

Impact of Small Scale Industries on Afghanistan's Economy

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Abstract

Industries and small scale industries in particular play a crucial role in the economic development of a country. This study which is based on secondary data was conducted to know the true impact of small scale industries on Afghanistan's economy. Throughout the history, the country has experienced many pages of downs and ups in terms of industrial revolution where many empires took actions in regard with industries and they have taken some steps in this regard and have been able to make Afghanistan a great and popular land in the region as being a land of industries. Especially in the era of Ghaznavian (10th – 12th centuries), the country witnessed great success in terms of industries e.g. in the areas of textiles, architectures, lithograph, tiles and so on. In the 18th century when the British Empire came to occupy Afghanistan, it lost many opportunities and the country took a backward turn. In the 19th century developmental steps were taken and industrial houses were made. Gradually they moved to the 20th century and some positive actions were taken, but due to political conflicts they again came to a halt. Till 2002 there were not much of development actions in terms of industries. As the study shows, it was only after 2002 that the government of Afghanistan made some special plans to develop industries. People started to work in small scale sectors like silk, felt, rug, wooden furniture etc. and create economic value for their country. Small scale industries contribute a lot to the economy of any country. It is a source of income and employment for people. The rural people are engaged with the sector and work independently. According to a survey, 70 per cent of the people consider the impact of the sector as positive, and more than 50 per cent say that the sector helps to eliminate poverty and bring economic development. Apart from all the positive impacts of small scale industries to the economy, the study shows that it faces many problems which need to be solved. The problems of lack of capital, infrastructure, organization, lack of skilled labor, security and strategic marketing are major impediments in the way of small scale industries in Afghanistan.

Keywords : Small Scale Industries, Economic Development, Handicrafts, Afghanistan

Classification-JEL : L16, L26, O25, O53

1. INTRODUCTION

The world is fast moving to be industrialized. It is the era of industries which gives energy to the wellbeing of human beings. Countries with better and strong industries have significant economic power and growth.

Therefore, we need to have the knowledge of industries, how to establish, manage and empower them for the purpose of making the region or country strong in terms of industries' production. Small scale industries also contribute to the economy by providing

reasonable opportunities. A small-scale industry is a project or firm created through a small budget or for a small group of people. A small-scale industry produces its goods using small machines, less power and hired labor. It is located within a single place and produces goods meant for few people. Small-scale industries are easy to start and manage given the minimal scale of production. They are set up to cater to the basic needs of the people within their vicinity. An example of a small-scale industry is a laundry to the individual needs of the people in the area in which it is located. These businesses require little commencing and operating capital. They require cheap labor that is easily found and their target market is the host community. The classification of the industry as large or small scale depends on the rate of production and the number of employees. An industry with a low rate of production and fewer employees is a small-scale industry. The industries play great roles in economic development. The industries help in alleviating poverty through provision of employment and other products.

Industry at all encompasses a little over 20 per cent of Afghanistan's official GDP. It remains relatively unsophisticated, with 90 per cent of manufacturing accounted for in agricultural processing. Productive industries have been successful. Afghan industrialists point out that the major constraints in their growth was unfair competition from neighboring countries, illegal dumping, export and customs problems, and non-tariff barriers that fly in the face of trade agreements. Nevertheless, a low-risk industrial policy was developed by the MOCI in 2011, to encourage the growth of small- and medium-enterprises (SMEs), substitute imports, increase exports, and to facilitate 'pro-poor growth'.

This paper tries to know the background of industries and their impact on Afghanistan's Economy. The research that we have done is descriptive in nature and based on secondary data collected from different sources, especially

from the Statistical Central Census of Afghanistan, internet, various reports, World Bank reports, magazines, etc. The objective of our study is to have an informative data analysis of the impact of industries (small scale) on Afghanistan's economy. The objectives of the study are listed below:

- a) To assess the contribution of small scale industries to the economy of Afghanistan.
- b) To highlight the opportunities for the region to empower the small scale sector.
- c) To highlight the challenges which have negative impact on the sector.
- d) To suggest recommendations which could work well for the upliftment of the sector.

2. LITERATURE REVIEW

Small scale industries play a crucial role in the economy of a country. They really help to bring economic health to countries. They contribute to GDP, employment, exports and so on. Therefore, people want to know the exact and real roles that industries play in economic development of a country and there have been many researches done in the field.

Philip Neck and Robert Nelson (1987) stated that, SSI was promoting economic and social development in Geneva. In many developing countries, implementation of industrial policies were discriminating against the small firms. The identified issues were unemployment, more of government regulations, financial availability, advanced technology and low productivity of small firms.

Rajiv Jain (1989), observed that, the industrial policy has initiated development in backward areas in the country. It was related to the shape of ancillaries. The ancillarization concept creates higher employment, dispersed investment and high per capita income. It also provides consultancy services in various aspects of management. Government promotes SSI, by way of being the single and largest purchaser of SSI products and training facilities to workers.

Mali (1998) observed that small and medium enterprises (SMEs) and micro

enterprises have to face increasing competition in the present scenario of globalization. They have to specifically improve themselves in the fields of management, marketing, product diversification, infrastructural development and technological up gradation.

Bala Subrahmanya (2004) highlighted the impact of globalization and domestic reforms on small-scale industries sector. The study stated that small industry had suffered in terms of growth of units, employment, output and exports. The researcher highlighted that the policy changes had also thrown open new opportunities and markets for the small-scale industries sector. He suggested that the focus must be turned to technology development and strengthening of financial infrastructure in order to make Indian small scale industry internationally competitive and contribute to national income and employment.

Dixit and Pandey (2011) applied co-integration analysis to examine the causal relationship between SMEs output, exports, employment, number of SMEs and their fixed investment and India's GDP, total exports and employment (public and private) for the period 1973-74 to 2006-07. Their study revealed positive causality between SMEs output and India's GDP.

Ankit Garg and Ashima Garg (May, 2015) had done a research on relationship between information & communication technologies and small scale industries. The research helps us to know how to improve manufacturing capacity through the use of technology systems. They came to the conclusion that apart from government and private sectors, the information system provides crucial help to small scale industries and through which we can take the benefits of technology by applying it in the small scale industry units and this brings competitive advantage and enhanced productivity.

Sangita G. Patil¹, Dr. P.T. Chaudhari, (April, 2014) have done a research on problems

of small scale industries and the findings are summarized here. Small scale industries play a vital role in the development of economy, mainly in developing countries. If small scale industrial sector is developed other economy related problems can be dissolved automatically. But these small scale units have to face so many problems while competing with other large scale industries. If these problems are solved then this sector can prove itself as an engine for development.

D. Sathish Kumar et al., (April-June, 2016) developed the idea that it is only through industrial policies that we can encourage entrepreneurial development. The authors suggested that industrial policy must be focused on managerial assistance, financial assistance, and technological assistance to small scale entrepreneurs.

Smt. K. Shashikala (November 2016), states that the policy makers, Government and financial institutions have understood the importance of small scale industries' role in economic development. Hence the Government is providing a number of assisting schemes, subsidies and financial support to the small scale industry units.

Mohd. Jamsheed (2016), has done a research on handmade industries of Afghanistan. He stated that the small scale industries contribute a lot to the economy of the country, both in terms of employment and exports. He found that the major problems are lack of proper organization and skilled labour. He suggests that the government of Afghanistan must take appropriate actions to help and support small scale industries.

3. DATA ANALYSIS AND DISCUSSION

a) **Economy Overview** : Afghanistan's economy is recovering from decades of conflict. The economy has improved significantly since the fall of the Taliban regime in 2001, largely because of the infusion of international assistance, the recovery of the agricultural sector, and service sector growth. Despite the

progress of the past few years, Afghanistan is extremely poor, landlocked, and highly dependent on foreign aids. Much of the population continues to suffer from shortages of housing, clean water, electricity, medical care, and jobs. Criminality, insecurity, weak governance, lack of infrastructure, and the Afghan Government's difficulty in extending rule

of law to all parts of the country pose challenges to future economic growth. Afghanistan's living standards are among the lowest in the world. The international community remains committed to Afghanistan's development, pledging over \$67 billion at nine donors' conferences between 2003 and 2010. In July 2012, the donors at the Tokyo conference

TABLE 1
Afghanistan's Fact Report

1.	GDP (Purchasing power parity)	\$62.32 billion (2015 est.) \$61.53 billion (2014 est.) \$59.46 billion (2013 est.)
2.	GDP (official exchange rate)	\$20.84 billion (2014 est.)
3.	GDP - real growth rate	1.5 per cent (2015 est.) 1.3 per cent (2014 est.) 3.9 per cent (2013 est.)
4.	GDP - per capita (PPP)	\$1,900 (2015 est.) \$2,000 (2014 est.) \$2,000 (2013 est.)
5.	Gross national saving	23.9 per cent of GDP (2015 est.) 29.2 per cent of GDP (2014 est.) 30.4 per cent of GDP (2013 est.)
6.	GDP - composition by sector	Agriculture: 24 per cent Industry: 21 per cent Services: 55 per cent Note: Data exclude opium production (2014 est.)
7.	Labour force	7.983 million (2013 est.)
8.	Labour force - by occupation	Agriculture: 78.6 per cent Industry: 5.7 per cent Services: 15.7 per cent
9.	Unemployment rate	35 per cent (est.)
10.	Industries	Small-scale production of bricks, textiles, soap, furniture, shoes, fertilizer, apparel, food products, non-alcoholic beverages, mineral water, cement, hand-woven carpets, natural gas, coal, copper etc.
11.	Industrial production growth rate	1.2 per cent (2014 est.)

Source : World Bank/World Fact Book

pledged an additional \$16 billion in civilian aid through 2015. Despite this help, the Government of Afghanistan will need to overcome a number of challenges, including low revenue collection, anemic job creation, high levels of corruption, weak government capacity, and poor public infrastructure.

Afghanistan's growth rate slowed markedly in 2014-15. Here are some related figures which are taken from the World Bank Reports and World Fact Book.

b) Industry in Afghanistan: Afghanistan's industrial sector was still at an infant stage at the time of the Soviet invasion. The bitter fighting that ensued disrupted the emerging industrial structure and hurt many industries. In comparison with agriculture, industry made relatively small contributions to GDP and employment-about 21 and 10 percent, respectively, in 1982. The public sector dominated the industrial scene, but private enterprise still flourished in handicrafts and small-scale concerns. Afghanistan's industry was primarily concerned with processing local agricultural raw materials and mining local mineral resources. Apart from the difficult security situation, the economy confronted substantial constraints impeding rapid industrial growth. These related to the country's very poor income level, poor investment infrastructure, weak transport facilities and geography. There was little experience in management and a serious shortage of technical skills. Outside observers, however, felt that Afghanistan still had some comparative industrial advantages because of its low labour costs and the potentially large supplies of agricultural raw materials as well as mineral resources. The Afghan government placed a very high priority on industry. Industrialization was perceived as a means of improving the physical quality of life and also transforming the social relationships of the country.

As the facts and economic data show there is a significant portion of the GDP and

employment which is contributed by industries. The chart shows that 21 per cent of GDP is generated by industry. The figures are taken from World Bank which shows a very poor portion of industry contribution to employment and GDP. If the industrial sector is developed, lots of people might be employed in the sector. But unfortunately due to many reasons this sector employs only 5.7 per cent of labour force.

Fig 1
Composition of GDP in 2014

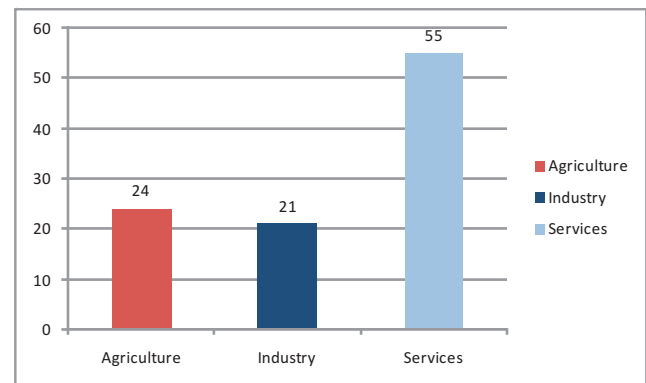
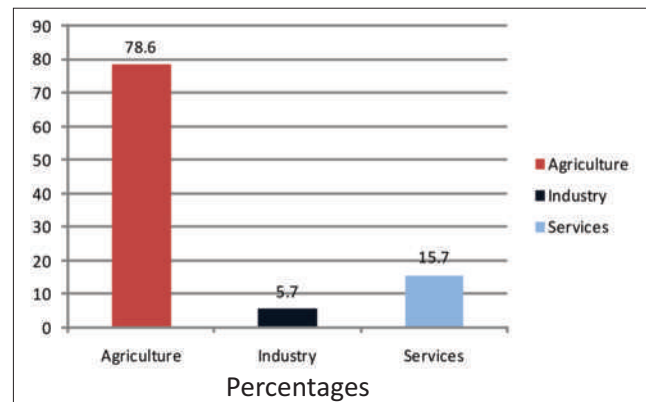


Fig 2
Employment Pattern



The above discussion leads us to the fact that industries in Afghanistan are not in a good condition. Political situations, conflicts and various other challenges do affect them adversely which leads to their poor contribution to the country's economy.

4. SMALL SCALE AND HANDICRAFT INDUSTRIES

a) Overview and History: Industries play a significant role in the economic development of any country. In Afghanistan also it plays the same role, but unfortunately the conditions and

political situation have reduced its importance. Despite all the barriers, the small scale industries provide lots of opportunities for the economic development of the country like employment, balance of trades, exports and so on. The history of small scale industries dates back to thousands of years ago when people were engaged in the sector. The sector provides variety of products ranging from food items to non-food items and machinery. According to sources there are about 120 types of industries which come under the small scale industries and handicraft industries.

Throughout the history, Afghanistan has witnessed many improvements in terms of industries and particularly handicrafts. Thousands of years ago Afghanistan was a region of networks or means of connection of different parts of the world. Many countries and empires have invaded Afghanistan. Despite all the obstacles, the country moved towards industrialization. But, recently due to war and conflicts, the country was forced into backwardness and virtually no development. After Sikandar, Geriko Bakhtari came to Afghanistan and left lots of industrial signs and effects, especially in the area of constructing buildings, coins and metal dishes. The signs could be found in Bagram, Surkh Kotal and Bamiyan – Afghanistan.

When Arabs came to Afghanistan in the seventh century, there was a lot of development in the industrial sector. They brought many positive changes in terms of industries in the country and made Afghanistan a popular land in the region. Especially in the era of Ghaznavian (10th – 12th centuries), the country witnessed great success in terms of industrialization. In this era, industries were developed in the areas of textile, architecture, lithograph, tiles and so on.

In the 18th century when the British Empire came to Afghanistan the sector lost lots of development opportunities and went hundred years back. This was because the British were importing goods to Afghanistan and

discouraging investment on the industrial front. In the 19th century many industrial houses were established. In the 20th century, textile industry developed. Afghanistan was now exporting to foreign markets. And finally the sector moved towards installations and fixation of machinery as well. Afghanistan was on the threshold of a new age of development. However wars, weakening economy and political instability took the country backwards.

b) Contribution of Small Scale and Handicraft Industries to Afghanistan's Economy: As we know, the country remained in a state of stagnant economy during the British era even when the rest of the world was growing and moving to an era of economic prosperity. The borders were closed and the connection to the world was broken. Afghanistan was living in the dark ages. Finally, there was some hope and after 2001 the government took initial steps to encourage industries, especially small and medium enterprises. Village industry planning was initiated and people were encouraged to engage in industrial and manmade activities as public or even private enterprises and individually as entrepreneurs. The small scale industries are of different types and are discussed below:

i) Silk Industry : The industry dates back to thousands of years and kept thousands of families in business. The once flourishing silk trade that Afghanistan was so proud of has been threatened by cheaper foreign imports. Supply routes and exports of silk were effectively cut off during the Afghan-Russian war of 1979-89. The industry was further diminished under the Taliban, which refused women access to factory work. Herat is the place where most of the silk production process takes place and therefore, after the Taliban, the government has taken initial steps to encourage them. They have provided some 5,050 silkworm boxes to several districts to revive silk production in the region. The silk industry contributes a lot to the economy of Afghanistan, especially in terms of employment and exports.

ii) Felt Industry : Felting is a unique and ancient industry in Afghanistan. The art of felting has nearly 5,000 years history in Afghanistan and people in Afghanistan have been associated with this art since ancient times. Felt has always been used as a unique soft and warm cloth in the past and people in remote regions and in the villages would prefer to wear clothes made of felt. Felt is prepared in different shapes and sizes and with different colors and decorations. Afghanistan is a mountainous country and till date modern means of transportation have not been expanded in the remote regions of the country. People use animals as means of transportation between villages and towns and felt plays an important role in preparing different types of packsaddles for animals to carry the goods. Felting industry is basically located in the southern regions of Afghanistan while carpet industry is dominant in the northern parts of the country.

iii) Gilim/Drugget or Durries Industry : Gilims are flat woven carpets that can be found as carpets, wall hangings and saddle bags (now also used as bicycle bags). They are very sturdy and usually come in deep wine red with multicolored patterns. As with other weavings and carpets different qualities can be found. The rug shops also offer a wide selection of Uzbek Gilim-Kunduz (woven rugs) which is a local specialty. Gilims in Afghanistan contribute a lot to the economy. People use it as a means to cover their rooms, sell to others and export it to other countries.

iv) Karakul Skin Industry: Afghanistan's karakul is recognized as being most superior in quality and therefore commands the highest price in the world market. The northern region of Afghanistan is the central collection point for these lambskins which form one of the country's principle export items. Shops selling karakul skins are situated on the bazaar street of most of the cities in the Northern Provinces. The sector employs a lot of labour force. The products are exported to foreign countries. This contributes positively to the Balance of Trade of Afghanistan.

v) Wooden Industry: Wooden industry plays a crucial role in the economy of Afghanistan. This sector employs lots of labour force and generates households' income. The products of this sector are wooden doors, dishes, statues, and any other artistic item which could be used for decoration.

vi) Rug Industry: Rugs/Carpet making in Afghanistan is a craft of great antiquity for which the country is justly famous. Before 1978, Afghanistan's Rugs/Carpets ranked fifth amongst the country's exports. Rich in form and color, the flat-woven, hand-knotted and felt creations woven by highly-skilled Turkmen, Uzbek, Hazara, Aimed, Kirghiz and Baluch craftsmen once represented the highest quality in Central Asia. Daulatabad is a famous rug center just north of Maimana, and Shahkh, near Qaisar, to the west. Rug is the main product of export in Afghanistan.

5. **SMALL SCALE INDUSTRIES AND THEIR CONTRIBUTION TO RURAL AFGHANISTAN**

Rural development is the process of improving the quality of life and economic well-being of people living in relatively isolated and sparsely populated areas. Rural development has traditionally centered on the exploitation of land-intensive natural resources such as agriculture and forestry. However, changes in global production networks and increased urbanization have changed the character of rural areas. The need for rural communities to approach development from a wider perspective has created more focus on a broad range of development goals rather than merely creating incentives for agricultural or resource based businesses. Education, entrepreneurship, physical infrastructure and social infrastructure all play an important role in developing rural regions. Rural development is also characterized by its emphasis on locally productive economic development strategies.

Afghanistan is a country of villages and its development is synonymous with the

development of the people living in rural areas. Afghanistan with a population of around 30 million needs to focus more on the rural population. But a big part of this population has been leading an uncertain economic life due to non-synchronization of employment opportunities in agriculture sector because of many reasons like political and economic instability. For a very long time there was no attention paid on the development of villages. Rural development has been receiving increasing attention of the governments across the world. Afghanistan, as a country of villages, also has taken some initial steps for development of rural areas and improving the quality of life. Some of the important initiatives undertaken by the government of Afghanistan are discussed below:

a) Afghanistan Rural Enterprise Development Program : The Afghanistan Rural Enterprise Development Program (AREDP) plan is conceived and implemented by the Ministry of Rural Development and covers most parts of the country. The main aim of this plan is to create employment opportunities for both men and women in rural Afghanistan through entrepreneurship and small scale industrial activities. The plan empowers women through provision of loans & microfinance and training & development programs to rural women.

b) Generating Employment Opportunities in Rural Afghanistan through Rural Industrial Activities: Since 2002, there has been significant development in Afghanistan's industrial sectors. The Government also focuses on villages to lead them towards industrial activities. The steps which have been taken helped them well and significant results can be seen in rural areas. Lots of employment opportunities are being created and labour force is easily employed. At all, there has been a great and real contribution to the rural economy, and considerable incomes are generated for rural households. The plans and programs also empowered women to utilize their competencies and earn income thereof. There has been a survey (2016), on how the

small and handicraft industries contribute to the economic condition of rural Afghanistan. The survey was done through distribution of questionnaires and the findings show that most of the rural people have a positive answer for industrial planning and industrial activities. Some questions from the survey and the responses thereof have been discussed here.

The first question was asked to know about the impact of small scale industrial planning on the development of villages in Afghanistan. 70 per cent of the respondents believed that industrial planning has a positive impact. Another question was asked to know how much did the industrial planning help to eliminate poverty from rural Afghanistan. 51 per cent of the respondents said that it greatly helped to eliminate poverty and 38 per cent of the respondents believed that the industrial planning and program will help to eliminate poverty and bring sustainable development to some extent. According to this survey, 65 per cent of the respondents believed that this certainly empowers women in the rural areas of Afghanistan. On the other hand, 30 per cent of the respondents said that there is no relationship between industrial planning and women empowerment.

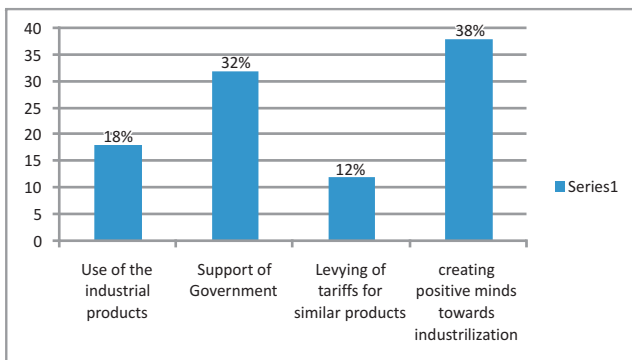
In the survey people were asked questions to know that how could the Government support rural industrial products and activities to bring increased productivity. The respondents considered many factors to be kept in mind for the support and upliftment of rural industrial products and activities.

In the last question of the survey the researcher wanted to know about the main problems in the implementation of rural industrial planning and policies. 60 per cent of the respondents said that lack of security is the major issue and it creates problems for industrial activities. 20 per cent of the respondents blamed the local people. They blamed localites for their ignorance and indifferent attitude towards industrial planning

and implementation. 12 per cent of the respondents believed that unskilled people are the real problem. 8 per cent of the respondents said that lack of communication and proper information about industries and their impact on economic development is the main barrier to implementation of the industrial plan. However, most of the respondents said that the impact of small and handicraft industries on the overall economy of the country is positive and remarked that such kind of plans can lead the country towards industrialization and good economic health.

Fig 3

Factors critical for the support of industrial products



Source : Author's Own

6. INDUSTRIAL PARKS AND THEIR ASSISTANCE TO THE SMALL & MEDIUM SCALE INDUSTRIES

Industrial parks serve as a means of organizing the small industries and individuals to come together in a specific place to perform economic activities in an organized manner. Industrial parks are usually located on the edges of, or outside the main residential area of a city. Industrial parks are usually located close to transport facilities, especially where more than one transport modes coincide, including highways, railroads, airports and ports. One such example would be the large number of industrial estates located in Mazaar-e-Sharif in the northern part of Afghanistan. The idea of setting land aside through this type of zoning is based on several concepts. Some of the reasons for such industrial parks to come up are mentioned here. Firstly, through such parks, it is possible to

concentrate dedicated infrastructure in a limited area to reduce the per business expense of that infrastructure. Secondly, these industrial parks are good to attract new businesses by providing facilities. They set aside industrial practices from urban areas in an effort to reduce their environmental and social impact. They also provide for localized environmental controls that are specific to the needs of an industrial area. The history of industrial parks in Afghanistan dates back to 1975. The first industrial park was made in Kabul-Pol-e Charkhi, which was made by the support of India. The second one was made in Bagrami, then in Heart, Afghanistan. After that, industrial parks came up in some other provinces like Mazaar-e-Sharif and Kandahar. Industrial parks in Afghanistan help in the industrial development and contribute a lot to the economy of Afghanistan. Some of them are discussed below:

a) Balkh Industrial Parks: There are two industrial parks in Balkh province, namely Gorimar industrial park and Dasht-e-Shadyaan industrial park. The Gorimar industrial park has 186 acres of land which is divided into 131 houses. There are 86 factories that have their operations running. The infrastructure and electronic power supply are adequate. The Dasht-e-Shadyaan industrial park has 1900 acres which is divided into 173 houses. There are 119 factories that have their operations functional. According to reports, there are many producing or processing factories which are engaged in providing a range of products and commodities to the people of the country at reasonable prices. These factories provide employment opportunities to thousands of people. If all the sectors of the industrial parks of Mazaar-e-Sharif start to operate well, they certainly will lead to self-sufficiency of the region and also contribute to the economic welfare of people of Afghanistan. A list of industries operating in the industrial park of Mazaar-e-Sharif is provided below.

b) Herat Industrial Park: The establishment of Herat industrial park is one of the most

TABLE 2
List of Industries Operating in the Industrial Park of Mazaar-e-Sharif

No. of Companies	Type of Industry
10	Production of Ice
10	Cold Drings
14	Carpets & Rugs
24	Building Materials
10	Production of Plastics
4	Leather Products
6	Oil, Shampoo, Soaps
6	Carton Production
4	Salt Production
3	Dry Fruit Processing
6	Production of Biscuits & Sweets

Source : Author's Own

prominent and positively influencing opportunities for Afghanistan's Small Scale Industries. As Herat is already an industrialized region as compared to other parts of Afghanistan, people are interested to invest in this province for better profit opportunities. Herat has two international borders and this provides a big opportunity for investments. Apart from this industrial park, there are many other factories which are operational and producing across the city which helps in the economic development of the country. The park is situated 15 Km. away from the city with 410 houses each encompassing between 2.5 to 5 acres. The park has more than 173 factories in operation. Apart from this park, there are 63 more factories operating across the city with 75 more to be established. The products and commodities which these factories are producing are Plastics, Food Item Processing, Sweets, Flour & Bread, Oil, Tomato Sauce, Fruit Processing, Cold Drinks, Wooden Products, Dairy Products, Skin & Leather Processing, Cartons, Detergents & Shampoo, Foot Wear, Paper, etc. These factories employ lots of labour force.

Overall, they have a significant and positive impact on the national economy of Afghanistan.

7. FINDINGS AND RELATED PROBLEMS

We have seen that the small and handicraft industries play a significant role in the economic development of the country. We gathered information from many sources and finally we found that small and handicraft industries are a big sector for employment opportunities. A number of people are engaged in the sector and have chosen their occupation in this sector. The findings also show that small and handicraft industries are the main source of income for rural Afghanistan. Women in rural Afghanistan are employed in making carpets and other handicraft industries which leads them to self-sufficiency and household economic independence.

As the discussion shows, Afghanistan is slowly but steadily growing as far as industrialization is concerned. Especially the small scale industries are growing in a significant manner. The government of Afghanistan has taken initial steps to help empower people through SME activities. It has introduced some plans for rural Afghanistan for empowering villagers, both men and women. As a result of this, there have been significant improvements where about 21 per cent of GDP is contributed by industries in which most of the contribution is attributed to Small Scale Industries. The sector looks very bright for future investments. The sector's earning capacity motivates people to invest in such regions and encourage them towards entrepreneurship.

Apart from all the contributions and positive impacts, the sector faces many problems. The study reveals some problems associated with the sector and these hurdles are a reason for concern. Some of these problems are: Imposition of tariffs on newly established industries, lack of investment capital, lack of proper management, lack of skilled labour force, import of similar products, lack of full government support, unavailability of proper

markets, lack of proper industrial rules and regulations, lack of sufficient industrial parks, infrastructure problems and security concerns. It is only when these problems and risks facing the sector are mitigated through proper planning and implementation we could see the actual potential impact of this sector on Afghanistan's economy.

8. SUGGESTIONS

Some of the recommendations which could prove to be useful in the removal of impediments and upliftment of small scale industries are provided below.

a) Provision of supportive loans & credits: The government of Afghanistan should encourage private sector to open credit providing organizations in different parts of the country. This will provide people an easy access to capital for investments in the sector.

b) Training: Training & Skill Development programs must be conducted by undertaking long term and short term industrial courses.

c) Marketing: Production is important but the most important key to success in the world of business is marketing and selling of products. Promotion and awareness activities should be undertaken at the international as well as domestic level to make known their industrial products.

d) Efficient organization: Capital and human resources do not work well until and unless they are well organized. Afghanistan is rich in terms of resources but poor in terms of organization. Emphasis needs to be given to bring up more advanced and hi-tech industrial parks of small scale industries. An increased focus needs to be applied to develop modern-day well organized industries in Afghanistan.

e) Public private partnership: Public and private sectors need to go hand in hand. The small scale industrial sector needs more support from the center and local governments. However, at the same time, private players need to contribute as well to the development of this sector. If this happens, it would be good for the

economy of Afghanistan in general and small scale industries in particular.

f) Government policies: Domestic industries need to be encouraged by purchasing more and more of their products. The government of Afghanistan should impose higher tariffs for similar products coming from foreign countries. People should be encouraged to buy domestic products. Provision of subsidies to domestic industries can help in cost reduction. This in turn will lead to lower prices of domestic products which could trigger domestic purchase.

g) Encouraging the rural sector: The responsible and donor institutions should encourage investors for investments in rural parts of the country. Opportunities should be recognized and gaps need to be filled for the development of the rural industrial sector.

h) Women empowerment: Women are one half of the overall society. We cannot ignore their contribution to the economic activities. Therefore, women in Afghanistan must be empowered through provision of loans and microfinance. Subsidies and supportive rewards must be provided to them to encourage their participation in industrial and economic activities.

i) Adequate infrastructure: Afghanistan suffers from lack of infrastructure and electricity. Therefore, there is a need to take some special steps for overcoming these problems. A sound and healthy infrastructure is necessary to help the small scale sector going.

9. CONCLUSION

The words 'industry' and 'development' are closely related. When we talk of industries it reminds us of development. But Afghanistan is an agriculture-based economy engaging a majority of the work force. Only 21 per cent of its GDP is generated by industries in which the small scale industries contribute largely. About 6 per cent of the work force is employed in industries which is very less as compared to other sectors.

The history of small scale industries dates back to centuries ago when different empires came to Afghanistan. Some of them took enhancing steps and some of them created barriers. In the era of Ghaznavian (10th – 12th centuries), the country witnessed great success in terms of industries. In the 18th century, when the British Empire came to Afghanistan, there was not much of industrial progress. In the 19th century, developmental steps were taken and industrial houses started to come up. Some positive and concrete actions were taken in the 20th century but due to political conflicts all the progress came to a standstill. It was only in the early part of 21st century that the perception of people started to change. The country wanted to be industrialized. Meanwhile, the political situation turned better and the government set developmental plans for industrial progress.

There are many types of small and handicraft industrial sectors in the country which employ a significant number of employees and contribute to the economic development of the population. The government of Afghanistan also laid emphasis on rural industries' development to help rural

people and villagers by means of employment. This also helped women in rural Afghanistan and empowered them economically. The growing rural industrial sectors in Afghanistan play a significant role in the economic development of the country and could gradually lead them towards self-sufficiency.

Thus the small scale industries in Afghanistan have a positive contribution to the nation's economy. However, the sector faces many problems which need to be solved and solved quickly. The problems of lack of capital, infrastructure, organization, lack of skilled labour, security, marketing, etc. need to be resolved if they are to talk about any future growth of the small scale industrial sector.

The paper concludes with some suggestions to remove the impediments in the way of progress of small scale industries in Afghanistan. Some of the suggestions are in providing credits and banking services, good infrastructure, security, encouragement programs, training and development programs, sound organization and marketing programs.

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