

Chapter-I

Introduction and Research Design

CHAPTER I

INTRODUCTION AND RESEARCH DESIGN

1.1 INTRODUCTION:

Small scale industry is a term which applies to the small entrepreneurs who are engaged in manufacture and production on a micro scale. It mainly refers to agro- based rural industry which doesn't require huge capital influx and large infrastructure. These small scale industries also include the indigenous cottage industry and the handicrafts industry. The development of small scale industries is very important part for a country like India which has mainly rural economy. These small scale industries which are mainly agro- based in nature would provide job for millions of Indians and would contribute largely to the overall growth of the Indian economy.

The small scale industrial sector continues to remain an integral part of Indian economy with significant contribution to GDP, industrial production and employment generation in India.

A) Meaning of industry:

Industry is part of a chain from raw materials to finished product, finished product to service sector, and service sector to research and development. The production side of business activity is referred as industry. It is a business activity, which is related with the raising, producing, processing or manufacturing of products.

B) Definition of Small Scale industry:

1) The Small Scale Sector owes its definition to the Industries (Development and Regulation) Act, 1951. The Sector is defined “in terms of investment limits in plant and machinery (original value), up to a prescribed value”. (Narang, Shirma & Gupta, 2012)

2) "A unit employing less than 50 persons, if using power and less than 100 persons without the use of power and with capital assets not exceeding rupees five lakhs" (Desai V, 2008)

3) "The industries which are organized on a small scale and produce goods with the help of small machines, hired labour and power are called as small scale industries".

1.1.1 Small Scale Industries in India:

Small scale industries (SSI) have a significant role in the Indian economy in view of its contribution to production, employment, and export, however, since 1991 small scale industries in India find themselves in an intensely competitive environment due to globalization, domestic economic liberalization, and dilution of sector specific protective measures.

In India, the present policy of encouraging growth of small scale industries is based on several promotional measures, one of which is reservation of products for exclusive manufacture in the small scale sector. Large/medium units can, however, manufacture such reserved items provided they undertake to export 50% or more of their production. The reason for special emprises on this sector is that the SSI plays a vital role in the growth of the country. The size of the total SSI sector is estimated to be over one corore. About 42.26% of these units are SSIs. The SSI sector accounts for about 95% of industrial units in the country 39.52% value added in manufacturing sector 34.03% of national exports and 6.81% of GDP. (Chudhary, 2014).

1.1.2 Small Scale Industries in Maharashtra:

After the formation of Maharashtra state on May 1, 1960, the government of Maharashtra constituted a "Board of Industrial Development" (BID) on October 1, 1960, under the chairmanship of Shri. S. G. Barve, I.C.S. The committee's recommendations received in the industries department were taken up for implementation. As per the Broker Committee's recommendations, development of Ulhas Valley Water Supply was entrusted to the Board of Industrial Development (BID). The BID framed the legislation; it was introduced before the state legislation and passed in the

form of "Maharashtra Industrial Act" which gave birth to MIDC, as a separate corporation on August 1, 1962. A small ceremony at Wagle Estate, Thane, under the chairmanship of the Chief Minister Shri Y.B. Chavan, marked the birthday of MIDC on August 1, 1962.

The key of historical policy decisions taken by MIDC changed the socioeconomic scenario of the state as its activities spread in the interior. The important policy decision of setting up "independent filtered, potable water supply system of adequate capacity" as essential infrastructure for industrial development was the most intelligent step taken by MIDC in the beginning. Up to date 233 industrial areas are developed by MIDC in Maharashtra on 53120 hectares. With the experience of 45 years, MIDC observed that certain industries are required to be provided some specialized facilities. For the growth of industries and specialized parks/industrial clusters are developed with specialized infrastructure facilities. In this way IT and BT parks, Wine Parks, textile parks, chemical zones, Food Parks, Leather Park, Floriculture Park and electronic Zone etc. are developed by the MIDC, Realized the population base near the industrial areas.

1.1.3 Small Scale Industries in Sangli:

Sangli is now emerging as one of the largest power generation hubs of India. The green city is inside what is called sugar belt of Maharashtra. A Grape wine park spread over 1.42 km² (350 acres) has been established at Palus 30 km from Sangli city. Sangli district is located in the western Maharashtra Sangli district situated in the river basins of the Warna and Krishna Rivers. The district is mainly recognized for sugar and cotton textile industries in the state. There are 12 co-operative sugar factories and 21 cotton industries in the District. The Vita city, Madhavnagar area of Sangli is famous for power looms. There are six state industrial estates in the district situated at Sangli, Miraj, Vita, Kavthe-Mahankal, Islampur and Kadegaon and four co-operative industrial estates situated at Sangli, Miraj and Palus. There are near about 7032 registered small scale industries in Sangli district. There are 9 industrial training institutes in Sangli district.

The researcher has selected in two industries in Palus Taluka. 'The Thorat industry and Yash industry Palus' have been studied for the in this industries. In these industries working in Palus MIDC, and provide various facilities suppliers in customers. But various problems faced by in these industries. i.e. timely not available for raw material, spare parts, shortage of warehousing, not available for any government policies & any other problem.

1.2 STATEMENT OF THE PROBLEM:

From the whole situation of SSI the researcher has thought on the following investigative questions.

- 1) Which factor are influences in small scale industries?
- 2) Why small scale industries facing the problem of shortage of raw material?
- 3) How select the best inventory management technique SSI?
- 4) Why decreasing inventory management performance of small scales industries?

To understand the inventory management performance of SSI, it is needed to undertake a research on these problems. Therefore the study has been undertaken on the topic "Inventory Management performance In Small Scale Industries: A Comparative Study of Thorat Industry and Yash Industry in Palus."

1.3 OBJECTIVES OF THE STUDY:

The main objective of study is to make comparative analysis of inventory management performance of selected SSIs. The specific objectives of the study are as follows;

- 1) To study the comparative inventory management performance of selected SSIs.
- 2) To analyze the technique of inventory management in selected both SSIs.

- 3) To examine the various problems of selected two industries.
- 4) To make necessary suggestion for improvement in inventory management performance of selected SSIs.

1.4 HYPOTHESES OF THE STUDY:

H₁- The inventory management performances of two selected SSIs are different.

H₀- The inventory management performances of two selected SSIs are not different.

1.5 SCOPE OF THE STUDY:

a) Topical scope:

The topical scope of present study is confined to the “Inventory Management Performance in Small Scale Industries: A Comparative Study of Throat industry and Yash Industry in Palus”.

b) Analytical scope:

The analytical scope of the present study is limited to the analysis of inventory Management performance on the basis of selected ratios & techniques, for testing significance t-test of hypothesis has been applied.

c) Geographical scope:

The present researcher has selected two SSI units for the study which are located in Palus MIDC, of Sangli district.

d) Periodical scope:

The comparative study of the SSI has been done for a period of last 5 years from 2008-09 to 2012-13.

1.6 SIGNIFICANCE OF THE STUDY:

Now a day SSI play important role in the development of rural and urban sectors. These industries have provided various facilities to their customers for

fulfillment of their needs. But SSIs have faced various problems relating to their shortage of raw material in adequate of government policies, shortage of warehouses etc. The present Research is on the “Inventory Management Performance in Small Scale Industries: a Comparative Study of Thorat industry and Yash Industry in Palus.” This study is also useful to the small scale industry workers, managers various sections, storekeepers etc. in a small scale industries raw material seasonally not available so small scale industries requirements is to maintain availability of raw material of this raw material is in better way. The inventory management useful for various small scale industries departments to maintain the stock of raw material. The development of small scale industries is very important for country like India which has mainly rural economy. The present study may be useful to governments to formulates polices and their implementation. Last but not the least this study is useful to society to understand how much SSI could fulfill the social objectives. This study is not only useful to these two SSIs but, also it is useful to all the SSIs in India.

1.7 LIMITATIONS OF THE STUDY:

- 1) The present research is limited to the selected two small scale industries in Palus MIDC.
- 2) The present study is limited to the analysis of various inventory techniques like inventory turnover ratios, ABC analysis technique, VED analysis technique, and ABC-VED matrix analysis etc.
- 3) The recent study is mainly depends on the secondary sources of data which having its own limitations.

1.8 METHODOLOGY OF THE STUDY:

The present study is an analytical study and mainly depends on secondary sources of data. The primary data will be supplementary.

A] Data collection Method:

The researcher has used primary and secondary sources for collection of data as given below.

1) Primary Data:

The supplementary primary data have been collected through the questioner and personal discussion with managing director, select only storekeeper and other persons relating to store department SSI in Palus.

2) Secondary Data:

The researcher has collected data through the various sources.

a) Published Sources:

The researcher has collected the data from sources such as Books, annual report of selected industries, Newspaper, research paper published in the Journals, Articles, and websites.

b) Unpublished Sources:

Ph. D Thesis, M. Phil Dissertation and other unpublished sources.

B) Methods of Data Analysis:

Researcher has used the statistical technique of analysis and interpretation of data. Researcher has used the parameters of Inventory management techniques and inventory ratios etc. For testing of hypotheses used paired sample t-test and graphical presentation.

C) Techniques of the Study:

Following are the technique used for analyzing the inventory management performance of SSI in Palus.

D) Inventory Management Techniques -

ABC analysis:

A – Always

B – Better

C - Control

VED Analysis:

Vital items

Essential items

Desirable items

ABC & VED analysis matrix:

II) Inventory Turnover Ratio:

- 1) Inventory Turnover Ratio (ITR)
- 2) Inventory Holding Days Ratio (IHDR)
- 3) Raw Material Turnover Ratio (RMTR)
- 4) Raw Material holding days Ratio (RMHDR)
- 5) Work in Progress Turnover Ratio (WIPTR)
- 6) Work in Progress holding days Ratio (WIPHDR)
- 7) Inventory to Sales Ratio (I to SR)
- 8) Inventories to Total Current Assets (I to TCAR)
- 9) Current liabilities to Inventory Ratio (CL to IR)
- 10) Inventory to Net Working Capital Ratio (I to NWCR)

1.9 CHAPTER SCHEME:

CHAPTER-I: INTRODUCTION AND RESEARCH DESIGN –

This chapter covers Introduction to the study, Objectives, Hypothesis, Scope, Research Methodology, Sources of data collection, Significance, Limitation of the study.

CHAPTER-II: REVIEW OF LITERATURE-

This chapter includes the review of published & unpublished literature on the related concepts & theory.

CHAPTER-III: PROFILE OF THE ORGANIZATIONS-

This chapter covered the profile of selected “Thorat industry and Yash industry” in Palus.

CHAPTER-IV: ANALYSIS AND INTERPRETATION OF DATA-

This chapter comprises of data analysis and interpretation about the comparative study of the selected SSI in Palus.

CHAPTER-V: CONCLUSION-

This chapter consist findings and suggestion with respect to comparative study of selected SSIs.

1.10 CONCLUSIONS:

The development of SSIs is very important for a country like India which has mainly rural economy. In this chapter researcher has study the different problems relating to SSIs. The main objectives of the study make comparison of selected SSIs in term of inventory management performance. Researcher formulated hypothesis related to the objectives of the study. The scope of the study is about topical, analytical, geographical and periodical point of view. There is also give significance of study to the storekeepers, customers, production manager etc. the limiting factor of study are also mentioned in the chapter. The research methodology used for study is mentioned about in detailed i.e. data collection method, methods of data analysis and parameters of the study. At last researcher gives the chapters schemes of the study.

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