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The Impact of Reductions in Financial Aid on the Enrollment Plans of Aid Recipients

by Elizabeth G. Creamer

Projected and actual changes in the federal appropriations for direct student assistance programs in the early days of the Reagan presidency as well as rising educational costs were expected to threaten the continuing college enrollment of need-based financial aid recipients. Research has documented the relationship between financial aid and decisions to attend college as well as choice of college, particularly for minority and low income students applying for the first time in less selective colleges. Most of this research, however, has been conducted during periods of expansion, rather than contraction, in federal subsidies for direct student assistance and has focused almost exclusively on first-time students.

The purpose of this study was to describe the relationship between change in the total amount of financial aid received between two years and the reported enrollment plans of a sample of Title IV aid recipients enrolled as full-time undergraduates during 1981-82. Research questions were formulated to examine the individual and institutional characteristics of past financial aid recipients who planned to continue at the same college, transfer to another college, or withdraw from college entirely.

It was anticipated that students who received significantly less aid in 1982-83 than the previous year were more likely than other recipients whose aid remained stable to change their enrollment plans by transferring to another college or withdrawing from college entirely.

Methodology

An eighteen item survey instrument was mailed in September, 1982 to a random sample of 1,347 students who received financial assistance under a state SSIG program. A follow-up was mailed to nonrespondents a month later. Recipients were asked to report details about their enrollment plans and total the amount and type of financial assistance from all sources anticipated for the upcoming year. Additional data about the financial aid received in the previous year were collected from financial aid officers at colleges and universities attended by sample members. Certain demographic data, such as family income, were taken from financial aid forms submitted by each student as part of an application for state aid. Of the 1,312 deliverable instruments, usable responses were received from 767 students (58%) before the cutoff date.

The Sample

The sample represented a population of students with the following characteristics:

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1. Demonstrated substantial levels of financial need (\$2,500 or more) and, consequently, were presumed under the conceptual framework of needs analysis to be unable to attend the institution they listed without financial assistance.
2. Were distributed across all institutions of higher education in Virginia, including community colleges.
3. Were Virginia domiciliary residents.
4. In most cases, received additional financial aid from sources other than College Scholarship Assistance Program (CSAP).
5. Were disbursed awards under the CSAP program.
6. Enrolled as a full-time freshman, sophomore, or junior during 1981-82.
7. Were generally from families whose adjusted gross income was less than \$24,000.

The Respondents

Characteristics of the respondents are summarized in Table 1 in comparison to data provided in the *Digest of Education Statistics* for all first-time students attending higher education in 1980. The data summarized by the table highlights expected differences between need-based aid recipients and a general population of students. The respondents were (a) far more likely to be attending full-time since that was a general condition of receiving aid; (b) far more likely to be of minority status, particularly black and (c) more likely to be female than a general population of college students. The distribution by institutional control appears similar, however.

Table 1
Characteristics of the Respondents
Compared to National Norms
of First Time Students
(Percentages)

Characteristic	Analysis Sample N = 755	National Norms*
Sex		
Male	36.1	48.6
Female	63.9	51.4
Racial Background		
White	61.1	81.3
Black	34.6	9.2
Other	4.3	9.5
Attendance Pattern		
Full-Time	96.8	58.7
Part-Time	3.2	41.3
Control of Institution		
Public	74.1	78.2
Private	25.9	21.8

*Source: *National Center for Education Statistics (1981)*
(Fall 1980 data for all students attending higher education).

Respondents and nonrespondents were compared on the variables of sex, racial background, year in school, dependency status, family income, and distribution by institutional type. Respondents and nonrespondents were found to vary significantly only on the variable of race ($p < .01$). A much greater percentage of whites responded to the survey than either blacks or "other" minorities.

Findings

Although more than 40 percent of the respondents reported more than a \$500 loss in aid received from all sources, the vast majority of respondents (88.3%) planned to continue their enrollment at the same college. Only a small percentage of the respondents reported plans to transfer (7.5%) or withdraw from college (4.1%). Amount of financial aid and change in amount of financial aid were significantly, but weakly, associated with enrollment plans. Respondents whose amounts of aid remained relatively unchanged appeared most likely to continue at the same college, while those with larger changes in amount of aid were more likely to change their enrollment plans by withdrawing or transferring to another college. Financial concerns appeared to weigh most significantly for those planning to continue at the same college.

A summary of the major findings of the relationship between change in financial aid and the individual and institutional variables is as follows:

Financial assistance. The average total amount of aid awarded in 1982-83 (\$2,810) dropped from the average amount received by respondents the previous year (\$2,987). Amount of financial assistance and change in amount of financial assistance were significantly, but weakly, associated with enrollment plans. The largest mean amount of aid was reported by students planning to transfer (\$2,877). Students planning to withdraw from college reported the largest average loss of aid (-\$1,977), while those planning to continue reported the smallest average loss (\$226). A significant relationship was not discovered, however, between enrollment plans and predominant type of aid or change in predominant type of aid. Respondents who received the majority of aid through loans were slightly, but not significantly, less likely to continue at the same college than those whose predominant type of aid was in the form of grant aid. Financial aid was reported to be most important to respondents who planned to continue to be enrolled at the same college.

Institutional cost. Reported enrollment plans and respondents' estimate of projected educational costs were significantly and negatively associated ($X^2 = 82.47$; $p < .001$) and was a more accurate predictor than any of the individual or institutional characteristics examined, including published reports of institutional cost. Estimates of higher educational expenses were associated with a tendency to stay at the same college, while nearly a third of the students who reported plans to transfer to another college expected their expenses to be lower. Although this finding supports the hypothesis that a portion of the aid population may be changing colleges to lower expenses the actual frequencies are so small as to be insignificant for any practical purpose. There was no support for the anticipated finding that aid recipients were being forced to transfer from high cost colleges due to reductions in financial aid.

Selectivity. The enrollment plans of aid recipients enrolled in the less selective institutions were found to vary significantly from those in the most selective institutions. Recipients in less selective institutions were more likely to change their enrollment plan by transferring or withdrawing and were more likely to lose aid than those enrolled in more selective institutions. Respondents enrolled in selective institutions were much less likely than average to change their enrollment plans, regardless of changes in financial aid. This supports previous research findings

suggesting that institutional selectivity is a primary factor in college choice decisions (Tierney, 1980).

Academic performance. Academic performance, as measured by self-reported cumulative grade point average, was significantly associated with both enrollment plans and change in amount of aid. Respondents who were eligible to return to college but had less than a "C" average were less likely to continue at the same college than those with higher grades. On the average, they received less total aid, regardless of enrollment plan.

Family Income. Contrary to expectations from previous research (Jackson, 1978) family income and enrollment plans were not found to be significantly related. The unexpected lack of significance on this variable cannot be attributed to questionable income data, but may be related to the fact that respondents were recipients of a single aid program with uniform income-related eligibility criteria.

Racial background. Significant differences in enrollment plans were found by racial background ($X^2 = 20.69$; $p < .01$). A greater percentage of black respondents planned to continue at the same college, while "other" minorities were the most likely to indicate plans to transfer to another college. Black aid recipients were more likely than white or "other" minority students to indicate plans to withdraw from college. Differences in enrollment plans among minority and nonminority students were one of the primary hypotheses of the study.

Expected differences among minority and nonminority students did not extend, however, to most attitude questions. Minority and nonminority students were not found to differ significantly either on the percentages of students who evaluated aid or financial concerns as being important. Minority students were found, however, to have significantly lower family incomes.

Limitations of the Study and Recommendations

All of the above findings must be considered in the light of several methodological limitations. The sample was drawn from a population of need-based aid recipients which represented less than six percent of the total headcount enrollment in the state. Although representative of the key characteristics of the population of the state's need-based award, the sample was skewed toward full-time enrollment and minorities when compared to national samples of college students. Generalizations from this sample should not be extended to students who are not recipients of need-based aid.

Several methodological concerns common to other research in financial aid must be noted. For instance, lack of valid information on financial aid has been identified as a problem in previous research. Similarly in this study, information on both 1981-82 and 1982-83 aid amounts was available for only 61 percent of the respondents. When noneligible community college students were removed, frequencies in many categories became too small for meaningful analysis, particularly among the category of students who withdrew from college. It was not possible, therefore, to conduct some of the planned analyses between enrollment plans and change in amount of aid within each institutional and individual variable. Statistically significant conclusions were occasionally based on relatively small frequencies and, consequently, may not reflect a genuinely significant phenomena. This problem, however, did *not* appear to be compounded by questionable data from self-reports. On the contrary, relatively high correlations among aid reports for 1982-83 and confirmed reports of aid for 1981-82 suggest, along with other indices, apparently high validity for the data collected through the survey instrument.

A second area of concern was in the use of institutional cost as a major independent variable. Published estimates of total educational expenses were found to

correlate significantly with other institutional variables, including institutional control, type, selectivity and size. Institutional cost, therefore, lacked meaning as a discrete variable and would have been of greater research value if used as a self-estimate. Similarly, financial need rather than mean amount of aid is recommended for use in further research since it provides a way to control for institutional cost. Otherwise, it is impossible to determine if changes in amount of aid are associated with changes in funding levels or with changes in institutional cost or family financial need.

A third methodological concern was in the treatment of aid recipients who planned to withdraw from college a term or more. Of the entire sample of 767 respondents, only 43 reported plans to withdraw from college. When second-year community college students and those who were not eligible to return to college were deleted, only 29 respondents remained who planned to discontinue their studies. Of these, only seven respondents had actually received notification of financial aid awards. Obviously, only a very few respondents decided to drop out after receiving notification of their financial aid awards. The majority of students would be presumed to have made their decision to withdraw from college long before this midsummer notification. Other methods of inquiry, timed earlier in the decision cycle, may have been more fruitful in exploring the role of financial aid in the decision to withdraw from college.

Policy Implications

Findings from the study have several implications for state and institutional policy makers. Although the reductions in federal appropriations for direct student assistance did not materialize to the anticipated magnitude, nearly three-quarters of the recipients were receiving less aid or within \$500 of the amount they received the previous year. Considering the nearly universal increases in educational expenses, the majority of the sample experienced a loss in the amount of aid available to meet educational expenses. This expansion in unmet need, or remaining need when aid is subtracted from cost, does not reflect the additional reductions in other social programs for college students, such as Social Security educational benefits and food stamps. The burden this might be expected to place on state and institutional aid programs is amplified in the light of findings that federal need- and non-need-based aid account for the vast majority of the direct student aid dollars in public higher education (Stampen, 1983).

A second major issue affecting state and institutional policy makers is in financial aid and minority enrollment. Increased legal pressures have been brought in many states to increase minority enrollments in predominantly white institutions. In the present study, black students were found to be concentrated in traditionally black institutions and to be less likely than the average aid recipient to change their enrollment plan by transferring, but more likely than average to drop out. On the average, minority students attended lower cost colleges and consequently, received less total aid than white students. Minority students were among the only categories of respondents to report an average loss of aid between the two study years even when they continued at the same college. Minority students who planned to transfer lost aid on the average, while the majority student who transferred reported an average increase in aid. State policy makers may need to consider programs that are specifically designed to encourage minority recipients to enroll or to transfer to predominately white colleges.

Findings of the study also have implications for administrators who determine institutional financial aid policies. The importance of early notification of awards, for instance, is highlighted by the finding that respondents who had not been awarded were much more likely to report the intention to change their enrollment plan than

those who had received notification of their financial aid awards. Secondly, the wide variation in average amount of aid by reported cumulative grade point average suggests a traditional emphasis on financial aid as a reward for academic achievement rather than as a tool to support retention or further access. Thirdly, the findings of the study support earlier research reporting that type of aid is not significantly associated with a tendency to transfer or withdraw from college, even when there is a change to reliance on aid that must be repaid. These findings are particularly surprising given that the study dealt with a population that overrepresented low income and minority students — populations traditionally unwilling to borrow. Finally, the consistent lack of significance in the findings about the relationship between enrollment plans, parental income, and financial aid provide support for the achievement of equal opportunity and underscore the importance of the use of other eligibility criteria for awarding financial aid.

Although the average loss in aid was slight and the majority of aid recipients chose to continue at the same college, the findings of the study indicate a relationship, although not a strong one, between enrollment plans and amount of financial aid and change in amount of financial aid across the two study years. Financial concerns were evaluated as important to enrollment plans by the vast majority of respondents. Financial aid was perceived to be most important by students who planned to continue at the same college, suggesting the unanticipated possibility that reductions in the availability of financial aid may have served more to limit mobility in relatively low cost public institutions than to encourage enrollment changes. There was no evidence to support the anticipated conclusion that a significant number of aid recipients were withdrawing from postsecondary education due primarily to financial concerns or lack of financial aid.

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