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Sources of Financial Aid and College Selection

by
Irvin W. Cockriel
and
Steven Graham

This study investigated the impact of sources of financial aid and their relationship to college choice. The importance of financial aid sources is contrasted to the college selection process and the findings indicate some different conclusions than have been obtained utilizing freshman surveys. The value of utilizing alumni responses is discussed and several implications for financial aid officers are presented in terms of financial aid packaging.

In the 1980's, many types of financial aid have been available to persons who wish to attend college. Federal aid has generally been awarded to students on the basis of financial need and has represented a national policy promoting equal educational opportunity through greater access to colleges and universities. While there are often tight restrictions on many federal programs, there are state scholarship and financial aid grant programs based on both financial need and non-need or merit (Reeher & Davis, 1987). Most colleges and universities also have institutional financial aid packages that allow them to creatively package several sources of aid to present the most attractive marketing strategy (Dickmeyer, Wessels, Coldren, 1981). To address some of the issues associated with financing a college education, a study was undertaken to examine the importance of various sources of financial aid and discover some of the relationships between the reason for attending a college and the sources of financial aid utilized.

With the variety of financial assistance options available and the increased competition for students, financial aid officers are concerned with the sources of funds offered to students and how they relate to the process of selecting a college. The literature on financial aid and its impact on the college selection process is ripe with suggestions for marketing. Ihlanfeldt (1980) has an excellent book on achieving optimal enrollments, which includes a discussion of the effects of financial aid practices on college choice. Fenske and Huff (1983) have included in their *Handbook of Student Financial Aid* several chapters related to the same topic. John Muffo (1987) studied applicants who were accepted at major universities, yet chose to enroll elsewhere. From his results it appeared that financial aid played a major role in the college selection process, especially for highly recruited applicants.

A study by Chapman and Jackson (1984) indicated that entering freshmen who had been admitted by two or more colleges and switched from their original choices, often did so on the basis of money. They reported that over 50% of the students who switched colleges did so to better their financial aid (27.4%) or to lower their costs (23.1%). So while financial aid may not always be listed by students as the primary factor in selecting a college, it clearly plays a major role in the overall decision.

Research in the area of college choice has taken on various thrusts over the years. Recent attempts to understand the college choice process have become an important

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aspect of the college marketing program (O'Keefe, 1987; Schafer, 1986; Porter, 1986). For example, David Erdmann (1983) stated that ". . . it is not unusual for a college or university to invest \$800 or more in recruiting each student" (p. 3). In fact, there are many techniques currently used by colleges to attract students as well as many factors to be weighed by the prospective students. Certainly, one of the important factors both parties must consider is the financial aid package (Matross & Hannaford, 1985; Dickmeyer, Wessels & Coldren, 1981; Porter, 1986; Erdmann, 1983; Young & Reyes, 1987; Carnegie Foundation, 1986; O'Keefe, 1987).

It is very difficult to pin-point the actual effect that a particular financial aid package may have on a given student. However, utilizing the *ACT Alumni Survey* published by the American College Testing Program to examine the relationship between college selection and the sources of financial aid, can provide some means of addressing this issue. Alumni, looking back on the college selection process, may be able to provide some valuable insights, since they have the benefit of hindsight and can evaluate their experiences and the importance of the various aspects involved. Furthermore, they can report the actual significance of the sources of aid in contrast to speculating about their value as entering students. Alumni can also evaluate their college experiences in the context of their post-graduate work and life experiences. These points have been cited as valuable in college outcome studies (Pace, 1979) and certainly apply to this issue as well.

Methodology

Instrument

The data for this study were collected using the *ACT Alumni Survey* instrument. The *ACT Alumni Survey* is a four-page questionnaire designed to help colleges and universities assess their recent graduates and to assist them in their planning activities. The survey instrument was designed by ACT and includes seven sections. The four major sections include questions on background information, college experience, continuing education, and employment history. Normally, the instrument takes about 20-25 minutes to complete.

The *ACT Alumni Survey* is part of the ACT Evaluation/Survey Service provided by the American College Testing Program. It is one of nine instruments designed to be utilized at the postsecondary level. According to a review in the *Ninth Mental Measurements Yearbook* (Buros Institute of Mental Measurements, 1985), the service is an excellent example of the non-admission testing services available to colleges and universities. The survey instrument is primarily designed to provide group-based information to schools and colleges, evaluate the impact of college, and to collect background data on the college alumni (Hartnett, 1985). A brief perusal of recent research conducted on alumni showed at least seven articles or research reports conducted utilizing the instrument (Higgins, 1983; Valiga, 1981; Jones, 1981; and Graham, 1986).

Data Collection

The data for this study were collected between January 1, 1980 and February 1987 at 147 colleges and universities throughout the United States. The institutions involved in this study were those that had utilized the ACT research services during the six-year period and were not randomly selected. However, according to ACT officials familiar with these data, these institutions could be considered representative of those who utilize the ACT research services (Valiga, personal communication, June 24, 1987). The 147 institutions involved represented both public and private institutions of various types from across the country.

The institutions mailed the survey to a sample of their recent alumni and the com-

pleted forms were returned to ACT for scoring and evaluation. The median response rate was approximately 36%, with many schools receiving considerably higher rates. During this time 65,709 surveys were completed and comprised the original subject pool for this study.

The subjects selected for this study were those respondents who indicated that their highest degree was a bachelor's. The graduate degree holders were eliminated because a wider variety of financial aid sources is available to them, especially graduate teaching assistantships and graduate research appointments. The associate degree holders were excluded because of the small numbers available. This resulted in a more homogeneous group of baccalaureate level respondents with a data set containing 44,724 subjects. To examine the sources of financial aid and college selection using the *ACT Alumni Survey* data, the analysis focused on two items in section III:

1. Item F – “What was your primary reason for attending this college?”
2. Item G – “Indicate whether each of the following was a major source, minor source, or not a source of funds for your college education.”

Findings

College Choice

Location was the most frequently chosen “primary” reason for attending a particular college with 29.2% of the respondents selecting it as the primary reason for attending. The type of program available was second highest, being selected by 23.9% of the alumni. Ranking third was cost with 8.1% and academic reputation was ranked fourth with 7.6% of the respondents. It is worth noting that the responses of the alumni from public institutions were significantly different from the responses of alumni from private institutions in reference to cost. Over 12% of the respondents from public colleges selected cost as the primary reason for attending their colleges, while only 1.7% of the alumni from private colleges did so. The responses to the question regarding the primary reason for attending college are displayed in table 1.

Table 1

What was your primary reason for attending this college?

Category	Total %	Public %	Private %
Location	29.2	37.7	15.6
Type of programs available	23.9	21.6	27.7
Cost	8.1	12.1	1.7
Academic reputation	7.6	6.3	9.6
Size	6.4	4.5	9.5
Advice of parents or relatives	6.2	4.1	9.4
Other	6.2	4.1	9.5
Availability of scholarship or financial aid	4.6	3.5	6.5
Social Atmosphere	3.0	1.6	5.1
Admissions standards	1.8	1.3	2.4
To be with friends	1.7	1.9	1.4
Advice of high school personnel	1.3	1.3	1.6

Sources of Financial Aid

Examining the types of financial aid and the role they played in financing the college expenses is very informative. The greatest proportion of alumni (46.7%) rated parents and relatives as "a major source of funds". This was followed by summer employment (29.6%), student loans (28.3%), personal savings (25.1%), educational grants (18.7%), and employment at the college (13.5%). Table 2 below presents the responses to the ten items referring to the relative importance of the sources of financial aid.

Table 2

Indicate whether each of the following was a major source, minor source, or not a source of funds for your college education.

Category	Major Source %	Minor Source %	Not a Source %
Parents or relatives	46.7	24.3	29.0
Summer employment	29.6	41.9	28.5
Student Loans (NDSL, etc.)	28.3	15.4	56.3
Personal savings	25.1	42.8	32.1
Educational grants (Pell, SEOG, etc.)	18.7	11.7	69.6
Employment at college	13.5	29.9	56.6
Scholarships	13.4	19.0	67.6
Spouse	8.3	7.6	84.1
VA Benefits	6.8	1.6	91.6
Social Security Benefits	3.7	4.0	92.3

Sources of Aid Related to College Choice

In examining the responses of the alumni, questions naturally arise about how they may differ when broken down according to the principle reasons cited for selecting a particular college. It is useful to see how the sources of funding are related to the primary reasons for attending. By examining how different groups of alumni financed their education, financial aid administrators can work with students to develop the most appealing financial aid packages. In order to study this question in more detail, the data were separated based on the major reason for attending a college.

For those whose primary reason for selecting the college was due to the availability of scholarship or financial aid, a somewhat unique picture emerged. Only 28.1% of these respondents indicated that their parents or relatives provided a major source of aid. This is quite a variation from the 46.7% figure reported for all alumni. But the greatest discrepancy was found in examining the role of scholarships. This select group of alumni were much more likely to respond that scholarships provided a major source of funds, with 68% indicating this option versus 13.4% for all alumni. They were more inclined to depend on student loans, as 36% saw them as a major source versus only 28.3% of all alumni. This group was also more likely to rely on summer employment (34.1%) or employment at the college (23.5%) as major sources as opposed to 29.6% and 13.5% respectively for all alumni. And as might be expected, they were also less likely to see personal savings as a major source (17.2% versus 25.1% of all alumni) as shown in table 3. It should be noted that the tables are arranged in rank order according to the variable in question.

Table 3

Alumni who chose availability of scholarship or financial aid as the primary reason for attending their colleges and their responses to various sources of financial aid.

Category	Major Source %	Minor Source %	Not a Source %
Scholarships	68.03	18.92	13.05
Educational grants (Pell, SEOG, etc.)	37.81	13.07	49.12
Student Loans (NDSL, etc.)	36.02	18.30	45.68
Summer employment	34.14	46.60	19.26
Parents or relatives	28.12	39.34	32.54
Employment at college	23.48	37.37	39.15
Personal savings	17.26	44.65	38.09
Social Security Benefits	3.62	5.35	91.03
VA Benefits	2.41	1.60	95.99
Spouse	1.89	4.49	93.62

Another group indicating discrepancies when contrasted to the overall group of respondents was the alumni who had selected the college primarily on the advice of their parents or relatives. Two categories indicate the differences in a strong manner. Seventy-two percent of this group responded that parents or relatives provided a major source of funds, contrasted with only 46.7% of the total group of alumni. Secondly, they were much less likely to indicate that personal savings provided a major source of funds; 15.2% as opposed to 25.1% of all alumni. Clearly, a relationship existed between the source of financial assistance and the reason indicated for selecting the college in the first place. The fact that it is this strong was somewhat surprising.

Table 4

Alumni who chose advice of parents or relatives as the primary reason for attending their colleges and their responses to the various sources of financial aid.

Category	Major Source %	Minor Source %	Not a Source %
Parents or relatives	72.11	19.09	8.80
Student Loans (NDSL, etc.)	26.29	17.09	56.62
Summer employment	24.80	51.17	24.02
Educational grants (Pell, SEOG, etc.)	16.44	11.65	71.91
Personal savings	15.24	44.05	40.71
Employment at College	11.44	38.05	50.51
Scholarships	9.92	21.74	68.34
Social Security Benefits	3.32	4.38	92.30
Spouse	2.54	4.26	93.20
VA Benefits	2.53	1.27	96.20

The alumni group who selected cost as the primary reason for attending also responded differently than the total group. The largest variance can be seen in the three categories focusing on parents or relatives, personal savings, and summer employment. Only 40.1% indicated that their parents or relatives provided a major source of funds versus 46.7% of the total group. Yet they were more likely to see personal savings (33.8% compared to 25.1% of total) and summer employment (43.5% compared to 29.6%) as major sources of aid. Quite surprisingly, this group was also less likely to see scholarships as a major source of funds (9.9% compared to 13.4%), but this difference is much smaller than those noted above (see table 5).

Table 5

Alumni who chose cost as the primary reason for attending their colleges and their responses to various sources of financial aid.

Category	Major Source %	Minor Source %	Not a Source %
Summer employment	43.50	38.22	18.28
Parents or relatives	40.18	29.39	30.43
Personal savings	33.80	42.05	24.15
Student Loans (NDSL, etc.)	27.57	16.67	55.76
Employment at college	17.63	27.78	54.59
Educational grants (Pell, SEOG, etc.)	17.41	11.96	70.63
Scholarships	9.97	19.82	70.21
Spouse	7.20	6.22	86.58
VA Benefits	5.89	1.38	92.73
Social Security Benefits	3.76	4.40	91.84

Some other subgroups expressed unique opinions about the importance of certain source of aid. For example, those who selected the college primarily due to the location were less inclined to see parents or relatives as a major source of funds (37.4% compared to 46.7% of total) and less likely to rely on student loans (21.1% as opposed to 28.3% of total). This is also surprising since one might assume parental support and student loans are important to those who selected a college based on location. On the other hand, perhaps these students might have avoided the higher costs often associated with borrowing by remaining in their local areas. Those selecting academic reputation were more likely to indicate that they relied on their parents or relatives as a major source of funds (54%) as opposed to the total alumni response of 46.7%.

Discussion and Conclusions

Several findings were particularly significant including the responses of the alumni who reported that the availability of financial aid or scholarships was the primary reason for their college selection. These people were five times more likely to rely on scholarships and twice as likely to see educational grants as a major source of aid. They were less reliant on their parents for college funds and more dependent on employment while attending college. Most likely, they were able to select colleges according to prestige or location factors and perhaps are those that could be aggressively pursued by the large number of nonspecialized state universities or private colleges.

It was also interesting to note that those who selected a college primarily on the

advice of parents or relatives were almost twice as likely to see parents as a major source of their college finances. This certainly has implications for colleges with strong alumni involvement or a long tradition of attendance by offspring of former graduates.

There were also some wide variations among private and public school alumni. Alumni from public institutions were over two times more likely to identify location as a primary reason for college selection. They were also several times more likely to see costs as the major factor as were alumni of private colleges. These findings have implications for both types of institutions in the ways they attempt to market their programs and in the types of financial aid packages they provide. While private colleges are often concerned with differential packaging in financial aid, clearly, students attending public institutions appear even more concerned with the costs of a college education.

The responses of the alumni were somewhat different than the previously reported research when considering the reason for attending a particular college. In a study of high school students, Erdmann (1983) found that the students ranked the following factors as important in their selection of a college: 1st) academic programs, 2nd) reputation, 3rd) location, 4th) size, 5th) parent recommendation, 6th) counselor recommendation, 7th) cost, and 8th) alumni contact. This compares with the current group of alumni who rated location first followed by type of program, cost, academic reputation, size, and advice of parents or relatives in that order of importance.

Findings contrast with other reports of entering students as well. In Astin's study, academic reputation was ranked first, followed by "graduates get good jobs" (46.8%), "social reputation" (27.2%), "good preparation for top graduate schools" (25.8%), "special programs" (23.5%), "low tuition" (22.4%), "financial assistance" (21.5%), and "wanted to live near home" (18.5%). Though the Astin questionnaire allowed entering students to select multiple reasons which were very important in selecting a college and the *ACT Alumni Survey* solicited the primary reason, it appears that the alumni may have looked at the college selection process and rated the importance of several items differently.

Probably the factor indicating the greatest discrepancy with earlier research was academic reputation. Academic reputation was cited as the primary reason for attending by only 7.6% of the alumni respondents. This not only differs significantly from the Erdmann findings, but with other student ratings as well. For example, Astin (1987) reports that the academic reputation was the most popular reason for selecting a college, with 59.2% of the freshman students indicating it as a very important reason. Perhaps the alumni have gained a somewhat more pragmatic outlook on the college selection process or at least see it from a different perspective now. It may even be that as older adults they feel it is more socially acceptable to identify less glamorous reasons than they may have cited before.

The alumni responses to the sources of aid are intriguing and again somewhat unique. For purposes of drawing comparisons to Astin's data, one must focus on the items that students did *not* see as a source of aid. For example, Astin (1987) reports that 82.2% of the students received no support from college grants and 86.5% report no support from state scholarships. This contrasts to only 67% of the alumni who reported that scholarships were not a source of funds for their college expenses. Summer employment was also seen as providing less support for the freshman students in Astin's report. Fifty percent reported that summer employment provided no support contrasted to only 28.4% of the alumni who responded in a similar fashion. An even more dramatic comparison is that 74% of the freshmen reported that savings provided no assistance whereas only 32.1% of the alumni reported per-

sonal savings did not serve as a source of financial aid. One possible explanation is that the alumni are reporting on the sources they used throughout their college experience whereas the entering students are basing their responses on their first year. Clearly, the alumni report a more active personal responsibility with greater proportions reporting the use of financial aid, summer employment, and personal savings.

One comparable finding with Astin's entering student data was that only 25.6% of freshmen reported no support from parents and 29% of the alumni reported no support from parents or relatives. Responses to part-time employment were also similar with 66.7% of the freshmen responding that it did not serve as a source of funds as did 56.6% of the alumni.

From the discussion above one can see the relationships between college selection and the sources of financial aid. As with many questions, it is very difficult to determine which issue comes first. Do students choose a college based on their access to certain finances or do they select their funds after selecting a college or a group of colleges? Most likely it is a combination of both. Perhaps additional research might be conducted to try and determine how these forces interact. However, the fact exists that those who select a college primarily for one reason or another do report different sources of financial support as being important in funding their college expenses.

Obviously, the federal aid programs based on need can not be altered, so to enable creative packaging, one must obtain funds from other sources. Most of this aid often comes from institutional sources. These institutional sources are usually gift monies received from friends and alumni or income from endowed scholarship funds. With the increased activity of college development offices this form of aid can be made more available. Another source of no-need or merit scholarships that is growing annually is special monies from state governments. Currently, there are 29 states offering no-need scholarships and since 1983 the amount of funds available has increased by 45% (Reeher & Davis, 1988).

If it can be determined why a student is interested in attending a particular institution, an institution can focus its attempts on differential packaging as a method of enhancing enrollment goals. This type of information along with information on financial aid preferences can be used in developing long-range marketing programs or financial aid packages that are most appealing to the type of students enrolled in a particular college. College administrators may need to view alternative and novel financial aid sources as they view other college characteristics such as academic reputation, special program offerings, and social atmosphere. With such an approach they would be able to identify more accurately certain individuals and market the college to those who are most likely to attend and persist there.

It is interesting to note some of the variations observed when contrasting entering students with the alumni. As has been noted, the alumni do have the benefit of reporting on the entire baccalaureate experience. They have had ample time to reflect on the college selection and financial aid processes to see what was important to them. Perhaps this data can be utilized to develop closer relations with alumni or parent groups, if it is used in a meaningful fashion. It also underscores the importance of treating each student individually even though federal and state monies often require adherence to strict guidelines. By interweaving the financial aid considerations with the college selection concerns, unique packages can be designed and schools that seem to attract particular types of students, i.e. due to location, advice of parents, etc., may have a better gauge of the sources of aid that would be most appealing. While many of these suggestions are "good common sense" and basic to the financial aid officer's role, systematic study of these issues can provide helpful information.

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