

# **INVESTIGATIVE RESEARCH REPORT**

**Business of Education  
generates Rs. 48,400 crores of  
black money every year in India**  
(Everyone knows it but no one wants to talk)

(Rs. 48,400 crores = USD 8+ billion at current rates)

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**Disclaimer** – This analysis is based on the data collected at various urban centers for some schools and colleges at each center. The data was also further validated. Further data and details are available in public domain on Internet. We have relied on this data. If there is some discrepancy in data, then some conclusions may need revision. We acknowledge that all schools do not charge upfront money. There are many schools and colleges, which do not subscribe to this donation and capitation fee phenomena.

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## **Summary**

**Indian education system generates at least Rs. 48,400 crores of black money every year from KG to PG admissions. This black money fuels corruption and inflation. It may also find its way into overseas tax heavens, election, terrorism and religious conversion. This report provides detail calculations on – how this money is generated and used alongwith our recommendations.**

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## **Background**

**Black Money has been a big concern in India. We believed that education generates quite a big amount of black money in India. But, we were not sure of quantum of it. We initiated this research ([1](#)) to estimate the quantum of black money generated through business of education. This research has been eye-opener for us with mindboggling facts. Based on the data collected and analysis, we present our findings.**

## **Education has become big business in India**

**There was a time, not long ago, when education was a noble profession. Creating a school or college was a pious act or “Punya”. There was neither capitation fee nor donations nor back-breaking fees. A pupil taking private tuitions was considered as a failure of teacher.**

**But, in last 20 years, education has become a big business. There is no pious deed or nobility attached to it. Education is offered on give and take basis. We will give you education against monetary consideration. We are responsible for somehow complete the course as per syllabus. Whether, you understand or not is your problem. Our obligation is only giving you education. Our responsibility does not include – (a) How much education adds to your knowledge-base or (b) makes you literate or (c) gives you ability to perform certain profession or (d) makes you good citizen or (e) make you an informed decision maker, etc.**

**Apart from this paradigm change in delivery system, another paradigm change is in commercial side of education. Gone are the days of free or almost free**

**education. Based on the employability of product (students) educational institute can be classified into many categories. We define these categories as**

### **College level**

**Category -1** : Colleges where employability is 100% or more. Where higher salary paying companies compete for campus recruitment. These include likes of IITs / IIMs / ISB / Medical colleges and some other top level professional/science/arts colleges. In these, companies offer high salaries and challenging work-environment and compete for Day-Zero placements.

**Category -2** : Colleges where employability is less than 100% but over 50%. Here less favoured companies / organisations come for campus recruitment.

**Category -3** : Colleges where employability is less than 50% to nil. Here either no or very few companies come for campus recruitment. They produce graduates with limited employability.

### **School level**

Similarly, at lower level (KG to 12<sup>th</sup>), schools be defined as category 1 to category – 3. Here the gradation can be -

**Category -1** : Schools facilitating easy entry to Category – 1 colleges; or convent schools; or perceived as good English learning schools. It is perceived that after this category school, the child will speak fluent English and will have high probability of getting admission in category – 1 college. Thus, having a high probability of a job at managerial or administrator level at a later date.

**Category -2** : Schools have low rate of entry to Category – 1 colleges. After category – 2 school, children may go to category – 2 colleges and may get a middle level job at clerical level or call center.

**Category -3** : Barring few exceptions, most of the schools, where medium of teaching is in vernacular language fall in this category. Most of the children end up taking a lower level job after the school or go to category – 3 or max category – 2 colleges. A majority (not all) of the government and municipal schools fall in this category.

## **Problem (Why this happens)**

The race for professional education and higher end jobs start from KG. There is always a scramble for admission at category – 1 and upto some extent category – 2 schools and colleges.

There is high demand for category – 1 schools and colleges with limited supply of seats. This has created an unregulated and underground market for admission. Schools and colleges demand upfront money (called donations or capitation fee) for admission to limited seats. Even, those admission processes, which are controlled by government using common admission tests, there are loopholes and ways & means to this upfront money. Most of this upfront money is black money.

## **Upfront fee rates of admission at various stages**

Following is standard norm of upfront payment also called donation or capitation fee, at various stages of education for category – 1 and in some cases category – 2 colleges and schools –

1. Play Group / Pre-KG – Rs. 36000-60000 per year
2. Junior KG – Donation in range of Rs. 30000-5 Lakhs with fee in the range of 2000-10000 per month.
3. 11<sup>th</sup> - Donation in range of Rs. 2-5 Lakhs. Fee excluded
4. Under graduation admission (Fee excluded) –
  - a. Medical (MBBS) – Rs. 30-60 Lakhs as donation
  - b. Medical (BAMS and others) – Rs. 3-8 Lakhs as donation
  - c. Engineering – Rs. 2-6 Lakhs as donation
  - d. Management (BMS) – Rs. 2-10 Lakhs as donation
5. PG Admission (Fee excluded) –
  - a. Medical - Rs. 1-4 crores as donation
  - b. Management – Rs. 10-20 Lakhs as donation

Further, there exist more areas like Nursing, Hotel Management, etc. where these unaccounted donations or capitation fee are norm. We have not done any research of these areas in the scope of this study.

## **Cost to Society**

Based on data collected, following are the calculations of the total cost of the above donations to the society.

### **1. At Kids admission stage**

The phenomenon of donation at kid's admission stage is prevalent in cities (Metro / Urban areas). Parents, who can afford or manage somehow, wants to get their children to get admission to category - 1 schools. The shortage of this type of education compared to demand creates a skewed equation in favour of the institutes.

Indian population is about 125 crores (1.25 billion). Birth rate is 20.24 (after providing infant mortality rate of 50/1000 births) per 1000 in 2013. This means addition of 2.5 crores of children per year.

About 30% population in India lives in Metro / Urban areas. This means 75 lakhs babies are added per year in metro / urban centers. An estimated 80% population of metro / urban centers is less-than middle class and BPL families. Their children go to category - 3 (municipal or government or added school), where this menace of donation does not exist. This donation / capitation fee is prevalent in metro and urban areas with financially middle class and above families, which is about 20% of population.

This 20% urban kid's population means 15 lakhs babies / year. These parents have middle-class or above income.

The going donation rate in Mumbai is Rs. 30000 to Rs. 5 Lakhs. In Delhi NCR and other urban centers also, the rate is same. If we take an estimated median as Rs. 100000, the amount of donation becomes **Rs. 15000 crores / year.** Almost all of this money is unaccounted or black money.

Here, we have not considering play-group or pre-nursery fee. Though donations do not exist but the fee itself is not less. Some part of it is cash too. If an average of Rs. 20000 is paid as fee in cash, for 15 lakhs children, this also becomes **Rs. 3000 crores per year.**

### **2. Admission to 11<sup>th</sup>, after passing 10<sup>th</sup>**

A college of choice costs Rs. 2-5 lakhs. In Mumbai Metro Region (MMR), there are 172000 seats. Most goes as per

merit list. There is some management discretion. An estimated 15% seats are allotted either to less than cut-off marks or where student want specific college and out-of-management/minority quota. In this way about 25000 seats are allotted with payment of capitation fee or unaccounted donation. A going rate is between 2 lakhs and 5 lakhs, depending upon the college. If we take the lower figure of Rs. 2 lakhs, for 25000 students the amount is Rs. 500 crores. This is only in MMR. If the same is mapped to only urban areas, which has 20 times the population of MMR, the amount becomes **Rs. 10000 crores / year.**

### **3. Admission to under graduation courses**

**Medical (only MBBS)** – There are about 50000 seats all over India. About 60% are filled through various entrance exams like CET, etc. 40% seats are filled by management quote (called MQ) and NRI quota. This is done all over India in over 300 medical colleges. At the average rate of Rs. 45 lakhs per seat the unaccounted money, in the form of capitation fee for 20000 students becomes **Rs. 9000 crores / year.**

This is only for MBBS. There are further other courses, where capitation fee at lower amount is prevalent. These are - BDS, MDS, BHMS, BAMS, BPT, MPT, D Pharm, B Pharm, M Pharm, B.Sc, PBC, GNM, M.Sc – Nursing. We have no estimate of number of seats here but the amount varies between 3 lakhs to 8 lakhs per seat.

**Engineering** – There are 14.73 lakh engineering seats in over 3345 engineering colleges in India. AP has 3.40 lakhs, TN has 2.36 lakhs, Maharashtra has 1.46 lakhs and UP has 1.36 lakh seats. About 10% goes unfilled. About 20-25% seats are filled with management and NRI quotas at a rate of Rs. 2 to 6 lakhs depending upon state, location and reputation of college. If we take a conservative average of Rs. 3 lakhs / seat for over 3 lakhs seats the amount of capitation fee becomes – **Rs. 9000 crores / year.**

**Management (undergraduate level, BMS/BBA)** – There are approx 150000 BMS / BBA seats in India. About 20% are allowed for Management Quota and NRI quota. These seats are sold for 2 lakhs to 10 lakhs each. Thus, for 30000 seats at a minimum rate of 2 lakhs / seat, the money generated is **Rs. 600 crores / year.**



#### **4. Admission to professional PG courses**

**Medical (MD /MS)** – Total 11000 seats are available in 300+ medical colleges in India. 50% (5544 for 2014) are reserved for All India Quota (AIPGMEE). 25% for state quota and rest are Management and other Quota. About 2800 seats are sold in the range between Rs. 1 crore and 4 crores. It is an open secret that seats of state quota are also sold by political interests. Let us consider these 2800 seats. Even at a minimum of Rs. 1 crore, the total unaccounted money is **Rs. 2800 crores per year.**

**Management (MBA/PGBDM/etc.)** – There are about 200000 MBA seats offered by over 2000 colleges in India. About 80% of these seats are from not much popular colleges and most of the students are unemployable or seats go vacant. Even though, a fee of Rs. 2-3 lakhs / year is charged. Out of rest 40000 seats, 50% are offered by IIMs and other sarkari or comparable institutes, where there is no donation though fee is high. The balance 20000 seats are sold for Rs. 8-20 lakhs. We have come across a management school in Mumbai, which openly sells seats for 15 lakhs, charges fee but output is employable. The director of one institute was raided three times and every time money was recovered but in few days, the activity resumed again. This generates about **Rs. 2000 crores per year** even at a rate of Rs. 10 lakhs / seat.

The total sum calculated till now, only for capitation fee or donation per year becomes –

Stage	In Rupees
Junior KG	15000 crores
11 <sup>th</sup>	10000 crores
MBBS	9000 crores
BE / BTech	9000 crores
BMS / BBA	600 crores
PG - Medical	2800 crores
PG – Management	2000 crores
Total of above	<b>48400 crores per year</b>

In US dollar terms it is over **USD 8 billion per year.**

These figures look big. But, after revalidating data and assumptions, they may even turn out to be on the conservative side.

This is equal to approx 0.8% of Indian GDP and 73.5% of total budget allocation to HRD ministry for 2013-14. Total budget for HRD ministry for 2013-14 was Rs. 65,867 crores. There are other courses like education, para-medical, hotel management, etc. where capitation fee is charged, which are not considered above.

### **Where this money goes**

Nobody officially knows where this money goes. In fact, officially this money does not even exist. This money is what is usually termed, BLACK MONEY.

Discreet inquires reveal that a big part of this money goes to politicians, bureaucracy, education barons and business houses as a big number of institutes are owned, controlled and managed by politicians and business houses. Further discreet enquiries, under confidence, further reveal that a part of this money may be slashed away abroad; a part may be used for elections; some part is may be used to fund and sustain real estate activities. It is also speculated that some part of this money is used for funding terror and/or conversion.

The data analysis part of the report is over. We present below our effect and recommendation below.

### **Effect on Indian society and economy**

This trend creates distortion in Indian society and detrimental to Indian economy. Following are some, which is not an exhaustive list, of distortions –

#### **Tax evasion -**

1. This money is pure BLACK MONEY. No tax is paid on this.

#### **Loot of common people -**

2. Money mopped from various retail individuals concentrates in few hands.
3. The desperation among the regular middle class people to get the best education for their children means that they are willing to shell out huge chunks from their legitimate savings to get seats in various

**colleges. The parents almost become paupers. Many times they beg, borrow or steal.**

#### **Unethical / illegal usage -**

- 4. The money is either parked in real estate or slashed abroad. If parked in real estate, this supports the artificially hiked real estate prices and creates another loop for inflation and black money generation.**

#### **Support other economies -**

- 5. If slashed abroad, the money goes out of Indian economy to support other economies.**

#### **Student's mentality -**

- 6. The students become crony capitalists, who consider this as investment and want to recover fast with interest. For example, the medical profession has become un-regulated un-accountable mafia (not our words), where many doctors do unethical practices to recover their investment.**
- 7. When the motive is to recover money, why should doctors do practice in rural or slum areas?**

#### **Quality of education suffers -**

- 8. As the student has paid money, the degree becomes entitlement and not something to be earned. Why should s/he work hard, when the degree is assured? This effect the quality. Thus many times, these people are unsuitable for the job or try to get a cushy sarkari-type permanent job. That may be one of the reasons, most of the politicians, who enjoy medical treatment on public money; and money bags go to US / Singapore for treatment and do not trust Indian doctors.**

#### **Cause of Inflation -**

- 9. It is speculated that some of this money is deployed in stock market and commodities exchange market. The commodities exchange has been responsible for commodities inflation especially of food grain. The money is also used for hoarding of commodities**

thus give raise to inflation. All this is possible only with tactical political support.

### **Mis-utilization of national wealth -**

10. This money is about 73.5% of gross budgetary support to Ministry of HRD, Govt of India. If only one year's collection is used for primary education, Ekal vidyalaya (one teacher school, a successful experiment in over 40000 tribal villages by Vanvasi Vikas Kendra and Van Bandhu Parishad) and primary schools with better facilities can be opened in all villages in India.

## **Challenge before Central Government**

1. **HRD Ministry** – How to stop this loot? Make policies and channelize energies to improve education infrastructure, better teaching and quality education in all schools and colleges in India? The categorization of Category – 1 to Category – z must be demolished.
2. **Health Ministry** – How to break this eco-system from capitation fee till doctor's loot mafia and provide better medical facilities to masses.
3. **Finance Ministry** – If nothing can be done by HRD and/or health ministry, at least make this loot official and collect tax on it. At a corporate rate of 33%, the tax will be about Rs. 16,000 crores per year. The use it for educational purposes.
4. **Prime Minister** – This is a big challenge before Mr. Modi. If he can tackle this menace, he can control many distortions in the society and economy.

## **Recommendations**

We often find our academicians, politicians and economists waxing eloquent about India's demographic dividend. With the kind of education culture we have fostered in India, the dividend will soon become a curse. It is high time that the government took a hard look at how primary and higher education is being managed and monetised in India.

**We are no experts in education management but we are neither novice nor have any vested interest. We believe that in India there are more vested interests than real experts in education management. These are our views and unsolicited advice. The concerned minister has right to accept or modify or reject these.**

**The one logical way to control the menace is total computerisation of all admission process at national level from KG level and then automatic computerised seat allotment at further stages based on aptitude and merits. Any upfront demand by schools / colleges must be made cognizable offence by an act of parliament. Fee should be standard with support from government and industry. Alternate models can also be developed. To curb corruption, social and performance audits of each school and college must be compulsory and computerised. Examination should be based on knowledge and not cramming. Teachers must have minimum skill level, defined at national level.**

**Further, we believe that examination should be central subject and not concurrent or state subject. There should be one all India examination board for 10<sup>th</sup> examination with common papers for Mathematics, Physics, Chemistry, Biology, History, Geography, English, Hindi and one compulsory paper for mother tongue or third language for Hindi speaking student. This can be UPSC type examination setup. Today, we have 29 state boards with ICSE, CBSE and what not. There is lot of incompatibility in their evaluation. This examination should be base for all professional admissions. Government may take a call on this, though this will be politically unpalatable bitter dose.**

## **References and acknowledgement**

- (1) This research is possible with the help of many friends, relatives and classmates located all over India. We have collected data on the admission rates and seats in Mumbai Metropolitan Region (MMR), NCR of Delhi, Bangalore, Chennai, Hyderabad, Lucknow, Meerut, Jaipur, Indore, Bhopal, Ahmedabad, Surat and Pune. Mainly, the focus was to get the going rate of donation at the time of admission and how much flexibility (seats) management can allot.**

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1. Book - **Computer Crimes- Concepts, Control & Prevention** by Rakesh M Goyal and Manohar S Pawar (1993).
2. Book - **Case Studies on Information Systems Security** edited by Dr. Sharad D. Varde (2002).
3. Book - **Digital Signature: All You Want To Know About It, But Do Not Know Whom To Ask** by Rakesh M Goyal (2004).
4. Book - **Demystifying Information Technology Act – 2000** by Rakesh M Goyal (2005).
5. eBook - **Sankat Mochan Yojana** – By Rakesh M Goyal (A Citizen's Initiative on local basis in each locality, till official aid moves in to provide immediate relief and assistance to effected co-citizens without any monetary assistance from any government / statutory body) (2005).
6. eBook - **Securing WiFi Networks** – By Rakesh M Goyal and Ankur Goyal (2008)
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