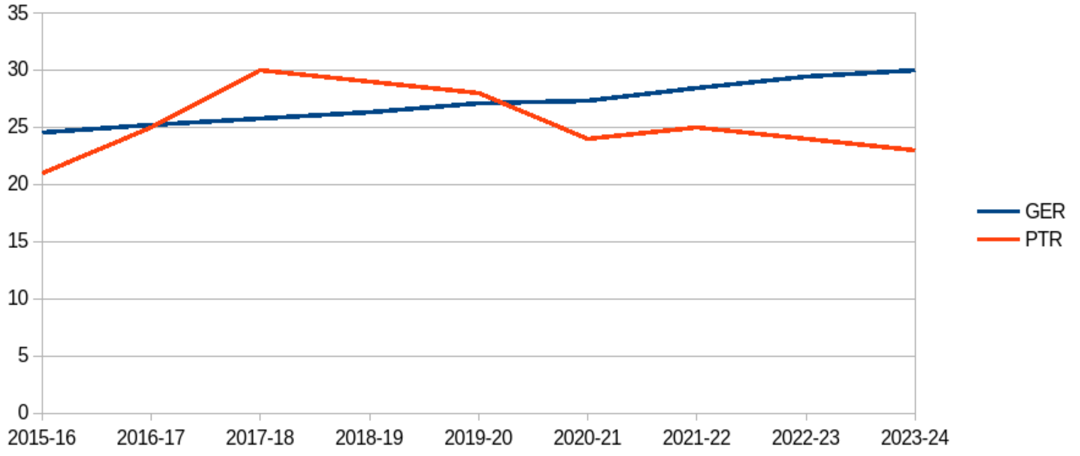
Why High-stakes Exam Paper Leaks: Signaling Crisis and Credential Inflation in India's Higher Education

When a stolen question paper for a national entrance examination sells for ₹30–50 lakh on the black market, as documented in CBI charge sheets on the Patna-Hazaribagh 2024 NEET leak[1], the issue goes beyond corruption or public morality. The market is pricing a scarce asset. In India, a government medical degree is a lifetime asset at subsidised tuition costs, whereas a comparable private medical seat can cost up to ₹1.5 crore. Faced with such a large price gap, purchasing a leaked paper is not merely illicit. It is a high-yield risk transaction. Exceptionally high return-on-investment on securing a professional degree and govt jobs from the public sector incentivize this transaction. While the opportunities to achieve comparable career outcomes beyond a handful of good colleges and public-services is very limited.

By treating what is fundamentally an economic pricing and incentive issue as a policing problem, the state has repeatedly failed to secure integrity of high-stakes examinations. It has focused on technical committees, biometric authentication, encrypted transmissions, and police surveillance. However, the pressure on these safeguards does not originate from examination procedures and standards only. It accumulates through policy choices that degrade learning outcomes, alternate professional pathways and signaling value of higher education degrees.

On paper, India's Gross Enrolment Ratio in higher education has reached a historically high 30% (AISHE 2023-24)[2]; Even so, this expansion is strictly bounded by secondary school retention. Only 51.9% of students who enter the system make it to Class 12, compared to a 69.8% retention rate at the Class 10 (UDISE 2025-26)[3]. The National Education Policy's ambitious target of a 50% GER in higher education by 2035[4] is impossible without first preventing dropouts in secondary school, regardless of how many new universities open. More importantly, enrollment growth has not been matched by comparable institutional capacity improvements.

Figure 1: Higher education Gross Enrollment Ratio (GER) and Pupil Teacher Ratio (PTR) :



Source: All India Survey on Higher Education (AISHE) reports of various years

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[1] https://www.thehindu.com/news/national/cbi-files-third-chargesheet-in-the-neet-ug-2024-paper-leak-case-against-21-accused/article68722860.ece

[2] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2282525&reg=48&lang=1

[3] https://dashboard.udiseplus.gov.in/report2026/static/media/UDISE+2025_26_Booklet_existing.edd7cd16d934a10377ba.pdf

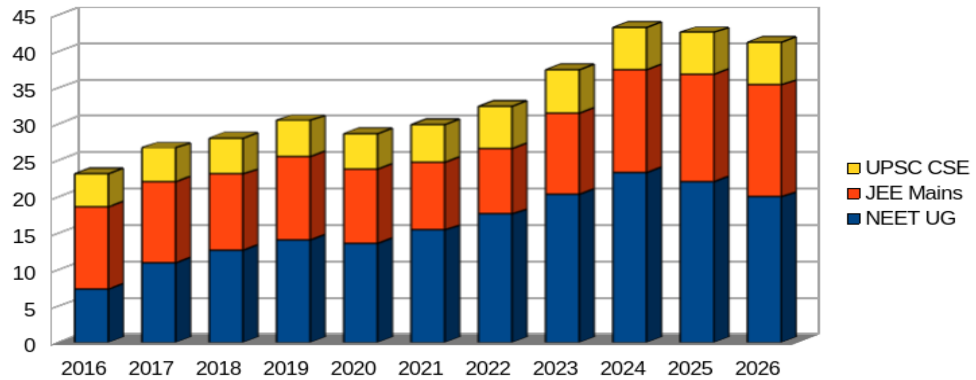
[4] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2219936&reg=1&lang=1

Sanctioned faculty posts show vacancy rates of 25.4% in central universities[5] and even higher in state universities, driven by recruitment delays and faulty implementation of reservation-roster litigation. Increasingly, higher education functions more as a credential inflation rather than human capital formation.

This is further worsened by neglect of adjacent non-professional educational pathways. State university syllabi for these programs have not been substantively revised as per contemporary labor-market demand for a decade or more. Vocational training remains weakly integrated with formal degree programs and lacks the industry partnerships needed to generate credible employment outcomes. When students rationally evaluate that a non-professional degree from a local college leads to negligible professional opportunities, they utilize considerable household resources on the few courses that continue to offer a reliable labour-market return. To absorb this demand, private institutions expanded rapidly across tier-two cities. Many of them charge high fees without providing a learning environment, placement support and labour-market value of their credentials. As public funding has not kept pace with rising demographic demand it compels many students toward self-financing programmes and education loans which disproportionately affects low income households.

According to Periodic Labour Force Survey 2025[6] report, graduate unemployment is 11.2%, more than three times the national average of 3.1%. Fewer than half of the graduates are rated employable by various industry assessments. Under standard signaling models when the primary credential loses its informational value, both the labor market and the state place greater weight on alternative screening mechanisms. In India, that has increasingly shifted to centralized examinations such as NEET, JEE, and public-service recruitment tests. Weak industry-ready skills and poor learning deteriorate signaling value of formal credentials, because a standard bachelor's degree no longer reliably signals competence or productivity to employers.

Figure 2: Number of candidates appeared in National Examinations (Rs. in Lakh):



Source: Author's Compilation based on UPSC and NTA reports of various years

This concentrates the life-cycle wage premium onto a single high-stakes testing event, generating scarcity rents that incentivize paper leaks. Economic theory predicts that bureaucratic allocation of scarce, high-return opportunities attract a shadow market scaled to the value of the rent at stake. In India, the rents associated with passing such exams are exceptionally high. This has capitalized a private coaching industry. GST collections of ₹5,517.45 crore[7] imply a formal coaching market of approximately ₹30,652.5 crore, while industry estimates suggest that including unregistered tutoring makes the sector's total value to ₹58,000-60,000 crore.

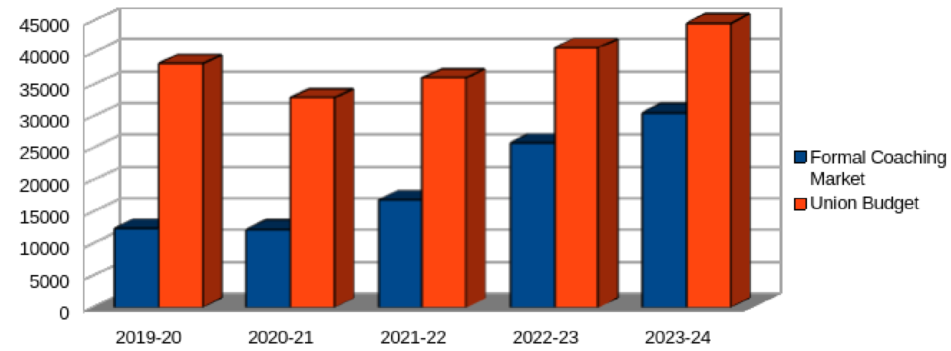
[5]https://sansad.in/getFile/annex/270/AU3719_t9oUDc.pdf?source=pqars

[6]https://www.mospi.gov.in/uploads/publications_reports/publications_reports1780040415321_0624fb13-fb47-40bc-b470-7c7e9635c3ef_PLFS_2025_F_REV_29052026.pdf

[7] https://sansad.in/getFile/annex/265/AU217_Qkp30G.pdf?source=pqars

This is now comparable to the Union government's entire Department of Higher Education budget. At the same time, the geographic concentration of coaching hubs has created dense networks of private intermediaries operating alongside the examination administration. These networks provide both the financial capital and physical access required for organized attempts to compromise the integrity of exams.

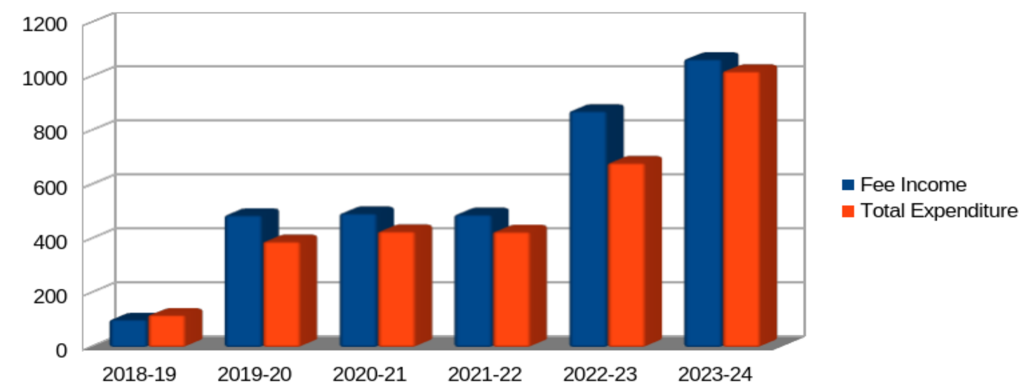
Figure 3: Formal Coaching Market Value and Budget Allocation for Higher Education during 2019-20 to 2023-24 (Rs. in Crore)



Source: Rajya Sabha and Union Budget documents of various years

Against this large private market, the state's examination system is administered by a limited institutional apparatus and under-capacitated regulatory body. The National Testing Agency (NTA), established in 2017, was designed to operate on a fee-financed, self-sustaining model rather than a secure, treasury-financed budget. Between 2018-19 and 2023-24, the agency collected approximately ₹3,513 crore in application fees while spending ₹3,065 crore in total, generating an accumulated surplus of roughly ₹448 crore[8].

Figure 4: Fee Income and Total Expenditure of NTA (Rs. in Crore)



Source: Rajya Sabha

This financing model creates incentives that are not always aligned with institutional capacity. As its operating revenue depends primarily on candidate registration fees, the agency has an incentive to expand the number of examinations under its jurisdiction rather than investing its scarce administrative resources into hardening the security of its existing exams. For instance, the takeover of the massive Common University Entrance Test into its mandate in 2022-23. This shows a textbook case of isomorphic mimicry and premature load bearing. The state constructs an agency that looks like a modern, high-volume testing service on paper, but lacks the secure financial foundations and institutional capacity required to withstand the severe rent-seeking pressures arrayed against it.

[8] https://sansad.in/getFile/annex/265/AU991_Sm6d5j.pdf?source=pqars

Part of this institutional weakness at state level lies in India's fiscal federal system. There is a mismatch between who sets the rules and who bears the costs. While education is under the Concurrent List of the Constitution, state governments carry approximately three-quarters of the combined public education expenditure, whereas the Union sets policy objectives and accountability. As states responsible for implementation, this creates a principle-agent problem which incentivizes focus on easily auditable, highly visible inputs such as classroom construction, infrastructure and pupil-teacher ratios as opposed to learning outcomes. These mismatch problems have become more visible during the transition to the SNA-SPARSH treasury platform. The transition remains incomplete, with only 50 of 81 notified Centrally Sponsored Schemes successfully onboarded nationwide[9]. As a result, utilisation under Samagra Shiksha is only 54.9% of its allocated ₹41,250 crore budget estimate for FY26.[10] This reflects delays in fund releases and unresolved fiscal coordination between the Union and state governments. This federal asymmetry also governs the regulation of public examinations. The Public Examinations (Prevention of Unfair Means) Act of 2024 and its recent 2026 amendment covers only central examining bodies and does not include state-level boards and state Public Service Commissions. That said, the state-level examinations such as UPPSC RO/ARO recruitment, JPSC and BPSC are where the most paper leaks and severe integrity breaches occur.

Twenty million competitive exam attempts in India annually is not a reflection of a generation's misdirected ambition. It is the rational response of households navigating a labor market in which the conventional degrees have become less informative, vocational pathways offer uncertain job outcomes, and centralized examinations remain the most credible route to high-return educational and employment opportunities. The examination-integrity crisis is therefore best understood as deeper distortions that have accumulated across the education system and labour market over two decades. Policy response has largely focused on securing the examination process itself, but has devoted far less attention to reducing the underlying incentives for examination fraud.

Addressing these issues requires reforms that go beyond strengthening examination security. Four priorities stand out. First, policy should intent to reduce the scarcity rents associated with a single examination outcome. Industry collaborations, integrating vocational training with formal degree and micro-credentials as per contemporary labor-market demand would help incrementally encourage alternate educational pathways. Supply-side reform under credible quality oversight, must run in parallel to reduce barriers establishing accredited medical institutes to match up massive demand and shortage. One approach would be to replace purely rank-based allocation with a multi-stage selection process. Candidates would first satisfy a common academic threshold, after which institutions could incorporate additional criteria, such as interviews, subject-specific performance, or co-curricular achievement. Reducing the value of marginal rank differences would also reduce incentives for excessive coaching expenditure and illicit attempts to gain ranking advantage. Second, the NTA financing model should be reconsidered. Providing the agency with a stable treasury-financed operating budget would better align financial incentives with examination security and long-term institutional capacity. A part of this treasury should be dedicated to creating such testing infrastructure which enables conducting year-round computerized exams where candidates select their own testing slots. This reduces the vulnerability of the entire system to a local physical breach on a single day. Third, federal coordination and state implementation capacity require greater attention. Central funding transfers could be streamlined, and a legal framework at state-level such as Public Examinations (Prevention of Unfair Means) Act would reduce regulatory fragmentation across examining authorities.

[9] https://www.indiabudget.gov.in/doc/eb/vol1.pdf

[10] https://sansad.in/getFile/rsnew/Committee_site/Committee_File/Press_ReleaseFile/16/214/901P_2026_3_12.pdf?source=rajyasabha

Without reforms of this kind, improvements in physical examination security alone are unlikely to provide a permanent solution. As long as educational credentials remain weak signals of labour-market productivity and associated economic rents, incentives for examination fraud will continue to persist. At the same time, greater investment in administrative capacity would avoid other security breach attempts motivated by obscure illicit behavior. Reliance on private testing agencies on contracts, external consultants and Project Management Units may provide short-term operational support, but sustained improvements in examination governance ultimately depend on institutional expertise.