

P.A. Inamdar vs State of Maharashtra (2005): Can the State Impose Quotas on Private Colleges?

Court: Supreme Court of India (Constitution Bench) **Citation:** (2005) 6 SCC 537 **Date:** 12 August, 2005 **Bench:** R.C. Lahoti, C.J., Y.K. Sabharwal, D.M. Dharmadhikari, Arun Kumar, B.N. Srikrishna, P.K. Balasubramanyan and S.H. Kapadia, JJ.

Facts of the Case

Following *T.M.A. Pai Foundation vs. State of Karnataka* (2002), different High Courts interpreted its broad principles differently, leading to a flood of petitions. In *Islamic Academy of Education vs. State of Karnataka* (2003), the Supreme Court directed States to set up two committees — one for fee regulation, one for monitoring admissions — but this too caused fresh disputes over whether it exceeded *Pai Foundation*. P.A. Inamdar and other private unaided educational institutions (minority and non-minority) challenged State-imposed quotas, admission control, and fee regulation, bringing the matter back before a larger Constitution Bench.

Issues Before the Court

1. Can the State impose its reservation/quota policy on unaided institutions?
2. Are unaided institutions free to design their own admission procedure?
3. Can institutions decide their own fee structure, or does the government have final say?
4. Did Islamic Academy go beyond what *Pai Foundation* had decided?

Arguments

The institutions argued that State-mandated committees fixing quotas and fees violated their autonomy under Article 30 (minority institutions) and Article 19(1)(g) (all unaided institutions), and were not a reasonable restriction under Article 19(6). The State argued Article 19(6) permits such regulation in the public interest, and that Islamic Academy was consistent with, not contrary to, *Pai Foundation*.

Decision of the Court

The Supreme Court held that the State cannot impose reservation/quota policies on unaided institutions, minority or non-minority — this would amount to unconstitutional "nationalisation of seats." Institutions may design their own admission procedures, but these must satisfy a "triple test": fair, transparent, and non-exploitative. If an institution fails this test, the State may step in, including through a common entrance test. Institutions may fix their own fees, but capitation fees and profiteering remain strictly prohibited. The Islamic Academy regulatory committees were held to be a valid, permissible mode of regulation.

Principle of Law

Private unaided educational institutions, whether minority or non-minority, have substantial autonomy under Articles 19(1)(g) and 30 to manage their own admissions and fees. The State may regulate this autonomy only to the extent necessary to ensure fairness, transparency and merit, and to prevent exploitation — but it cannot impose quotas or reservations on unaided institutions.

Important Legal Provisions

Article 19(1)(g) (right to carry on any occupation, trade or business); Article 19(6) (reasonable restrictions in the public interest); Article 30 (minority right to establish and administer educational institutions).

Important Observations

The Court reaffirmed the distinction between a business (profit-driven) and a profession like education (primarily a service, with profit secondary). It held that unaided institutions' autonomy and the State's regulatory role are not opposed to each other, but regulation must never cross into control that amounts to the State effectively running admissions itself.

Simple Explanation

Private colleges can run their own admissions and set their own fees — but their process must be fair and honest, they cannot charge illegal extra payments, and the government cannot force them to reserve seats for chosen candidates.

Teaching Notes

Teach this alongside T.M.A. Pai Foundation (2002) and Modern Dental College (2016) as a three-case sequence on private educational institution autonomy. The "triple test" (fair, transparent, non-exploitative) is unique to this case and is a favourite short-answer exam question.

Key Points for Students

- Resolved the confusion left by T.M.A. Pai Foundation and Islamic Academy.
- No forced quotas on unaided institutions — called "nationalisation of seats."
- Created the "triple test" for institutions' own admission procedures: fair, transparent, non-exploitative.
- Capitation fees and profiteering strictly banned.
- Islamic Academy's regulatory committees held valid.

Case-Law Video

Watch the video explanation: <https://www.youtube.com/watch?v=AumUb8o-5BQ>