

Literature Survey:

[1] Abramovitz & Modigliani, Franco (1957), "Business Reasons for Holding Inventories and Their Macro Economic Implications", Problems of Capital Formation, Studies in Income and Wealth, Vol. 19, NBER, pp. 495-511.

They highlighted the relationship between capacity utilization and inventory investment. Existing stock of inventories was expected to adjust to the desired levels. Thus the variable, existing stock of inventories, was essential to be negatively related with the desired stock. The result was that there is positive relation among the ratio of inventory to sales and inventory investment. High ratio of stocks to sales in the past suggests requirement of high levels of inventories in the past and promising high investment in inventories in the current period also.

[2] Chadda, R.S (1964), "Inventory Management in India", Allied Publishers, Bombay, 1964.

Study had been made on inventory management practices of Indian companies. The analysis suggested application of modern scientific inventory control techniques like operations research. These modern scientific techniques furnish opportunities for the companies, Companies can minimize their investment in inventory but there is continuous flow of production. He argued that industrially advanced countries, like, USA, were engaged in developing highly sophisticated mathematical models and techniques for modernizing and redefining the existing tools of inventory investment.

[3] Capkun, Vedran, Hameri, Ari-Pekka & Weiss, Lawrence A. (2009). On the relationship between inventory and financial performance in manufacturing. International Journal of Operations & Production Management, vol.29, iss.8, pp.789–806.

Statistically analysed the relationship between inventory performance and financial performance in manufacturing companies using the financial information of a large sample of US-based manufacturing firms over a 26-year period, that is, 1980 to 2005. They inferred that a significant relationship existed between inventory performance along with the performance of its components and profitability. Raw material inventory performance was highly correlated to gross profit and operating profit. Work in progress inventory was highly correlated to gross profit measures while finished goods inventory performance was more correlated with operating profit measures.

[4] Edwin Sitienei, Florence Memba(2015-16) " The Effect of Inventory Management on Profitability of Cement Manufacturing Companies in Kenya: A Case Study of Listed Cement Manufacturing Companies in Kenya" International Journal of Management and Commerce Innovations Vol. 3, Iss. 2, pp. 111- 119.

Conducted a study on Effect of Inventory Management on profitability of Cement Manufacturing Companies in Kenya. The study concluded that Gross profit margin is negatively correlated with the inventory conversion period, Increase insales, which denotes the firm size enriches the firm's inventory levels, which pushes profits upwards due to optimal inventory levels. It is also noted that firms inventory systems must maintain an appropriate inventory levels to enhance profitability and reduce the inventory costs associated with holding excessive stock in warehouses.

[5] Eneje, B. C., Nweze, A .U. & Udeh, A. (2012). Effect of Efficient Inventory Management on Profitability: Evidence from Selected Brewery Firms in Nigeria. International Journal of Current Research, vol.4, iss.11, pp.350-354.

Investigated the effects of raw materials inventory management on the profitability of brewery firms in Nigeria using a cross sectional data from 1989 to 2008 which was gathered for the analysis from the annual reports of the sampled brewery firms. Measures of profitability were examined and related to proxies for raw materials inventory management by brewers. The Ordinary Least Squares (OLS) stated in the form of a multiple regression model was applied in the analysis. The study revealed that the local variable raw materials inventory management designed to capture the effect of efficient management of raw material inventory by a company on its profitability is significantly strong and positive and influences the profitability of the brewery firms in Nigeria. They concluded that efficient management of raw material inventory is a major factor to be contained with by Nigerian brewers in enhancing or boosting their profitability.

[6] Gaur, Jighyasu & Bhattacharya, Sourabh. (2011). The relationship of financial and inventory performance of manufacturing firms in Indian context. California Journal of Operations Management, vol. 9, iss.2, pp.70–77.

Attempted to study the linkage between the performance of the components of inventory such as raw material, work in progress and finished goods and financial performance of Indian manufacturing firms. The study revealed that finished goods inventory as inversely associated with business performance while raw material inventory and work in progress did not have much effect on same. They emphasised that instead of focusing on total inventory, an attempt should be made to concentrate on individual components of inventory so as to adequately manage the same. They concluded that managers not paying heed to inventory performance may become weak in combating competitors.

[7] Gaur, V., Fisher, M. & Raman, A. (2005).” An econometric analysis of inventory turnover performance in retail services”. Management Science, vol.5,iss.2, pp.181–194.

In their study examined firm-level inventory behaviour among retailing companies. They took a sample of 311 public-listed retail firms for the years 1987–2000 to examine the relationship of inventory turnover with gross margin, capital intensity and sales surprise. They observed that inventory turnover for retailing firms was positively related to capital intensity and sales surprise while inversely associated with gross margins. They also suggested models that yield an alternative metric of inventory productivity, adjusted inventory turnover that can be used in study of performance analysis and managerial decision-making.

[8] Srinivasa Rao Kasisomayajula(2014) "An Analytical Study on Inventory Management in Commercial Vehicle Industry in India", International Journal of Engineering Research, Vol.3, Iss.6, pp.378-383.

An analytical study was conducted on "Inventory Management in Commercial Vehicle Industry In India". A sample of five companies' was selected for study. The study concluded that all the units in the commercial vehicle industry have significant relationship between Inventory and Sales. Proper management of inventory is important to maintain and improve the health of an organization. Efficient management of inventories will improve the profitability of the organization.

[9] Madishetti, Srinivas & Kibona, Deogratias. (2013). Impact of inventory management on the profitability of SMEs in Tanzania. International Journal of Research in Commerce & Management, vol.4,iss.2, pp.1–6.

Found that a well designed and executed inventory management contributes positively to a small or medium-sized enterprises (SMEs) profitability. They studied the association between inventory conversion period and profitability and the impact of inventory management on SMEs profitability. They took a sample of 26 Tanzanian SMEs, and used the data from financial statements for the period 2006–2011. Regression analysis was adopted to determine the impact of inventory conversion period over gross operating profit. The results cleared out that significant negative linear relationship occurred between inventory conversion period and profitability.

[10] Nyabwanga, Robert Nyamao & Ojera, Patrick. (2012). Inventory management practices and business performance for small scale enterprises in Kenya. KCA Journal of Business Management, vol.4,iss.1, pp.11–28.

They Highlighted the association between inventory management practices and business performance of small scale enterprises (SSEs), in Kisii Municipality, Kisii County, Kenya. They used a cross-sectional survey study based on a small sample size of 79 SSEs. The study inferred that inventory comprised the maximum portion of working capital, and improper management of working capital was one of the major reasons of SSE failures. The empirical results disclosed that a positive significant relationship existed between business performance and inventory management practices with inventory budgeting having the maximum influence on business performance ensued by shelf-space management. The study suggested that by following effective inventory management practices business performance can be enhanced.