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**Inventory Management And Financial Performance Of Private Distilling Companies. A Case Study Of**

**Uganda Waragi Company Limited**

**Alex Irumba, Isaac Kazaara Asiiimwe**

**Metropolitan International University**

**Abstract**

The study aimed at inventory management and financial performance of private distilling companies with a case study of Uganda Waragi Company Limited. The study used descriptive research design. This kind of research design aimed at generating information after the incident has occurred. The research design looked at the reasons why the situation behaves the way it is. The design exploited both qualitative and quantitative approaches. Qualitative approach included the use of interviews, while quantitative approaches involved the use of descriptive statistics generated with frequency tables, graphs, and Charts. These approaches adopted to enable the researcher get and analyze relevant information concerning people's opinions about the impact of inventory management on performance of private organizations in Uganda like Uganda Waragi Company Limited. The study population includes respondents from Human resource, procurement, Marketing, production and finance departments of the company as well as direct company clients that were selected during the study process. From the findings, it was revealed that there was a significant connection between the inventory management and consumer conduct of  $(r) = 0.686$ . The fact that the p-value was 0.000, which was less than 0.05 ( $p < 0.05$ ), and the p-value was significant enough to lead to the conclusion that the two parameters may be slightly positively correlated.

**Key words: Inventory management and Financial Performance.**

**Background of the study**

Companies face a dilemma in today's competitive marketplace, where on one hand, customers demand customized products and services and require that their orders are filled quickly, but on the other hand they do not want to pay a premium for this customization and availability (Racheal et al., 2023). Therefore, organizations are exploring ways toward postponement strategy in response to constantly changing demands (Alex & Kazaara, 2023) argued that today, the cost of holding inventory, extensive product proliferation and the risk of obsolescence, especially in rapidly changing markets, make the expense of holding large inventories of finished goods excessive and that high demand items naturally have safety stock assigned to them, but in many organizations there are so many very-low-demand items that keeping any stock of these items is unreasonably expensive, so they argue that companies must now provide good service while maintaining minimal inventories (Deus, 2023). Therefore, inventory management approaches are essential aspects of any organization.

Inventory management is primarily about specifying the size and placement of stocked goods. Inventory management is required at different locations within a facility or within multiple locations of a supply network to protect the regular and planned course of production against the random disturbance of running out of materials or goods for improved performance (Christopher et al., 2022a). The scope of inventory management also concerns the

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fine lines between replenishment lead time, carrying costs of inventory, asset management, inventory forecasting, inventory valuation, inventory visibility, future inventory price forecasting, physical inventory, available physical space for inventory, quality management, replenishment, returns and defective goods and demand forecasting (Wegulo et al., 2023).

Inventory management involves the planning, ordering and scheduling of the materials used in the manufacturing process. It exercises management over three types of inventories that is raw materials, work in progress and finished goods. Purchasing is primary concerned with management over the raw materials inventory, which includes; raw materials or semi-processed materials, fabricated parts and MRO items (Moses et al., 2023). Poor inventory management had become an issue of great concern since performance is regarded as the main stream for development of organizations. A truly effective inventory management system minimizes the complexities involved in planning, executing and controlling a supply chain network which is critical to business success (Winny et al., 2023). The opportunities available by improving a company's inventory management can significantly improve bottom line business performance.

#### **Statement of the problem**

Inventory management in Uganda Waragi company limited mostly manifests itself in the arrangement of crates in the plant, packaging bottles, purchasing raw materials, supplying customers, issuing raw materials for use in plant departments (Christopher et al., 2022b). This is because the company uses various systems in inventory management including an integrated system (system application and products) responsible for the management information system that helps make serious decisions about inventory, material requirement points and stock tags for fast-moving products (Victoria and coll., 2023). However, these inventory management techniques in Uganda Waragi Company Limited, the company's performance decreased from 80% to 60% in 2008 and 2009, respectively.

#### **General objective**

The overall objective of the study is to find out the impact of inventory management and performance of private organizations in Uganda while considering Uganda Waragi company limited

#### **Literature Review**

Inventory storage and issues; Stock is vital tool to achieve an efficient inventory management system. Since there is storage and issue of inventory, the cost of obsolescence and fraud, management should ensure performance of all storage and issue functions (Innocent et al., 2023). Stock valuation; According to Wood Frank (1996), the way materials are valued has amplification on the firms reported profit and the material usage and balance therefore

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different inventory profit reported by firms (Polycarp et al., 2023). The different materials valuation techniques include Last In First Out (Polycarp et al., 2023), First In First Out (FIFO), average cost method and net realizable value. The chosen materials valuation should be used consistently in order to meet the requirements of the consistency policy of accountability any change should be reported and its impact on the reported profits (Annet et al., 2023). Firms should therefore identify and employ the stock valuation method, which is in line with their objective and the legal and accounting framework. Inventory models; Inventory models aim at minimizing materials costs. The order quantity that minimizes the cost of holding stock is determined. The key issue is the determination for when to order and how much to order. According to Likert (2003) manual perusal of the inventory levels on a daily basis is one of the ways to facilitate re-ordering under computerized system. Under this plan a printout is generated of all items in inventory and is examined by the inventory manager, who decided when and how much to order based on usage rates and expected future needs. ABC analysis and minimum and maximum meters of establishing inventory review plans are vital and they are useful for both manual and computerized systems. Vilfredo (1848-1923) an Italian Swiss engineer and economist believes that a 20 percent of a country's population does 80 percent of the work. Today's inventory control manager refines Pareto's arguments into three priority categories A, B and C. The A items may number only 10 or 20 percent of the inventory's total number of items (Winny et al., 2023). The B items number perhaps only 10 to 15% of the total inventory. The C items number perhaps 65 percent of all items in inventory. Typical advantages that have resulted are concentrated on class A and B and on using larger order quantities on C. reduced purchasing department costs through processing of fewer orders. Reduced receiving and inspection cost through the elimination of the handling and processing of materials as well as paper work for many small value items.

### **Methodology**

The study used descriptive research design. This kind of research design aimed at generating information after the incident has occurred. The research design looked at the reasons why the situation behaves the way it is. The design exploited both qualitative and quantitative approaches. Qualitative approach included the use of interviews, while quantitative approaches involve use of descriptive statistics generated with frequency tables, graphs, and Charts. These approaches adopted to enable the researcher get and analyze relevant information concerning

people's opinions about the impact of inventory management on performance of private organizations in Uganda like Uganda Waragi company limited (Alex & Kazaara, 2023). Study population is a complete set of individuals, cases or objects with some common observable characteristics. The researcher will obtain information from Uganda Waragi company limited staff, and Uganda waragi clients who directly order to purchase the company products from its premises. The researcher involved all these categories in the study because she believes

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that they possess the necessary study information. The study population includes respondents from Human resource, procurement, Marketing, production and finance departments of the company as well as direct company clients that were selected during the study process (Oscar et al., 2023). Since no significant better results can be obtained through a census of the entire study population of, a representative sample size of 50 respondents were selected to save both time and money. The researcher employed purposive in addition to Snowball Sampling during the process of data collection from the study respondents. The study used purposive sampling techniques because it is assumed to allow the researcher to select a sample with experience and knowledge about the study variables and this method

The researcher used a sample size of 50 respondents because as it is large enough to obtain reliable information. The study will determine the sample size of the respondents through the following formulae.

$$P = (F/N) \times n.$$

Where;

F= Number in the category

N = Total population.

P = Number of respondents in the category obtained from the group

n = Total number of the respondents

issue to select staff but non manager respondents and clients' respondents from the study area. However, Snowball Sampling was used during the selection of managers from the study area of Uganda Waragi company limited as the researcher first selected one manager who helped him in the way of getting in touch with another respondent until the total number of the respondents in the same category is obtained. The sample size consisted of 50 respondents from the study area. These respondents included 01 respondent from human resource department, 02 from procurement, 21 from operations and production, 11 marketing, 01 respondent from finance, plus 14 respondents who are direct Uganda Waragi company limited.

The study employed two techniques during the process of data collection and these are as follows; Self-administered questionnaire; The questionnaire tool informs of both open ended and closed ended in nature and this is self-administered where the researcher was allowed to fill the questionnaire in the study field as per respondents' responses. The tool was used to collect information from respondents other than clients of the company. The

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questionnaire method of data collection was used because of being cheap and that the method collects responses with minimum errors and high level of confidentiality. The collected data was edited as this involved sorting of the collected information in order to get information that is relevant to the study variables. At this stage all the responses were looked through by the researcher while giving codes to the answered options. Data was entered into the computer and analyzed by the use of Statistical Package for Social Scientists (SPSS) program that was used to develop frequency tables, graphs and pie-charts (Nelson et al., 2022). However, qualitative data was analyzed by developing themes (headings) or sub themes, which are derived from the study objectives. Both quantitative and qualitative techniques were used during data analysis.

## RESULTS

**Table 1: Correlation between inventory management and performance of private organizations**

|                                                              |                     | inventory management | performance of private organizations |
|--------------------------------------------------------------|---------------------|----------------------|--------------------------------------|
| inventory management                                         | Pearson Correlation | 1                    | .686**                               |
|                                                              | Sig. (2-tailed)     |                      | .000                                 |
|                                                              | N                   | 50                   | 50                                   |
| performance of private organizations                         | Pearson Correlation | .686**               | 1                                    |
|                                                              | Sig. (2-tailed)     | .000                 |                                      |
|                                                              | N                   | 50                   | 50                                   |
| **. Correlation is significant at the 0.01 level (2-tailed). |                     |                      |                                      |

**Source; Primary Data, 2022**

The information in table 2 above illustrates the relationship between inventory management (an independent variable) and buying habits (a dependent variable). By employing bivariate means, it reveals that there is a connection between the inventory management and consumer conduct of  $(r) = 0.686$ . The fact that the p-value is 0.000, which is less than 0.05 ( $p < 0.05$ ), and the p-value is significant enough to lead to the conclusion that the two parameters may be slightly positively correlated (Nelson et al., 2023). The relationship between an enhancement in inventory management and a corresponding change in performance of private organizations appears to be reciprocal, as indicated by the beneficial  $r$  value.

**Table 3: Correlation between inventory management and performance of private organizations**

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| Model                                           | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------------------------------------------------|-------------------|----------|-------------------|----------------------------|
| 1                                               | .606 <sup>a</sup> | .367     | .361              | .31114                     |
| a. Predictors: (Constant), inventory management |                   |          |                   |                            |

**Source; Primary Data, 2022**

The Regression results as presented in table 3 above show the, adjusted R square value 0.361, it implies that inventory management only contributes to 36.1% towards Customer behavior of Uganda Breweries Limited performance of private organizations, the remaining 63.9% inventory management being explained by other factors. This generally shows that there is a relationship inventory management and performance of private organizations (Ronald et al., 2023)

**Table 4: ANOVA values for inventory management and performance of private organizations**

| Model                                                       |            | Sum of Squares | df | Mean Square | F      | Sig.              |
|-------------------------------------------------------------|------------|----------------|----|-------------|--------|-------------------|
| 1                                                           | Regression | 6.224          | 1  | 6.224       | 64.295 | .000 <sup>b</sup> |
|                                                             | Residual   | 10.746         | 49 | .097        |        |                   |
|                                                             | Total      | 16.970         | 50 |             |        |                   |
| a. Dependent Variable: performance of private organizations |            |                |    |             |        |                   |
| b. Predictors: (Constant), inventory management             |            |                |    |             |        |                   |

**Source; Primary Data, 2022**

Table 4 of the study's findings shows that the regression model substantially and accurately forecasts the dependent variable. The regression model's statistical significance is demonstrated by F= 64.295 and Sig =0.000, both less than 0.05. The regression means square value of 6.224 contrasted to the remainder mean square value of 0.097, which is substantial to zero, further supports this. This demonstrates that there is a connection between performance of private organizations and inventory management (Ntirandekura et al., 2022)

**Table 5: Coefficients of inventory management and performance of private organizations**

| Model                | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|----------------------|-----------------------------|------------|---------------------------|-------|------|
|                      | B                           | Std. Error | Beta                      |       |      |
| (Constant)           | 1.687                       | .276       |                           | 6.116 | .000 |
| inventory management | .572                        | .071       | .606                      | 8.018 | .000 |

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a. Dependent Variable: performance of private organizations

**Source; Primary Data (2022)**

Results from table 5 give t values and Beta. The t-values test the hypothesis that the coefficient is different from 0. To reject this, you need a t-value greater than 1.96 (for 95% confidence). The t-value for inventory management is 8.018 which are greater than 1.96. This implied inventory management affect performance of private organizations considering a significant factor (Sig =0.000) (Christopher et al., 2022b).

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