

T.A. Bhavani (2016). "Structure of Indian Small Scale Sector in the Post-Reform Period: A Case of Government Failure" in Veeramani C., and R. Nagaraj (eds.). *International Trade and Industrial Development in India*. Orient Blackswan, Mumbai, 2016.

Abstract:

The present paper attempts to examine the trends, structural changes and competitiveness of the SSEs and to explain these in terms of government policies. Empirical analysis shows that the SSE sector continued to be critical for the Indian manufacturing and characterized by dual structure with numerous tiny proprietary concerns at the lower end operating with older technologies and lower productivities. These tiny enterprises persisted along with the larger units with higher level technologies and productivities in the SSE sector. The main reason for this structure has been the policy failure. Small enterprises could not grow in to larger units. Lack of opportunities in agriculture prompted many to seek self-employment that constitute the lower end of the small scale sector. They started small scale operations to earn livelihood but not to earn profits nor to establish themselves as a large enterprise during the course of time. These enterprises needs to be treated separately and should be covered by wider development policy. The remaining small enterprises should be brought under a uniform industrial policy along with large enterprises with a time bound fiscal incentives to help them establish in the initial years. Unless government seriously develops infrastructure and follows stable long run policies, it is difficult for the manufacturing to pick up growth. Government is yet to liberalise numerous policy restrictions and make business environments conducive for industry.