



*A Policy Proposal to Strengthen Malaysia's Talent Retention and Equity in
Higher Education*

Extending PTPTN Loan Repayment Waivers to IPTS Students

With Enforceable Service Bonds to Retain Talent

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Executive Summary

In announcing the 2026 Budget, the government declared that PTPTN loan waivers for first-class graduates from private higher education institutions (IPTS) will be discontinued from 2026 onwards. The decision has shocked the public and left many hardworking, high-achieving IPTS students deeply disappointed.

The study estimated the annual cost of granting full waivers to IPTS' first-class graduates is between RM82 and RM97.5 million – a small fraction (0.6%) of RM15.5 billion saved from the targeted subsidy measures announced in the same budget.

This paper argues that reinstating the now-scrapped PTPTN first-class loan-repayment waiver for qualified IPTS graduates would (i) help retain local talent, (ii) address inequities arising from constrained and opaque public-university admissions that disadvantage STPM graduates, and (iii) deliver strong value for money by enabling the government to retain high performers and fill persistent talent gaps long raised by industry.

Malaysia's human-capital strategy must view students from private (IPTS) and public (IPTA) institutions as one unified national talent pipeline—an anchor not only of talent development but of long-term security and competitiveness. This paper proposes coupling PTPTN waivers with pragmatic, enforceable service-bond mechanisms, drawing on successful international models. Such an integrated approach maximises returns on public investment while strengthening graduate employability and national resilience.

Core propositions

1. **Good Deal:** The previously allocated PTPTN waiver costs only about RM82–97.5 million a year, yet has the potential to retain nearly 3,000 high-performing graduates annually.
2. **Good Talent Policy:** A waiver for high-performing IPTS graduates strengthens Malaysia's skill base and mitigates brain drain. Research and policy commentary highlight the continuing outflow of skilled Malaysians and the pull factors abroad (pay, career ladders, lifestyle).
3. **Admissions Equity:** Recent public discussion and parliamentary data indicate falling admission numbers for STPM holders into flagship programmes, pushing capable students into IPTS by necessity rather than choice.

1) Retaining the Loan-To-Scholarship Scheme Only Costs 0.6% of the Saved Subsidy

Kategori	Institusi Tinggi Awam (IPTA)	Pengajian Institusi Tinggi Swasta (IPTS)	Pengajian Jumlah Pelajar	Jumlah Pelepasan (RM)
Bumiputera	52,977	7,672	60,649	1.03 bilion
Bukan Bumiputera	37,952	38,301	76,253	2.00 bilion
Jumlah Keseluruhan	90,929	45,973	136,902	3.03 bilion

(Parliamentary Answer to YB Lee Chean Chung, MP Petaling Jaya, Special Chamber, 6 Nov 2025)

PTPTN waiver for first-class IPTS graduates costs only RM82 –RM97.5 Million annually. A back-of-the-envelope calculation, based on the data obtained above and the supplementary question raised, shows that maintaining this policy would require only **RM82 million (low-case) to RM97.5 million (high-case) per year**. This is a modest amount — merely **0.6%** of the RM15.5 billion the government’s savings from targeted subsidy reforms across diesel, RON95 petrol, electricity, and the floated prices of poultry and eggs. In essence, the cost of supporting high-performing local talents is small, while the returns — in human capital, equity, and national competitiveness — are significant.

2) Why is this a Talent Policy

Retaining high-ability graduates within Malaysia is essential, and a performance-based PTPTN waiver helps achieve this by aligning incentives: the state rewards excellence, and graduates are encouraged to begin their careers at home. This directly responds to persistent brain-drain dynamics and the push-pull factors highlighted by the World Bank. Importantly, extending the waiver to IPTS graduates creates parity across education pathways. High performers from IPTS contribute just as much to national productivity as their IPTA counterparts; the waiver recognises outcomes, not institutional labels.

A performance-based waiver also signals fairness. By reducing perceived bias and reinforcing trust in the tertiary-to-workforce pipeline, it strengthens confidence among ambitious young Malaysians contemplating their futures.

Finally, the proposal aligns with policy continuity. PTPTN's first-class exemption already exists and is under review for better targeting, and extending it coherently to IPTS graduates simply advances the current policy direction without creating a new or untested scheme.

3) Admissions constraints have diverted STPM talent into IPTS

Documented declines in STPM admissions into high-demand programmes such as Medicine and Law between 2023 and 2024 reveal a tightening pathway for even top scorers. Extremely low acceptance rates in competitive courses—such as 3.7% for UM Accounting and 2.4% for UPM—further highlight systemic scarcity rather than a lack of capable applicants.

Ongoing debates about subsidised seats and fee-paying dynamics reinforce the worry that qualified local students are being squeezed out of public university opportunities and pushed toward IPTS instead.

Excluding them from an equivalent PTPTN waiver entrenches an inequity created upstream by structural bottlenecks, not by any merit deficit—effectively penalising students for circumstances beyond their control.

4) Fiscal reality: PTPTN waivers for IPTS are just a partial relief

PTPTN's own loan structure—as reflected in institutional handbooks—typically provides tiered loan amounts at 50% or 75% of the maximum schedule, meaning students often cover the remaining fees out of pocket. As a result, when a waiver is granted for first-class graduates, the state is not absorbing the full tuition cost but only its portion of the loan.

Moreover, the existing first-class exemption criteria are already highly specific—requiring full-time enrolment, on-time completion, programme accreditation, no overlapping sponsorship, and adherence to the application window—allowing the government to maintain tight targeting and clear fiscal control.

Recommendations

A) Extend PTPTN First-Class Waiver to Accredited IPTS — With Guardrails

Eligibility should remain outcome-based: Malaysian graduates from MQA-accredited IPTS bachelor's programmes who complete full-time studies on time, achieve first-class honours (or an institution-equivalent CGPA threshold), and hold no overlapping sponsorship should qualify—mirroring existing PTPTN rules.

For fiscal targeting, the policy can be phased in by prioritising fields with key national workforce gaps, including healthcare, education, green technology and energy, semiconductors, software and AI, and cybersecurity.

To ensure accountability and public confidence, PTPTN can publish an annual “Waiver Outcomes Report” detailing the number of beneficiaries, their disciplines, and employment rates at 12 and 24 months after graduation, allowing the government to assess value for money and improve the policy over time.

B) Make Waivers Contingent on a Service-Bond Option (with flexible pathways)

A balanced bond structure can be introduced as a baseline: two years of service for domestic study or three years if the programme includes significant overseas components, such as twinning or a final year abroad—shorter than Singapore's PSC bonds but proportionate to the partial nature of PTPTN financing.

Service obligations can be fulfilled across the public sector, including ministries, agencies, hospitals, and schools; within GLCs and strategic industries designated by MOF, MITI, MOSTI, MOE, or MOH; or in registered SMEs and startups in priority clusters with wage floors, supported by a vetted employer registry.

Flexibility should be built in through part-time equivalence options, allowing graduates to meet obligations over 24 months full-time or 36 months part-time, accommodating caregiving responsibilities or postgraduate study. Compliance mechanisms should remain administrative rather than punitive, anchored in a Single Bond Registry linking PTPTN, MOHE, and MOHR data with MyFutureJobs for seamless placement and tracking, supported by employer e-verification.

Graduated liquidated damages would apply if a graduate exits early, calculated as a pro-rated waived amount plus ujah or interest equivalent—mirroring Singapore’s clarity while staying proportionate to Malaysia’s lower financing quantum. Soft enforcement levers could include temporary ineligibility for new grants or tax-incentivised study schemes and flags for public-sector or GLC opportunities until obligations are regularised, without barring private-sector employment.

Hardship waivers or time-bound deferments should be available for ill health, caregiving, national service, or macroeconomic shocks. A statutory review panel, with published yearly statistics on appeals, would ensure transparency and accountability.

Finally, placement and retention supports—such as automatic job matching through MyFutureJobs and TalentCorp, interview guarantees, relocation grants for underserved regions, short “bond-ready” bootcamps, mentorship, manager training, and performance-linked incentives (housing rebates, micro-credentials, exam vouchers)—will help ensure the bond system uplifts graduates rather than burdens them.

C) Strengthen Admissions Equity alongside the waiver – Reform University Entry System

UPU transparency reforms should include publishing programme-level admission rates by pathway—STPM, Asasi, Matriculation, and Diploma—alongside cut-off scores and appeals outcomes by field, under a legislated, standardised annual data-release calendar.

To improve fairness and comparability, Malaysia should also streamline the standards between STPM and Matriculation, gradually working toward a unified national examination system that evaluates all students on the same benchmark.

Within this framework, modest handicap points for applicants from poorer districts can help level structural disadvantages, ensuring that opportunity is shaped by ability and effort rather than postcode inequalities.

D) Fiscal Impact & Value-for-Money

As noted, annual fiscal exposure remains modest at around RM82–RM97 million, yet the policy has the potential to retain 2,500 to 3,000 top-performing IPTS graduates each year—a significant

talent intervention that helps prevent high-achievers from seeking opportunities abroad. The performance-based design, limited to first-class achievers in accredited programmes, further caps expenditure while ensuring strong productivity returns.

To put things into perspective, RM100 million a year amounts to only about one sen out of the six-sen increase in the RON95 subsidy. In other words, a tiny adjustment to RON95—moving it from RM1.99 to RM2.00—would be enough to sustain the programme.

Another useful comparison: the government has allocated RM700 million for the Visit Malaysia Year 2026 campaign. With sensible rationalisation, it should be possible to channel just RM100 million toward supporting our brightest young talents—an investment that benefits all Malaysians.

Moreover, PTPTN typically covers only 50% to 75% of scheduled fees, and IPTS tuition often exceeds PTPTN ceilings, meaning the waiver removes only part of the financial burden borne by families. Graduates who do not fulfil their service obligations would reimburse the waived amount on a pro-rated basis through liquidated damages, reducing net fiscal cost. International experience, including Singapore's, shows that clarity in LD terms substantially improves compliance and enhances policy effectiveness.

Beyond immediate fiscal considerations, the macroeconomic return is substantial: retaining high-skill graduates strengthens national capacity in priority sectors such as engineering and sciences, healthcare, education, digital technologies, and green industries—areas central to Malaysia's long-term growth strategy.

Conclusion

Extending PTPTN's first-class waiver to IPTS graduates—**with** a fair, flexible, and enforceable service-bond option—aligns Malaysia's higher-education finance with its national talent strategy. It addresses structural admissions inequities affecting STPM students, retains capable graduates in critical sectors, and preserves fiscal prudence because PTPTN typically covers only a portion of IPTS tuition. With transparent data, careful targeting, and professional enforcement mechanics adapted to the local context, Malaysia can turn a "student-finance tweak" into a durable human-capital win.

Key Sources

- PTPTN: Waiver criteria & repayment pages (first-class, conditions).
- Institutional guidance on PTPTN amounts/tiers (illustrative 50%/75% schedules; student top-ups).
- UPU/STPM admissions and selectivity debate (stats, acceptance rates, policy critique).
- Brain drain context and drivers (World Bank commentary; national analyses).
- Singapore bond practice (PSC bond durations; LD enforcement by agencies).