LITERATURE SURVEY

ABSTRACT:

Inventory Management is a crucial aspect of managing a company successfully. Inventory is a vital part of current assets mainly in manufacturing concerns. Huge funds are committed to inventories as to ensure smooth flow of production to meet consumer demand. Maintaining Inventory also involves holding or carrying costs along with opportunity cost. An efficient inventory management ensures continuous production by maintaining inventory at a satisfactory level. It also minimizes capital investment and cost of inventory by avoiding stock-pile of product. Efficient and Effective Inventory Management goes a long way in successful running and survival of business firm.

KEYWORDS:

Inventory Management, Survival, Working Capital, Liquidity and Profitability.

INTRODUCTION:

The present paper focuses on the review of existing literature in the field of Inventory Management which helps in capturing both conceptual and research based studies. A Number of studies have been conducted to find the determinants of investment in inventories and the process is still going on. The present study is the summary of critical points of a particular topic consisting of essential findings as well as theoretical and methodological contributions. My paper shall discuss conceptual studies of both Indian and other nationals.

ABRAMOVITZ AND MODIGLIANI (1957)

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.

KRISHNA MURTHY (1964)

Study was aggregative and dealt with inventories in the private sector of Indian economy as a whole for the period 1948-61. This study used sales to represent demand for the product and suggested the importance of accelerator. Short term rate of interest had also been found to be significant.

R.S. CHADDA (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 in vestment 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.

NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH (NCAER) (1966)

Conducted a study in 1966 regarding working capital management of three industries namely cement, fertilizer and sugar. This study mainly devoted to ratio analysis of composition, utilization and financing of working capital for the period of 1959 to 1963. The study reveals that inventory constituted a major portion of working capital i.e. 74.06 per cent in the sugar industry followed by cement industry (63.1%) and fertilizer industry (59.58%). It was observed that inventory had not managed properly. So far as the utilization of working capital was concerned, cement and fertilizer industry had better implementation of working capital. The sugar industry had huge accumulation of stocks so there was inefficient utilization of working capital heavily.

KRISHNAMURTY AND SASTRY (1970)

It is the most comprehensive study on manufacturers' inventories. They used the CMI data and the consolidated balance sheet data of public limited companies published by the RBI, in order to analyse each of the major components, like the raw materials, goods-in-process and finished goods, for 21 industries over the period ranging from 1946-62. The study was a time series one although there were some inter-industry cross-section analyses that were carried out in the analysis. The Accelerator represented by change in sales, bank finance and short-term interest rate was found to be an important determinant. The utilisation of productive capacity and price anticipations was also found to be relevant in the study.

GEORGE (1972)

It was the study on cross section analysis of balance sheet data of 52 public limited companies for the period of 1967- 70. Accelerator, internal and external finance variables were considered in the formulation of equations for raw materials including goods-in-process inventories. However, equations for finished goods inventories conceive only output variable. Deliberation was given on accelerator and external finance variables.

Mishra (1975)

It is the study of six major public sector enterprises. He concluded that (i) inventory constitutes the most important component of working capital of public enterprises (ii) efficiency of working capital funds employed in receivables is terribly low in the selected enterprises and (iii) In all units both the current assets and the quick ratios are greater than their standards. Enterprises need proper control on receivables.

LAMBRIX AND SINGHVI (1979)

Adopted working capital cycle approach in working capital management, also suggested that investment in working capital can be optimized and cash flows can be improved by reducing the time frame of physical flow starting from the receipt of raw material to the shipment of finished goods, i.e. inventory management, and by improving the terms and conditions on which firm sells goods as well as receipt of cash **Lal (1981)** He studied Modi Steels Limited as a case study, his study focused on inventory management. He originated a model which involve price variable in inventory management; earlier price variable in inventory was not considered in that company. The analysis recommended solid policies, which would look after internal and external factors, ultimately it would help in bringing in efficient working capital management. **Farzaneh (1997)**

Presented a mathematical model, to assist the companies in their decision to switch from EOQ to JIT purchasing policy. He defines JIT as "to produce and deliver finished goods just in time to be sold, sub-assemblies just in time to be assembled in goods and purchased material just in time to be transformed into fabricated parts". He highlights that the EOQ model focuses on minimizing the inventory costs rather than minimizing the inventory. Under the ideal condition where all the conditions meet, it is economically better off to choose the JIT over the EOQ because it results in purchase price, ordering cost. **Rich Lavely (1998)**

Asserts that inventory means "Piles of Money" on the shelf and the profit for the firm. However, he notices that 30% of the inventory of most retail shops is dead. Therefore, he argues that the inventory control is facilitate the shop operations by reducing rack time and thus increases profit. He also elaborates the two types of inventory calculations that determine the inventory level required for profitability. The two calculations are “cost to order” and “cost to keep”. Finally, he proposes seven steps to inventory control. **Dave Piasecki (2001)**

GAUR, FISHER AND RAMAN (2005)

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.

S. SINGH (2006)

Analysed the inventory control practices of single fertilizer company named IFFCO. He statistically examined the inventory system with consumption, sales and other variables along with growth of these variables and inventory patterns. He concluded that an increase in components of inventory lead to an increase in the proportion of inventory in current assets. A special focus was made on stores and spares in order to calculate excess purchases resulting in loss of profit.

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