

Linkages Between Small and Large Scale Industries : Some Evidences from Gujarat

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I. Introduction

Co-existence of various scales of production is an important feature of the process of industrialisation. The growth experience of developed market economies reveals that small and tiny units have always been active partners in the process of industrial development and that inspite of the rapid growth of the large scale sector, small industry by no means disappears, rather, it invariably grows along with the large scale production.^{1/} As industrialisation proceeds there is a transformation of spheres between small and large scale production and of the functional relationship between them. The industrial sector would grow bringing in its fold changes in the scalar structure and establishing different types of inter-scale functional relationships viz., complementary, competitive and independent production. ^{2/} In a situation of free interplay of market forces the emerging scalar structure along with its typical functional linkages becomes a vehicle to speed up over-all efficiency through the built-in flexibility of the small scale production.

In the context of a developing country, where the economy operates under imperfect market conditions often leading to a dualistic structure, apart from technology and market, the institutional forces come into play in shaping the scalar structure and inter-scale functional relationship. As has been cogently argued in some quarters^{3/} the political economy of the country, as reflected in the asset/income distribution, welfare measures, industrial and other economic policies, determines to a significant extent the product-mix and technology choices. This in turn sets the basic conditions for the scalar transformation with its manifold implications for meeting the developmental objectives. Viewed in the above perspective, a study of the existing scalar structure - the types of inter-scale functional relationships and the modes of scalar linkages embodied in the scalar transformation and the institutional (non-market) forces influencing these changes - become vital to the understanding of the 'economics of scale'