What India’s leaky exam system can learn from Soviet shoe factories

Unless we treat the exams as the complex economic product they are, with knowledge dispersed among specialised professionals and each player acting in their own self-interest, and restructure the financial incentives at play, we will keep having protests and Cabinet reshuffles and Committee appointments

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RITVIK CHATURVEDI



Students write the entrance test for the 2025–26 academic year at Alva’s Kannada Medium School in March 2025. | Photo Credit: SPECIAL ARRANGEMENT

While the protests in New Delhi, the Centre relenting, and the petitions at the Supreme Court bent the arc of justice towards the lakhs of students who had suffered from leaked examination papers, neither the Cockroach Janta Party-led opposition nor the ruling dispensation have offered any concrete steps to prevent future leaks, beyond administrative reshuffles and legislative amendments. Neither seems wiser than the other.

The operations of the National Testing Agency (NTA) bear an uncanny resemblance to those of state-owned shoe factories in Soviet Russia. Since these factories were not driven by consumer demand, factories could meet the required production quotas they got from above by producing N number of pairs within a narrow range of sizes, regardless of whether they lay unsold on the shelves. Sure, shoe prices had been kept frozen for decades, calculated as a percentage of the lowest government wage, but the shoes did not fit your feet. Workers and lower management had no incentives to be resource-efficient, and pilferage of leather, glue, and rubber was rampant.

Even the higher management, up to the ministries, had no way of knowing raw materials were not being converted into desirableshoes enough to make a profit. Even if they cared to know, they did not know how much leather was being siphoned wherein the supply chain. And even if they did know that adequate numbers of the required sizes were not being produced, they would not know what those correct sizes and quantities required.

Committees after committees were constituted to look into these shortages, not only in shoes, but in furniture, bread, clothes, steel etc.. Despite the very best of intent, they went around the same loops, all because the price signal had been distorted. In the production lines of Adidas and Puma, where the only metric of success was meeting consumer demand, this was almost unheard of.

It is not that the employees at Adidas were morally upright or more honest than their counterparts in government shoe factories, or that Nike had a way of screening corruptible people. Both categories of employees had similar levels integrity, they were just responding to financial incentives from different directions.

Just like leather leaks were a mere symptom, India's examination framework is a whole iceberg that remains hidden underneath until a paper leak rears its head.

The bidding process

I still remember taking the UGC-National Eligibility Test (NET), the Graduate Aptitude Test in Engineering and other exams half a decade back. Though I was lucky no leaks took place that year, my experience was quite unpleasant. The exam centres were like dingy underground air-raid shelters and did not have fire exits. Electrical wires dangled overhead, toilets were nauseating and the computers and accessories were creakily archaic.

The students' demand was geographically distorted, too. There were far fewer exam centres for the number of students and students were allotted centres far from home. In what was a pan-India norm: my centres were nearly 30 km away, and many students and their families had undertaken overnight journeys to be there, already disadvantaging them considerably.

Like prices of any government produce, NTA set the exam fees at a 'reasonable' rate calculated by considering median wages and the like, but students inevitably incurred additional hidden costs in travelling and accommodation. Such geographical distortions are seen in other sectors where prices are arbitrarily determined and are not reflective of demand and supply: the Indian Railways runs five trains where it needs to run only two, and runs only one where it needs ten.

One could well argue that the contract to conduct the exam was held by Tata Consultancy Services, a private firm, which had sub-contracted these exam centres. But in any such government-private contracts, the private player has a practical monopoly and can pass on the costs to the government and, indirectly, the taxpayers for its decisions.

The same problem persists while conducting exams: where do you set-up your examination centres, and how do you prevent data breaches? Does it mean the government should change its rules and give the contract to the highest bidder?

Quite the contrary: move the bidding process from the government to the students. Like the GRE and the IELTS, let multiple IT companies with the physical infrastructure necessary for conducting exams apply for broadcasting rights, while setting up multiple exam centres throughout a city, competing on prices. Let

students opt for whichever service provider they prefer, based on the quality of computers, desks, toilets, proximity to the exam venue, etc.

Why not decentralise further: let students take online proctored tests from the comfort of their own homes if they prefer? Many international tests pivoted to at-home tests during the COVID-19 pandemic, while Indian test agencies had failed to do so due to a lack of incentives.

The government pays

The same price (dis)incentives also extend to exam paper leaks. When multiple players, each in-charge of their own little segment in the supply chain, compete, they are in essence purchasing the custody of individual questions. Each question or question-set is analogous to a unit of leather that must reach the end user undamaged and unopened.

Even in the 1970s to the 1990s, when the GRE, GMAT, and USMLE were not computer-based tests but bi-annual fixed-form paper-based exams, the security of the supply chain was handed over to commercial companies whose businesses depended on it, e.g. like cyber security firms hired by credit card companies, by ensuring their security protocols were bulletproof, and that no human would get to see the papers until the last mile.

When questions were leaked at all, such as in the Chinese 'cram centres' in 2000s, forcing exams to be re-conducted for free for students, they appropriated the costs from the culpable firm, whose licence was revoked, and which in turn recovered the costs from the indicted employees. This is deterrent enough at lower levels: the fear of losing one's job for another's folly prompts alertness. The leaks had directly damaged revenue streams of all players involved, not only the exam's conductor. Even the students who had benefitted were banned for life.

Questions were set by university professors, rather than an employee of a government agency, who then had a direct opportunity cost should they be indicted in any pilferage. Besides, if a professor had supplied 30 mathematics questions for GMAT, she would have no clue which ones would appear and when.

Contrast that with the NTA's supply chains: operated with low-level clerical staff and school teachers on the government payroll, with very little stake or financial benefit. People responsible for leaking questions at any level in the hierarchy know that the rewards — families willing to pay anything for a medical seat — far outweigh the probability of being caught, which happens only when there is a statistical anomaly: a sizeable number of students get perfect or near-perfect scores, as in 2026.

The local exam centre, most typically a government school, will not lose its franchise, and even if it does, it is not its only revenue stream. So, it does not bother keeping rogue insiders in check. Like a Soviet shoe factory, the costs of conducting the exam again are simply passed on to the government. The market brutally punishes those who don't deliver, while the government finds it arduous to dispense with its own department or agency (cf. the disinvestment of PSUs). Price mechanisms are excellent at placing accountability, while legal action fails.

The dispersed nature of GRE, GMAT, and USMLE was a major disincentive: questions were pulled at random from a large bank and the likelihood of two question papers being the same was extremely low. The more the demand for foolproof tests from test takers, the more the bidders, and the more the investment into compiling ever-large question banks, which significantly reduce the probability of data breaches. So, someone taking the exam in Beijing versus her counterpart in Nairobi at the same timewould have verydifferent questions. Thus, no insider has access to 'the' question paper. At best, she has access to a few questions whose probability of

appearing on the exam on a certain day is anyone's guess. The end result is that any leak, if it ever happened, had a highly localised fallout, without leading an entire nation to pay for the mistakes of one.

Cosmetic impact

The Prime Minister recommended a transition to the computer-based test format, and public policy expert Girish Srivastava, in *The Hindu BusinessLine* (August 3), recommended a "GRE style exam". An August 20 letter to the editor of *The Hindu* articulated a "lack of will for perfection" and need for "policy change". The Radhakrishnan committee in 2024 also recommended computer adaptive tests that do not take place on the same day, a recommendation the Centre promptly rejected.

All these intentions are well-intentioned, but unless we treat the exams as the complex economic product they are, with knowledge dispersed among specialised professionals, with each player acting in their own self-interest, and restructure financial incentives at play, we will keep having protests and Cabinet reshuffles and Committee appointments *ad infinitum*. Without restructuring the financial incentives, the committees and their recommendations will be merely cosmetic in aims and scope..

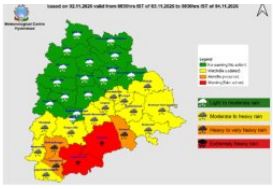
Ritvik Chaturvedi is Senior Research Fellow, Centre for Earth Sciences, Indian Institute of Science (IISc), Bengaluru. mail@ritvikc.com.

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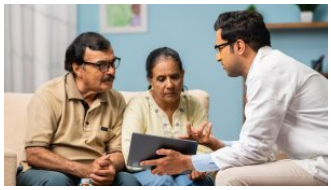
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