EFFECTS OF INVENTORY CONTROL ON THE PERFORMANCE OF CONSTRUCTION COMPANIES IN UAGNDA: A CASE STUDY OF KAVUMA INVESTMENTS (U) LTD

BY

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A RESEARCH REPORT SUBMITTED TO COLLEGE OF ECONOMICS AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELORS DEGREE IN PROCUREMENT AND SUPPLIES MANAGEMENT AT KAMPALA INTERNATIONAL UNIVERSITY

JUNE 2017

DECLARATION

The material in this report has never been submitted to any University or institutions of higher learning for any academic qualifications. This dissertation is a result of my own independent research effort and investigations. Where it is indebted to the work of others, the acknowledgment has been made.

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APPROVAL

This work has been supervised and is now ready to be submitted to the Kampala international University with the approval of the supervisor.

Signed..... date.....26/06/17

MR TIMBIRIMU MICHAEL

DEDICATIONS

This work is dedicated to my parents who have tirelessly supported me in all aspects.

May the lord bless you abundantly!

ACKNOWLEDGEMENT

I wish to thank the almighty God for keeping me alive and providing me with the capacity and courage to go through the four-year course successfully.

I appreciate the work done by my supervisor Mr. TIMBIRIMU MICHAEL Thank you for all your guidance, knowledge, advice, and time you accorded to me during the completion of this research report.

Special thanks go to the staffs of Kampala international University Library. Thanks for all the support you gave me throughout the course.
My heartfelt gratitude goes to my fiancé Atuhaire Emily and my family Miria, Mackline Victor, Philemon, Sylus and Hillary.

I am highly indebted to my friends and course mates Oscar, Winnnie, Andrew for the support and encouragement they gave me, thanks for being there for me.

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ABSTRACT

The purpose of the study was to establish the relationship between inventory control and its impact on the performance of construction companies in Uganda basing on the following objectives; to determine approaches to inventory control used by Kavuma Investments, to find out the Inventory costs incurred in procurement process in Kavuma Investments, and to find out the relationship between approaches of inventory control and financial performance of Kavuma Investments

The descriptive aspect of the research design was used in establishing the company performance and the analytical research design was used to establish relationship between inventory control and performance. The sample size of 30 was determined by formulae of Krejcie Morgan (1970). Data was both primary and secondary. Primary data was collected by the use of questionnaires and secondary data was got from reports, journals, and internet. Frequency tables, and graphs were worked out basing on the data entered into excel. In these frequency tables, and graphs analysis was done with a corresponding percentage. However statistical packages for social sciences (SPSS) were used to determine the relationship between the two variables.

Findings revealed that Goods are not inspected on receipt, staff members of Kavuma Investments do not pay maximum attention to those inventories whose value is highest, all store staffs of Kavuma Investments are not highly skilled, it experiences under stocks situations, and gets damaged goods from its stored. Besides that Kavuma Investments is faced with costs of checking on orders and m maintaining records of the entire process, handling costs. Nevertheless, there is a strong positive relationship between approaches of Inventory Control and Financial Performance at Pearson correlation coefficient r= 0.794.

It was recommended that Kavuma Investments should forecast market for its products so that it stocks enough inventories to avoid under stocks and reduce on damaged inventory.

CHAPTER ONE

INTRODUCTION

1.0 Background to the Study

Inventory control involves the coordinating of materials availability, controlling, utilization and procuring of materials. Inventory control is the direction of activities with the purpose of getting the right inventory in the right place at the right time and in the right quantity and it's directly linked to production function of any organization which implies that the inventory management system operated will affect the profitability of an organization directly and indirectly (Alm, 2000).

Inventories are the stock of raw materials, work in progress, finished goods and supplies held by a business organization to facilitate operations in the production process, (Pandey, 1995). Also if the company fails to manage its inventory efficiently, it is likely to face profitability problems (Block and Hirt, 1987). The goal of inventory management therefore is to provide the inventories required to sustain operations at minimum costs (Dickerson 1995).

Inventory control helps organization to establish the proper inventory levels through the economic order quantity; and to keep track of this level through inventory control system which many be manual such as two bin method and red line method, or computerized inventory control systems. Proper inventory controls also require an organization to undertake stocking and use appropriate method to value stock so as not to under or over state profits (Kotabo, 2002).

Companies incur substantial costs in the procurement and maintenance of inventories, which costs form a large portion of production costs. Inventory costs include: carrying costs such as storage and insurance; ordering costs like transporting and store placement; and stock out costs like redundancy and loss of sales. A company cannot achieve an

outstanding performance without proper and efficient control of materials. Materials are as much as cash itself and any theft, wastage and excessive use of materials are of immediate financial loss and leads to poor performance of a company (Kotabo, 2002).

Laugero (2002) noted that Material control involved a systematic control and regulation of purchase, storage and usage of materials in such a way to maintain an even flow. In recent years, the construction industry has been facing a number of challenges especially in inventory management or material control, thus affecting the performance of most construction companies. There have been cases of materials overstocking which eventually get expired or out dated, under stocking lack of stock-taking theft of materials by workers and delays in deliveries of materials at the sites, among others

Inventory control can be done through introduction of different measures so as to prevent the company from incurring unnecessary losses made by different departments. Measures which can be put in place for example stock-taking which is the accounting of stock at every end of the month, so as to record the lost and available stock. Making proper supervisions on sites during construction of buildings so to avoid theft of materials by workers. The company should set up strict rules to procurement officers and store managers which they should follow during purchasing and storing of material so as to avoid loss of inventory in the Kavuma construction company (u) Ltd, medium size firm of building and civil engineering contractors as the case study.

Kavuma investments has existed for over 10 years with the objective of maximizing profits and providing better services to customers at the right time. To date the company does not focus on how much of each inventory item a firm should hold in stock, how much should be ordered at a given time and at what point inventory should be ordered. This has greatly affected its production, sales and hence reducing on its financial performance (Audit Report 3rd October 2010).

It's therefore important for an organization to have a sound, effective and well-coordinated inventory management system because the business environment is rapidly changing, highly competitive and it drastically affects the performance of the organization.

1.1 Statement of the Problem

The over past years, construction industry has experienced a lot of challenges in Uganda while trying to carry out its inventory management and material control processes, and As seen from Table 1 Kavuma Inventory lost a number of inventory during construction . This could be partly attributed to poor inventory management. The researcher therefore wants to investigate the relationship between inventory management and performance of Construction Company.

Table 1: Lost Inventory in Kavuma Investments 2006-2009

Items	2006	2007	2008	2009
Wheel barrows	10	9	6	1
Cements(bags)	60	45	20	10
Spade	2	1	3	2
Bricks	100	250	150	30

Source: Store Keeper

1.2 Purpose of the Study

The purpose of the study was to establish the relationship between inventory control and its impact on the performance of construction companies in Uganda, a case study of Kavuma Investments (U) Ltd.

1.3 Objectives of the Study

i. To determine approaches to inventory control used by Kavuma Investments.

ii. To find out the Inventory costs incurred in procurement process in Kavuma Investments

iii. To find out the relationship between approaches of inventory control and financial performance of Kavuma Investments

1.4 Research Questions

i. What are the approaches to inventory control used by Kavuma Investments?

ii. What are the inventory costs incurred in procurement process in Kavuma Investments?

iii. What is the relationship between approaches to Inventory Control and Financial Performance of Kavuma Investments?

1.5 Scope of the Study

1.5.1 Geographical Area:

The study was carried out at Kavuma Investments (U) limited, at its workshop located at plot 56 Ntinda Road, and its offices located on plot 52 Jinja Road at Kitgum House, Kampala.

1.5.2 Subject Matter

The study mainly focused on materials control and performance of construction companies in Uganda. It evaluated the procurement, handling, storage and stock taking processes. It further examined the influence of lack of efficient materials control techniques on the collapse of infrastructures.

1.5.3 Period/ Time scope

The study covered a period of five years from 2006 to 2010

1.6 Significance of the Study

(i) The study is to help staff members of Kavuma Investments reveal the impact of materials control on the performance of construction companies in Uganda, and the researcher hopes that it will help the management and Technical personal to employ effective materials control techniques in order to improve on their construction works.

(ii) The study is to add knowledge to the existing literature about material control and performance of construction companies in Uganda.

(iii) It is to lead to the ward of a degree of Bachelor of commerce degree Kampala international University, to the researcher.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter involves related literature on Approaches to Inventory Control, Financial Performance, and the relationship between approaches of inventory control and financial performance

2.1 Approaches to Inventory Control

Brackus (2000) argue that material control is concerned with two parts of Accounting; physical property and value of the property. Brackus (2000) shows material control as one of the policy procedures employed in the management of material s and these include internal checks as in continuous, period, spot and .or any other type of control established by management to carry out activities aimed at ensuring an effective and efficient material management procedure. Other forms of material control include ensuring high security of the store house and stock yard, good custody of keys, limiting access to premises and making of materials as in coding, to minimize theft, segregation of prescribed item.

Pandey (1995) describes accounting as the use of statistical and accounting measures to maintain knowledge of the quantities of SNM present in each of a facility. It includes the use of physical inventories and materials balances to verify the presence of materials or to detect the loss of material after it occurs, in particular, through theft by one or more insiders.

Brackus (2000) noted that Accounting material control is concerned with the safe guarding the enterprises property in form of materials by properly recording the

receipts, consumption of materials and the balance in storage. Batuka (1997) examines application of various materials control techniques on the fact that material control procedures vary in complexity and accuracy.

According to Kotabo (2002), though there are many systems for control of stock, both manual and automatic, there are really two basic approaches on which these systems are based. Recording method which may take place either when materials fall to a pre-determined level or according to eh situation discovered when levels are received on a periodic regular basis. The action level method of controlling sock by quality which involves fixing stock levels for each commodity which is recorded in the stock system . Under the action level methods of provision, commodities are ordered at unspecified intervals as and when ordering levels are related. This means that orders can only be placed usually for one item at time.

Nyanga (2000) say that in any efficient business material levels are established with as much care as production levels, a careless choice of the material level can easily precipitate production slow down caused by lack of badly needed materials. He continues that as a result of tighter controls over materials , items and meticulous records keeping, the cost of maintaining adequate levels of materials is reduced with adverse effects on the continuity of operations.

It is paramount to note that there is great need for stocks taking to keep track of physical stock and to cross check the accuracy of stock records. Stoke taking is the complete process of verifying the physical quantity of the entire range of materials (items) held at a given point in time (Robert, 2004).

Robert (2004) said that the reasons for physical stock taking are to verify the accuracy of stock records that support the value shown in the balance sheet by physical verification of the item. This may even disclose frauds, theft or loss and any weakness in the system of custody and control of stock.

Van (2004) asserted that the size and number of surpluses and deficiencies revealed by stock taking is a good criteria to assess the efficiency of store keeping methods and material control procedures.

According to Olubodum (1995), the EMPM is a model that can be used by any contractor regardless of the size of firm. It is meant to promote good practice in materials management with the ultimate goal of combining the advantages of centralization and decentralization in material acquisition process to maximum effect. In order to achieve this, the model seeks to increase the involvement of site personnel in the flow materials to the site.

Hence, requiring that individual site managers should become middlemen between the supplier and the purchasing manager who is usually based in the head office. At the same time, it requires that site managers become more active in planning for materials required for the works. This would mean that a site manger can prevent material from being brought to site before it is actually required, especially where a delay has risen in the programme (Olubodum, 1995).

Olunondum continues that the main objective of EMPM is to produce material schedules which can reinforce the just- in time principle of materials management. The objective being to produce material schedules which are beneficial to the site manager. The system synchronizes material scheduling with planning and control of the project. Three stages are involved;

Stage one is the preparation of the construction element identification list (CEIL). During this stage, consideration is given to dividing the stages of a house construction into the construction elements.

Stage two is preparation of the materials summary schedule (MSS). This involves establishing the materials required for each major element already identified in the stage one. By taking each individual element, for instance, foundations, all the materials that are required for foundation construction are identified and listed separately on a

materials summary schedule (MSS) see appendix (i) within the foundation different types of materials will be required hence the need to reference them using appropriate codes. From table 3 in appendix (i) the third item on the list, is referenced as (1/3). Where (1) refers to foundation element, (3) the third material required on the list being hardcore stone, and (C3) refers to the third of material under concrete work.

The last stage is the preparation of the materials Elemental Schedule (MES). On this schedule, quantities are prepared; following take off done by either the company estimator or the site manager on site. Separate MES may be provided for each material or similar materials can be combined on a single MES.

The main sources of information for feedback and control of materials are requisitions, bids and quotations, purchase order and sub-contracts, shipping and documents, and invoices. According to Main (2000), for project involving the large scale use of critical resources, the owner may initiate the procurement procedure even before the selection of a constructor in order to avoid shortages and delays. Under ordinary circumances, the constructor will handle the procurement to shop for materials with the best prices /performance process is unavoidable, but it should be minimized to insure timely delivery of materials in good condition.

Main (2000) further describes the materials for delivery to and from a construction site into three broadly classification; bulk materials, Standard off-the-shelf materials, and Fabricated member or units. The process of delivery including transportation, field storage and installation will be different for these classes of materials. The equipment needed to handle and haul these classes of materials will also be different.

2.2 Inventory costs incurred in procurement process

Purchase costs

According to peurifoy (2000), the purchase cost of an item is the purchase price from an external source including transportation and freight costs. For construction materials, it is common to receive discount for bulk purchases, s the unit purchase cost declines as quantity increases .These reductions may reflect manufactures marketing policies, economies of scale in the material production, or scale economies in transportation. There are also advantages in having homogeneous material. .For example a bulk order to insure the same color or size of items such as bricks may be desirable. Accordingly, it is usually desirable to make a limited of large purchases for materials. Cordell

In some cases, organizations may consolidate small orders from a number of different projects to capture such bulk discounts; this is basic saving to be derived from a central purchasing office.

Cordell (2006) noted that proposes that the cost of materials is based n bargaining leverage, quantities and delivery time" Cordell continues that organization with potential for long term purchase volume can command better bargaining leverage. While orders in large quantities may result in lower unit prices, they may also increase holding costs and thus cause problems in cash flow. Requirements of short delivery time also adversely affect unit prices. Furthermore, design characteristics which include items of odd sizes r shape should be a void. Since such items normally are not available in the standard stockpile, purchasing them causes higher prices.

Order costs include expenses of making requisitions, analyzing alternatives, writing purchase orders, receiving materials, checking on orders, and m maintaining records of the entire process. Order costs usually only a small portion of total costs for material management in construction projects, although may require substantial time.

Holding costs

Tersine (2002), say that the holding costs or carrying costs are primarily the result of capital costs, handling, storage, obsolescence, shrinkage and deterioration. Capital costs results from the opportunity cost or financial expenses of capital tied up in inventory. Once payment for goods is made, borrowing costs are incurred or capital must be inverted from other productive uses.

Consequently, a capital carrying cost is incurred equal to the value of the inventory during a period multiplied by the interest rate obtainable or paid during that period.

He notes that capital costs only accumulate when payment for materials actually occurs; many organizations attempt to delay payments as long as possible to minimize such costs. Handling and storage represent the movement and protection charges incurred for materials. Storage costs also include the disruption caused to other project activities by inventories of materials that get in the way.

Lange, (2006), adds that obsolescence is the risk that an item will lose value because of changes in specification shrinkages are the decrease in inventory over time due to theft or lose.

Deterioration reflects a change in material quality due to age or environmental degradation. Many of these holding costs components are difficult to predict in advance; a project manager knows only that there is some chance that specific categories of cost will occur. In addition to these major categories of costs, there may be ancillary costs of insurance, taxes (many states treat inventories as Taxable property), or additional fire hazards. As a general rule, holding costs will typically represent 20 to 40% of the average inventory value over the course of a year, thus if the average material inventory on a project is xx million over a year, the holding costs might be expected to be xxx 200,000 to s400,000.

Unavailability cost

According to Laugero (2002) the unavailability cost is incurred when a desired material is not available at the desired time. In manufacturing industries, this cost is often called the stock- out or depletion cost. Shortages many delay work, thereby wasting labor resources or delaying the completion of the entire project. Again, it may be difficult to forecast in advance exactly when an item may be required or when a shipment will be received. While the project schedule gives one estimate, deviations from the schedule may occur during construction. Moreover, the cost associated with a shortage may also be difficult to assess, if the material used for one activity is not available, it may be possible to assign workers to other activities and, depending upon which activities are critical, the project may be delayed.

Tradeoffs of Costs in material Management

Laugero (2002) asserts that to illustrate the type of trade-offs encountered in material management, a particular item has to be ordered for a project amount of time required for processing the order and shipping the item is uncertain. Consequently, the project manager must decide how much lead time to provide in ordering the item. Ordering early and thereby providing a long lead time will increase the chance that the item is available when needed, but it increases the cost of inventory and the chance of spoilage on site. It also adds that, in more realistic situation, the manager would also contend with the uncertainty of exactly when the item might be required. Even if the item is schedule for use on a particular date, the work progress might vary so that the desired date would differ. In many cases, greater than expected work progress may result in on savings because materials for future activities are unavailable.

2.3 The relationship between approaches of inventory control and financial performance

According to Lynch (2005), the main objective of inventory management is to minimize the total cost of relevant costs to ensure profitable operations. Because of value attributed to inventory management, two cardinal decisions must be faced if the inventory management is; how much we buy at a time? When we buy (or manufacture)?

According to Pandey (1995), in many cases where inventory management decisions have been effective, inventory planning models have been effective; inventory- planning models have been developed and implemented focusing especially on the twin problems of inventory size and timing. Usually inventory management modes are defined to achieve a balance between the costs of acquiring and holding inventory. These costs are the ones that affect organizations profitability. These models are developed in order to help management maintain inventories of optimal level that will help the organization to realize profits. To be specific, the objective of inventory management models is to maintain adequate inventory levels of minimum inventory costs. They specify the economic order quantity and re-order point and if well observed, companies earn profits (Morse, 1981)

Economic order quality is the quality of inventory that should be ordered at once. They further noted that, the quantity of inventory ordered at once affects inventory ordering and holding costs and will ultimately have a bearing on profitability. For instance, if a few large orders are placed, annual ordering costs will be low, but annual holding costs will be high (Hanger, 1982).

Conversely, if many small orders are placed over all ordering costs will be high but annual holding costs will be low. To be profitable, it is necessary to determine it increasing the order size to obtain large volume discounts and slightly lowering costs will be more off- set at a higher holding cost. The scholars agreed that profitability would only be achieved at optimum level of relevant costs i.e. holding costs and ordering costs (Lynch, 2005)

According to Pandey (1995), this is the level of which an order for additional inventory should be placed, because inventory cannot be ordered and received instantly. Orders for additional inventories should be placed before current stocks are depleted. The re-order point must consider both the lead time required to replenish stocks after on order is placed and inventory demand during the lead time.

Morse (1981), agreed with other scholars and further observed that, because of the variation in lead-time and the daily demand for inventory, inventories are cushions to prevent "Stock out" and the resulting loss of sales or disruption of production.

As already noted above, in a merchandising establishment, stock out costs includes the extra costs of processing back orders and opportunity cost of lost sales is frequently specified as the selling price less the invoice price, opportunity costs are considered greater if dissatisfied customers subsequently patronize other establishments. In this case, the profitability of an organization remains fragile if no proper controls are considered .greater it dissatisfied customers subsequently patronize other establishments. In this case, the profitability of an organization remains fragile if no proper controls are ensured.

Excessive inventories are the enemy of retail profitability. For inventory management to be an effective profitability improvement tool, corporate culture must ensure that employees are empowered to make it successful (Laugero, 2002). Organizations like black and Decker fully realize the relationship between inventory production and profit. This is an international Corporation, with annual sales in excess of and 1 billion. It is the worlds largest manufacturer of power tools, and because of large required investment in inventory and the total cost associated with such, managers are alert for ways to control inventory (Ivancevich, 1990). Lucey (1992) says that inventory management is an important area of financial control, which is often neglected not knowing that a small percentage saving on inventory costs will represent millions of shillings on natural scale. All stocks represents on investment so they should keep to an absolute minimum.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents methods and procedures that the researcher used when assessing the findings of the study. And it also presents the important information (data) and specific fields of the survey carried out in Kavuma Investments (U) Limited.

3.1 Research Design

The research was designed in such a manner, which enabled the researcher to meet the objectives of the study, the researcher therefore used both qualitative and quantitative research designs, which was descriptive and analytical in nature. The descriptive aspect of the research design was used in establishing the company performance and the analytical research design was used to establish relationship between inventory control and performance.

3.2 Survey population

The survey population was staff members of Kavuma investments comprising of purchasing officers, store keeper, site foreman, site workers, accountant, technical manager and the general manager of Kavuma investments (U) limited on behalf of the construction companies in Uganda.

3.3 Sampling method

The researcher used purposive sampling to select the samples from the population. Simple random sampling was used to limit on the biasness of purposive sampling. Numbers were allocated, written on small pieces of paper, shuffled and randomly picked by respondents until all the required respondents were over.

3.4 Sampling Size

The sample size of 30 was determined by formulae of Krejcie Morgan (1970) shown below

$$S = \frac{x^2NP(1-P)}{d^2(N-1) + x^2P(1-P)}$$

S= Sample Size

x^2= the table value of chi square for 1 degree of freedom at the confidence level of 3.841

N= the population

P= population proportion assumed to be 0.50 which provides the maximum sample size

d= the degree of accuracy expressed as a proportion in this case 0.050 was used

Having the population set to 0.5 ensured a significant sample size

3.5 Data collection

3.5.1 Source of data

Data was both primary and secondary. Primary data was collected by the use of questionnaires and secondary data was got from reports, journals, and internet.

3.5.2 Instruments

Quantitative data was collected by the use of questionnaire. A Self-administered questionnaires was designed using Likert scale, and they were distributed to staff members of Kavuma investments who filled them within 4 days of research period

3.6 Data processing, analysis and presentation

Quantitative data collected by the questionnaire was first coded. In the coding process, a coding sheet was constructed. A number then assigned to each answer in the questionnaire with a corresponding number on the coding sheet. Then the same

questionnaire was constructed on the computer using excel. Frequency tables, and graphs were worked out basing on the data entered into excel. In these frequency tables, and graphs analysis was done with a corresponding percentage. However statistical packages for social sciences (SPSS) were used to determine the relationship between the two variables.

3.7 Limitations and anticipated solution

Respondents were not willing to give confidential information, which was sufficient to the researcher. However, the researcher convinced them that research was intended to help them improve on their problems.

There was too much pressure as a result of limited time for the researcher. However, the researcher devoted most of the time on the research.

Financial constraint since research requires money for printing and transport. However, the researcher minimized the costs as lowest as possible.

CHAPTER FOUR

PRESENTATION ANALYSIS AND INTERPRETATION OF THE RESEARCH FINDINGS

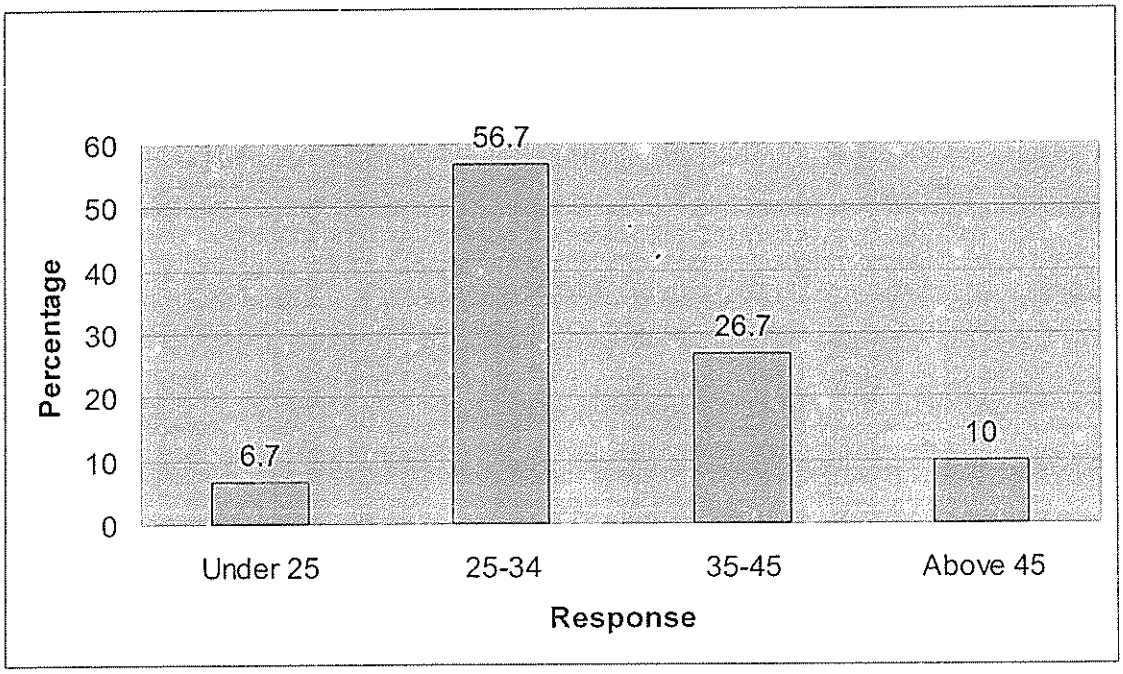
4.0 Introduction

This chapter involves the presentation and interpretation of the findings in relation to the study objectives. This is evidenced below

4.1 Background information of respondents

Findings on the Background information of respondents were captured and results are evidenced below

Figure 1: Age



Source: Primary Data

From the figure above, 6.7% of the respondents were under 25years of age, 56.7% were between 25 to 34years, 26.7% were between 35 to 45years, and 10% were above 45years.

This implies that most respondents were mature enough to answer questions in the questionnaire.

Table 2: Gender

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Male	15	50.0	50.0	50.0
Female	15	50.0	50.0	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 50% were male and 50% female. This indicates that there was no gender bias in the study.

Table 3: Marital status

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Single	9	30.0	30.0	30.0
Married	18	60.0	60.0	90.0
Divorced	2	6.7	6.7	96.7
Widowed	1	3.3	3.3	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 30% of the respondents were single, 60% were married, 6.7% divorced, and 3.3% widowed. This implies that most respondents were stable in the work they do.

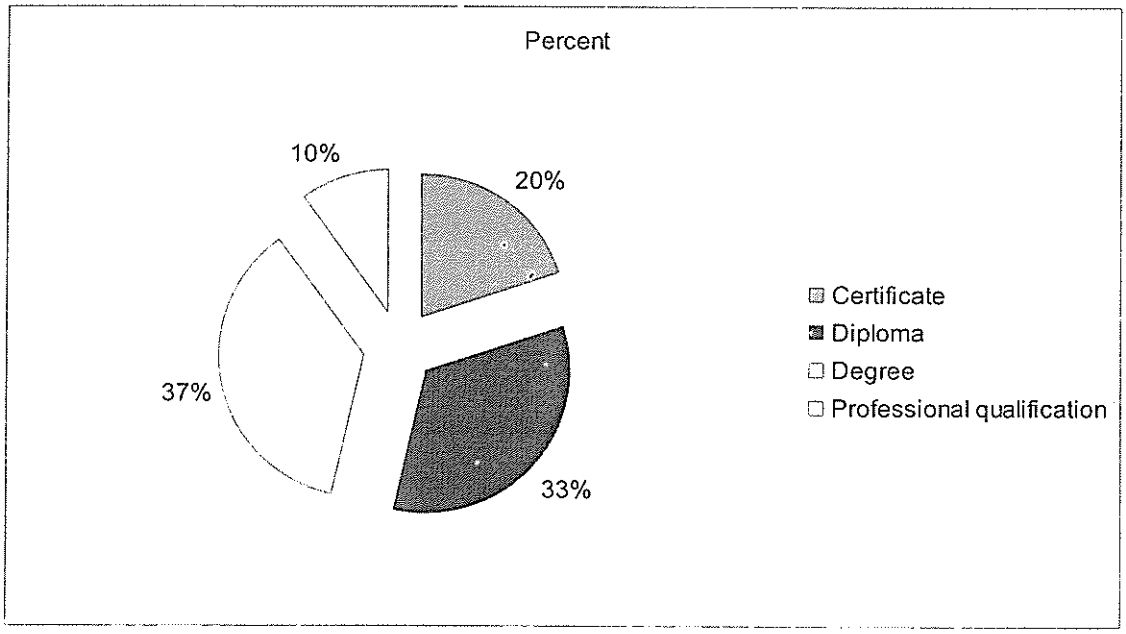
Table 4: Period spent working with Kavuma Investments (U) ltd

Response	Frequency	Percent	Valid Percent	Cumulative Percent
0-3years	6	20.0	20.0	20.0
4-6years	7	23.3	23.3	43.3
7-9years	12	40.0	40.0	83.3
Over 9years	5	16.7	16.7	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 20% of the respondents had spent between 0 to 3year working with Kavuma Investments (U) ltd, 23.3% between 4 to 6years, 40% between 7 to 9years and 16.7% over 9years. This implies that respondents had experience with the study.

Figure 2: Highest level of education attained



Source: Primary Data

From the figure above, 20% of the respondents were certificate holders, 33.3% diploma holders, 36.7% degree holders, and 10% had professional qualifications

4.2 Inventory Control

Findings on the Inventory Control were considered and results are evidenced below

Table 5: A responsible official authorizes purchase.

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	10	33.3	33.3	33.3
Agree	15	50.0	50.0	83.3
Disagree	2	6.7	6.7	90.0
Strongly Disagree	3	10.0	10.0	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 33.3% of the respondents strongly agreed that a responsible official authorizes purchase, 50% agreed, 6.7% disagreed, and 10% strongly disagreed. This implies that a responsible official authorizes purchase

Table 6: Goods are inspected on receipt

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	3	10.0	10.0	10.0
Agree	3	10.0	10.0	20.0
Not sure	3	10.0	10.0	30.0
Disagree	14	46.7	46.7	76.7
Strongly Disagree	7	23.3	23.3	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 10% of the respondents strongly agreed that Goods are inspected on receipt, 10% agreed, 10% were not sure, 46.7% disagreed, and 23.3% strongly disagreed. This implies that Goods are not inspected on receipt

Table 7: Pay maximum attention to those inventories whose value is highest

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	2	6.7	6.7	6.7
Agree	2	6.7	6.7	13.3
Not sure	1	3.3	3.3	16.7
Disagree	16	53.3	53.3	70.0
Strongly Disagree	9	30.0	30.0	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 6.7% strongly agreed that staff members pay maximum attention to those inventories whose value is highest, 6.7% agreed, 3.3% were not sure, 53.3% disagreed, 30% strongly disagreed. This implies that staff members of Kavuma Investments do not pay maximum attention to those inventories whose value is highest.

Table 8: All store staffs of Kavuma Investments are highly skilled.

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	4	13.3	13.3	13.3
Agree	3	10.0	10 0	23.3
Disagree	7	23.3	23.3	46.7
Strongly Disagree	16	53.3	53.3	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 13.3% of the respondents strongly agreed that all store staffs of Kavuma Investments are highly skilled, 10% agreed, 23.3% disagreed, and 53.3% strongly disagreed. This implies that all store staffs of Kavuma Investments are not highly skilled.

Table 9: Kavuma Investments experiences under stocks situations

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	14	46.7	46.7	46.7
Agree	11	36.7	36.7	83.3
Not sure	1	3.3	3.3	86.7
Disagree	2	6.7	6.7	93.3
Strongly Disagree	2	6.7	6.7	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 46.7% strongly agreed that Kavuma Investments experiences under stocks situations, 36.7% agreed, 3.3% were not sure, 6.7% disagreed, and 6.7% strongly disagreed. This impolies that Kavuma Investments experiences under stocks situations

Table 10: Kavuma Investments get damaged goods from its stored

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	9	30.0	30.0	30.0
Agree	11	36.7	36.7	66.7
Not sure	5	16.7	16.7	83.3
Disagree	3	10.0	10.0	93.3
Strongly Disagree	2	6.7	6.7	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 30% strongly agreed that Kavuma Investments get damaged goods from its stored, 36.7% agreed, 16.7% were not sure, 10% disagreed, and 6.7% strongly disagreed. This shows that Kavuma Investments get damaged goods from its stored

4.3 Inventory costs incurred in procurement process in Kavuma Investments

Findings on the Inventory costs incurred in procurement process in Kavuma Investments were considered and results are evidenced in the table below

Table 11: Kavuma investments is faced with transportation and freight costs

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	14	46.7	46.7	46.7
Agree	10	33.3	33.3	80.0
Not sure	2	6.7	6.7	86.7
Disagree	3	10.0	10.0	96.7
Strongly Disagree	1	3.3	3.3	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 46.7% strongly agreed that Kavuma investments is faced with transportation and freight costs, 33.3% agreed, 6.7% were not sure, 10% disagreed, and 3.3% strongly disagreed. This shows that Kavuma investments is faced with transportation and freight costs.

Table 12: Kavuma investments is faced with expenses of making requisitions

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	10	33.3	33.3	33.3
Agree	10	33.3	33.3	66.7
Not sure	1	3.3	3.3	70.0
Disagree	3	10.0	10.0	80.0
Strongly Disagree	6	20.0	20.0	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 33.3% of the respondents strongly agreed that Kavuma investments is faced with expenses of making requisitions, 33.3% agreed, 3.3% were not sure, 10%

disagreed, and 20% strongly disagreed. This indicates that Kavuma investments is faced with expenses of making requisitions

Table 13: Kavuma investments is faced with costs of writing purchase orders

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	6	20.0	20.0	20.0
Agree	3	10.0	10.0	30.0
Not sure	2	6.7	6.7	36.7
Disagree	8	26.7	26.7	63.3
Strongly Disagree	11	36.7	36.7	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 20% strongly agreed that Kavuma investments is faced with costs of writing purchase orders, 10% agreed, 6.7% were not sure, 26.7% disagreed, and 36.7% strongly disagreed. This shows that Kavuma investments is not faced with costs of writing purchase orders

Table 14: Kavuma investments is faced with costs of receiving materials

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	4	13.3	13.3	13.3
Agree	5	16.7	16.7	30.0
Disagree	8	26.7	26.7	56.7
Strongly Disagree	13	43.3	43.3	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 13.3% of the respondents strongly agreed that Kavuma investments is faced with costs of receiving materials, 16.7% agreed, 26.7% disagreed, and 43.3% strongly disagreed. This implies that Kavuma investments is not faced with costs of receiving materials

Table 15: Kavuma Investments is faced with costs of checking on orders and m maintaining records of the entire process.

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	14	46.7	46.7	46.7
Agree	10	33.3	33.3	80.0
Not sure	3	10.0	10.0	90.0
Disagree	2	6.7	6.7	96.7
Strongly Disagree	1	3.3	3.3	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 46.7% strongly agreed that Kavuma Investments is faced with costs of checking on orders and m maintaining records of the entire process, 33.3% agreed, 10% were not sure, 6.7% disagreed, 3.3% strongly disagreed. This implies that Kavuma Investments is faced with costs of checking on orders and m maintaining records of the entire process

Table 16: Kavuma investments is faced with handling costs

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	2	6.7	6.7	6.7
Agree	5	16.7	16.7	23.3
Disagree	7	23.3	23.3	46.7
Strongly Disagree	16	53.3	53.3	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 6.7% of the respondents strongly agreed that Kavuma investments is faced with handling costs, 16.7% agreed, 23.3% disagreed, and 53.3% strongly disagreed. This implies that Kavuma investments is faced with handling costs

Table 17: Kavuma investments is faced with storage costs

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	3	10.0	10.0	10.0
Agree	4	13.3	13.3	23.3
Disagree	11	36.7	36.7	60.0
Strongly Disagree	12	40.0	40.0	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 10% of the respondents strongly agreed that Kavuma investments is faced with storage costs, 13.3% agreed, 36.7% disagreed, and 40% strongly disagreed. This implies that Kavuma investments is not faced with storage costs

Table 18: Kavuma Investments is faced with financial expenses of capital tied up in inventory

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	8	26.7	26.7	26.7
Agree	19	63.3	63.3	90.0
Disagree	1	3.3	3.3	93.3
Strongly Disagree	2	6.7	6.7	100.0
Total	30	100.0	100.0	

Source: Primary Data

From the table above, 26.7% of the respondents strongly agreed that Kavuma Investments is faced with financial expenses of capital tied up in inventory, 63.3% agreed, 3.3% disagreed, and 6.7% strongly disagreed. This implies that Kavuma Investments is faced with financial expenses of capital tied up in inventory.

4.4 The relationship between Approaches of Inventory Control and Financial Performance of Kavuma Investments

Findings on The relationship between approaches of inventory control and financial performance of Kavuma Investments were considered and results are evidenced below

Table 19: Relationship between Approaches of Inventory Control and Financial Performance

		Approaches of Inventory Control	Financial Performance
Approaches of Inventory Control	Pearson Correlation	1	.794**
	Sig. (2-tailed)	.	.000
	N	30	30
Financial Performance	Pearson Correlation	.794**	1
	Sig. (2-tailed)	.000	.
	N	30	30

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

From the able above, findings indicated that there is a strong positive relationship between approaches of Inventory Control and Financial Performance at Pearson correlation coefficient r= 0.794. This implies that approaches of Inventory Control affect Financial Performance by 79.4% and 20.6% by other factors.

CHAPTER FIVE

SUMMARY CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter involves the summary of the findings in relation to the study objectives, conclusion based on the problem statement and recommendations based on the conclusion

5.1 Summary of the findings

5.1.1 Inventory Control

Findings revealed that a responsible official authorizes purchase, Goods are not inspected on receipt, staff members of Kavuma Investments do not pay maximum attention to those inventories whose value is highest, all store staffs of Kavuma Investments are not highly skilled, Kavuma Investments experiences under stocks situations, and gets damaged goods from its stored.

5.1.2 Inventory costs incurred in procurement process in Kavuma Investments

Findings revealed that Kavuma investments is faced with transportation and freight costs, is faced with expenses of making requisitions, is not faced with costs of writing purchase orders, costs of receiving materials. Besides that Kavuma Investments is faced with costs of checking on orders and m maintaining records of the entire process, handling costs, but is not faced with storage costs, financial expenses of capital tied up in inventory.

5.1.3 The relationship between Approaches of Inventory Control and Financial Performance of Kavuma Investments

Findings indicated that there is a strong positive relationship between approaches of Inventory Control and Financial Performance at Pearson correlation coefficient r= 0.794.

This implies that approaches of Inventory Control affect Financial Performance by 79.4% and 20.6% by other factors.

5.2 Conclusion

Findings revealed that Goods are not inspected on receipt, staff members of Kavuma Investments do not pay maximum attention to those inventories whose value is highest, all store staffs of Kavuma Investments are not highly skilled, it experiences under stocks situations, and gets damaged goods from its stored. Besides that Kavuma Investments is faced with costs of checking on orders and m maintaining records of the entire process, handling costs. Nevertheless, there is a strong positive relationship between approaches of Inventory Control and Financial Performance at Pearson correlation coefficient r= 0.794.

5.3 Recommendations

Kavuma Investments should forecast market for its products so that it stocks enough inventories to avoid under stocks and reduce on damaged inventory.

The company should also fix the stock levels that is, maximum, minimum, and reorder levels for all items in stock in order to avoid inadequate stocks or stock outs suffered by the company.

Kavuma Investments should minimize on its inventory expenses by using skilled labour and also increase on its sales by widening on market for its products.

Kavuma Investments should identify the order quantity that minimizes total cost of stock holding, stock ordering and purchase costs in order to maximize profits.

Kavuma Investments should put into consideration inventory management when planning for better profits in the coming years and should also minimize the cost of production as lowest as possible.

5.4 Area for Further Research

Further research need to be carried out on examining the effectiveness of internal controls and financial performance.

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APPENDIX 1: QUESTIONNAIRE FOR STAFF MEMBERS

Dear respondents!

I am a student of Kampala international University offering Bachelor of Procurement and supplies management Final Year. This questionnaire is designed to collect information aimed at evaluating the effects of inventory control on the performance of construction companies in Uganda. The information obtained will be strictly for academic purposes and it will be treated with at most confidentiality. I kindly request you to fill this questionnaire.

Thank you very much for your time and co-operation

Section A: Personal data

(Tick in the appropriate box provide)

1. Your age

Under 25	25-34	35-45	Above 45

2. Gender

Male	Female

3. Marital status

Single	Married	Divorced	Widowed

4. For how long have you been working with Kavuma Investments (U) ltd?

0-3years	4-6years	7-9years	Over 9years

5. What highest level of education you have attained?

Certificate	Diploma	Degree	Professional qualification	Masters	PHD

SECTION B: Inventory Control

(Tick as appropriate)

6. A responsible official authorizes purchase.

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

7. Goods are inspected on receipt.

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

8. You pay maximum attention to those inventories whose value is highest.

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

9. All store staffs of Kavuma Investments are highly skilled.

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

10. Kavuma Investments experiences under stocks situations

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

11. Kavuma Investments get damaged goods from its stored

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

Section B: Inventory costs incurred in procurement process in Kavuma Investments

12. Kavuma investments is faced with transportation and freight costs

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

13. Kavuma investments is faced with expenses of making requisitions

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

14. Kavuma investments is faced with costs of writing purchase orders

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

15. Kavuma investments is faced with costs of receiving materials

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

16. Kavuma Investments is faced with costs of checking on orders and maintaining records of the entire process.

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

17. Kavuma investments is faced with handling costs

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

18. Kavuma investments is faced with storage costs

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

19. Kavuma Investments is faced with financial expenses of capital tied up in inventory.

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

Section D: The relationship between approaches of inventory control and financial performance of Kavuma Investments

20. The financial performance of Kavuma investments is as a result of a responsible official who authorizes purchase.

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

21. The financial performance of Kavuma investments is as a result of Goods inspected on receipt.

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

22. The financial performance of Kavuma investments is as a result of maximum attention paid to those inventories whose value is highest.

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

23. The financial performance of Kavuma investments is as a result of the skills of store staffs

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree

24. The financial performance of Kavuma investments is as a result of damaged goods from its store

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree