



**Internship Report on**

**“The Effect of Inventory Management Practice on Financial Performance of CAAFI Mineral Water Mogadishu-Somalia”**

**Submitted To**

**Professor Dr. Mostafa Kamal**

**Professor Department of Business Administration**

**Daffodil International University**

**Submitted By**

**Mahad Farah Ali**

**ID No: 182-14-2792**

**Program: MBA, Major: Finance**

**Department of Business Administration**

**Daffodil International University**

**Date of Submission: 10, April 2019**

## **Letter of Transmittal**

Date: 10 April 2019

Professor Dr. Mostafa Kamal

Department of Business Administration

Daffodil International University

**Subject: Submission of Internship report on ‘The effect of inventory management practice on financial performance of CAAFI mineral water Mogadishu-Somalia’**

Dear Sir,

With due respect I do hereby submit my internship Report on the title above which was assigned to me as integral part of my course requirements in MBA program.

As I have been doing the report in CAAFI Company, I have never met any challenge in getting enough data which related to the topic.

Throughout the report I have tried to exert my best efforts on preparing this report as your guidance. I am clearing that the information in this report is confidential and should be confirmed within academic discourse and interest thanking and looking forward to receive your gracious approval of my submission.

Sincerely yours.

---

Mahad Farah Ali

ID:182-14-2792

MBA – 50<sup>th</sup> Batch

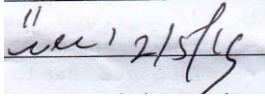
Major of Finance

## Certificate of Approval

This is to certify that, **Mahad Farah Ali**. ID: **182-14-2792**; a student of MBA program at daffodil International University, completed the internship report titled, “ The effect of inventory management practice on financial performance of CAAFI mineral water Mogadishu-Somalia” under my supervision, I am pleased to state that **Mahad Farah Ali** worked hard in preparing this report and has been able to present a good picture of concerned organization and his relevant area of research. The data presented in the report seem to be authentic

This Report is accepted for presentation; I wish him success in life

**Signature of the Supervisor,**



Professor Dr. Mostafa Kamal

Department of Business Administration

Daffodil International University

### **Student Declaration**

I'm **Mahad Farah Ali**, hereby declare that the presented report titled “ The effect of inventory management practice on financial performance of CAAFI mineral water Mogadishu- Somalia” is my original work and have never been presented to this institution and any other institution for an award of a degree honors.

I also confirm that the report is only prepared for my academic requirement not for any other purpose.

---

Mahad Farah Ali

ID:182-14-2792

MBA – 50<sup>th</sup>Batch

Major of Finance

## **ACKNOWLEDGEMENT**

I first thank the Almighty Allah who has given me strength throughout my life, I also express my sincere gratitude to my beloved father Mr. Farah Ali for support during the studying at daffodil international university, I also thank my beloved mother Mrs. SaidoDahirAshkir for love and care towards my education.

Special thanks go to my supervisors Professor Mostafa Kamal for the knowledge and experience he gave me during the case of my studies.

Lastly I dearly thank all my colleagues, Friends towards their advice and cooperation who offered me encouragement information, inspiration and assistance during the course of constructing this report. This has been a great and enjoyable moment I spent with you. Finally I pray to Almighty Allah to reward you abundantly.

## **Executive Summary**

In modern times, it's far more common for mineral water to be bottled at the source for distributed consumption. There are more than 3000 brands of mineral water commercially available worldwide. CAAFI Mineral Water Company is one of the leading producers of pure natural water in Somalia, having started in 2001; it was the first company in Somalia to receive the ISO 9002 certification for developing and maintaining a high quality management system. Therefore the researcher examined the study on the impact of inventory management practice on financial performance of CAAFI mineral water Company in Mogadishu-Somalia.

The report has been segmented into five different chapters:

First chapter contains introduction, background of the study, scope of the study, objective of the study, significant of the study

Second chapter contains literature review of the research objectives and the conclusion of literature review of the research objectives

Third chapter contains research methodology, research design, and research population, sampling technique, data collection method, reliability of the instrument and data analysis

Fourth chapter contains Data Presentation, Analysis and Discussion of Findings, this chapter analysis the data received from the questionnaire and then discuss the findings

Fifth chapter contains Conclusions and Recommendations, this chapter make conclusion on findings in chapter four and show how dependent variables related to independent variables, then after that its will recommend similar which can be conducted like the effect of cash management on financial performance.

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## CHAPTER ONE

### Introduction

#### 1.0 Background of the study

The study analyzed the effect of inventory management practice on financial performance of CAAFI mineral water Mogadishu Somalia. Inventory refers to raw materials, in process goods, finished goods that are considered to be a portion of the business assets that are ready or will be ready for sale. Inventories are the stocks of products a company holds to further its production and sales (Pandey, 2004).

According to Singh (2008), with effective and efficient inventory management, a firm can reduce its levels of inventories to a considerable degree of about ten to twenty percent without any adverse effect on production and sales. To maintain and keep an effective buffer stock, there is the need to maintain a reliable inventory stock record. Inventory management is not limited to documenting the delivery of raw materials and the movement of those materials into operational processes.

Lawrence (2013) did a study of Inventory Management System and financial Performance of Food and Beverages Companies in Nigeria. This study explores the relationship between inventory management and financial performance of Food and Beverages companies in Nigeria. Secondary data were obtained from annual financial reports and also from the accounts of Food and Beverages companies listed on the Nigerian Stock Exchange. The data obtained were analyzed using simple and multiple regression models. The results show that there is a significant relationship between inventory management and the financial performance of Food and Beverages companies in Nigeria.

In Somalia, the practical application of effective inventory management has become an important factor of achieving a company's financial goals that is why many organizations are growing their financial performance. Therefore, by effectively managing a company's inventories, companies can sharply reduce their dependence on outside funding. This won't only lead to more financial

flexibility, but also create value and have a strong impact on a company's enterprise value by reducing capital employed and thus increasing asset productivity.

CAAFI mineral water is one of the leading producers of pure natural water in Somalia, having started in 2001; it was the first company in Somalia to receive the ISO 9002 certification for developing and maintaining a high quality management system. The mission statement of CAAFI mineral Company shows to become the first choice among mineral companies in Somalia by partnering with their customers, employees, suppliers and community. The vision of CAAFI mineral company commits making business, society and environment sustainable. Therefore the researcher examined the study on the impact of inventory management practice on financial performance of CAAFI mineral water Company in Mogadishu Somalia.

### **1.1 Statement of Problem**

Effective inventory management systems can reduce the cost of carrying inventory and ensure the supply of raw material and finished goods remains continuous in the organization. In addition to that adequate and appropriate level of stock is essential for any company to grow and achieve financial success, especially manufacturing organizations (Pandey, 2004).

CAAFI Company uses effective inventory management system where Company has designed and implemented inventory planning and control system which aims at maintaining optimal stock level and minimizing inventory costs. CAAFI mineral water applied economic order quantity and effective supply chain management to reduce carrying cost and holding cost of inventory. CAAFI mineral water also uses perpetual inventory control systems to update inventory counts on a daily basis (Financial Executive Minutes report, 2014).

Despite the above practices, CAAFI mineral water Company put in place mechanism to improve financial performance; the Company is facing inventory shortages, increasing defective materials, spoilage and wastage of materials, and poor customer service delivery. Consequently, this resulted in decline in sales volume, less profit margins and less return on capital invested as noted (Financial Executive Report, 2014). Therefore the study examined the effect of inventory management practices on financial performance of CAAFI Mineral Water Company Mogadishu Somalia.

## **1.2 Objectives of the Study**

The general objective of the study was to establish the relationship between inventory management practices and financial performance of CAAFI Mineral Water Company Mogadishu Somalia.

### **1.2.1 Specific Objectives:**

The specific objectives of the study were as the following.

1. To determine the relationship between inventory planning and financial performance of CAAFI Mineral Water Company Mogadishu Somalia.
2. To analyze the relationship between inventory control and financial performance of CAAFI Mineral Water Company Mogadishu Somalia.
3. To establish the relationship between inventory optimization and financial performance of CAAFI Mineral Water Company Mogadishu Somalia.

### **1.2.2 Research Hypothesis**

1. The study used the following research hypothesis to determine the relationship between inventory management practice and financial performance of CAAFI Mineral Water Company Mogadishu Somalia.
2. There is no significant relationship between inventory planning and financial performance of CAAFI Mineral Water Company Mogadishu-Somalia.
3. There is no significant relationship between inventory control and financial performance of CAAFI Mineral Water Company Mogadishu-Somalia.
4. There is no significant relationship between inventory optimization and financial performance of CAAFI Mineral Water Company Mogadishu-Somalia.

## **1.3 Scope of the Study**

The study covered geographical, time and content scope.

## **1.4 Content Scope**

This study conducted on the effect of inventory management practices on financial performance of CAAFI Mineral Water Company Mogadishu-Somalia. The study tried to examine three specific objectives which are inventory planning, inventory control and inventory optimization and their effect to the financial performance.

## 1.5 Geographical Scope

The study covered by CAAFI Mineral Water Company in Mogadishu-Somalia. Mogadishu is located on the Indian Ocean coast of the horn of Africa, in Benadir administrative region in southeastern Somalia.

## 1.6 Time Scope:

The study started from June 2018 to September 2018 through cross-sectional study because the study focused on collecting data on time by using questionnaire. On the other hand, the study focused on the period where CAAFI mineral water Company was facing financial problems.

## 1.7 Significance of the Study

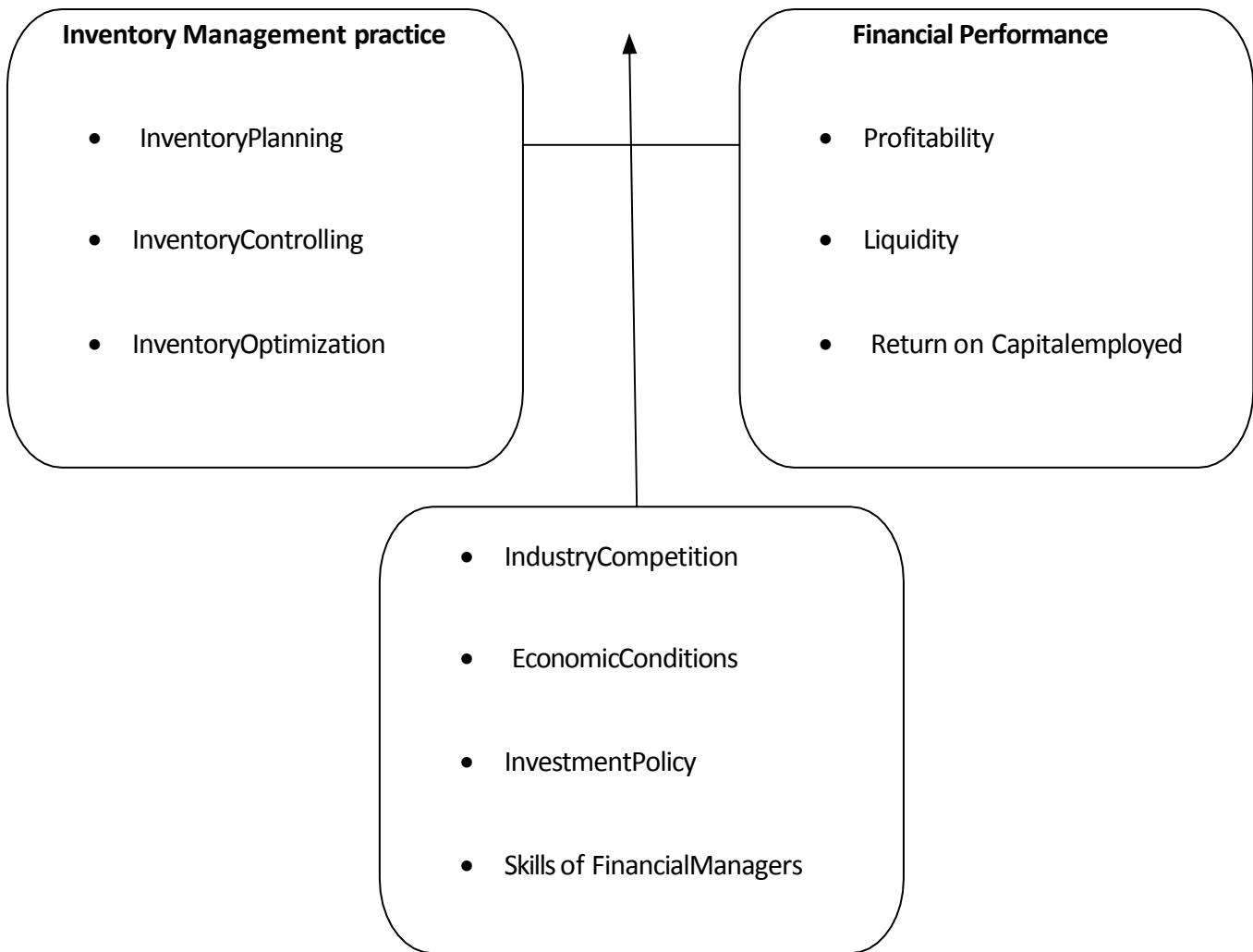
It is expected that the study may yield numerous benefits among which include:

- i. The study may be useful to managers and stakeholders in CAAFI Mineral Water Company to establish effective inventory control system in order to improve company's financial performance of the company.
- ii. The study findings may benefit finance and top managers in CAAFI Mineral Water Company who are experiencing the profitability problems to create well designed and implemented inventory planning and control system to avoid wastage of materials and inventory shortages.
- iii. The study may further be important for sales managers to develop strong customer relationship and distribute the products to the customers at the right time and place.
- iv. The research may be useful to academics and researchers in adding to their knowledge on the effect of inventory management on financial performance.
- v. Finally the study may also serve as a future reference for researchers on the subject of inventory management and financial performance.

## Fig 1. Conceptual Framework

Independent Variable

moderating variable  
Dependent Variable



**Source: Onyango, (2012) Modified by the researcher**

The above self-generated conceptual framework for the study suggests that inventory management (IV) could be undertaken by Inventory Planning, Inventory Control, and Inventory Optimization.

It expects that if inventory management is managed accurately by using suitable techniques, it creates company to retain good financial position (DV). However, this can only be achieved if there is inventory planning and control system and Inventory Optimization that are responsible to be encouraging results to the organization's financial performance. Definitely there are always

other factors that come in disconcerting the ideal relationship between the IV and the DV and these are the intervening variables such as industry competition, economic conditions, and investment policy and skills of financial managers. Therefore the study is intended to scrutinize the effect of inventory management practices on financial performance of CAAFI Mineral Water Company Mogadishu-Somalia

## 1.8 Operational Definitions

**Inventory Management** is described as “the planning, coordinating and controlling activities related to the flow of inventory through and out of an organization, (Horngronet al.,2006).

**Inventory Control** is process concerned with the minimization of the total cost of inventory. This means keeping the overall costs associated with having inventory as low as possible without creating problems (Arsham,2006).

**Inventory Planning** is process of determining the optimal quantity and timing of inventory for the purpose of aligning it with sales and production capacity.

**Inventory Optimization** is a strategy for balancing the amount of working capital that's tied up in inventory with service-level goals across multiple stock-keeping units.

**Financial Performance** is the measurement of the results of a firm's policies and operations in monetary terms. These results are reflected in the firm's returns and value-added.

**Profitability** can be defined as the final measure of economic success achieved by a company in relation to the capital invested in it. This economic success is determined by the magnitude of the net profit accounting (Ross,2000).

**Liquidity** is the ability of the business to meet financial obligations as they come due, without disrupting the normal, ongoing operations of the business (Wilson,2000).

**Return on Capital Employed (ROCE)** is a measure of efficiency of management in the application or use of the organization's funds or resources in a given financial period (Egungwu, 2005).

## CHAPTER TWO



## **2.0 Literature Review**

This chapter presents the review of literature in the light of the effect of inventory management on financial performance of CAAFI Mineral Water Company in Mogadishu- Somalia. This was guided by the study objectives. The literature obtained from e-Journals, reports, textbooks and paper presentations. This chapter was review literature resulting from such studies done in the world.

### **2.1 Inventory Management Practice**

Sharma (2003) defines inventory as the quantity of goods, raw materials, or other resources that are idle at any given point of time. From the definition above, inventories consist of raw materials, component parts, supplies or finished assemblies etc. which are purchased from an outside source, and goods manufactured in the enterprise itself. In simple words, inventory refers to stocks held by a firm. Relating the definition to the brewery industry, this paper defines inventory as the stock of the product a company is manufacturing for sale and components that make up the product. Inventory is the stock of any item or resource used in an organization.

Drury (2002) asserts that inventory costs include holding costs, ordering costs and shortage costs. Holding costs relate to costs of which physical items are in stock. These costs include insurance, obsolescence and opportunity costs associated with having funds which could be elsewhere but are tied up in inventory. Ordering costs are costs of placing an order and receiving inventory. These include determining how much is needed, by preparing invoices, transport costs and the cost of inspecting goods. Shortage costs can result when demand exceeds the supply of inventory on hand. The costs include opportunity costs when making a sale, loss of customer goodwill, late charges and similar costs.

The main purpose of effective inventory management is monitoring all inventory movements, determining when and how much order will realized for each inventory item

### **2.2 Relationship between Inventory Management and Financial Performance**

This study has been carried out several times before to examine relationship between inventory management and financial performance. Juan and Martinez (2002) in their study of 8872 small and medium-sized Spanish firms also demonstrated that managers of firms can create value by reducing the number of days of inventory. Effective inventory management processes helps in increasing operational efficiency of firms; improves customer service; reduces inventory and distribution costs; and enables businesses track items and their expiration dates consequently balance between availability and demand (Pandey, 2004). The study found that effective and efficiency practice of inventory management had strong and positive relationship to the financial performance of small and medium-sized Spanish firms.

In Malaysia, Agusand Noor (2006) inspected the relationship between inventory management practices and financial performance. The study measured the manager's insights of inventory and supply chain management practices and the level of performance in the industry. The practices include lean inventory management systems, Technology and strategic supplier partnerships. They arranged a structured questionnaire, which was designed to assess the companies in terms of the described dimensions. The sample companies were randomly chosen from manufacturing companies (non-food based manufacturing companies with medium and high technology) in Klang valley, Malaysia. The findings of the study suggest that inventory management practices have significant correlations with profitability and return on sales (ROS).

Roumiantseva and Netessine (2005) investigated the association between inventory management policies and the financial performance of a firm. The purpose of the study was to assess the effect of inventory management practices on financial performance across the period 1992-2002. They used conventional firm specific variables (inventory levels, margins, and lead times) as explanatory variables. They found no evidence that smaller relative levels are associated with financial performance as measured by return on assets.

### **2.3 Relationship between Inventory Planning and Financial Performance**

Inventory planning is process of determining the optimal quantity and timing of inventory for the purpose of aligning it with sales and production capacity. Inventory planning has a direct impact a company's cash flow and profit margins especially for smaller businesses that rely upon a quick turnover of goods or materials.

Effective inventory planning is imperative for successful operation for merchandising organizations in the contemporary business world. Managers of such organizations can increase the probability of making good inventory management decisions by using fundamental inventory management strategies implemented as part of an organized plan (James 1994). So this will exemplify 10 fundamental strategies or concepts of planning inventory. These strategies should be included in cooperative plans for the everyday management of the merchandise ordered and held for sale and clearly understood by employees..

The development of effective inventory planning methods to accommodate these and other innovations must recognize and act upon the requirements of our first two imperatives. Development of new inventory and supply chain planning methods based on data-driven models and supporting business process expansions are needed to exploit the benefits of innovations. Companies that embrace the new methods will gain considerable competitive advantage over rival firms that fail to do so (Gullim, 2010).

Inventory planning is concerned with making efficient supply chain decisions and planning is still primarily concerned with traditional decisions regarding reorder points, replenishment quantities, and safety stocks. In addition, it may be available at multiple locations for delivery to customers, which complicate replenishment plans for these locations (Donald & Delno (2009).

## **2.4 Relationship between Inventory Control and Financial Performance**

Pandey (1995), define Inventory control is concerned with the acquisition, storage, handling and use of inventories so as to ensure the availability of inventory whenever needed, providing adequate provision for contingencies, deriving maximum economy and minimizing the wastage and losses. According to Warren, (2006) Inventory control refers to a system, which ensures the supply of required quantity and quality of inventory at the required time and at the same time prevent unnecessary investment in inventories. It is one of the most vital phases of material management is maintain the organization proper documentation of material ordering process such as filling internal requisition form which indicates the need for materials in the production. Reducing inventories without weaken operating efficiency frees working capital that can be effectively employed elsewhere. Inventory control can make or break a company. This explains that the usual saying of that “inventories” are the graveyard of a business.

The efficiency of inventory control affects the flexibility of the firm. Insufficient procedures may result in an unbalanced inventory. Some items out of stock, other overstocked, necessitating excessive investment. These inefficiencies ultimately will have adverse effects upon profits. Turning the situation round, difference in the efficiency of the Physical inventory control for a given level of flexibility affects the level of investment required in inventory.

Inventory control is a system used in a firm to control investment in stocks. It includes the recording and monitoring of stock levels (Lucey, 2000). It also involves forecasting future demand and deciding when and how much to order. Inventory control in an organization needs to be implemented to manage inventories since it works with an objective of minimizing all inventory related costs and maximizing wealth of an organization. This can be controlled effectively if the procedures that they undergo are controlled and these procedures include.

## **Purchase Procedure**

The purchase procedure begins with the replacement of the purchase requisition from the user department that initiates the purchase department to buy stocks with the particular specifications such as type, quantity and quality. It should be authorized by a responsible officer and should have a multiple copies sent to the purchasing, sales, and production departments. This is followed by the verification of the requisition to ensure that the need for stock is actually there, a search for suppliers in the market is made in the market that best satisfy the organization's needs. It should also be duly authorized by the responsible officials (purchase committee). Multiple copies sent to the seller, accounts, receiving department.

The next procedure involves receiving the items in a particular site with delivery notes, copies of purchase orders; goods received note and multiple copies to the purchase store and receiving department. On receiving the items, inspection and checking is done to ensure that they are of appropriate quality and quantity specifications. An inspection note is raised with various copies to

all concerned departments. Items are returned (rejected) to the supplier if they do not have the right specifications. However for new vision this scenario is rare. Then the supplier submits an invoice that is approved by an authorized officer with all supporting documents. Furthermore the price and arithmetic accuracy is checked then payments made preferably by a cross check after which all documents relating to purchase are stamped so as to avoid duplication.

## **Sale Procedure**

This is another procedure in an organization where particular emphasis should be put in controlling. The new vision sells to the public through its agents or sale representatives who want to purchase items from the new vision as they raise an order. This customer needs to be verified by the organization to ensure that is worthy while and will pay for the items purchased. Then the order will be sent to the different departments like accounts and stores. On approval an invoice is prepared and the items are dispatched in accordance to the customer's order thus an invoice raised.

## **Stores Procedure**

Drury (2002) asserts that the stores procedure in inventory control involves managing the stores where items purchased have to be stored. It involves maintaining stocks in stores so as to ensure that items are protected from loss, over or under stocking, minimal storage space utilized, proper stock records as well as keep stock costs minimal. Store clerks should be trained and release items upon full authorization and as prescribed by the purchase order and requisition. In stores, proper records should be maintained and stock taking should either be periodic or on daily basis.

## **First in First out (FIFO)**

This is an inventory management method where the first items to be purchased are the first to be consumed and thus those in stock are those that are sold last.

## **Last in First Out (LIFO)**

This method is where items that were purchased last are sold out first. However this system is generally not accepted by the revenue authority and not recommended by IAS9. Inventory control under the above mentioned procedure is done under two basic types of inventory systems (Lucey, 2000) which

include; The re-order level also known as the bin system where the predetermined re-order level is set for each item and then stock falls to this, replenishment order which is optimal

order quantity at which the carrying and holding costs are minimized. The periodic review system is where the replenishment quantity is previously calculated and stock levels are checked at fixed intervals. If the firm realizes from this check that there is need for more stock, a replenishment order is then raised which brings the stock levels to the predetermined level.

## **Stock Records**

Lucey(2000), asserts that for any company to carry management of stock, it has to keep records. However sophisticated an inventory control system is, the basic condition is that stock movements are recorded accurately. The stock levels are shown on various stock records and physical stock levels should be reconciled with the records. Documents used in the store include purchase requisition, material or store requisition, stock records or bin cards, materials return note, materials transfer note, scrap note and shortage notes. The stock record card or bin card is very important in the store. This is because it is where the economic order quantity, re-order level, buffer level and actual quantities are recorded, whilst, other documents are used to update this document.

## **Stock taking**

The objective of stock taking is to know the physical quantities of items at a given date. According to Lucey(2000) stock taking can be carried out periodically or continuously. Periodic stocking involves taking stock once in a period or time for purposes of establishing the closing stock value. Perpetual stock taking involves taking stock or items daily such that over the year, all stock is checked at least once. Stock taking should be done regularly and balanced to avoid losses through theft or spoilage. Stores play an important role as far as performance is concerned in that in case of any shortages, which will halt supply and reduce sales. If proper inspection is not done, poor quality or defective supplies could be acquired, proper stores management also guards against theft and loss of items. This will in turn cut down costs incurred by a company.

## **2.5 Relationship between Inventory Optimization and Financial Performance**

Inventory optimization is a strategy for balancing the amount of working capital that's tied up in inventory with service-level goals across multiple stock-keeping units. Inventory optimization is the key for keeping the profitability of a company at a constant level and to increasing the company's competitiveness. Inventory optimization- takes inventory management to the next level, enabling for the businesses further reduce inventory levels while improving customer service levels and maximizing capital investments. The primary function of an Inventory Optimization

solution is to allow companies to effectively fulfill the demand and identify how to gain additional profits from their inventories. Companies can increase customer service level through distributing the products at the right time and place to reach their target audiences in the market. Improved efficiencies through effective resource management and optimization lead to an increase in service level, improved performance (Deloof,2003).

Inventory Optimization in the supply chain so as to minimize the total supply chain cost is arising usually in inventory management is the dynamic nature of the excess stock level and shortage level over all the periods. Effective supply chain management give the business a competitive advantage in the market place and mitigate risks associated with acquiring raw materials and delivering g products so, the optimization of the inventory will be effective only if the maximum occurrences of stock level are considered. The fitness function of the genetic algorithm we have used is formulated in such a way that it will determine the necessary stock level from the past periods (Afza&Nazir,2007).

By combining its experience in business-process and supply-chain management with its proprietary tools and analytics, CAAFI mineral water has developed a range of inventory-optimization solutions that enable clients to improve their financial performance. Compared to the other alternatives, CAAFI mineral water's solutions are easier to customize and faster to implement. While other vendors provide software-based products that are time-consuming and disruptive, CAAFI mineral water solutions can be installed on-premise, in the cloud, or managed largely via mobile applications. This enables an organization to achieve a return on investment in as few months and with a smaller upfront investment.

Regardless of delivery method, CAAFI mineral water offers five solution modules that map to the most critical issues of inventory management: visibility, segmentation, planning and optimization,

demand forecasting, and product obsolescence. These modules of which can be deployed individually or sequentially because they use the same IT platform and tools.

**Visibility Management:** Today, even mid-sized companies manage supply chains that stretch across the city. Given that the dispersed nature of the modern supply chain, you need real-time visibility into the flow of goods from suppliers, their subcontractors, and the transportation firms that shuttle all of these goods around the city.

**Segmentation:** Given the competitive pressure for suppliers to offer a wide range of products and services, it is common to see companies juggle hundreds of thousands of SKUs. The challenge is to locate and cost-efficiently redistribute each of these products. CAAFI mineral water enables an organization to segment inventory by customer type, product type, location, and many other categories. This enables for the organizations to reduce excess inventories, focus investments in the highest-performing segments, and, strengthen financial performance.

**Planning and Optimization:** CAAFI mineral water's replenishment and distribution processes help the organization analyze supply and demand to predict order and fill rates. Our planning processes help optimize lead times by making continuous adjustments based on supplier inputs. This helps minimize carrying costs, stock-outs, and ordering costs while maintaining adequate service levels. CAAFI mineral water provides its planning analytics over a flexible and cost-effective IT platform to custom-fit technology and process to the organization's environment.

**Obsolescence Management:** In many industries the product cycles have become so short that some goods can become obsolete within months of launch. CAAFI mineral water's obsolescence management solutions help identify and then adapt to any risks that could render products obsolete earlier than expected.

## 2.6 Financial Performance

Financial performance is the level of performance of a business over a specified period of time, expressed in terms of overall profits and losses during that time. Evaluating the financial performance of a business allows decision-makers to judge the results of business strategies and activities in objective monetary terms.



Financial performance can be improved if the efficiency levels of cash, receivables and inventory management practices are increased. The investigation on fund management' practices was focused on cash management practices, receivables management practices and inventory management practices. Financial performances are mainly based on inventory management measures, which attract significant attention from top management in many companies (Kenneth, 2000).

The subject of financial performance has received high significant attention from scholars in the various areas of business and strategic management. It has also been the primary concern of the business practitioners in all types of organizations since financial performance has implications to organization, health and ultimately its survival. High performance reflects management

effectiveness and efficiency in making use of company resources and this in turn contributes to the country's economy at large and firms performance in specific (Naser & Mokhtar, 2004).

## **Profitability**

According to Ross (2000), profitability can be defined as the final measure of economic success achieved by a company in relation to the capital invested in it. This economic success is determined by the magnitude of the net profits of accounting. The best measure of a company is its profitability since it includes the two major factors of financial performance that is maximizing revenues and minimizing expenses and without it, it cannot grow, and if it doesn't grow, then its stock will trend downward. Increasing profits are the best indications that a company can pay dividends and the share of the company price will trend upward.

## **Liquidity**

Liquidity is the ability of the business to meet financial obligations as they come due, without disrupting the normal, ongoing operations of the business. Liquidity can be analyzed both structurally and operationally. Structural liquidity refers to account balance sheet which measures the relationships between assets and liabilities and operational liquidity refers to cash flow measures. Solvency measures the amount borrowed capital used by the business relative the amount of owner's equity capital invested in the business. In other words, solvency measures provide an indication of the business' ability to repay all indebtedness of the company if all of the assets were sold.

## **Return on Capital Employed**

Return on capital employed is a measure of efficiency of management in the application or use of the organization's funds or resources in a given financial period. It is measured by comparing the profits made by the firm with the capital used in making the profit and set as a percentage or fraction (Egungwu, 2005). The enhanced return on capital employed measures the return or profit on each area expended by the firm for the financial period. This is the true measurement of the return on capital employed because the true capital employed by the business for the period is the amount expended on the period's operations excluding capital expenditure (Reddy, 2010).

## **2.7 Conclusion**

The study reveals to fill an existing gap which is content, methodology, time and the context. Onyango (2012) did study of Impact of inventory management on profitability and liquidity a case of

large supermarkets in Nairobi Kenya. The study looked at the elements that constitute the inventory management; stock movement and its effects on profitability and cash flow level; ensuring correct mix of inventory and optimal level of profitability and liquidity using descriptive research design. The study findings revealed that inventory management has negative effect on profitability and liquidity a case of large supermarkets in Nairobi Kenya.

Koumanakos(2008) studied the effect of inventory management on firm performance in manufacturing firms operating in three industrial sectors in Greece, food, textiles and chemicals were used in the study covering 2000 – 2002 period. The hypothesis that lean inventory management leads to an improvement in a firm's financial performance was tested using cross-sectional survey research design. The findings suggest that the higher the level of inventories preserved by a firm, the lower the rate of return.

However this study was based on three clear objectives to examine the relationship between inventory management and financial performance in CAAFI Mineral Water Company Mogadishu Somalia. To examine the relationship between study inventory management and financial performance; study constitute the measures of inventory management as inventory planning, inventory optimization and inventory control using correlation research design. On the other hand this research was carried out in Somalia in 2018. Therefore this research is intended to fill the existing gap which is content, methodology, time and context.

## **CHAPTER THREE**

## **ethodology**

This chapter presented the methodology of the study. The focus was on research design, study population, sample size, sampling technique, data collection methods, data collection procedure, reliability and validity of the instruments, data processing and analysis, and ethical considerations.

### **3.1 Research Design**

A Research design is a plan that explains the basic structure of the study. It provides the procedural outline for the conduct of the study. Research design is “the blueprint that includes experiments, interviews, observation, and the analysis of records, simulation or some combination of these (Donald, 2009). The study carried out using correlation research design. Correlation research is quantitative research method in which the researcher has two or more quantitative variables to determine if there is relationship between two variables and the extent of relationship. Both quantitative and qualitative approaches of data collection method were employed. Data was collected from purchase department, marketing department, production department and finance department of CAAFI Mineral Water Company Mogadishu Somalia.

### **3.2 Research Population**

Population refers to the entire group of people, events or things of interest that the researcher wishes to investigate (Sekeran, 2003). The target population of this study was 120 and the researcher was categorized the population into four categories such as purchase department, marketing department, production department and finance department of CAAFI Mineral Water Company Mogadishu Somalia.

| Category              | Population | Sample Size | Instrument    | Sampling Techniques |
|-----------------------|------------|-------------|---------------|---------------------|
| Purchase Department   | 35         | 27          | Questionnaire | Random Sampling     |
| Production Department | 30         | 22          | Questionnaire | Random Sampling     |
| Marketing Department  | 45         | 33          | Questionnaire | Random sampling     |
| Finance Department    | 10         | 10          | Questionnaire | Census Inquiry      |
| <b>Total</b>          | <b>120</b> | <b>92</b>   |               |                     |

Source: Human resource Department of CAAFI Mineral Water Company

### 3.3 Sample Size

Sample size refers to the number of items to be selected from the population; the size should be neither excessively large nor too small (Kothari, 2006). In sample size, the researcher decides to take sample of CAAFI Mineral Water Company Mogadishu Somalia. The researcher was chosen **92** respondents to test the relationship between inventory management practices and financial performance. This was based on Slovic's formula for sample size determination.

$$N = \frac{N}{1 + N(e)^2} \quad N = \frac{120}{1 + 120(0.05)^2} = \frac{120}{1.3} = 92$$

### **3.3.1 Sampling Technique**

Sampling technique is a description of the strategies which the researcher used to select representative elements, subjects, respondents from the target population (Owen 2000). The sampling technique that used in this study was simple random sampling. Random sampling was used to ensure the balanced distribution of respondents from unlike sectors. Random sampling is a sampling method in which all members of a group have an equal and independent chance of being selected (Dawson, 2002). The study also used census enquiry to avoid sampling error. Grim, (2010) defined Census technique as a collection of data from a whole population rather than just a sample. It is known as complete enumeration, which means a complete count.

### **3.4 Data Collection Methods**

The data collection methods in this study were two categories: primary and secondary data. The primary data was collected by the use of a questionnaire to know the relationship between inventory management and financial performance.

### **Data Collection Instruments**

The data collection instrument of the research was questionnaire.

### **3.5 Questionnaire**

According to Amin (2005) a questionnaire is a carefully designed instrument for collecting data in accordance with the specifications of the research questions and hypothesis. It consisted of section

(A) which respondent were asked about their demographic characteristics of the respondent and 6 questions were asked and in section (B) consist of 5 question concerning the relationship between inventory planning and financial performance of CAAFI company. section (C) consist of 5 questions concerning relationship between inventory control and financial performance section

(D) consist of 5 questions concerning the relationship between inventory optimization and

financial performance section (E) also consist of 5 questions concerning financial performance of CAAFI Company. The main advantage of self-administered questionnaire is that the researcher can collect all completed forms within a short time (Sekaran 2003).

### 3.6 Reliability of the Instrument

Reliability refers to the consistency in reaching the same result when the measurement is making repeatedly (Webb, 2002). Therefore, the reliability of the questionnaire was tested using the Cronbach's Alpha coefficient application in the SPSS, it was .95 which can be translated into 95%. This implies that the reliability of the questionnaire was very high.

**Table 3.3 Reliability Statistics**

| Cronbach's Alpha | Number of Items |
|------------------|-----------------|
| .950             | 40              |

### 3.7 Data Analysis

Data was analyzed using statistical package of social science (SPSS) to measure the degree of relationship between inventory management practices on financial performance of CAAF Mineral Water Company Mogadishu Somalia. Quantitative and qualitative research approaches were employed to arrive at the findings of the study. In analyzing the quantitative data, Correlation and regression analysis were used in the study to identify the nature and extent of relationship between inventory management variables on financial performance indicators while the qualitative aspects of the data analysis were used by editing and coding this means grouping participants responses into categories that brings together similar ideas, concepts or themes that have been discovered to support the presentation of research findings.

### Ethical Considerations

Access and ethics are two key issues the researcher is likely to face prior to data collection (Blaxter, 2002). The researcher obtained consent of access and that of each respondent after full disclosure of the purpose, nature and benefits of the study while allowing participants to ask any pertinent questions. Confidentiality of information will assure to the respondents.

## CHAPTER FOUR

### 4.0 Data Presentation and Analysis

This chapter presents the results from respondents which were collected to find out the effect of inventory management on financial performance of CAAFI mineral water Mogadishu Somalia. The researcher collected primary data from the respondents using questionnaire to examine the effect of inventory management on financial performance of CAAFI mineral water Mogadishu Somalia. The presentation was based on three objectives which are to analyze the relationship between inventory planning and financial performance of CAAFI mineral water Mogadishu Somalia. To examine the relationship between inventory control and financial performance of CAAFI mineral water Mogadishu Somalia. To analyze the relationship between inventory optimization and financial performance of CAAFI mineral water Mogadishu-Somalia.

The results are discussed in accordance with research hypothesis and attempts to relate findings to alternative or supportive views as stated in the literature review. Frequency distribution tables were presented which contain the percentage for each response. To facilitate interpretation of the data, responses to items on a five Likert-type scale, mostly involving strongly disagree, disagree, neutral, Agree and strongly agree respectively. The presentation of findings is preceded by background information on the respondents.

### 4.1 Response Rate

Response Rate is the percentage of people who responded to a survey or questionnaire. Higher response rate helps to ensure that the results are representative of the target population. Response rates are more important when study's purpose is to measure an effect or make generalizations to a large population (Hamilton, 2003). As argued by Hamilton (2003), 60% are acceptable and it's very good when the questionnaire or survey did through email. Thus, all the questionnaires were responded.

### 4.2 Demographic Characteristics of the Respondents

The first part of this chapter is a presentation and analysis of the initial data obtained from the study. It involves the background information of the respondents. The variables involved are age,



gender status of respondents, educational background and the number of years they have worked in the organization and Rank of respondents. Data obtained have been presented in tables and figures below.

#### 4.2.1 Age of Respondents

Age is a period of human life, measured by years from birth, usually marked by a certain stage or degree of mental or physical development and involving legal responsibility and capacity. The purpose of the age distribution was to find out the average age of the employees who are actively involved in the operations within organization.

**Table 4.1 Age of the respondent**

| Age          | Frequency | Percentage |
|--------------|-----------|------------|
| 18-25        | 35        | 38%        |
| 26-30        | 22        | 23.9%      |
| 31-35        | 16        | 17.4%      |
| 36-40        | 12        | 13%        |
| 40 and above | 7         | 7.6%       |
| Total        | 92        | 100%       |

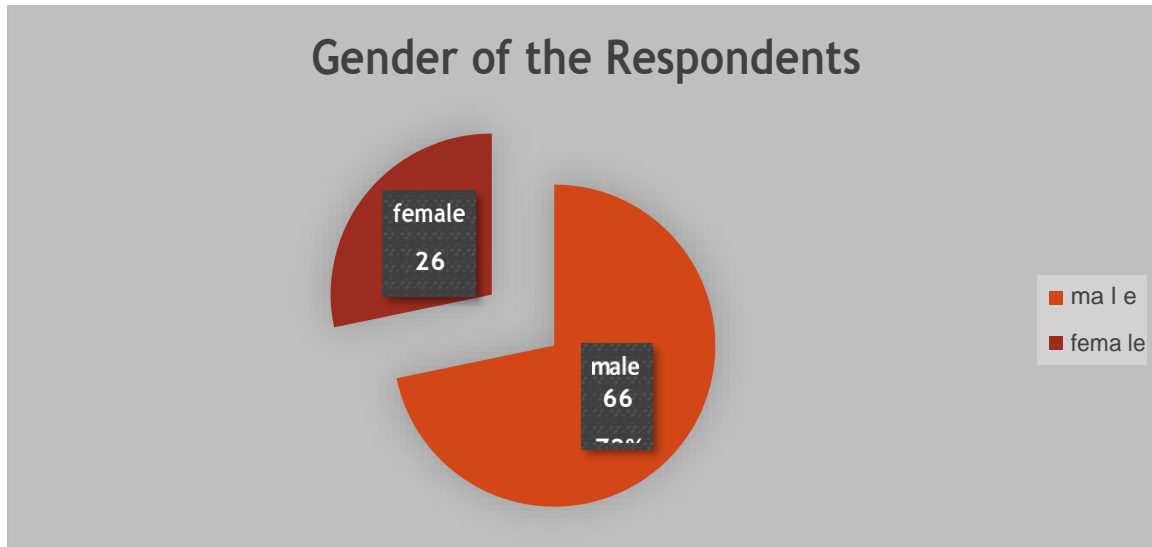
Source primary data 2019

Table 4.1 shows age distribution of the respondents who participated in the questionnaire. The table indicates that 35 (38%) of the respondents with the age range of 18-25 year; 22 (23.9%) of the respondents fall with the age bracket of 26-30 years; while 16 (17.4%) of the respondents fall with the age range of 31-35 years; 12 (13%) of the respondents fall with the age bracket of 36-40 and the last 7 (7.6%) of the respondents fall with the age range of 40 and above years. The result showed that the majority of the employees in the organization fall within 25-30 age bracket years. This means that majority of the employees are youth who could be ordinary expected more to be more productive and energetic than old people and they will be shoulders of the organization by leading to success.

## 4.2.2 Gender of the Respondents

Gender is the state of being male or female. The purpose was to find out the number of males and females who actually participated in the study.

**Fig 2. Gender of the Respondents**



Source: primary data 2019

The respondents were asked to signify their gender whether they are male or female. The above fig 2. Shows that 66 (71.7%) of the respondents who participated the study were male and 26 (28.3%) of the respondents were female. The results in the above table indicate that majority of the employees of CAAFI mineral water Mogadishu Somalia is male. This is supported by Mbabazi (2008) who argued that data collection that incorporates the responses from both sex is reliable than single sex. However the study was participated by both males and females which may bring the study to be more valid and reliable.

## Marital Status of the Respondents

Marital status is the state of being married or single. The purpose was to find out the status of the employees who are actively involved in the operations within the organization.

**Table 4.2 Marital Status of the Respondents**

| Marital      | Frequency | Percentage |
|--------------|-----------|------------|
| Single       | 58        | 63%        |
| Female       | 34        | 37%        |
| <b>Total</b> | 92        | 100%       |

Source: primary data, 2019

The above table 4.2 depicts the marital status of respondents who participated in the study. A close look at the Table 4.3 shows that 58 respondents representing 63% fall within the single status; 34 representing 37% fall within the marriage. The data shows that majority of the employees of the organization are single. This implies that the majority of respondents were male since CAAFI mineral water is manufacturing Company.

### 4.2.3 Qualification of the Respondents

Qualification is the competence, knowledge, or skill that matches or suits an occasion or makes someone qualified for a duty, office, position, privilege or status. Qualification denotes fitness for purpose through fulfillment of necessary conditions. The purpose was to find out the educational/academic qualifications of employees who participated in the study.

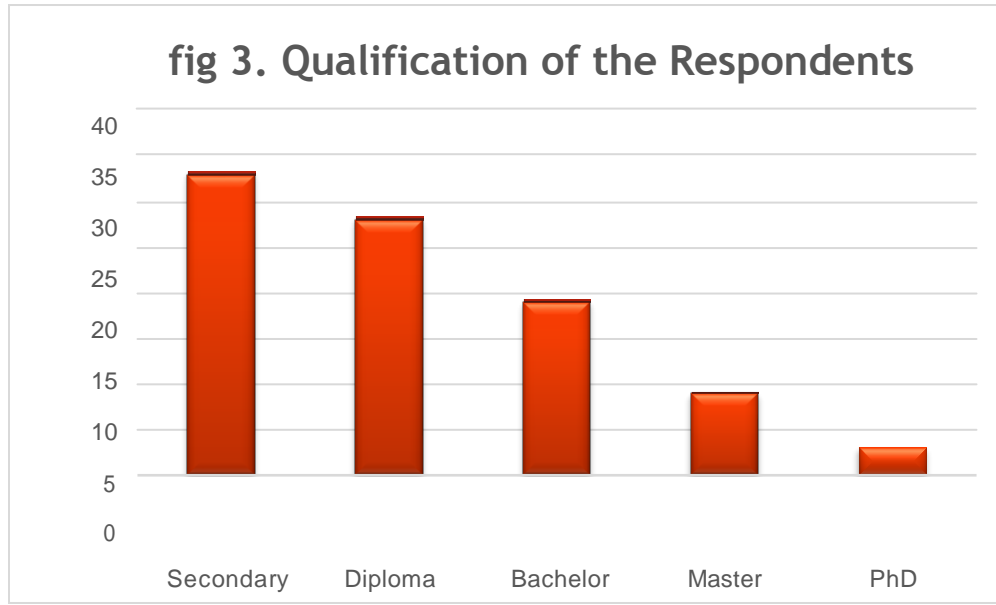


Fig 3.shows responses elicited, 33 respondents representing 35.9% have obtained secondary schoolcertificates; 28 respondents representing 30.4% obtaineddiploma;19respondents representing (20.7%) have obtained bachelor degree while 9 respondents representing 9.8% had obtained masters, the remaining 3 respondents representing 3.3% have obtained PhD. The datashows that majority of the employees have attained some level of education whose opinions and views are guided and well informed. This is in line with Uma (2000) who argued that it is important in social investigation research to involve people that have attained an acceptable level of literacy and numeracy in order to be in position to understand and interpreted content in thequestionnaire.

#### 4.2.4 Experience of the Respondents

Experience is the familiarity with the skill of knowledge acquired over months or years of actual practice and which presumably, has resulted in superior understanding or mastery. The purpose was to find out level of experience of the respondents in thestudy.

**Table 4.3 Experience of the Respondents**

| Years        | Frequency | Percentage |
|--------------|-----------|------------|
| 1-3          | 26        | 28.3%      |
| 4-6          | 29        | 31.5%      |
| 7-9          | 25        | 27.2%      |
| 10+          | 12        | 13%        |
| <b>Total</b> | 92        | 100%       |

Source: primary data 2019

In Table 4.3 the study want to find out the duration of time the respondent had worked in the company. According to the findings of table 4.3 indicates 26 (28.3%) of the respondents indicated that they had worked between 1-3 years; 29 (31.5%) of the respondents indicated that they had worked 4-6 years; 25 (27.2%) of the respondents had worked for 7-10 years and lastly 12 (13%) of the respondents had worked 10 years and above. These results showed that majority of the respondents had worked 4-6 years that indicates that they have enough working experience.

#### **4.2.5 Rank of the Respondents**

Rank refers to a position in a company or an organization, especially one which shows how important someone is relative to others. The purpose was to find out the position of each the respondent in the study.

**Table 4.4 Rank of the Respondents**

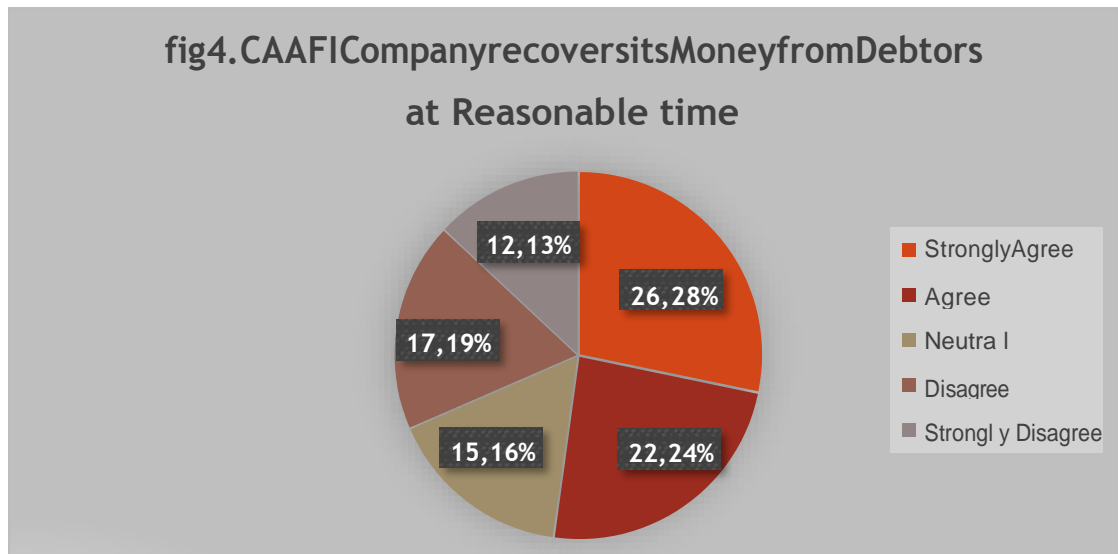
| Rank                  | Frequency | Percentage |
|-----------------------|-----------|------------|
| Purchase Department   | 27        | 29.3%      |
| Production Department | 22        | 23.9%      |
| Marketing Department  | 33        | 35.9%      |
| Finance Department    | 10        | 10.9%      |
| <b>Total</b>          | 92        | 100%       |

Source: primary data 2019

According to the findings in table 4.4 above, 27 (29.3%) of the respondents indicated that they are purchase department; 22 (23.9%) of the respondents indicated that they are production department; 33 (35.9%) of the respondents indicated that they are marketing department and lastly 10 (10.9%) of the respondents indicated that they are finance department. This shows that the majority of the respondents are marketing department and purchase department. The majority of the respondents come from marketing department and purchase department. Finance department are also involved the payment and collections of money from customers. Production department also participated the study.

**4.3 Null Hypothesis One: There is no Significance Relationship between Inventory Planning and Financial Performance of CAAFI mineral water Mogadishu Somalia.**

The following tables and figures presented the results of the respondents to examine the Relationship between Inventory Planning and Financial Performance of CAAFI mineral water Mogadishu Somalia.



Source: Primary data 2019

Fig 4 , shows that 26 (28.3%) of the total respondents were strongly agreed that CAAFI company has proper planning of raw materials needed to purchase, 22 (23.9%) of the total respondents agreed CAAFI company has proper planning of raw materials needed to purchase, 15 (16.3%) of the total respondents were responded neutral while 17 (18.5%) of the respondents were disagreed and lastly 12 (13%) of the total respondents strongly disagreed. The resultsshowed that majority of the respondents agreed that CAAFI Company has proper planning of raw materials needed to purchase. This in line with the view ofRihinde(2005) also argues purchase department is responsible for planningthepurchaseofallmaterialsneededbytheproductiondepartment,and the storage and issuance of these materials. Production department makes requisition to materials management department of the materials needed. Materials management department raises a local purchase order for suchmaterials.

**Table 4.5 Inventory Planning helps CAAFI Company Determination of What Products Need to be produced**

| valid             | Frequency | Percentage  |
|-------------------|-----------|-------------|
| Strongly Agree    | 22        | 23.9%       |
| Agree             | 26        | 28.3%       |
| Neutral           | 16        | 17.4%       |
| Disagree          | 17        | 18.5%       |
| Strongly Disagree | 11        | 12%         |
| <b>Total</b>      | <b>92</b> | <b>100%</b> |

Source: primary data 2019

From table 4.5 shows, 22 (23.9%) of the total respondents strongly agreed that Inventory Planning helps CAAFI Company Determination of What Products Need to be Produced, 26 (28.3%) of the total respondents agreed, 16 (17.4%) of the total respondents were responded neutral while 17 (18.5%) of the total respondentsdisagreed that Inventory Planning helps CAAFI Company Determination of What Products Need to be Produced and also 11 (12%) of the total respondents were strongly disagreed. The majority of the respondents agreed that Inventory Planninghelps

CAAFI Company Determination of What Products Need to be produced. This supported by Ogbadu (2003), who argues that effective inventory planning and materials management contributes a great deal to achieving business profit by allowing producing products that are required by the customers. This is done through effecting acquisition, control, handling and movement of materials.

**Table 4.6 CAAFI Company Ensures Supply of Required Quantity of Materials at Required Time**

| Valid             | Frequency | Percentage |
|-------------------|-----------|------------|
| Strongly Agree    | 28        | 30.4%      |
| Agree             | 26        | 28.3%      |
| Neutral           | 11        | 12%        |
| Disagree          | 17        | 18.5%      |
| Strongly Disagree | 10        | 10.9%      |
| <b>Total</b>      | 92        | 100%       |

Source: primary data 2019

Table 4.6 reveals that 28 (30.4%) of the total respondents were strongly agreed that CAAFI Company ensures supply of required quantity of materials at required time, 26 (28.3%) of the total respondents agreed that CAAFI Company ensures supply of required quantity of materials at required time, while 11 (12%) of the total respondents were neutral. Finally, 17 (18.5%) of the total respondents disagreed that CAAFI Company ensures supply of required quantity of materials at required time, 10 (10.9%) of the total respondents were strongly disagreed. The majority of the respondents agreed that CAAFI Company ensures supply of required quantity of materials at required time. This in line with the view of Lemu, (2007) who argues ensuring the required quantity and quality of materials plays a vital role in the organization to meet customer's demands and minimize the inventory holding cost.

**Table 4.7 CAAFI Company Plans What Inventory to Stock**



| Valid             | Frequency | Percentage  |
|-------------------|-----------|-------------|
| Strongly Agree    | 30        | 32.6%       |
| Agree             | 30        | 32.6%       |
| Neutral           | 11        | 12%         |
| Disagree          | 7         | 7.6%        |
| Strongly Disagree | 14        | 15.2%       |
| <b>Total</b>      | <b>92</b> | <b>100%</b> |

Source: primary data 2019

Results in table 4.7 shows that 30 (32.6%) of the total respondents were strongly agreed that CAAFI Company Plans What Inventory to Stock, 30 (32.6%) of the total respondents were agreed. However 11 (12%) of the total respondents were neutral. Finally, 7 (7.6%) of the total respondents disagreed, while 14 (15.2%) of the total respondents were strongly disagreed. The majority of the respondents agreed that CAAFI Company plans what inventory to stock. According to table 4.10, the majority of the respondents agreed that CAAFI Company plans what inventory to stock. This in line with the view of Campsey(1995) who believes Inventory planning helps the organization to decide what type of inventories that need to store due to huge market demands. Also it helpsto think the acquisition of inventories fromsupplier.

**Table 4.8 CAAFI Company considers how much material to order**

| Valid             | Frequency | Percentage  |
|-------------------|-----------|-------------|
| Strongly Agree    | 28        | 30.4%       |
| Agree             | 16        | 17.4%       |
| Neutral           | 14        | 15.2%       |
| Disagree          | 24        | 26.1%       |
| Strongly Disagree | 10        | 10.9%       |
| <b>Total</b>      | <b>92</b> | <b>100%</b> |

Source: primary data 2019

According to table 4.8, 28 (30.4%) of the total respondents were strongly agreed that CAAFI company considers how much material to order, 16 (17.4%) of the total respondents agreed, 14 (15.2%) of the total respondents were neutral. Also table 4.12 depicts that 24 (26.1%) of the total respondents were disagreed and finally 10 (10.9%) of the total respondents were strongly disagreed that CAAFI company considers how much material to order. This is in line with the view of Drury (2004) who argued the main purpose of effective inventory management is monitoring all inventory movements, determining when and how much order will be realized for each inventory item since the effectiveness in the inventory management is ensured with keeping inventory and minimizing the costs of inventory keeping.

The study attempts to test whether there is a relationship between Inventory Planning and Financial Performance of CAAFI mineral water Mogadishu Somalia. The study employed Pearson correlation to determine whether there is a relationship between Inventory Planning and Financial Performance of CAAFI mineral water Mogadishu Somalia.

**Table 4.9 Correlations**

|                                  |                     | <b>Financial<br/>Performance</b> | <b>Inventory<br/>Planning</b> |
|----------------------------------|---------------------|----------------------------------|-------------------------------|
| <b>Financial<br/>Performance</b> | Pearson Correlation | 1                                | .869 **                       |
|                                  | Sig.(2-tailed)      |                                  | .000                          |
|                                  | N                   | 92                               | 92                            |
|                                  | Pearson Correlation | .869 **                          | 1                             |
| <b>Inventory<br/>Planning</b>    | Sig.(2-tailed)      | .000                             |                               |
|                                  | N                   | 92                               | 92                            |

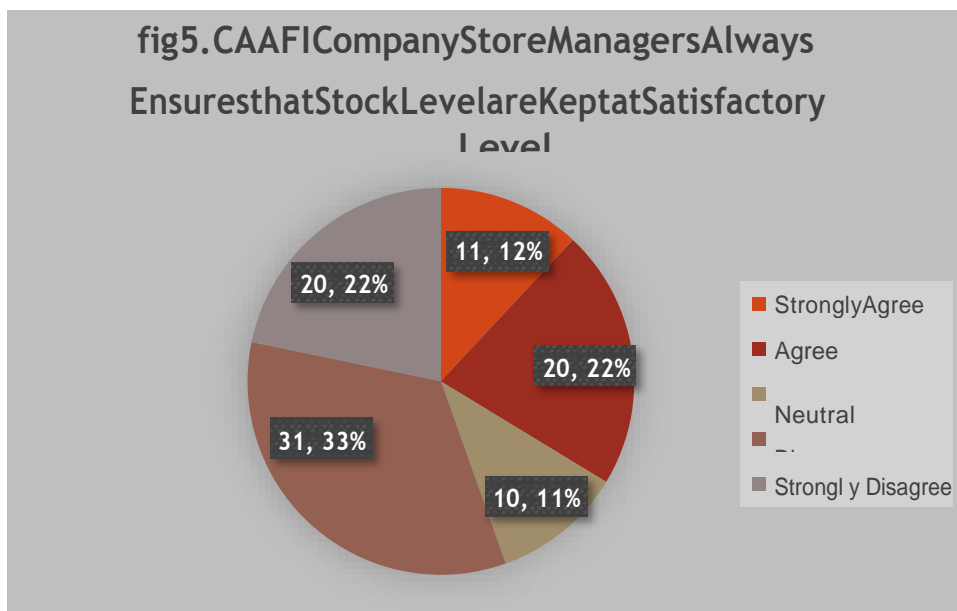
\*\* . Correlation is significant at the 0.01 level (2-tailed).

Correlation is a statistical that indicates the extent to which two or more variables fluctuate together. According to the results in table 4.9, there is a strong and positive relationship between Inventory Planning and Financial Performance of CAAFI mineral water Mogadishu Somalia.

This result rejects the null hypothesis that there is no relationship between Inventory Planning and Financial Performance of CAAFI mineral water Mogadishu Somalia.

**4.4 Null Hypothesis Two: There is no Significance Relationship between Inventory Control and Financial Performance of CAAFI mineral water Mogadishu Somalia.**

The following tables presented the results of the respondents to examine the Relationship between Inventory control and Financial Performance of CAAFI mineral water Mogadishu Somalia.



Source: primary data 2019

Based on the results in fig 5, it shows that 11 (12%) of the respondents were strongly agreed that CAAFI Company store managers always ensures that stock level are kept at satisfactory level, 20 (21.7%) of the respondents agreed, while 10 (10.9%) of the respondents were neutral. However, 31 (33.7%) of the respondents disagreed that CAAFI Company store managers always ensures that stock level are kept at satisfactory level, 20 (21.7%) of the respondents were strongly CAAFI Company store managers always ensures that stock level are kept at satisfactory level. Therefore

the majority of the respondents disagreed that CAAFI Company store managers always ensures that stock level are kept at satisfactory level.

**Table 4.10 CAAFI Company Established Preventive Mechanisms to Eliminate Theft of Materials**

| Valid             | Frequency | Percentage |
|-------------------|-----------|------------|
| Strongly Agree    | 19        | 20.7%      |
| Agree             | 29        | 31.5%      |
| Neutral           | 15        | 16.3%      |
| Disagree          | 21        | 22.8%      |
| Strongly Disagree | 8         | 8.7%       |
| <b>Total</b>      | 92        | 100%       |

Source: primary data 2019

Table 4.10 depicts that 19 (20.7) of the respondents were strongly agreed that CAAFI Company established Preventive mechanisms to eliminate theft, losses, misuse and wastages of materials, 29 (31.5%) of the respondents agreed, 15 (16.3%) of the respondents were neutral. On other hand 21 (22.8%) of the respondents disagreed, 8 (8.7%) of the respondents were strongly disagreed CAAFI Company established Preventive mechanisms to eliminate theft, losses, misuse and wastages of materials. However the majority of the respondents agreed that CAAFI Company established Preventive mechanisms to eliminate theft, losses, misuse and wastages of materials. This in line with the view of Arsham(2006) effective inventory control system leads the organization to prevent misuse, theft and wastage of materials.

**Table 4.11 CAAFI Company Uses Perpetual Inventory Control System**

| <b>Valid</b>      | <b>Frequency</b> | <b>Percentage</b> |
|-------------------|------------------|-------------------|
| Strongly Agree    | 33               | 35.9%             |
| Agree             | 20               | 21.7%             |
| Neutral           | 10               | 10.9%             |
| Disagree          | 18               | 19.6%             |
| Strongly Disagree | 11               | 12%               |
| <b>Total</b>      | <b>92</b>        | <b>100%</b>       |

Source: primary data 2019

Table 4.11, it shows that 33 (35.9%) of the respondents were strongly agreed that CAAFI Company uses Perpetual inventory control system, 20 (21.7%) of the respondents agreed that CAAFI Company uses Perpetual inventory control system, 10 (10.9%) of the respondents were neutral. On other hand, 18 representing 19.6% of the respondents disagreed that CAAFI Company uses perpetual inventory control system, while 11 (12%) of the respondents were strongly disagreed. Therefore, the majority of the respondents agreed that CAAFI Company uses perpetual inventory control system. This in line with the view of Arsham(2006) who believes to maintain the organization control over the stock, they must have perpetual inventory control which aims at maintaining the store movements on daily base to ensure the usage of materials from store to the production process.

**Table 4.12 In CAAFI Company, All Items Requested are Authorized by the Relevant Supervisor**

| Valid             | Frequency | Percentage  |
|-------------------|-----------|-------------|
| Strongly Agree    | 24        | 26.1%       |
| Agree             | 27        | 29.3%       |
| Neutral           | 17        | 18.5%       |
| Disagree          | 15        | 16.3%       |
| Strongly Disagree | 9         | 9.8%        |
| <b>Total</b>      | <b>92</b> | <b>100%</b> |

Source: primary data 2019

According to table 4.12, 24 (26.1%) of the respondents were strongly disagreed CAAFI Company, All items requested are authorized and approved by the relevant supervisor, 27 (29.3%) of the respondents agreed, 17 (18.5%) of the respondents were neutral. However 15 (16.3%) of the respondents disagreed while 9 (9.8%) of the respondents were strongly disagreed that CAAFI Company, All items requested are authorized and approved by the relevant supervisor. Based on the results of table 4.16, the majority of the respondents agreed that CAAFI Company, All items requested are authorized and approved by the relevant supervisor. This in line with the view of Arsham(2006) who suggests that the organization can be achieved effective store management through assigning the relevant supervisors to approve and authorize at times of material requirements. This will help the company to control the movement of materials in the organization.

**Table 4.13 CAAFI Company, Materials are Requested Through Filling Internal Inventory Requisition Form**

| Valid             | Frequency | Percentage  |
|-------------------|-----------|-------------|
| Strongly Agree    | 16        | 17.4%       |
| Agree             | 29        | 31.5%       |
| Neutral           | 7         | 7.6%        |
| Disagree          | 28        | 30.4%       |
| Strongly Disagree | 12        | 13%         |
| <b>Total</b>      | <b>92</b> | <b>100%</b> |

Source: primary data 2019

Based on the findings of table 4.13, it depicts that 16 (17.4%) of the respondents were strongly agreed that in CAAFI Company, Materials are requested through filling internal inventory requisition form, 29 (31.5%) of the respondents agreed, 7 (7.6%) of the respondents were neutral. Finally, 28 (30.4%) of the respondents disagreed that in CAAFI Company, Materials are requested through filling internal inventory requisition form, while 12 (13%) of the respondents were strongly disagreed that in CAAFI Company, Materials are requested through filling internal inventory requisition form. However the majority agreed that in CAAFI Company, Materials are requested through filling internal inventory requisition form. This is supported by Warren, (2006) who argues that one of the most vital phases of material management is maintain the organization proper documentation of materials such as filling internal requisition form which indicates the need for materials in the production department.

The study also attempts to examine whether there is relationship between Inventory control and Financial Performance of CAAFI mineral water Mogadishu Somalia. The study also employed Pearson correlation to determine whether their relationship between Inventory control and Financial Performance of CAAFI mineral water Mogadishu Somalia.

**Table 4.14 Correlations**

|                    |                     | Financial          | Inventory          |
|--------------------|---------------------|--------------------|--------------------|
|                    |                     | Performance        | Control            |
| <b>Financial</b>   | Pearson Correlation | 1                  | .945 <sup>**</sup> |
| <b>Performance</b> | Sig.(2-tailed)      |                    | .000               |
|                    | N                   | 92                 | 92                 |
|                    | PearsonCorrelation  | .945 <sup>**</sup> | 1                  |
| <b>Inventory</b>   |                     |                    |                    |
|                    | Sig.(2-tailed)      | .000               |                    |
| <b>Control</b>     |                     |                    |                    |
|                    | N                   | 92                 | 92                 |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Correlation is a statistical tool that indicates the extent to which two or more variables fluctuate together. The results in table 4.4, there is a strong and positive relationship between Inventory control and Financial Performance of CAAFI mineral water Mogadishu Somalia. [ $r=.945$ ,  $P<0.05$ ]. The result of table 4.18 shows that there is strong and positive significant relationship between Inventory control and Financial Performance of CAAFI mineral water Mogadishu Somalia. This result rejects the null hypothesis that there is no relationship between Inventory control and Financial Performance of CAAFI mineral water Mogadishu Somalia.



**4.5 Null Hypothesis Three: There is no Significance Relationship between Inventory Optimization and Financial Performance of CAAFI mineral water Mogadishu Somalia.**

The following tables presented the results of the respondents to examine the Relationship between Inventory Optimization and Financial Performance of CAAFI mineral water Mogadishu Somalia

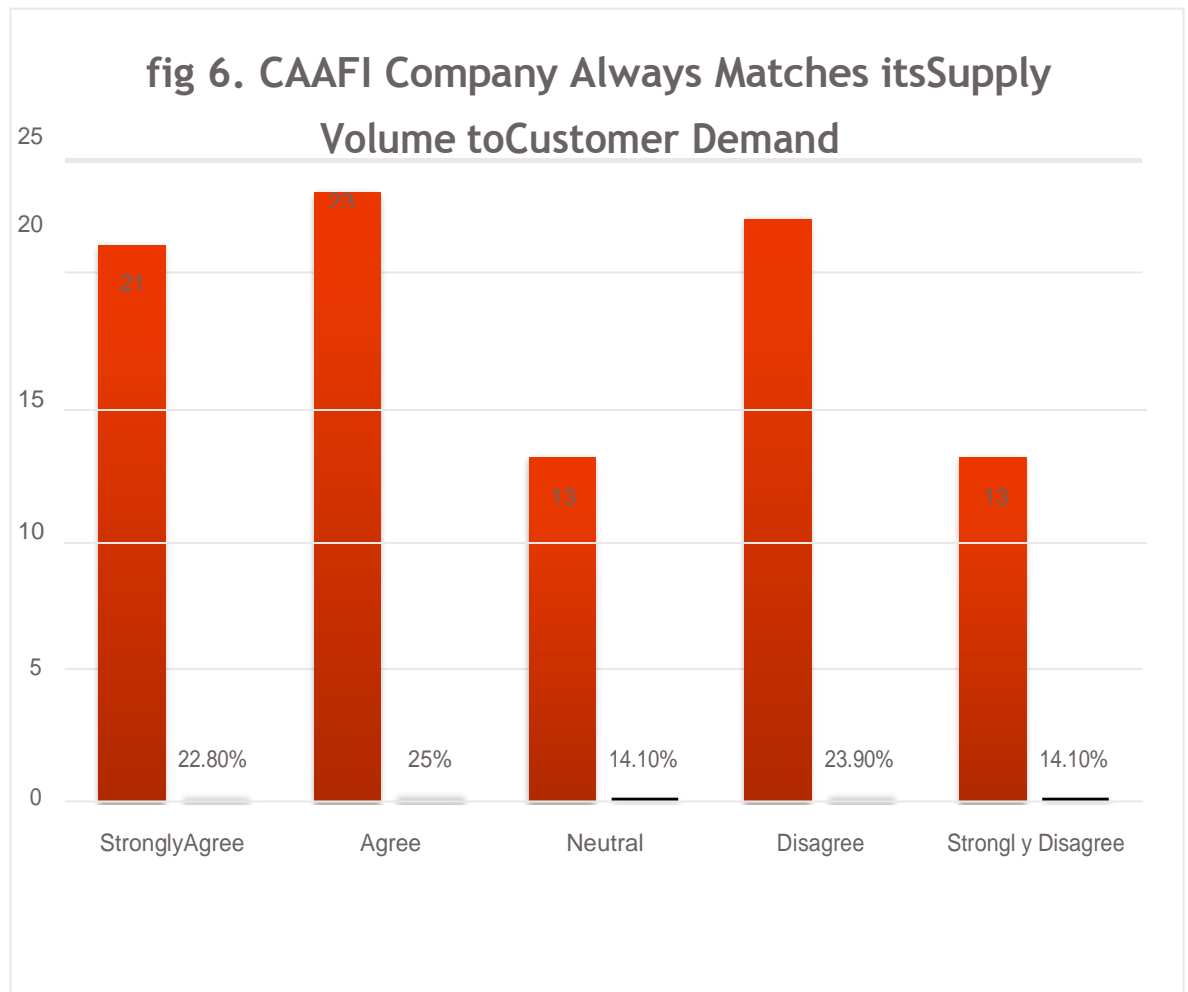


Figure 1

Source: primary data 2019

Fig 6.Reveals toexamine whether CAAFICompanyalwaysmatchesitssupplyvolumetocustomer demand.Based on the results fig 6, 21 (22.8%) Of the respondents strongly agreed that CAAFI Company always matches its supply volume to customerdemand, 23 (25%) of the respondents agreed,13 (14.1%) of the respondents were neutral. Finally, 22 (23.9%) of the respondents disagreed that CAAFI Company always matches its supplyvolume to customer demand, while 13 (14.1%) were strongly disagreed CAAFI Company always matches its supply volume to customer demand. This is supported by Deloof, (2003) who states the primary function of an Inventory Optimization solution is to allow companies to effectively fulfill demand and identify how to gain additional profits from their inventories. Improved efficienciesthrough effective resource management and optimization lead to an increase in service level, improved performance.

**Table 4.15 Inventory Optimization Enables CAAFI Company to do the Job Faster, More Accurate with Business Profit**

| Valid             | Frequency | Percentage |
|-------------------|-----------|------------|
| Strongly Agree    | 22        | 23.9%      |
| Agree             | 23        | 25%        |
| Neutral           | 21        | 22.8%      |
| Disagree          | 16        | 17.4%      |
| Strongly Disagree | 10        | 10.9%      |
| <b>Total</b>      | 92        | 100%       |

Source: primary data 2019

Table 4.15 is sought to examine whether inventory optimization enables CAAFI Company to do the job faster, more accurate with greater business profit. According totable4.15, it shows that 22 (23.9%) of the respondents were strongly agreed inventory optimization enables CAAFI Company to do the job faster, more accurate with greater business profit, 23 (25%) of the respondents agreed, and 21 (22.8%) of the respondents were neutral. Table 4.20 also depicts that 16 (17.4%) of the respondents disagreed that inventory optimization enablesCAAFI Company to do the job faster, more accurate with greater business profit, while 10 (10.9%) of the respondents were strongly disagreed inventory optimization enablesCAAFI Company todo the job faster, more accurate with greater

business profit. This is supported by Deloof, (2003) who states Inventory optimization is the key to keeping the profitability of a company at a constant level and to increasing the company's competitiveness. Inventory optimization- takes inventory management to the next level, enabling businesses to further reduce inventory levels while improving customer service levels and maximizing capital investments

**Table 4.16 CAAFI Company Uses Software that Capable of Solving Complex Inventory Optimization Problems**

| Valid             | Frequency | Percentage |
|-------------------|-----------|------------|
| Strongly Agree    | 23        | 25%        |
| Agree             | 34        | 37%        |
| Neutral           | 7         | 7.6%       |
| Disagree          | 19        | 20.7%      |
| Strongly Disagree | 9         | 9.8%       |
| <b>Total</b>      | 92        | 100%       |

Source: primary data 2019

In table 4.16, the researcher wants to examine CAAFI Company uses software that capable of solving complex inventory optimization problems. The findings in table 4.16, 23 (25%) of the respondents were strongly agreed that CAAFI Company uses software that capable of solving complex inventory optimization problems, 34 (37%) of the respondents agreed, 7 (7.6%) of the respondents were neutral. While 19 (20.7%) of the respondents disagreed CAAFI Company uses software that capable of solving complex inventory optimization problems, 9 (9.8%) of the respondents were strongly disagreed CAAFI Company uses software that capable of solving complex inventory optimization problems. Based on the results of table 4.21, the majority of the respondents agreed that CAAFI Company uses software that capable of solving complex inventory optimization problems.

**Table 4.17 CAAFI Company Established Effective Supply Chain Management**

| Valid             | Frequency | Percentage  |
|-------------------|-----------|-------------|
| Strongly Agree    | 15        | 16.3%       |
| Agree             | 19        | 20.7%       |
| Neutral           | 10        | 10.9%       |
| Disagree          | 32        | 34.8%       |
| Strongly Disagree | 16        | 17.4%       |
| <b>Total</b>      | <b>92</b> | <b>100%</b> |

Source: primary data 2019

Establishing effective supply chain management is very important to any organization. Based on the findings of table 4.17, it reveals that 15 (16.3%) of the respondents were strongly agreed that CAAFI Company established effective supply chain management, 19 (20.7%) of the respondents agreed, while 10 (10.9%) of the respondents were neutral. The table also shows that 32 (34.8) of the respondents disagreed that CAAFI Company established effective supply chain management, 16 (17.4%) of the respondents were strongly disagreed CAAFI Company established effective supply chain management. However, the majority of respondents disagreed that CAAFI Company established effective supply chain management. This is supported by Afza and Nazir, (2007), they argue that effective supply chain management gives the business a competitive advantage in the market place and mitigate risks associated with acquiring raw materials and delivering products.

**Table 4.18 CAAFI Company Distribute Finished Goods to the Customers**

### at Right Place and Time

| Valid             | Frequency | Percentage |
|-------------------|-----------|------------|
| Strongly Agree    | 19        | 20.7%      |
| Agree             | 25        | 27.2%      |
| Neutral           | 17        | 18.5%      |
| Disagree          | 23        | 25%        |
| Strongly Disagree | 8         | 8.7%       |
| <b>Total</b>      | 92        | 100%       |

Source: primary data 2019

According to findings of table 4.18 , it indicates that 19 (20.7%) of the respondents were strongly agreed that CAAFI distribute Finished goods to the customers at right place and time, 25 (27.2%) of the respondents agreed, while 17 (18.5%) of the respondents were neutral. Based on the findings of table 4.18, it depicts that CAAFI distribute finished goods to the customers at right place and time, and also it shows that 8 (8.7%) of the respondents were strongly disagreed CAAFI distribute Finished goods to the customers at right place and time. Therefore the majority of the respondents agreed that that CAAFI distribute finished goods to the customers at right place and time. This in line with the view of DeLoof(2003) who argues companies can increase their customer service level through distributing the products at the right time and place to reach their target audiences to the marketplace.

The study also attempts to examine whether there is relationship between Inventory Optimization and Financial Performance of CAAFI mineral water Mogadishu Somalia. The study also employed Pearson correlation to determine whether their relationship between Inventory Optimization and Financial Performance of CAAFI mineral water Mogadishu Somalia.

### Table 4.14 Correlations

---

|                               |                     | Financial<br>Performance | Inventory<br>Optimization |
|-------------------------------|---------------------|--------------------------|---------------------------|
| <b>Financial Performance</b>  | Pearson Correlation | 1                        | .802**                    |
|                               | Sig.(2-tailed)      |                          | .000                      |
|                               | N                   | 92                       | 92                        |
| <b>Inventory Optimization</b> | Pearson Correlation | .802**                   | 1                         |
|                               | Sig.(2-tailed)      | .000                     |                           |
|                               | N                   | 92                       | 92                        |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Correlation is a statistical that indicates the extent to which two or more variables fluctuate together. The results in table 4.19, there is a strong and positive relationship between Inventory Optimization and Financial Performance of CAAFI mineral water Mogadishu Somalia. [ $r=.802$ ,  $P<0.05$ ]. The result of table 4.19 shows that there is strong and positive significant relationship between Inventory Optimization and Financial Performance of CAAFI mineral water Mogadishu Somalia. This result rejects the null hypothesis that there is no relationship between Inventory Optimization and Financial Performance of CAAFI mineral water Mogadishu Somalia.

#### 4.6 Financial Performance of CAAFI Mineral Water Company

This section presents the information regarding the dependent variable (Financial performance) obtained from the respondents, the main objective of the study is to analyze the effect of inventory management and financial performance obtained results were presented in the below tables.

**Table 4.20 CAAFI Company has a Good Operating Profit Margin that ensures adequate Return**

| Valid             | Frequency | Percentage  |
|-------------------|-----------|-------------|
| Strongly Agree    | 25        | 27.2%       |
| Agree             | 31        | 33.7%       |
| Neutral           | 4         | 4.3%        |
| Disagree          | 22        | 23.9%       |
| Strongly Disagree | 10        | 10.9%       |
| <b>Total</b>      | <b>92</b> | <b>100%</b> |

Source: primary data 2019

Findings of table 4.20 shows that 25(27.2%) of the respondents were strongly agreed that CAAFI Company has a high operating profit margin that ensures adequate return, 31 (33.7%) of the respondents agreed that CAAFI Company has a high operating profit margin that ensures adequate return, 4 (4.3%) of the respondents were neutral. However 22 (23.9%) of the respondents disagreed, while 10 (10.9%) of the respondents were strongly disagreed that CAAFI Company has a high operating profit margin that ensures adequate return. This is supported by Van Home, (2001) stated that Operating profit Margin tells us the relative efficiency of the firm after taking into accounts all operating expenses and generate required level of return.

**Table 4.21 CAAFI Company efficiently uses its Capital to earn the Required Level of Profit**

| Valid             | Frequency | Percentage  |
|-------------------|-----------|-------------|
| Strongly Agree    | 19        | 20.7%       |
| Agree             | 31        | 33.7%       |
| Neutral           | 12        | 13%         |
| Disagree          | 22        | 23.9%       |
| Strongly Disagree | 8         | 8.7%        |
| <b>Total</b>      | <b>92</b> | <b>100%</b> |

Source : primary data 2019

Table 4.21 shows that 19 (20.7%) of the respondents were strongly agreed that CAAFI Company efficiently uses its capital to earn the required level of profit, 31 (33.7%) of the respondents agreed that CAAFI Company efficiently uses its capital to earn the required level of profit, 12 (13%) of the respondents were neutral. On other hand 22 (23.9%) of the respondents disagreed that CAAFI Company efficiently uses its capital to earn the required level of profit while 8 (8.7%) of the respondents were strongly disagreed. Based on the findings of table 4.26 the majority of the respondents agreed that CAAFI Company efficiently uses its capital to earn the required level of profit. This is in line with Drebin(2002), that said the low percentage of return on investment could indicate that the company may have difficulties to survive in the competitive environment of the business, while the higher the percentage of the return on investment demonstrate how a company to generate earnings growth for using investment fund.

**Table 4.22 Operating Profits of CAAFI Mineral water Company was growing annually**

| Valid             | Frequency | Percentage |
|-------------------|-----------|------------|
| Strongly Agree    | 41        | 44.6%      |
| Agree             | 13        | 14.1%      |
| Neutral           | 18        | 19.6%      |
| Disagree          | 2         | 2.2%       |
| Strongly Disagree | 18        | 19.6%      |
| <b>Total</b>      | 92        | 100%       |

Source: primary data 2019

Based on findings on table 4.22 indicates that 41 (44.6%) of the respondents were strongly agreed that Profits of CAAFI Mineral water Company was growing annually, 13 (14.1%) of the respondents agreed that Profits of CAAFI Mineral water Company was growing annually, 18 (19.6%) of the respondents were neutral. However 2 (2.2%) of the respondents disagreed that Profits of CAAFI Mineral water Company was growing annually while 18 (19.6%) of the respondents were strongly disagreed. Therefore, this indicates that majority of the respondents agreed Profits of CAAFI Mineral water Company was growing annually. This is supported by Khan & Jain (1992) explained that if the profitability and returns on capital employed shows an increasing trend year after year, it may



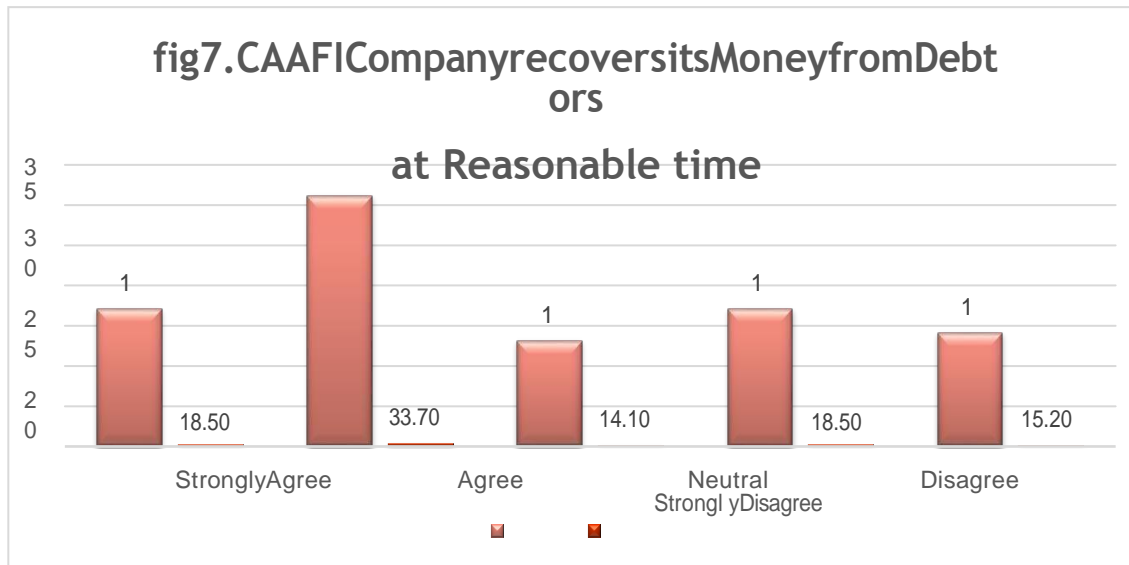
be concluded that business conditions are improving. A high net profit margin would ensure adequate return to the owners as well as enable a firm to survive poor economic conditions.

**Table 4.23 CAAFI Company is able to Pay Current Liabilities as they Fall due**

| Valid             | Frequency | Percentage  |
|-------------------|-----------|-------------|
| Strongly Agree    | 19        | 20.7%       |
| Agree             | 33        | 35.9%       |
| Neutral           | 11        | 12%         |
| Disagree          | 17        | 18.5%       |
| Strongly Disagree | 12        | 13%         |
| <b>Total</b>      | <b>92</b> | <b>100%</b> |

Source: primary data 2019

According to table 4.23, it reveals that 19 (20.7%) of the respondents were strongly agreed that CAAFI Company is able to pay current liabilities as they fall due, 33 (35.9%) of the respondents agreed that CAAFI Company is able to pay current liabilities as they fall due, 11 (12%) of the respondents were neutral. Finally, 17 (18.5%) of the respondents disagreed that CAAFI Company is able to pay current liabilities as they fall due, while 12 (13%) of the respondents were strongly disagreed. The result indicates that the majority of the respondents agreed that CAAFI Company is able to pay current liabilities as they fall due. Pandey(2004) states that the financial manager must determine levels and composition of current assets by determining the right source to finance current assets and those current liabilities are paid in time. Smith and Sell (2008) contends that the goal of working capital management is to ensure that the firm is able to continue its operation and that it has sufficient cash flows to satisfy both maturing short-term debt and upcoming operational expenses.



Source: primary data 2019

The results of figure 7. Reveal that 17 (18.5%) of the respondents were strongly agreed that CAAFI Company recovers its money from debtors at reasonable time, 31 (33.7%) of the respondents agreed CAAFI Company recovers its money from debtors at reasonable time, 13 (14.1%) of the respondents were neutral. On other hand 17 (18.5%) of the respondents disagreed that CAAFI Company recovers its money from debtors at reasonable time, 14 (15.2%) of the respondents were strongly disagreed that CAAFI Company recovers its money from debtors at reasonable time. However the majority of the respondents agreed that CAAFI Company recovers its money from debtors at reasonable time. This is an indicator of good performance if company can recover its overdue accounts from customers with intime.

**Null Hypothesis (0): There is no Significance Relationship between Inventory Management Practice and Financial Performance of CAAFI Mineral Water Company**

In order to establish the effect of Inventory management practice on Financial Performance of CAAFI Mineral Water Company, a linear regression test in the SPSS was employed where a stepwise method was selected. This was done to enable the researcher to come up with clear prediction of the

independent variables component on the dependent variable. The results there from are presented in the model summary table below.

**Table 4.24 Model Summary**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics |          |     |     |               |
|-------|-------------------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|
|       |                   |          |                   |                            | R Square Change   | F Change | df1 | df2 | Sig. F Change |
| 1.    | .945 <sup>a</sup> | .894     | .893              | 1.59667                    | .894              | 757.317  | 1   | 90  | .000          |
| 2.    | .869 <sup>a</sup> | .754     | .752              | 2.428                      | .754              | 276.513  | 1   | 90  | .000          |
| 3.    | .802 <sup>a</sup> | .643     | .639              | 2.92649                    | .643              | 162.223  | 1   | 90  | .000          |

a. Predictors: (Constant); InventoryControl

b. Predictors: (Constant); InventoryPlanning

c. Predictors: (Constant); Optimization

In table 4.24, the researcher wants to examine whether there is a relationship between inventory management and financial performance of CAAFI Mineral Water Company. Based on the results the study reveals that inventory controlling is the most contributable variable to financial performance of CAAFI Mineral Water Company Mogadishu Somalia. Inventory control contributes to the financial performance of CAAFI Mineral Water Company [ $r^2 = .894$  which can be written as 89.4%, and  $P < 0.05$ ]. The remaining 10.6% are due to other factors. Therefore, the study rejects the null hypothesis which was there is no relationship between inventory controlling and financial performance of CAAFI Mineral Water Company Mogadishu Somalia. However, the study accepts alternative hypothesis which was there is strong and positive relationship between inventory controlling and financial performance of CAAFI Mineral Water Company Mogadishu Somalia. The study also shows that inventory planning have positive and strong relationship to financial performance of CAAFI Mineral Water Company Mogadishu Somalia.

[ $r^2=.754$  which can be written as 75.4%, and  $P<0.05$ ]. The remaining 24.6% are considered due to other factors. Finally, the study accepts that there is strong and positive significance relationship between inventory optimization and financial performance of CAAFI Mineral Water Company Mogadishu Somalia. [ $r^2=.643$  which can be written as 64.3%, and  $P<0.05$ ]. The remaining 35.7% are considered due to other factors. In conclusion the study accepts that inventory management techniques used by CAAFI Mineral Water Company have positive and significant relationship to the financial performance.

## CHAPTER FIVE

### 5.0 Summary of Findings, Conclusions and Recommendations

This chapter presents the summary of findings, conclusion of the study and provides recommendations to the case study and lastly suggests areas for future research.

#### 5.1 Findings

The Findings of the study was based on the research objectives as follows:

##### 5.1.1 Relationship between inventory planning and Financial Performance of CAAFI Mineral Water Company Mogadishu-Somalia

Based on the results of the study, inventory planning has positive and strong relationship to financial performance of CAAFI Mineral Water Company Mogadishu Somalia. [ $r^2=.869$  which can be written as 86.9% and  $P<0.05$ ]. It has been learnt that 48 representing 52.2% of the respondents agreed that CAAFI Company has proper planning of raw materials needed to purchase. The study also shows that 48 representing 52.2% respondents agreed that Inventory Planning helps CAAFI Company Determination of What Products Need to be produced. The study also shows that 54 (58.7%) of the respondents agreed that CAAFI Company ensures supply of required quantity of materials at required time. The findings of the study points out that 60 (65.2%) of the respondents agreed that CAAFI Company plans what inventory to stock and how to acquire it. Finally, the study findings indicates that 44 (47.8%) agreed that CAAFI company considers how much material to order and when to order.

##### 5.1.2 Relationship between inventory planning and Financial Performance of CAAFI Mineral Water Company Mogadishu-Somalia

From the findings of the study, inventory controlling has strong and positive relationship between to the financial performance of CAAFI Mineral Water Company Mogadishu Somalia. Inventory control remained the stand alone predictor to the financial performance of CAAFI Mineral Water Company. The study findings shows that 51 (54.4%) of the respondents agreed CAAFI Company store managers always ensures that stock level are kept at satisfactory level. The study also depicts that 48 (52.2%) of the respondents agreed that CAAFI Company established Preventive mechanisms to

eliminate theft, losses, misuse and wastages of materials. The study shows that 53 (56.6%) of the respondents agreed that CAAFI Company uses perpetual inventory control system. The study results indicated that 51 (55.4%) of the respondents agreed that CAAFI Company, All items requested are authorized and approved by the relevant supervisor. Finally, 45 (48.9%) of the respondents agreed that in CAAFI Company, Materials are requested through filling internal inventory requisition form.

### **5.1.3 Relationship between inventory planning and Financial Performance of CAAFI Mineral Water Company Mogadishu-Somalia**

From the findings of the study, inventory optimization has strong and positive significant relationship to the financial performance of CAAFI Mineral Water Company Mogadishu Somalia. [ $r^2=0.802$  which can be written as 80.2%, and  $P<0.05$ ]. The study findings also reveals that 44 (47.8%) of the respondents agreed that CAAFI Company always matches its supply volume to customer demand. The study findings indicates that that 45 (48.9%) of the respondents agreed inventory optimization enables CAAFI Company to do the job faster, more accurate with greater business profit. The study findings highlights that of the respondents 57 (62%) agreed that CAAFI Company uses software that capable of solving complex inventory optimization problems. The major findings of the study reveals that 48 (52.2%) of the respondents agreed that CAAFI Company uses software that capable of solving complex inventory optimization problems. Finally, 44 (47.9%) of the respondents agreed that that CAAFI distribute finished goods to the customers at right place and time.

## **5.2 Conclusion**

The conclusion of the study is summarized based on the research objectives

### **5.2.1 Relationship between inventory planning and Financial Performance of CAAFI Mineral Water Company Mogadishu-Somalia**

In conclusion inventory planning has significant and positive relationship with financial Performance. It has been concluded that from finding that CAAFI Mineral Company has tried their best effort to implemented inventory planning and the expected result were to improve the financial Performance. Also it has been learnt that CAAFI has proper planning of Raw material and also got a good determination of what product Need to be produced as respondents agreed in a good rate. And supply required material at the right time

### **5.2.2 Relationship between inventory planning and Financial Performance of CAAFI Mineral Water Company Mogadishu-Somalia**

In conclusion inventory control has strong and positive relationship with the financial performance, the study proved that CAAFI has proper inventory control in that the manager always ensures that stock level are kept at satisfactory level, also it has been learnt that CAAFI company has a manual good preventive mechanism to eliminate theft, losses and wastage of resources

because of the uses perpetual inventory system by filling internal inventory requisition form when materials is requested.

### **5.2.3 Relationship between inventory planning and Financial Performance of CAAFI Mineral Water Company Mogadishu-Somalia**

In conclusion, inventory optimization has strong and positive relationship with the financial performance of CAAFI Company. The study of the findings concluded that most of the respondents agreed that CAAFI Company always matches its supply volume to customer demand. Also it has been learnt that inventory optimization enables CAAFI Company to do the job faster, more accurate with greater business profit due to the use of a good software that is capable of solving complex inventory optimization problems. Finally it has been learnt that CAAFI distribute finished goods to the customers at right place and time.

## **5.3 Recommendations**

Based on the study conducted and the results obtained, the following recommendations were made in order to improve organization's financial performance.

### **5.3.1 Relationship between inventory planning and Financial Performance of CAAFI Mineral Water Company Mogadishu-Somalia**

From the findings of the study, inventory planning has strong and positive significance relationship to the financial performance of CAAFI Mineral Water Company Mogadishu-Somalia. Therefore, the researcher recommends to the management of CAAFI Mineral Water Company to use effective inventory planning process by putting in consideration the materials needed order and when to order the materials in order to avoid shortage or excessive materials. The researcher also recommends to the management of CAAFI Mineral Water Company Mogadishu-Somalia to design and implement effective material management system to meet customer demands.

### **5.3.2 Relationship between inventory planning and Financial Performance of CAAFI Mineral Water Company Mogadishu-Somalia**

According to the study findings, inventory control has strong and positive significance relationship to the financial performance of CAAFI Mineral Water Company Mogadishu-Somalia. Therefore the researcher recommends to the management of CAAFI Mineral Water Company to ensure the

Prevent unnecessary investment in inventories, this can be achieved by ensuring that stock levels are kept at satisfactory level at any time. The researcher also recommends to the management of CAAFI Company to check the authorization and approval by the relevant supervisors in the cases of material requirements. Finally, the researcher recommends to the management of CAAFI Company to use computerized system that helps in achieving proper inventory control system.

### **5.3.3 Relationship between inventory planning and Financial Performance of CAAFI Mineral Water Company Mogadishu-Somalia**

Based on the findings of the study, firstly, the researcher recommends to the management of CAAFI Mineral Water Company Mogadishu-Somalia to establish effective supply chain management. Secondly, the study recommends to the management of CAAFI Mineral Water Company to hire supply chain professionals who are experienced supply chain system to minimize inventory costs. Finally, the study recommends to the management of CAAFI Mineral Water Company to make efficient inventory optimization policies and supply chain plans like distributing finished goods to the customers at right place and time to improve customer services.

## **5.4 Areas for Future Research**

A similar study may be conducted on Mineral Water Companies in Somalia. Further research could be carried out the other components of working capital such as the effect of accounts receivable management on financial performance, the effect of cash management on financial performance and the effect of accounts payable management on financial performance.

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## **APPENDIX A**

## **Self-Administered Questionnaire**

Dear Respondent,

I'm MahadFarah Ali student at Daffodil International University pursuing Master of Business Administration carrying out a research on effect of inventory management practices on financial performance of CAAFI Mineral Water Company.

I kindly ask you that your responses to the questions and any information you give shall be treated as confidential and shall be used for academic purpose. Thank you very much for your responses to this questionnaire and I greatly appreciate your help.

## **Section A**

**Personal Information:** Please tick [ ] where applicable

1. Gender of the respondent

- i. Male [ ]      ii) Female [ ]

2. Age of the respondent

- ii. 18-25 [ ]      ii) 26-30 [ ]      iii) 31-35 [ ]      iv) 36-40      iv) 40  
and above [ ]

3. Marital status of the respondent

- iii. Single [ ]      2) Married [ ]

4. Qualification of the respondent

- i) Secondary [ ]      ii) Diploma [ ]      iii) Bachelor [ ]      iv)  
Masters [ ]  
v) PhD [ ]

5. Experience of the respondent

- i) 1-3 years [ ]      ii) 4-6 years [ ]      iii) 7-9 years [ ]      iv) 10 years  
and above [ ]

6. Rank of the respondent

- i) Purchase department [ ]      ii) Production department [ ]      iii) Marketing  
department [ ]

ii) Finance department [ ]

## Section B

Please tick [ ] where applicable

**To determine Relationship between inventory planning and Financial Performance of CAAFI Mineral Water Company Mogadishu-Somalia**

| Relationship between inventory planning and financial performance                         | Strongly Agree | Agree | Neutral | disagree | Strongly |
|---|----------------|-------|---------|----------|----------|
| CAAFI company has proper planning of raw material needed to Purchase                      | 1              | 2     | 3       | 4        | 5        |
| Inventory Planning helps CAAFI Company Determination of What Products Need to be Produced | 1              | 2     | 3       | 4        | 5        |
| CAAFI Company Ensures Supply of Required Quantity of Materials at Required Time           | 1              | 2     | 3       | 4        | 5        |
| CAAFI Company Plans What Inventory to Stock   | 1              | 2     | 3       | 4        | 5        |
| CAAFI Company Considers How Much Materials to Order                                       | 1              | 2     | 3       | 4        | 5        |

## Section C

Please tick [ ] where applicable

### To Analyze Relationship between inventory planning and Financial Performance of CAAFI Mineral Water Company Mogadishu-Somalia

| <b>Relationship between inventory control and financial performance</b>                     | <b>Strongly Agree</b> | <b>Agree</b> | <b>Neutral</b> | <b>disagree</b> | <b>Strongly disagree</b> |
|---|-----------------------|--------------|----------------|-----------------|--------------------------|
| CAAFI Company Store Managers Always Ensures that Stock Level are Kept at Satisfactory Level | 1                     | 2            | 3              | 4               | 5                        |
| CAAFI Company Established Preventive Mechanisms to Eliminate Theft of Materials             | 1                     | 2            | 3              | 4               | 5                        |
| CAAFI Company Uses Perpetual Inventory Control System                                       | 1                     | 2            | 3              | 4               | 5                        |
| In CAAFI Company, All Items Requested are Authorized by the Relevant Supervisor             | 1                     | 2            | 3              | 4               | 5                        |
| CAAFI Company, Materials are Requested through Filling Internal Inventory Requisition Form  | 1                     | 2            | 3              | 4               | 5                        |



## Section D

Please tick [ ] where applicable

**To establish Relationship between inventory planning and Financial Performance of CAAFI Mineral Water Company Mogadishu-Somalia**

| <b>Relationship between inventory optimization and financial performance</b>                          | <b>Strongly<br/>v<br/>Agree</b> | <b>Agree</b> | <b>Neutral</b> | <b>disagree</b> | <b>Strongly<br/>v<br/>Disagree</b> |
|---|---------------------------------|--------------|----------------|-----------------|------------------------------------|
| CAAFI Company Always Matches its Supply Volume to Customer Demand                                     | 1                               | 2            | 3              | 4               | 5                                  |
| Inventory Optimization Enables CAAFI Company to do the Job Faster, More Accurate with Business Profit | 1                               | 2            | 3              | 4               | 5                                  |
| CAAFI Company Uses Software that Capable of Solving Complex Inventory Optimization Problems           | 1                               | 2            | 3              | 4               | 5                                  |
| CAAFI Company Established Effective Supply Chain Management   | 1                               | 2            | 3              | 4               | 5                                  |
| CAAFI Company Distribute Finished Goods to the Customers at Right Place and Time                      | 1                               | 2            | 3              | 4               | 5                                  |

## Section E

Please tick [ ] where applicable

### Financial performance of CAAFI Mineral Water Company

| <b>Financial performance</b>  | <b>Strongl</b> | <b>Agree</b> | <b>Neutral</b> | <b>disagree</b> | <b>Strongly disagree</b> |
|---|----------------|--------------|----------------|-----------------|--------------------------|
| CAAFI Company has a Good Operating Profit Margin that ensures adequate Return   | 1              | 2            | 3              | 4               | 5                        |
| CAAFI Company Efficiently uses its Capital to earn the Required Level of Profit | 1              | 2            | 3              | 4               | 5                        |
| Operating Profits of CAAFI Mineral water Company was growing annually           | 1              | 2            | 3              | 4               | 5                        |
| CAAFI Company is able to Pay Current Liabilities as they Fall due               | 1              | 2            | 3              | 4               | 5                        |
| CAAFI Company recovers its Money from Debtors at Reasonable time                | 1              | 2            | 3              | 4               | 5                        |

**Thanks for your valuable time**