

SMALL ENTERPRISE THE INDIGENOUS SOLUTION TO INDUSTRIALISATION

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ABSTRACT

Industrialization is must for the long term solution of the problems of unemployment and inflation. This however, has to be undertaken keeping in view the prevailing circumstances in the country at a particular time period. It has been demonstrated that in a situation where large scale industrialization is not picking up for various economic and political reasons, emphasis should be laid on the establishment and developments of small scale industries. Having low level requirement for capital investment and simple technology, this seems to be the only way out to keep the wheels of industry moving and this can rightly be termed as indigenous solution to industrialization.

SMALL ENTERPRISE---THE INDIGENOUS SOLUTION TO INDUSTRIALIZATION .

Small scale industries play a very important role in the overall industrialization process which in turn is needed for the long term solution of the problem of unemployment and inflation, a primary concern for any economy-- developed or developing. Industrial development on small scale may be termed as initial stage of economic development yet it cannot necessarily be categorized as such in the context of Rostow's stages of development. In other words, small scale industries can be established and flourish side by side with large scale industries either independently in the form of producing final consumption goods or as intermediaries for large scale industries having both forward and back ward linkages. Our hypothesis is that small scale industries are going to stay permanently especially so in a developing economy. Their role may however be different depending on the circumstances, of each economy. Moreover, different regions in a particular economy may be more suitable for the establishment and growth of small scale industries. In this paper, we will discuss the significance of small scale industries First in the overall context of the entire economy and then their relevance to the situation in NWFP will be highlighted.

Significance of Small Scale Industries.

There is no denying the fact that large scale manufacturing industries play a leading and predominant role in the economic development of any country. It is the scale of production which through reaping the benefits of economies of size results into falling average costs in the long run. But there is another story to tell as well. In most of the cases, large scale production relies heavily on micro enterprises for necessary inputs. Moreover, there is limit to large scale production beyond which these industrial establishments become uneconomical thus inhibiting the expansion possibilities. In such situation, alternate strategies have to be adopted to keep the economy afloat by adopting measures to fully employ resources, both men and material. More importantly, some countries and some particular regions of a country face tremendous difficulties in establishing new industries in the large scale sector or even find it hard to keep the existing establishments alive. It is here that the significance of small scale industries becomes apparent.

For the establishment of any type of industry, the issues of investment decision' making, capital requirements, acquisition of technology, administrative and managerial efficiency, infra structural needs,