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Full Length Research Paper

An empirical analysis that forecast a high likelihood of emergency loan need between ages 27 to 41 among graduate students for policy decisions

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The increase in graduate schools' enrollments due to the global recession poses a complex challenge for graduate school deans and policy decisions. The data indicate that between the ages 27 to 41 emergency loan need is high among graduate students. As more non-traditional students seek admission into graduate school, there may be a prescribed role for the emergency loan in order to reduce the level of borrowing necessary among traditional as well as non-traditional graduate students for effective policy decision making. Analysis of emergency loan recipients provides insight for future researchers to investigate other critical factors that influence emergency loan need not addressed in this assessment. In any case, however, emergency loans will clearly improve policy decisions relating to retention and completion rates among graduate students in a post recession world.

Key words: Emergency loan, graduate students, graduate schools.

INTRODUCTION

Hence, the theory capsulated in the data indicates a pending crisis in graduate education as more non-traditional students enter graduate schools. This empirical study signals that the need for emergency loans among 27 to 41 year old graduate students implies a higher level of financial stress may persist in a population already challenged by excessive debt. Our study provides insight with data to develop a strategic framework to effectively and efficiently address monetary issues that impact this increasing population of graduate students. Failure to understand emergency loan need may deny some of the brightest minds access to graduate education where they are needed. Also, emergency loan need may signal the rise of a debt latent disenfranchised educated class unable to recoup the quality of life promised by making the financial sacrifice to achieve a graduate education.

Emergency loans benefit graduate students with an assessment of their present difficulty. The data indicate that up to the age 26 graduate students have less need for emergency loans. Beyond the age of 26, the data affirm there is a high need for emergency loans among graduate students. The use of the emergency loan process can help graduate students organize management of their loan debt. Emergency loan need expands the service role of graduate schools in serving the interest of graduate students.

This study concerns the importance of the emergency loan needs for graduate school students. The emergency loan at the university ranges from $1.00 to $2,500 to students in good standing in their academic program. Loans are awarded after a review of the students' personal financial challenge to those with the greatest need. The financial need among graduate students may be rooted in healthcare, rent, auto repair, and hidden research costs. A successfully administered emergency loan program in graduate school contributes to retention of quality students impacted by the economic recession. Hence, graduate schools deans have a significant challenge ahead relating to policy decision makings. The issue is no longer just distribution of scarce resources to

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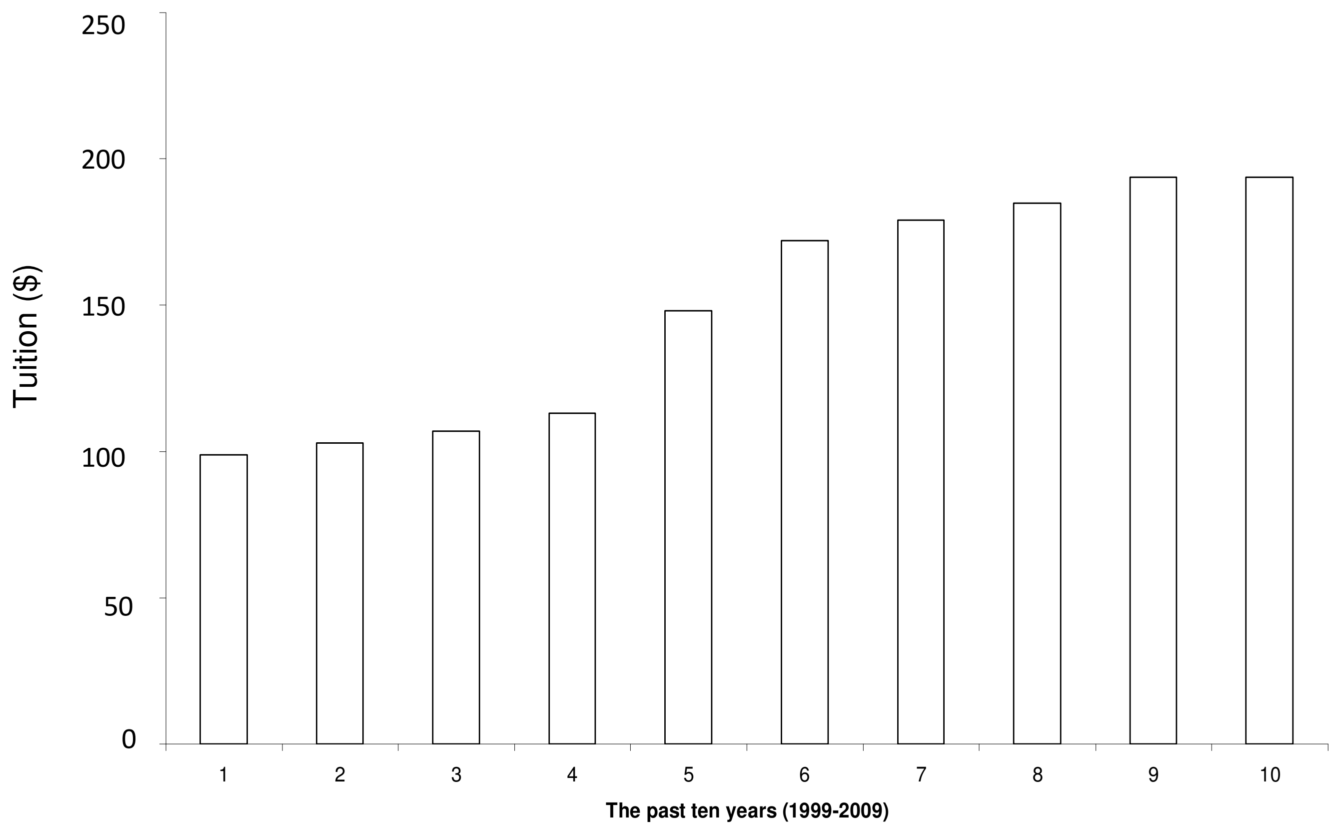

Figure 1. The state tuition for graduate student.

sustain graduate students across disciplines in academic programs. The problems for graduate students have morphed into a global question that requires an examination of effective ways to address strategies that assists in containment of debt. The emergency loan may be one of the tools to use to reduce the risk of graduate students becoming indentured to their debt load.

The deregulation of tuition contributes to escalating cost to graduate students (Figure 1) that deans may not be able to respond to through increased levels of funding in assistantships, scholarships, and fellowships. Sowell and Bell (2009) found in their survey that graduate school deans had two leading concerns when making policies: budget cuts and graduate student financial support. The third important point of concern was graduate school management. Graduate schools may be unprepared for transition from silo leadership techniques to assertive innovative management strategies. Such a transition can energize the graduate learning community under their administration. Graduate students, domestic and international, enter graduate programs with burdens of debt from their undergraduate completion.

The global recession has unearthed a clear concern for graduate deans sensitive to the fact that talented students averse to debt may not pursue a graduate education. Usually the students who graduate with debt are the same students who experience financial hardship after graduation (King and Bannon, 2002). As the economy stabilizes, more than six million domestic families will have suffered financial strife. Due to loss in the value of their assets, normally these households will require ten years or more to recover from the shock of the recession. The unreported cost of the recession to millions more households will strain home budgets, making it virtually impossible for parents to contribute to their child's effort to achieve a graduate education. This support is important for graduate education among domestic students, because parents are part of their debt management strategy.

Non-traditional students are returning to graduate schools. This population brings rich experience that can benefit the learning community. In part, they are coming because of shrinkage of employment opportunities in their job markets. The graduate credential sought will assist students to rebuild their lives lost during this global recession. Non-traditional students often have great responsibilities to their family. They operate in the graduate school environment on personal shoestring budgets with a high debt load. The emergency loan has been a life-line in assisting non-traditional students in their effort to retool with knowledge-based skills to refresh their future. This vital retooled population may become

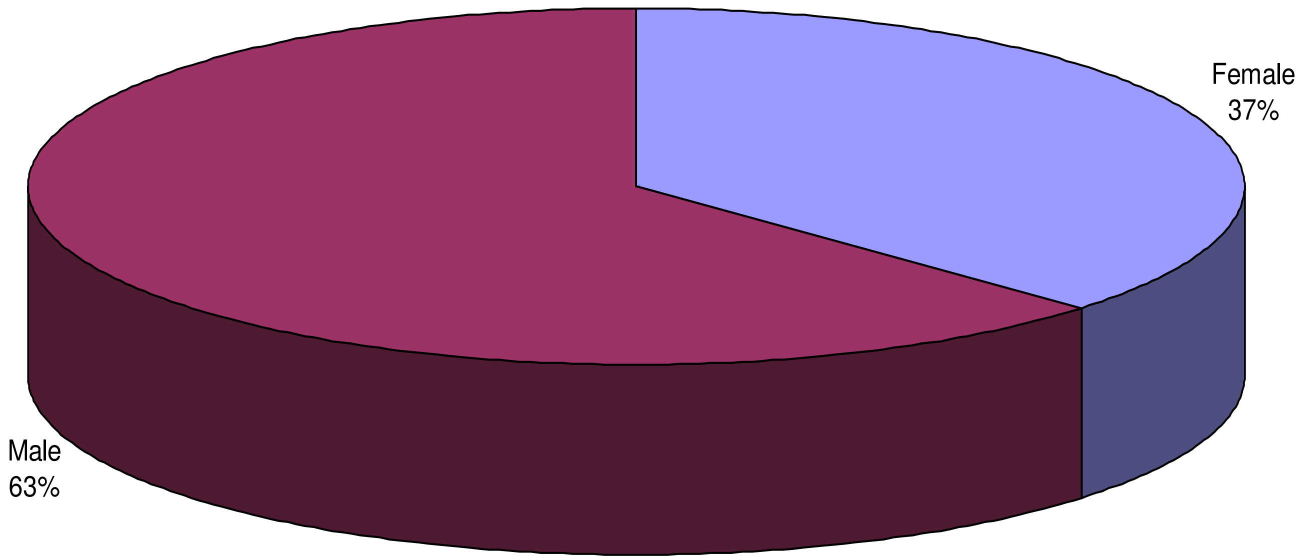

Figure 2. Participants gender characteristics.

scientist, engineers, professors, and public school teachers. The graduate school emergency loan is one support tool among others that can benefit non-traditional graduate students in achievement of their objectives.

For international graduate students, the return of the strong dollar as the recession dissipates may be their worse economic nightmare. The strong dollar further depreciates the value of their currency. To attend graduate school in the United States, international students borrow in their currency the equivalent of $5,000 to $20,000 to manage their costs. The interest on their local debt may vary from 12 to 15% or more per year depending on the exchange rate of their currency in the market economy. The monthly interest charge against the principal is paid by the international student's parents. Credit cards from their country may have an interest that exceeds 20% per year on purchases. Few international student recipients of an emergency loan report more than $5,000 of credit card debt. These students are between the prime ages where the likelihood of unplanned borrowing will exponentially influence their debt.

Recipients of the emergency loan come with an immediate need. They are confronted with rent eviction, utility switch off, food shortage, unmanageable books and tuition cost. No matter how frugal they may be with their resources, there is sometimes an unplanned event that serves as a tipping point, creating a kinesis pushed by its energy enlarging the complexity of what was a simple problem. Adversity sets up an opportunity for them to rethink events and plan the shape of the future. Graduate students have a tendency to shut down their voice for the future to focus on the mission of graduate degree completion by any means necessary at all cost. The emergency loan is an opportunity to reduce the misery index, derail the at-any-cost mindset, and refine with the graduate student a go-forward strategy that includes limitation of additional borrowing.

The sphere of influence and authority for graduate school deans will expand as the recession recedes. As the gateway to graduate education, graduate schools will have to manage questions and policy decisions from students about financial sustainability to completion. Though departments may have first-line responsibility for funding graduate students in their academic programs, departments will include the graduate school more in their planning due to the instability of the grant economy that usually funds graduate research. The students that venture into graduate education will require the best guidance to reduce their risk of being indentured to debt after completion. The future may depend on how graduate schools decide to address this challenge and set effective policies.

RESEARCH METHODS

The data were collected from 290 graduate students that solicited an emergency loan in a public university located in North America. The characteristics of the graduate students are shown in Figures 2 and 3. The procedures for collecting the data from graduate students when applying for emergency loan are:

(1) Graduate students are required to complete a form that includes their personal information (that is, name, address, phone number, major, GPA, and social security number).
(2) Graduate students are required to give specific reasons why they are applying for emergency loans and provide some financial history that is returned after review.
(3) Finally, graduate students are required to sign the emergency loan form to certify that the information they have provided is true and accurate.

As soon as the graduate students submit the forms, the graduate

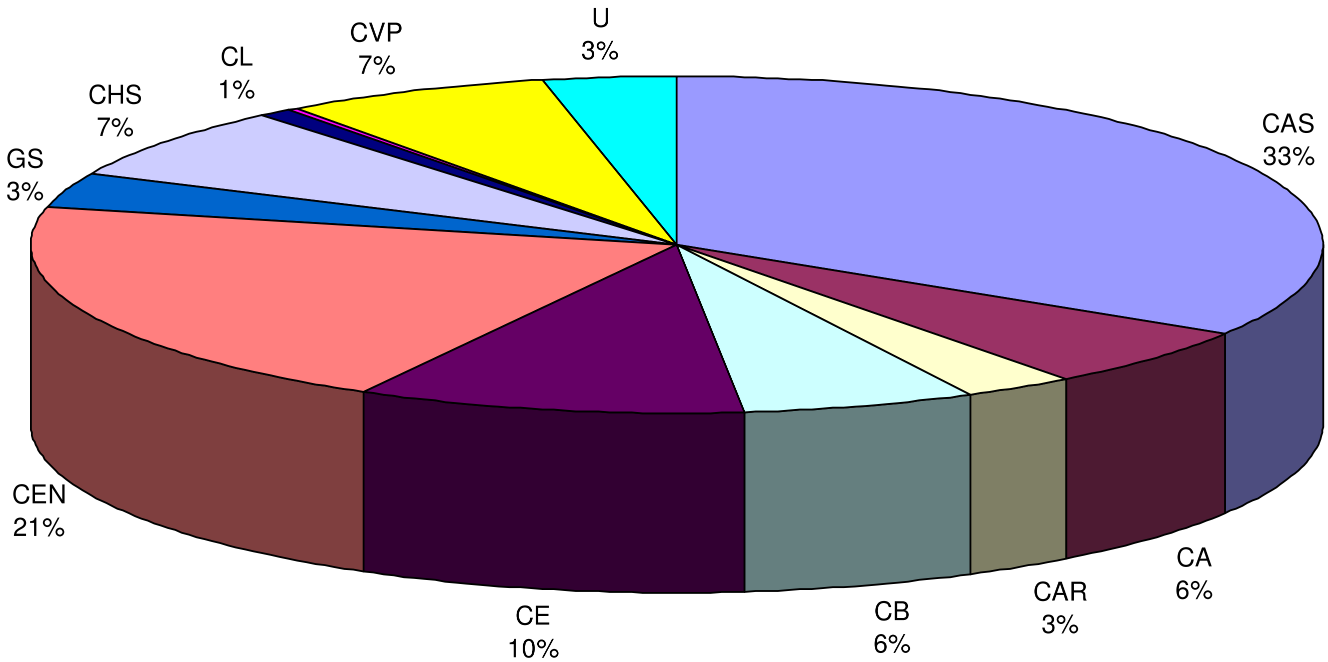

Figure 3. Participants college characteristics. College legend: CAS: College of Arts and Sciences; CA: College of Agriculture; CAR: College of Architecture; CB: College of Business; CE: College of Education; CEN: College of Engineering; GS: Graduate School; CHS: College of Human Sciences; CL: College of Law; CVP: College of Visual and Performing Arts; U: unreported.

school approves the emergency loans based on three main criteria:

(1) Medical expenses and health problems.
(2) Household expenses.
(3) Research activities.

Graduate students that are granted emergency loans are required to pay back the loans in five years. Interest is charged on the loan if the recipient fails to abide by the repayment terms. Repayment starts 60 to 90 days from receipt of the funds; the loan is repaid at $25 to $100 per month, depending on the resources of the recipient. The figures show the percentage of borrowers of emergency loan recipients by gender and colleges.

DATA ANALYSIS AND DISCUSSION OF RESULTS

The tuition Figure 1 indicates that there has been a steady rise in cost for graduate students to attend the university over the past ten years. This strong increase explains why the research to investigate the influence of age and emergency loan need is important, for the research provides much needed insight to deans in graduate schools concerning policy decision makings and how to utilize sparse resources to benefit retention. The p-value for graduate students' age in the regression analysis is 0.0035; this value indicates that age has a significant effect on emergency loan need. Also, the effect of age on emergency loan is shown in Figure 4. As shown in Figure 4, the age range in which graduate students request emergency loans is between 27 to 41 years of age. This is the age range of independence where decisions related to lifestyle may generate sudden unintended consequences due to personal or family obligations (example, day care, family health insurance, tuition, and other family expenses for children).

The R-Square for the regression analysis model is 0.0514. The R-square indicates that 5.14% of the variance of emergency loan need can be explain by age; hence, the R-square indicates that 94.86% of factors and variables influence with age why a graduate student seeks an emergency loan. The study opens the door for researchers with interests to investigate the role of other critical factors not addressed that create an emergency loan need among graduate students. Examples of such critical factors are mismanagement, health insurance, number of children, increase in tuition, inflation, educational level of children and spouse, monthly expenses, hospital expenses, disability within family, personal financial crisis, global financial crisis, currency devaluation, loss of love ones etc.

The data analysis concludes that age is a predictor for anticipating emergency loan need among graduate students. The post-recession world will present to graduate school deans retention issues uniquely different from previous years. These issues relate to financial sustainability in graduate academic programs. Debt adverse populations may shrink more unless graduate schools, in partnership with academic programs can give a higher assurance to underrepresented students that support will be available through completion. An essential component of that assurance must be an emergency

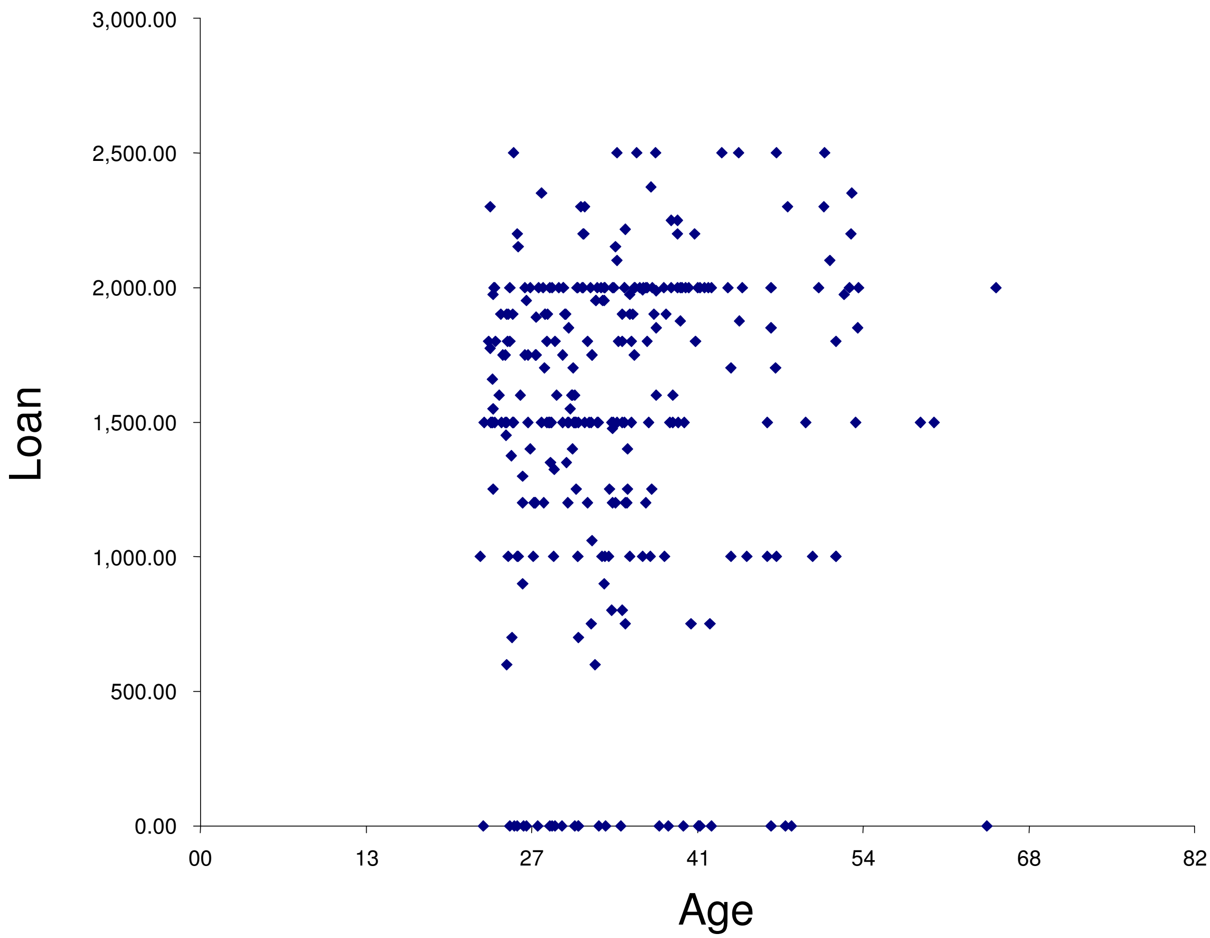

Figure 4. Emergency loan versus age.

loan fund to manage unplanned events that may compel a graduate student to drop out if assistance is not immediately available.

Conclusion

Graduate school deans are the frontline, able to look across disciplines to configure internal programs to reach out to graduate students burdened by outcomes related to the recession. The best forecasters predict that the recovery of the economy will take decades. The victims of the recession must retool for readiness to participate in the nation's economic transition. Graduate deans must, therefore, extend help and aid to graduate students.

Also, enrollment historically tends to increase during recessionary cycles. In addition, Figure 1 indicates that there may be an evolving trend toward more older students entering graduate school. Graduate school deans will begin to admit more graduate students beyond the age of 41, most likely with high personal debt. This population will have emergency loan need while attending the university and will require advisement to guide their stabilization in rebuilding from damaged caused by the recession.

Age is a predictor of need from emergency loan data collected. Whether traditional or non-traditional students, graduate school deans face the daunting task to populate programs during a period when a recession forfeited more than a third of the general population's personal wealth. There will be many stop gap measures to alleviate financial stress on graduate students as they work to complete graduate programs. One tested instrument in the arsenal of services to aid graduate students that has been beneficial in supporting retention is the emergency loan.

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