CHAPTER ONE

BACKGROUND TO THE STUDY

1.1. Introduction

Inventories are essential for keeping the production wheels moving, keep the market going and the distribution system intact. They serve as lubrication and spring for the production and distribution systems of organizations. Inventories make possible the smooth and efficient operation of manufacturing organizations by decoupling individual segments of the total operation. Purchased parts inventory permits activities of the purchasing and supply department personnel to be planned, controlled and concluded somewhat independently of shop-product operations. These inventories allow additional flexibility for suppliers in planning, producing and delivering an order for a given product’s part, (2003)

Inventory is essential to organization for production activities, maintenance of plant and machinery as well as other operational requirements. This results in tying up of money or capital which could have been used more productively. The management of an organization becomes very concerned in inventory stocks are high. Inventory is part of the company assets and is always reflected in the company’s balance sheet. This therefore calls for its close scrutiny by management, (1997)

Management is very critical about any shortage of inventory items required for production. Any increase in the redundancy of machinery or operations due to shortages of inventory may lead to production loss and its associated costs.

These two aspects call for continuous inventory control. Inventory control and management not only looks at the physical balance of materials but also at aspects of minimizing the inventory cost.

The classic dilemma in inventory management is maintained in high service levels to meet the needs of customers while avoiding high stocks regardless of the type of
items or even the department for which such stock is purchased, as shown by the operations of Nile Steel Company.

Nile steel company in Jinja deals in production of variable steel products that are used in construction and building, Vehicle maintenance and repair electrical and home appliances. This will engage the company to produce quality goods through managing business process in such a way that both the supplier and the customer are satisfied with quality and consistency of goods or services being produced, Kenneth (2000).

Nile steel company has had challenges in effective supply chain management which is increasingly vital for global manufacturers and retailers success. The company now spends an inordinate amount of resources (time and money) managing and directing their supplies to ensure that critical inventory levels are maintained and the vital flow of products needed for operation continues resulting in increasing carrying cost, decreased customer satisfaction and higher premium charges, Director report June (2008).

Dobler (2000) argues that well and efficiently controlled inventories can contribute to the effective operation of the firm and hence the firm’s overall profit.

Proper management of inventory plays a big role in enabling other operations such as production, purchases, sales, marketing and financial management to be carried out smoothly. Basic challenge however is to determine the inventory level that works most effectively with the operating system or system existing within the organization.
1.2 Statement of the problem

For many organizations, there is no doubt that inventory management enhances their operations. Organizations with high levels of finished goods inventory can offer a wide range of products and make quick delivery from their backyards to the customers. In organizations such as Nile Steel Company Jinja, the stock requirements enable it to provide the required items to its customers, thereby enabling the firm’s operations to be carried out smoothly.

There has been a question for management about the efficiency of inventory management procedures in place resulting from inconsistencies of inventory levels leading to various weakness like losses that come as a result of over, under-stocking, expiry inventory, failure to meet targets and low morale of the company members. As a result the company’s stores are over crowded making the work of a store-keeper difficult, late issue of materials to the department and these in turn result into poor inventory service delivery.

1.3 Purpose of the study

This study will examine the impact of inventory management on the operations of an organization.

1.4 Objectives of the study will

Establish the different kinds of inventory kept at Nile Steel Company Jinja

Examine different inventory control techniques practiced at the firm.

Establish the costs incurred by the firm through inventory management.
1.5 Research questions

What kinds of inventory are kept at Nile Steel Company?
What inventory control techniques are practiced at the firm?
What costs are incurred by the firm through inventory management?

1.6 Scope of the study

The scope of the study will be limited to the impact of inventory management on the performance of an organization. The study will be carried out at Nile Steel Company Jinja. And involved the staff of the firm’s stores, procurement Unit, support departments and management

1.7 Significance of the study

The findings of the study will provide well-researched information, which can be useful to researchers for academic purposes in the area of inventory management. To the stores and Procurement department staff, the study hopes to provide them with useful information like the recommended techniques of inventory control so as to meet their customer’s and organization’s needs.

To the firm’s management, the recommendations of the study may enable them to design inventory management policies to improve the smooth running of the firm, thereby satisfying customers and generally minimizing costs.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This Chapter covers the overview of the types on inventory kept, inventory control techniques, cost of keeping inventory and impact of inventory management on organizational operations as well as significance for holding inventory in organizations

2.1.1. Definition of Inventory

The Institute of Logistics and Transport of London defines inventory as all the goods and materials held by an organization for sale or use, or a list of items held in stock.

2.2.2 Types of Inventory Management

According to Saxena (2003), in a production unit, regular inventories are divided into categories for effective operations and control.

Lonergan (2001) classifies inventory as raw materials, components, assemblies, sub-assemblies, work in progress and finished goods. However, Morrison and Jessop (2000) agree with above authors. They classify inventory as stock in trade, raw materials, equipment, spares, tools, gauges, fixtures, work in progress, packing materials, scrap and residues.
2.2.3 Production Inventories

These are raw materials, parts and components that enter the firm’s product during the production process. They may be of two general types; special items manufactured to the company’s specifications and standard industrial items purchased off the shelf.

Saleem (2004) explains that in production inventories timely and right supply of materials spares is important etc cutting down the investment on inventories and their carrying cost, achievement of economy in purchasing and avoidance loss during the storage process are subsequent.

2.2.4 Maintenance, Repair and Operation Inventories

Maintenance, repairs and operating supplies which are consumed in the production process but do not become parts of the final product, for example lubricating oil, soap materials and machine spare parts Lonerggan (2001) argues that the urgency of modern requirement and time cost of machines requires inventory control Time is money is the Golden rule today.

Requirements cannot wait nor can the machines and staff be kept in waiting since the cost of keeping them in waiting is more, compared to cost of materials in store.

2.2.5 Work-In-Progress Inventories, Finished goods inventory

Semi finished goods/products found at various places of production operation.

Morrison and Jessop (2000), argue that keeping inventory adds value to the organization in many ways, for example breaking bulk and smoothening operations.

Saleemi (2004) adds that a well-planned inventory scheme helps an efficient...
smooth and effective service delivery to customers a la lesser cost with the help of lower investment through planned but reduced inventories. Inventories help in avoiding unnecessary high working capital and also act as an insurance against errors in demand forecasts.

2.2.6 Inventory Control Techniques

Inventory is essential in an organization for production activities, maintenance of plant and machinery and for other operational requirements (Jessop 2003). The normal tendency is to have more inventories so that most of the items are available when needed. As seen earlier, this results in blocking of money which otherwise could have been used more productively.

Inventory is part of the company’s assets in its balance sheet and is therefore always under close scrutiny of management. The management is very concerned about any shortage of items required for production. This is so because any increase in the down time of the down time of the machines due to shortage of raw materials leads to production loss.

The two aspects therefore call for inventory control not only looking at the physical balance of various materials but also looking into aspects of minimizing the inventory cost.

However Saxena (2003) advises that avoiding shortages, excessive stocking and increasing inventory turnover, are some of the main issues concerning inventory control. Further, methods of reducing the component of materials cost in the product cost, is an important consideration in cost reduction.
2.2.7 The Economic Order Quantity Concept

Economic Order Quantity (EDQ) attempts to reconcile the problem of storage costs and ordering costs. Ford Harris when working as an employer at Westing House, derived Economic Order Quantity Model 1915. Its function is to determine the optimal order that minimizes quantity that will minimize carrying costs and ordering costs. Economic Order Quantity is therefore the Order Quantity that will minimize both carrying costs and ordering costs (Fuller 2003). According to Morrison and Jossep (2003), the Economic Order Quantity is the quantity, which minimizes the sum of the acquisition cost and inventory carrying out cost. The Economic Order Quantity minimizes the total annual cost. Sallem 2004 argues that possession of high amount of inventory for long time periods of time is not usually good for business because there are inventory storage obsolescence and spoilage costs. However possessing not enough inventory isn’t good either because runs the risk of losing out potential sale and markets.

2.2.8 The ABC Analysis

As noted by Fuller (2000), it is possible to utilize the concept of ABC in the formation of rational inventory policy which should give the best possible service level to production while minimizing investment cost. Saxena (2003) stresses that various studies have shown that only 20% of the items have 80% of the annual inventory consumption and 80% of the items have 20% of annual inventory consumption, this is based on the findings of an Italian static Ian Vilfred Pareto (2004). However Fuller (2000) argues that categories of inventories of items should be controlled differently. For class A items, they should be controlled tightly, need accurate recording of receipts and issues, scheduled should be constantly reviewed and minimum buffer stocks probably less than 2 weeks. Class B items
require moderate level of control, all receipts and issues should be recorded, schedules should be moderately reviewed and later buffer stocks 6-8 weeks.

Class C items need lower level of control, there should be minimal recording of receipts and issues, need lower level of schedule and review and need large safety stocks of 12 weeks.

According to Saleem (2004) the ABC is the selective approach popularly known as Always (A) Better (B) Control. The ABC analysis goes by its name. It always controls the best, then better and lastly good. Its importance lies in the determination of priority, which enables the management to exercise control over the managed subjects according to priority fixed for a purpose or selective basis. A items call for more careful attention as compared to items in (B) or (C) which may require less careful attention on behalf of Material Managers.

But Morrison and Jessop (1999), argue that ABC analysis is based on 80:20 rule, as a rule of thumb, it will be found in any store or stockyard that about 80% of the total value of issues in a year will be accounted for by perhaps 20% of the items. Category ‘A’ items, small in number, high in usage value. “The vital few” from financial point of view. Category B items, medium in number, medium usage value. “The normal” items. Category C items, high in number, low usage value. “The trivial many”.

Gerald Hobson (2003) also is in agreement with the above categorization. Only 10% of the inventory items cover about 70% of the annual inventory usage and are categorized as ‘A’ category items, 20% of the items cover about 20% of annual usage and are categorized as ‘B’ category items and the remaining 70% items cover only about 10% of the annual inventory usage and are categorized as ‘C’ category items.

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Huller (2003), further asserts that ABC analysis is an important tool to control the inventory investment in an organization. It provides good guidelines for adopting appropriate inventory management.

2.2.9 Periodic Review Approach

According to Jessop and Morrison (2000), it will be appreciated that under the action level of provisioning, commodities are ordered at unspecified intervals from day to day as and when ordering levels are reached. This means that order can only be placed usually for one item at a time and this may not produce the best purchase prices.

Saxena (2003) call this approach theoretical inventory control model. As pointed out, for normal inventory operation, the inventory moves up and down between minimum and maximum levels. Inventory crossing the maximum level means overstocking and when it goes below the minimum level, it could result into a stock-out. The re-order level should be set between the maximum and minimum levels and an order for replenishment only when the inventory reaches the re-order point. The order quantity is equal to the working capital.

By the time inventory reaches the minimum level the quantity ordered is received. On receipt of the ordered quantity of the material, the inventory, which had reached the minimum level, increases to the maximum level and
consumption cycle restarts. According to this model the reorder point is by keeping in view the lead time for obtaining the items and making the same available for use. This control model helps to avoid stock-outs with its costs and overstocking which again may tie-up working capital and may also lead to deterioration of stock (Obsolescence).

2.2.10 Materials Requirements Planning (MRP.1)
According to Fuller (2000), in situations where fixed order Quantity is not suitable, Materials Requirements Planning approach has been developed as a means of managing inventory. The system is used for controlling inventories of raw materials, work in progress, component parts and sub assemblies. Material Requirement Planning Inventory has been proven to be a very powerful tool in the planning and control of manufacturing firm.

Gerald Hobson (2004) explains that material requirement planning is basically an information system in which sales are converted directly into loads on the facility by sub unit and time period. Material are scheduled more closely there by reducing inventories and delivery times become shorter and more predictable. And only fervors smaller firms and the computer system is only one part of the total project which is long term.

According to Salem (1997), Inventory control refers to a planned method of purchasing and storing materials at the lowest possible costs without affecting the production and distribution schedule. Inventory Control therefore is a scientific method of determining what, when and how to have in stock for a given period of time.
2.2.11 Just In Time

Lysons and Gillingham (2003), defines Just In Time as an inventory control philosophy whose goal is to maintain supply just enough, at the right place at the right time to make just the right amount of the products. The aim is that by limiting production and assembly to what is actually needed, both materials and work in progress inventories can be limited or significantly reduced. Just in Time implies a low or zero inventories and at times it is referred to as stockless buying. However Saleem (2004) points out that just in time inventory is only an approach which works to eliminate inventories rather than optimize them. The inventory of raw materials and work in progress fall to that needed in a single day. This id accomplished by reducing set up times and lead times so that small lots may be ordered.

Stock Control is an operational process where inventory management is a management process. Inventory control therefore forms the basis of materials control without which the entire functioning of store-keeping may be rendered either ineffective or aimless to a certain extent.

The inventory control hence gives birth to materials control. Inventory control precedes stock-keeping which predetermines the scope of inventories and investment therein.
2.2.12 Costs associated with inventories

Dobler and Burt (2002) stress that from the managerial point of view; two categories of Costs are associated with inventories. However Lysons and Farrington (2006) also state that the economics of inventory management and stock control are determined by an analysis of the costs incurred in obtaining and carrying inventories under these two categories:

2.2.13 Acquisition Costs

Many of the costs incurred in placing an order are incurred irrespective of the order size; so for example, the cost of an order will be the same irrespective of whether 1 or 1000 tonnes are ordered. Ordering costs includes:

Preliminary costs – preparing the requisition, vendor selection, negotiation.

Placement costs – order preparation, stationary, postage.

Post-placement costs – progressing receipt of goods, materials handling, inspection and payment of invoices.

Farrington (2006) explains that cost control is an operational process in the management process therefore forms the basis of material control without which the entire functioning of store keeping may be reduced.

2.2.14 Holding Costs

Gerald (2004) explains that there two types of holding cost:

i Costs proportional to the value of the inventory such as:

Financial costs like the interest on capital tied up in inventory, which may be bank rate pr, more realistically, the target return on capital required by the enterprise.

Cost of insurance. Loses in value due to deterioration obsolescence and pilfering.
Costs proportional to the physical characteristics of the inventory such as:

- Storage costs – storage space, store rate, lighting heating and power.
- Labour costs relating to handling and inspection.
- Clerical costs relating to stores’ records and documentation.

Fuller (2003) explains that in many production and construction undertakings the cost of inventories account for nearly two thirds of the total costs. Therefore the determining factor is obviously the efficiency of the materials management.

2.2.15 Costs of stock-outs

Lysons and Gillingham (2003) points out that the costs of being out of inventories are:

- Loss of production output, Cost of idle time and of fixed overheads spread over a reduced level of output,
- Costs if any action taken to deal with the stock-out, such as buying from another stockiest at an enhanced price, switching production, obtaining substitute materials,
- Loss of customer goodwill due to the inability to supply or late delivery.

Hobson (2005) argues that if inventory is unavailable when customers request for it or if inventory is unavailable when it is needed for production a stockout occurs a stockout of an item demanded by customer can result in lost sales or demand, loss in goodwill and cost associated with backorders processing such as extra paperwork expediting special handling and higher shipping costs.
2.2.16 Inventory Management on the Company’s Operations.

Saleemi (2004) considers inventory management to be an important issue in any organization that cannot be overlooked. The idea is of conserving valuable capital, reduction of costs and increasing competitiveness. He goes ahead to stress that the primary objective of inventory control is to minimize idle time caused by shortage of inventory and non-availability of inventories, inventory carrying cost obsolescence losses. Achieving of these objectives will result in more on return capital, which is materially, the prime objective of an organization whether commercial or industrial. A reduction in working capital, high percentage of which is locked up in inventories, is possible and there is a scope of increasing the profit earning capacity of the organization.

Gerrad and Hobson (2004), adds that efficient management of inventories may result in more profit margin since it will reduce the operational and inventory cost resulting in reduction of production costs, more competitive capacity, increased turnover and profitability. Surpluses cause financial hardships because they tie up capital and shortages lead to poor operational results. But satisfactory and specific inventory control eliminates the shortcomings hence its importance.

Morrison and Jessop (2000), are also in agreement with Salem (2004) on the impact of inventory management on the profitability of the organization. They contend that, it wouldn’t be possible for an enterprise to maintain a reasonable profit margin if it had a poor inventory management system in the place, but the increasing business and industrial activities call for an efficient and effective inventory control and management system. The size itself calls for more economical operations so as to affect savings thereby depriving the advantages of large-scale business and industrial operation.

Saxena (2003) says that cost reduction and inventory control continue to constantly get the attention of the top and middle management are an important performance indicator of the stores function. Efficient operations of stores division and inventory management is one of the most important factors in maintaining high operational efficiency as well as achieving high productivity in
an industrial plant. Productivity of any organization can be increased if materials of the right quality are made available in the right quantity at the right time and place. This will mean that there is neither a shortage of materials nor an excess of inventory. This again requires strong inventory control and management in place. Furthermore, materials are available when needed and their quality does not deteriorate during shortage.

Fuller (2000) considers inventory management to be an important asset for allowing production and sales operations to remain functioning smoothly by the stock service levels meeting the demands of production and resale. In fact it is the achievement of high levels of stock service on a minimum of stock investment that is at the heart of inventory management. Production and marketing would of course like to meet all demand immediately from current stock and would therefore call for strict inventory control and procurement management. According to the World Magazine (2002), no inventory system will work efficiently unless stock is tightly controlled and stock records are accurately managed. If the inventory is overstated there is risk of stock-outs. If the Inventory balance is under-stated, there will be excess inventory. All decisions on when and how much to order are based on the Inventory balance is of individual items, which can be identified under a strong inventory management system in place.

Poor Inventory Management creates a chain of problems which include; lost sales, shortages, late delivery, loss of customer goodwill and image, failure to satisfy internal customers which affects their operations, excess expenditure and high premium freight costs. All these affect the performance of the supply chain management. These will result in ordering more than what is needed, which creates excess inventory and high obsolescence Zenz, (1999).

According to International Records Management Trust (2001), accurate stock records and inventory control are important aspect of financial accounting as well as the cornerstone of procurement management.
In many production and construction undertakings, the cost of inventories accounts for nearly two-thirds of the total costs. Therefore the determining factor is obviously the efficiency of the materials’ management. Salem (2004) argues that this has therefore given the need for inventory control based on scientific methods. The wide variety and complexity of modern requirements is third factor, which has given rise to inventory control. It is because the larger the range of requirements, the greater the number of problems of inventory. The problem of investment, storage, handling, accounting, shortages, stock outs, deterioration and obsolescence among others are multiplied with the increase in inventories. The urgency of modern requirements and time cost of machines require inventory control. ‘Time is money’ is the golden rule today. Requirements cannot wait nor can the machines and staff be kept in waiting since the cost of keeping them in waiting is more, compared to cost of materials in store.

The timely and right supply of materials spares e.t.c cutting down the investment on inventories and their carrying costs, achievement of economy in purchasing and avoidance loss during the storage process are the subsequent major factors which have given rise to the need for a scientific system of inventory control and management (www. effectiveinventory.com)

Effective inventory management enables an organization to meet or to exceed customer expectations of product availability while maximizing net profits and minimizing costs.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This Chapter presents the research design, study area, description of the population, sampling design, methods of data collection, data processing, data analysis and interpretation.

3.2 Research Design
The Researcher adopted quantitative research design. The study undertook the description of various kinds of inventories, costs associated with keeping the inventory control and the impact of inventory management on company’s operations. The study also adopted a qualitative research design involving description and analysis of data.

3.3 The Study Area
The Study was conducted at Nile Steel Company in Jinja District. The choice of the study area was due to the convenience the researcher had in commuting to and from the place, and having many acquaintances in the Company, something that eased the getting of required information.

3.4 Population
3.4.1 Population Description
The population from which the sample was taken involves top and middle level managers, and the Operational involves top and middle level managers, and the operational level staff. The respondents were drawn from various sections of the firm like; Accounts/Finance, Administration, Marketing, and Sales and Operations with a total population of 80 staff, and operations with a total population of 60 staff.
3.4.2 Population Sampling Design

The targeted sample of 50 respondents will be drawn from the different departments mentioned above in 3.4 using stratified sampling technique because it is the most effective when handling heterogeneous population’s parameters to be obtained like this one, and enables separate estimates of the populations of the parameters to be obtained for each stratum without additional sampling. Respondents from different departments will then be selected using simple random sampling technique to make the results objective and inferences based on them more valid.

3.5 Research Instruments

The researcher will develop both primarily and secondary sources of information and data. In collecting Primary Data, the researcher will use questionnaires as tools for collecting the data. For Secondary Data, publications by known authors in this field, board-meeting minutes of the firm and journals from the relevant professional bodies like The Chartered Institute of Procurement and Supplies will be used. The instruments or tools are as mentioned below:

3.5.2 Questionnaires

This choice of tool will be used due to the fact that the targeted population is literate and therefore capable of filling-in the questionnaires. It gives the respondents adequate time to give well thought out answers. Questionnaires were also self-administered and provided a quick means of collecting data from a large population’s sample.

3.6 Data Collection Procedure

The Researcher will get a letter from the Institute of Adult and Continuing Education of Makerere University, allowing him to conduct the research.

The letter will be presented to the firm requesting it to allow him to carry out the research. After this the researcher will design questionnaires which will be used in data collection.

The Researcher must seek appointments with respondents for interviews and distribution of questionnaires. On collecting the data, the researcher will analyze and interpret it and finally write the research report.
3.7 **Reliability of Research Instruments**

The validity of the questionnaire will be determined by initially carrying out a pilot test. The pilot testing or study will be conducted on selected group of workers before the real data collection exercise takes place to ensure consistency in its findings. The validity of the research instruments will be also established through consultations with the researcher’s supervisor.

3.8 **Data Analysis**

This will involve editing, coding, measuring and tabulation of the collected data. A quantitative method will be used in computation of percentages and totals. Tables will be used to present and summarize data for easy interpretation and display of information. Data from questionnaires will be coded using tallies and the coded data will be analyzed using SPSS statistical methods.

3.8.1 **Limitations**

The research will be costly in terms of data collection and getting the report typed.

The response rate may be poor in some cases since the respondents are always busy with office work and some may not respond and return the questionnaires.

The company may be in a financial crisis, something that leads to the laying off of some workers and cutting back on production.
CHAPTER FOUR

PRESENTATION, INTERPRETATION AND ANALYSIS OF RESEARCH FINDINGS

4.0 Introduction

This chapter presents the findings of the research study that was carried out on the impact of inventory management of the company’s operations. The findings of the study are presented, interpreted and analysed using frequencies, percentages and tables.

The chapter is divided into sections of:

(i) The kinds of inventory kept at Nile steel company U ltd
(ii) The inventory control techniques at Nile Steel company U ltd
(iii) The cost resulting from inventory management

4.1 Background information of the respondents.

Table 1: Showing the Age of the respondents.

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20</td>
<td>8</td>
<td>16.0</td>
<td>16.0</td>
</tr>
<tr>
<td>20–30</td>
<td>16</td>
<td>32.0</td>
<td>48.0</td>
</tr>
<tr>
<td>31–40</td>
<td>20</td>
<td>40.0</td>
<td>88.0</td>
</tr>
<tr>
<td>40 above</td>
<td>6</td>
<td>12.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table one above explains the variations of the age groups of the respondents to the study, from the above observation many respondents are in the age bracket of 31-40 years old with 40% and minimum age of respondents below 30 years old with 32%.

This means that more of the respondents are mature people thus most of the study findings were based on their sound mind and right information given.
Table 2: Showing Gender of the respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>31</td>
<td>62.0</td>
<td>62.0</td>
</tr>
<tr>
<td>Female</td>
<td>19</td>
<td>38.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The table above indicates the gender perspectives of the respondents involved in the study. The analysis shows that male respondents were 31 representing 62% and female were 19 with 38%.
This means that the company employees more of males than females and this was attributed to the kind of hard and hectic work involved in the steel industry.

Table 3: Showing the Marital status of the Respondents

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>16</td>
<td>32.0</td>
<td>32.0</td>
</tr>
<tr>
<td>Married</td>
<td>27</td>
<td>54.0</td>
<td>86.0</td>
</tr>
<tr>
<td>Divorce</td>
<td>7</td>
<td>14.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 3 above indicates the marital status of the respondents. With which married respondents were 27 having a valid percentage of 54%, followed by single were 16 respondents with 32% and 14% representing the divorce with frequency of 7.
This means that many of the respondents to the study were married followed by single and divorce respectively.
Table 4: Showing the educational level of the respondent

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Level</td>
<td>12</td>
<td>24.0</td>
<td>24.0</td>
</tr>
<tr>
<td>Certificate</td>
<td>9</td>
<td>18.0</td>
<td>42.0</td>
</tr>
<tr>
<td>Diploma</td>
<td>12</td>
<td>24.0</td>
<td>66.0</td>
</tr>
<tr>
<td>Degree</td>
<td>14</td>
<td>28.0</td>
<td>94.0</td>
</tr>
<tr>
<td>Master</td>
<td>3</td>
<td>6.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 4 above shows the educational level of the respondents involved in the study. It reveals that 14 respondents were degree holders with 28%, both diploma and A level were 12 respondents with 24%, those with certificates were 9 representing 18% and lastly 3 respondents with only 6% of masters level.

This means that the company employed more of degree holders than other qualification like masters, level, certificates and diploma holders.

Table 5: Showing the period of employees spent at Nile steel company

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1yr</td>
<td>16</td>
<td>32.0</td>
<td>32.0</td>
</tr>
<tr>
<td>2-3 yrs</td>
<td>27</td>
<td>54.0</td>
<td>86.0</td>
</tr>
<tr>
<td>4-5 yrs</td>
<td>5</td>
<td>10.0</td>
<td>96.0</td>
</tr>
<tr>
<td>6 yrs</td>
<td>2</td>
<td>4.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The table 5 above indicates the period of employees at Nile steel company, from the analysis above shows the majority of employees has been working at Nile Company for 2-3 years were 27 with 54%, followed by less than one year were 16 with 32%, for 4-5 years were 5 with 10% and 4% for period of six years.

This means that most of the employees do not work for long period of time in the company because their maximum period of work is 2-3 years.
4.2 Findings on different types of inventory.

Table : 4.2.1:showing the variations of production inventory used in company

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production inventory</td>
<td>50</td>
<td>3.00</td>
<td>5.00</td>
<td>4.7400</td>
<td>.52722</td>
</tr>
<tr>
<td>Clients interest in the inventory</td>
<td>50</td>
<td>1.00</td>
<td>5.00</td>
<td>4.1200</td>
<td>1.13641</td>
</tr>
<tr>
<td>Classified to production process</td>
<td>50</td>
<td>3.00</td>
<td>5.00</td>
<td>4.0800</td>
<td>.87691</td>
</tr>
<tr>
<td>Required skilled personnel to handle</td>
<td>50</td>
<td>1.00</td>
<td>5.00</td>
<td>3.3200</td>
<td>1.20272</td>
</tr>
<tr>
<td>High costs experiences in production</td>
<td>50</td>
<td>1.00</td>
<td>5.00</td>
<td>3.0000</td>
<td>1.22890</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The table above indicates how production inventory is used at Nile steel company. The table explains that production inventory is represented with the highest mean of 4.7400, followed by client’s interest in the inventory 4.1200, classified to production process 4.0800, required skilled personnel 3.3200 and high cost in production 3.00 respectively.

The finding indicates that respondents agree with the use of production inventory method. This is evidenced with the maximum rate of 5.0 which stands for strongly agree.

Findings also revealed that production inventory is classified to production process in the company, this is evidenced with a minimum rate of 3.00 which stands for agree.
Table: 4.2.2 Showing Work in progress inventory at Nile steel company

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work in progress inventory</td>
<td>50</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5200</td>
<td>1.29741</td>
</tr>
<tr>
<td>Work consumables and assemble</td>
<td>50</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5800</td>
<td>1.24687</td>
</tr>
<tr>
<td>Work in progress keeps co. busy</td>
<td>50</td>
<td>1.00</td>
<td>5.00</td>
<td>2.7200</td>
<td>1.38564</td>
</tr>
<tr>
<td>Tiresome and waste time</td>
<td>50</td>
<td>1.00</td>
<td>5.00</td>
<td>3.9800</td>
<td>1.47759</td>
</tr>
<tr>
<td>Staff motivation</td>
<td>50</td>
<td>2.00</td>
<td>5.00</td>
<td>4.3000</td>
<td>.88641</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The table above explains how work in progress inventory add value to Nile steel company.

According to the analysis above, staff motivation has the highest mean of 4.300, followed by tiresome and waste time 3.9800, work consumables and assemble with 3.5800, working progress inventory add value to company having 3.5200 and lastly keeping the company busy with 2.7200 mean respectively.

The analysis indicates that respondents agree that staff motivation is needed for work in progress inventory to add value to the company.

This is evidenced with the maximum rate of 5.0 which stands for strongly agree. The findings further point out how work consumables and assemble add value to work in progress inventory in the company. This was evidenced with a minimum rate of 1.00 which stands for agree.
The table above indicates how finished goods inventory is valuable to the customer of Nile steel company. Information given explains that finished goods inventory is valued highly by the company with 3.9800 mean, followed with 3.7400 representing finished good as determinants, then improve in productivity of goods and poor management both having 3.3000 mean.

This analysis is in line with respondents views that finished goods inventory is mostly valuable to the customers of Nile steel company.

This is evidenced with the maximum rate of 5.0 which stands for strongly agree.

The findings further point out that proper storage system is not highly required because what is produced is sold with in a short period of time.

This is in line with respondent’s views which are evidences with a minimum of 1.0 that stands for disagree.
Table: 4.2.4 Showing Transits inventory in transport at Nile steel company

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transits inventory before production</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.100</td>
<td>1.31656</td>
</tr>
<tr>
<td>Production lines as mean of transport</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.100</td>
<td>1.43223</td>
</tr>
<tr>
<td>Use of trucks for deliveries</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.1900</td>
<td>1.15025</td>
</tr>
<tr>
<td>Crane means course accidents</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.1500</td>
<td>1.44204</td>
</tr>
<tr>
<td>Transport challenges</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.1500</td>
<td>1.51149</td>
</tr>
<tr>
<td>Solutions</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.0000</td>
<td>1.35873</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The table above shows how transits inventory is used at Nile steel company. It elaborates the different transport systems used during transportation of inventory. Use of trucks for deliveries is highly considered with a mean of 3.1900, followed by production line with 3.100.

The finding indicates that the respondents agree that use of tracks is highly considered as a mean of transport and crane means of transport cause accident during transport of finished goods. This is evidenced with maximum rate of 5.0 which stands for strongly agree.

It was also noted that production line and transit inventory are some of the means of transport used, this is evidenced with a minimum rate of 1.00 that stands for agree.
### 4.3 Findings on Different types of inventory Control Techniques

**Table: 4.3.1 Showing how economic order quantity is used in the company**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic order quantity as best method</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>4.4500</td>
<td>1.08486</td>
</tr>
<tr>
<td>How it reduces competency to staff</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.8500</td>
<td>1.12204</td>
</tr>
<tr>
<td>Lack of skills to manage EOQ technique</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5500</td>
<td>1.33877</td>
</tr>
<tr>
<td>Need for Electrical data interchange</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.7000</td>
<td>1.36250</td>
</tr>
<tr>
<td>Increased productivity</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.2000</td>
<td>1.34355</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The table above shows how economic order quantity is used at Nile steel company. It explains that economic order quantity is the best method used with a mean of 4.4500, 3.8500 mean representing how EOQ reduces competency to the staff firm, 3.7000 mean is for the need for electrical data interchange to manage the inventory.

According to the table, findings indicate that the respondents agree with the use of EOQ method as the best and favorable technique used at the company. This is evidenced with the maximum rate of 5.0 which stands for strongly agree. How ever respondents noted that the company requires the need for electrical data interchange to manage this inventory technique this is evidenced with the minimum rate of 1.00 which stands for agree.
Table 4.3.2 Showing how just in time delivery is best technique for the company

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>First time deliveries reduces storage cost</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.0000</td>
<td>1.32045</td>
</tr>
<tr>
<td>Just in time as best method</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.0000</td>
<td>1.39229</td>
</tr>
<tr>
<td>Just in time improves productivity</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.8000</td>
<td>1.38119</td>
</tr>
<tr>
<td>Clients receive first time deliveries</td>
<td>40</td>
<td>2.00</td>
<td>5.00</td>
<td>3.5500</td>
<td>.98580</td>
</tr>
<tr>
<td>Saves clients time</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>2.9500</td>
<td>1.29990</td>
</tr>
</tbody>
</table>

The table above shows how just in time technique is used at Nile steel company. It shows that just in time improves productivity of quality goods and services with a mean of 3.8000, and 3.5500 representing how clients receive first time deliveries of goods and service when this method is applied. Consequently 3.0000 mean represents both just in time reducing storage cost and as the best method. 2.9000 mean that saves clients time.

The findings indicates how respondents agree that just in time technique is mostly used by management of the company with a motive that it improves productivity of quality goods and services. This is evidenced with the maximum rate of 5.0 which stands for strongly agree.

The findings further noted that first time deliveries reduces storage cost and just in time technique is emphasized to stimulate productivity. This is evidenced with a minimum rate of 1.00 that stands for agree.
The table above shows how material requirement planning technique is used at Nile steel company. It explains how MRP controls inventory with a mean of 3.8500, 3.7000 showing how MRP was developed to manage inventory, 3.3500 on ho sale are converted directly on when MRP is used, then 3.3000 illustrating how MRP technique lowers cost without affecting production and lastly 2.9000 indicating how MRP technique helps managers to determine what is produced.

The results in the table are in agreement with the respondents views that the company use mostly MRP technique to control inventory of raw material in order to reduce obsolescence. This is evidences with the maximum rate of 5.0 which stands for strongly agree. Respondents also noted how MRP technique lowers cost which is evidenced with a minimum rate of 1.0 which stands for disagree.
Table: 4.3.4 Showing how ABC System technique is used in the company

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients like ABC system</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.700</td>
<td>1.06699</td>
</tr>
<tr>
<td>ABC helps mangers to exercise control</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.700</td>
<td>1.11401</td>
</tr>
<tr>
<td>ABC categories inventory</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.100</td>
<td>1.10477</td>
</tr>
<tr>
<td>ABC control company investment</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.100</td>
<td>1.31656</td>
</tr>
<tr>
<td>ABC provides guideline to managers</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.750</td>
<td>1.23517</td>
</tr>
</tbody>
</table>

The table above shows how ABC system technique is applied at Nile steel company. It shows how ABC technique provides good guideline to managers in adopting appropriate inventory management with a mean of 3.7500, 3.7000 showing how both ABC system helps managers to exercise control and client managements of their goods and efficiency customer service. Like wise ABC system help to categories inventory in the company and control company investment with a mean of 3.1000 respectively.

The results in the table indicate the respondents agree with the use of ABC system guidelines to adopt appropriate inventory management for the company. This is evidenced with the maximum rate of 5.0 which stands for strongly agree.
Table: 4.3.5 showing how periodic review technique is used in the company

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>High expenses on the technique</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.150</td>
<td>1.12204</td>
</tr>
<tr>
<td>Method improves productivity</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.100</td>
<td>1.35495</td>
</tr>
<tr>
<td>Method requires proper management</td>
<td>40</td>
<td>2.00</td>
<td>5.00</td>
<td>3.750</td>
<td>1.05612</td>
</tr>
<tr>
<td>Managers observe the impact</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.200</td>
<td>1.52248</td>
</tr>
</tbody>
</table>

The table above shows how Periodic review approach is applied at Nile steel company. It shows how the periodic review approach requires proper management to be set in place with a highest mean of 3.7500, 3.2000 with managers observing the impact of the approach.

The analysis indicates how respondents agree that for periodic review to take off proper management must be in place. This is evidenced with the maximum rate of 5.0 which stands for strongly agree.

However respondents noted the high expenses incurred on the technique with minimum rate of 1.0 which stands for agree.
4.4 Findings on Costs incurred by the company through inventory Management

Table: 4.4.1 showing how the Company experience Holding Cost to manage Inventory

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company experiences high holding cost</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>4.3500</td>
<td>1.25167</td>
</tr>
<tr>
<td>Holding cost causes loss in value</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.7500</td>
<td>1.14914</td>
</tr>
<tr>
<td>Holding cost affect the financial investment</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.7000</td>
<td>1.43581</td>
</tr>
<tr>
<td>Holding cost are clerical cost</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5500</td>
<td>1.48410</td>
</tr>
<tr>
<td>Clerical cost leads to poor management</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>2.8000</td>
<td>1.18105</td>
</tr>
</tbody>
</table>

The table above shows how the company experiences high holding costs with 4.3500 mean, holding cost also both cause loss in value as result of deterioration and affect the financial investment of the company with 3.7500 respectively.

The results indicate that the respondents agree that the company spends a lot and incur losses as result of holding cost in inventory management. This is evidenced with the maximum rate of 5.0 which stands for strongly agree.

It was also observed that holding costs relates to clerical and labour cost that the company incurs in management of inventory with evidence of minimum rate of 1.0 that stands for agree.
Table: 4.4.2 showing how the Company experience Stock out Cost to manage Inventory

<table>
<thead>
<tr>
<th>Stock out costs leads to loss to production</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leads to loss of customer good will</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.050</td>
<td>1.41331</td>
</tr>
<tr>
<td>Leads to loss of sale/demand influence</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.450</td>
<td>1.21845</td>
</tr>
<tr>
<td>Firms incurs meager cost</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.200</td>
<td>1.22370</td>
</tr>
<tr>
<td>Staff lack skills to control cost</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.400</td>
<td>1.08131</td>
</tr>
<tr>
<td>Firms require direct sale</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.200</td>
<td>1.52248</td>
</tr>
<tr>
<td>Cost minimization creates a positive impact</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.300</td>
<td>1.47109</td>
</tr>
</tbody>
</table>

The table above shows how the company experiences stock out cost in managing inventory in the company. Stock out cost leads to loss of customer good will with a mean of 3.450, 3,4000 were firms incur meager cost, the company also experience both a loss of sales and luck skills with 3.2000 mean respectively.

The analysis indicates that the respondents agree that stock out cost leads to loss to production of goods and services.

This is evidenced with the maximum rate of 5.0 which stand for strongly agree.
CHAPTER FIVE
DISCUSSION OF FINDINGS, SUMMARY, CONCLUSIONS, RECOMMENDATIONS AND SUGGESTIONS

5.0. INTRODUCTION
This chapter presented the discussion of research findings in a comprehensive view, Summary, conclusions, recommendations, and suggestions drawn from the research findings.

5.1 DISCUSSIONS OF FINDINGS
This section entailed a discussion of findings to the research study in view of research objectives and the literature review.

5.1.1 DISCUSSION OF FINDINGS ON THE TYPES OF INVENTORY MANAGEMENT
In reference to section 4.2 findings from the study indicated that production inventory was the most inventory management system used in Nile steel company. Production inventory is very important in managing inventory levels in company operations and offering best quality production. Production inventory minimizes inventory costs of handling and ordering.

This is in view with Saxena (2003) who emphasized the importance of production inventory management systems, in company operations.

Consequently, Dobler & Burt (2002) points out that production inventory is very popular with textile and manufacturing companies that work on production targets with the aim of cutting down on investments and their carrying cost.

However, both production inventory and work in progress inventory can be
combinable in production operations that use both inventory management systems.

A finding from section (4.2) reveals that work in progress inventory was used for items needed for day to day operations and it's used when production is in processes. It further points out that staff motivation is highly needed for work in progress to add value to the company.

It can be deduced that since production inventory is commonly used in manufacturing and textile companies, its highly recommended for Nile steel company.

Findings on finished good inventory sought from opinion of respondents indicated in section (4.2) established that its valuable to customers and adequate measures were in existence in management inventory levels.

This is in line with Saleem (2004) who stressed the importance of managing inventory levels in order to attain high liquidity levels especially in producing what is sold in possible time frame.

Also respondents indicated that storage system is not highly required because customers buy what is produced immediately. Respondents further noted the main use of trucks as the major transport system of finished goods inventory.

The findings are also in agreement with fuller & Saxena (2003) in chapter two, that transits and finished goods inventory minimizes the total annual carrying cost to the company.
5.2.2 FINDINGS ON THE DIFFERENT CONTROL TECHNIQUES.

In reference with section 4.3, findings revealed that company enjoys Economic Order Quantity as the best and favorable inventory technique. This could be attributed to the reconciliation of the problems of storage cost and ordering cost and minimizing carrying cost.

This is supported by Lysons & Gillingham (2006) who emphasized that (EOQ) function determine the optimal order that minimizes quality that will minimizes carrying cost.

Morrison & Jessop (2000) argues that possessing high amount of inventory for along period of time isn’t good and profits can only be realized when less stock levels are maintain.

Failure to develop a cost effective system and procedure relating to ordering, procurement and budgeting of supplies can result into a serious loss of money to the company.

In agreement with Lysons (2006), Fuller (2000) also emphasized Economic order quantity is the best method used and increases profitability levels.

Lonergan (2001) in his book pointed that a company's profits are also determined by the techniques that the company employs to determine the product features, price, its products availability.

Consequently Gerald Hobson & Saleem (2004) points out that just in time inventory is the only approach which works to eliminate inventories rather than optimization.

However Dobler & Burt (2002) explains that material requirement planning and Periodic review approach control techniques helps to avoid stock outs, overstocking and converting sale directly into loads on the facility by sub units to reduce inventory.
5.3.3 FINDINGS ON COSTS INCURRED BY THE COMPANY THROUGH INVENTORY MANAGEMENT

In accordance with section 4.5, respondents established that the company high holding cost and incurs losses in management of the inventory this as pointed out by Pareto (2004) may lead to decline in profits, misplacement of stock, low production targets.

Dobler & burt (2000) explains that a strong management structure enables the company to save and increase investment in the long run through the use of skilled manpower and proper management systems.

In alignment with Saleem (2006), who emphasized that inventory management helps in reduction of process costs due to less depreciation of the activity with its management techniques like Economic order quantity and Material Requirement Planning (MRP).

Respondents also revealed that the company experience high stock out cost that lead to loss of production and in the long ran the customer good will deteriorates.

This is in line with Hobson (2005) arguing that if inventory is un available when customers request for it or needed for production, stock out of an item demanded by customer occurs resulting in sales reduction and good will.
5.4 SUMMARY OF FINDINGS

The findings obtained from the different types were summarized as follow;

5.4.1 Assessing the types of inventory management used in reference to section

Most respondents asserted that production inventory was most commonly used. This was typical of a production company and it was suitable for day to day Production operations of a steel company.

Respondents also indicated that client’s interest lies in the production inventory that offers best quality production of goods. s

However some respondents explained that there is need for staff motivation to add value to the Company. Measures like heavy trucks to transport inventory, sale of finished goods in time and use of computerization of records and authorization.

Findings on the different types of inventory control technique, findings revealed that Economic Order Quantity is the best and favorable technique used at the company. However there is need to have electronic data interchange to manage this inventory to improve product availability.

Respondents also noted that just in time is used by the company with a motive of improving productivity of a service.

MRP technique was pointed out as the only way to reduce obsolescence, ABC for adopting appropriate inventory management and periodic review for improving productivity.

Findings on the costs incurred by the company through inventory management

It was pointed out that the company experiences high holding cost, and they
too relate to clerical cost and labour costs.

It was noted that the company incurs a lot of losses as result of holding cost. Established that consequential results appear from a weak inventory management system thus management of a company needs to focus attention on this area incase it comes up.

It also noted that such effects like decline in company sales, low production targets and consequently a company could face poor liquidity flow positions.

CONCLUSION

It was revealed that production inventory is the most inventory management system used at Nile steel company. Production Inventory plays a very big role in the performance of any organization in this age characterized by total quality management. Production inventory management effectiveness adds value to the organization by allowing decision to be made faster and allowing production without hindrances as much as possible.

It was also noted that the company enjoys economic Order quantity as the best control technique and this is attributed to how the method determine the optimal order that minimizes quality, costs and product availability.

The efficiency of any control technique ensures that resources of the organization are managed with the least cost. The performance of any organization therefore depends on the achieved production targets, how much capital is held in stocks which can be achieved by a well managed inventory technique used.

The company also experience high holding costs that lead to loss of production which leads to reduction customer good will, decline of profits and misplace of stock.
RECOMMENDATIONS

The following were the recommendations on how Nile steel company could improve its productivity by managing its inventory properly:

i. The company should establish a central data base for archiving the inventory records to enable easy monitoring, decision making and proper inventory management.

ii. Inventory management procedures should be put in place to allow proper management of inventory in a cost effective manner.

iii. The company should have an inventory retention schedule; this would help in retaining active and useful inventory and the disposal of an unwanted inventory and that of low or no value to the company.

iv. The company should establish a policy of asset disposal and management of low value or unwanted assets to reduce the amounts of capital held up in these unused assets caused by the effect of technological advancement.

Areas for further Research

Considering the challenges, limited financial resources, non response and time constraints, the researcher was unable to exhaust the study. Some areas were not studied and some of these areas were:

a) Information technology and its impact on inventory management

b) Electronic and computerization of inventory management systems
REFERENCES


