Success of higher education depends upon its effectiveness to inculcate employable skill among the students. Since independence, there has been an upsurge in the demand for higher education in India, resulting in a virtual explosion in the number of universities and colleges in the country. However, it seems that government of India has focused mainly on expanding the quantity not on enhancing the quality of higher education. Having earned degrees, many graduates and post-graduates in India remain unemployed or under-employed because of insufficient demand for their skills. While the problem of educated unemployed Indian youth remains acute, paradoxically, there is a shortage of skilled manpower in the labour market. While around 40 per cent of teaching positions are lying vacant in different educational institutions, we observe extremely low success rate of aspirants in different eligibility tests for the posts of teachers in schools, colleges and universities, organized by different government agencies like CBSE, UGC, CSIR etc. Despite a record growth in intake of engineering candidates at All India Council of Technical Education (AICTE)-approved institutes, more than 60% of passed out engineering graduates stay unemployed every year. It is therefore clearly evident that unemployability is no less important problem than unemployment in India. Under these circumstances, it is absolutely necessary to find out the indicators of inability of higher education system in India to inculcate the employable skill among the students and control all such dampening factors. This paper is an attempt to measure the inter-state variations in quality of higher education in India during 2014-15 and to find out the major explanatory factors behind such variations. Our study utilizes the All India Survey on Higher Education (AISHE) data for 2010-11 to 2014-15, data of grades of the Higher Education Institutions accredited by NAAC prior to July 2016, data of engineering programmes accredited by NBA during 2014-16 and data on Police Organizations published by Bureau of Police Research and Development of India for 2015. To measure the state-level quality of higher education, we have constructed state-level Higher Education Quality Index (HEQI) for each state. To find out the significant explanatory factors behind inter-state variations in HEQIs, we used the OLS regression method. Our study shows that gross enrolment ratio, teaching-non-teaching staff ratio and number of colleges have significant positive impacts on the quality of higher education in any state. We also observe that percentage share of temporary teachers in total faculty, pupil-teacher ratio, share of enrolment in state universities out of enrolment in all universities have significant negative impacts on the quality of higher education in any Indian state. Interestingly, we find that, compound annual growth rate of percentage share
of budgeted expenditure on education in GSDP and number of student agitations in any state do not have any significant effect on quality of higher education of the state.