

Masters Student Loans Proposal

Executive Summary: There is a noticeable gap in the number of postgraduate degree holders in Saudi Arabia. Our research has shown that only X% of Saudi residents hold a master's degree, a number that is significantly lower than many other countries. In today's competitive job market, a master's degree has become essential for career progression, academic advancement, and skill development. However, pursuing a master's degree poses significant challenges for many working professionals, particularly due to financial barriers, time constraints, and the opportunity cost of leaving their jobs to study.

In response to this gap, we propose a new product designed to help individuals pursue their master's degrees while maintaining job security and minimizing financial stress. This innovative solution aims to increase the number of postgraduate degree holders in the country, enhance workforce competitiveness, and contribute to national economic development.

Problem Statement: Many employees are hesitant to pursue a master's degree due to the challenges involved:

- **Financial Concerns:** Tuition fees are often prohibitively expensive.
- **Opportunity Cost:** Employees fear losing their jobs or missing out on career opportunities while pursuing higher education.
- **Lack of Flexible Financial Support:** Companies cannot afford to sponsor employees' higher education without risking business disruption.

Proposed Solution: We propose a loan product that allows individuals to pursue a master's degree while retaining their job security. This product will be offered in partnership with the Ministry of Education, who will provide sponsorship for part of the tuition fees, reducing the financial burden on both the student and the bank.

The loan would be structured as follows:

- **Ministry of Education Sponsorship:** The Ministry will cover 25% of the total academic fees, making it more affordable for the student.
- **Loan Financing by SNB:** SNB will finance 75% of the academic fees at a reasonable interest rate of 5%. The student will repay the loan in installments while continuing their employment.

For example, if the total tuition fee for a master's program is 100,000 SAR, the student would only need to take out a loan for 75,000 SAR (after the Ministry covers 25%). With a 5% interest rate, the total repayment amount would be 78,750 SAR, which is significantly lower than a 0% interest loan offered by competitors, which would result in a repayment of 100,000 SAR.

Benefits to Stakeholders:

- **For Students:** The loan provides affordable financing with manageable repayment terms. The student can continue to work, avoiding the risk of career disruption.
- **For Employers:** Companies benefit by retaining employees who pursue higher education without the need to sponsor them fully or grant extended unpaid leave.
- **For the Ministry of Education:** The Ministry can sponsor more students at a lower cost, increasing the number of postgraduate degree holders in the country, contributing to a more competitive economy.
- **For SNB:** While competitors offer 0% interest loans, SNB can offer a reasonable loan with a 5% interest rate, benefiting from both interest income and fostering long-term relationships with highly educated clients.

Product Breakdown: The proposal consists of three different products that cater to different needs. Below is a detailed description of the first product:

Item 1: Night Master Loan

Overview: The Night Master Loan is designed for students who wish to pursue a master's degree at a local university. This product enables the student to retain their current job while attending classes in the evening or on weekends, thus reducing the opportunity cost of studying. The student will take out a loan for 75% of the tuition fees, with the Ministry of Education covering 25%.

Loan Structure:

- **Loan Amount:** 75% of the academic fees
- **Interest Rate:** 5% per annum
- **Repayment Terms:** Monthly installments, based on the loan amount, with flexible restructuring options if necessary.

Risks:

- **Risk of Suspension:** If the student suspends their studies (e.g., due to personal reasons or failure to meet academic requirements), they may struggle to repay the loan. However, since the student has not left their job, the risk of losing income is mitigated. If necessary, the bank can restructure the loan or allow the student to resume repayment once they resume their studies.
- **Employer Agreement:** There is a risk that employers may not always allow students to take the time off needed for academic commitments. However, this risk is reduced by requiring a letter from the employer confirming the student's rights to attend university-related activities (exams, coursework, etc.).

Requirements for Application:

- **Work Contract:** Proof of full-time employment.
 - **SIMAH Clearance:** Demonstration of good credit history.
 - **University Acceptance Letter:** Proof of acceptance to a local university in the same district as the student's workplace.
 - **Employer Confirmation:** A letter from the employer stating that the student is allowed time off for academic requirements (e.g., exams, coursework).
 - **Proof of Address:** To verify the student's residence.
 - **Declaration Form:** A form signed by the student agreeing to the terms of the loan.
 - **Ministry of Education Scholarship Acceptance:** Proof of the student's eligibility for the Ministry of Education's scholarship.
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Conclusion: This innovative loan product aims to bridge the gap between education and employment, offering a viable pathway for students to pursue their master's degrees without risking their careers. With the backing of the Ministry of Education and SNB's reasonable loan terms, we can increase the number of postgraduate degree holders in the country, foster a more competitive workforce, and stimulate national economic growth.