



Does financial aid help poor students succeed in college?



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ABSTRACT

The rapid expansion of enrollment capacity in China's colleges since the late 1990s has come at the price of high tuition hikes. China's government has put forth financial aid programs to enable poor students to access higher education. Although studies have shown that poor high school students are indeed able to attend college when their test scores are high enough (that is, few are unable to attend when they are qualified to attend), the literature has not explored whether poor students have sufficient amounts of aid to thrive in college.

Using findings from a randomized controlled trial, this study evaluates the impact of providing full scholarships to students from poor rural areas (henceforth treatment students) on student stress levels, self-esteem/self-efficacy, and participation in activities in four first-tier colleges. To do so, we compare outcomes of the treatment students with students who were not given full scholarships by the project (and were left to search for scholarships and other sources of financial aid from the university system itself—the control students). The project was run among the 200 poorest first-year students in four first-tier colleges in inland China. Somewhat surprisingly, we find that treatment students (those receiving full scholarships from the project) were only slightly more successful in obtaining financial aid than control students. This suggests that control students (those who did not receive full scholarships from the project) were still able to access comparable levels of financial aid. Most importantly, scholarship recipients were statistically identical in outcome to control students in terms of stress, self-esteem, and participation in college activities, suggesting that poor students (who are dependent on aid from the university system) currently are able to access sufficient levels of financial aid, are able to take advantage of the activities offered at college, and do not shoulder heavy financial or psychological costs.

We find, therefore, that efforts of the government to alleviate the financial burden of college on the poor have been relatively successful in first-tier colleges. Because of this, foundations and individuals may decide that if they want to improve human welfare, giving additional scholarships at high tier colleges may be having little effect.

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1. Introduction and Background

College opportunities in China have expanded rapidly in the past two decades. In the late 1990s China greatly increased its investment into colleges across the country (Brandenburg & Zhu, 2007). The investments triggered the expansion of the capacity of colleges to accept incoming students. From 1998 to 2005 the number of college students rose from 2.2 million to 8.5 million (Ministry of Education, 1999, 2006).

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Opportunities to attend college in China, however, have come at a price. Tuition skyrocketed as the government allowed institutions to collect more tuition, and colleges sought to fund at least part of their expansion by tuition hikes (Wang, 2009). Average college tuition almost tripled between 1997 and 2006, rising from 1620 yuan to 4500 yuan per student per year (Cui, 2007; Yu, 2008).¹ While affordable for the typical middle and upper class urban residents, four years of tuition can be more than 16 years of per capita income for rural families that are living at the poverty line (Liu et al., 2011; Zhang, 2007).

Aiming to address the problem of access, by the mid-2000s China's government put forward four financial aid initiatives: National Scholarships, State Grants, Work–Study Programs and Tuition Waivers (Wang, 2009). For example, in May 2002 China's Ministry of Education and Ministry of Finance jointly announced that they would be rolling out a 200 million yuan national scholarship program for poor college students, benefiting 45,000 students each year (Wang, 2002). In 2007, the amount of financial aid (including scholarship and need-based grants) announced by the State Council increased to approximately 3.7 billion US dollars (Ministry of Education, 2009). While partial programs were offered before this time, it was not until this new program that financial aid was supposed to be rolled out systematically across the country—especially to students in poor areas. At about the same time, the government created two educational loan programs: the General Commercial Student Loans Scheme and the Government Subsidized Student Loan (Guobanfa, 1999). The two loan programs were aimed at further expanding loan availability after the mid-2000s and were supplemented by the Student Resident Loan program in 2009 (Shen, 2008; Shen & Li, 2003). As they were categorized under financial aid for poor, rural students, these loans had low interest rates and favorable repayment schedules. Proponents hoped that such a broad base of financial support could allow tens of thousands poor rural students to afford their college dreams.

Despite the intentions of government officials, slow implementation of the programs meant that even in the mid- to late 2000s there still remained two concerns about poor, rural college aspirants. The first concern was that existing resources were limited, to such a degree that the families of poor rural students still could not be sure they could pay for higher education. Even after the announcement of the nation's financial aid programs, newspapers were still publishing stories of poor students who were still unable to go to college for lack of financial support (Chen, 2005; China Youth Daily, 2007; Qing, 2010). Academics, too, were unimpressed by the government's financial aid implementation (Zhao, 2002). A paper published in 2007 suggested that the programs were still not widely available to many students who needed them (Chen, 2007). The literature left the impression that there were remained large numbers of students that were testing into China's best universities but unable to attend because of financial reasons.

A more recent study arrives at a different conclusion (Liu et al., 2011). Based on a large survey of poor high school students in Shaanxi province, the study found that the problem of students who are eligible to enter tier one colleges has been largely solved. It is not clear why the study was at odds with much of the rest of the literature. Perhaps the Liu et al. (2011) study differed from previous work because it was examining the situation in more recent years (in 2008 and 2009 instead of earlier as was the focus of most of the rest of the literature). It may have been that the study was more rigorously designed. Whatever the reason, Liu et al. (2011) demonstrated that, in 2008 and 2009, the poorest grade 3 students in public high schools in the poorest counties of Shaanxi province who tested into top (or tier one) universities were always able to go. In other words, 100% of the high school students in their sample who scored high enough to enter tier one colleges were able to figure out a way to access sufficient financial resources to matriculate to college in the fall term after their senior year of high school. If this is true across the nation and for every year, one of the objectives of the nation's higher education financial aid program has been achieved.

The second concern was not whether existing financial resources were sufficient for students to matriculate (as shown above, they are), but whether the amount and nature of financial aid were such that poor students were able to thrive (or whether they floundered) once they entered college. Although poorer students have been shown to receive more aid than other students once in college (Loyalka, Song, & Wei, 2012; Yang, 2010), it is not certain whether such financial aid or support is sufficient (Shen, 2008; Yang, 2010). First, poor rural students without sufficient financial support experience substantial psychological stress associated with the guilt and anxiety of needing their families to sacrifice money and time for them (Kang & Chen, 2006; Ye, Qin, & Deng, 2005). At the extreme, media reports have gone so far as to document how the psychological burdens from the financial stresses on the families of college students have actually led to suicide (Hangzhou Net, 2006). Second, poor students without sufficient financial resources may experience low self-esteem (Cholewa & West-Olatunji, 2008; Fan & Gui, 1996; Kang & Chen, 2006). Self-esteem refers to students' sense of confidence, and self-efficacy refers to students' sense of personal competence (Schmitt & Allik, 2005). Sometimes this lack of self-esteem/self-efficacy arises as poor students are unable to afford nice clothes or accomplish tasks that their nonpoor classmates take for granted (Kang & Chen, 2006; Qu, Zhang, & Wang, 2007). Finally, poor students without sufficient aid may simply not have as much free time to participate in college activities as nonpoor students. They may need to (or feel guilty if they do not) work part-time in an effort to help minimize the family's financial burden or partially cover his/her college tuition and fees (Ford, Bosworth, & Wilson, 1995; Pang, 2003). They may be unable to participate in many campus activities and have fewer opportunities to generate social and future professional connections.

If this were happening in China, it would not be anything new. Internationally, there are many studies that demonstrate negative correlations between the financial demands of college and students' ability to thrive at college (Battistich, Solomon, Kim,

¹ 1 US dollar \approx 7 RMB in 2006.

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