Research Paper
Impact Factor: 7.352
Peer Reviewed Monthly Journal
www.ijmdrr.com

IJMDRR
E- ISSN –2395-1885
ISSN -2395-1877

A STUDY ON INVENTORY MANAGEMENT IN SWEATERS INDIA PRIVATE LIMITED, SALEM.

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Abstract
Inventory management is vital for an organization's financial well-being, directly impacting budgeting, cost control, and financial planning within the finance department. This project investigated the concept, scope, and objectives of inventory management and its application in organizational finance. Primary data from 150 employees, collected via surveys and questionnaires, explored their awareness, experience, and practices.

The study revealed that while employees generally recognize the significance of inventory management, the implementation of standardized procedures and monitoring tools is lacking. Reliance on manual tracking methods contributes to errors, delays, and mismanagement across departments.

The research concludes by recommending the adoption of digital inventory systems, regular staff training, and periodic audits to enhance efficiency and transparency. Integrating modern inventory management practices within the finance department is crucial for improved resource utilization and informed decision-making.

Key Words – ***Inventory Management, Financial Health, Finance Department, Operational Costs, Stock Accumulation, Data Analysis, Implementation Gap, Manual Tracking.***

1. Introduction

Inventory management is a cornerstone of operational efficiency for organizations across industries, particularly in manufacturing and retail. It plays a pivotal role in balancing the demand and supply chain by ensuring the availability of essential materials while minimizing costs associated with holding stock. An effective inventory system acts as a bridge between production and distribution, helping businesses navigate the complexities of fluctuating customer demands, supplier lead times, and market volatility.

The significance of inventory management lies in its ability to optimize stock levels, enabling organizations to meet customer expectations without over-investing in inventory. A well-managed inventory system ensures that the right quantity of goods is available at the right time and place, reducing instances of both stockouts and overstocking—two conditions that can severely impact financial performance and customer satisfaction.

Moreover, inventory management is not solely a logistical concern; it is a strategic function that intersects with financial planning, procurement, quality control, and supply chain resilience. Through accurate forecasting, streamlined procurement, and real-time tracking, businesses can better align their operational goals with market dynamics. It is especially critical for industries with

seasonal products, such as textile and apparel manufacturing, where trends and consumer preferences can shift rapidly.

In essence, the objective of inventory management is dual: to maintain sufficient stock levels for uninterrupted operations while simultaneously reducing costs and maximizing returns on investment. This balance requires robust planning, technological integration, and cross-departmental collaboration. In today's competitive business environment, effective inventory practices can be a key differentiator, fostering efficiency, agility, and long-term sustainability.

2. Problem Statement

Effective inventory management remains a major challenge for many businesses, especially in industries with seasonal demand and fast-changing trends like textiles. Companies often face issues such as overstocking, stockouts, inaccurate demand forecasting, and poor coordinationbetween departments. These problems can lead to increased holding costs, wasted resources, and customer dissatisfaction.

For Sweaters India Private Limited, managing inventory without a well-integrated and data-driven system leads to inefficiencies in stock control, financial planning, and order fulfillment. The core issue is the lack of an optimized approach that ensures the right balance between product availability and cost-effectiveness. Addressing this is crucial for improving operational performance, customer satisfaction, and overall profitability.

3. Objectives of the Study

Primary Objective

- To analyze and evaluate the inventory management system of Sweaters India Private Limited with a focus on operational efficiency and cost control.

Secondary Objectives:

- To determine optimal stock levels that prevents both overstocking and stock outs.
- To examine inventory costs such as holding, ordering, and shortage costs.
- To assess the impact of inventory management on customer satisfaction and timely product delivery.
- To study the role of forecasting in maintaining seasonal inventory requirements.
- To identify challenges in the coordination between finance, procurement, and production departments.

4. Research Gap

Most existing studies on inventory management focus on general manufacturing, with limited attention to seasonal, fashion-based industries like sweaters. There is also a lack of research linking inventory practices to financial outcomes in small to mid-sized textile firms in India. This study addresses these gaps by analyzing inventory challenges specific to Sweaters India Private Limited.

5. Significance and Need for the Study

- Ensures smooth production and timely product availability.
- Helps reduce inventory costs and avoid overstocking or stockouts.
- Improves financial planning and working capital management.
- Enhances customer satisfaction through better inventory control.

- Promotes efficient use of technology for inventory tracking and analysis.

6. **Scope of the Study**
   - Focuses on analyzing the inventory management practices at Sweaters India Private Limited.
   - Covers different types of inventory: raw materials, work-in-progress, and finished goods.
   - Examines the relationship between inventory control and financial performance.
   - Considers the seasonal nature of demand in the textile and apparel industry.
   - Aims to recommend improvements in inventory planning, storage, and procurement processes.

7. **Review of Literature**
   - Harris (1913) introduced the Economic Order Quantity (EOQ) model, laying the foundation for inventory control practices by optimizing order sizes.
   - Arrow, Karlin, and Scarf (1958) contributed to inventory theory by applying mathematical models to handle uncertainty in supply and demand.
   - Silver and Peterson (1979) emphasized decision-making in inventory and production planning, focusing on practical applications in manufacturing.
   - Buffa (1983) defined inventory management as maintaining stock at desired levels to meet demand while reducing carrying costs.
   - Schroeder (1985) highlighted the balance between inventory cost and benefits, noting its importance for smooth operations and customer satisfaction.

8. **Research Methodology**

• Type: Descriptive
• Population: Sweaters India Private Limited
• Sample Size: 150
• Sampling Method: Convenience Sampling• Tool: Structured Questionnaire (Likert Scale)
• Software: SPSS, chi square
• Analysis Techniques: Correlation, Regression

9. **Data Analysis Tools**
   - Percentage Analysis: Used for demographic breakdown and trend identification.
   - Chi-Square Test: Examines relationships between categorical variables.
   - Correlation Analysis: Identifies strength and direction of relationships.
   - Regression Analysis: Evaluates how independent variables (e.g., education) influence dependent variables (e.g.. salary).

10. **Correlation Matrix**

Variables	Inventory Efficiency	Holding Costs	Financial Performance
Inventory Efficiency	1.000	0.728	0.861
Holding Costs	0.728	1.000	0.634
Financial Performance	0.861	0.634	1.000

Interpretation

There is a strong positive correlation between performance pressure and Inventory management (r = 0.861), whereas the correlation between workload pressure and Inventory management is moderate (r = 0.634).

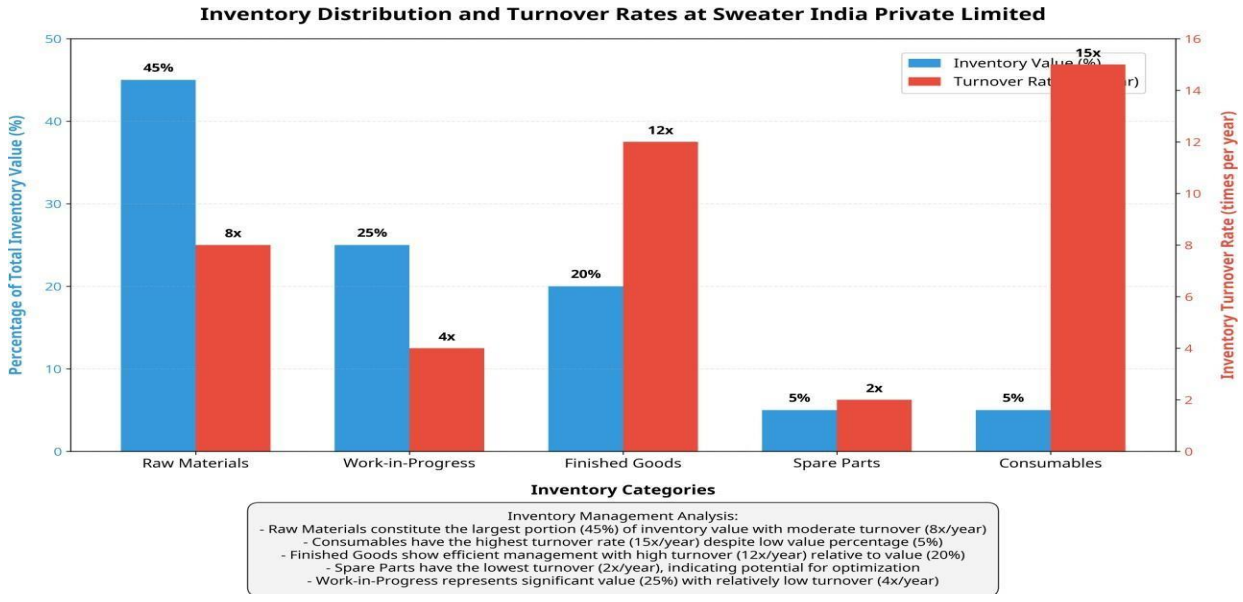
11. **Regression Analysis Summary**

Dependent Variable: Inventory management
Independent Variables: Inventory Efficiency, Holding cost Regression
Output:

Predictor	Coefficient (β)	Std. Error	t-value	Sig. (p-value)
Constant	0.18	0.07	2.57	0.011
Inventory Efficiency	0.67	0.06	11.17	0.000
Holding cost	0.22	0.09	0.44	0.016

$R^2 = 0.862$ – 86.2% of the variance in financial performance is explained by inventory accuracy and inventory holding cost.

12. **Comparative Bar Graph between Occupation stress inventory management**



Key Points for Inventory Management Graph

1. Distribution of Inventory Value:
    - Raw Materials: 45% (largest portion)
    - Work-in-Progress: 25%
    - Finished Goods: 20%
    - Spare Parts: 5%
    - Consumables: 5%
2. Turnover Rates:
    - Consumables: Highest at 15x per year
    - Finished Goods: 12x per year
    - Raw Materials: 8x per year
    - Work-in-Progress: 4x per year
3. Key Insights:
    a. Inverse relationship between value and turnover for Consumables (low value)
    b. Efficient management of Finished Goods (moderate value, high turnover)
    c. Potential optimization needed for Spare Parts (low turnover)
    d. Work-in-Progress represents significant capital with relatively slow movement.

13. **Summary of Findings**

Aspect	Finding	Implication
Inventory Composition	Raw materials (45%) and work-in-progress (25%) constitute 70% of total inventory value	Capital allocation heavily weighted toward pre-finished inventory
Turnover Efficiency	Highest turnover in consumables (15x) and finished goods (12x); lowest in spare parts (2x)	Significant variation in inventory efficiency across categories
Value-Turnover Relationship	Inverse relationship observed in several categories (e.g., consumables: low value, high turnover)	Different management strategies required for different inventory types
Capital Utilization	Work-in-progress represents 25% of value with only 4x turnover	Potential production bottle necks or process inefficiencies
Risk Exposure	45% of inventory value in raw materials	Vulnerability to supply chain disruptions and price fluctuations

The study of Sweater India Private Limited's inventory management system reveals several significant findings. The company's inventory is predominantly composed of raw materials, which account for nearly half (45%) of the total inventory value.

Work-in-progress inventory emerges as a critical area of concern, representing 25% of total inventory value but demonstrating relatively low turnover (4x per year). This suggests potential inefficiencies in production processes, possibly including bottlenecks, excessive batch sizes, or suboptimal production scheduling.

Finished goods management appears relatively efficient, with this category accounting for 20% of inventory value while achieving a high turnover rate (12x per year). This indicates effective demand forecasting and production planning for end products, minimizing excess finished goods inventory while maintaining sufficient stock to meet customer demand.

14. **Suggestions and Recommendations**

1. Use inventory software for tracking and automation.
2. Partner with suppliers for better raw materials management.
3. Streamline production to reduce work-in-progress bottlenecks.
4. Set safety stocks based on item importance and lead times.
5. Review inventory quarterly to identify improvement areas.

15. **Limitations**

1. Limited to theoretical analysis without company-specific empirical data.
2. Lacks quantitative metrics on actual inventory performance.
3. Based on general principles rather than Sweater India's actual processes.
4. Unable to assess implementation challenges specific to the company.
5. Cannot evaluate financial impact of recommended changes.

Conclusion

In conclusion, effective inventory management represents a critical foundation for operational excellence and financial health at Sweater India Private Limited. The study reveals that balancing optimal stock levels with cost minimization requires a sophisticated approach to forecasting, procurement, and control systems. Analysis of the company's inventory distribution shows significant capital allocation in raw materials and work-in-progress categories, suggesting opportunities for strategic optimization. While the current management of consumables and finished goods demonstrates efficiency, improvements in work-in-progress flow and spare parts utilization could yield substantial benefits.

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