

CHAPTER VI

THE FINANCIAL THREATS OF FOUNDRY INDUSTRIES

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CHAPTER VI

THE FINANCIAL THREATS OF FOUNDRY INDUSTRIES

6.1 INTRODUCTION-

In previous chapter researcher tries to discover the financial strengths, opportunities and weaknesses of foundry industries in Palus surrounding are.

In present chapter an attempt is made to highlight the financial threats faced by the foundry industries. Threats or problems arising in foundries are external which makes them sick.

The Government has been encouraging the establishment of new industries by providing varied incentives and liberal financial assistance, on the other hand industrial sickness among these units has been spreading, resulting in the closure of many. The National census of small scale industries 1972 reported that 38 per cent of registered units (98047) were either not traceable or permanently closed.

6.2 FINANCIAL THREATS-

According to various studies industrial sickness has spread widely in these years. There are many causes account for their sickness. Such as inadequate planning of production, persistent recessionary conditions long standing shortage of raw materials and power technological obsolescence etc.

Threats are the unfavorable conditions arising in external environment of the industry financial threats means the external problems faced by the industry. External problems means the problems can not be control or not in hands of industrialist.

So financial threats means the external problems raised in getting the necessary funds in time and at lower interest rates.

As per the survey the research found that there are no much financial problems faced by the foundries. Only the problem of interest rate and lengthy procedure of getting loan are faced by the foundries.

6.3 PROBLEM OF BORROWING-

Borrowing means getting the necessary funds from external sources of foundry. The main external sources of borrowing used by the foundries us bank and financial institutions.

The foundries are borrowed mainly from Palus Co-operative Bank Ltd. Palus, IDBI, SIDBI, etc.

Table No. 6.1 gives the information about different problems of borrowing and number of units faced that problems for that purpose researcher provides the multiple responses to the owners, managers of foundries.

TABLE 6.1
PROBLEMS OF BORROWING

Sr. No.	Problems/Threats	No. of units	Percentage
1	Insufficient amount of loan	4	26.6
2	Untimely availability of loan	12	80.0
3	Higher interest rates	15	100.0
4	Procedure is lengthy	12	180.0

Multiple responses permitted.

Table No. 6.1 clears that there are main four problems faced by the foundries related to loan. Out or 15 foundries 4 foundries, (26.6%) gives response to insufficient amount of loan. 12 foundries (80%) responses

that untimely availability of loan and procedure is length all 15 foundries (100%) gives responses to higher interest rates.

As per the responses given by the founders it is clear that most of the foundries get the sufficient amount of loan from banks and financial institutions but the main threats are that loan is not available in time and whatever loan they get is with higher rate of interest. And also they give response for procedure of getting loan is very lengthy.

6.3.1 INSUFFICIENT AMOUNT OF LOAN-

Insufficient amount of loan means, whatever the requirement of the foundry about the funds is not fulfilled reasons are different but they didn't get required funds from banks, out of 15 foundries, 4 foundries (26.6%) responses to insufficient amount of loan.

6.3.2 UNTIMELY AVAILABILITY OF LOAN-

Most of foundries not get the loans in time because the procedure of banks for providing loans is very lengthy foundries have to provide number of documents to banks as per the requirements of loan and loan amount they also have to keep some mortgage with bank.

As per the founders in fulfilling the requirements of banks lots of time is wasted. Out of 15 founders, 12 founders (80%) responses that untimely availability of loan because the procedure is lengthy.

6.3.3 HIGHER INTEREST RATE-

Banks provide loans to foundries with interest rates, as per all the founders (15,100%) that whatever the interest rates bank charge are higher.

Table no. 6.2 shows the range of interest rates and number of units charged between that interest rates.

TABLE NO. 6.2
RATE OF INTEREST

Sr. No.	Problems/Threats	No. of units	Percentage
1	10 % TO 11 %	1	6.6
2	12 % TO 13 %	1	6.6
3	13 % TO 14 %	11	73.4
4	14 % TO 15 %	2	13.4
	Total	15	100.0

So above table clears that out of 15 foundries 1 foundries get loan at interest rate between 10 to 11% 1 foundry (6.6%) charge rate of interest between 12to 13 11 foundries (73.4%) foundries get loan at interest between 13 to 14 and 2 foundries (13.4%) get loan at interest rate between 14 to 15%

It was found in survey that above mentioned interest rates are change according to bank and period of loan (Short-term or long term)

6.4 OTHER EXTERNAL PROBLEMS/THREATS-

Although innumerable foundry industries have come up during the last two decades, many of them facing several problems and are still struggling to success. The foundries are facing following external problems.

Raw material: scarcity

Labor: Unskilled labor

Taxation: Heavy Taxation

License: Obtaining of License

Table No. 6.3 Shows the information about the other problems which poses the threats in their development.

TABLE NO. 6.3

OTHER PROBLEMS FACES BY FOUNDRIES

Sr. No.	Problems/Threats	No. of units	Percentage
1	Licensing	7	46.6
2	Raw Material	15	100.0
3	Heavy Taxation	9	60.0
4	Labor	15	100.0
5	Competition	12	80.0

Multiple Responses permitted.

The above table NO. 6.3 elaborates the details about the other various problems (other than financial) faced by 15 foundries. The problems are multiple however they are noted in the table. Mainly there are five problems faced by the foundries.

6.4 PROBLEM OF OBTAINING LICENCE-

While researcher approached the 15 foundries most of them i.e. 7(46.6%) foundries replied that they faced the problem of licensing before starting their unit they had to take permission for a license from the industrial department of state local bodies etc. So while obtaining the license from local bodies, they had spend lots of energy time and money.

6.4.2 PROBLEM OF RAW MATERIAL-

Out or 15 foundries all the foundries facing the problem of raw material.

Raw material is the input which is used to produce finished products, all the founders reply that the core raw material required for foundries is not available within the region. They have to purchase is from Goa, Kerala, Karnataka etc.

The important raw material required for foundries are hard core lime stone silica sand, different ingots, chemicals etc. All these materials are not available in the region.

Another problem relating to raw material is tremendous increase in the prices of raw material.

6.4.3 HEAVY TAXATION-

The foundries also have the major problem of heavy burden of taxation. The raw materials are subject to octopi duties and finished product to sales tax. They are paying regularly all taxes such as excise, income tax, custom duties, etc.

Out of 15 foundries found that 9 foundries (60%) were facing the problem of taxation. At present most of the foundries are making complaints regarding the heavy rate of octopi. Recently the sales tax and other taxes were replaced by VAT. However there is no uniformity in it and it is also making confusion in the implementation of VAT process.

6.4.4 LABOUR PROBLEM-

Small scale units by nature are much more labor intensive than the large scale industries. In a country like India where there is a surplus labor from agriculture sector, the favorable condition for the supply of labor to SSI

However supply of skilled and trained labor is the main problem faced by the foundries. All the 15(100%) foundries faced labor problem. They replied that due unavailability of skilled and trained labor they hire unskilled labor and give them on the job training which consumer lots of time and energy.

Another problem relating to labor that they are not available during the agriculture season. And also replied that they have more tendency of absenteeism on festivities occasional leaves etc.

6.4.5 COMPETITION-

In today's world competition is increasing at very faster rate. There is no field which remains without competition even there is period of recession in world wide, number of foundries are emerging competition is increasing in this field also due to bright future and good source of earning money number of people establishing the foundries.

Here the problem raised with the existing foundries that new foundries have to make their place in the market and for that purpose they supply the casting at lower rate also. Which creates problem to other foundries to bring down the price of their casting. It was observed that out is foundries 12 foundries (80%) facing the problem of competing

Even though there are number of strengths and opportunities available to foundries. They are facing different weakness and threats which create constraints in their development process.