Do Tuition Hikes Lower Students’ Performance?

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ABSTRACT

This paper inquires more closely into the nature of the relationship between college tuition and students’ performance at college studies. This results from:

1) The refining of the time allocation model that was built in Mujumdar, Schibik, Friesner and Khayum (2004) to conduct a first, formal exploration of the relationship. The refined model, again, reveals that tuition increases generally diminish performance, helping place our similar intuitive expectation on a firm footing. It also yields insights into how students’ debt-service ratio, the strength of parental ‘influence’ in students’ consumption financing and the opportunity cost of parental financial support impinge on the tuition-performance relationship.

2) More rigorous empirical support for the observation that tuition increases lower performance arising from Tobit analyses of a dataset of college students.