The impact of Inventory Control on financial performance of business enterprises: Empirical Study of Kigezi Highland Tea Factory in Kitumba Sub-County Kabale District

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Abstract: *The purpose of the study was to establish the significance inventory control and financial performance of Business Enterprises in Kabale District Empirical Studies of Kigezi Highland Tea factory in Kabale District. The objectives of the study were; to find out the factors that enhance inventory control and the performance of business entities, the Inventory Control methods that may be used in the performance of business entities and to determine the relationship between inventory control and the performance of business entities. The methodology used the descriptive survey design and cross sectional survey. The Study used both qualitative and quantitative methods during the process of collecting data and analysis. The population to be studied consisted of 90 respondents chosen from the Purchasing and procurement department, other employees and customers of Kigezi Highland Tea factory. The findings revealed that there is a significant relationship between inventory control and financial performance of Business enterprises in Kabale District with reference to Kigezi Highland Tea factory. Inventory control helps an organization in effective resource allocation by minimizing wastages and hence leading to improved levels of financial performance. The management of Kigezi Highland Tea Factory did not have the inventory control measures and this therefore made it difficult to achieve its goals and objectives.*

Keywords: Inventory control, financial performance, Business performance.

1.0 INTRODUCTION

Vikram et al (2012) defines Inventory control as the adoption of methods and techniques of ensuring that stock is well managed to enable the organization to minimize making losses.
Inventory control considers the correct amount, quality and timing of stock is accomplished by using proper systems of managing inventory. This aims at satisfying the needs of the consumer
Who can easily run away to the competitors in case his or her requirements are not met.

Kariuki (2003), expresses that there are many t diverse benefits of inventory control such as minimizing losses, controlling wastages and also enabling the organization to market its products thereby leading to increased financial performance. The theory of Control theory (Walter Reckless 1973) was used to explain the study. It states that an individual's inner and internal control both work together to negate deviant outcomes. Financial performance refers how able an organization is to increase its sales , sustain growth and almost make more profits by putting into consideration issues relating to efficiency and effectiveness.
The study considered two variables inventory control and financial performance.
Kigezi Highland Tea factory is located in Kitumba Sub county Kabale District. It is the only tea factory located in Kabale District. Its core intention is to provide market for the tea grown by the locals in Kabale District as a way of improving their standards of living through income creation and attainment of the government goals and programs of wealth creation and prosperity for all and Poverty eradication (Ministry of Agriculture, Animal Husbandry and Fisheries report 2019).
It was established that many factories do not reach their goals as result of not having in place inventory control techniques and this therefore led to the need to carry out this research study.

2.0 LITERATURE REVIEW

2.1 The factors that enhance Inventory Control and the financial performance of Business Entities.

Troxell, (2015) states that, Inventory control has to develop formal and structured ways of ensuring inventory security from within the business. There should be written down procedure on inventory security issues in the organization if inventory handlers and storage specialist have to succeed in ensuring internal inventory security. Internal inventory procedural practices are practices that have been laid down by the management to aid in internal security of inventory within the organization. Such procedural practices can be referred to as internal inventory loss prevention practices (Super Cuts, 2014).

Lwiki et al. (2013) asserted that the factors that affect inventory management practices on financial performance of sugar manufacturing firms in Kenya revealed that while sugar companies were applying the same inventory management practices, the implementation of these practices was unique to every organization based laid down procedural practices relating to inventory control.

2.2 The Inventory Control Methods that may be used in the financial Performance of Business Entities.

Robert (2014) suggests Min-Max inventory Control Method. He argues that, this method helps business people to define how much inventory they should maintain for specific items. "After a careful examination of their inventory needs, they set two lines – one at the top and one at the bottom of how much of each product must keep on hand. When they reach the bottom line, they order enough of that product so that they won't go above the top line. As long as they are somewhere in the middle, they are okay. This method is simple and it makes the task of balancing inventory fairly straightforward.

Suresh R, (2013) proposed The ABC method where items are classified according to their importance and vendor managed inventory where inventory is management by the suppliers are mainly used when managing inventory.

2.3 The Relationship between Inventory Control and the financial Performance of Business Entities.

Brownell, (2005) suggested that, this reduces the chances to defective items and the risk of obsolesce because the supplier is involved in the design process. Vendor Managed Inventory (VMI) is a new feature of supplier partnerships. In a VMI relationship, the supplier holds inventory on site or near the customer, allowing the customer instant access to the inventory. This immediate access allows the customer to pull inventory as needed and only pay for that which is consumed, thus reducing inventory investment and increasing inventory turns. In VMI arrangements the supplier has a responsibility for replenishing stock, which would include ordering, managing the logistics to ship the material and counting inventory.

3.0 METHODOLOGY

3.1 Research Design

The design of the survey was descriptive in nature.. The descriptive survey was chosen because of having the ability to produce statistical information about aspects of the research problem.

This comprised of using purposive sampling technique to collect the right information from the respondents who participated in the study.

3.Population study

This comprised of 90 respondents chosen purchasing manager, inventory officer and customers of Kigezi Highland Tea Factory.

3.3 Sample Size Determination

The sample was determined basing on the Slovene's formula of sample determination. The target population was 90.

n=   N/ 1+ N(e)2

= 90/ 1 + 90(0.05)2

= 90/ 1+0.225

= 90 / 1.225

= 73 respondents

Where n – no

    N – Total population

     e- Level of significance

Table showing size of the sample from a given population

Respondents	Target Population	Sample Size	Technique
Purchasing Manager	01	01	Purposive Sampling
Inventory Officers	09	04	Simple Random Sampling
Customers	80	68	Simple Random Sampling
Total	90	73	

3.4 Sampling Techniques

The selection of the respondents was done using both Purposive sampling and Simple Random sampling techniques. Purposive sampling was done with the aim of choosing the respondents with the qualities required for the research Study.

3.5. Sources of data

Primary and Secondary data sources were used.

3.6 Data Processing and Analysis

Data was gathered edited processed and coded using SPSS V20.0.

3.7 Validity and Reliability

Validity

Validity is defined as the capacity of the adopted research instrument to measure or achieve its intention. Thus the research instrument must be in line the overall purpose to be realized by the researcher. The researchers discussed and consulted each other so as to minimize mistakes.

Reliability

Reliability refers to as how dependable a research instrument is or often does it measure what it is supposed to.

4.0 DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 Age of the Respondents
Table 4.1 Ages of the Respondents

Age group	Number of Respondents	Percentages %
20-30	30	41
30-40	20	27
40-50	17	23
50+	06	8
Total	**73**	**100**

Source: Field Data (2022)
From the above table, 41% of the participants were between 20-30, 27% were between 30-40, 23% were of the age bracket 40-50 and 8% were 50 +.

4.2 Sex of the Respondents
Table 4.2:

Sex of Respondents	No. of Respondents	Percentage (%)
Males	40	55

Females	33	45
Total	**73**	**100**

Source: Field Data, (2022)

As seen , majority were males representing 55% and females were represented by 45%.

4.3

The researchers found out information which they later presented, analyzed and discussed as shown in the table below

Table 4.3: Showing Marital Status of the Respondents

Marital Status	Number of Respondents	Percentage
Married	35	48
Single	30	41
Engaged	08	11
Total	**73**	**100**

Source: Field Data (2022)

The results indicate that majority were married represented by 48%, 41% were single and10% were engaged.

4.2.4 Education Level of Respondents

The respondents had different education levels starting from Certificate, Diploma and Degree from different Universities and higher Institutions of Learning.

Table 4.4: Showing the Education Level

Education Levels	Number of Respondents	Percentages %
Certificate	10	14
Diploma	18	25
Degree	45	62
Total	**52**	**100**

Source: Field Data (2022)

As seen from the table above, many respondents were degrees holders represented by 62%, 25% were diploma holders and 14% Certificate holders.

4.3 The factors that enhance Inventory Control and the Performance of Business Entities

The researcher collected data from different respondents by Interviewing and Observation on the and results were presented, analyzed and discussed as shown in the table below

Table 4.5: Showing the factors that enhance Inventory Control and the Performance of Business Entities.

Factors that enhance Inventory Control	Number of Respondents	Percentages
Materials used	20	27
Formal and structured ways	24	33
Implementation of practices	29	40
Total	**73**	**100**

Source: Field Data (2022)

According to the table, the majority stated that Implementation of practices affects inventory control as shown by 40%, 33% stipulated that the adoption of formal ways are necessary for the inventory control to be efficient and 27% of the respondents stated that Materials which they use in the production process do greatly influence Inventory control.

4.5 The Inventory Control methods that may be used in the financial performance of business entities

Table 4.6: Showing the Inventory Control methods that may be used in the financial Performance of Business Entities

Inventory Control Methods	Number of Respondents	Percentage %
The ABC Inventory method	18	25

Min-Max Inventory method	21	29
Vendor-Managed Inventory method	23	32
The Just In Time (JIT) Inventory method	11	15
Total	**73**	**100**

Source: Field Data (2022)

The results indicate that 32% stated that Vendor Managed Inventory method was used in inventory control, Min – Max Inventory method was represented by 29% ,25% said that ABC Method was also used as a method of inventory control and 15% asserted that Just In Time.

4.7 The Relationship between Inventory Control and the financial Performance of Business Entities.

This can be put in place to enhance employee remuneration and growth of business enterprises and the details were presented in the following table.

Table 4.7:

Relationship	Number of Respondents	Percentage %
Reduces defective items	26	36
Leads to business success	22	30
Facilitates global expansion	25	34
Total	**73**	**100**

Source: Primary Data (2022)

The findings reveal that 36% reported that Inventory Control reduces defective items, 30% said good inventory controls lead to business success and 34% asserted that inventory control facilitates global expansion.

5.0 Conclusion

 Kigezi Highland Tea Factory does not have in place inventory control mechanisms and this has therefore made it not easy to control all materials that are required for use in the production or manufacturing process. The Stores and inventory department have been able to put in place measures and ways of ensuring that inventory is well managed so as to minimize wastages, damages, misuse and also losses with major concern being directed to maximizing financial performance which is responsible for organizational success.

5.1 Recommendations

The management of Kigezi Highland Tea Factory needs to make sure that clear and specific goals are set so as high levels of financial performance are achieved. Also there is need to adopt ABC technique which may be realized by training the employees and also motivating the employees by paying them fair wages and salaries.
Management of Kigezi Highland Tea Factory can also aim at setting targets for each department and also ensuring that the organization attains high levels of financial performance.

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