

SUB-CONTRACTING IN THE SMALL INDUSTRY SECTOR :
EMPIRICAL EVIDENCE FROM LIGHT ENGINEERING AND
TEXTILE MANUFACTURING INDUSTRIES IN SRI LANKA

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The typical form of linkage between small industrial firms and large firms is observed in the sub-contracting system whereby parts and components, or sometimes completed products are made by sub-contractors in accordance with the job orders from large firms. This paper examines the inter-firm mechanisms between small and large industries in Sri Lanka. Data from a sample of small firms in two types of industries (fabricated metal and textile manufacturing) are used to illustrate the scale, nature and effects of current linkage arrangements. Particular attention is also focussed on the problems and constraints of developing an effective sub-contracting system in Sri Lanka. The relationship between the nature of firms and the sub-contracting linkage are also examined.

A major finding of the empirical work is that the weaker relationships exist between large and small industries. The strong links exhibit with respect to more organised and export oriented industries. The services rendered by the Sub-Contracting Exchange is also discussed in this paper and suggestions are being made to the effective utilization of its services. A closer co-operation should be created between the Sub-Contracting Exchange and public and private sector organisations. In the process of developing an effective sub-contracting system entrepreneurship development should also receive special priority.