

Financial Aid Equity in Post Secondary Education

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Maggie Salomonsky

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On my honor as a University Student, I have neither given nor received unauthorized aid on this assignment as defined by the Honor Guidelines for Thesis-Related Assignments

Advisor

Pedro A. P. Francisco, Department of Engineering and Society

Introduction

Academic institutions with higher education programs offering financial aid have drastic implications that are not entirely understood by the sole entity of the institution, or its funders. Implications such as testing the financial efficacy of families who are applying, a student's cultural background, the liquidity of certain forms of loans, offsetting institutional safety, or the perception of certain financial aid packages.

Types of financial aid can vary between gift aid in scholarships and grants, loans, either subsidized or unsubsidized, and part-time employment [1]. These offerings themselves are not inherently problematic, but there exist unspoken effects of these offerings for students and families, not focused on as often in financial aid offices. For example, a student's 25 hour work week can conflict with their class schedule or their parents might receive tax credits that do not become accessible until after their tuition payments are due. This paper serves to enlighten those effects, using an Ethics of Care analytical framework. The intention is for industry professionals and financial aid officers to understand how financial aid methods may perpetuate existing problems for prospective students, due to their inequitable implications.

An Ethics of Care research analysis supports compassion and care as a valid moral argument [2], as opposed to moral decision making that is "rational, logical, universal, or objective," and aims to consider interdependencies in systemic environments with the goal of transforming culture and policy [2]. Ethics of care has a direct focus on "power imbalances" due to the nature that its idealized transformations have when restricted to whatever system is upholding the imbalance. The speed at which progress can be made is thus a function of how much its system is supporting it, or deterring it [2]. Furthermore, an Ethics of Care framework exerts energy into understanding

whose perspective and influence is being prioritized, and what are its resulting effects, especially on those who are not given a voice [2]. In the context of financial aid offices in higher education, Ethics of Care questions who is being motivated to contribute their expertise on aid offerings, and does that expertise more so value a financial policy perspective or empathize with relieving the student struggle to its access? This analysis will look at where those two perspectives can work together.

Background and Motivation

Although the creation of financial aid remedied many systemic barriers facing marginalized and low socioeconomic students, financial aid being called a “key mechanism” of maintaining equitable access to higher education should still retain caution [11]. For those who are lucky enough to reach the point of receiving aid, their experience may seem uniform with other aid recipients. However, this comparison is not considering the many students who never make it to the aid stage, because of what financial aid implies for them. Thus, the atmosphere of financial aid access involves the steps prior to, during, and after the aid application process [11].

The level of awareness that prospective students have of financial aid before they apply for it is most often determined by their financial exposure in secondary education and through school and family counseling [4]. The more experiential teaching in accounting, budgeting, strategic planning, and practices of personal finance, the higher the likelihood that students are comfortable with the later process of applying for financial aid. This term, coined by Dongbin Kim, is known as “financial efficacy” [3]. Financial efficacy implies a relative understanding of financial systems paired with a self confidence that a person can impact such a system. It is thus

unsurprising that it is historically difficult for those who do not grow up in financially oriented environments, or who were not offered supplemental resources in place of them, to accurately conceptualize the world of financial aid and its accessibility. For example, in a study by the University of Hartford, families were proven to be more likely to overestimate the cost of tuition and underestimate the amount of funding available to them through financial aid [4].

As an example of another drastic difference, however this time between institutions rather than aid receiving students, is that private and selective institutions accounting for race sensitivity [5] in their financial aid models show the largest differences in aid offerings. This phenomenon makes sense, considering as institutions get more selective so do their accompanying programs, student body, and financial aid management. However, in 2002 all eight Ivy league colleges modified their financial aid policy to exclusively offer grants, in place of student loans [5]. Furthermore, it is important to note that these Ivy league institutions only offer need-based financial aid. It is not difficult to thus notice the equitable effort put in place by these selective, private, even Ivy league, institutions to offer equal amounts of grants, in place of more financially binding and undesirable methods of loan aid.

Methodology

Types of financial aid trends are enlightened throughout this research paper. Methods of financial aid, institutional aid structures, and the cultural implications of their access for various underrepresented student demographics are showcased through a literature review.

Literature Review

In a study conducted by Nienhuser [4], the concept of financial efficacy is reiterated. The overarching theory, rationalizing a “failed or learned college cost process” [6] is attributed mainly to wherever prior learning as an “inseparable aspect of social practice” took place. In short, if the cultures of secondary school learning, where social practice and academic rigor are most closely aligned before college, involve some level of financial awareness, students are more likely to possess financial efficacy. It is noted that this is in contrast to knowledge that is behaviorally learned through stimulation and response. This furthers the point that financial efficacy cannot be taught behaviorally, but is strongest after traditional academic and social pressures encourage students to apply financial lessons to their personal lives.

There is also considerable debate over clarifying whether financial aid promotes opportunity via access, or via expressed choice. This debate focuses on how financial aid success is measured and if success is when a student gets into college or if the student gets into the college they want, should all else equal [3]. This debate is heavily supported by econometrics studies, where the influence of financial aid on students college choice is analyzed. In order to preserve the integrity of the variables affecting a students college choice based solely on aid, controls are established to account for socioeconomic status, student ability, academic achievement, and high school record [7]. Although in this instance, academic success is muted as a contributor, it is nonetheless helpful to isolate the above controls in order to determine the discrete effectiveness of aid packages on student college choice.

However, it is also inevitable that such demographic factors must be accounted for at some point in the analysis, as it is argued that there is great unfairness in eligibility for financial aid stemming from a student’s “endogenous” and “subsequential” [5] academic success. For this reason, Alon looks at how aid truly levels group differences in a study published by the

Economics of Education Review where the type of financial aid is understood by the extent that it creates equal opportunity in college choice. This is in addition to the accompaniment of race, where perceptions and preferences are formed [5].

Perception of school quality, availability of aid, and tuition costs also affect a student's choice to attend a first choice and second choice institution, concluded in a study by *Public Choice Journal* [8]. Choice was broken up into four categories: individual background, college preferences and strategic planning, institutional characteristics, and financial aid packaging. These four characteristics were used to understand demographic trends for families with children pursuing higher education.

The *Economics of Education Review* found that family income and college location and size were more significant factors for college choice for African American and Latino students compared to White students, when financial aid is still available to both. If White students are thus more acclimated to start applying for financial aid, compared to other groups more focused on school characteristics, such as their socioeconomic upbringing or the safety of the institution, then the system of financial aid cannot claim that it provides equal opportunity in college choice, regardless of race. This shows that for underrepresented minorities, focusing on several factors before considering aid is necessary to find the best college fit. Thus, applications for aid from underrepresented student demographics compared to White students are less frequent [5].

However, this is not to say that minority students are less interested in applying for financial aid.

Initializing group differences such as upbringing, family income, preference of school size, location, and safety, can be levied by educational attainment, as attainment has great influence on future earnings, both for undergraduate and graduate students. However, this is not to discount the vastly different aid experiences of various demographics. For example, there is a large

number of Hispanic and Black students lacking resources “routinely available” [5] to Whites and Asian students starting during their first year at competitive institutions. On the contrary, in a study conducted by the Cooperative Institutional Research Program [7] the influence of a single grade point average increase had direct impact on income outcomes for students: \$432 for Black women, \$230 for White women, \$59 for Black men, and \$86 for White men, additionally finding that educational attainment on its own had positive correlation with early career earnings for both Black and White women. Although the power of higher education on income does have a considerably helpful after effect, these experiential differences require attention.

Discussion

The goal of this analysis is to craft a new model of financial aid, with cultural considerations in order to be as equitably distributed as possible. New models of financial aid can possess these five elements in order to achieve more equity, elements commonly found within the “integrity of care”; caring about, caring for, care giving, care receiving, and caring with [2]. “Caring about” and “Caring with” are two of the more prevalent features necessary for a new financial aid model rooted in understanding cultural implications. To start, “Caring about” translates to attentiveness [2]. As a financial aid officer, school institution, or other entity, it is important to empathize with the prospective student’s experience through attention, in order to understand the needs of that student and how they may respond to certain aid offerings over others. Being attentive is one of the “purest forms of generosity” [2] as it is the only through being open and vulnerable with lived experiences of other students that an outsider can genuinely and effectively support a prospective student in getting into their college of choice. Although the three middle features in the integrity of care list, caring for, care giving, and care receiving, represent responsibility,

competence, and responsiveness, respectfully, the last item is very prevalent in a redesign of financial aid models. This feature, “Caring with”, represents solidarity. It is the feature that embodies prioritizing experiential knowledge as equally valuable. Not only does it create a standard of respect for prospective students coming from non-White, non-upper-middle class, or non-private academic spheres, but it also allows financial aid models to derive their remodelling from the expertise of stakeholders, that otherwise may not be considered financial aid officers, with equally valuable knowledge from lived experiences.

Financial aid also has much greater influence on the persistence of minority students, as opposed to White students [8]. This claim is made upon separating aid eligibility predictions from actual aid amounts given. The difference between what is predicted as aid and what is actualized is crucial in the narrative of this ethical analysis and mitigating the earlier point of endogeneity. Otherwise, any negative perspective of need-based financial aid could mask the positive lens that receiving any aid quantity at all can have on college success.

The different implications between grants and loans were noted in the 1980s [7] when emphasis started to lean more towards grants, rather than loans. This shift was in an effort to influence equal opportunity in education [7] and in today’s day, allows us to understand how that shift in creating equal opportunity actually worked out.

Grant dollars most specifically address equalizing the graduation likelihood between difference student racial and ethnic demographics [5]. This is because grant dollars, as well as work study programs, are the most effective tools to encourage persistence for underrepresented students through college. It was shown that loans did not have this same effect. Furthermore students’ enthusiasm was much more aligned with the predicted amount of grant money they could receive rather than the loan amounts they were technically eligible for [7]. One reason for the lack of

enthusiasm for loans is that in the event that a student is underperforming, they are still binded to the increasing debt load of their student loans [7] amidst already crippling academic stress. This can be very discouraging.

Furthermore, not only do minority students face the most vulnerability to “exogenous economic shocks”, but Hispanic students tend to collect the largest amount of financial aid despite Black students representing the most need [7]. As such, Black students face the most severe pressure to maintain income to finance their way through college, compared to other racial groups [7].

Although receving any aid can be considered helpful, it is sometimes not as helpful as financial aid officers think. The issue with these data are that minority groups are not receiving aid in a way synonymous with the demand they demonstrate. If Hispanic students received loans in place of grants, and Black students grants, or a combination of an aid package that more closely solves issues plaguaging these communities, would college acceptance and persistence rates turn out differently? Considering these trends and this question, graduation likelihoods for minority students nonetheless depend much heavily on grants and scholarships than White students, and possess their own specifications in need of accommodation.

Conclusion

Increasing student aid in the form of grants would be the most effective solution to equalizing the opportunity of underrepresented students to attend college. The effort to support these students, however, does not only reside in their years as an undergraduate or graduate student. The work to bring awareness to college access, raise feelings of financial efficacy, and encourage understandings of financial aid packages can even begin in primary school. Therefore, in

addition to increasing student grant aid, there are three initiatives found to improve minority student participation in college. They involve early intervention programs and accelerated schools for at risk students and public information programs to teach students and their families what they may not know [7]. Families can relieve the common assumption that college costs are overestimated and eligibility for aid is underestimated.

Another goal with this analytical framework is to identify the overarching systems that are supporting power dynamics, potentially hindering an aspired path of progress. For this sake, an important piece to conclude is that these financial aid systems should ensure that those who are making aid package decisions are not the sole entities providing narratives of the student financial aid experience and student need. For example, if financial aid officers are the only voices advocating for aid allocation, the process of allocation will lean toward financial efficiency. However, this excludes the equally important weight that cultural implications have and where they need to be understood [10], far before financial aid can be influenced.

As such, the many studies that support financial aid offices must caution themselves from experimenting on previously exhausted sources, in order to avoid the narrow feedback that a few similar perspective entities can continuously provide. This caution protects differing aid studies from using overlapping resources and the same patterns as one another. How aid studies navigate collecting opinions and expertise from people in the financial aid industry should also include those not conventionally considered industry professionals, but that still possess influential lived experiences [2]. These stakeholders include local community members, low income families, and even prospective students planning to be involved in a financial aid package upon acceptance to a college. This type of financial aid allocation advocacy is not popular amongst traditional aid decision making systems, largely due to the fact that community members, families, and students

are not committed to attending these institutions at all [2]. However, without the incorporation of these diverse forms of knowledge, financial aid systems can perpetuate financial implications that ultimately burden students from attending rather than encouraging them to persist through college [2]. If this ethical stakeholder theory is used, the following result of student responsiveness to aid form, from a study by the *Journal of Financial Counseling and Planning*, might more proactively explain why low and middle income students are more price responsive to grants than loans, and loans than grants, respectively [7].

Financial aid has great potential in offsetting many initial disadvantages racial and ethnic minority students face when attending college, in other words, from the collegiate “starting line”, if financial aid is distributed in a way that understands what came before the start. Graduate and undergraduate students will nonetheless continue to have more successful influences on their earnings later in life because of their educational attainment, supported by financial aid. However, for financial aid to be at its most effective state in promoting equal opportunity, there is more than just the expertise of the financial aid officer to take into account.

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