

Localization of Industries

Localization means the concentration of a certain industry in a particular area locality or region. Localization is related to the territorial division of labor, that is specialization by areas or regions. A certain town or region tends to specialize in the production of a particular commodity. Switzerland specializes in watches. Brazil in coffee and India in tea.

CAUSES OF LOCALISATION

When a firm chooses its location it may be influenced by a wide range of factors from the relative costs of alternative sites to the irrational whims of the businessman. All factors are influenced by low costs of production, and minimum transport costs. These causes may be enumerated as under:

(1) Climatic Conditions: Climatic or soil conditions in certain areas are suited for the production of a particular product. Such an area has got an overwhelming advantage over other areas. If efforts are made to develop other areas by artificial means, the cost of manufacture would be very high. This is the reason for the concentration of tea industry in Sylhet in Bangladesh.

(2) Nearness to raw Materials: Nearness to raw materials is a dominant factor in the location of an industry, especially that industry which uses bulky raw material that is expensive to transport and loses weight in the manufacturing process. The concentration of iron and steel industry in Bihar is due to the availability of iron ore and other smelting materials there.

(3) Nearness to Sources of power: Nearness to the sources of power is another important cause of localization of industries. This explains the concentration of iron and steel industry near the coal-fields. The farther coal is carried away from the coal mines, the higher become the costs of transportation. But with the development of hydro-power and atomic-power, coal as a source of power has become less important because the former can be carried to hundreds of kilometers with comparatively less cost.

(4) Nearness to Markets: Before starting an industry, an entrepreneur has to take into consideration the market potentialities of his product. If the market is quite away from the place of manufacture, transport costs will be high which will raise the selling price of the product in comparison with other similar products which are manufactured near the market.

(5) Adequate and Trained Labour: Industries tend to be concentrated in those areas where adequate supplies of trained labour are available. New industries are also attracted to such areas.

(6) Availability of Finance: Finance is the life of every industry. Industries are located in those areas where banking and financial facilities are easily available. As a matter of fact, capital is attracted to those areas where industries are localised which, in turn, attract more industries.

(7) Momentum of an Early start: Sometimes an industry is concentrated at a particular place simply by chance, or due to the whims of the entrepreneur, or due to his attachment to that place. The setting up of the motor car industry at Detroit in America by Henry Ford, and at Oxford in England by William Morris was due to their attachment to these places as their birth places respectively.

(8) Political patronage: Political causes have the greatest influence in the concentration of industries. The patronage given by the Hindu and Muslim rulers led to the concentration of silk industry in Varanasi and ivory work in Delhi.

Localization has both advantages and disadvantages.

Advantages

When an industry is localized in a particular locality, it enjoys a number of advantages which are enumerated below.

(1) Reputation. The place where an industry is localized gains reputation., and so do the products manufactured there. As a result, products bearing the name of that place find wide markets, such as Sheffield cutlery, Swiss watches, Ludhiana hosiery, etc.

(2) Skilled Labour. Localization leads to specialization in particular trades, As a result, workers skilled in those trades are attracted to that place. The localised industry is continuously fed by a regular supply of skilled labour that also attracts new firms into the industry. Besides, there is the local supply of skilled labour which children of the workers inherit from them. The development of the watch industry in Switzerland, of the shawl industry in Kashmir- and of the brassware industry in Moradabad are primarily due to this factor.

(3) Growth of Facilities. Concentration of an industry in particular locality leads to the growth of certain facilities there. To cater to the needs of the industry, banks and financial institutions open their branches. Railway and transport companies provide special transport facilities which the firms utilise for bringing inputs and transporting outputs. Similarly. insurance companies provide insurance facilities and thus cover] risks of fire, accidents, etc.

(4) subsidiary Industries. Where industries are localised, subsidiary industries grow up to supply machines, tools, implements and other materials, and to utilise their by-products. For example. where the sugar industry is localised plants to manufacture sugar machinery, tools and implements are set up, and subsidiary industries crop up for the manufacture of spirit from molasses and for rearing poultry which utilise molasses in feed.

(5) *Employment Opportunities.* As a corollary to the above, with the localisation of an industry in a particular locality and the establishment of subsidiary industries, employment opportunities considerably increase in that locality.

(6) *Common Problems.* All firms form an association to solve their common problems. This association secures various types of facilities from the government and other agencies for expanding business, establishes research laboratory publishes technical and trade journals, and opens training centers for technical personnel. As a result, all firms benefit.

(7) *Economy Gains.* Localization leads to the lowering of production costs and improvement in the quality of the products when the firms benefit from the availability of skilled labour, timely credit, quality materials, research facilities, market intelligence transport facilities, etc. Besides, the trade gains through the reputation of the place, the people gain through larger employment opportunities, the government gain through larger tax revenue, and thus the economy gains on the whole.

Disadvantages

But localization is not an unmixed blessing. It has its disadvantages.

(1) *Dependence.* When an industry is localized in a particular locality, it makes the economy dependent for its requirements of the products manufactured there. Such dependence is dangerous in the event of a war a depression, or a natural calamity because the supplies of the products will be disrupted and the entire economy will suffer.

(2) *Social problems* localization of industries in a particular locality creates many social problems. such as congestion, emergence of slums, accidents, strikes, etc. These adversely affect the efficiency of labor and the productive capacity of the industry.

(3) *Limited employment* Where an industry is localized, employment opportunities are limited to a particular type of labour. In the event of a recession in that industry, specialized labour fails to get alternative employment elsewhere. Again, if such specialized labor organises itself into a powerful trade union, it can force the employers to pay higher wages which may raise the cost of production and adversely affect the industry.

(4) *Diseconomies.* With the passage of time. the concentration of industries in a particular locality, economies of scale may give way to diseconomies. Transport bottlenecks emerge. There are frequent power break-downs. Financial institutions are unable to meet the credit requirements of the entire industry due to financial stringency. Labour asks for higher wages and better living conditions. All these tend to raise costs of production and reduce production.

(5) *Regional imbalances* Concentration of industries in one region or area leads to the lop-sided development of the economy. When one industry is localised in a region, it attracts more entrepreneurs who establish other industries there because of the availability of infrastructure facilities like power, transport, finance, labour, etc. Thus such regions develop more while the other regions remain backward. Employment opportunities, the level of income, and the standard of living increase at a much higher rate in these regions as compared with the other regions of the country. The people of the backward regions feel envious and jealous of the people of the developed regions and the government has to start its own industries or encourage private enterprise to start industries by giving a number of concessions.