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A STUDY OF MANAGERIAL EFFECTIVENESS OF RETAILERS: A CASE STUDY OF LUCKNOW DISTRICT

Sanjeev Kumar Singh

Research scholar, Department of Commerce, DSMNR University, Lucknow, U.P.(India)

ABSTRACT

Managerial effectiveness can be defined as the combined efforts of a manger who uses different management tools and technique to get the desired results. Managerial effectiveness includes formulation of goals, creation of strategies to achieve those goals, specification of responsibility and discussion of plans with employees through effective communication. Researcher had studied the issues relating to managerial effectiveness of retailers in Lucknow district with reference to working capital management and access of technology on the basis of primary data. Further it is concluded that the retailers are required to be educated and awareness about the tools, technique and access of technology need to be created so that time as well as money is saved to run business smoothly and it also results in reduction of cost effectively and efficiently.

Keywords: Inventory management, working capital management, economic order quantity, carrying cost.

I. INTRODUCTION

Every business need fund to carry out its day to day operation. Firm require fixed asset like land, building, machinery etc and for day today operation it require current asset like inventory, receivable etc. Funds needed to meet out day to day expenses are termed as short term funds, that are useful to finance current assets of the firm. Current Assets are easily convertible into cash and vice versa. The amount of fund required depend upon the length of operating cycle. The level of holding of Current Asset especially cash, strengthens the firms liquidity position but also reduces the overall profitability. Difference in current assets and current liabilities indicates the liquidity position of the firm i.e. the ability to meet its short term obligation and the safety cover available to short term creditors. It suggests to what extent to which the working capital needs may be financed by permanent source of funds. In this paper researcher has try to understand the perception , awareness and implementation of tools for effective management of working capital.

II. REVIEW OF LITERATURE

Gamze Vural, Ahmet Gokhan Sokmen, and Emin Husey in Cetenak (2012): Researcher studied in his paper "Affects of working capital management on firm's performance: evidence from Turkey" that the working capital management has an important role for the firm's success or failure because of it,s " effect on firm's performance and liquidity and an attempt to investigate the relationship between working capital management components and performance of the firms. The results demonstrate that firms can increase profitability measured by gross operating profit by shortening collection period of accounts receivable and cash conversion cycle. **Walter gachirai, Washington chiwanzwaii, Dingilizwe jacob nkomoiii, Runesu chikoreiv (2014)**: Researcher studied in his paper "Working capital management and the profitability of non- financial firms listed on the Zimbabwe stock exchange" that working capital

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is essential for the day-to-day operations of a firm. The study examines the impact of working capital management on the profitability of non-financial firms listed on the Zimbabwe Stock Exchange. The regression analysis is based on a sample of 39 non-financial firms listed on the ZSE from 2009 to 2013, and was found that there is a positive relationship between debtors' days and firm's profitability, a negative relationship between creditors' days and profitability and a positive relationship between firm's cash conversion cycle and its profitability. There is some negative relationship between current ratio and profitability, while inventory turnover days and profitability are positively related. **Harsh, Vineet, Kaur** examined in paper "Efficient management of working capital: a study of health care sector in India" that Efficient management of working capital is maintained for smooth running of a firm and for fulfilment of twin objectives of liquidity and profitability. Also it is the most crucial factor for survival and solvency of a concern. Researcher attempts to measure the efficiency of working capital of firms in Healthcare Sector in India. Further concluded that most of the firms of this sector have efficiently managed their current assets for the purpose of generation of sales. **Jitendra Singh (2014) :** Researcher studied in his paper "A review of impact of information technology in retail sector" that the advantages which the use of I.T. brings to modern retail stores in comparison to traditional stores not making use of I.T. further the paper attempts to analyze the impact of I.T. innovation in retail sector. The paper deliberates at length on a development of considerable interest in I.T. sector which has almost revolutionized the way we manage the modern retail business. The paper suggest that the huge amount of information which is required for effective management of modern retail business can be effectively handle through I.T. tools. **Alper Veli CAM, Adem OZBEK (2015):** Researcher studied in his paper "The Effect of Cash Conversion Cycle on Profitability of Small and Medium Sized Enterprises" that working capital management holds an important place among financial management decisions. The optimal level of working capital for a firm can be provided when there is a balance between profitability and liquidity. The aim of this study is to examine the effect of cash conversion cycle which is used to evaluate the effectiveness of working capital management on profitability of firms.

III. OBJECTIVE

The main purpose of this study is to identify the managerial effectiveness of retailers in their business and manage their time and cost effectively and efficiently. The empirical investigation was guided by the following objectives in respect of managerial effectiveness with reference to inventory, working capital and access of technology by retailers in Lucknow:

1. To study the inventory management in respect of maintaining level of inventory and maintenance of stock taking.
2. To study the working capital management in respect of operating cycle and debtors policy.
3. To study the access of technology by the retailers in their business.

IV. METHODOLOGY

The methods that are used in collecting and analyzing data from the field includes schedule and research approach respectively. A study was conducted in Lucknow, Uttar Pradesh. The study is analytical in nature, and it is based on the Primary data collected from the retailers operating since past ten years and having turnover between ten lacs to fifty lacs. District was divide into five strata and randomly ten retailers taken from each strata. Data collected is of nominal nature, organised and analysed in the following manner:

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S.No.	Objective	Sample Size and Sampling	Data gathering Instrument	Data Analysis Technique
1	To the study the inventory management in respect of maintaining level of inventory and maintenance of stock taking.	50 & Multistage Sampling	Schedule	Percentage mode
2	To study the working capital management in respect of operating cycle and debtors policy.	50 & Multistage Sampling	Schedule	Percentage mode
3	To study the access of technology by the retailers in their business.	50 & Multistage Sampling	Schedule	Percentage mode

V. SAMPLING FRAME

Researcher has studied in this research paper in respect of "A study of managerial effectiveness of retailers: a case study of Lucknow district". Further researcher has operationally defined the following term:

5.1 Inventory management: Inventories are a component of firm's working capital and represent a current asset. Inventories are viewed as a source of near cash. Inventories form a link between production and loan. Inventory management involves the control of assets being produced for the purpose of sale in normal course of the companies operations. The goal of effective inventory management is to minimize the total cost i.e. the direct and indirect cost that are associated with the holding of inventories.

5.2 Credit Standards: Credit standards refer to the financial strength and credit worthiness, a customer must exhibit in order to qualify for the credit. Setting credit standards requires a measurement of credit quality, which is defined in terms of the probability of a customer's default.

5.3 Economic order quantity: Economic order quantity refers to the optimal order size that will result in reduction of total ordering and carrying cost for an item of the inventory given its expected usage, carrying cost and ordering cost.

5.4 Carrying cost: carrying cost are the expenses incurred in storing goods. These cost include insurance, rent, warehouse, salaries of storekeeper, security personnel, financing of money locked up inventories, spoilage and taxes.

VI. FINDINGS

a. Onsite stock position system such as Bin Card not being maintained by the 98% respondent, hence it is difficult to quantify the physical Stock in hand at each respective location. Respondent should explore the benefit of implementing Bin Card system so that the record of material can easily be drawn as and when required. Updated

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Information regarding availability of quantity in stores will avoid any shortage situation or disruption related to Stock out.

b. It has been observed that maximum, minimum & reorder level are not maintained for stocks by 40% respondent. It is suggested that maximum, minimum & reorder level is maintained for sensitive item of Raw Material. A decision about how much raw material to be purchased should neither be small nor too big as funds are blocked in the purchase of inventory.

c. 54% respondent are not adopting the Economic order quantity methodology for placing the order. The main objective of inventory management is to minimize the cost involve in holding of the inventory, and this can be done by the deciding the optimum order size and by paying special attention to avoid wear and tear of precious item.

d. Stock taking involves physical counting all of your stock and matching this upto your stock records to discover any discrepancies. Stock discrepancies are likely to be brought to the notice and corrected much earlier. The movement of stores items can be watched more closely by the respondent so that chance of obsolescence buying is reduced. However 22% respondent is not carrying out stock taking on monthly basis. It is important to discourage employee from stealing, discover additional stock shrinkage issues, put stock performance under the microscope and improve your stock ordering process.

e. 82 % respondent had not taken loan from bank and finances their business by their own fund. Their perception towards taking loans is not good and afraid of various charges taken by the bank for their services. They are not in position to identify their cost of capital. As per the American Institute of certified public accountant defined the operating cycle as the "average time intervening between the acquisition of material or services entering the process and the final cash realization". 58% respondent is not in position to identify the operating cycle. The operating cycle reveals the time that elapse between outlay of cash and inflow of cash. The duration of the operating cycle depends on the nature of industry and the efficiency in working capital.

f. 38% respondent had not setting up the credit period, credit rating standard and review of credit worthiness periodically. Credit standards refer to the financial strength and creditworthiness, a customer must exhibit in order to qualify for credit. If customer does not qualify for the regular credit terms, it can still purchase from the firm under more restrictive terms. Respondents are not in position to control over the cost of credit and maintain it on a possible level and to plan and maintain a short average collection period.

g. Digital payment is a way of payment which is made through digital modes. It is an instant and convenient way to make the payment. 82% respondent are not using point of sale, paytm, bar code reader, etc during the transaction. Further, 88% of respondent are not using the computerize billing system and believe in cash transaction which leads to parallel economy or black economy. 94% of the respondent are not tie with e-platform like amazon, flipkart, etc.

h. Tally accounting is a software used for accounting purpose. It is robust enterprise resource planning product and is a complete business management solution. 90% respondent are not using technology like Tally etc to control your business on single platform. Retailers are loosing the opportunity of managing your store and items, job costing, payroll, and getting various mismatch reports which help to rectify mistake at the earliest.

VII. CONCLUSION

From the present study, it has been concluded that retailers are not able to maintain risk return trade off in holding current assets. The magnitude of current assets needed is not always the same, it increases or decreases over time and it

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is, therefore, absolutely imperative to manage working capital and inventory effectively and efficiently in order to avoid unnecessary investments. Also firms with too few assets may incur shortage and difficulties in smooth operations. Retailers need to be trained to understand the various tools and techniques such as economic order quantity for placing order and onsite stock position system such as Bin Card which is useful for effective and efficient management of inventory. Awareness need to b created among the retailers for setting up the credit period, credit rating standard and review of credit worthiness periodically so that they can have control over the cost of credit and maintain a short average collection period. Technology is making it easier for any business to accept and manage e – transaction. However, most of the retailer is not accepting payments from any type of e-transaction; computerize billing system, electronic platform and any software for managing at one platform.

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