

INVENTORY MANAGEMENT PRACTICES FOLLOWED IN COCONUT OIL MILLS IN WESTERN TAMIL NADU

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ABSTRACT

The study sample consisted of 40 coconut oil mills in Western Tamil Nadu and the data collected for five-year period from 2009-10 to 2013-14. On inventory management, respondents were asked how frequently they prepared inventory budgets and reviewed their inventory levels. The study analyzed inventory management practices of coconut oil mills in Western Tamil Nadu. The results showed that the coefficient of variation of the inventory management practices in efficient category was lower than the inefficient category, which shows the consistency of inventory management practices adopted by efficient category oil mills. Thus, it is concluded that preparation of inventory budgets and review of inventory levels would help the oil millers to keep their short-term liquidity position at the required level, which would increase the financial performance. Nearly 54 per cent of the respondents in efficient category reviewed their inventory levels and about 50 per cent prepared inventory budgets, which helped them to avoid accumulation of funds in inventory. In inefficient category oil mills, practice on preparation of inventory budgets and review of level of inventory were at lower level. Hence, it is suggested that oil mills in inefficient should improve their practice on preparation of inventory budgets, which would help them to maintain the short-term liquidity position and to improve the financial performance.

KEYWORDS: Agribusiness Sector, Coconut Oil Mills, Cash Management Practices, Western Tamil Nadu