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# **Importance of Inventory Control Technique in SMEs**

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**ABSTRACT:** Inventory control is a scientific technique of materials management. This technique can be applied in different fields like manufacturing units, public distribution units, shopping mall, construction units, etc. At the present situation, the inventory technique is very importance for small scale enterprises to retain its existence in competitive market in developing country like India. This technique minimizes investment on inventories and meets the customer demands timely and satisfactorily

**KEY WORDS:** construction, customer, developing, distribution, shopping, technique.

## **I. INTRODUCTION**

Material is one of the main resources of the production system. Due to shortage of raw materials the small scale manufacturing units fail to continuity their production system. This shortage of materials found due to lack of inventory control technique. Inventory is a list of any items or resources used in organization. Inventory control is a technique which regulates the flow of inventories from one department to other. This technique is used different company to reduce excess materials cost. The purpose of the technique is to determine the quantity to keep in the store & how much to order and when to order to meet the customer demand.

SMEs are base of the manufacturing unit. In the developing country, it brings growth in economy because many low educated people are employed in this type of sectors who earns their livelihood from this organization. If this organisation runs smoothly following the inventory control system then the uneducated people will able settle their earning opportunity. As a result the production system of the organisation will be dynamic in nature.

## **II. OBJECTIVES OF INVENTORY CONTROL**

This technique is heart of the organization having different reasons:

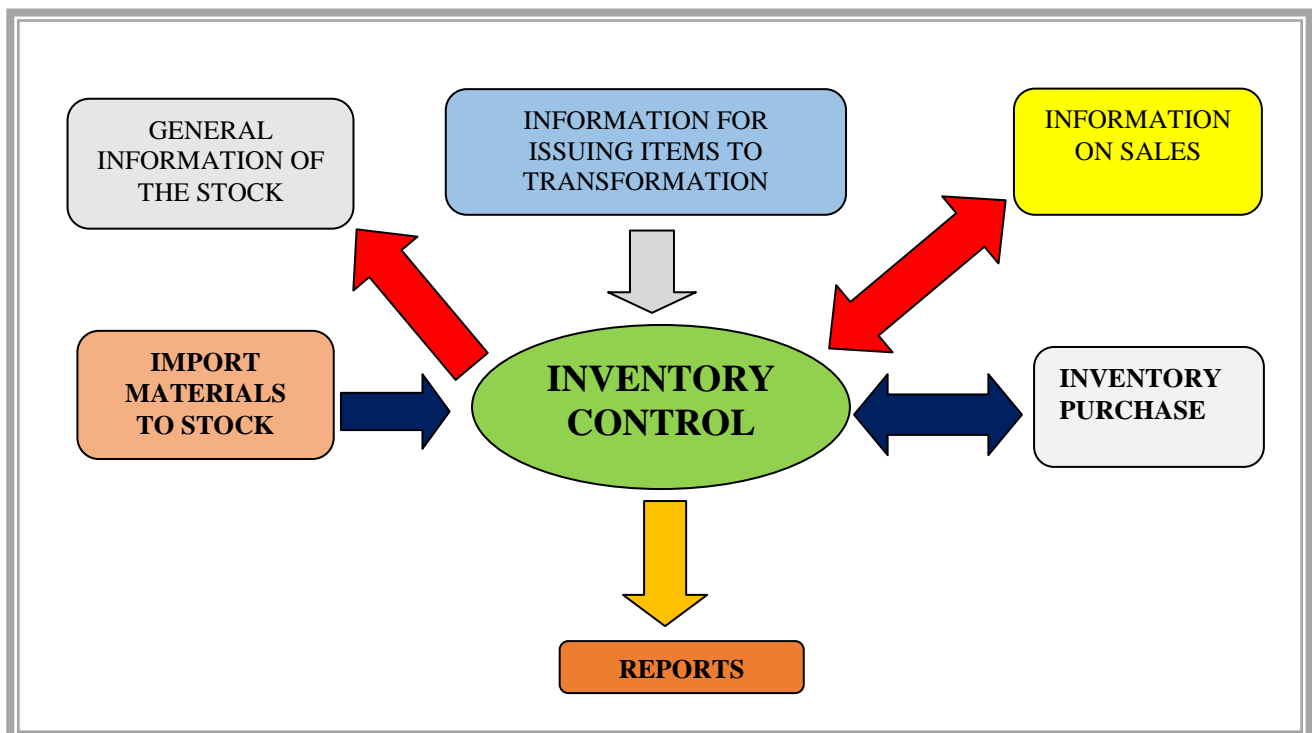
- It - i) gives employment opportunity
- ii) reduces capital investment in comparatively less important items
- iii) improves dynamism in production system
- iv) reduces shortage and wastage of materials
- v) increase efficiency & profitability of the organization
- vi) satisfy customer demands always

## **III. LITERATURE SURVEY**

Onwubolu et al. (2006) stated ABC (Always Better Control) analysis tends to measure the significance of each item of inventory in terms of value. When the ABC (Always Better Control) analysis is applied to an inventory situation, it shows the importance of items and level of control placed on the items. Inventories form a significant portion of the current assets of manufacturing enterprises (Kruger, 2005). The management of inventories has an important bearing on the financial strength and competitiveness of a manufacturing enterprise due to the reason that it directly affects the working capital, production and customer services (Virgin, 1998). According to Jegede (1992) stated that the necessity of keeping stock arises because of the time lapse between purchasing, production and eventual sale to customers. The major concern is how inventory can be controlled to minimize waste and cost. Forgionne (1986) stressed that inventory policy involves resolving organisational conflicts since all departments connected with inventory in the organisation

have different views of what quantity of inventory to keep. Sound management should consider all view points and develop a policy that minimise total related inventory cost. According to Kotler, 2002, the problem of inventory has continued to receive much attention in most businesses. Inventory levels of raw materials, semi-finished and finished goods need to be effectively managed to control the cost of inventory.

#### IV. PROPOSED MODEL



#### V. CASE STUDY

XYZ is a small manufacturing enterprise, established in the district of Hooghly, West Bengal, India. In this Organisation, maximum workers are low educated and get wage base remuneration. Capital investment capability level is low. Most of the days of a month, the workers cannot work and do not get their wages due to unavailability of required raw materials. The company get adequate order but they cannot achieve customer expectation due to lack of inventory control technique.

#### VI. METHODOLOGY

At first, the Manufacturing Enterprises have been observed periodically. Thereafter, production system of the enterprise is observed properly. The previous documents of production system are observed. Interaction with the skill workers and hierarchy of the unit is also done.

#### VII. CONCLUSION AND FUTURE WORK

Small Manufacturing Enterprises run with small quantity of resources and less skilled managerial function. At a time, SMEs are required a flexible manner and required to be more reactive to the change of competitive market. In most of the SMEs, due to absent of inventory control technique, production is not at satisfactory level. As a result, SMEs deviate from it setting plan. Now, Small Manufacturing Enterprises are important agent of development for communicators. Therefore, Production planning control is very essential tool in the manufacturing system of SMEs.



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