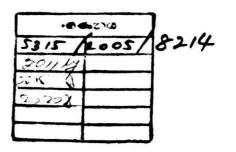


THE LOCATIONAL PATTERN AND STRUCTURE OF SMALL SCALE INDUSTRIES IN THE SOUTHERN PROVINCE OF SRI LANKA

Dissertation for the M. Phil Degree in Geography

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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 as in the Southern Province as well 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 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 carring out this study.

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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.