

# How valuable is financial aid to low-income students?

July 30 2019

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BYU economics professor Jeff Denning. Credit: Gabriel Mayberry

In the 2015-16 academic year, students received \$28 billion in Federal Pell Grants. The monetary assistance helps students who display exceptional financial need pay for their tuition. But more than the dollar

amount is how that aid helps college students shape the rest of their lives.

Looking at data from the Texas Higher Education Coordinating Board and Texas Workforce Commission, BYU economics professor Jeff Denning and a group of researchers looked at the effects of receiving financial assistance. The team narrowed the analysis to only those students who just qualified for the full amount and those who were just over the determined cutoff.

"The idea is, one student's family makes one more dollar than another student, and that makes them ineligible for the maximum Pell Grant," Denning said. "The question then is, what happens to them? We found those students who get the extra [grant] dollars graduate more often and make more money after college."

Among first-time bachelor's degree-seeking [college students](#), qualifying for the maximum Pell Grant significantly increases graduation probability by 10 percent compared to the average rate for students just barely ineligible for the full grant amount.

The study suggests that students benefit most when aid is received early enough to change their trajectory through college, specifically with incoming freshmen.

"Providing poor students with money to attend college can be a worthwhile investment for taxpayers," Denning said. "We often think of the Pell Grant as some kind of handout, but with this new research we found it can help students attend and complete [college](#), which ideally will help them get better-paying jobs."

The additional money those [students](#) earn once they enter the job market helps to pay back the Pell Grant in a non-direct way. Unlike loans, grants are not given with the intent to be paid back. However, if a student's

earnings increase, they will be paying more [money](#) in taxes each year.

Denning and his colleagues predicted effects on tax receipts are sufficiently large enough that the government should fully recover the increase in [grant](#) expenditures within 10 years, suggesting that financial aid likely pays for itself several times over.

The study was published in the *American Economic Journal: Applied Economics*.

**More information:** Jeffrey T. Denning et al. ProPelled: The Effects of Grants on Graduation, Earnings, and Welfare, *American Economic Journal: Applied Economics* (2019). [DOI: 10.1257/app.20180100](https://doi.org/10.1257/app.20180100)

Provided by Brigham Young University

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