Factors Affecting Location Of Industries:

Generally, the location of industries is influenced by economic considerations though certain non-economic considerations also might influence the location of some industries. Maximization of profit which also implies cost minimization is the most important goal in their choice of particular places for the location of industries. Let us learn about various factors affecting location of industries.  
  
**There are several factors that pull the industry to a particular place.** **Factors Affecting Location Of Industries are:**

1. Availability of raw materials
2. Availability of Labour
3. Proximity to Markets
4. Transport Facilities
5. Power
6. Site and Services
7. Finance
8. Natural and Climatic Considerations
9. Personal Factors
10. Strategic Considerations
11. External Economies
12. Miscellaneous Factors

**Let us learn the factors affecting the location of industries in detail below:**

**1. Availability of raw materials:** In determining the location of an industry, nearness to sources of raw material is of vital importance. Nearness to the sources of raw materials would reduce the cost of production of the industry. For most of the major industries, the cost of raw materials forms the bulk of the total cost. Therefore, most of the agro-based and forest-based industries are located in the vicinity of the sources of raw material supply.

**2. Availability of Labour:** Adequate supply of cheap and skilled labor is necessary for the industry. The attraction of industry towards labor centers depends on the ratio of labor cost to the total cost of production which Weber calls ‘Labour cost of Index’. The availability of skilled workers in the interior parts of the Bombay region was one of the factors responsible for the initial concentration of the cotton textile industry in the region.

**3. Proximity to Markets:**Access to markets is one of the important factors affecting location of industries that the entrepreneur must take into consideration. Industries producing perishable or bulky commodities which cannot be transported over long distances are generally located in close proximity to markets.  
Industries located near the markets could be able to reduce the costs of transport in distributing the finished product as in the case of bread and bakery, ice, tins, cans manufacturing, etc. Accessibility of markets is more important in the case of industries manufacturing consumer goods rather than producer goods.

**4. Transport Facilities:** Transport facilities, generally, influence the location of industry. Transportation with its three modes, i.e., water, road, and rail collectively play an important role. So the junction points of waterways, roadways, and railways become humming centers of industrial activity.  
Further, the modes and rates of transport and transport policy of the Government considerably affect the location of industrial units. The heavy concentration of the cotton textile industry in Bombay has been due to the cheap and excellent transportation network both in regard to raw materials and markets.

**5. Power:** Another factor influencing the location of an industry is the availability of cheap power. Water, wind, coal, gas, oil, and electricity are the chief sources of power. Both water and wind power were widely sought as sources of power supply before the invention of the steam engine.  
  
During the nineteenth century, nearness to coal fields became the principal locating influence on the setting up of new industries, particularly, for heavy industries. With the introduction of other sources of power like electricity, gas, oil, etc. the power factor became more flexible leading to dispersal and decentralization of industries.  
  
Let us dive further and learn some more factors affecting the location of industries.

**6. Site and Services:** The existence of public utility services, the cheapness of the value of the site, amenities attached to a particular site like the level of the ground, the nature of vegetation, and the location of allied activities influence the location of an industry to a certain extent.  
The government has classified some areas as backward areas where the entrepreneurs would be granted various incentives like subsidies, or provision of finance at a concessional rate, or supply of power at cheaper rates, and provision of education and training facilities. Some entrepreneurs induced by such incentives may come forward to locate their units in such areas.

**7. Finance:** Finance is required for the setting up of industry, for its running, and also at the time of its expansion. The availability of capital at cheap rates of interest and inadequate amounts is a dominating factor influencing industrial location.  
For instance, a review of the locational history of the Indian cotton textile industry indicates that the concentration of the industry in and around Bombay in the early days was mainly due to the presence of rich and enterprising Parsi and Bhatia merchants, who supplied vast financial resources.

**8. Natural and Climatic Considerations:** Natural and climatic considerations include the level of the ground, the topography of a region, water facilities, drainage facilities, disposal of waste products, etc. These factors sometimes influence the location of industries.  
  
For instance, in the case of the cotton textile industry, the humid climate provides an added advantage since the frequency of yarn breakage is low. The humid climate of Bombay in India and Manchester in Britain offered great scope for the development of the cotton textile industry in those centers.

**9. Personal Factors:** In deciding the location of industrial units, sometimes an entrepreneur may have personal preferences and prejudices against certain localities. For instance, Mr. Ford started to manufacture motor cars in Detroit simply because it was his hometown. In such cases, personal factor dominates other considerations. However, this kind of domination is rare.

**10. Strategic Considerations:** In modern times, strategic considerations are playing a vital role in determining industrial location. During war-time, a safe location is assuming special significance. This is because in times of war the main targets of air attacks would be armament and ammunition factories and industries supplying other commodities which are required for war. The Russian experience during the Second World War provides an interesting example.

**11. External Economies:**External economies also exert considerable influence on the location of industries. External economies arise due to the growth of specialized subsidiary activities when a particular industry is mainly localized at a particular center with port and shipping facilities.  
  
External economies could also be enjoyed when a large number of industrial units in the same industry were located in close proximity to one another.

**12. Miscellaneous Factors:** Historical incidents also play a dominating role in determining the location of industries in certain cases. The development of the cotton textile industry in Lancashire provides an interesting example of this. Further, the size of an industrial unit would also have much influence in choosing a location.  
  
This is because the size of industrial units depends upon the radius of the circle within which they can profitably distribute their goods and upon the density of the population living within the circle.