CHAPTER I
INTRODUCTION ON MATERIALS MANAGEMENT

Introduction:

What is Materials Management? Materials Management has been defined in a variety of ways and most definitions stress the importance of the central element in achieving cost effectiveness, irrespectiveness of the range of particular disciplines which may have to be applied within this functional field in meeting the needs of individual situations. In the five economic factors that are Man, Money, Materials, Time and Space, out of which Materials Management plays an vital role in modern economic activities.

Material Management is the planning, directing, controlling, and coordinating of all those activities concerned with Material and inventory requirements, from the point of their inception to their introduction to the manufacturing processes.

---

It begins with the determination of Material quality and quantity ends with its issuance to production in time to meet customer demands on schedule and at the lowest cost.³

The earnings of the organisation can be enhanced either by increasing the sales or by decreasing the expenditure on direct and indirect cost in organisation on Materials. In both cases, the optimum utilisation of the funds is aimed at. This requirement of survival of the industry to provide regular and uninterrupted flow of materials has created the need of materials department, so as to achieve proper performance of the plant and equipment by procuring a regular flow of basic raw materials and spare parts in order to utilise the equipment at optimum output and efficiency.⁴ Material Management is an indispensable core activity of all types of organisations, whether manufacturing, trading and even non-profit organisation involved in procurement storage and replacement.⁵

Definition:

According to Lamar Lee and Donald Dobler, Materials Management refers to an integrated management approach to planning, acquisition, conversion, flow and distribution, "production materials" from the raw material state to the finished products state. The Materials Management is concerned with those management factors circumscribed in the materials cycle like purchasing, receiving, recovery, inventory control, inspection, handling, transfer and physical distribution.

Nature and Scope:

A broad definition by an early proponent of Materials Management shows the extent to which the concept may be carried: Materials Management look for maximum results with minimum efforts and requirements so as to achieve smooth functioning of the co-operative enterprise. In the consumers co-operative aspect greater co-ordination should be prevailed for higher efficiency which led to achieve goals.

The Materials Management within its ambit, concludes the following activities (1) Material Planning, (2) Production Control, (3) Inventory Control, (4) Purchasing Function, (5) Receiving and Inspection, (6) Store Keeping, (7) Shipping, (8) Material-Handling, (9) Traffic, and (10) Physical distribution. There is no general agreement as to what activities should be undertaken by the Materials Management. Purchasing executives who are intimately concerned with it, feel that it should embrace besides purchasing function, material control and inventory control as well. Material Management concerned with all activities regarding materials storage, movement of materials except those directly concerned with designing or manufacturing the product.\(^7\)

Broadly speaking Materials Management is concerned with the entire range of functions which affect the flow, conservation and utilisation and the quality and cost of materials.\(^8\) In the new concept, Materials Management is not one or more of

the above activities. It cuts through and integrates them all and reflects the Management's attitude of mind that focuses on materials as the single largest area of cost.

The basic concept of the Materials Management implies the development of a new outlook on the part of those who are assigned the role of looking after materials related activities and to view all such activities as one whole integrated system. The Materials Management is intended to reduce costs through various techniques as selective control, standardisation, codification, value analysis, inventory control etc. The application of these techniques which are actually neutral to material related activities has shown impressive results and has been instrumental in reducing costs, improving enterprise profitability and increasing operational efficiency.

Importance of Materials Management:

In a study "Pattern of Corporate Expenses" conducted by the Research Bureau of the Economic Times, Bombay pointed out "even a slight change in
the prices of new materials and components is bound to make the largest impact on the cost of an article manufactured in India. And also it observed that "the cost of raw materials and components is disproportionately very high in India and there are no signs of abatement from this rising costs of materials. This indicates the growing importance of Materials Management in our country. Significant economies can be effected by the use of modern scientific methods of materials management employing inventory control and operations research".

**Objectives of Materials Management:**

In detail the objectives of Materials Management can be divided into two categories as (1) Primary Objectives, (2) Secondary Objectives. Primary objectives are: (i) Low price, (ii) High inventory control, (iii) Low cost of acquisition and possession, (iv) Continuity of supply, (v) Consistency of Quality, (vi) Low Pay-roll, (vii) Favourable relations with suppliers, (viii) Development of personnel, and (ix) Good

---

9. Ibid.
records. Secondary objectives are (i) Reciprocity, (ii) New materials and products, (iii) Economic make or buy decisions, (iv) Promotion of Standardisation, (v) Product improvement, (vi) Good departmental relations, and (vii) Accurate and economical forecasts.\textsuperscript{10}

**Functions of Materials Management:**

Material Management covers all aspects of material costs, supply and utilisation. However, there is no general agreement on what functions should be unified organisationally for unified materials management. The specific functions are (i) Production and Material Control, (ii) Purchasing, (iii) Non-production Stores, (iv) Traffic, (v) Material Handling, (vi) Receiving and (vii) Shipping.\textsuperscript{11}

**Statement of the Problem:**

In order to overcome from all types of hindrances faced by the consumers in the market and


also to alleviate the distress of consumers the Government of India thought of introducing some more in number of co-operative stores which are playing vital role in every walk of useful economic life. The chief aim of co-operative stores is to protect the consumers from adultration, artificial scarcity and consequent high and unreasonable prices, malpractices in distribution at times of real scarcity and the avoidable high prices as a result of there being two many intermediaries in between production and consumption level.

Co-operative Stores are playing their role in the distribution of standard and qualitative goods to the extent they could get from the manufactures at right prices in right time.

Review of Literature:

Materials Management has been considered as a separate field of material discipline only in recent years. Eventhough the concept got wide popularity and recognition in all advanced countries, in India, it is yet an enigma to many.

Because of this recent origin, unfortunately research in the area of materials management
both at the unit level and industry level was conspicuously absent. However in recent years, on account of the growing awareness about the importance of Materials Management a few studies were conducted which focussed to some extent on the policies and problems of the co-operatives and industrial concerns in the field of Materials Management. These include books like (1) Materials Management Practical Guidelines with Case Studies,\(^\text{12}\) (2) Material Management and Inventory Control: Principles and Practice,\(^\text{13}\) (3) Integrated Materials Management : Concepts and Cases,\(^\text{14}\) (4) Materials Management in Co-operatives,\(^\text{15}\) (5) Materials Management and Purchasing,\(^\text{16}\) (6) Materials Management an Integrated Approach,\(^\text{17}\) (7) Purchasing Management


\(^{15}\) Ibid.


only the professional experience of the authors in the field.

A lot of descriptive material is available on the history, functional and growth of the Co-operative sector in India. A host of studies have been undertaken on consumer co-operatives in India during the post-independence period. Reports of the several committees appointed by Central and State Governments and studies undertaken by Vaikunth Mehta National Institute of Co-operative Management (V.M.N.C.M.), International Co-operative Alliance (I.C.A.), International Labour Office (I.L.O.), National Co-operative Consumers' Federation Ltd, (N.C.C.F.) and other individuals have dealt with several aspects of consumer co-operative movement.

There are also a number of reports submitted by various committees set up by the Government from time to time. For example, the committee on public sector undertaking in its 40th report,\(^28\) has mentioned vividly some of the defects in the area of materials management of the public sector undertakings.


attempted to know the causes for the losses incurred by 30 wholesale and central societies in the country during 1967-68. In effective management and wrong purchase policy are said to be main cause for the loss of consumer co-operatives. Taimni (1973) studies in purchase management and inventory control in Co-operative Department Stores.\textsuperscript{34} Hampamma (1980) the Functioning of the Anantapur Co-operative Central Stores Ltd,\textsuperscript{35} Patil (1969),\textsuperscript{36} (1969)\textsuperscript{37} evaluated the working of Malleswaram Co-operative Society from 1965-66 to 1967-68 and The Raichur District Central Wholesale Stores from 1964-65 to 1966-67 respectively.

A few studies and reports attempted on co-operative stores do not make an indepth study with regard to Materials Management. All the more there is no study worthmeaning covering these aspects.


\textsuperscript{35} Hampamma, M. \textit{The Functioning of the Anantapur Co-operative Central Stores Ltd}, 1980. (Unpublished M.Phil)


regarding Hindupur Co-operative Stores Ltd. Hence, there is a need for an indepth study.

OBJECTIVES OF THE STUDY:

In order to ensure that the co-operative stores business system should be shield for the weak, but not sword for the strong. The viability of the co-operative stores depends upon its functioning. How far the store is effectively performing materials management. The main objectives of Hindupur Co-operative Stores Ltd (H.C.S.) as follows:

1. To study the organisation;
2. to examine the effectiveness of purchasing function;
3. to evaluate the stores function;
4. to evaluate the selling practices; and
5. to suggest ways and means through which the co-operative store can be made an effective organisation.

METHODOLOGY:

A case study method was adopted to collect all the information from the co-operative stores. To collect the information from the consumers survey
method and personal interview techniques were adopted. The data with regard to organisation, purchases, stores and sales was collected from audit reports, annual reports and the account books maintained by the Hindupur Co-operative Stores.

The tool used for the study are a schedule for co-operative stores. The schedule for co-operative stores contained the details of organisation, purchases, stores and sales.

PERIOD OF STUDY:

The study covers a period of 5 years i.e., from 1983-84 to 1987-88, the co-operative year commences from 1st July and ends with 30th June of every year.

PLAN OF STUDY:

The study has been divided into 6 chapters.

Chapter I: Introduction deals with significance of materials management, Review of Literature, Objectives of Study, Methodology, Period of Study, Plan of Study.
Chapter II : Organisation covers the history and general management and organisation of the Hindupur Co-operative Stores.

Chapter III : Purchasing Function explains the purchase policy and purchase practices adapted by the Hindupur Co-operative Stores.

Chapter IV : Stores Function deals with stock accounting, stock levels, stock-takings and stock shortages.

Chapter V : Selling Function confines its activity to sales policy, sales practices of Hindupur Co-operative Stores.

Chapter VI : Conclusions - Suggestions deals with conclusions and suggestions derived at different stages.

LIMITATION :

There was no free in getting records which were dislocated and not maintained properly led to much efforts made through persuasion, repeated visits, creation of personal association and familiarity to collect useful material.