

**F-06 : IMPACT OF ECONOMIC REFORMS ON SMALL-SCALE METAL  
BASED INDUSTRIES IN SRI LANKA**

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Economic Liberalization and Structural Policy changes adopted by the government since 1977 have made a significant impact on small-scale producers engaged in metal based industry. Those changes are mainly associated with structure, policy and supporting service system of small industrial development. This study was conducted in order to find out policy implications of those changes on sustainable development on small industries sector.

The objectives of this study are : (1) to find out the impact of policy reforms made by the government since 1977 on small scale metal based industries (2) to identify the constraints and bottlenecks in improving small-scale metal based industries under the present economic conditions and (3) to make recommendations for a small-scale industrial strategy.

The study poses three hypotheses: (a) many of the policy reforms made in the industrial sector have not stimulated sustainable growth in small scale metal based

industries (b) small scale metal industries are capable of sustainable development but there are structural institutional constraints to their development under present economic conditions (c) a small scale industrial strategy is necessary if present economic policies are to be implemented effectively.

Hypotheses were tested using secondary information and first hand information collected from small producers, by quantitative and descriptive statistical techniques. Labour, outputs, costs, returns and profits were considered as key indicators to measure implications of policy changes.

About 60 industrialists from Galle, Matara and Hambantota were interviewed using guided questions and check list. Direct objectives and meeting key informants were used as other data collecting methods.

Results proved that liberation and structural policy changes have made significant impact on changing small-scale metal based industry in the country. These changes reflect four aspects :

- (a) Metal based industry has shifted from products oriented industries to service based activities
- (b) Small-scale informal service workshops have increased remarkably as horizontal expansion of the metal based industry
- (c) Except some agricultural implements all other metal based industries were badly affected by import liberalization
- (d) Industrialists who adapted to demand and market oriented products were able to survive in the industry while majority of other industries run as service workshops
- (e) Lack of organised receiving mechanism, low awareness about government support services and policy changes and lack of quality control for imported items were identified as major setbacks of introducing structural changes.

An attempt is made to formulate an industrial strategy to protect small-scale metal based industries of the country. The strategy was based on following factors:

1. Organisation of small producer;
2. Promoting support services and creating awareness;
3. Restructuring import control policies and
4. Business skill development