

**A STUDY ON FINANCIAL PROBLEMS OF MINING UNITS AT
KARUR DISTRICT IN TAMILNADU**

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ABSTRACT

All kind of Problems Leads to Financial Problems. Due to the distinct nature of small pocketed opencast mining owners cannot procuring financial assistance form organised lending institutions. Unorganised sources of lending institutions for a very high rate of interest. These high rate of interest suck the profit and emasculate the business.

KEY WORDS

According to the present study 36% of respondents strongly agree that they had to create borrowings to discharge the borrowings already. 48% of respondents reveals that the interest of borrowings from unorganized sources.

INTRODUCTION

From the ancestor's stage to today, the stones and minerals play a vital role in the growth of human being. In the industrial point of view, any kind of raw material is derived from earth. It may be of agriculture or mining or from sea resources. Among these the mining and mineral resources form the back bone of the country for industrial growth. Because, the minerals as a part of natural resources cannot be re-equipped every year as that of seasonal crops. Once if it is extracted it could never be re-equipped, Also formation or deposition of minerals are required for day to day functioning of industries in an recurring way. Hence, at most of care is need to be exercised in the extraction of minerals and their utilization. For the proper exploration and to avoid exploitation of minerals several legislations are administered by Central and State Government.

"Mineral is an inorganic substance having a definite chemical composition and certain characteristic properties".¹ Indians were using minerals from Pre-vedic age. Even though the mining activities were increased in this century. In 1890 International Labour Organisation Conference was held at Berlin under the Secretary of state for India attended. Arising out of this conference the secretary of State for India Mr. Lord Cross suggested to the Government of India to pass the legislation for inspection of mines, for the regulation of employment of worker there in such as children, for the safety blasting and for the environmental protection.

Government of India appointed Mr.James Grindly one of the Majesty's Inspector of mines in England to inspect the Indian mines to report and recommend regulation for the protection of mines. At the end of 1894 Mr.Grindly recommended some regulations for working of mines and for maintenance of sanitation in mines. "In the beginning of twentieth century India extract eleven kinds of metallic minerals and forty five kinds of non-metallic minerals. At that time India was self sufficient in thirty six minerals which constitute the primary raw materials for various industries"²

"There were 4383 mines in India at the end of 2006 out of which 338 were captive and 4045 were non captive mines"³ There has been a remarkable growth in the production of important minerals and metals over the last decade. In the non-metallic minerals "the world notable occurrences are found in twenty one countries. India has twelve percentage of world occurrences of non-metallic mineral."⁵ Most of these resources are found in south states . In Tamil Nadu Quartz, Feldspar and Lime stone mines are found in Karur district.

Process of Mining

The manual operated mines are owned by small mining owners. They do not have much of knowledge about the modernization and technical upgradation. It is observed that many small scattered pocket mineral deposits. Which are not feasible for large mining industries and hence small mining owners are concentrating in the small mines.

Statement of problem

Mining is one of the potential business in Karur district and is one among the important contributors to the local economy. The unit owners have lots of opportunities to take lease for mining purpose in Karur district. As like other industries, the mining industry having Leagal Problems, Labour Problems, Transportation Problems, Technology Problems and Marketing Problems all these problems lead to Financial Problems.

Though financial institutions and banks are lending for various Industries, the mining unit owners are not able to acquire finance from organized sources. Because of their nature of business, no banking sector provide financial assistance to this industry. These unit owners required large amount of capital for various reasons. Specifically, to compete with the fellow owners and take on lease lands for mining they need sizeable ready money in their hands. This situation warrants them to borrow from unorganized sources at a high rate of interest.

Objectives of the Study

1. To analyse the financial problems faced by mining labourers and owners.
2. To find out the steps taken by mine operators and to suggest the effective extraction of non renewable resources.

Research methodology

There are eighty four mining units located in different area of Karur District. According to complete enumeration method, the entire population of eighty four mining units were studied. Data have been collected from the all mining units by using schedule.

Primary data

The researcher collected primary data by using the schedules. On the basis of which the researcher interviewing the mine owners and employees. Besides, the researcher gathered data by meeting the Director, Revenue Inspector and other officials of mining department.

Secondary data

Secondary data refers to already collected and recorded information available. The researcher collected the secondary data from IBM seminar papers, mining Association magazines, Annual reports of mining industries, Circulars and Government Orders of mining department of India and text books.

Period of the study

The study has been conducted for a period of ten years. From 2008-09 to 2017-2018

Operational Definition

The concept of finance has changed for time circumstances. For convenience of analysis the financial problems are categorized into three groups. That is requirements, sources and impact of finance.

Fixed capital requirement

Every business whether small or medium or large own and use fixed assets. Similarly the mining units also has certain level of fixed assets. Some of these are purchased at inception of business and the remainder purchased subsequently.

At the inception of mining units its fixed assets and fixed capital are identical. Over a period of time the value of fixed capital exceeds the value of fixed assets land, lease permit, vehicles, tools, equipments and office building are the fixed assets of mining units.

Working capital requirement

Working capital is a circulating capital. There are four types of working capital namely "Gross working capital, net working capital, fixed working capital, fluctuating working capital."²⁶ The working capital represents that portion of the total capital of an unit. Which is invested to keep moving without any stoppage. The success of small units is mostly depend on the availability of adequate working capital to carry on production without interruption. In the mining units the working capital is required for wages, freight , fuel, blasting expenses and communication expenses.

Financing of commercial banks

In recent times the commercial banks has become increasing the policy of pumping large financial resources into small industrial units. To provide the loan facilities the central bank authority appointing field staff to assess the credit requirement and risk involved in financing of small industrial units. To start more small industrial units the government setup the National Equity Fund in Aug. 1987. but it provide equity supports to the area with the population is below five lakhs.

The requirements of mining units is not only for establishing new projects. It is needed for the purpose of rehabilitation of small viable sick units. " government of India recommended the establishment of an All India Small Scale Industrial Bank to help the commercial banks to grant the soft loans to small industrial units"²⁷ Under this scheme also commercial banks are provide loan facilities to small units.

The Government lending institutions namely Small Industrial Development Corporation (SIDCO), National Small Industrial Corporation (NSIC) and the Tamil Nadu Industrial Investment Corporation (TIIC) are providing long term credit for purchasing fixed assets. "Thakker recommended bank credit to small scale industries in view of the fact that they have large employments"²⁸. Efforts should be made to accelerate their transformation from traditional to modern methods of extraction to make these units economically viable.

The mining units are chiefly depend on the private financial institutions and money lenders. They cannot borrowing from banks and other government financial institutions. Because of the lack of knowledge they are not approach any banks for their credit, and their credit requirement also very differ from other industrial units. The need must be fulfilled within a hour. Otherwise they loose their opportunities. Similarly they do not know when the opportunity will arise. Even though they need adequate consultancy services to acquire the loans from banks and Government financial institutions. Because the interest rate of unorganized source is very high.

Impact

The small scale industries based on local resources which has the lot of impact in economy. " The small industries need credit for the purpose of adoption of modern techniques. It also reduces the cost of production and on the other hand improve the quality and increase the profit"²⁹. Impact of mining units regarding the finance is adverse or unfavorable. Commercial banks provide short term loans for working capital requirements of mining units. On the other hand working capital finance is extended by way of facilities known as cash credit, over drafts, private finance institutions and money lenders. Most of units in Karur district has been suffering from inadequate credits sanctioned by banks for their working capital. The banks are adhering strict regulations to provide loans. The increased cost of salary, wages, freight, fuel are the working capital problems of mining units.

The working capital turnover periods are very lengthy in mining units. Some time they are arrested with one or two buyers. On that occasions the dues of salary outstanding, bank over draft,

CHI-SQUARE TESTS

NYP There is no association between years of business and capital Investment. Tabulation

		Capital Investment					Total
		<500000 Rs.	500000 Rs. To 1000000	1000000. to 2000000 Rs.	2000000 To 2500000 Rs.	>2500000 Rs.	
	1< 5 years	2	3	2	6	1	14
	5 to 10 years	2	5	7	10	2	26
Years of business	10 to 20 years	2	6	1	9		
						1	19
	20 to 25 years	3	6	2	4	0	15
	< 25 years	1	5	3	1	0	10
	Total	10	25	15	30	4	84
Chi-Square Tests							
			Value	df		Asymp. Sig. (2-sided)	
	Pearson Chi-Square		13.553	16		.632	
	Likelihood Ratio		15.519	16		.487	
	Linear-by-Linear Association		4.628	1		.031	
	of Valid Cases		84				

The expected count (76.0%) less than 5. The minimum expected count is .48.

Degrees of Freedom = 16

Chi Square Value = 13.553

Table value = 34.3

The Distribution is not significant.

Result :

Hence the value is less than the table value we accept the hypothesis.

There is no association between years of business and capital Investment.

		Level of satisfaction about capital investment					Total
		Highly Satisfied	Satisfied	Moderate	Dis-satisfied	Highly- dissatisfied	
	< 5 years	0	3	5	4	2	14
	5 to 10 years	2	4	8	5	7	26
Years of business	10 to 20 years	4	3	5	7	0	19
	20 to 25 years	0	5	2	7	1	15
	> 25 years	0	1	2	7	0	10
	Total	6	16	22	30	10	84
Chi-Square Tests							
			Value	df	Asymp. Sig. (2-sided)		
	Pearson Chi-Square		26.868	16	.043		
	Likelihood Ratio		29.692	16	.020		
	Linear-by-Linear Association		.000	1	.999		
	N of Valid Cases		84				

ChiSquare Value = 26.868
 Table Value = 34.3
 The Distribution is not significant.

Result:
 There is Hence no association the x2 value between is less years than of the business table value and level we accept of satisfaction the hypothesis about capital investment.

		Level of satisfaction about capital investment					Total
		Highly Satisfied	Satisfied	Moderate	Dis satisfied	Highly dissatisfied	
Organizational	Sole proprietor ship	0	3	13	26	3	45
Structure	Partnership	5	13	9	4	4	35
	Joint stock company	1	0	0	0	3	4
Total		6	16	22	30	10	84
		Value	df	Asymp. Sig. (2-sided)			
Pearson Chi-Square		46.838	8	.000			
Likelihood Ratio		45.858	8	.000			
Linear-by-Linear Association		5.587	1	.018			
N of Valid Cases		84					
8 cells (53.3%) have expected count less than 5. The minimum expected count is .29.							

Degrees of Freedom = 8 Chi Square Value = 46.838
 Table Value = 22.0
 The Distribution is significant.

Result :
 Hence the x2 value is greater then the table value we reject the hypothesis.
 There is association between organizational Structure and level of satisfaction about capital investment

CROSS TABULATION

Particulars		Strongly Agree	Agree	Moderate	Disagree	
	< 5 years	1	12	0	1	14
	5 to 10 years	0	19	7	0	26
years in the		0	16	3	0	19
Business	10 to 20 years					
	20 to 25 years	0	10	5	0	15
	> 25 years	0	7	3	0	10
	Total	1	64	18	1	84
Chi-Square Tests						
		Value	d f		Asymp. Sig. (2-sided)	
	Pearson Chi-Square	15.572	12		.212	
	Likelihood Ratio	15.554	12		.213	
	Linear-by-Linear Association	1.326	1		.249	
	N of Valid Cases	84				
14 cells (70.0%) have expected count less than 5. The minimum expected count is .12.						

Degrees of Freedom = 12

ChiSquareValue = 15.572

TableValue = 28.3

The Distribution is not significant.

FINDINGS

The findings related to financial problems dimension. 36% of the respondents had invested a capital of Rs.20,00,000 to 25,00,000. 36% of the respondents were dissatisfied with the level of satisfaction. Towards capital investment 50% of the respondents it was certainly right that additional capital could improve extraction. 41% of the respondents responded the procedure required much greater mobilization of capital. 41% of the respondents strongly approved that they were able fulfill the formalities for borrowing from government financial institutions. According to 48% of the respondents the rate of interest of borrowing from unorganized sources was very high. 36% of the respondents strongly agreed that mine owners had to create borrowings to discharge the borrowings already. 29% of the respondents responded that it was certainly right they had to maintain the maximum of capital investment as a cash reserve. 33% of the respondents agreed that the mechanized system of mining was not suitable for their return.

CHI-SQUARE FINDINGS FOR THE POSITION OF MINING UNITS

Association between years of business and capital Investment was not significant where owners with a capital investment of Rs.20,00,000 - 25,00,0000 had nearly 5 - 10 years of experience.

Association between years of business and level of satisfaction about capital investment was not significant where majority of the respondents having 5 – 10 years of work experience had moderate level of satisfaction towards capital investment.

Significant association between organizational Structure and level of satisfaction about capital investment shows that majority of the sole proprietors were dissatisfied with the level of satisfaction of

capital turnover of majority of the mine owners was 1.59-3.66 volume and the majority of the sole proprietorship owners were highly dissatisfied.

Association between monthly turnover and process of mobilization of capital was not significant and shows that majority of the respondents felt there was much greater mobilization of capital with a monthly turnover of Rs.750000 1000000.

Association between total extraction of minerals per month and having additional capital can be improve extraction was not significant and shows that majority of them extracting 250 - 300 tones per month responded having additional capital could improve extraction.

PATH ANALYSIS

Regression

When Financial Problem goes up by 1, Labour Problem goes up by 0.274. 5.

When Labour Problem goes down by 1, Monthly turnover goes up by 0.219.

SUGGESTION

It is seen that most of the mine owners neither have knowledge nor financial strength for systematic exploitation of these deposits. It appears necessary that adjoining mines can be grouped together and can engage out side technocrats and equipment on pool basis which solve the lack of finance on technical side. The banking sector must adopt the modified formalities to provide the loan assistance for various industries. Lead bank of selected district must notify the lack of financial assistance to this industry.

So that, the banks and government financial institutions are providing loan facilities with reasonable rate of interest, the mining units have to depend on the private financial institutions and money lenders, to fulfil their requirements. Moreover, the private financial institutions need no legal formalities and they can get funds within a short period of time. Their nature of business does not help them to fulfil the formalities of the Government financial institutions.

CONCLUSION

41% of respondents strongly approved that they are not able to mobilize the capital from Government financial institutions because of innumerable procedures and formalities.

So that, the banks and government financial institutions are providing loan facilities with reasonable rate of interest, the mining units have to depend on the private financial institutions and money lenders, to fulfil their requirements. Moreover, the private financial institutions need no legal formalities and they can get funds within a short period of time. Their nature of business does not help them to fulfil the formalities of the Government financial institutions.

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