

# The impact of bank loans on university student retention

Bank loans and  
university  
student  
retention

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## Abstract

**Purpose** – This study analyzed the impact on the persistence of Chilean university students who had received a government-guaranteed loan (CAE).

**Design/methodology/approach** – Using academic and administrative data from 2016 to 2019, provided by 11 Chilean universities, a discrete-time survival model was constructed. The model was based on data of 5,276 students in the 2016 cohort and included sociodemographic variables, academic background prior to entering university and academic performance once in university. As a robustness check of our results to observable confounding, the analysis was repeated using a control group constructed using propensity score matching (PSM).

**Findings** – The results reveal that students who receive a bank loan (CAE) were more likely to remain in undergraduate studies for at least the first two years of university, as opposed to their peers who did not receive financial aid. In addition, they show the importance of academic performance in retention.

**Originality/value** – The article advances in the identification of the impact of bank loans on permanence. Although previous research has evaluated the impact of the CAE, it has been conducted on small samples of students. These studies also lacked student records associated with their academic performance at the university. The present research overcomes both weaknesses, allowing us to estimate the impact of the CAE on a larger population of students that is representative of the system.

**Keywords** Loans, Retention, Academic performance, Higher education

**Paper type** Research paper

## Introduction

Enrollment massification in the higher education systems of low and middle income countries has a particular characteristic. This is seen in the case of Latin America (Reinders *et al.*, 2021) where, in most cases, enrollments grew because of strong expansion of access to private

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