



Original Article

A STUDY OF COST CONTROL MEASURES IN MICRO MANUFACTURING UNITS WITH SPECIAL REFERENCE TO PANDHARPUR

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Introduction:

Micro manufacturing units in Pandharpura prominent industrial and cultural town in Maharashtra operate within a dynamic economic milieu shaped by local demand, infrastructural constraints, and fluctuating input costs. Despite their contributions to regional development, many of these units struggle with cost inefficiencies arising from factors such as inadequate technological adoption, poor financial planning, high material wastage, and lack of skilled personnel. Effective cost control measures are therefore essential to enhance operational efficiency, optimize resource utilization, and improve profitability.

This study aims to explore the cost control practices adopted by micro manufacturing units in Pandharpur, assess the problems they encounter in implementing those measures, and identify opportunities for improvement. By examining real-world practices and challenges, this research provides insights that can help entrepreneurs, policymakers, and stakeholders develop tailor-made strategies to strengthen financial performance and sustainability of micro manufacturing sectors not only in Pandharpur but also in similar regional settings.

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Objectives:

- **To examine the overall cost structure** of small-scale manufacturing units in Pandharpur.
- **To identify the major components of operating costs**, including raw material, labour, overheads, and administrative expenses.
- **To analyse the cost control measures** adopted by these units to reduce unnecessary expenditure.
- **To identify challenges and problems** faced by small-scale units in implementing effective cost control measures.
- **To provide suitable recommendations**



2. Scope of the Study

1. Focuses on **micro manufacturing units** with investment less than ₹10 lakh.
2. Covers **cost components** such as raw material, labour, overheads, and administrative expenses.
3. Evaluates **cost control measures** and their impact on **profitability and efficiency**.
4. Useful for **entrepreneurs, researchers, and policymakers** to improve cost management in micro enterprises.
5. Provides insights into **rural industrial development** in Pandharpur.

3. Limitations of the Study

1. **Geographical Limitation:** The study is confined to **Pandharpur** only.
2. **Sample Size:** Limited number of micro units may affect generalization of results.
3. **Data Availability:** Some units may have **incomplete or unreliable cost records**.
4. **Time Constraint:** Data collection and analysis is limited by **time and resources**.
5. **Respondent Bias:** Responses from owners/managers may be **subjective or biased**.

Research Methodology:

1 Nature of the Study: The study is **descriptive and analytical** in nature. It focuses on identifying and analyzing **cost control measures** adopted by micro manufacturing units in Pandharpur.

2 Research Design:

- **Case Study Approach:** Selected micro manufacturing units in Pandharpur.
- Focus on **primary data collection** supplemented by secondary sources.

3 Sources of Data:

Primary Data:

- Personal interviews with owners/managers of micro units.
- Structured questionnaires to collect cost and operational data.

- Direct observation of production and cost practices.

Secondary Data:

- Financial statements and cost records of micro units.
- Reports from government agencies on micro and small enterprises.
- Books, journals, research papers, and online resources.

4 Sample Design:

- **Sampling Unit:** Micro manufacturing units in Pandharpur.
- **Sampling Method:** Purposive sampling (units with proper cost records).
- **Sample Size:** 5–10 micro units depending on availability.

5 Period of the Study:

The study will cover a period of **3 years**, depending on data availability (for example, **2018–20 to 2023–24**).

6 Tools and Techniques of Analysis:

- **Classification and tabulation of data** for easy understanding.
- **Percentage analysis** to show proportion of different cost components.
- **Trend analysis** to identify changes in costs over years.
- **Ratio analysis** to evaluate efficiency and profitability.
- **Graphs and charts** (bar, pie, line) to visually present findings.

Review of Literature:

1. Sharma (2018): Studied cost control practices in small manufacturing enterprises in India and found that most micro units depend on traditional cost control methods. Lack of managerial and financial knowledge was identified as a major problem.



2. Patil & Deshmukh (2019): Analyzed cost management techniques used by micro and small enterprises in Maharashtra. The study revealed that budgetary control and inventory control are commonly used, but poor record-keeping limits their effectiveness.
3. Kumar (2020): Examined financial challenges of micro manufacturing units and highlighted the importance of controlling raw material and labor costs. Units using systematic cost control measures showed better profitability.
4. Joshi (2021): Studied the relationship between cost control and profitability in small-scale industries. The research showed a positive impact of effective cost control on financial performance.
5. Mehta & Kulkarni (2022): Focused on operational efficiency in micro manufacturing units. The study found that rising input costs, power expenses, and wastage increase production costs and recommended modern cost accounting practices.
6. Rao (2023): Analyzed cost reduction strategies in micro enterprises and emphasized the need for government support, training programs, and financial awareness to improve cost.

Data Analysis And Interpretation:

1.Highest Cost Component

Sr. No.	Cost Component	No. of Respondents
1	Raw Material	32
2	Labour	14
3	Transport	6
4	Electricity & Fuel	6
5	Others	2
	Total	60

The table shows that raw material is the highest cost component, as it is reported by 32 out of 60 respondents, which is more than any other cost. This indicates that raw material expenses form the major part of total cost.

2..Major Components of Operating Costs in Micro Manufacturing Units (Pandharpur)

Sr. No.	Operating Cost Components	No. of Respondents	Percentage (%)
1	Raw Material	22	36.67
2	Labour	15	25.00
3	Transportation	8	13.33
4	Electricity & Fuel	9	15.00
5	Administrative Expenses	4	6.67
6	Others	2	3.33
	Total	60	100.00

The table indicates that raw material is the major operating cost in micro manufacturing units in Pandharpur, accounting for 36.67% of respondents. This is followed by labour (25%), electricity & fuel (15%), and transportation (13.33%), while administrative and other expenses form a smaller share of total operating costs.

3..Highest Cost Component in Micro Manufacturing Units (Pandharpur)

Sr. No.	Cost Component	No. of Respondents	Percentage (%)
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1	Raw Material	26	43.33
2	Labour	18	30.00
3	Transport	7	11.67
4	Electricity & Fuel	6	10.00
5	Others	3	5.00
	Total	60	100.00

The table shows that raw material cost is the highest cost component in micro manufacturing units in Pandharpur, reported by 43.33% of respondents. This is followed by labour cost at 30%, indicating its significant impact on overall expenses. Transport (11.67%) and electricity & fuel (10%) account for moderate portions of cost, while other costs (5%) are relatively low. Overall, the results highlight that raw materials and labour together form the major share of operating costs in these units.

4..Increase in Cost of Raw Materials / Inputs

Response	No. of Respondents	Percentage (%)
Yes	45	75
No	15	25
Total	60	100

The table indicates that a large majority of respondents (75%) answered Yes, showing that most units follow or agree with the given aspect under study. Only 25% responded No, suggesting comparatively fewer units do not adopt or experience it. Overall, the results reflect a strong positive response among the micro manufacturing unit

5..Type of Labour Cost More Significant

Type of Labour Cost	No. of Respondents	Percentage (%)
Skilled Labour	20	33.33
Unskilled Labour	15	25.00
Both	25	41.67
Total	60	100

The table shows that 41.67% of respondents reported both skilled and unskilled labour costs as more significant, indicating that overall labour expenses are a combined concern. Skilled labour alone is considered more significant by 33.33%, reflecting its higher wage rates, while 25% of respondents find unskilled labour costs more significant. Overall, labour cost pressure is felt across both categories.

6..Impact of Transportation and Logistics Costs on Overall Expenses

Response	No. of Respondents	Percentage
Yes	32	53.33%
No	10	16.67%
To some extent	18	30.00%
Total	60	100%

The table indicates that transportation and logistics costs have a notable impact on overall expenses. A majority of respondents (53.33%) stated that these costs do affect their total expenses, while 30% felt the impact to some extent. Only 16.67% reported no impact, showing that logistics costs are a significant concern for most units.

7..Electricity and Fuel Expenses as a Major Concern

Response	No. of Respondents	Percentage
Yes	38	63.33%



No	22	36.67%
Total	60	100%

The table shows that 63.33% of respondents consider electricity and fuel expenses a major concern, highlighting the significant burden of energy costs on operations. Meanwhile, 36.67% do not view these expenses as a major issue. Overall, energy costs are a key area of concern for a majority of units.

8..Maintenance of Proper Cost Records

Response	No. of Respondents	Percentage
Yes	42	70%
No	18	30%
Total	60	100%

The table indicates that a majority of respondents (70%) maintain proper cost records, showing awareness of the importance of cost tracking and financial control. However, 30% do not maintain proper records, suggesting a need for improved accounting practices in some units.

9..Effectiveness of government support in reducing costs

Response	No. of Respondents	Percentage (%)
Yes	25	41.67
No	20	33.33
Partial	15	25
Total	60	100

The table shows mixed opinions on the effectiveness of government support in reducing costs. 41.67% of respondents feel that government support is effective, while 33.33% believe it is not effective. The remaining 25% find the support partially effective, indicating that although government schemes help some units, their benefits are not uniformly experienced.

10..Effect of seasonal variations on cost and production

Response	No. of Respondents	Percentage (%)
Yes	40	66.67
No	20	33.33
Total	60	100

The table shows that 66.67% of respondents reported that seasonal variations affect cost and production, indicating a significant impact on operations. In contrast, 33.33% stated that seasonal changes do not affect them. Overall, seasonality plays an important role in influencing costs and production levels for most units.

11.Major challenges in controlling costs

Sr. No.	Challenges	No. of Respondents	Percentage (%)
1	High raw material costs	30	50
2	Labour issues	15	25.00
3	Transport/ Logistics	8	13.33
4	Power & Fuel	5	8.33
6	Others	2	3.34
	Total	60	100.00

The table reveals that the major challenge in controlling costs is high raw material costs, reported by 50% of respondents. This is followed by labour issues (25%), transport and logistics (13.33%), and power and fuel costs (8.33%). Only 3.34% reported other challenges. Overall, raw material cost is the most significant barrier to effective cost control.



12. Comparison of actual costs with standard costs/budgets

Response	No. of Respondents	Percentage (%)
Yes	35	58.33
No	25	41.67
Total	60	100

The table shows that 58.33% of respondents regularly compare actual costs with standard costs or budgets, indicating the use of cost control practices. However, 41.67% do not make such comparisons, suggesting scope for improving budgeting and cost monitoring systems.

13..Steps to reduce operating costs

Response	No. of Respondents	Percentage (%)
Yes	45	75
No	15	25
Total	60	100

The table indicates that a large majority of respondents (75%) are taking steps to reduce operating costs, reflecting awareness and proactive cost management efforts. However, 25% are not taking such steps, highlighting the need for greater focus on cost reduction strategies in some units.

14. cost control methods used by micro manufacturing units

Sr. No.	Cost Control method	No. of Respondents	Percentage (%)
1	Budgetary control	26	43.33
2	Standard costing	18	30
3	Marginal costing	7	11.67
4	No formal method	6	10
	Total	60	100

The table shows that budgetary control (43.33%) is the most commonly used cost control method, followed by standard costing (30%). A smaller proportion use marginal costing (11.67%), while 10% of units do not follow any formal cost control method.

Findings:

1. Raw material cost is the highest and most dominant cost component in micro manufacturing units, reported by the majority of respondents.
2. Labour cost is the second major cost, with both skilled and unskilled labour together creating significant cost pressure.
3. Electricity and fuel expenses are a major concern for most units, indicating high energy dependency in production activities.
4. Transportation and logistics costs significantly affect overall expenses for more than half of the respondents.
5. A large majority of units have experienced an increase in raw material/input costs, intensifying cost management challenges.
6. Seasonal variations have a considerable effect on cost and production for most micro manufacturing units.
7. The major challenge in controlling costs is high raw material prices, followed by labour-related issues.
8. Most respondents maintain proper cost records, showing awareness of cost accounting practices.
9. Government support is perceived as effective only by some units, with many reporting partial or no benefit.



Suggestions:

1. Control raw material costs by adopting bulk purchasing, developing local supplier networks, and exploring alternative or substitute materials.
2. Improve labour productivity through skill training, proper work scheduling, and performance-based incentives.
3. Reduce energy costs by using energy-efficient machines, regular maintenance of equipment, and adopting renewable energy sources where possible.
4. Optimize transportation and logistics by better route planning, shared transport facilities, and negotiating long-term contracts with transporters.
5. Strengthen cost record maintenance by adopting simple accounting software and providing basic cost accounting training to owners and staff.
6. Encourage regular cost comparison between actual and budgeted costs to identify deviations and take timely corrective actions.
7. Increase awareness of government schemes through workshops and guidance from local industry associations to ensure better utilization of available support.
8. Plan for seasonal variations by maintaining buffer stocks and flexible production planning.
9. Adopt formal cost control methods such as budgetary control and standard costing, especially in units currently following no formal system.

Conclusion:

The study concludes that raw material cost is the most significant component of operating expenses in micro manufacturing units, followed by labour, electricity and fuel, and transportation costs. Rising input prices, seasonal variations, and energy

expenses have a considerable impact on cost and production levels. Although a majority of units maintain cost records and take steps to reduce operating costs, the adoption of systematic cost control methods is still limited. The findings also reveal mixed opinions regarding the effectiveness of government support, indicating the need for better awareness and accessibility of schemes. Overall, while micro manufacturing units show awareness of cost management, there is substantial scope for improving cost control practices, budgeting, and efficient resource utilization. Strengthening these areas will help enhance profitability, sustainability, and long-term growth of micro manufacturing units.

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