

149799
A
99/10/06

A. 3000f

THE LOCATIONAL PATTERN AND STRUCTURE OF SMALL SCALE INDUSTRIES IN THE SOUTHERN PROVINCE OF SRI LANKA

Dissertation for the M. Phil Degree in Geography

Registered No. A/18382
Department of Geography,
University of Sri Jayewardenepura,
Nugegoda.

149799

.00270	
5315	12005/8214
2011/14	
20K	
9.2202	

CR

338.642095C.

WIJ

(149799

PREFACE

This study is undertaken to identify the locational pattern and structure of small scale industries in the Southern Province of Sri Lanka. It focuses on understanding the problem of regional imbalance and structural concentration of small scale industrial sector in the Southern Province.

To some extent this study tries to provide some guidelines to the policy planners for future planning and implementation of rural industrialization more effectively. This study makes an attempt to understand the aspirations, problems and needs of small scale entrepreneurs in the Southern Province as well ^{as} the factors affecting rural industrial development.

Small enterprises have a strategic role to play in the economic and social development of Sri Lanka. There is no denying the fact that the small scale industries have enormous job potentiality with low rate of investment. Rural small scale industries have a considerable importance in terms of income and employment generation because of their labour intensive nature. Their contribution in the socio-economic transformation of developing regions can not be under estimated. They are the instruments of change growth and diversification.

This study also examines the broad issues involved in locational pattern and structure of small industry and to be able to draw some logical conclusions in this connection it has looked at what is happening in the study area in fact within the context of issues that affect development of small scale industries. It further examines in detail most of the factors that affect location and structure of small industries in the Southern Province. The study considers that it is important to understand what takes place in the study area as it is the scene of the action.

Although I am acutely aware of the limitations of this study, I feel it will help our understanding of how to promote the development of small scale industries at this level. The emphasis placed on certain aspects of small industry in the Southern Province reflects my own value judgments and interest. But due to some limitations this study may not be hundred per cent comprehensive. Other researchers could add to and refine this work as I hope they would.



The debts incurred in writing and completing this study are varied and numerous indeed. This study was pursued under the constant supervision of Professor Mrs. Y. A. D. S. Wanasinghe. I am deeply grateful to Professor Mrs. Wanasinghe for her constant supervision, encouragement and advice given in this connection.

I do not have adequate words to express my profound gratitude to Professor M. M. Karunanayeka for all the guidance, encouragement, kind advice and helpful suggestions made in carrying out this study.

I am also grateful to Professor Mrs. Y. Rasanayagam who guided this study giving instructions from time to time.

I should particularly like to acknowledge the generous help of Mr. G. F. Alwis and Miss. Nimali Hapuarachchi who kindly help me to prepare maps and diagrams for the study.

My acknowledgment would be incomplete without a thankful mention of the co-operation extended to me by Divisional Secretaries in Galle, Niyagama, Elpitiya, Neluwa, Matara, Hakmana, Pasgoda, Malimboda, Weeraketiya, Hambantota, Ambalantota, and Lunugamvehera Divisions. I should also be thankful to Grama Niladaris of these Divisional Secretariats, Entrepreneurs of selected industries and to the officers at the Integrated Rural Development Project Office.

It gives me a great pleasure to express my gratitude to Mr. Nishantha, Mr. Weerasena, Mr. Nandana, Mr. Samaraweera, Mr. Nirmala, Mr. Sugath, Mr. Prabath, Mr. Sugeewa and Mr. Gamini, Students of the University of Ruhuna who helped me a lot in my field work. Words are inadequate to express my deep gratitude to Ananda Ayya, Jayanthi Akka, Samanthi and Saman Malli who helped me to computerize this dissertation.

Finally I wish to dedicate this study to Professor M. M. Karunanayeka and well wishers who cheerfully made many sacrifices so that I may undertake this research well.

CONTENT

Page

Chapter 1- Introduction

1.1 Statement of the Problem	1- 2
1.2 Objectives of the Study	3 - 3
1.3 Significance of the Study	4--11
1.4 Delimitation of the Study	12-14
1.5 Methodology	15-31
1.6 Limitations of the Study	32-35

Chapter 2 - Manufacturing Industries in Sri Lanka

2.1 Present Structure	36-50
a) Over-view of the industrial structure	36-44
b) In-depth Analysis of the Industrial Structure	44-50
2.2 Locational Pattern of Manufacturing Industries	51-64
2.3 Recent Trends in Manufacturing Industries	65-75
2.3.1 Long Term Trends in Manufacturing Industries	65-70
2.3.2 Trends in Regional Growth of Manufacturing Industries	70-75
2.4 Industrial Policies and Programmes	76-81
2.5 Problems of Industrialization	82-87

Chapter 3- Small Industry: An Over-view

3.1 Forms of Small Industry	88 -91
3.2 Quantitative Role of Small Industry in Sri Lanka	92-96
3.3 Small Industry in Developing Strategy	97-100
3.4 Determinants of Small Factory Growth	101-105

Chapter 4 - Locational Pattern of Small Scale Industries in the Southern Province of Sri Lanka

4.1 Present Locational Pattern	106-117
4.2 Significant Industrial Areas in the Southern Province	118-122
4.3 Recent Changes in Locational Pattern	123-126
4.4 Locational Factors and Requirements	127-133
4.5 Constraints to the Industrial Decentralization	134-137

Chapter 5 - Structure of Small Scale Industries in the Southern Province

5.1 Product Types	138-149
5.2 Place of Location	150-151
5.3 Nature of Premises and Type of Ownership	152-153
5.4 History of Enterprise	154-154
5.5 Employment	155-161
5.6 Raw Material	162-165
5.7 Market	166-167
5.8 Capital	168-171
5.9 Machinery and Equipment	172-173
5.10 Monetary Structure	174-177
5.11 Aspirations of Employers	178-178
5.12 Infrastructural Facilities	179-180

Chapter 6 - Significance of the Contribution of Small Industry to the Development in the Southern Province

6.1 Human Resource Development	181-185
6.2 Mineral Resource Development	186-189
6.3 Development of Agro-based Products	190-193
6.4 Development of Backward Areas	194-198

Chapter 7 - Conclusions and Recommendations

7.1 Present Locational Pattern	199-201
7.2 Entrepreneurs' Assessment of Locational Factors	202-203
7.3 Constraints	203-203
7.4 Industrial Structure	204-205
7.5 Nature of Location	205-206
7.6 Nature of Premises and Ownership	206-207
7.7 History of Enterprises	207-208
7.8 Employment	208-210
7.9 Raw Materials	210-212
7.10 Capital	212-213
7.11 Monetary Structure	214-215
7.12 Machinery and Equipment	215-216
7.13 Market	216-216
References	217-224
Questionnaire	i-xiii

TABLES

Table	Page
1.1 Selected Sample Regions in the Southern Province of Sri Lanka.	21
1.2 International Standard of Industrial Classification.	23
2.1 Relative Shares of Public and Private Sectors in Manufacturing Industry 1983.	37
2.2 Distribution of Registered Manufacturing Establishments in the Private Sector, 1983.	38
2.3 Distribution of Unregistered Manufacturing Establishments in the Private Sector, 1983.	39
2.4 Distribution of Private Sector Enterprises in Sri Lanka, 1983.	40
2.5 Regional Distribution of Public Sector Industries	43
2.6 Shift Analysis of Manufacturing Industries in Sri Lanka, 1971-1981.	56
2.7 Shift and Share Analysis of Manufacturing Industries in Sri Lanka 1984-87.	58
2.8 Shift-share Analysis: Galle District 1984 to 1987.	60
2.9 Shift-share Analysis: Matara District 1984 to 1987.	60
2.10 Shift-share Analysis: Hambantota District 1984 to 1987.	60
2.11 Percentage Distribution of Industrial Categories in Sri Lanka, 1965-80.	69
2.12 Regional Distribution of New Industries in Sri Lanka, 1994.	75
3.1 Comparative Importance of Small Scale Industries in Sri Lanka, 1983.	93



Table	Page
3.2 Comparative Importance of Small Scale Industries by Districts in Sri Lanka, 1983.	95
4.1 The Relative Importance of the Districts according to Number of Industrial Units in Small Industry, 1991.	107
4.2 The Relative Importance of the Districts according to Number of Employees in Small Industry, 1991.	109
4.3 Significant and Insignificant Industrial Regions in Galle District 1991.	119
4.4 Significant and Insignificant Industrial Regions in Matara District 1991.	120
4.5 Significant and Insignificant Industrial Regions in Hambantota District 1991.	121
4.6 Distribution of Small Scale Industries by Major Industrial Divisions in the Southern Province, 1983 and 1991.	124
4.7 Distribution of Small Scale Industries by Districts, 1983 and 1991.	125
4.8 Entrepreneurs' Assessment in Locational Factors in All Sample Regions 1995.	128
4.9 Entrepreneurs' Assessment in Locational Factors in Significant Industrial Regions 1995.	129
4.10 Entrepreneurs' Assessment in Locational Factors Insignificant Industrial Regions 1995.	130
5.1 Comparative Importance of Number of Small Scale Industries by Major Industrial Categories in the Southern Province, 1983.	139
5.2 Comparative Importance of Number of Small Scale Industries by Major Industrial Categories in the Southern Province, 1991.	142
5.3 Nature of Employees in Sample Regions 1995.	156

Table	Page
5.4 Skilled and Unskilled Employees in Sample Regions, 1995.	157
5.5 Nature of Basic Raw Materials in Sample Establishments, 1995	163
5.6 Source of Initial Capital in Two Types of Industrial Regions, 1995	169
5.7 Distribution of Small Scale Establishments by Value of Monthly Income, 1995.	175
5.8 Distribution of Small Scale Establishments by Flow of Earnings, 1995.	177
6.1 Area, Population Density and Employed and Unemployed Labour Force in Sample Regions, 1991.	182
6.2 Population by Age Structure in Sample Regions, 1991.	183
6.3 Significant Mineral Resources in Sample Regions, 1991.	187
6.4 Agricultural Land Use Pattern in Sample Regions, 1991.	191
6.5 Man Land Ratio and Food Stamp Holders in Sample Regions, 1991.	196

FIGURES

Figure	Page
1.1 The Southern Province of Sri Lanka.	13
1.2 Data Sources.	18
1.3 Selected Sample Regions of the Southern Province of Sri Lanka.	20
2.1 The Distributional Pattern among Different Industrial Categories of Public Sector Enterprises in Sri Lanka.	42
2.2 Number of Establishments, Persons Employed and Value Added By industry Divisions of Manufacturing Industries in Sri Lanka, 1983.	45
2.3 Number of Establishments, Persons Employed and Value Added by Industry Divisions of Small Scale Establishments in Sri Lanka, 1983	46
2.4 Number of Establishments, Persons Employed and Value Added by Industry Divisions of Large Scale Establishments in Sri Lanka, 1983.	47
2.5 Lorenz Curves Comparing the Distribution of Employment by Industrial Categories of Large and Small Scale Establishments, 1983.	50
2.6 Distribution of Public Industries in Sri Lanka.	52
2.7 Distribution of Small Scale Manufacturing Establishments in Sri Lanka, 1983.	54
2.8 Distribution of Large Scale Manufacturing Establishments in Sri Lanka, 1983.	54
2.9 Shift Analysis of Manufacturing Industries in Sri Lanka 1971-1981.	57

Figure	Page
2.10 Shift Analysis of Manufacturing Industries in Sri Lanka, 1984-1987.	57
2.11 Index of Diversification for All Manufacturing Establishments in Sri Lanka, 1983.	62
2.12 Lorenz Curves Comparing the Distribution of Employment by Industrial Categories, 1983.	63
2.13 Lorenz Curves to Show Regional Distribution of Industrial Categories in relation to Regional Distribution of All Industries in Sri Lanka, 1983.	64
2.14 Number of Firms in Manufacturing Industry in Sri Lanka, 1965-78.	67
2.15 Number of Employed in Manufacturing Industry in Sri Lanka, 1965-80.	68
2.16 Value Added in Manufacturing Industry in Sri Lanka, 1970-95.	71
2.17 Location of Industrial Estates in Sri Lanka	73
4.1 Distribution of Number of Small Scale Establishments in Galle District, 1991.	110
4.2 Distribution of Number of Employees in Small Industries in Galle District, 1991.	111
4.3 Distribution of Number of Small Scale Establishments in Matara District, 1991	112
4.4 Distribution of Number of Employees in Small Industries in Matara District, 1991	113
4.5 Distribution of Number of Small Scale Establishments in Hambantota District, 1991.	114
4.6 Distribution of Number of Employees in Small Industries in Hambantota District, 1991.	116

Figure	Page
5.1 Lorenz Curves Comparing the Distribution of Employment in Small Scale Sector by Major Industrial Divisions in the Southern Province, 1983.	141
5.2 Spatial Behaviour of Major Industrial Categories of Galle District, 1991.	145
5.3 Spatial Behaviour of Major Industrial Categories of Matara District, 1991.	146
5.4 Spatial Behaviour of Major Industrial Categories of Hambantota District, 1991.	147

CHAPTER 1

INTRODUCTION

1.1 Statement of the Problem

Industrialization can be defined as the process where by industrial activity comes to play a dominant role in the economy of a nation or region. To understand the meaning of industrialization industrial activities should be identified. United Nations often define the industrial sector as the sector which covers four broad divisions of ISIC- Mining, Manufacturing, Construction and Utilities. Industrial activities normally refer to the manufacturing section of the International Standard of Industrial Classification (ISIC) and process of industrialization can simply be defined as the process of societal transformation, involving economic, political, social and cultural changes while keeping sustainability of the environment.

Sri Lanka has a large proportion of its labour force concentrated in the agricultural sector and it is still the main economic activity of majority of population in the island. However recent trends indicate that there has been a significant increase in the contribution of the industrial sector to the Gross National Product. For instance the value of industrial production increased from Rs. 8852 million in 1978 to Rs. 41,453 million in 1986. The rate of growth during the same period in both the state and private sector was 8.4 per cent.

The role of the private sector in industrial production, employment and the number of establishments far out weights that of the public sector. The industrial sector that recorded an impressive expansion in 1990 witnessed a slight moderation of its growth momentum in 1991. The value of industrial output that grew by 14 per cent in real terms in 1990, expanded by a further 10 per cent in 1991. This growth came entirely from the private sector industry.

The regional distribution of manufacturing industries shows an overwhelming concentration in the Colombo Metropolitan Region (CMR). More than 40 per cent of private sector industrial units are located in and around Colombo and more than 60 per cent of public sector industries are concentrated in Colombo and Gampaha districts within a radius of 30 km from Colombo. Accessibility as well as the availability of infrastructural facilities such

as water, power, road network, transport, capital, labour and market facilities in Colombo and suburbs have played a vital role in attracting industries to the CMR. As a result other regions in Sri Lanka have become comparatively less important.

Since the 1960s successive governments have attempted to promote manufacturing industries in Sri Lanka, but the broad geographical distribution of industries has hardly changed and past strategies for industrial development have not succeeded to a great extent. As a result it has not been possible to create employment opportunities for the development of the less developed regions. Adequate measures to ensure a reasonable spatial distribution of industries among the various districts were not taken and this inevitably lead to a regional imbalance in the industrial sector.

The unemployment problem is very serious in the economy of Sri Lanka. The fundamental remedy for the employment problem in labour surplus countries, is the creation of thousands of new economic activities by diversifying the manufacturing sector. In this process small industry can and should play a significant role and the significance of small scale enterprises is discussed in detail in section 1.4, 3.2 and 3.3. However small scale industries are not equally distributed among regions and are concentrated into few industrial groups thus emphasizing the need of product diversification.

The overwhelming position of the manufacturing sector of Sri Lanka is the concentration of manufacturing activities into few industrial categories such as food processing, textiles, wearing apparel and leather products. This indicates the need for changing the structure of industrial production and export towards more value added products. On the other hand some regions in Sri Lanka have a variety of industries while in others, there is a concentration of manufacturing activities into few industrial categories. More direct and indirect strategies are required to change the locational pattern and the structure such as the selective use of tariffs, fiscal incentives, credit allocation and licensing . In some cases there is a need to encourage some activities to expand and in the other cases there will not be a need to encourage some products. Therefore it is very necessary to identify the manufacturing activities in order to recommend appropriate intervention for restructuring of manufacturing and to change the existing pattern. In view of the above problem and requirements this study attempts to provide recommendations for the formulation of development strategies in future.