



**ASSESSMENT OF INVENTORY MANAGEMENT PRACTICES  
IN THE CASE OF SAMIRA FLOUR MANUFACTURING PLC**

**BY**

**RAHWA GEBRETSADIK**

**MAY, 2023**

**WOLKITE, ETHIOPIA**

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## DECLARATION

I, declare that the project entitled “*assessment of inventory management practices in the case of Samira flour manufacturing PLC.*” is my original work and has not been presented for a degree in any other university and that all sources of material used for the project have been duly acknowledged.

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## ENDORSEMENT

This is to certify that Ms. Rahwa Gebretsadik has completed her project work entitled “*assessment of inventory management practices in the case of Samira flour manufacturing PLC*”. As I have evaluated, his project is appropriate to be submitted as a partial fulfillment requirement for the Award of Degree in Bachelor Degree of Accounting and Finance (BA).

**Advisor:** \_\_\_\_\_

Confirmation by Advisor

Demelash Getnet (Mr.)

Signature and Date

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## **LIST OF ACRONYM**

IM	Inventory Management
EOQ	Economic Order Quantity
EPQ	Economic Production Quantity
MRP	Materials Requirements Planning
SNNPR	South Nation Nationalist People Region

## **ABSTRACT**

*The study aims to focus on assessing inventory management practices in Samira flour manufacturing PLC using descriptive research to imply areas of gaps to be studied and lay a foundation for other fellow academic researchers in the area. The researcher used both quantitative and qualitative research approaches are used to answer the research questions. Both primary and secondary sources of data were used. The primary data was gathered through questionnaire. While the secondary data was obtained from various sources which are relevant for the study through document analysis. The study statistically analyzed through descriptive data analyzing method. That the data obtained from the survey questionnaire form the employees and interview from warehouse and manager. The total population of the target group is 21 employees which used census method for this study. The study revealed that, management should use different strategies and policies to be effectively manage the inventories. According to the study, it was found out that lack of proper training and availability of unskilled manpower, and lack of segregation of duties, proper recording, and reporting and documentation system. The company should focus on inventory controlling related to the company's performance, and giving appropriate training to employees to get well skilled manpower. Qualified staff that is competent and skilled helps the organization to achieve its goals and objectives by being effective when carrying out their various functions as per the respondents. the IM practices with proper documentation that ensures material availability meets projected demand, and accuracy of inventory records is necessary to retain and attract satisfied customers, monitored skill set of the employees are valuable to the company which is used to ensure accountability through stocktaking and stock audit exercise and check the inventories in shorter time than practiced earlier and strengthens the practice of IM practices as well.*

Key words: Inventory; Inventory management; Practice; Documentation; skills, .Employees, Semira flour manufacturing PLC

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

The this century business environment is characterized by globalization, free markets, technological improvement, and constant change in customer and investor demands, competition has become vital for the survival of any organization. The market experiences fierce competition and only those who offer better products or services than their competitors will survive and organizations that are keen towards large scale success must at all times sustain its service availability as consumers can very easily divert their interest elsewhere (Sharma, 2004). Therefore, managing inventory effectively has become an essential operational tool for products and service businesses with a goal of sustaining in the competitive pressures.

In the past, inventory management was not one of the main aspects of an organization. Actually, owing surplus inventories were considered as sign of wealth. Due to this perception, over stocking was seen throughout management as valuable. However, these days' companies have accepted that it's necessary to implement an effective inventory management (Susan & Michael, 2000). Inventory Management (IM) plays a decisive role in the enhancement of efficiency and competitiveness of business enterprises. Effective inventory management entails holding an appropriate amount of inventory. Too much inventory consumes physical space, creates a financial burden, and increases the possibility of damage, wastage and loss. On the other hand, too little inventory often disrupts business operations, and increases the likelihood of poor customer service (Dimitrios, 2008). According to Rajeev (2008), there is increased need for business enterprises to embrace effective inventory management practices as a strategy to improve their competitiveness. Inventory management is concerned basically with planning and control of materials. It deals with where to buy, when to buy, and how much to buy to ensure uninterrupted supply of inventory at lowest possible cost for ongoing operation of business. The primary goal of inventory management, therefore, is to have adequate quantities of high-quality items available to serve customer needs, while also minimized the costs of carrying inventory (Brigham & Gapenski, 2013).

Inventory management systems are developed with the aim of reducing costs associated with IM. Inventory management systems are however described as complex systems to develop. This is attributed to the fact that inventory management spans through most of the departments within an institution each having its own heterogeneous functions. Moreover, institutions should integrate their inventory management systems with those of their suppliers (Power, 2005). By so doing, the efficiency of the supply chain process will be significantly enhanced. According to Power (2005), developing integrated inventory systems is one of the challenges that organizations face as they develop inventory systems. In addition, complex systems are costly to develop and thus discourage organizations from developing them. According to Cagliano et al., (2011) adoption of inventory management systems has huge initial cost implications for the firm, but the firm stands to benefit in the long run. The benefits of the IM systems include, increased operational efficiency, lower institutional and operational costs, shorter lead-times, and reduced inventory.

Inventory management is a critical management issue for organization regardless of their size and types, as it involves cost and the need to balance between demand and supply. Therefore, efficient inventory management practices are vital in ensuring inventories are enough to satisfy expected demands and customer needs. This study examined the inventory management practices in Samira flour manufacturing plc.

## **1.2. Statement of the Problem**

Inventory management is essential to all organizations engaged in flour manufacturing in order to achieve their intended objectives and to ensure the existence of the business in the industry for Horngren and Harrison (1992), argue that the long period of time.in order to ensure such objectives an organization should have good inventory controlling system, written policies, rules, procedures and principles that help the organization easily manage the inventory and protect it from inventory problems such as overstocking, expiring, loss, theft, embezzlement and fraud which will lead the business in to bankruptcy. According to Vrat (2014), all organization has a responsibility to manage their inventory. The inventory management leads companies enjoy many benefits which include achieving inventory balance, using resource wisely, cutting costs, saving time and becoming more efficient and planning a head for seasonal changes in demand. Most of the work practiced in the organization is characterized by purchasing of raw material, process those inventory and sale finished product to the final users (secondary data).

Pushpakumara (2018) conducted a study to identify the factors affect to effective inventory management system in government sector organizations in Sri Lanka, as well as to identify the type of inventory control system applied by government sector organizations and to give suggestion to government sector organization to handle proper inventory management system. The study concluded that inventory record system, storage system, wastage system, procurement system, security system and investment in inventory are affected to effective inventory management system and staff characteristics and method of inventory are not affected to effective inventory management system in government sector organizations in Sri Lanka. Many organizations in the current business environment are compelled to increase their market share both locally and globally to stay alive and continuously operate to meet their growth objectives. The obstacle is how to keep tremendous level of inventory to meet the needs of its customers and manage it to prevent both overstocking and stock outs. Therefore, in relation to the study, appropriate budget fund and cash and cash equivalent existence, proper procurement and supply chain channels, appropriate stock data control and document record and relevant skill set application are the necessity for sustainable growth and business maturity in the firm's life cycle.

Annet and Anthony (2020) conducted a study to establish the Determinants of Inventory Management on Service Delivery in Trans Nzoia County Level Four Hospital, Kenya. The target population was 200 respondents who comprised of employees from the following departments in Tran Nzoia Level four hospitals: procurement, finance, and pharmacist and administration department resource respectively. Service delivery significantly influences effort of respondents, most notably through the JIT shortening of lead time, staff competence, record management practices and the up-take of information and communication technology in all level four hospitals in Kenya.

Kariuki (2013) conducted a study to make an assessment of the factors influencing effectiveness of inventory control; Ministry of State for Provincial Administration and Internal Security; Nairobi. The study revealed that: delays in procurement of goods, frequent stock-outs and uncertain change of prices were some of the effects of long bureaucratic procurement procedure. The study also revealed that unavailability of stationeries/stores records, lack of specific time or date for both posting stores records, lack of adequate qualified and well-trained staff hinders effective performance.

In the context of Ethiopia, most organizations have implemented some kind of inventory management system. Hence following to this implementation, some researchers have been conducted in order to realize different aspects of inventory management system. For instance, Gashu (2016) analyzed the inventory management practices in SUR Construction Company and found out that the overall inventory practice was not effective; and the major inventory management challenge was the availability of item on time in complete set. Also, the main contributing factor for this problem was staff capacity having skill gap and awareness in implementing inventory management technique.

Weldeyes (2019) examined the effect of inventory management practice on logistics performance in the case of Ethiopian Defense Force Logistics Main Department. The findings of the study revealed that there is a gap on purchasing department in relation to applying competitive based purchasing practice, lack of information sharing between purchasing and warehouse departments, lack of computerized inventory management system, lack of proper inventory handling and disposal system and lack of on job and of job training programs in relation to inventory management practice. Tilahun (2020) investigated the effect of supply chain integration and inventory management practices on operational performance in

F.D.R.E Air Force. Abdissa (2021) examined the influence of inventory management practices on customer satisfaction of Ethio-Nippon Technical Company S.C in Ethiopia, the findings of study shows that there is a poor inventory management practice in the company and lack of good service and product delivery system in the company to fulfill the customer satisfaction. The company also has weak inventory management system and because of this it was not good at delivery product and service on time, and this led to increase customer complaint in the company time to time.

Through preliminary study the researchers found out that companies faces a problem like; over stocking (which is having too much inventory in warehouse) this can be quite harmful to the company, recording problem, and poor documentation that the other problem that the researcher found out.

Moreover, the market for flour has been growing over the past few years in line with rising public demand. Ethiopia is rich in agricultural products, but is in need of how know-how for

food processing .most products are exported as pure raw materials and do not generate any local added value in the country itself, Miller Magazine (2014). The processing of wheat is also limited to bread, biscuits or flour, due to lack of knowledge and technology, but now a days the flour companies are increasing and starting to export it. Samira flour manufacturing company is one of those companies but it is not known by most people and the researcher found out that nobody tried to do research on this company.

### **1.3. Basic Research Question**

- 1 How is Samira flour manufacturing PLC handling its inventory movement?
- 2 How the company trained its man power to manage its inventory effectively?
- 3 What factors affect the inventory management?
- 4 How the organization interrelate theoretical aspects of inventory management with the actual practice of inventory management?

### **1.4. Objective of the Study**

#### **1.4.1. General Objective**

The main objective of the study is to assess the inventory management practice in Samira flour manufacturing PLC

#### **1.4.2. Specific Objective**

- To examine organizational practice in handling inventory.
- To examine that whether the company's employees are aware of inventory management and well trained.
- To identify factors that affects the inventory management of Samira flour manufacturing PLC.
- To compare and contrast the actual practice inventory management with theoretical aspect of inventory management.

## **1.5. Significance of the Study**

Inventories represent a sizeable investment and a potential source of waste that needs to be reviewed regularly and closely reviewed. e.g., through perpetual stock taking, periodic reviews also as well as internal and external auditing. Thus, an effective inventory management is vital to ensuring that budget is utilized appropriately. To understand how different factors affect the inventory management system, this study will play a vital role and will show Samira flour manufacturing PLC management their inventory management practices to assess. The findings of this study will be form part of the action plans that will help Samira flour manufacturing PLC to gain competitive advantage over their competitors through reviewing their system.

Future and present scholars will use the results of this study as a source of reference. The findings of this study will be compare with inventory management in other sectors to draw conclusions on various ways an organization can overcome issues that impact its inventory management. It will also benefit consultants who endeavor to provide assistance to successful running of organizations in developing and sustaining a competitive edge in their industry.

The information gap on the subject area is one of the major factors that will initiate the researcher to conduct this study; hence, this study will fill the information gap for the assessment of inventory management practices in the samira flour manufacturing plc and adds valuable information on the existing knowledge scenario.

## **1.6. Scope of the Study**

There are many flour manufacturing and processing companies in Ethiopia, these companies are Wollo flour factory, Nyala flour factory, Meshobya flour factory, Birrwenz flour factory, Surya flour factory plc, Chancho flour factory, Misrak, east Africa group, Nazrawi andso on. Therefore, due to location and transportation challenges, the time scarcity, lack of funding and budget requirements, challenges in physical and electronic access to data collection and communication, existing safety caution due to the instability crisis in Ethiopia, the study was limited to mainly focus on Samira flour manufacturing plc.

The researcher attempted to assess the inventory management practices in Samira flour manufacturing plc.

### **1.6.1. Subject Scope**

This study focused on assessing the inventory management practices in Samira flour manufacturing PLC. In this study, the inventory management practice assessed in reference to funding, procurement

practice, and documentation and staff skills. The study included participants in the supply chain and distribution channels, warehouse and departments that have direct influence in the inventory management of the company.

### **1.6.2. Geographical Scope**

In Ethiopia there are many flour manufacturing companies in different part of the country Samira flour manufacturing PLC has operating in Ethiopia, welkite , in Gurage Zone of SNNPR Therefore, due to location and transportation challenges, the time scarcity, lack of funding and budget requirements, challenges in physical and electronic access to data collection and communication, existing safety caution due to the instability crisis in Northern and other part of Ethiopia, the study was limited to mainly focus on Samira flour manufacturing PLC out of the other companies in this business.

### **1.7. Organization of the Study**

This study organized into five chapters. The first chapter comprises introduction which included background of the study, statement of the problem, objective of the study, basic research questions, significance, scope, and limitation of the study and definition of terms. Review of related literatures that includes theoretical review, empirical reviews and conceptual framework discussed in the second chapter. The third chapter is about the research methodology that applied in the study. The data analysis, interpretation and discussion of results presented under chapter four. The fifth chapter presented the major findings, conclusion, recommendation, research limitation and areas of future research.

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1. Introduction**

This chapter aimed at giving insight to the researcher regarding the study. It included literature works from the books, journals and previous studies which are relevant to supply chain management applications in different fields. The literature review is divided into two major parts: theoretical review and empirical review.

### **2.1. Theoretical Review**

#### **2.1.1. Inventory Management**

The word inventory refers to the goods or resources used by a firm for the purpose of production and sale. It also includes the matter, which are used as helpful materials to ease production. There are three basic types of inventory raw resources, work-in-progress and completed goods. Raw materials are the items purchased by firms for employ in production of finished manufactured goods. Work-in-progress consists of all items currently in the process of production. These are in fact partly man-made products. Finished goods consist of those items, which have already been shaped but not yet sold (Ghosh & Kumar, 2003).

Inventory management is defined as a science-based art of ensuring that just enough inventory stock is held by an organization to meet demand. Inventory is the availability of any stock or resources at right quantity and quality used in an organization. An inventory management system is the set of policies that controls and monitors inventory level and determine what level should be maintained, how large orders should be made and when stock should be replenished so as to support the operation of the business (Miller, 2010).

The availability of materials whenever and wherever required activities were essential for the procurement, storage, sales, disposal, or use of material can be referred to as inventory management. Individual responsible for inventory management have to know the space they have for storage and provide information when materials reach at their minimum level and utilize available storage space resourcefully, so that available storage space is not exceeded. They have to assist the organization to

decide what quantity to order, how to order and when to order so that stock is available on time and at the optimum cost (Bose, 2006).

Inventory management covers replenishment lead time, carrying costs of inventory, inventory forecasting, inventory valuation, inventory visibility, future inventory pricing, physical inventory, available physical space for inventory, quality management, replenishment, and returns. Balancing these competing requirements leads to good inventory management system, which is an on-going process as the business needs shift and react to the wider environment (Ghosh and Kumar, 2003).

There is need for installation of a proper inventory control technique in any business organization in developing country like Ethiopia. According to Kotler (2002), inventory management refers to all the activities involved in developing and managing the inventory levels of raw materials, semi-finished materials (work-in-progress) and finished good so that adequate supplies are available and the costs of over or under stocks are low. Therefore, the basic goal of managers in one organization must be to maintain a level of inventory that will provide optimum stock at lowest cost.

### **2.1.2. Objectives of Inventory Management**

Managing inventories have significant impact on the productivity of organizations. Keth et al. (1994) stated that the major objective of inventory management and control is to inform managers how much of a good to re-order, when to re-order the good, how frequently orders should be placed and what the appropriate safety stock is, for minimizing stock outs. Thus, the overall goal of inventory is to have what is needed, and to minimize the number of times one is out of stock.

Additionally, the main aim of inventory management is to ensure that organizations hold inventories at the lowest cost possible while at the same time achieving the objective of ensuring that the company has adequate and uninterrupted supplies to enhance continuity of operations (Mpwanja, 2005).

There are reasons to organizations to give emphasis for their inventory management. It is known that inventory is often where the biggest costs are hidden in businesses (Harrington, 1996). According to Goor & Weijers (1998), stocks are responsible for a large part of the total working capital costs: up to about one third. This indicates that inventory costs represent a significant component of total logistics costs consequently the biggest benefits can thus be gained by reducing these costs. From the above perspective this excess capital invested in stocks is thus, from a company-perspective, a

useless waste of money. The second thing is that stocks are a source for risks. For example, stock may catch fire, can be stolen, damaged or may decay over time. Consequently, these events might influence the production process and could even because it to stop and orders are delivered too late accordingly. So having good inventory management system helps the organization in several ways.

### **2.1.3. Inventory Management Model**

Inventory management is a systematic approach to sourcing, storing, and selling inventory both raw materials (components) and finished goods (products). In business terms, inventory management means the right stock, at the right levels, in the right place, at the right time, and at the right cost as well as price. The stock might be kept in-house, which means in the vicinity or close by for sure-fire use; or it could be held in a removed stockroom or dispersion place for some time later. Except for firms using in the nick of time strategies, usually, the expression stock infers a put-away amount of merchandise that surpasses what is required for the firm to work at the current time.

The significance of inventory management models is in the exactness it gives. You can discover which items are selling and which ones are not, which things you need to have available and explicitly what amount is required. Also, when you know these subtleties, you can lessen operational costs, lower stockpiling expenses and set aside your business cash.

The different inventory management models, three of the most popular inventory management models are Economic Order Quantity (EOQ), Inventory Production Quantity and ABC Analysis.

Each of the inventory management models has an alternate way to deal with assisting you to know how much stock you ought to have available. Things you choose to utilize rely upon your business.

#### **2.1.3.1. Economic Order Quantity (EOQ)**

Best E-Commerce traders and retail operators are driven by a prudent rationale to keep away from stock outs. Utilizing deterministic inventory management models like the Economic Order Quantity (EOQ) model will assist you with processing an ideal request amount that limits stock expenses. The EOQ is a recipe that figures the most prudent number of things a business should request to limit costs and boost esteem when reloading stock.

$EOQ = 2DS/C$ , D = Annual Demand, C = Carrying Cost, S = Ordering Cost

In any case, the EOQ model expects a (consistent) request of an item and prompts accessibility of things to be restocked. It does not represent occasional or economic fluctuations. It expects fixed expenses of inventory units, requesting charges and holding charges. No stock outs are allowed. This

inventory model requires nonstop checking of inventory levels. The viability of the essential EOQ model is generally restricted by the presumption of a one-item business, and the recipe does not permit communication between items. Also, EOQ accepts a boundless arranging skyline and that there is no restriction on capital availability.

### **2.1.3.2. Inventory Production Quantity**

Also called Economic Production Quantity, or EPQ, this kind of inventory management models discloses to you the number of items your business should arrange in a solitary cluster, in order to diminish holding expenses and arrangement costs. It expects that each request is conveyed by your provider in parts to your business, instead of in one full item.

This model is an augmentation of the EOQ model. The distinction between the two models is the EOQ model expects providers are conveying stock in full to your client or business.

Here is how to calculate your Inventory Production Quantity:  $2KDh(1-x)$

K = Setup (order) costs, D = Demand Rate., h = Yearly Holding Cost per Product, P = Yearly Production Rate,  $x = D/P$

\* Take the square root of  $(2SD)/\text{Production Cost} (1 - x)$

\* S is your setup (order) costs- \* D is your demand rate (units) - \* X is your Demand Rate/Production Rate

This model could be the best choice for your business if:

- Your business will generally request inventory from providers in parts as opposed to one full request, for example, for an automotive organization.
- Interest for items is consistent over various periods of time

### **2.1.3.3. ABC Analysis**

The more cash explicit inventory presents to you, the more significant it is to you. ABC examination arranges your inventory dependent on degrees of significance. By realizing which stock is the main, you realize where to concentrate. To be best, ABC Analysis is often utilized with other inventory management models, like the Just in Time (JIT) technique.

Stock is sorted into either bunch A, B, or C. So how would you know which class to put inventory under? It depends on the 80/20 guideline, otherwise called the Pareto Principle:

Category A: Inventory under this classification gets the most cash and is just a modest quantity of your all-out stock. It accounts for just 20% of your stock however gets 70% of complete income.

Category A stock is given the most measure of consideration and has tight requesting controls set up. Category B: Unlike Category A stock, this Category B stock is not fundamental for your business to endure, however, it actually matters. It is 30% of your stock with 25% income. Category C: Inventory arranged under Category C is 50% of your items with 5% income. This stock does not get as much benefit as A and B, however, it is steady. Inventory management is quite free here since it gets a modest quantity of pay. If your organization offers administrations or items that all shift significantly in cost, for example, an arranging organization, this will be a viable model for you.

A genuine model is Amazon, whose items cover an enormous scope of costs. Few out of every odd thing you see recorded on their site is available. That would prompt extraordinarily high holding costs, making it hard to make money. So, all things being equal they request stock dependent on what they see with their ABC classification rules.

The drawback to this kind of inventory management models is that you need to classify the correct stock accurately with the goal for it to work. Or else you will be putting all your inventory management models consideration into an item that is not presenting to you the most cash. There are various ways to manage inventory. This is largely due to different business models with different types of inventory management models, and types of goods and services that are sold across the world. No two businesses are by and large something similar thus they need to discover arrangements that are custom fitted to their particular requirements. Given that every business has a unique location, infrastructure, and logistical layout; it can be difficult to find some inventory management models to align your business processes with.

Inventory management models are methods of optimizing the flow of goods in and out of an organization. Each business is special; thus, they should be adaptable with how they approach their stock administration. They thought to ask themselves a progression of inquiries and afterward pick the suitable stock arrangement that best meets their requirements.

#### **2.1.3.4. Materials Requirements Planning (MRP)**

The availability of cost-efficient computer systems has allowed firms to make great progress controlling dependent-demand inventory. A widely used system that controls dependent-demand inventory is the material requirements planning (MRP) system. This system relies on production schedules developed for final part numbers in the master production schedule (MPS) to determine the timing and quantities of materials required for components or subassemblies (Monczka, Trent and Handfield, 2002:585).

Coyle et al. (in Gourdin 2001:74) explains that MRP deals specifically with supplying materials and component parts whose demand depends upon the demand for a specific end product. Essentially, MRP begins by determining how much of the final product customers desire, and when they need it. Then MRP breaks down the timing and need for components (all of which could have different lead times) based upon that scheduled end-product need. A MRP system consists of a set of logically related procedures, decision rules and records designed both to translate a master production schedule into time-phased net inventory requirements and to delineate how those requirements will be satisfied. The program also replans net requirements and coverage as a result of changes in the master production schedule, demand, inventory status, or product composition. Emphasizing on the pertinence of the use of MRP in business organizations, Chandra and Kumar (2001:3) underline that without a MRP model, it is impractical and tedious to plan requirements of component parts and assemblies needed to assemble the final product in the quantities required during future time horizons.

Krajewski and Ritzman (1999:689) note that MRP translates, or explodes, the master production schedule and other sources of demand into the requirements for all subassemblies, components and raw materials needs to produce parent items. This process generates the material requirements plan for each component item. An item's gross requirements are derived from three sources:

- The MPS for immediate parents that are end items,
- The planned ordered releases for parents below the MPS level, and
- Any other requirements not originating in the MPS, such as the demand for replacement parts

The research done by Smaros et al. (2003:1) in Finland on the impact of increasing demand visibility on production and inventory control efficiency reveals that for products with stable demand a partial improvement of demand visibility can improve production and inventory control efficiency, but that the value of visibility greatly depends on the target products' replenishment frequencies and the production planning cycle employed by the manufacturer.

#### **2.1.4. Inventory Control**

According to Eni (2001), defines inventory control as the problems of verifying the quantity, the value, and the balance of the entire range of materials held in the stock, so that it would be easy and possible to give the exact quantities of materials in the store at any given time. It helps the storekeeper (or the inventory controller, as the case may be) to tell how much was ordered (requested for), how many have been used, what is remaining and when to place the next order so that the

enterprises would not lack materials to work with at any point in time.

Good inventory control system offers the following benefits (Clodfelter, 2003): the proper relationship between sales and inventory can better be well maintained. Without inventory control procedures in place the store department can become overstocked or under stocked. Inventory control systems provide a business with information needed to take markdowns by identifying slow-selling merchandise. Discovering such items early in the season will allow a business to reduce prices or make a change in marketing strategy before consumer demand completely disappears. Merchandise control systems allow buyers to identify best sellers early enough in the season so that reorders can be placed to increase total sales for the store department. Merchandise shortages and shrinkage can be identified using inventory control systems. Excessive shrinkage will indicate that more effective merchandising controls need to be implemented to reduce employee theft or shoplifting.

Internal controls include all policies and procedures adopted by management of the entity to assist in achieving their objectives as far as practicable. The controls are aimed at aiding management in carrying on business in an orderly and efficient manner and showing transparency and accountability of any policies in such as stock controls through professional ethics and following routine practices.

Internal control over inventory is important to any business because inventory is the life blood of a merchandiser. Horngren and Harrison (1992), argue that successful companies take great care to protect their inventory. According to them, elements of good internal control over inventory include physical counting inventory at least once each year no matter which system is used, maintaining efficiency purchasing, receiving and shipping procedures, storing inventory to protect it against theft damage and decay, limiting access to inventory to personnel who do not have access to the accounting records, keeping perpetual inventory records for high unit cost merchandise, purchasing inventory in economic quantities, keeping enough inventories on hand to prevent shortage situations, and not keeping to large stock piled, thus to avoid capital tied up.

According to Vrat (2014), there are three types of inventory policies in inventory management. These are described as follows: Economic Order Quantity (EOQ) - Reorder Point (ROP) Policy: - Under this policy, the inventory status is continuously monitored. Whenever the inventory level falls to a predetermined level called as reorder point (ROP), a replenishment order of fixed quantity called economic order quantity (EOQ) is placed. Thus EOQ (Q) and ROP (R) are the two-decision variable

involved in solving the problem of how much to buy and when to buy.

Periodic Review Inventory Policy: - under this policy the stock status is periodically reviewed after a fixed time interval. When the review period is reached, the order is placed which is determined by the predetermined formula.

Optional Replenishment Policy: - This is a variant of periodic review inventory policy wherein there are two levels of inventory identified as the maximum level and the minimum level. The stock levels are periodically examined at fixed time interval. However, if the stock levels are more than the minimum level (s) at the time of review, the replenishment decision is deferred to the next review cycle, and no order is placed because the current stock is deemed to be adequate for the time being until the next review cycle.

### **2.1.5. Documentation**

According to National Council of Social Service (2007), documentation and store records are important to ensure accountability, facilitate coordination between providers and for service improvement. Good records and documentation ensure continuity of care to long-standing customers whereby the records provide the history that gives more holistic information on each unique customer's needs. Secondly, with good documentation and recording systems, the organization fulfills its responsibilities. In providing service, inventory management practices such as documentation and records will provide relevant client information and client records at any given time based on their needs.

Maintaining good records and documentation will also lead to improved services to the customers by helping staff organize their thoughts. The most important documentation and store records in relation to inventory management practices are the ones to keep track of the inventory. It allows the staff to be aware of every movement in stocks, physically. According to Atyam (2010), failure to keep proper inventory records may result in failure to control the inventory. Birkinshaw & Heywood (2010) stated that use of a tracking system helps in reducing human errors thus benefiting the organizations.

According to Susan & Michael (2000), Stock records provide the management with the information which is used to ensure accountability through stocktaking and stock audit exercise. Jessop and Morrison (2004) states that records can be posted manually but, where the volume and complexity of the documents handled is of major proportion mechanical methods are often to be more effective.

Manual posting is comparatively slow, there is high risk of filling the wrong detail, and it can be easily misplaced or lost due to multiple handling as compared to computer posting system.

#### **2.1.6. Funding**

Diana (2011) conducted a study on correlation between inventory management and its impact on the performance of construction companies in Uganda, one of her specific objectives was basically to examine costs of inventory incurred in the procurement process in Kavuma investment in term of the way they fund the inventory (Diana, 2011).

From the study, findings indicated that, goods that are procured by the Kavuma Company are not inspected on receipt, this literary means that, the staff members of Kavuma mostly the procurement department do not pay as maximum attention to those inventories whose value are highest (Diana, 2011). The study also revealed that, staff members of that particular company are not highly skilled, the company most the time experience under stocking situation and gets most of the damaged goods from its store, Consequently the research results finally indicated that there is a strong positive relationship between the approaches or method of inventory control and financial performance at Pearson correlation coefficient  $r= 0.794$ .

Also, the study conducted by Aro-Gordon and Gupte (2016) on the Review of Modern Inventory Management Techniques. The research concluded that, following suitable and desirable combinations of modern and up to date inventory management approaches can help the staff members within the organization (Aro-Gordon & Gupte, 2016). This will in turn improve the corporate service delivery in the manner that ensure steady flow of materials, while at the same time minimizing the funds allocated in inventories or attendant carrying cost.

#### **2.1.7. Staff Knowledge and Skills**

According to Susan and Michael (2000), people in warehouse are responsible for the distribution of inventory materials to all storage or using locations. They are also responsible for the physical security and safekeeping of materials at all stores locations and for all storekeeping activities, including material receiving, put-away, and material picking and shipping. Other responsibilities include: maintaining accurate inventory records, managing the physical layout of storehouses, including bin location assignments, determining the physical movement and distribution of material throughout the organization, receiving and storing materials, issuing stock material in response to a material request from customers, conducting cycle counts, annual physical, or both, reconciling discrepancies between cycle count and annual physical inventory, developing and operating truck

and route schedules for distribution of material, and working with purchasing departments to resolve vendor-related problems with timing, quality, quantity, and delivery.

If staff involved in stock control is not qualified and competent, then there will be ineffectiveness in inventory control. Bailey and Farmer (2002) say that for Stock control function to achieve a superior performance, it's necessary to recruit, train and develop personnel with the capacity and motivation to do better job. Carter and Price (2003) indicate that training of staff is vital if full use is to be made of their abilities and talents. Coe (2009) says that it's important to ensure that enough of the appropriate caliber is available to the organization in pursuit of its objectives. Incompetent employees can render stock control virtually ineffective.

### **2.1.8. Procurement Procedures**

Procurement encompasses the whole process of acquiring property and/or services. It begins when an agency has identified a need and decided on its procurement requirement. Procurement continues through the processes of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for the property and/or services and, where relevant, the ongoing management of a contract and consideration of options related to the contract. Procurement also extends to the ultimate disposal of property at the end of its useful life (Waters, 2004).

Since employees are treated impersonality and they are expected to rely on rules and policies, they are unwilling to experience individual judgment and avoid risks. Bureaucracy expects conformity in behavior rather than performance (Kenneth & Kenneth, 2005).

## **2.2. Empirical Literature**

Many organizations in the current business environment are compelled to increase their market share both locally and globally to stay alive and continuously operate to meet their growth objectives. The obstacle is how to keep tremendous level of inventory to meet the needs of its customers and manage it to prevent both overstocking and stock outs. Therefore, in relation to the study, appropriate budget fund and cash and cash equivalent existence, proper procurement and supply chain channels, appropriate stock data control and document record and relevant skill set application are the necessity for sustainable growth and business maturity in the firm's life cycle.

Inventory refers to the raw materials, work-in-process goods, and finished goods that are thought to be a part of a business asset and are prepared readily for sale. Inventory denotes the most essential assets that most businesses own, because the turnover of inventory implies one of the primary

sources of revenue earning for business firm's shareholders.

Annet and Anthony (2020) conducted a study to establish the Determinants of Inventory Management on Service Delivery in Trans Nzoia County Level Four Hospital, Kenya. The target population was 200 respondents who comprised of employees from the following departments in Tran Nzoia Level four hospitals: procurement, finance, and pharmacist and administration department resource respectively. Service delivery significantly influences effort of respondents, most notably through the JIT shortening of lead time, staff competence, record management practices and the up-take of information and communication technology in all level four hospitals in Kenya.

Pushpakumara (2018) conducted a study to identify the factors affect to effective inventory management system in government sector organizations in Sri Lanka, as well as to identify the type of inventory control system applied by government sector organizations and to give suggestion to government sector organization to handle proper inventory management system. The study concluded that inventory record system, storage system, wastage system, procurement system, security system and investment in inventory are affected to effective inventory management system and staff characteristics and method of inventory are not affected to effective inventory management system in government sector organizations in Sri Lanka.

Okwaro et al. (2017) conducted a study to assess factors affecting the effectiveness of inventory management practices in Kenya Seed Company. The target population was 110 management staff working at the Company's procurement departments from which a sample size of 87 respondents was drawn. Staff training, level of technology, stock evaluation and procurement policies had a positive and significant association on the efficiency of inventory management at Kenya Seed Company. The results showed that most of the staff do not have necessary competency to run the procurement function, there is poor stock audit practices, outdated procurement systems and long bureaucratic procedures.

Shiau et al. (2017) conducted a study to identify the problem of inventory management faced by the manufacturing small medium enterprise and also to determine the factors that will influence the effectiveness of inventory management. The factors, documentation/store records, planning, knowledge of employees/staff skill have shown to significantly influence the effectiveness of inventory management while the funds have shown slightly significant influence on the inventory management in manufacturing small medium enterprises.

Vibhuti & Priyanka (2016) conducted a study to identify the determinants of effective inventory management of Consumer Durable Retailers among 60 retailers from Allahabad, Lucknow, and New Delhi dealing with consumer durables. Four Factors of Retailer Size, Supplier Relationship, Service Level and Demand Uncertainty emerged as the determinants of effective inventory management. Positive relationship was found between Retailer Size, Supplier Relationship, Demand Uncertainty and Effective Inventory Management through regression analysis.

Bosek, (2016) conducted a study to establish the determinants of effective inventory management in health project in Kenya. To achieve the objective, they adopted a census survey of the 75 respondents. Elema and Karanja (2014) conducted a study to determine the factors influencing effective inventory management at Kenol Kobil Limited. The study was guided by four objectives (information technology, distribution channels, Staff Competency and material handling equipment's. The target population was procurement managers, stores managers and other stores personnel in the Kenol Kobil. The study found out that information technology reduces lead times on effective inventory management. The study also found that most employees have basic Staff competency (competencies) on inventory management at Kenol Kobil.

Kariuki (2013) conducted a study to make an assessment of the factors influencing effectiveness of inventory control; Ministry of State for Provincial Administration and Internal Security; Nairobi. The study revealed that: delays in procurement of goods, frequent stock-outs and uncertain change of prices were some of the effects of long bureaucratic procurement procedure. The study also revealed that unavailability of stationeries/stores records, lack of specific time or date for both posting stores records, lack of adequate qualified and well-trained staff hinders effective performance.

In the context of Ethiopia, most organizations have implemented some kind of inventory management system. Hence following to this implementation, some researchers have been conducted in order to realize different aspects of inventory management system. For instance, Amare (2003) examined the existing rubber inventory management practice of Addis Tyre Share Company and findings shade light that the proportion of the total capital invested in rubber inventory, the type of inventory control system employed, and the contribution of the system to operation efficiency. Berhane (2015) has investigated the inventory management practices of the Ethiopian Electric Utility Addis Ababa city branch and found that there was a problem of inventory management at all levels and resulted directly on customer dissatisfaction and poor- quality electric service provision. Also, enhancement in the level of effectiveness in inventory management practices would result in

increased business performance of Ethiopian Electric Utility (EEU). Gashu (2016) analyzed the inventory management practices in SUR Construction Company and found out that the overall inventory practice was not effective; and the major inventory management challenge was the availability of item on time in complete set. Also, the main contributing factor for this problem was staff capacity having skill gap and awareness in implementing inventory management technique.

Baye (2017) has examined the effects of inventory management practices on organizations operational performances: the case of Ethiopian Airlines and found out that effective inventory management model, inventory record accuracy, stock out management and information technology usage were statistically significant and information technology usage has more impact on operational performance of Ethiopian Airlines relative to other inventory management practices studied. In addition, the research concluded that inventory management practices impact significantly the operational performances of Ethiopian airlines Melese (2017) assessed the impact of EEU inventory management practices on service delivery and presented that the utility was not effective in practicing modern inventory management techniques instead there is poor inventory management system that results under stocking, overstocking, high cost, high customer complaints and poor service delivery. In addition, poor procurement planning, purchase of unnecessary materials and bulk purchase practices result the availability of excess amount of obsolete and non-moving items. Also revealed that lack of adequate qualified and well-trained staffs (i.e., skill gaps and awareness) impede in implementing effective inventory management techniques.

Azeb (2017) assessed the health commodities inventory management practice of the Zewditu Memorial Hospital. The result showed that ZMH health commodities to be long-term agreements between the hospital and its suppliers, maintain proper store management the majority of the store managers had adequate knowledge how to store and practiced health commodities and they had also a positive attitude towards the importance of appropriate storage of commodities, obsolete, expired, or damaged inventories properly identified and segregated, inventory records reconciled to advantage reports on a regular basis and management have review the reconciliation of physical inventory counts to the inventory records applied at ZMH but ,uses

automatic stock tracking and adequate detailed written inventory instructions and procedures exist, uses Enterprise Resource Planning system, maintains a data base for all suppliers, uses Just In Time

stock control system and an integrated information sharing system were not applicable at ZMH. Finally, from the study it can be concluded that the main challenges of the hospital in managing inventory are lack of modern technologies, insufficient funding, lack of inventory management training, the length of bureaucratic processes in the procurement system and stock out of health commodities. Weldeyes (2019) examined the effect of inventory management practice on logistics performance in the case of Ethiopian Defense Force Logistics Main Department. The findings of the study revealed that there is a gap on purchasing department in relation to applying competitive based purchasing practice, lack of information sharing between purchasing and warehouse departments, lack of computerized inventory management system, lack of proper inventory handling and disposal system and lack of on job and of job training programs in relation to inventory management practice. Tilahun (2020) investigated the effect of supply chain integration and inventory management practices on operational performance in F.D.R.E Air Force. Abdissa (2021) examined the influence of inventory management practices on customer satisfaction of Ethio-Nippon Technical Company S.C in Ethiopia, the findings of study shows that there is a poor inventory management practice in the company and lack of good service and product delivery system in the company to fulfill the customer satisfaction. The company also has weak inventory management system and because of this it was not good at delivery product and service on time, and this led to increase customer complaint in the company time to time.

### **2.3. Summary and Knowledge Gap**

Generally, the study aimed to focus on assessing inventory management practices in Samira flour manufacturing plc using descriptive research to imply areas of gaps to be studied and lied foundation for other researchers in the area. Both primary and secondary sources of data used for the study. The investigator also used appropriate conceptual and empirical literatures to strengthen the research area, showed and close the gaps to be able to find an independent data collection and analysis, interpretations and results and provide proper assessments of IM practices with clear and concise conclusions and recommendations in the area of study for the fulfillment and award of academic compensation to the investigator and provide sources of information for in the future for aspiring and new fellow academic researchers in the study area.

In addition to that the limited and constrained resources, the unavailability of free and proper literatures such as appropriate journals, books and thesis and dissertation titles and researcher is not also directly an academicians who also has a full-time job affected the study somehow.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1. Introduction**

This chapter presents the research methodology used in conducting the study. The research methodology basically “contains all of the detail on how the research was conducted” (Quinlan, 2011, p. 15). The chapter therefore will focus on the research design, population and sampling techniques, data collection methods, data analysis methods as well as the research procedures.

#### **3.2. Research Design and Approach**

##### **3.2.1. Research Design**

According to Abiy et al. (2009), research design is essentially a statement of the object of the inquiry and the strategies for collecting the evidence, analyzing the evidence, and reporting the findings. Research for academic purpose is usually undertaken to further enhance knowledge on a topic of interest to the researcher. There are three types of academic research depending on the problem area and the nature of the phenomenon and based on the purpose of the research namely, exploratory, descriptive or explanatory (Saunders, Lewis, & Thornhill, 2019).

According to Saunders, Lewis & Thornhill (2019), exploratory studies are most beneficial if one needs to clarify their understanding of a certain difficulty. They also states that such a study is applied to assist one in finding out —what is happening; to seek new insights; to ask questions and to assess phenomena in a new light. There are three ways of undertaking exploratory studies, which are studying different literature, interviewing professionals in the topic of choice, and conducting focus group discussions. All lead to the input of gathering information from trusted and qualified sources. Exploratory research is often used when a problem is not well known, or the available knowledge is not absolute. The technique best suited for information gathering when performing exploratory research is interview (Yin, 2009).

According to Sekaran (2003), descriptive studies are concerned with describing the characteristics of a particular individual, or of group and it includes surveys and fact-findings enquire of different kinds.

The researcher adapted descriptive research design in order to assess the inventory management practice of Samira flour manufacturing plc.

### **3.2.2. Research Approach**

Research approaches are plans and the procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation. Research approach can be divided into a quantitative, qualitative, or mixed approach. The decision of whether to carry out a quantitative or qualitative approach lies in the researcher's approach.

According to Creswell (2005), qualitative research involves studies that do not attempt to quantify their results through statistical summary or analysis. On the other hand, quantitative research is a type of research in which the researcher decides what to study, asks specific, narrow questions, collects numeric (numbered) data from participants, analyzes these numbers using statistics, and conducts the inquiry in an unbiased, objective manner.

The researcher adapted descriptive research design and used both research approaches (qualitative and quantitative) to assess the inventory management practice of Samira flour manufacturing plc.

### **3.3. Population and Sampling Design**

#### **3.3.1. Target Population**

A population is defined as the elements of which some study or inferences will be made (Cooper and Schindler, 2014). The target population of the study is Samira flour manufacturing PLC employees.

#### **3.3.2. Sampling Design**

Sampling refers to "any procedure that draws conclusions based on measurements of a portion of the population" (Zikmund, Babin, Carr, and Griffin, 2010, p. 658). Sampling can also be defined as the process by which part of a population was selected and conclusions from the population are drawn about the entire population (Cooper and Schindler, 2014).

##### **3.3.2.1. Sampling Frame**

A sampling frame is "a list of elements from which a sample may be drawn, also called a working population" (Zikmund, et al., 2010). Quinlan (2011) describes a sampling frame as a chart or complete list of all the individuals, case or unit within the given population. In this study, the sampling frame consists of **21 employees** from various departments of the company. The list from which the sample drawn and obtain from human resource department of Samira flour manufacturing plc.

### **3.3.2.2. Sample Size**

A sample is defined as a subset or subgroup of the population and therefore comprises some members who are selected from it (Sekaran and Bougie, 2013).

Decisions as to “whether to work with an entire population or a sample of the population are made based on the size of the population, the time available for the research, and the requirements of the research” (Quinlan 2011, p. 208). If the researcher decides to use a sample, it is important that the sample selected and the sampling method that is used are clearly described (Quinlan). A census method is a statistical investigation in which the data are collected for each and every/unit of the population, it is also known as complete enumeration or complete survey. Based on the information from the data, the researcher used census method; all the 21 respondents taken.

### **3.3.2.3. Sampling Technique**

Sampling technique can further be divided into “two broad categories, probability and non-probability samples “(Ghauri and Gronhaug, 2010, p. 139).

“In probability sampling, the elements in the population have some known, nonzero chance or probability of being selected as sample subjects and in the non-probability sampling, the elements do not have a known or predetermined chance of being selected as subjects” (Sekaran and Bougie, 2013, p. 245).

This study used a probability sampling; to select the actual respondents, the researcher use simple random sampling techniques.

## **3.4. Source of Data**

For achieving a complete and meaningful study, both primary and secondary sources of data were used. The primary data gathered through questionnaire which analyzed by the researcher. While the secondary data was obtained from various sources which are relevant for the study, through document analysis. The complete list of the secondary data sources that are used in the study are presented in the reference section of this study.

## **3.5. Data Collection Methods**

The type of data that used in the study is primary data which assist in answering the research questions. According to Ghauri and Gronhaug (2010), primary data have the advantage of being collected for a particular project that is at hand and are therefore more consistent with research

questions and objectives. Ghauri and Gronhaug also state that ‘data on motivation’ which is one type of primary data provides information that can help in understanding the motives that influence behavior towards a particular issue. Data collection can be done in various ways and in different settings such as field or in a lab and from many different sources according to Sekaran and Bougie (2013).

“Data collection methods include interviews (face-to-face interviews, telephone interviews, computer-assisted interviews, and interviews through electronic media); observation of individuals and events, with or without videotaping or audio recording; questionnaires, which can be personally administered, sent through the mail, or electronically administered; and a variety of motivational techniques such as projective tests. Interviewing, observing people and phenomenon, and administering questionnaires are the three main data collection methods in survey research” (Sekaran and Bougie, 2013, p. 116).

The primary data which are used in the study was used a structured questionnaire method to collect the data.” Questionnaires are generally highly structured data collection instruments “(Quinlan, 2011, p. 223). Questionnaires enabled the researcher collect a large number of quantitative data (Sekaran and Bougie, 2013) hence attaining the most information possible. For this study the questionnaire generally contained close-ended questions. The questionnaire prepared after the review of related literatures, the questionnaire items focused on the research problems, objective and questions rose in the statement of the problem. The questionnaires basically have two parts. The first one is demographic information, and the second part is about the assessments of inventory management practices.

### **3.6. Data Analysis Techniques**

The researcher used descriptive data analyzing method to analyze the collected data and data collected through questionnaires. The collecting data clearly presented by using tables articulate in the form of frequency, percentage. The researcher described and analyzed clearly each finding for the study.

# CHAPTER FOUR

## DATA PRESENTATION ANALYSIS AND INTERPRETATION

### 4.1. Introduction

This chapter deals with the data presentation, interpretation, and analysis of the study. The chapter comprised of two sections. The first is background of the respondents showing age group, level of education, work experience, computer proficiency and working department of respondents using cross tabulation and the second part deals with major components on the items of the inventory management system by using tables and consisting of frequency and percentage, through SPSS version 25. The analysis is based on the information obtained from 21 employees. In order to get a representative data, 21 questionnaires were developed and distributed to employees of SEMIRA Flour manufacturing Plc. Out of these 21 questionnaires distributed to the respondents, all questionnaires were collected. Thus, the analysis is based on the valid 21 questionnaires responded by employees.

### 4.2. Demographic Characteristics of Respondent

**Table 1 Frequency Distribution of Demographic Variables**

	Variable Categories	Frequency	Percentage (%)
Age	20-30	11	52%
	31-40	8	38%
	41 & above	2	10%
	<b>Total</b>	<b>21</b>	<b>100%</b>
Your professional qualification	Diploma	8	38%
	Degree	8	38%
	Masters & above	3	14%
	Other	2	10%
	<b>Total</b>	<b>21</b>	<b>100%</b>
Work experience	2-5	18	86%
	6-10	3	14%
	11 & above	0	0%
	<b>Total</b>	<b>21</b>	<b>100%</b>
Level of your Computer Proficiency	Basic	15	71%
	Intermediate	4	19%
	Proficient	2	10%
	<b>Total</b>	<b>21</b>	<b>100%</b>
Department	Sales & Marketing	3	14%
	Finance	3	14%
	Procurement	0	0%
	Manufacturing	9	43%
	Warehouse	5	24%
	IT	1	5%
<b>Total</b>	<b>21</b>	<b>100%</b>	

Source: own survey, (2023)

The survey on personal information of the respondents constituted of age distributions, professional qualification, work experience, Level of Computer Proficiency and Department of respondents.

As per the table 1 above, it can be understood that, out of the total population size of 21, 52% of the Semira Flour manufacturing Plc. employees are between the age 20-30 Years and the other 38 % are between 31-40 Years. However, the least 10 % of the employees are at the age of above 40 years. In other words, most of the employees are belonging in the productive age group whose summation percentage is more than 90% and this implies that many of the employees working in the organization are youngsters and need training and experience to become more productive.

Education is one of the most important characteristics that might impact employee's ability to implement new system and understanding any particular phenomena. Based on the above table 1 the educational level of employees of Semira Flour manufacturing Plc.,38% of the employees are diploma holders, 38% first degree holders and the other 14% of the employees have specialization at a master's degree level and above, whereas 10 % are other holders. From these results, it can be concluded that the respondents had enough education to execute the roles assigned to them but needs updating their educational level to the higher levels to become more effectively and efficiently.

In regarding to year of service, majority (86%) of the Semira Flour manufacturing Plc. employees have relatively short existence in the company (2-5 years), whereas 14% of the respondents have an experience of 6-10 years. It can be therefore noted that most respondents have been working for less than 5 years which is not significant length for an employee to understand the company business process and culture.

The ability of using computers was one of the major factors; since inventory management is becoming integrated with information technology the ability to use computers is essential. Most of the respondents or 71% have basic computer proficiency, followed by 19% intermediate user and the least 10% are proficient users. The result shows that the companies need to enhance their employees' computer proficiency.

It has been presented in the research literature of this study that the departments have direct relation with inventory management, and the above table also shows out of the 21 employees who have participated in the study, 43% of are from manufacturing, 24% from warehouse, 14% from sales and marketing and 14% and 5% of respondents belong to finance and IT division respectively.

### **4.3. Descriptive Statistics**

These sections discuss the summary statistics of each variable under the categories of the assessed factors and variables. The researcher applies descriptive statistics particularly frequency and percentage for the goal of better understanding and summarization.

### 4.3.1. The Nature of Inventory Management of the Organization

**Table 2 nature of inventory management of the organization**

Do you know the term inventory management?	Variables	Frequency	Percentage (%)
	Yes	9	43%
	No	12	57%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

As presented on table 2, 43 % of the respondents response yes we do know the term inventory management and 57% of the respondents respond that they do not know the term inventory management. From this information the researcher can notice that majority or 57 employees have not sufficient knowledge about the term inventory management and this may affect the company's inventory management effectiveness.

### 4.3.2. The Proper Approval of Policies & Procedure of the Company

**Table 3 proper approval of policies & procedure**

Does your industry has policies and procedures to keep inventory level that avoid excess inventory?	Variables	Frequency	Percentage (%)
	Yes	13	62%
	No	8	38%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

As presented on table 3 show 13 (62%) of the respondents replied that yes the industry has policies and procedures to keep inventory level that avoid excess inventory and 38% of the respondents said that no, this indicate some of the respondents have no knowledge about the company's policies and procedures to keep inventory level that avoid excess inventory.

### 4.3.3. The Inventory That the Company Used

**Table 4 inventory used**

What type of inventory does your company have?	Variables	Frequency	Percentage (%)
	Raw material inventory	7	33%
	Work in process inventory	6	29%
	Finished goods inventory	8	38%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

As presented on table 4, 7(33%) of the respondents said the industry have raw material inventory, and 6(29%) of the respondents said work in process inventory, the rest 8(38%) of the respondents respond finished goods inventory. This indicated that the company has all those inventory types or it has raw material, work in process and finished goods inventories.

#### 4.3.4. The Inventory Recording System of the Company

**Table 5** inventory recording system

What kind of inventory recording system, does the industry use?	<b>Variable</b>	<b>Frequency</b>	<b>Percentage (%)</b>
	Computerized	5	24%
	Manual	7	33%
	Both	9	43%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

The above table shows that 24% of the total respondents respond that the company uses computerized inventory recording system, 33% of them said that the company uses manual inventory recording system, the rest 43% respond that the company uses both computerized and manual inventory recording system. This indicates the management of the organization needs to improve the inventory recording system and development of the computerized system to compete with other organizations, since technology is the key difference in this world.

#### 4.3.5. The Kind of Software That the Company Used

**Table 6** kind of software used

If it is computerized, what kind of software does it use?	<b>Variable</b>	<b>Frequency</b>	<b>Percentage (%)</b>
	Zoho inventory	0	0%
	Peachtree	14	67%
	Quick book	7	33%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

The above table 6 shows that 67% of the respondents repaid that the company uses Peachtree accounting software and the remaining 33% replied that it uses QuickBooks accounting software, this may imply that the company uses the best accounting software that is needed to manage the transactions and records of the business.

#### 4.3.6. The Company's Inventory Counting System

**Table 7** inventory counting system

What type of inventory counting system does the company use?	<b>Variable</b>	<b>Frequency</b>	<b>Percentage (%)</b>
	Periodic inventory system	17	81%
	Perpetual inventory system	4	19%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

As table 7 above shown, 81% of the total respondents replied that the company uses periodic inventory recording system, and the remaining 19% of the respondents said that the company uses perpetual inventory counting system. This indicates that as the majority 81% said the company uses periodic and in this modern world most companies use perpetual in order to control, the inventory day to day transaction to protect from theft and other same activities.

### 4.3.7. The Inventory Valuation of the Company

**Table 8 inventory valuation**

What kind of inventory costing methods is used in the store?	Variable	Frequency	Percentage (%)
	First in First out	14	67%
	Weighted average	1	4%
	Last in First out	4	19%
	Specific identification	2	10%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

From the table 8 above, 67% of the respondent said that the inventory cost method of the company is FIFO method, 4% of the respondents said that the company used weighted average method, 19 % of the respondents said that the company used LIFO method and the remaining 10% said the company used specific identification method. This indicated that as the majority 67% said the company uses the LIFO method and the company great policy and practice against the expiration of inventories but it may have little opportunity for profit manipulation and others due to the inflation.

### 4.3.8. Adequacy of Inventory Records and Reports of the Company

**Table 9 adequacy of inventory records and reports**

There are adequate inventory records and reports in the company	Variable Scales	Frequency	Percentage (%)
	Strongly Agree	0	0%
	Agree	3	14%
	Neutral	5	24%
	Disagree	13	62%
	Strongly Disagree	0	0%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

The above table 9 shows whether there are adequate inventory records and reports in the company, a question is forwarded to respondents. With this survey, 3(14%) Agree, with the adequate of inventory records and reports in the company. 5(24%) replied neutral, with the adequate of inventory records and reports in the company, the rest (62%) of respondents replied to be Disagree. this indicates majority of the respondents are Disagreed the with the adequate of inventory records and reports in the company and there are in effectiveness in adequacy of inventory records and reports in the company.

### 4.3.9. The Overall Inventories control of the company

**Table 10 the overall control of inventories**

Which kind of inventory management technique does the industry follow?	Variable	Frequency	Percentage (%)
	Economic order quantity	3	14%
	ABC technique	2	10%
	Just in time	3	14%
	Stock level	13	62%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

As it can be seen from the table 10, 14% respondents respond that the company follows economic order quantity. These inventory management techniques determine that how much inventory is add. When inventory replaced and when to order determine that the recorder point at which an order should be placed an inventory. 10% of the respondents respond that the company follows ABC techniques, and 14% of the respondents replied that just in time, and the remaining 62% replied stock level kind of inventory management technique is the industry follow. this indicated that the company follows the stock level as the majority of the respondents said, and the researcher understands that the organization follows good inventory management technique b/s in stock level there are reorder level, minimum level, maximum level and economic order quantity or reorder quantity.

#### 4.3.10. The Counting Period of the Company

**Table 11 counting period**

How many times does your company count/check its inventory per year?	Variable	Frequency	Percentage (%)
	Monthly	2	10%
	Semi-Annually	15	71%
	Annually	4	19%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

From the table 11 above, 10% of the respondent said that the company count/check its inventory monthly, 71% of the respondents said that the company count/check its inventory semi-annually, 19 % of the respondents said that the company count/check its inventory per year or annually. This indicated that the company count/check its inventory semi-annually and this may affect the inventory management effectiveness of the company, as the inventory count longs the management ineffectiveness may increase.

#### 4.3.11. Warehouse of the Company

**Table 12 warehouse of the company**

The company has sufficient warehouses.	Variable Scales	Frequency	Percentage (%)
	Strongly Agree	2	10%
	Agree	6	28%
	Neutral	10	48%
	Disagree	3	14%
	Strongly Disagree	0	0%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

The above table 12 shows whether there are adequate/sufficient warehouse in the company, a question is forwarded to respondents. With this survey, 2(10%) Strongly agree with the adequate or sufficient of warehouse in the company. 6(28%) replied Agree with the adequate or sufficient of warehouse in the company.

warehouse in the company, 10 (48%) of respondents stay to be neutral and the rest 14% replied disagree. this indicates the company has not well enough or sufficient warehouse.

#### 4.3.12. The company’s performance

**Table 13 company’s performance**

Does the inventory control related to your factories performance?	Variable	Frequency	Percentage (%)
	Yes	8	38%
	No	13	62%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

As presented on table 13 show 8 (38%) of the respondents replied that yes the inventory control is related to the factories performance and 13(62) % of the respondents said that no, this indicate that the company performance and the inventory control is not much related and this may affect the inventory management of the company.

#### 4.3.13. The Segregation of Duties in the Company

**Table 14 segregation of duties**

There is lack of segregation of duties in the company	Variable Scales	Frequency	Percentage (%)
	Strongly Agree	8	38%
	Agree	11	52%
	Neutral	0	0%
	Disagree	2	10%
	Strongly Disagree	0	0%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

As the above table 14 indicated whether there is lack of segregation of duties in the company, a question is forwarded to respondents and 8(38%) Strongly agree that the company has lack of segregation of duties, majority or 11(52%) replied Agree that the company has lack of segregation of duties, and the rest 10% replied disagree. This indicates that the company has lack of segregation of duties and this may affect the employees working motivation and performance.

#### 4.3.14. The Company’s Training on Inventory Management and Control

**Table 15 training on inventory management and control**

Does the company give training on inventory management and control to employees’?	Variable	Frequency	Percentage (%)
	Yes	8	38%
	No	13	62%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

As presented on table 15 shows that 8 (38%) of the respondents replied that the company gives training on inventory management and control system to employees’ and 13(62) % of the

respondents said that no. this indicate that the company doesn't give enough training related with inventory management and control system.

#### 4.3.15. The Company's Source of the Problem

**Table 16** source of the problem

What are the sources of problem in inventory management of the company you think?	Variable	Frequency	Percentage (%)
	Lack of skilled man power	14	67%
	Polices, procedure & principles of the organization regarding inventory control	4	19%
	Limitation of capital	3	14%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

As shown in the above table 16, 67% of the employees think that the source of the inventory management problem of the company is lack of skilled man power, 19% of the respondents believe that polices, procedure and principles of the organization regarding to inventory control are the reason for the company inventory management problem, and the rest 14% said limitation of capital are the source of inventory management problem. This indicates that the lack of skilled man power affects the company's productivity or highly hinders the productivity of the company.

#### 4.3.16. The company's stocking in warehouse

**Table 17** over stocking

Is there over stored items in the warehouse?	Variable	Frequency	Percentage (%)
	Yes	14	67%
	No	7	33%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

As presented on table 17 shows that 14(67%) of the respondents replied that there are over stored items in the companies warehouse and 7(33) % of the respondents said that there is no over stored items/ inventories in the company. this indicate that the company doesn't have enough warehouse and they have over stored items or inventories.

#### 4.3.17. The Purpose of Implementing Inventory Management in the Company

**Table 18** purpose of implementing inventory management

What is the purpose of implementing inventory management and control system you think?	Variable	Frequency	Percentage (%)
	To maximize profit	11	52%
	To protect inventory items unauthorized removal	6	29%
	To determine maximum & minimum stock level	4	19%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

Table 18 shows that 11(52%) of the respondents respond that the company’s purpose of implementing inventory management and control system is to maximize its profit, 6(29%) of them said to protect inventory items unauthorized removal and the remaining 19% replied that the company’s purpose of implementing inventory management and control system is To determine maximum & minimum stock level. From this the researcher can indicated that that the company’s purpose of implementing inventory management and control system is to maximize its profit.

**4.3.18. The Measurement of Inventory Management Practice in the Company**

**Table 19** measure the inventory management practice in your company

How do you measure the inventory management practice in your company	Variable Scales	Frequency	Percentage (%)
	Excellent	1	5%
	Very Good	3	14%
	Good	6	29%
	Bad	11	52%
	Very bad	0	0%
	<b>Total</b>	<b>21</b>	<b>100%</b>

Source: own survey, (2023)

As shown in the above table 19, 5% of the respondents measure the inventory management practice in the company as excellent, 14% said its very good, 29% replied that the inventory management practice in the company is good, and the remaining 52% bad. This indicated that the inventory management that practiced in the company needs work to be done.

**4.3.19. Open Ended Questions Analysis**

**How your company is identifies and treat damaged finished inventory?**

Most of respondents said that the company has quality control department and before they distributed to the customers it is checked by the department and according to the level of damage it may be removed from the store or recycled.

**What are the procedures that your company management follow to record the inventory?**

Most respondents said that the company follows steps to record the inventory which are firstly store keeper request the purchase requisition department, secondly receive the items by goods receiving note and record the purchase item, requesting department send store requisition for raw material or packaging by using issue voucher from production department finished products transfer to finished goods store by using finished product transfer and receiving voucher and finally marketing department send invoice then send the product to customer by delivery.

#### **4.4. Qualitative Analysis of Data Collected Through Interview**

The interview was made to the management and warehouse man in SEMIRA Flour manufacturing Plc.;

##### **4.4.1. Interview Made with the Warehouse Man**

The first question was “Does the store room for raw material and finished goods are different? Is that enough store for these materials?” The responses of the warehouse man was yes they are different , but the store rooms are not good enough due to the insufficient of the store rooms we use both in the same store sometimes, it depends on the conditions and situations may be happened. This indicates the there are problems in the store rooms and infrastructure of the organization.

The second question was “What is the necessary action under taken by the management of the factory when inventories are expired on the store?” the response was in most of the time inventories are not expired and incase it happened / occurred it will be removed from the store. This indicated that they are managed the inventors timely and they protect very well from expiration.

##### **4.4.2. Interview Made with the Manager**

The first question was “Does the inventory management of the company effective?” The responses of the management were yes they the inventory management is effective, but in some conditions and situations may not. This indicates the there are problems in the management side and at the infrastructure of the organization (ineffectiveness are occurred sometimes).

The second question was “What factors have an impact on the inventory management practice of your company?” in our firm the practice was great but nowadays there are different challenges, like delaying service delivery due to the insecurity of peace in this area, lack of raw materials and as a result the customers are more than our capacity sometimes. This indicates the company needs more analyses on the need of the customers as well as trying to practice more precondition skills and techniques in the organization.

The next question was “Have your company proper record keeping or documentation system?” the response is yes we have practice the documentation, in sometime our record keeping and documentation uses manual recording so with relate to this it may not be effective. This indicates that they have the practice but not effective b/s they are not used computerized and effective recording and documenting system and the organization should go farther to other recording and documentation techniques in order to improve the organizational recording performance.

The last question was “Does each operation performed based on company’s principles and procedures?” the response was yes, if there is not practice the principles and procedures how can we manage the company, it’s a mandatory thing in our company and every organization has the same practice but the main point is that effective or not. So we have but not much effective. This indicates there is room for improvement, and it’s better to analyze and get right ways in a very short period of time for the organization effectiveness.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

This section summarizes the results and the findings based on the analysis done on the data collected from respondents. This research focuses on the assessment of the inventory management practice in Semira flour manufacturing plc. The discussion then will try to accomplish all the objectives of the study. As a result, recommendations are given for the target company to tackle problem at hand. Limitation of the study is also one of the emphases of this chapter from which future research insights are conceived.

#### 5.1. Summary of Major Findings

- 57% of the respondents respond that they do not know the term inventory management on the other hand 13 (62%) of the respondents replied that yes the industry has policies and procedures to keep inventory level that avoid excess inventory.
- The company have all those inventory types or it has raw material, work in process and finished goods inventories and 43% of the respondents respond that the company uses both computerized and manual inventory recording system.
- 67% of the respondents repaid that the company uses Peachtree accounting software, and on the other hand majority 81% of the total respondents replied that the company uses periodic inventory recording system.
- 67% of the respondent said that the inventory cost method of the company is FIFO method and related to the adequate of inventory records and reports in the company majority 62% of respondents disagree to have sufficient records and reports.
- Majority 62% replied stock level kind of inventory management technique is the industry follow and the company count/check its inventory semi-annually as majority 71% said.
- 10 (48%) of respondents stay to be neutral and the rest 14% replied disagree the company has well enough or sufficient warehouse.
- 62% of the respondents respond that the inventory control is not related to the factories performance on the other hand 87% agreed that the company has lack of segregation of duties.
- (62%) of the respondents replied that the company doesn't gives training on inventory management to them, at the same time 67% of the employees think that the source of the inventory management problem of the company is lack of skilled man power.
- Majority (67%) of the respondents replied that there are over stored items in the company's warehouse.
- 11(52%) of the respondents respond that the company's purpose of implementing inventory management and control system is to maximize its profit, on the other hand majority 52% replied that the inventory management practice of the company is bad.

## 5.2. Conclusions

The main objective of this study was to assess the inventory management practice in Semira flour manufacturing plc. The specific objective of the study was to examine organizational practice in handling inventory, to examine that whether the company's employees are aware of inventory management and well trained, to identify factors that affects the inventory management, and to compare and contrast the actual practice inventory management with theoretical aspect of inventory management of Samira flour manufacturing plc respectively.

Then, based on the previous section of finding and depending on the objective set, the researcher concludes that: -

- Based on the finding of the employees of Semira manufacturing PLC the inventory control is not related to the factories performance and that the inventory management practice of the company is not effective/bad, it's because that the company is not good enough notion of being using skilled man power, using computerized recording and reporting system, practicing perpetual counting system for effectiveness & efficiency and like.
- Employees of Semira manufacturing PLC are not satisfied enough with the training given on inventory management to them. The employees are not happy about the training that given to them and the company implementing inventory management and control system is to maximize its profit not focusing on the skill and experience of the employees
- Based on the finding the 67% of the employees think that the source of the inventory management problem of the company is lack of skilled man power and 87% agreed that the company has lack of segregation of duties, and can be conclude the employees are not happy with the skill the have and the segregation of duties in the organization. The organization needs to do further on the other areas of skill and segregation of duties.
- The company employee's mostly doesn't know the term inventory management mean and how it works as the finding shown. The result of this survey gives us the privilege to conclude that the practice of inventory management has a gab to with the theories, the indicators are not giving enough training to employees, lack skilled manpower, ineffective recording, reporting and documentation, over stocking, lack of segregation of duties, and not using the warehouse properly.

Finally, based on the interview in the firm the practice was great but nowadays there are different challenges, like delaying service delivery due to the insecurity of peace in this area, lack of raw materials and as a result the customers are more than our capacity sometimes, on the other side the company practiced the principles and procedures but not much effective. It can be concluded that there is room for improvement, and it's better to analyze and get right ways in a very short period of time for the organization effectiveness.

### **5.3. Recommendations**

After analyzing the outcome of the survey analysis, the study has recommended some of the strategies which might be effective in building effective inventory management practice, then the researcher recommend the following prospects to Semira flour manufacturing plc or concerned body(s) to better manage inventory.

- ✓ Semira flour manufacturing plc should focus on inventory controlling related to the company's performance, and giving appropriate training to employees to get well skilled manpower.
- ✓ The researcher suggests that the company should focus on segregation of duties, proper recording, and reporting and documentation system.
- ✓ The organization should give importance to the value of giving knowhow how is inventory management works, and what does it mean.
- ✓ It's better that the company to use perpetual inventory counting system and count and check it in shorter time than practiced earlier.
- ✓ Semira flour manufacturing plc should also focus on warehouse, computerized recording system, its inventory control system should be related to the performance of the company and not only focus on its profit maximization only.

### **5.4. Suggestion for Further Studies**

The study suggests that effective training on inventory management and practicing principles and policies had a positive impact on the inventory management practice with proper funding sources or budget availability. Accuracy of the inventory record enables relevant decision making easier and creates accountability for business firms. Proper documentation provides information on the availability and control of stock exercises such as overstocking and stock-out to meet the expected demand of the customers which in a long run ensures survival, growth, and

sustainability of the business firm's life cycles. Assessing employee's skill set ends up with positive results on the inventory management practice as well. Therefore, all the above suggesting core statements could be the starting point for further relevant studies for fellow academicians.

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# **APPENDICES**

## **WOLKITE UNIVERSITY**

### **SCHOOL OF UNDER GRADUATE STUDIES BA IN ACCOUNTING AND FINANCE**

Questionnaire to be fill by employees of SEMIRA Flour manufacturing Plc.

**Dear respondents,**

This questionnaire is designed to get the relevant information for the current study. The objective of the study is to assess the inventory management practice in SEMIRA Flour manufacturing Plc. This study is only for academic purpose. Hence, your responses will be kept confidential. The soundness and the validity of the findings highly depend on your genuine responses. Therefore, I kindly request you to fill the questionnaire carefully and back to me.

Instructions: -

The researcher will use this questionnaire for the genuine information is highly decisive to the success of this study. Therefore, not need of writing your name.

Put the (√) mark in the box for your answer.

With great excuse, possibly return on time.

For any problem and suggestion contact the researcher through the following addresses:

Email: [mickyrich431@gmail.com](mailto:mickyrich431@gmail.com)

Phone: +25168937192

Participation in this research was entirely voluntary. Even if you decide to participate now, you may change your mind and stop at any time. There is no foreseeable risk of harm or discomfort in answering this questionnaire. This is an anonymous questionnaire; as such, it is not able to trace response back to any individual participant. All information collected is treated as strictly confidential and used for the purpose of this study only.

I have been informed about the purpose of the study and I give my consent to participate in this survey.

YES ( )

NO ( )

### **PART I: Personal information**

QA 1: Age

A. 20 – 30

B. 31 to 40 years

C. 41 and

aboveQA 2: Your professional qualification

A. Diploma

B. Degree

C. Masters and Above

D.

OtherQA 3: How long have you been working in the company (In years)?

A. 2-5

B. 6– 10

C. 11 and

aboveQA 4: Level of your Computer Proficiency

A. Basic

B. Intermediate

C.

ProficientQA5: What is your department?

A. Sales and Marketing

B. Finance

C, Procurement

D. Manufacturing

E. Warehouse

F. IT

### **Part II: Issues Related to Inventory Management Practices**

1. Do you know the term inventory management and control?

Yes

No

2. Does your industry has policies and procedures to keep inventory level that that avoid excess inventory?

Yes  No

3. What type of inventory does your company have?

Raw material inventory

Work in process inventory

Finished goods inventory

Other (please specify) .....

4. What kind of inventory recording system does the industry use?

Computerized

Manual

Both

5. If it is computerized, what kind of software does it use?

Zoho inventory  QuickBooks

Peachtree

If any specify .....

6. What type of inventory counting system does the company use?

Periodic inventory system

Perpetual inventory system

7. Which of the following inventory valuation is used by the company?

First in, first out (FIFO)  Last in, first out (LIFO)

Weighted Average  other specify .....

8. There is aduquat inventory records and report in the company

Strongly Agree  Agree

Neutral  Disagree

Strongly Disagree

9. Which type of inventory management technique does the company follow?

Economic order quantity  Just in time

ABC method  Stock level   
All of the above

10. How many times does your company count/check its inventory per year?

Monthly  Semiannually  Annually

11. Does the company have sufficient warehouses?

Strongly Agree  Agree  No opinion   
Strongly Disagree  Disagree

12. Does the inventory control related to the factories performance?

Yes  No

13. There is lack of segregation of duties in the company.

Strongly Agree  Agree  Neutral   
Strongly Disagree  Disagree

14. Does the organization give you training on inventory management and control?

Yes  No

15. What are the sources of problem in inventory management?

Lack of skilled man power   
Policies, procedures & principle of the company regarding inventory management   
Limitation of capital

16. Is there over stored items in your company warehouse?

Yes  No

17. What is the purpose of implementing inventory management practice in your organization?

To maximize profit   
To protect inventory items unauthorized removal   
To determine maximum and minimum stock level

18. How do you measure the inventory management practice in your company?

Excellent  Very Good  Good   
Bad  Very Bad

19. How your company identifies and treat damaged finished inventory?

.....  
.....

.....  
20. What are the procedures that your company management follow to record the inventory?

.....  
.....

Thank you for your cooperation

## **Interview questions**

### **1. Interview question for the warehouse man**

- Does the store room for raw material and finished goods are different? Is that enough store for these materials?
- What is the necessary action under taken by the management of the factory when inventories are expired on the store?

### **2. Interview questions to the manager**

- Does the inventory management of the company effective?
- What factors have an impact on the inventory management practice of your company?
- Have your company proper record keeping or documentation system?
- Does each operation performed based on company's principles and procedures?