

## The inventory as an importance factor in the administration of micro-businesses

### El inventario como un factor de importancia en la administración de las microempresas

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#### Abstract

Inventory is one that represents an investment of great importance for MICRO-BUSINESSES, this according to the relationship it has with other assets, and are of great importance for sales, as well as essential to achieve profit optimization. The objective given in this research study is to analyze the importance of inventories by means of a bibliographic investigation predicting the effectiveness of their administration in Micro-businesses. In the following investigation the methodology of documentary analysis was used, where the purpose is to be able to arrive at an analysis of the administration techniques to carry out an inventory and recognize the importance that should be given to it in Micro-businesses, theoretical foundations on the administration of inventories in Micro-businesses will be detailed, factors that are used to carry out inventories. It was concluded as the techniques to carry out the inventory were known and attached, the probabilities that are given to have successful operation, profit and growth in companies, which allows generating profits for micro-businesses

#### Inventories, Utilities, Micro-businesses

#### Resumen

El inventario es aquel que representa una inversión de gran importancia para las empresas esto de acuerdo a la relación que tiene con los demás activos, y son determinantes para las ventas, así como indispensables para lograr la optimización de las utilidades. El objetivo que se da en este estudio investigativo es analizar la importancia de los inventarios mediante una investigación bibliográfica prediciendo la efectividad de su administración en las Microempresas. En la siguiente investigación se utilizó la metodología del análisis documental, donde el propósito que se tiene es el de poder llegar a un análisis de las técnicas de la administración para realizar un inventario y reconocer la importancia que se le debe dar en las Microempresas, se detallaran fundamentos teóricos sobre la administración de los inventarios en las Microempresa, factores que se utilizan para realizar los inventarios. Se concluyó conforme se conoció y anejo las técnicas para realizar el inventario, las probabilidades que se dan para tener éxito en la operatividad, ganancia y crecimiento, lo cual permite generar utilidades para la Microempresa.

#### Inventarios, Utilidades, Microempresa

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## Introduction

Inventories originate in the Egyptian peoples, since they were used to storing large quantities of food that were used in times of calamities.

In this way, inventory problems arise as a mechanism to deal with those times of shortage. Allowing in this way to ensure the sustainability of the companies, as well as the development of the activities they carried out, all this came to motivate the existence of inventories [1].

Inventories are an issue that allows financial problems to be avoided in organizations, being a fundamental component for the productivity of the company, work, capital and management, which contribute to generating profitability. It is also known as the engine that drives Micro-businesses, since it is the basis for commercialization between companies which allows them to generate profits [2].

Therefore, it should be mentioned that inventories are essential to have control and at the same time guarantee useful information to reduce production costs, increase liquidity and be able to reliably know the financial situation of the micro-businesses [3].

In relation to this, inventories are the set of articles or merchandise that every business has in order to be able to market, allowing the purchase, sale or manufacture, which occurs in an established economic period [4].

The fundamental purpose that is given in this topic is to provide the company with the materials it requires for its development, it should also be mentioned the importance that it has for the operation of the process of the production which allows demands to be met.

The inventory has to be managed effectively since it pursues two objectives that are fundamental:

- Guarantee through inventory the operability and availability of the company.
- Maintain the recommended levels which allow to minimize both maintenance and order costs.

Low inventories increase order costs, on the other hand, high inventories increase maintenance costs.

For this reason, it is essential to question the use of the different inventory techniques, with the sole purpose of determining the optimal level and at the same time reducing the total costs involved in the inventory in order to optimize profits [5].

When an adequate level of inventories is maintained, it is possible to have direct and continuous sources for supply at any time, thus providing a constant and efficient service for the client. In this way, becoming an important element in this case for Micro-businesses since through them there is an efficient management guaranteeing the operation and forming a profitable company.

The research is focused on the characterization of the inventories, their importance for which a qualitative methodology is used, with a documentary method, which will allow us to have the results that will guide us to meet the objective of this study, the which is to analyze the importance of inventories.

## Development

### Inventory characterization

Inventories represent the amount of goods that a company has in existence at a certain time, this will allow the sale of the business to be carried out in an ordinary way or they can be consumed in the production of goods and services for commercialization. It becomes a nexus that occurs between the production and sales of that product [6].

Inventories come into existence for different reasons, the same ones that are mainly justified since they predict a shortage, it is preferable to save products than cash due to the profitability that it generates, since it allows additional profits to be obtained, when it exists the rise in prices, etc.

Despite this, the immobilization that occurs in financial resources is treated as a consequence, which can be used efficiently in other activities where there is greater profitability, this means that a correct management could be chosen of financial resources and improve profits.

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Inventories are kept in stock in order to handle the following:

- Process inventories: these are the assets that are still in process for modification and which will be used for the production of a variety of products. As the raw material is transformed, the new product increases in value, this is due to production costs.
- Cyclical inventories: consists of periodically counting the reference groups instead of taking a single inventory per year.
- Seasonal inventories: they are used in order to more economically meet demand, which is seasonal in accordance with production levels.
- Safety inventories: this inventory is carried out in the extra stock that a warehouse has to be able to use it if unforeseen events happen, being able to mention as an example the delay that occurs on the part of the suppliers or the varied demand for products.

Speculative inventories: these occur when it is expected that there will be an increase in prices that are higher than the accumulation costs of inventories.

It is of great importance to mention that in large companies the financial manager is not the one who has control of the inventories, however the function he has is the necessary one, because he is the one who manages the financial resources to acquire the products. For this reason, there comes to be controversy in the different areas of the company about the different adequate levels of inventories that have to be managed.

According to this sense, the financial manager has to manage in a low level of inventories, since it is the current assets that present less profitability than the non-current assets, being property, plant and equipment, on the other hand the manager Marketing has to create a large amount of inventories of finished products to effectively serve consumers [7].

On the other hand, the production manager may need to have a high level of raw material inventories for finished products and production and thus deliver on time when requested by the marketing manager [8].

Inventory is the element that makes up the supply chain, specifically the internal logistics of inventory management made up of the supplier, manufacturer, distributor, merchant, buyer [9].

According to this order of ideas, if the client comes to request an order and it does not exist or comes to see little inventory, he must order the merchandise from the supplier, and then arrive at the factory and transform it where later the merchandise is sent through the distributors to reach the merchant and the final consumer.

Through this flow of actions, it is necessary to avoid delays and customer losses, especially nowadays when there is so much competitiveness. That is why it is required that the inventory control is carried out in an adequate way, being necessary an efficient management of financial resources in order to have excellent profits [10].

In this sense, inventory management becomes relevant in relation to the functions of the financial manager, since it allows determining the amounts of inventory that must be maintained in order not to incur in the lack and unnecessary costs for maintenance, date in which the orders must be placed and to be able to produce the inventory, the quantity of the units which will be requested for each order and the type of inventory which requires better attention. Therefore, two factors are taken into account:

- Minimizing the investment of inventories to minimize costs.
- Optimize profits in order to be able to meet demands and avoid losing customers.

### **Inventory types**

The person in charge of inventory management is aware that the area with the greatest importance of the company is in their hands, therefore, having proper management generates productivity, profits and a great balance between demand and supply. [eleven].

Each micro-businesses manages to solve inventory control in a different way and this occurs due to the different internal policies of the companies, as well as the demands that the industries have. However, the same classifications come into existence that can allow the entry, exit and storage of goods and materials to be managed in a more efficient way.

**Initial inventory:** They are established according to the operations that the micro-businesses have. According to accounting terms, inventory is referred to as that which reflects the balances before an additional inventory is acquired or the existing inventory is sold in a given period [12].

**Final inventory:** It is carried out at the close of each accounting period, it is of great importance since it is in the balance sheet of any company and provides information on the financial resources available [13].

**Anticipation inventory:** This inventory allows planning, as well as strategies, this type of inventory is moved according to the seasons or commercial promotions [14].

**Consignment inventory:** It refers to the goods that a consignor sends to other micro-businesses, companies or businesses with the sole purpose of being sold on behalf of the consignor [15].

**Periodic inventory:** Allows you to measure from the beginning to the end of the accounting period. It is based on the monthly, quarterly, semi-annual or annual physical count. It is a simple method, however it is not allowed to have an exact control of the problems which may arise due to scarcity or if there is an over-demand [16].

**Perpetual inventories:** These are those that record balances after a transaction has been made, providing reliable and updated information on a daily basis, the advantage of this inventory is in constant control and above all in the reduction of ant theft [16].

**Inventory of raw materials:** It is carried out to establish the stock of current stocks or of raw materials and inputs, they are treated to be able to generate final products according to their manufacture [17].

**Inventories of products in process:** These are the assets that are in production processes for which they can be used in the production of other goods that are in process [18].

**Inventory of finished products:** This inventory allows for the counting of the goods or products that the micro-businesses has and that are ready for sale [19].

### Importance of inventories in micro-businesses

It is of great importance that companies have a controlled inventory, ordered and guarded, since the purpose of this is to be able to supply and distribute the available material in an adequate way [20].

For any type of micro-businesses, company or business, it is necessary that inventories be controlled, to allow the following:

- Have control of the goods.
- Generate reports on the economic situation of the business.

It must be clear that by not carrying out an inventory, it will not be known what is needed, leading to a paralysis of the production of the company that we have to supply.

When you do a good inventory you can have the following advantages:

- The possibility of informing customers about the availability of the products is presented. This allows customers to have greater credibility and represent part of the good service, which can help the company for future negotiations.
- Ease of meeting delivery deadlines and reducing unforeseen events.
- Have the guarantee of knowing at any time the quantities of the products that are available.

It should be mentioned that inventories are the capital in physical form and through this a value is obtained for micro-businesses and especially those that are dedicated to the sale of products. Therefore, it is important and allows businesses to meet demand and compete within the market [21].

It is a great challenge to manage inventories efficiently allowing to decide how much will be needed to meet the requirements of a market, this implies being able to decide the amount that has to be placed for orders, receive them, store them and later take them to a record from inventories, since the primary objective is to keep costs low and sufficient finished products to take them for sale or for the replacement of those products that are consumed.

### **Inventory control and profits in micro-businesses**

It should be mentioned that everything that can save and control the assets of micro-businesses or any business will allow it to be more productive and in turn generate more profit.

When a business comes to have an inventory in a synchronized and fair way so that the sales that it has been estimated to have are made, it is productive because no resources are wasted and there are no problems such as having an inventory that is full of products with a low rotation and lack of cash to be able to stock up on the products that do rotate.

To generate profits, this resides in generating sales, and these in turn are the engine of all activity, however, it must be emphasized that, if inventories do not comply effectively, they will not allow meeting the demand for the product. This situation leads to the dissatisfaction of customers and will make them choose the competition, thus reducing the profits of the company.

The importance of inventories incurs that at present micro-businesses have managed to verify that inventory management can become the key tool to improve liquidity and profitability, otherwise the results will be negative for each micro-businesses that does not manage to manage effectively their stocks.

### **Methodology**

In order to develop this research, studies of descriptive, documentary and exploratory methods were assumed, the design of the methodological framework becomes or forms the core of the research, referring strictly to the development of the investigative work.

Thus, the contents of the inventory that are carried out in the micro-businesses in the field of study of the same are analyzed and incorporated.

Through the descriptive study, it is proposed that descriptive research It is one that seeks to specify the characteristics, properties and features that are important for the subject being analyzed. In this way, the types of inventories and their importance are specified.

Descriptive research comes to be when it is necessary to delineate what are the specific characteristics that have been discovered through exploratory research. The description can be made through qualitative study and in a descriptive study [22].

On the other hand. It is an explanatory study that aims to overflow the description of the concepts and phenomena that are establishing relationships between them. In this way they can respond to or explain visions and approaches from the fields of study.

The explanatory study is given in a qualitative investigation since it proposes to give the designs that are based on linguistic analysis the same one that reaches the construction of the codified paradigms, which represents a construction of reality that occurs through interaction subjective [23].

It should be mentioned that the method of synthesis and documentary analysis of the structured sources managed to contextualize and know the field of study, while the logical historical method allowed to interpret the current reality that occurs from the historical turns in this case how it was born and the inventory was evolving [24].

The documentary research comes to propose a methodology that goes from the qualitative, explanatory and descriptive since it is characterized in being able to collect and locate the existing bibliographic material that is necessary to elaborate the route on the subject dealt with in this case [25].

It is in this way that the analysis of this study has been carried out by means of this type of techniques and research in order to reach the fulfillment of the objective that is Analyze the importance of inventories through a bibliographic research predicting the effectiveness of their administration in Micro-businesses, once the study is carried out, the following results are presented.

### Results

The financial impact that occurs in the administration of inventories, in relation to the profits of the businesses is of great relevance, since the net profit is given by the contribution of expenses, that is, the cost of inventories such as leases, depreciations, materials management systems, labor costs that are associated with the maintenance, administration and conservation of the same.

In general terms, it must be said that the correct management of inventories will allow the company to achieve competitiveness in the market, and will have the products available to its customers, which will help to be recognized. As a second point, it will allow you to improve your profits in each period, since the inventory also influences the sales of each business, and the higher the sale, the greater the benefits for the micro-businesses.

### Conclusions

In this study it was possible to describe the importance of inventories and thus define a correct operation within micro-businesses, it was also pointed out that an efficient or adequate administration will optimally influence the finances of the company.

When it comes to large investments that the company makes, it is due to the decisions of the optimal level that is given to inventories, that is, the person in charge of the micro-businesses has in mind how important this issue is for the entity, it is because this means that a good inventory policy has to be managed, which allows the micro-businesses to have better liquidity, lower costs and as a way consequent increased profitability.

That is why proper inventory management must be studied in order to improve processes from the moment of purchase, during manufacturing and in the distribution of the final product.

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