



## Inventory Management –a Vital Function In Manufacturing Industry

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### Abstract:

*Inventory management is an integral part of a successful business. Inventories typically consist of good, raw materials & finished products. Each of these elements translates into money for the business owner. The key to profitability is a carefully balanced inventory.*

*Inventory Management is an important area of both production management & financial management & plays a crucial role in such managerial function as cost control & cost reduction in a manufacturing unit.*

Inventory constitutes the largest proportion of current assets in a business organization. Inventory management is more important because inventory cost is the only area which can afford an easy scope for cost reduction & cost control. Inventory management can go along way in improving the productivity & production of a manufacturing organization & raising its volume of profit.

Effective inventory management plays a critical role in the smooth & efficient running of any business. Reducing excess inventory & investing in the right inventories lead to improved customer service, increased inventory turnover reduced costs & increased profitability.

Inventory management System provides information to efficiently manage the flow of materials, effectively utilize people & equipment, coordinate internal activities & communicate with customers. Inventory management does not make decision or manage operations they provide the information to managers who make more accurate & timely decisions to manage their operations.

### OBJECTIVES OF STUDY:-

- 1) To examine various types of inventory in selected organization.
- 2) To Study the purchase procedure of organization.
- 3) To study store management function in selected organization

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**METHODOLOGY ADOPTED:-**

I) Methods of data collection.

a) Primary data :-

Primary data is first hand data hence it is original in nature. It was collected with informal interview & face to face discussion with department head and Use of questionnaires.

b) Secondary data :-

Secondary data will be collected from various document maintained by Store departments, Purchase department, Account department, Annual Reports of the organization.

**II) Sample Design :-**

A Sample design was a definite for obtaining Sample from a given population. Some proposed assumption in the sample design were as follows :-

- 1) Type of universe in proposed study is finite one.
- 2) The sample set for proposed study is in industrial area of Kolhapur.
- 3) The parameter of interest was utensils manufacturing units.

Therefore on the basis of judgmental sampling method sample of 6 utensils manufacturing units from different location are selected for the present study.

**RESULTS & DISCUSSION:-**

1) Organizational structure is determines how information flows from level to level within the company .It is to be noted that the sample units are employing centralized & combination system.

Organization structure of material department means framework of the management process of material department. Organizational structure is determines how information flows from level to level within the company .It can be suggested to organization, they need a professional person who is head of department & look after the function of material department

2) Two sample units have separate material planning & programming section. Especially all the sample unit having strategic planning for material requirement . Further it is noted that all the units consider the internal factor while planning for material.

It can be suggested to four organization they needed a separate material planning & programming section .Because with proper material planning it is possible to achieve high inventory turnover, To achieve continuity of supply.

3) 4 sample units place their future material requirement on monthly basis & 2 sample units place material requirement on quarterly basis.

4) All sample units faces the problem of inventory shortage but it is very rarely & same units have occasionally.

5) All sample units needed improvement in material planning & programming.

6) In the three organizations there is independent purchase section for purchasing activity. In two organizations there is centralized purchase system for purchase department & three organizations have combination system & one organization have Decentralized purchase system. Centralized organization structure in purchase department seems to be more practical.

It can be suggested to three study units they needed a separate purchase section. Purchase is one of the important function of material management inventory organization.

7) Majority of sample units adopted strategic purchasing planning procedure further it is explained that majority of the sample units considers method like purchasing strictly based on requirement & market purchasing is above average important. As also in majority of sample unit the purchasing for specific future

period, speculative purchasing & consider average important.

8) Five sample units use local market for their material purchases.

Further it is explained as majority of the sample unit considers factor like credit facility is most important factor, reliable price good relation with supplier easily available in time & easily communication as the above average important factor for purchasing material from local market where as factor like main market for material is below average important factor for material purchase.

9) Tender system in purchasing of material is not practice in all sample units. Where as in all the organization cash purchase system mostly use for purchases.

10) Three sample units prepare purchase budget & majority of them prepare annual budget for material purchase.

11) In the all organization there is centralized structure for their store and three units adopted tagging of labeling method for quick & easy finding of materials from stores & two units adopted stamping method for finding of material. Further it is noted that four organizations there is independent store room & in-charge store keeper because of large size of inventory is keep.

12) In all organization materials are classified into certain categories and stored separately under the different section.

13) It is seems that five sample units have practice of calculation of average stock level for controlling inventory. And majority of sample units consider factors like locking system, clear identification material, protection against waste damage is most important while determining store layout.

14) The three units have separate inspection section but the four sample units have practice. Inspection of material further it is noted that majority of sample units use 100% inspection method for material inspection.

It can be suggested to all study units that to take inspection of received material & material in stock. It helps to know the actual position of stock.

#### **IMPLICATIONS OF THE STUDY**

1) In industry Purchasing plays a vital role and helps for maximation of profit of the organization. Utensils industry in particular if purchases materials in bulk gets benefits of discount and reduce transportation and other cost. It also gives benefits during material shortages in market & when material prices are high.

2) Tender system in purchases for utensils industry helps maintaining good relationship with suppliers .it also help in determining competitive buying price for the organization.

3) Organization get advantages if they prepare purchases budge and act accordingly that is objective of buying materials in right price is served.

4) Organizations get advantages if they maintain separate storeroom and store keeper. Store keeping ensures continuous supply of material to the various departments without any delay and without causing any stoppage in the production activities.

5) Organizations get advantages if they maintain separate storing section which helps for easy access of material.

#### **CONCLUSION:**

Inventory management gives right flow to business, it increase profit of business. Inventory management helps for planning and controlling inventory from raw material stage to customer. Inventory management reduces cost and increase profitability, improved customer services, increased inventory turnover

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