Government contributes approximately 0.9 percent of GDP to higher education (Langa et al., 2016; South African Institute of Race Relations, 2016), which means that the GDP needs to grow by R1.9 trillion to sustain free higher education.

The South African economy is under huge pressure with negative economic growth in the first quarter of 2016. South Africa's economy decreased by 1.2 percent quarter-on-quarter (seasonally adjusted and annualised). Year-on-year growth for the same quarter was -0.2 percent (Stats SA, 2016a). According to Neil Roets, CEO of debt management firm Debt Rescue, South Africa is going to be further pressurised after the announcement that the United Kingdom exit the European Union, as the United Kingdom is the biggest single investor in the South African economy (Times Live, 2016b).

Dawie Roodt, independent economist, is of the opinion that the economic uncertainty increasingly worries investors: "I think it is important first of all to realise that there is no such thing as free education. Even if the free education would be implemented, it is not going to be free because some will have to pay for that. The reality is that the tax payers in South Africa are already overburdened, they are not able to pay more tax. Even if so-called free education is being implemented it will come at a huge cost to the South African economy (Moerane, 2015)."

[1] Assuming that 70 per cent of the NSFAS' funding is towards tuition fees.

Collecting the additional funding from current taxpayers, would therefore be unreasonable and unsustainable as it will further reduce spending in the already pressured current economic climate, lowering chances of economic growth even further. Clearly, free higher education is not sustainable for South Africa.

One of the reasons that South African students are fighting for free higher education is to improve their quality of living. South Africa is faced with high rates of unemployment. This rate for South Africa was 26.7 percent for the first quarter of 2016, and specifically for the youth, it was 54.5 percent, which is estimated to grow to 59.58 percent for the same quarter in 2017 (Trading Economics, 2016b). Reducing unemployment is also one of the reasons the Department of Higher Education and Training (DHET) has set forth growth requirements to universities to increase the number of graduates. Government ultimately requires an improvement in quality education and innovation through research from South African universities (Department of Higher Education and Training, 2013; National Planning Commission, 2011; Wangenge-Ouma & Cloete, 2008). However, achieving the objectives set by Government will require universities to significantly expand its infrastructure, to establish effective administrative systems, and to recruit, train and retain high quality higher education staff, which will require significant funds (Department of Higher Education and Training, 2013).

In South Africa, the affordability of higher education remains a challenge due to declining state funding in real terms (reducing by 1.1 percent from 2000 to 2012) and the low portion of gross domestic product going to higher education (around 0.9 per cent) (Langa et al., 2016; South African Institute of Race Relations, 2016).

The last ten years show a decrease of nine percentage points in Government subsidies as a part of total university income (see Table 2). Although student numbers have increased by 69.8 percent between 2000/01 and 2014/15, total State finance for universities as a proportion of gross domestic product increased by only 25.4 per cent and total State finance for universities as a proportion of total State expenditure decreased by 9.8 per cent for the same period (South African Institute of Race Relations, 2016).

Table 2: South African higher education income sources.

Source	**2000**	**2012**
Student fees	24	31
Government	49	40
Third stream	27	29
Total	**100**	**100**

Source: South African Institute of Race Relations (2016).

Universities have been increasing tuition fees to mitigate shortfalls while ensuring quality of service. Table 3 presents a five year comparison of the average tuition fee increases at South African universities, in comparison with the country’s inflation rate. The frustration displayed by South African university students is understandable since tuition fee increases are substantially higher than inflation rates, reducing the opportunity to obtain higher education. Graduates have a much lower unemployment rate (5.1 percent) than matriculates (25.5 per cent) – see Table 4.

Table 3: A five year comparison of annual fee increases at South African universities in comparison with the country's inflation rate, as well as North-West University's internal rate of inflation.

Year	**Annual increase rate in cost of Education** (Stats SA, 2016b)	**Average inflation rate of South Africa (CPI)** [2] (Inflation.eu, 2016)	**Annual NWU internal inflation rate** (North-West University, 2016)
2016	0.00	6.55	8.18
2015	9.30	4.51	9.25
2014	8.70	6.13	10.59
2013	9.00	5.77	10.36
2012	9.00	5.75	9.58

Table 4: Unemployment rate of the working-age population of South Africa at the fourth quarter of 2015.

Education level	Unemployment rate
Less than matric	28.5
Matric	25.5
Other tertiary	15.6
Graduate	5.1

Source: Stats SA (2015).

Universities have been increasing tuition fees at rates above inflation due to rising operational costs. Although South Africa's inflation rate was 4.51 percent in 2015, the following examples of cost increases were e.g. experienced by the North-West University: computer and software expenses increased 20 percent; books and electronic databases increased 11 percent; cleaning costs increased 10 per cent; and water and electricity increased 7.3 percent (refer to Table 3 – Annual NWU internal inflation rate). The highest cost increases are experienced in imports, due to the weakening rand. The US Dollar gained 23.98 per cent against the South African Rand (ZAR) during the past 12 months from June 2015 (Trading Economics, 2016c).

When comparing the internal rate of inflation of academic institutions with the inflation rate of the country (Table 3) it is clear that the current financial basis of universities is not sustainable. The only way of reducing the operational costs of the university, is to strengthen South Africa's economy, which will lead to a stronger currency as well as lower costs of imports. In the meantime, higher education institutions desperately require increased funding from Government.

With the absence of sufficient funding, universities will be forced to either increase tuition fees at higher than expected rates, or quality higher education will be compromised. By compromising quality, prospective students (the professionals of the future) may immigrate to countries with better institutions, ultimately weakening South Africa's economy further. Alternatively they may end up with worthless degrees and diplomas, student debt and may still have no job opportunities.

Ideally, a country would like to increase its level of education as this will ultimately lead to a stronger economy. The quality (skills, abilities, training and education) and quantity of a country's human resources influences economic growth (Ntisha, 2016). This is proven when scrutinising the compilation of the United States' labor force. According to Bajpai (2016), the United States

[2] The average of 12 monthly inflation rates of a calendar year.

has the strongest economy in the world based on nominal GDP. Table 5 displays the high levels of education of its labor force in comparison with that of South Africa.

Table 5: Education levels of South Africa's citizens in comparison with the United States set out as percentages of the labor force.

Education Level	**South Africa** (Stats SA, 2015)	**United States** (Bureau of Labor Statistics, 2016)
Less than matric	60.9	7.9
Matric	26.7	25.9
Other tertiary	7.1	27.4
Graduate	4.4	38.8
Other	1.0	-
Total	**100**	**100**

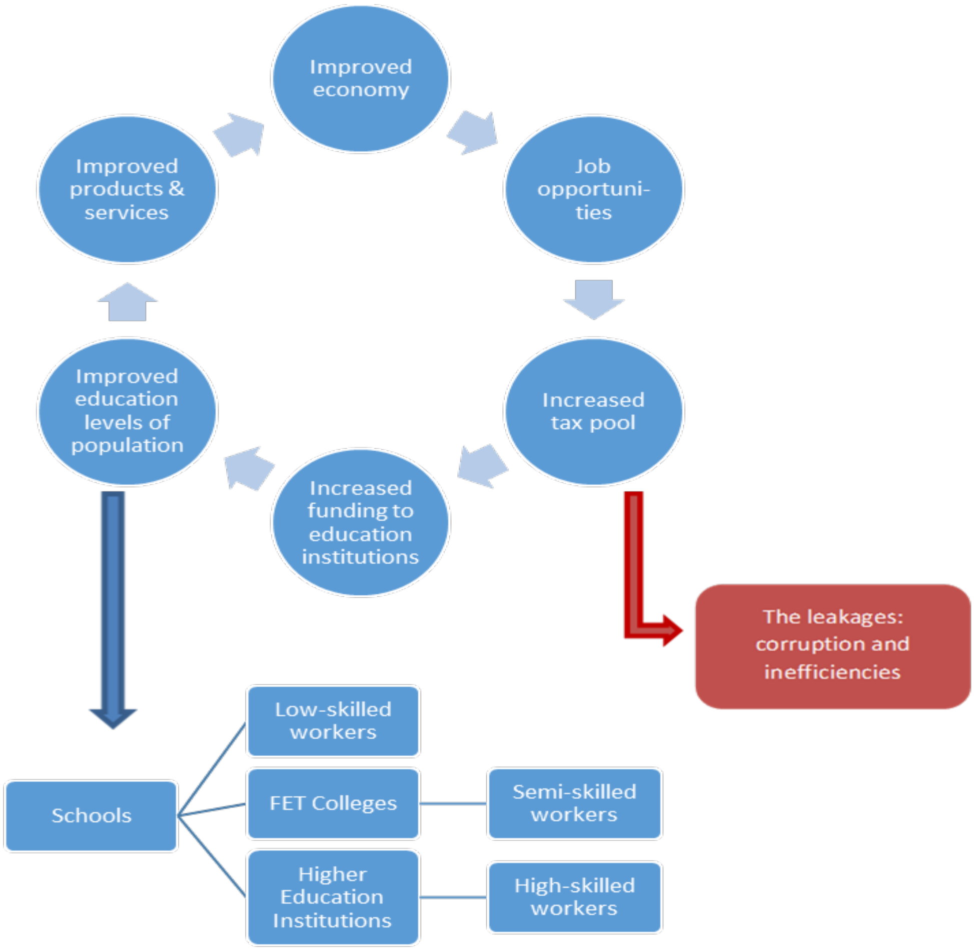
However, it is emphasised that improved education does not only take place at higher education institutions; it commences with the schooling system and also includes education provided by Technical Vocational Education and Training (TVET) colleges. One of the main reasons of low graduation rates at South African universities (15 percent compared to the international norm of 25 percent) is attributable to entrants from poor school education backgrounds, increasing the cost to produce graduates (Department of Higher Education and Training, 2013; National Planning Commission, 2011). South Africa's schooling system is substandard, proven by the low numeracy rate of 11 percent of grade nine pupils (Times Live, 2016a). As soon as the country's schooling system can be improved, education levels will increase, increasing income levels and therefore also the tax pool: "Greater educational attainment increases the likelihood that an individual will be employed and raises the level of his or her wages when employed. Although researchers cannot estimate the causal relationship precisely, the available evidence indicates that more education is associated with at least 7 to 10 percent higher earnings per additional year of schooling among those who are employed. The higher earnings realised by more highly educated people result in higher tax payments" (Rand Education, 2009). Individuals and corporations make up 37.5 and 16.9 percent of South Africa's tax revenue respectively (National Treasury, 2016). Increasing the tax base of the country is therefore directly dependent on the amount of taxpayers, being either employees or entrepreneurs.

Technically, the framework presented in Figure 1, a virtuous process, can be initiated at any point and this ideal should therefore be attainable in South Africa. However, the problem is that there are leakages in the system: corruption and inefficiencies.

South Africa scored 44 out of 100 on the Corruption Perception Index (Trading Economics, 2016a). A score below 50 indicates a significant corruption problem. In 2009, Government corruption totalled R70 billion (News24, 2012), causing diminishing trust of the country's citizens in the public sector (Transparancy International, 2014). Lawson Naidoo of the council of the advancement of South African constitutions stated that an estimate of 20 percent of the GDP is lost to corruption annually (News24, 2012). South African organisations also reported the highest economic crime rate in the world (PwC, 2016). Corruption causes the distributable tax pool to decrease, causing the flow in Figure 1 to decrease year-on-year.

In addition to corruption, inefficiencies exist in the distribution of taxes. An example is social grants: R457.5 billion will be spent on social grants over the next three years (National Treasury, 2016). By utilising the social grants more effectively such as to distribute to higher education, it can lead to 12 years more funding based on the R36.86 billion funding (including NSFAS funding) granted to universities in 2016 (Department of Higher Education and Training, 2016). It is suggested that this funding will be better applied in vocational training, enabling more citizens to find jobs, which will increase salaries earned, thereby stimulating the economy.

Figure 1: Illustrating the proposed method of improving South Africa's economy by way of increased education levels.



In short, universities currently suffer year-on-year shortfalls due to increased operating costs and higher student numbers, without the accompanying increase in subsidies from Government. The options for universities include a combination of increased third stream income, increased student fees and increased State funding. Government can only contribute more if the economy grows and if leakages in the system (corruption and inefficiencies) are stopped. The State administrative machinery is too large for an economy of our size.

Taking into account the considerations contained in this report, free higher education in South Africa is not viable. Section two proposes a continuation of subsidised higher education.

3 PROPOSED STUDENT LOAN REGULATORY FRAMEWORK

Twenty-four percent of the funding allocated to universities from Government, relates to the NSFAS (Department of Higher Education and Training, 2016). According to the Minister of Higher Education and Training, Dr Blade Nzimande, the NSFAS has been tasked to provide an efficient and sustainable financial aid system for poor yet academically eligible students.

Countries like Australia and Norway were used as examples in developing the proposed subsidised funding framework.

Norwegian State universities and university colleges as a rule do not charge tuition fees to students, including international students, but all students need to pay a semester fee of NOK300-600 each semester. This means: no fee free education.

Funding for tertiary education in Australia is through a combination of Government subsidies, student fees and loans. The Higher Education Loan Programme (HELP) is an interest free loan available to assist with the payment of tuition fees. Even though interest is not charged, the amount outstanding is subject to an index adjustment in terms of the CPI every year. The repayment of HELP is compulsory and is regulated as displayed in Table 6.

Table 6: HELP Repayment Income compulsory repayment 2016/17.

Repayment income ($)	Repayment rate (%)
Below 54,869	Nil
54,869-61,119	4.0
61,120-67,368	4.5
67,369-70,909	5.0
70,910-76,222	5.5
76,223-82,550	6.0
82,551-86,894	6.5
86,895-95626	7.0
95,627-101,899	7.5
101,900 and above	8.0

Source: Australian Taxation Office (2016).

3.1 CHALLENGES OF THE CURRENT SYSTEM

The current NSFAS system is neither operating in a sustainable framework nor managed to render sustainable outcome.

The NSFAS is a loan and bursary scheme funded by the DHET for those who do not have the financial means to fund their studies and/or cannot access bank funding, study loans or bursaries (South African Government, 2016). The NSFAS provide loans for low income households with a threshold annual income of R120 000 per annum or less (National Student Financial Aid Scheme, 2015).

Table 7 displays the NSFAS contribution in Rand value and number of students for the 2013 and 2014 academic years.

Table 7: NSFAS Student awards.

Academic years	2014		2013	
	Rand value	**Number of students**	**Rand value**	**Number of students**
Student awards by institution category				
Universities	6,969,940,822	186,150	6,729,069,970	194,923
TVET colleges	1,991,487,809	228,642	1,953,253,361	220,978
Other institutions	1,041,602	10	19,082,247	464
	8,962,470,233	**414,802**	**8,701,405,578**	**416,365**

Source: National Student Financial Aid Scheme (2015).

The total student headcount enrolment for 2013 at the (then) 23 universities, reached 983 698 in the 2013 academic year (Department of Higher Education and Training, 2015). The NSFAS therefore funded only 20 percent of the total university headcount for 2013. This means that 80 percent of students need to find finances elsewhere. The "missing middle" is students whose families earn above the required R120 000 per annum. This exclusion has tremendous implications such as the recent #feesmustfall campaign. These middle-class families cannot raise funds from commercial banks because the risk of default is too high, while at the same time they do not qualify for the NSFAS, due to the set thresholds (Mtwesi, 2016).

Table 8 sets out the low loan recoveries for the 2014 and 2015 financial years, indicating that only about 3.5 percent of funds distributed through the NSFAS are collected.

Table 8: Loan repayments recoveries (R and %) against NSFAS funding for that academic year.

Repayments	2015 financial year (R)	2014 academic year (%)	2014 financial year (R)	2013 academic year (%)
Loan recoveries **including** donor settlements and credit balances on fee accounts	261,213,101	2.90%	372,326,300	4.28%
Loan recoveries **excluding** donor settlements and credit balances on fee accounts	247,200,000	2.75%	261,213,101	4.00%

Source: National Student Financial Aid Scheme (2015).

Currently, the NSFAS loan payback is linked to a salary threshold of R30 000 per annum. Interest is charged at 80 percent of the bank repo rate and the repayment amount starts at three percent, increasing on a sliding scale to a maximum of eight percent of the salary once the salary reaches R59 300 per annum. The maximum funding that a student can qualify for per academic year is R71 800. If a student therefore earns R59 300 per annum and received the maximum loan amount for three years of R215 400 (R71 800 x 3 years), it will take approximately 45 years to repay the capital loan amount[3].

The repayment period of the NSFAS loans can therefore be very extensive. In addition to this, a lot of the funding provided is never collected, making the current system inefficient, while thousands of students could get the benefit from these funds if repayment terms were implemented.

[3] The calculation assumes no increase in salary.

Another problem with the current funding system is the high dropout rate of first year students (between 50 and 60 percent) (eNCA, 2015); funding that could have been distributed to deserving students. The high dropout rate can be contributed to the poor schooling system as discussed in section 1.2. With the current schooling system, it is almost effortless to meet the basic requirements for provisional bachelors' admission at universities. It is recommended that the schooling system improve and/or that universities set higher admission requirements to allow only the truly academically deserving students. In doing so, universities will suffer a much lower dropout rate, enabling them to make effective use of limited funds. Students that do not meet the admission requirements of universities can then enter TVET colleges that focus on vocational or occupational training and education by nature, targeting post-school students from as early as Grade 9.

3.2 PROPOSED NEW FRAMEWORK

The following student fee regulatory funding framework is proposed to apply from the 2017 academic year onwards: using the NSFAS as a means of providing subsidised education for all students.

The following subsidised funding framework is presented:

1. Apply NSFAS as a Government loan fund, available to all students, and not only the poor, by implementing a sliding scale based on the Individual Tax Tables.
2. Formalise requirements to qualify for a Government loan fund through the South African Revenue Service (SARS)[4].
3. Reward academically deserving students with merit-bursaries to reduce the loan balance for tuition fees.
4. Enforce repayment terms with interest through SARS.
5. Make use of SARS to collect repayments from students' salaries.

3.2.1 Apply NSFAS as a Government loan fund, available to all students, and not only the poor, by implementing a sliding scale based on the Individual Tax Tables

Income brackets are already allocated for individuals to calculate the monthly Pay as You Earn (PAYE). This is a good guideline to apply to distribute funding between all classes of students.

Table 9: Rates of tax for individuals for the 2017 tax year.

Taxable income (R)	Rates of tax (R)
0 – 188 000	18% of taxable income
188 001 – 293 600	33 840 + 26% of taxable income above 188 000
293 601 – 406 400	61 296 + 31% of taxable income above 293 600
406 401 – 550 100	96 264 + 36% of taxable income above 406 400
550 101 – 701 300	147 996 + 39% of taxable income above 550 100
701 301 and above	206 964 + 41% of taxable income above 701 300

Source: South African Revenue Service (2016).

Table 10 proposes an application of Government loan funding per income tax bracket based on family income.

[4] In the UK the successful student loan payback mechanism is managed through the UK income tax system.

Table 10: A proposed framework for applying Government loan funding for higher education per income tax bracket based on family income.

Taxable income (R)	Qualifying % of loan amount
0 – 188 000	100% of (100% tuition fees, accommodation, meals, books and travel)
188 001 – 293 600	80% of (100% tuition fees, accommodation, meals and books and 50% of travel)
293 601 – 406 400	60% of (100% tuition fees and accommodation and 50% of meals, books and travel)
406 401 – 550 100	40% of (100% tuition fees and 75% of accommodation and 50% for meals and books and 25% of travel)
550 101 – 701 300	20% of (100%tuition fees and 50% of accommodation)
701 301 and above	10% of (100% tuition fees)

The above sliding scale ensures that all students have an equal opportunity to receive the benefit of a low-interest rate Government loan, but still ensures that the poor academically eligible students have the opportunity to study and address the "missing middle" issue.

Students can qualify for varying amounts up to the maximum of a set amount, e.g. R71 800 for 2016 (which is the 100 percent funding amount for tuition fees, accommodation, meals, books and travel) per academic year.

The proposed Government loan needs to be mainly self-sustaining after the first cycle of funding. Ideally, the only Government funding required would be to cover the loan system's operating cost, funding for bursaries through this system (see 2.2.3) and minimal bad debts.

3.2.2 Requirements to Qualify for the Government Loan Fund

Currently, first year students must have obtained an APS-score of 26 during their final Grade 12 exams and must apply for the Government loan before 30 October of the preceding year of study. Also, senior students must pass at least 60% of the modules taken to be eligible for a Government loan in the next academic year. The closing date for senior students is 30 September annually. It is agreed that these terms are reasonable.

In addition to these requirements, it is suggested that all students have to obtain an income tax number as part of the registration process at all universities. This allows the NSFAS to keep track of all the details of the students to enable the NSFAS to deduct the required repayments at a later stage.

3.2.3 Merit-bursaries to Reduce Loan Amounts

It is suggested that the loan portion relating to tuition fees may be converted into a bursary on a level of merit. To encourage students to graduate, and as the NSFAS loans carry no interest during the time of studies, it is suggested that a sliding scale be introduced where the average of a students' degree is calculated, which will determine the amount of outstanding fees to be converted to a bursary. A different framework may also be used for degrees obtained in scares skills versus other skills as suggested in Table 11.

Table 11: Proposed average to obtain for conversion of the NSFAS loan to a bursary, distinguished between scarce skills and other skills.

Scarce skills		Other skills	
Average % achieved for total modules	% merit bursary relating to tuition fees	Average % achieved for total modules	% merit bursary relating to tuition fees
75% >	100%	75% >	100%
65% - 74%	90%	70% - 74%	90%
55% - 64%	70%	65% - 69%	70%
50% - 54%	40%	60% -64%	60%
		55% - 59%	50%
		50% - 54%	40%

This section is to motive and create hard working students, which will ultimately lead to fee-free education for academically deserving poor students (as they receive 100 percent loans) and subsidised education for other academically deserving students (based on the percentage loan obtained per the income tax sliding scale).

3.2.4 Enforce Repayment Terms including Interest

It is suggested that the repayment terms be thoroughly communicated on the NSFAS' website, as well as the loan contract agreed upon between the NSFAS and the student.

The current interest charge of 80 per cent of the national repo rate, as well as the repayment terms of between three and eight percent is considered reasonable. It is suggested that these terms are just enforced to create a culture of responsibility.

Students that do not complete their studies should still be held responsible for any outstanding loan amounts. In such a case, and when students' details change (i.e. they change address) without informing the NSFAS, the collection process is still made possible if these students have an income tax number.

3.2.5 SARS Mechanism to Deduct Repayments from Students' Salaries

One of the major issues relating to the current NSFAS system is the repayment of loans. Communication regarding repayment is vague[5] and students don't communicate changes of personal details, such as addresses, with the NSFAS. According to the NSFAS' website, SARS can be used as the middle man to collect repayments from the students' salaries. The same principle can apply for the collection through an ITA88, where SARS appoints the employer as an agent to collect money on behalf of SARS by law.

[5] When considering the communication available regarding repayment on the NSFAS website.

4 CLOSING SUGGESTIONS

ANC Head of Policy Jeff Radebe urged the youth to take education seriously on 27 June 2016: "We have many opportunities that are available to young people in our country today. What the youth of 1976 dreamed about for better education, the youth of 2016 must be grateful for what is available to them now (Goba, 2016)".

Therefore, and based on the findings of this report, the following are suggested:

1. Transform discussions surrounding fee free higher education to subsidised higher education;
2. Increase Government funding to universities to preserve and improve quality higher education services;
3. Address leakages (corruption and inefficiencies) in the State budget and prioritise economic growth to increase available Government funding; and
4. Effectively apply the already implemented National Student Financial Aid Scheme as a means to a sustainable student fee regulatory framework with specific focus on collection of loan amounts.

~ Let's build on the present to better the future ~

5 CONTACT DETAILS

The following persons are willing to present to the Commission on behalf of North-West University if called upon in either English or Afrikaans:

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