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**Title**

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**Abstract**

This article explores the determinants of persistence in the Chilean higher education system, considering academic and socio-demographic factors as well as the role of financial aid. The financial aid policy for students in Chile has undergone major changes over the last decade, which has allowed individuals from usually underrepresented income groups to enroll in higher education institutions. This analysis combines information from four public administrative agencies, obtaining a sample of over 75 % of all high school graduates for the period 2007–2010. Methods include descriptive statistics, logistic regression and propensity score matching (PSM). Both continuous persistence and reentry were studied at the system and at the institutional level for all four cohorts. Descriptive results show that short- and long-term dropout rates at the system level are high, and dropout rates are even higher at the level of institutions. Findings from the PSM show that the non-subsidized state loan is the instrument that displays the strongest correlation with persistence and it holds homogeneously across students from different socioeconomic groups. Among grants, we find consistently positive effects of need-based grants targeting low-income students attending technical institutions. We provide educational policy recommendations based on our findings. (HRK / Abstract übernommen)

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