

2-1-1983

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### Recommended Citation

Hochstein, Susan K. and Butler, Robert R. (1983) "The Effects of the Composition of a Financial Aids Package on Student Retention," *Journal of Student Financial Aid*: Vol. 13 : Iss. 1 , Article 3.  
Available at: <https://ir.library.louisville.edu/jsfa/vol13/iss1/3>

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# *The Effects of the Composition of a Financial Aids Package on Student Retention*

*by Susan K. Hochstein and Robert R. Butler*

In his March 16, 1982 address at the University of Nebraska at Omaha, Dr. Lee Noel reiterated his belief that retention should not be the goal of an institution, but rather it should be the product of improved programs and instruction. What this implies is that we should be taking a closer look at the factors that affect a student's decision to drop out of school, to see over which factors the institution has control. Then it would most likely be beneficial to adjust those factors, in the name of retention, to benefit better both student and institution.

In his address, Dr. Noel also stated that our colleges and universities are unable to provide their graduates with the tremendous economic advantages they once did. Therefore, a student can be expected to drop out if the apparent benefits are seen to be less than the cost of completing an education. This ties directly into the role that financial aid plays. The two primary purposes of financial assistance, according to Astin (1975), are to provide greater access to higher education and to assure that students complete their studies. By decreasing the immediate or direct cost to the student, the cost/benefit scale should be tipped in favor of the student completing his or her education.

In 1973, Fields and LeMay strongly advocated that research be done on the effects of different types of aid. It was their opinion that most research had concentrated on the success of talented students who had received scholarships and on the relationship between school and work. Research had also compared the persistence of students who did not receive financial aid with those who did. Since that time, some studies have been done on the effect of different *types* of aid, individually as well as in combination with each other. The findings have varied.

Specific research on grants show that persistence is increased 9-10% by receiving a grant, regardless of amount (Astin, 1975). The American Association of Higher Education, in its Eighth Research Report (Lenning & Others, 1980), concluded that grants, as well as scholarships and on-campus employment, contribute to retention. Similar findings are reported by Blanchfield (1971) and Jensen (1981).

Loans have been shown most often to exert a negative influence on student persistence (Blanchfield, 1971; Astin, 1975; Wenc, 1977; Jensen, 1981). At the same time, the results of several studies have indicated that the actual type of aid did not matter. Peng and Fetters (1977) concluded that various types of grants, loans, and scholarships did not significantly relate to persistence. Fields and LeMay (1973) came to similar conclusions, suggesting that we contemplate using more self-help programs (loans and work-study) based on their findings. On the contrary, Sanford (1981) views the utilization of loans as a highly questionable practice, independent of its influence on retention, if we are promoting equal opportunity and access to higher education as part of the purpose of financial aid. He is concerned about what

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he calls the latent functions of financial aid, one of which he describes as the "cycle of poverty" function. By this, he is suggesting that our intentions to provide low-income students with equal access to future opportunities through education may actually limit their upward mobility because of their indebtedness. Thus, their lower socioeconomic status is reinforced. The lack of relationship between financial aid and persistence found by these researchers could be the result of looking at all kinds of aid as a whole. Thus, the positive effects of one type of aid could be offset by negative effects of another, showing insignificant results.

Overall, studies support using work-study as a positive type of aid (Astin, 1975; Bazin & Brooks, 1981). Note, however, that it loses its positive effect as the student approaches full-time work (in excess of 20 - 25 hours per week). Jensen (1981) found that work-study had the *most* significant impact on retention over any other type of aid.

Scholarships also tend to increase persistence by a small percent (Astin, 1975), unless all of a student's need has been met.

### *Purpose*

The purpose of the research conducted in this study was to determine whether or not the specific composition of a student's financial aid package, that is, the awarding of grants, loans, scholarships, or work-study, or any combination of these, appears to have a relationship to those students who persist at the University of Nebraska at Omaha (UNO) and those who withdraw or do not complete the semester of study.

### *Subjects*

There was a total of 3036 financial aid recipients enrolled at UNO for the 1981-82 fall semester. Five percent, or 131 subjects, were randomly chosen to represent those students who enrolled and completed the fall semester while receiving some type of financial aid (known as persisters). A group of equal size was also randomly selected to represent the population of students who enrolled and were also receiving aid, but did not complete the 1981-82 fall semester (referred to as non-persisters). All financial aid recipients had received one or more of the four basic types of financial aid: grants (aid that did not have to be repaid, including tuition waivers), loans (to be repaid), scholarships, and work-study. There were 15 possible combinations of the different types of aid that could be awarded. They were grants only, loans only, scholarships only, work-study only, grants/loans, grants/scholarships, grants/work-study, loans/scholarships, loans/work-study, scholarships/work-study, grants/loans/scholarships, grants/scholarships/work-study, loans/scholarships/work-study, grants/loans/work-study, and grants/loans/scholarships/work-study. For the 131 persisters, 12 of these different packages were represented. For the 131 non-persisters, 10 packages were represented (see Tables 1 & 2).

Data were compiled on both groups of subjects to determine their sex, year in college, full-time or part-time status, and composition of the types of aid in their financial aid award package.

The group of persisters included 56 men and 75 women. The group of non-persisters included 76 men and 55 women. Of the 262 subjects, there were 122 freshmen, 45 sophomores, 38 juniors, 39 seniors, 16 graduate students, and 2 special students.

### *Results*

The findings of the study are presented in Tables 1 and 2. The loan category reflects the most significant finding. Over 50% (51.9%) of the non-persisters had been awarded a loan as the *only type* of aid available to them. An additional 16.5% of the non-persisters had been awarded a loan in conjunction with a grant, and a

total of 4.4% had been awarded a loan in conjunction with one or more other types of aid.

TABLE 1  
PERSISTERS

		Freshmen			Sophomores			Juniors			Seniors			Graduates			Total
		1*	2	3	1	2	3	1	2	3	1	2	3	1	2	3	
G only**	Men	2	1	2	1	—	—	3	1	1	—	—	3				14
	Women	5	1	4	3	4	—	3	—	—	1	—	2				23
	Total	7	2	6	4	4	—	6	1	1	1	—	5				37
L only	Men		2	3	—	—	—					4			—		9
	Women		3	—	1	2	—					2			3		11
	Total		5	3	1	2	—					6			3		20
S only	Men	4	—	—	1	—	—	3	—	—	3	—	1				12
	Women	4	—	1	1	1	—	2	—	—	3	—	—				12
	Total	8	—	1	2	1	—	5	—	—	6	—	1				24
W-W only	Men																—
	Women																1****
	Total																1****
G/L	Men	1	—	3	2	2	—	3	—	—	2	—	—				13
	Women	1	1	5	1	3	—	2	1	1	3	1	—		1		20
	Total	2	1	8	3	5	—	5	1	1	5	1	—		1		33
G/S	Men	1	—	—	—	—	—	—	—	—	—	—	—				3
	Women	—	—	1	—	—	—	1	—	1	—	—	—				3
	Total	1	—	1	—	—	—	1	—	1	—	—	—				3
G/W-S	Men				1	—	—	—	—	—	1	—	—				2
	Women				—	—	—	—	—	1	—	—	—				1
	Total				1	—	—	—	—	1	—	—	—				3
L/S	Men										1	—	—				1
	Women										—	—	—				—
	Total										1	—	—				1
G/L/S	Men	—	—	—	—	—	—	—	—	—	—	—	—				—
	Women	1	—	—	1	—	—	—	—	—	—	1	—				3
	Total	1	—	—	1	—	—	—	—	—	—	1	—				3
G/S/W-S	Men		—	—													—
	Women		—	—													1
	Total		—	—													1
L/S/W-S	Men	1	—	—													1
	Women	—	—	—													—
	Total	1	—	—													1
G/L/S/W-S	Men							1	—	—							1
	Women							—	—	—							—
	Total							1	—	—							1

\*1 — Full-time; 2 — Part-time; 3 — Began full-time, finished part-time

\*\*G — Grants; L — Loans; S — Scholarships; W-S — Work Study

\*\*\*1 Special student (female) with work-study only

**TABLE 2  
NON-PERSISTERS**

		Freshmen		Sophomores		Juniors		Seniors		Graduates		Total
		1*	2	1	2	1	2	1	2	1	2	
G only**	Men	5	2	1	1	1	1		1			12
	Women	7	6	2	2	—	—		1			18
	Total	<u>12</u>	<u>8</u>	<u>3</u>	<u>3</u>	<u>1</u>	<u>1</u>		<u>2</u>			<u>30</u>
L only	Men	14	3	3	2	3	4		3	6	1	40***
	Women	6	11	1	1	—	2		2	2	3	28
	Total	<u>20</u>	<u>14</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>6</u>		<u>5</u>	<u>8</u>	<u>4</u>	<u>68***</u>
S only	Men	—			—				1			1
	Women	1			1				—			2
	Total	<u>1</u>			<u>1</u>				<u>1</u>			<u>3</u>
W-S only	Men	1										1
	Women	—										—
	Total	<u>1</u>										<u>1</u>
G/L	Men	5	1	3	—	1		—	1			11
	Women	6	1	2	1	—		1	—			11
	Total	<u>11</u>	<u>2</u>	<u>5</u>	<u>1</u>	<u>1</u>		<u>1</u>	<u>1</u>			<u>22</u>
G/S	Men	—										—
	Women	1										1
	Total	<u>1</u>										<u>1</u>
L/S	Men					1						1
	Women					—						—
	Total					<u>1</u>						<u>1</u>
G/L/S	Men	1										1
	Women	1										1
	Total	<u>2</u>										<u>2</u>
G/L/W-S	Men	1						—				1
	Women	—						1				1
	Total	<u>1</u>						<u>1</u>				<u>2</u>
L/S/W-S	Men					—						—
	Women					1						1
	Total					<u>1</u>						<u>1</u>

\*1 — Full-time; 2 — Part-time

\*\*G — Grants; L — Loans; S — Scholarships; W-S — Work Study

\*\*\*1 special student (male) with loan only

In comparison, the group of persisters who had only a loan award represented 15.3% of the sample, with 25.2% receiving a grant/loan combination and 4.4% represented by some other combination of loan and grant, scholarship, or work-study.

It should be noted that the loans received were almost entirely Guaranteed Student Loans (GSL's), rather than National Direct Student Loans (NDSL's). GSL's are usually not sought by students unless they do not meet the criteria used for establishing financial need, or unless they have missed the priority deadline established by many colleges for applying for financial aid. Therefore, GSL

recipient income levels tend to be more varied and often higher than recipients of other forms of aid.

Grants were received by 22.9% of the population of non-persisters, compared to 28.2% of persisters, representing a 5.3% difference. The grant/loan combination was awarded to 16.8% of the non-persisters and 25.2% of the persisters, or an 8.4% difference. When grants were used in any other combination, they went to 3.7% of the non-persisters and 10.6% of the persisters, a difference of 6.9%.

Scholarships alone were received by 18.3% of the persisters, but only by 2.3% of the non-persisters, a 16% difference. The persisters also had a larger representation of scholarship recipients who also received other forms of aid than did the non-persisters, 9.7% and 2.9% respectively (a difference of 6.8%).

The work-study population was extremely small in both groups. Those receiving a work-study award either alone or in conjunction with other types of aid only represented 5.1% of the persisters and 2.9% of the non-persisters.

As noted in Tables 1 and 2, the 262 subjects were divided almost evenly between male (132) and female (130). However, 57.7% of persisters were women, while 57.6% of non-persisters were men.

One difficulty encountered in the study was the inability to discern between those students who "earned 0 hours" because of withdrawal or dropping out, and those who "earned 0 hours" because of academic failure. It was the feeling of the researchers that there would be an insignificant number of applicants who were enrolled for 12 or more hours (full-time) or 6-11 hours (part-time) who persisted in their coursework throughout the semester, but did not receive any passing grades. Regardless, if such a case did exist, then the intent of the financial aid award has obviously failed.

#### *Discussion and Conclusions*

The results of the research reflect the results that have been found by Blanchfield (1971), Astin (1975), Wenc (1977), and Jensen (1981). The results clearly show that over 50% of those students who receive loans as their only means of aid do not complete the semester. This finding lends credence to previous studies showing the negative influence of loans.

Grants were determined to have a slightly positive effect in retaining students (similar to the findings of Astin, 1975), whether awarded alone or in conjunction with a loan. The conclusion is drawn that student persistence is increased when the financial aid package includes both grants and loans. This type of aid package tends to offset the negative effects of "only" loans. There did not appear to be any significant increase in persistence for students who received a grant only, compared to the grant/loan combination. However, by emphasizing this kind of package, as many financial aid officers do, the self-help philosophy is encouraged.

The sample contained sufficient data to permit drawing some conclusions about the awarding of only grants, only loans, and grant/loan combinations. Only limited inferences about the effects of the other financial aid award combinations can be made because of the small numbers represented in the data.

#### *Needed Research*

The studies made by Fields and LeMay (1973) and McCreight and LeMay (1982) did not find any differences in persistence when different grant amounts were compared. However, it was noted in these studies that the bulk of the financial need of these students had been met, which may have influenced the results. Moreover, it should be noted that as more and more dollars are cut from federal financial aid programs, colleges and universities must either provide their own institutional funds (if available) to supply the balance, or leave their students with unmet need. In such

situations, the types of financial aid may be proven to affect persistence. The effects of the different types of aid will undoubtedly change as more and more students are faced with unmet needs.

The results of the research conducted at the University of Nebraska at Omaha are applicable to that institution, or institutions that may have a similar adult-aged, commuter student population. Similar studies should be conducted by institutions having uniquely different student bodies.

Another study might interview loan applicants regarding the use and purpose of the loan they have requested, if such factual information can be honestly discerned. If it appears that GSL applicants are intending to enroll for a minimum of 6 hours of coursework in order to qualify for a lower interest loan than is otherwise available to them, and then withdraw or drop out once the money is received, perhaps tighter guidelines or a review of the loan policies are necessary.

The Sloan Commission (1980) declared in its report that there has been a lack of agreement about student aid among our legislators and little attempt to coordinate the various programs that do exist. The Commission stated that "... a fundamental reform of the federal loan programs is needed..."(p.23).

Accountability will continue to be an issue and further research into the use of student aid can give us information needed to improve our accountability.

Beal and Noel (1980) have observed:

The main conclusion to draw from the research is that it is impossible to isolate a single cause for attrition — no simple solution exists. Still, general conclusions can be drawn from the research, which show that improved retention is possible and that action programs can be formulated to respond to circumstances on particular college campuses. (p.3)

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