

Effect of need based grand eligibility on college attainment



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The education system in the United State is considered as the best in the world , but this status is started to fall. According to the OECD report(2012) it has been seen that the bachelor's degree attainment rate rise substantially in other countries over the last couple of decades, but the trends in the US are move slightly. Educational researchers such as Turner(2004), Bound, Lovenheim & Turner(2007) showed that students who admitted in bachelor degree program take more time to complete it. The national educational statistics also indicate a considerable variation in graduation time at the state level. Statistics from the 2009 census indicate that roughly 17 percent of those born in the lowest-ranked state of Southeast of US (age 25 and older) had attained a bachelor's degree which is below the national rate of 24 percent, and compared to the U. S. average from the late 1970s(Goal 2025, 2014). According to Bailey and Dynarski (2011) only 18 percent of college entrant complete a bachelor degree within four years and 36 percent within six years. In the past, educators and researchers tried to find out the reasons why so many college entrants fail to complete a degree, or fail to complete on time. Previous researchers such as Clayton(2009) argued that student's financial constraints and academic preparation and motivation are correlated with time to complete a degree. Baum, Ma, & Payea (2010) showed that only 55 percent students of low income quintile background who graduated high school in 2008enrolled in college compared with 80 percent of students in the highest income quintile. Ellwood & Kane(2000) proved that low-income students have a lower probability of enrollment than do more affluent students when controlling for academic achievement. The gaps in college degree attainment by socioeconomic status are even more concerned (Haveman & Smeeding, 2006). These concerns may explain the <https://assignbuster.com/effect-of-need-based-grand-eligibility-on-college-attainment/>

increasing popularity of programs offering large financial incentives for college achievement. The United States government currently provides more than \$132 billion per year need based financial assistantships to mitigate the effect of rising college costs on the postsecondary decisions of students from low-income families (Baum and Payea 2011). The largest of these grants is the federal Pell Grant, a need-based grant awarded to low- and moderate-income students pursuing a college education at an accredited institution. Researchers always wanted to know whether these grants lead to improvements in students' college outcomes. A vast majority of research examined the causal effect of need-based grants on college access. However, a very little research has examined the effect of need-based grants on whether students persistent, accumulate more college credits, and ultimately complete a degree. The proposed study will investigate the effects of need-based grant eligibility on college attainment. Specifically, we will focus on the impact of eligibility for the need-based Mississippi Tuition Assistant Grant(MTAG) on whether students enter, remain enrolled in, and graduate from college. The Mississippi Postsecondary Education Financial Assistance Board(MPEFAB) determined eligibility for the MTAG using the federal need based financial analysis calculation. According to that calculation freshman and sophomore students will get not more than \$ 500 per academic year and in case of junior and senior students, the award shall not exceed \$ 1000 per academic year. According to the MPEFAB, students who get less than the full Federal Pell Grant award shall receive an MTAG award in an amount equal to the difference between the maximum Federal Pell Grant award amount and the award amount of the Federal Pell Grant for which the student is eligible based upon the student's EFC as determined by <https://assignbuster.com/effect-of-need-based-grand-eligibility-on-college-attainment/>

the FAFSA. A student may receive MTAG in addition to the Mississippi Eminent Scholars Grant (MESG), unless the institution determines that receipt of both awards will cause the student's financial aid package to exceed the institution's established cost of attendance for the student.

Problem Statement

Previous researches related to financial aid highlighted the effect of financial aid on college attendance and college persistence, even though this two likely represent very different sets of decisions for individuals. Researchers always wanted to know whether these grants lead to improvements in students' college outcomes. A vast majority of research examined the causal effect of need-based grants on college access. For instance, Deming & Dynarski (2009) showed that for each additional \$1, 000 need-based grant eligibility can have a strong and positive effect on students enrollment in college, with the estimated probability of enrollment increasing by between 3 to 4 percentage on average. Several researchers such as Bruce and Carruthers(2011), Dynarksi(2008), Scott-Clayton(2011) examined the long-term effect of merit-based scholarships on whether students earn a degree. Recently, Bettinger, et al. (2012) suggested that helping students to apply for federal aid like the Pell Grant increase college persistence. However, a very little research has examined the effect of need-based grants on whether students persistent, accumulate more college credits, and ultimately complete a degree.

Research Question

The proposed study will investigate the effects of need-based grant eligibility on college attainment. Specifically, we will focus on the impact of eligibility for the need-based Tennessee Student Assistance Award Program (TSAA) on whether students enter, remain enrolled in, and graduate from college. As such, we will contribute to the literature by focusing on the longer-term effects of need-based financial aid. The proposed study will also contribute to the scant literature on the effects of financial aid, particularly need-based aid, on college persistence and degree completion. Additionally, the proposed study will examine the effects of increasing the size of other need-based financial aid for example, the Pell Grant on college outcome as well as interaction between need based financial aid and merit based financial aid. A regression-discontinuity design will be used based on the information that determined whether students were eligible for more, or less, need-based grant aid to analyze the causal effect of TSAA eligibility on whether students entered, persisted in, and completed college level degree program.

Literature Review

Previous research shows that financial aid may influence the college-going decisions of low income students. According to Becker(1964), if the perceived present discounted value (PDV) of the benefits of higher education exceeds the PDV of the costs of going to college the students pursue a college education. Thus, government and other aid granting agencies provide financial aid to reduce the PDV of the cost of going to college.

Previous research related to financial aid support this theory. Dynarski (2003) and Deming and Dynarski(2009) showed that reduction in financial aid by \$ 1000 led to roughly 4 % reduction in college enrollment. The <https://assignbuster.com/effect-of-need-based-grand-eligibility-on-college-attainment/>

research literature suggests that financial aid can impact initial college enrollment positively, while economic theory is reluctant about the effect of financial aid on success of college student. It is well proved that financial aid have an indirect positive effect on academic success for students who have already admitted in college. In recent years, authors such as Dynarski (2008) analyzed the effect of government sponsored merit based scholarship programs on student's long term success. Dynarski(2008) showed that the introduction of state merit scholarships in Arkansas and Georgia increase degree completion rate in each state. While, Scott-Clayton (2011) found that students who got West Virginia PROMISE scholarship were 6.7 percentage more likely to earn a bachelor's degree within four years than other students. Similarly, Bruce and Carruthers (2011) exploited a cut-off in the ACT score that determines eligibility for Tennessee's HOPE merit scholarship to examine the effect of the grant on students' longer-term college attainment. In contrast to Dynarski (2008) and Scott-Clayton (2011), the authors found little evidence that Tennessee HOPE had a positive impact on whether students earned a degree.