

A Study on Effectiveness of Inventory Management on Malappuram Co- Opeartive Spinning Mill Ltd, Malappuram

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Abstract

Inventory plays most important part of current asset which used by majority of the companies. The company uses various type of inventories like raw material, work in progress, finished goods, stock of packing material, stock of consumable spare and stores. most of companies invest more on the inventory when compare to other inputs. The proper maintenance of assets the firm to earn profit and maintain the liquidity and reserves. The study on the topic inventory management helps to understand the procedures followed for maintaining the inventories at Malappuram co-operative spinning mill ltd. The study is conducted for the period of 45 days, to analyse inventory turn over ratios and trend analysis and EOQ which helps to evaluate or identify the efficiency and problems related to the inventory management. The objective of the study the level of inventory and profitability.

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I. INTRODUCTION

Inventory is the largest asset of business. It is stock of item used in business. Inventory represent one of the most important asset that business possesses, because the turnover of the inventory represents one of the primary source of revenue generation and subsequent earnings for the company's shareholder and owner. Inventory is very vital to every company that is without inventory company wouldn't survive. Inventory meant for 'production and for economy in cost.

Keeping inventory is the sufficient stock will help to face lead time component, demand and supply fluctuation and any unforeseen circumstances in the procurement of materials. Inventory is such a think that will pile up and creep into the area of profits to turn them as losses and can put the company in red. It is therefore, necessary to have control over inventory to save the company from piling up inventories and to avoid losses. Better said than done, is the word that suits inventory control.

• INDUSTRY PROFILE

In India cotton textiles industries which are over a quarter century old. They play an important role in the economy producing nearly 50000million meters of cloth and earning huge foreign exchange by export. unfortunately the industry faces a very high competition with their profit margin pricing of finishing product is depends on availability rate of cotton, supply and demand export obligation, Govt. registration, extent modernization and obviously the management ability and so on. The cotton textile industry is the largest industry in the organized structure of manufacturing.

• COMPANY PROFILE

Name of the company	: The Malappuram co-operative spinning mill Ltd.
Date of Registration	: 28 th October 1975
Company started on	1979
Production started on	1980
New settlement	: 29 th November 2005
Type of organisation	: A co-operative society registration under kerala Co-operative Act 1969
Industry category	: medium scale unit
Main production	cotton yarn & cotton polyester mixed yarn
Authorized capital	15 cores
Number of employees	300

II. LITERATURE REVIEW

Phull. Seema & Lawton (2016) the study states that every inventory does not have equal advantages in the business. It is difficult for the company to know various inventories and their cost that affect the success of the firm. The has to comprehend the product and location in which from the inventory is required.

Ahmad Kamilah & shafie Mohamed zabri (2006) the inventory management act as a factor in identifying how company controls its inventory flow. In micro enterprises they maintain inventory both systematically and unsystematically. The main activity of micro enterprises is to buy and store the inventory, knowledge and skill of the manager plays a major role in proper control of the inventory.

Shin & seungae (2015) the study which was conducted in the manufacturing organisation revels the relationship between the financial profitability and inventory management there is a decline in the financial standard of the organisation. The small organisation takes advantage from the inventory when compared to the medium and large firm.

Kontus & elenora (2014) the primary study was conducted to analyze how the organisation balance its inventory and secondly, to know the dependency between inventory and profitability and cost involved in maintaining such inventory. The inventory level in the organisation has to changed so as to improve the profit.

Sha & ping BA (2014) the study that demand forecasting acts as a basis for inventory management. A proper maintenance of inventory helps the to withstand the competitiveness of the firm. The has to firm understand the demand for the product and analyze the inventory required for the meeting the demand and it is easy for the firm to reduce the cost involved in the inventory.

Rondey.j simmons & cheng (2013) in this study states the acrospace producer has decrease the inventory turn over and important to the fault tree analysis. The company used to plan their inventory using the capacity of the material, by following the earlier method they found that the inventory cost and turnover is high. Therefore the use of FTA the manufacturer can solve the problem of the inventory.

Besta. P, janovska k &Iampa.M (2012) the crises of the economy have impact have on the industries, therefore they are forced to save in all areas. The industry has to make a proper purchase planning and utilize the inventory so that they earn profit. They have to

III. OBJECTIVES PRIMARY OBJECTIYE

- To study the inventory management of Malappuram cooperative spinning mill. SECONDARY OBJECTIYE
- To understand the level of inventory and its impact of profitability
- To evaluate the inventory management practices.
- To analysing the inventory management by using few inventory management technique.

IV. RESEARCH METHODOLOGY RESEARCH DESIGN:

RESEARCH DESIGN:

The type of research is analytical in nature as it uses facts, figures and information which are already available or published and analyse these to make a critical evaluation of the topic under study.

SOURCE OF DATA:

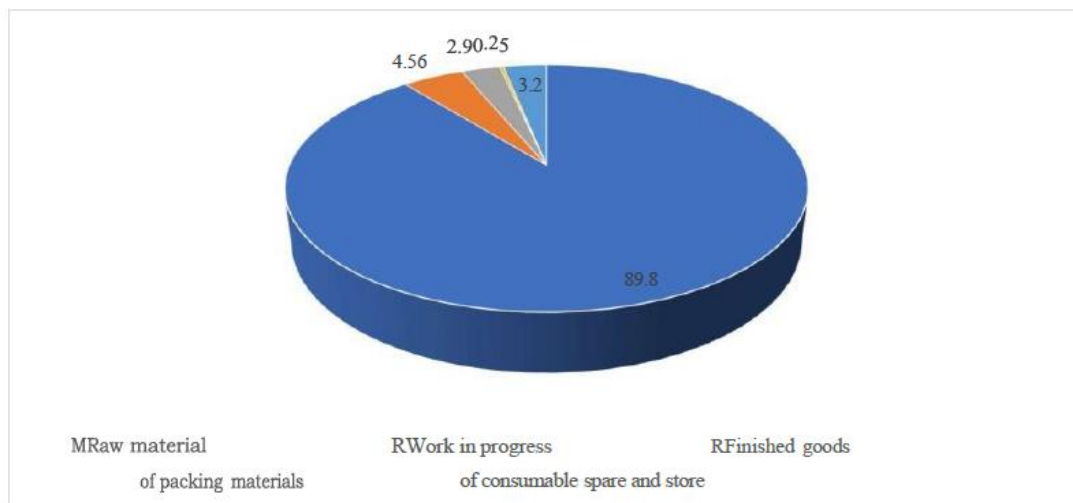
The study is conducted using secondary method of data collection. The secondary data has been collected from annual reports provided by the company. Personal discussions were made with the officials concerned to make clarification on the secondary data

V. DATA ANALYSIS

TABLE 5.1 SHOWING INVENTORY PERCENTAGE 2018-2019

PARTICULARS	AMOUNT (in lakh)	PERCENTAGE(%)
Raw material	13.38	87.143
work in progress	0.82	5.34
Finished goods	0.67	4.364
stock of packing materials	0.014	0.0911
stock of consumable spare and stores	0.47	3.061
Total	15.354	100

CHART 5.1 SHOWING INVENTORY PERCENTAGE CHART OF 2018-2019



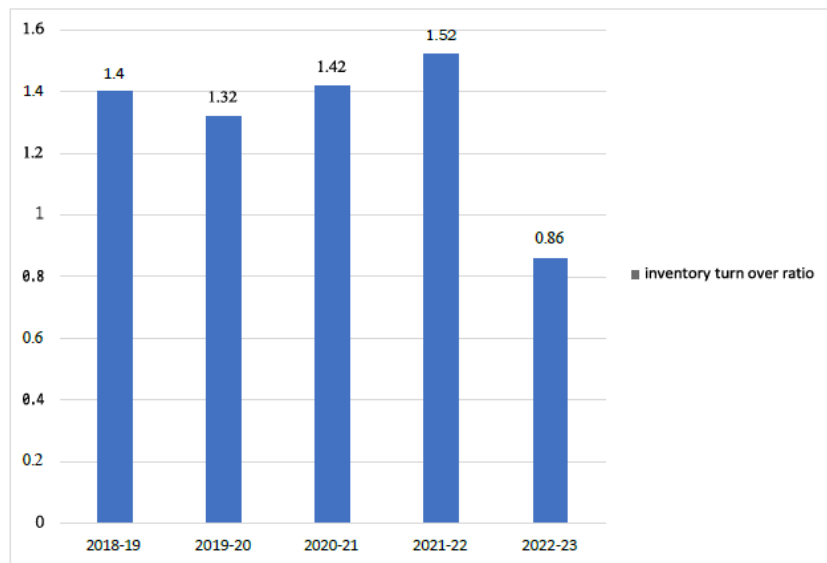
INTERPRETATION

The major share of total inventory manufacturing comprises of raw materials. From this table it is clear that raw material from the latest proportion of total inventory (87%), 5% of finished goods, 0.09% of stock of packing of materials and 3.06% of consumable spare and store.

TABLE 5.2 SHOWING INVENTORY TURNOVER RATIO

YEAR	Cost of goods sold	Average stock	Inventory turnover ratio (in times)
2018-2019	32556964.42	15.35	1.40
2019-2020	27315486.64	16.21	1.32
2020-2021	135383450.37	13.85	1.42
2021-2022	16.40	10.77	1.52
2022-2023	20.07	23.25	0.86

CHART 5.2 SHOWING INVENTORY TURNOVER RATIO



INTERPRETATION

The ratios show the relationship between net sales and inventory. A higher inventory turnover ratio indicates that the inventory sold fast. In the year 2018-2019 the inventory turnover ratio was 1.4 and gets decreased to 1.32 in the year of 2019-2020. During the year 2020-2021 the inventory ratio increased to 1.42 and it again increased to 1.52 in the year 2021-2022. In the year 2022-2023 inventory turnover ratio drastically decrease.

VI. FINDINGS

S From the above analysis of inventory management, it is found that the company follow systematic and well-planned purchasing for each material.

4 The component of inventory includes raw material, working progress, finished goods, packing material and consumable spare and stores.

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VII. CONCLUSIONS

The Malappuram co-operative spinning milltd, is a public sector organisation located in Malappuram district. The financial position of the company is satisfactory. The smart and talented administrative forces are the advantages of the company but the working capital and poor technical facilities are the main barrier of the company because of the usage of the modern machineries. The performance of the company depends upon Managing the inventories of the companies, and controlling the inventories. The company's inventory management system is based on traditional method and it is not much effective to the company. Inventory control system are not satisfactory since the controlling system are manual and traditional. The company follows new techniques it will helps the company to maintain their financial position and it will also help to reduce unnecessary costs.

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