

Impact of Skill Development Programs on Rural Youth Employment and Local Business Growth – An Analytical Study

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ABSTRACT : Skill development programs play a crucial role in enhancing employability and promoting sustainable economic growth in rural areas. In developing economies like India, rural youth often face challenges such as limited employment opportunities, lack of market-relevant skills, and restricted access to professional training. This study analyzes the impact of skill development programs on rural youth employment and their contribution to local business growth. The research examines how vocational training, digital skill initiatives, and government-sponsored skill development schemes influence job creation, self-employment, and entrepreneurial activities among rural youth. Primary data were collected through structured questionnaires from rural youth participants and local business owners, while secondary data were sourced from government reports, research journals, and institutional publications. Statistical tools such as percentage analysis and hypothesis testing were used for data interpretation. The findings reveal a significant positive relationship between skill development programs and employment generation, income enhancement, and business expansion at the local level. The study concludes that well-designed skill development initiatives not only improve individual employability but also strengthen rural economies by supporting small businesses and entrepreneurship. The paper offers recommendations for policymakers to improve program accessibility, industry alignment, and long-term sustainability.

Keywords: Skill Development, Rural Youth, Employment, Local Business Growth, Entrepreneurship

1. INTRODUCTION

India, the world's largest democracy, is undergoing a major socio-economic transformation. A significant portion of its population resides in rural areas, where livelihoods are primarily dependent on agriculture and informal sectors. Despite being rich in human resources, rural India continues to struggle with challenges such as unemployment, underemployment, low income levels, and limited industrial exposure.

At the same time, India possesses a demographic advantage over 60% of its population is under the age of 35. This offers enormous potential for growth, provided that the youth are equipped with market-relevant skills that match evolving industry demands. However, many rural youth lack access to formal education and vocational training, leading to a mismatch between available skills and employment opportunities.

To overcome these challenges, the Government of India has launched several Skill Development Programs aimed at equipping rural youth with employable skills, entrepreneurial knowledge, and practical training. These programs not only prepare individuals for the job market but also empower them to start their own enterprises, thereby stimulating local business growth and contributing to rural economic development.

The present study focuses on analyzing the impact of these skill development initiatives on employment generation and local entrepreneurship in rural regions. It aims to evaluate how far such programs have succeeded in creating sustainable livelihoods and inclusive growth.

1.1 Background of the Study

India's rural economy is characterized by a large labor force but limited job opportunities outside agriculture. The traditional education system, while offering academic knowledge, often fails to impart practical, job-oriented skills. As industries evolve and technology advances, there is an increasing need for skilled manpower that can meet sector-specific demands.

To address this gap, the government introduced several large-scale initiatives under the Skill India Mission, launched in 2015. These programs aim to make India the "Skill Capital of the World." The mission focuses on training, certification, and employability through both short-term and long-term training modules.

Major National Skill Development Initiatives

1. Pradhan Mantri Kaushal Vikas Yojana (PMKVY):

A flagship program under the Ministry of Skill Development and Entrepreneurship (MSDE), PMKVY provides short-term skill training, recognition of prior learning (RPL), and placement assistance. The training modules are industry-relevant, and beneficiaries receive government certification upon completion.

2. Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY):

Implemented by the Ministry of Rural Development (MoRD), DDU-GKY focuses exclusively on rural poor youth aged 15–35 years. It is placement-linked and aims to promote wage employment and self-employment through comprehensive skill training.

3. National Skill Development Mission (NSDM):

Introduced in 2015, NSDM provides an integrated framework to coordinate all skill development efforts across ministries and departments, ensuring synergy between training and industry needs.

4. National Rural Livelihood Mission (NRLM):

A complementary scheme that encourages self-employment and entrepreneurship among rural women through training and microfinance support.

5. State Skill Development Missions (SSDMs):

Many state governments (such as Maharashtra, Madhya Pradesh, and Tamil Nadu) have also implemented region-specific training programs aligned with local industries and resource availability.

2. REVIEW OF LITERATURE

A. National Studies (India)

1. National Skill Development Corporation (NSDC, 2018). "Skill India: Building a Skilled Workforce for a New India."

The NSDC (2018) report provided an overview of the Skill India Mission and the performance of key programs such as PMKVY and DDU-GKY. According to the findings, more than 1 crore youth were trained across diverse sectors, including manufacturing, services, and agriculture-related trades. The initiative contributed significantly to improving job readiness among rural youth and bridging basic skill gaps. However, the report also highlighted critical challenges related to job placement, quality of training, and post-placement retention. While certification rates were high, the conversion of training into sustainable employment remained a concern due to limited industry linkages and insufficient local enterprise support.

2. Indian Institute of Public Administration (IIPA, 2019). "Evaluation of PMKVY."

The IIPA (2019) evaluation report provided one of the most detailed assessments of the Pradhan Mantri Kaushal Vikas Yojana (PMKVY). It revealed that around 65% of trained youth were able to secure short-term employment after completing their training, demonstrating significant improvements in immediate job opportunities. However, only 30% of trainees reported sustained income improvement beyond one year. Key limitations included inadequate follow-up support, insufficient career counseling, and a lack of industry partnerships for on-the-job training.

3. Ministry of Rural Development (MoRD, 2019). "DDU-GKY Annual Report."

The MoRD (2019) report analyzed the progress of the Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), which specifically targets rural youth from low-income households. The program successfully placed over 7 lakh candidates, with a significant proportion being rural women entering organized sectors like retail, hospitality, and manufacturing. Nevertheless, the study pointed out a major issue of low post-placement retention rates, attributed to poor working conditions, relocation challenges, and mismatch between skills and job requirements.

4. Kumar (2021). "Impact of Vocational Training on Rural Youth Employment." Journal of Development Studies.

Kumar (2021) conducted a field-based study across three Indian states to assess the long-term effects of short-term vocational training programs. The study found that vocational courses such as electrical repair, tailoring, and mobile servicing improved short-term employability and confidence among rural youth. However, the author observed that lack of follow-up mechanisms and absence of linkages with local markets restricted long-term sustainability. He recommended establishing entrepreneurship incubation centers and post-training mentorship networks to maintain continuity.

B. International Studies

1. African Development Bank (2019). "Youth Employment and Skills Development in Africa." This study investigated the state of youth employment and vocational training programs across 30 African countries. The report highlighted that training combined with entrepreneurship mentoring and financial literacy significantly improved self-employment rates and business creation, especially in rural areas. For example, in Nigeria and Kenya, skill programs integrated with microfinance and mentorship networks led to the establishment of thousands of small enterprises. The report also found that community-based skill centers were more effective in addressing local economic needs compared to centralized training systems.

2. Li & Wang (2019). "Skill Development and Rural Transformation in China." Journal of Asian Economics. Li and Wang (2019) explored how China's rural skill centers contributed to poverty reduction, rural industrialization, and entrepreneurship. The study analyzed data from several Chinese provinces and found that skill training programs had a multiplier effect on local economies by generating small enterprises, increasing agricultural productivity, and reducing rural-to-urban migration. The authors concluded that skill development acts as both a poverty alleviation mechanism and a driver of rural transformation when combined with government support and industrial linkages.

3. Mckenzie & Woodruff (2018). "Entrepreneurship Training and SME Development." World Bank Economic Review. Mckenzie and Woodruff (2018) conducted a meta-analysis of entrepreneurship training programs across Latin America, Africa, and Asia. They found that

entrepreneurship training combined with practical skill instruction increased small business survival rates by 25–40%. The study noted that training emphasizing financial literacy, market linkages, and innovation skills led to more profitable and sustainable enterprises. However, the authors also cautioned that programs must provide post-training support such as mentorship and access to credit to ensure long-term business success.

3. RESEARCH METHODOLOGY

Research Design

The descriptive part focuses on describing the existing situation of rural youth employment, types of skill development programs, and business growth in rural areas. The analytical part focuses on examining the relationship between participation in skill development programs and measurable economic outcomes such as income levels, self-employment, and enterprise growth. The design also allows for comparative analysis between trained and untrained youth to measure the true impact of skill initiatives.

Objectives of the Study

The main objective of this study is to examine the impact of skill development programs on rural youth employment and the growth of local businesses.

1. To assess the role of skill development programs in enhancing employability among rural youth.
2. To analyze the relationship between skill development and the growth of small and local enterprises.
3. To study changes in income levels and living standards of rural youth after skill training.

Data Sources

Primary Data

Primary data have been collected through structured questionnaires with:

- Rural youth who have undergone skill development training.
- Local entrepreneurs and business owners,

Secondary Data

Secondary data are collected from:

- Government reports such as the Skill India Mission, National Skill Development Corporation (NSDC), and Ministry of Rural Development publications.
- Academic journals, research papers, and case studies related to skill development and rural employment.

Sampling Design

Stage 1: Selection of districts based on active implementation of skill programs.
Stage 2: Selection of rural blocks/villages from those districts.
Stage 3: Selection of respondents (youth participants, trainers, and business owners).

Sample Size

A total of 100 respondents were chosen:

- 70 rural youth trained under government or private skill programs.
- 30 local entrepreneurs.

Sampling Technique

The study uses a stratified random sampling technique. Respondents were categorized based on gender, age group, and type of skill acquired (agricultural, technical, entrepreneurial, service-based, etc.) to ensure balanced representation.

To test the hypotheses, the Chi-Square Test (χ^2) was applied to examine the association between skill development programs and employment/self-employment status of rural youth at a 5% level of significance.

Data Collection Procedure

Questionnaires were distributed personally and electronically. Respondents were assured of confidentiality to ensure accurate and unbiased responses.

4. HYPOTHESIS OF THE STUDY

Null Hypothesis (H_0):

There is no significant impact of skill development programs on rural youth employment and local business growth.

Alternative Hypothesis (H_1):

There is a significant impact of skill development programs on rural youth employment and local business growth.

5. ANALYSIS AND INTERPRETATION

1. Demographic Profile

Parameter	Observation
Total Respondents	100
Age Group	18–35 years (majority 20–28)
Gender	60% Male, 40% Female
Education Level	Secondary 25%, Higher Secondary 35%, Graduate 40%
Location	Rural Area A 35%, Rural Area B 30%, Rural Area C 35%

Interpretation:

Most participants are young adults with basic to graduate-level education, indicating that skill development programs effectively target youth likely to seek employment or start small businesses.

2. Program

Program Duration	Percentage
1–3 months	40%
3–6 months	35%
6+ months	25%

Participation

Program Type	Percentage of Respondents
Vocational Training	35%
Entrepreneurship Workshop	30%
IT/Digital Skills	20%
Other Skill Programs	15%

Interpretation:

Short-to-medium-term training programs are most common. Vocational and entrepreneurship training dominate, showing a focus on employability and business skills.

3. Employment Status Post-Training

Employment Status	Number of Respondents	Percentage
Self-Employed / Started Business	42	42%
Gained Employment (Private/Govt)	38	38%
Unemployed / No Change	20	20%

Interpretation:

Around 80% of respondents gained employment or started their own business, showing a strong positive impact of skill development programs.

4. Business Growth and Income Changes

Parameter	Observation
Average Monthly Income Increase	₹5,000–₹10,000
Business Expansion	50% of self-employed respondents expanded operations
Financial Independence	70% reported improved financial stability

Interpretation:

Skill development programs significantly increase income and business growth. Entrepreneurship training leads to more business expansion.

5. Skills Gained and Satisfaction

Skill / Feedback	Percentage
Technical/Vocational Skills	60%
Managerial/Business Skills	45%
Digital/IT Skills	25%

Skill / Feedback	Percentage
Overall Satisfaction	90% satisfied

Interpretation:

Most respondents gained practical skills improving employability and business efficiency. High satisfaction rates indicate effective program design.

6. Comparative Analysis: Trained vs. Untrained Youth

Parameter	Trained Youth	Untrained Youth
Employment Rate	80%	45%
Average Monthly Income	₹12,000	₹7,000
Business Ownership	42%	15%

Interpretation:

Skill development programs significantly improve employment, income, and entrepreneurial activities compared to untrained youth.

HYPOTHESIS TESTING

Contingency Table

Outcome	Trained	Untrained	Total
Employed/Self-Employed	80	45	125
Unemployed	20	55	75
Total	100	100	200

- Positive/Trained: 62.5
- Positive/Untrained: 62.5
- Negative/Trained: 37.5
- Negative/Untrained: 37.5

Chi-Square Formula

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$
$$\chi^2 = \frac{(80-62.5)^2}{62.5} + \frac{(45-62.5)^2}{62.5} + \frac{(20-37.5)^2}{37.5}$$
$$+ \frac{(55-37.5)^2}{37.5} = 26.14$$

Conclusion

- $df = (2-1)*(2-1) = 1$
- Critical value at 5% significance = 3.841
- $26.14 > 3.841 \rightarrow \text{Reject } H_0$

Interpretation: Skill development programs have a significant impact on rural youth employment and business growth.

6. FINDINGS AND DISCUSSION

1. Out of 100 respondents, 80% of trained rural youth were either employed or self-employed, whereas only 45% of untrained youth showed positive employment outcomes.
2. A significant number of trained respondents reported income improvement and business growth after completing skill development programs.
3. The Chi-square test value ($\chi^2 = 26.14$) was greater than the critical value (3.841) at 5% significance level.
4. Therefore, the null hypothesis was rejected, and the alternative hypothesis was accepted.
5. Skill development programs were found to have a direct and positive impact on rural youth employment and local business growth.

The findings clearly indicate that participation in skill development programs improves employment opportunities and entrepreneurial outcomes among rural youth. Trained respondents showed higher levels of employment, self-employment, and income growth compared to untrained respondents.

The Chi-square test confirms a statistically significant association between skill development training and employment status. This suggests that skill-based training enhances employability, practical knowledge, and confidence among rural youth, leading to sustainable livelihood opportunities.

Furthermore, entrepreneurship-focused programs contributed to local business expansion, supporting rural economic development. These results highlight the importance of skill development initiatives as an effective tool for reducing rural unemployment and promoting self-reliance.

7. LIMITATIONS OF THE RESEARCH

Every research study has certain boundaries and constraints that may influence its scope, findings, and generalizability. The present study also encounters some limitations, which are outlined below: It is geographically restricted to selected rural areas, so the results may not represent the entire country, as regional disparities in infrastructure, economy, and education can affect outcomes. The sample size was limited due to time and resource constraints, which may reduce the comprehensiveness of the analysis. Data were primarily self-reported by respondents, making them potentially subject to bias or inaccurate recall. The research was conducted within a specific time frame, limiting the assessment of long-term effects of skill development programs. Moreover, the study focused mainly on employment status and local business growth, while other important aspects such as migration, social empowerment, and gender equity were not deeply analyzed.

8. SUGGESTIONS AND RECOMMENDATIONS

Skill development programs should be significantly expanded and strengthened in rural areas to ensure wider participation of rural youth and to address the persistent problem of unemployment. The training content should be designed in close coordination with local industries, market demands, and emerging employment sectors so that the skills acquired are relevant and job-oriented. Greater emphasis must be placed on entrepreneurship development by including modules on business planning, financial management, marketing strategies, and risk management, which can encourage rural youth to establish and sustain local enterprises. Training programs should focus more on practical, hands-on learning through workshops, internships, apprenticeships, and field-based training to enhance real-world exposure and skill application. In addition, post-training support systems such as mentorship, access to credit facilities, startup assistance, and continuous guidance should be introduced to help trainees successfully transition into employment or self-employment. The integration of digital and

technological skills is also essential to improve employability, productivity, and access to online markets, especially in the context of a growing digital economy. Furthermore, awareness campaigns and outreach programs should be conducted at the village and community level to inform rural youth about available skill development schemes, eligibility criteria, and long-term benefits. Effective monitoring and evaluation mechanisms should also be implemented to regularly assess the performance of these programs and ensure continuous improvement. Overall, a comprehensive and inclusive approach to skill development can play a crucial role in empowering rural youth, promoting sustainable livelihoods, and fostering local business growth.

Future Research Scope

The scope for future study in the area of skill development programs and rural youth employment is extensive. Future research can be conducted on a larger geographical area covering multiple districts, states, or regions to enhance the generalizability of the findings. Longitudinal studies may be undertaken to examine the long-term impact of skill development programs on employment stability, income growth, and business sustainability over time. Further studies can also focus on comparing the effectiveness of different types of skill development programs such as vocational training, entrepreneurship development, and digital skill initiatives. In addition, future research may explore gender-wise impacts to understand how skill development programs affect male and female participants differently in rural settings. The role of government policies, financial support, and institutional frameworks in strengthening skill development outcomes can also be examined. Moreover, advanced statistical techniques and mixed research methods combining quantitative and qualitative approaches can be used to gain deeper insights into the challenges and success factors of these programs. Such studies would provide valuable inputs for policymakers, training institutions, and development agencies to design more effective and inclusive skill development initiatives for sustainable rural development.

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