

**INVENTORY CONTROLS AND FINANCIAL PERFORMANCE OF THE PRIVATE  
EDUCATION DEVELOPMENT NETWORK MBALE BRANCH UNDER USAID**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT  
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**UGANDA CHRISTIAN  
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## **DECLARATION**

I **NAHYUHA VICTORIA JOYCE** do hereby declare that this dissertation titled, Effect of Inventory Controls and Financial Performance of PEDN Mbale branch, Uganda has been done as a result of my own efforts except instances where scholarly literature has cited and has never been submitted to any other Institution of Learning for any award.



Signature

Date: **15/08/2024**

**NAHYUHA VICTORIA JOYCE**

## APPROVAL

This Dissertation titled, "*Effect of inventory controls and financial performance of PEDN Mbale branch*", Uganda has been submitted for examination with my approval as university supervisor.

Signed:

A handwritten signature in blue ink, appearing to read 'Paul Otingole', is written over a horizontal line.

Date: 16/07/2024

**Mr. Otingole Paul**  
**University supervisor**

## **DEDICATION**

This work is dedicated to my entire family especially my Parents for the great effort towards my studies especially Mr. Mahab for the great effort who gave me invaluable moral support throughout the period.

## **ACKNOWLEDGEMENTS**

I thank God who has enabled me to complete my research work on time. My sincere gratitude to my supervisor **Mr. Otingole Paul** who patiently and tirelessly gave me the necessary guidance and advice that made it possible for me to finish the research successfully may the Almighty God generously reward you.

I greatly appreciate the advice and guidance from my supervisor, Mr. Otingole Paul for his rich quality time and guidance on how to conduct the research dissertation to this completion not forgetting PEDN under USAID family for allowing me conduct and collect my findings in the organization.

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## LIST OF ABBREVIATIONS AND ACRONYMS

<b>ANOVA</b>	: Analysis of Variance
<b>CAATs</b>	: Computer —Assisted Audit Techniques
<b>FD</b>	: Fiscal Decentralization
<b>HES</b>	: Home health education service
<b>ICPA (U)</b>	: Institute of Certified Public Accountants of Uganda
<b>IRS</b>	: Internal Revenue Service
<b>NGO</b>	: Non-Governmental Organization
<b>PFM</b>	: Public Financial Management
<b>SPSS</b>	: Statistical Package for Social Science
<b>WRMA</b>	: Water Resource Management Authority

## **ABSTRACT**

Good performance of PEDN is critical due to the important role that management plays. The study assessed the effect of inventory control on financial performance in PEDN Mbale branch. The specific objectives were to establish the effect of inventory recording on financial performance of PEDN Mbale, to determine the effect of stock audit on financial performance of PEDN Mbale and to examine the effect of inventory management training on financial performance of PEDN Mbale. The study adopted a descriptive research design. The target population of the study was 85 employees in PEDN Mbale. The sample size was 70 employees in PEDN Mbale who were selected using stratified random sampling. Primary data was collected through the administration of the questionnaires. After quantitative data was obtained through questionnaires, it was prepared in readiness for analysis by editing, handling blank responses, coding, categorizing and keyed into statistical package for social sciences (SPSS) computer software for analysis. The statistics generated included descriptive and inferential statistics. The study found that inventory recording has a positive and a significant effect on financial performance. The study found that stock taking have a positive and a significant effect on financial performance. The study found that inventory management training has a positive and a significant effect on financial performance. The study concluded that highly automated organizations perform better than an organization that still uses manual systems. The study recommends that there should be transparency in stock audit in PEDN Mbale. In addition, all activities should be automated so as to improve performance of PEDN.

## CHAPTER ONE

### INTRODUCTION

#### **1.0 Introduction**

The chapter comprises of an introduction, background to the study, statement of problem, and purpose of the study, objectives, research questions, significance as well as, scope of the study, conceptual framework and finally definition of key concepts or variables.

#### **1.1 Background of the study**

The background to the study entails the historical, theoretical, conceptual and contextual backgrounds as explained in the sub sections below.

##### **1.1.1 Historical Background**

In the earlier years, Inventory Control was treated as a cost Centre, since Purchasing Department was spending money on inventory while Stores was holding huge stock of inventory, blocking money and space, Ramakrishna (2005). However, with the process of liberation and opening up of global economy, there has been a drastic change in the business environment, resulting in manufacturing organizations exposed to intense competition in the market place hence leading to decline.

Service companies worldwide has been working out various strategies to face the challenges and to cut down manufacturing costs to remain competitive (Blomqvist, 2006). Supply chain control is the process of efficiently integrating suppliers, manufacturers, warehouses and stores so that merchandise is produced and distributed in right quantities, to the right locations, and at the right time in order to minimize system wide costs while satisfying service-level requirements. In the retail environment, this process is well known and has been in use for a long time (Fawcett et al, 2009).

Despite the fact that Usaid under Pedn has tried to streamline their supply chain networks to become industry leaders, cases of poor stock control such as erratic deliveries in the firm, late deliveries, inflexibility and stock discrepancies continues to crop up leading to poor performance. Recent studies have shown that tremendous cost savings and potential revenue can be generated with the enhanced control of distribution and inventory. It was estimated that a company could reduce its total expenses by at least two percent through better inventory control and distribution of finished goods. But in attempt to achieve this most of the firms have always failed to control their inventory hence poor performance is realized. Therefore, it is upon this background that the study seeks to investigate on the impact of stock control policies on the performance of an organization Mbale branch has failed to realize its operations objectives as it was planned and this

## **1.1.2 Conceptual background**

### **1.1.2.1 Inventory Control**

Inventories are the current assets which are expected to be converted within a year in the form of cash or accounts receivables. Thus, it is a significant part of the assets for the business firms. According to Hossain (2015) better management of the inventories would release capital productively. Inventory Control is the operations management, logistics and supply chain management, the technological system and the programmed software necessary for managing inventory. Inventory control implies the coordination of materials controlling, utilization and purchasing. It has also the purpose of getting the right inventory at the right place in the right time with right quantity because it is directly connected with the production. This implies that the profitability of the firm is directly or indirectly affected by the inventory management.

In addition, inventory control is important because firms will ensure assets and stock are well managed and accurate demand forecasting is maintained to avoid unplanned procurement processes. This will assist the firm in executing successful procurement processes that match demand and supply forces (Brigham & Gapenski, 2013). Agus and Noor (2010) points out that demand forecasting helps the organization to minimize operational costs, increased efficiency and on time delivery of goods and services. This enables the organization to plan for the future demand by meeting the growing needs of customers. This highly contributes to improved customer satisfaction due to quality of goods and services offered.

In inventory control, audit of inventory is required. Audit of inventory is important in many organizations as misstatement affect reported profit: misstatement of inventory balances has a direct effect on reported profit as inadequate or inappropriate inventory held can fail to meet the demands of sales and production requirements; high inventory levels resulting in poor cash flow and financial loss; inaccurate or incomplete record of inventory movements resulting in lack of awareness of the actual inventory position and difficulties in meeting customer needs; lack of security over inventory resulting in loss, theft or misappropriation and obsolete inventory held or incorrectly supplied to customers, results in financial loss and damage to reputation (Bedard & Wright, 2000).

In addition, E procurement is also very important in inventory control. This is because it reduces inventory levels, improves auditing and financial control, eliminates paperwork, enhance staff efficiency and shorten delivery time. An automated inventory and procurement solution also save time by streamlining purchasing and inventory control. Tasks that once took hours or even days can be performed with a few clicks of a mouse. Staff no longer wastes time matching receipts with deliveries, figuring out overly complex invoices and keying in redundant information. An automated inventory and procurement solution increase accuracy. Because staff is no longer

required to re-enter data from paper documents, clerical errors are dramatically reduced. Mistakes in ordering are also minimized (Presutti, 2003).

PEDN Mbale branch has the opportunity of managing inventory in transparent and efficient way. However, lack of inventory control systems in these county governments creates an avenue for corruption (Mugambi &Theuri, 2014). The study therefore sought to examine inventory control and financial performance of PEDN Mbale branch.

### **1.1.2.2 Financial Performance**

Financial performance is a broad concept describing a local governments financial health (Groves, Godsey & Shulman, 2003). The term financial performance has been used in discussions of US state and local governments financial health for many years (Kamnikar, Kamnikar & Deal, 2006). More specifically financial performance can be broadly defined as a county governments ability to finance its services on a continuing basis; ability to meet its obligations as they fall due; and ability to finance the services its constituents require.

One of the most commonly used ways of obtaining a measurement of performance in county government is through the use of budgetary, economic and financial information that is the financial performance. Carmeli and Tishler (2004) derived indicators in financial terms in order to determine the financial health of local government bodies. These authors opted for a traditional approach, based on indicators of the budgetary process and their use in decision- making, being of the opinion that this provides a global viewpoint as to whether an organization is managing its resources well or not.

For Groves *et al.* (2003) the financial condition of a local authority can be assessed by measures of cash solvency, budgetary solvency, long-run solvency and service-level solvency. Cash solvency is understood to be the entity's ability to generate sufficient liquidity to meet its short-term obligations. Budget solvency is its ability to mobilize sufficient budgetary income without entering into deficit. Long-run solvency concerns a governments ability to respond adequately to all its long-term obligations, while service-level solvency is defined as expressing the entity's capacity to provide the level and quality of services necessary for the well-being of the community in question. These four concepts of solvency embrace what the above authors have termed the financial factor. However, for these to be correctly evaluated, Groves et al. (2003) have observed that the environmental factor must be considered. The environmental factor is considered to be the principal external constraint affecting financial performance. According to Greenberg and Hillier (2005), the financial condition of an organization can be measured by means of a series of indicators related to its sustainability, flexibility and vulnerability.

#### 1.1.4 Contextual background

Agency theory was initiated by Jensen and Meckling (1976). It describes firm structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behavior of agents. In order to harmonize the interests of the, comprehensive contract is written to address the interest of both the agent and the principal. The relationship is further strengthened by the principal employing an expert to monitor the agent (Barlie&Means,1932). This position is also supported by Coarse (1937) who maintains that the contract provides for conflict resolution between the agent and principal, the principal determines the work and agent undertakes the work.

The theory recognizes the formation about the relationship, interests or work performance. Moral hazard and adverse election affect the output of the agent in two ways; not doing exactly what the agent is appointed to do. This affects the overall performance of the relationship as well as the benefits of the principal in the form of cash residual.

Financial controls one of man mechanisms used in business to address the agency problem. Other include financial reporting, budgeting, audit committees and external audits. Studies have shown nether internal control reduces agency cost swath some even arguing that firm shaven economic incentive report on in eternal control. It is also argued that providing this additional information to the principal (shareholder) about the behavior of the agent (management) may reduce the information a symmetry and lower in vest risk and therefore, the cost of equity capital .Other research has found that weaknesses internal controls are associated with increased levels of earning management (Chanetal.,2008;Ashbaughetal.,2008 .This theory was applicable to our r study because when the problem of agency is minimized, internal control ;accountability is improved that improves the financial performance of PEDN Mbale Branch under USAID.

## **1.2 Statement of the Problem**

The inventory control leads to a reduction in cost, resulting in a significant saving. Thus, Usaid in Pedn in Mbale branch has put in place soc management methods like FFO, LFO stock control, stock audits and inventory management training. However, despite of the above effort. Pedn is faced with problems of wrong forecasting due to an unavailability of enough inventory control information. In 2019 in Usaid in Pedn Mbale branch was affected by poor inventory control related cases leading to low performance (Annual report 2019 /2020). This caused erratic deliveries in the firm, late deliveries and inflexibility hence affecting customer satisfaction within region. Usaid in Pedn was attributed to stock control policies.

It is even clear that it is poor inventory management control leading to this poor performance or any other factors. Therefore, this has motivated the study to assess on the effect of inventory management control policy on the performance of a firm taking a case study of USAID in Pedn Mbale branch.

### **1.3 Purpose of the Study**

The general objective of the study was to examine inventory controls and financial performance of PEDN Mbale Branch under USAID.

### **1.4 Specific Objectives of the Study**

The specific Objectives of the study were;

1. To establish the effect of inventory recording on financial performance of PEDN Mbale Branch under USAID
2. To determine the effect of stock auditing on financial performance of PEDN Mbale Branch under USAID
3. To examine the effect of inventory management training on financial performance of PEDN Mbale Branch under USAID.

### **1.4 Research Questions**

- i. What is the effect of inventory recording on financial performance of PEDN Mbale Branch under USAID?
- ii. What is the effect of stock auditing on financial performance of PEDN Mbale Branch under USAID?
- iii. What is the effect of inventory management training on financial performance of PEDN Mbale Branch under USAID?

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

The study may be important to PEDN Mbale Branch under USAID in formulating sound inventory audit control policies in financial performance. It may also be important to the government in order to adopt policies to enforce financial discipline among government agencies. This study may also guide the government officials in ensuring excellence in stock management.

The study may also benefit researchers who may wish to develop the study further through subsequent researches and also the academicians wishing to enrich their knowledge in the concept of inventory audit and the financial performance of PEDN Mbale Branch under USAID. The study may also benefit researchers and other scholars as a background for reference in future studies and contribute to the existing knowledge of literature.

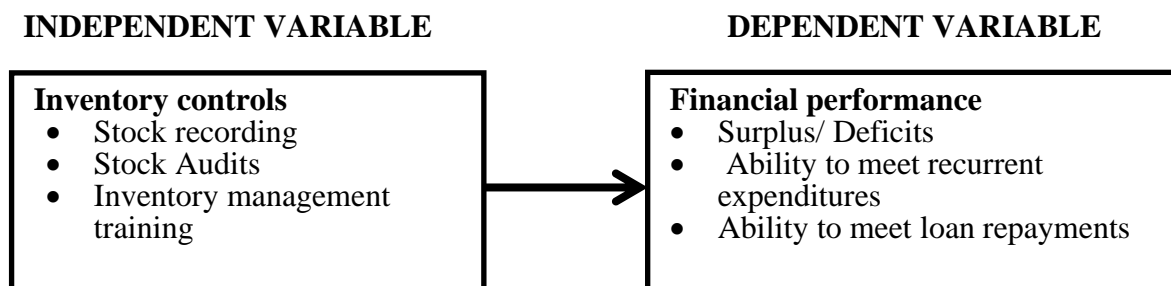
### **1.7 Scope of the Study**

The study sought to examine inventory controls and the financial performance of PEDN Mbale Branch under USAID. This study was carried out in PEDN Mbale Branch under USAID. PEDN Mbale Branch under USAID was selected since it was reported to be one of the poor performing entities.

## 1.8 Conceptual Framework

Smith *et al.* (2004) defined a conceptual framework as a hypothesized model identifying the model under study and the relationship between the dependent and independent variables. The conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the variables under scrutiny. For the purpose of this research, a conceptual framework has been developed showing the influence of the independent and dependent variables. In this study, financial performance is the dependent variable while inventory recording, stock audits and inventory management training are the independent variables.

**Figure 1: Presents a conceptual framework showing the relationship between inventory controls and financial performance.**



*Source: Adopted from Okello (2014) and modified by the researcher*

## 1.9 Definition of key terms

**Financial Performance:** the process of quantifying the efficiency of the entity in terms of deficit and surplus of the income.

**Inventory audits:** An accounting procedure designed to keep track of a company's products and merchandise.

**Inventory training:** Is a learning activity directed towards the acquisition of inventory knowledge and skills for the purpose of the county job

**Inventory Recording:** Manual or computer-based record of the quantity and kind of inventory.

**Inventory Control:** It is operations management, logistics and supply chain management, the technological system and the programmed software necessary for managing inventory.

## CHAPTER TWO

### LITERATURE REVIEW

#### **2.0 Introduction**

This chapter presented a review of related literature on the subject under study present by various researchers, scholars, analyst and authors. The research drew materials from several sources which were closely related to the theme and the objectives of the study. Empirical literatures by the writers were used to illustrate the various sub topics mentioned in the objectives of the study. Generally, this section covered the theoretical, empirical review and conceptual framework.

#### **2.1 Theoretical Literature**

A theoretical framework is a collection of interrelated concepts. It guides research to determine what things to measure, and what statistical relationships to look for (Defee, Randal, Thomas & Williams, 2010). This study was built on the underpinning theories, including the agency theory, contingency theory and competency theory.

##### **2.1.1 Agency Theory**

Agency theory was initiated by Jensen and Meckling (1976). It describes firms as necessary structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behavior of agents. In order to harmonize the interests of the agent and the principal, a comprehensive contract is written to address the interest of both the agent and the principal. The relationship is further strengthened by the principal employing an expert to monitor the agent (Barlie & Means, 1932). This position is also supported by Coarse (1937) who maintains that the contract provides for conflict resolution between the agent and principal, the principal determines the work and agent undertakes the work.

The theory recognizes the incomplete information about the relationship, interests or work performance of the agent described as adverse selection and moral hazard. Moral hazard and adverse selection affects the output of the agent in two ways; not doing exactly what the agent is appointed to do, and not possessing the requisite knowledge about what should be done. This affects the overall performance of the relationship as well as the benefits of the principal in the form of cash residual.

Financial control is one of many mechanisms used in business to address the agency problem. Others include financial reporting, budgeting, audit committees and external audits. Studies have shown that internal control reduces agency costs with some even arguing that firms have an economic incentive to report on internal control. It is also argued that providing this additional information to the principal (shareholder) about the behavior of the agent (management) may reduce the information asymmetry and lower investor risk and therefore, the cost of equity

capital. Other research has found that weaknesses in internal controls are associated with increased levels of earnings management (Chan *et al.*, 2008; Ash baugh *et al.*, 2008). This theory was applicable to our study because when the problem of agency is minimized, internal control is fostered; accountability is improved that improves the financial performance of PEDN Mbale Branch under USAID.

## **2.2 Empirical Literature**

### **2.2.1 Inventory Recording on Financial Performance**

Amaka (2012) conducted a study on the relationship between internal measures to proper accounting records. A survey research design was adopted for this research study and a sample size was selected using Yaro Yamane sampling technique as data used were obtained from both primary and secondary sources. Four research questions were formulated out of which three hypothesis were formulated using regression co-efficient analysis method at 5% level of significance and the Z table was also used for comparison between calculated value of significance B and table value. The finding from the analysis indicates that internal control measure management performance and is necessary for the growth and effectiveness of the organization.

Wambua, Okibo, Nyangau and Ondieki (2015) investigated the effects of the management of warehousing inventory systems on Seventh day Adventist institutions financial performance in Kenya. The main objective is to evaluate the effects of inventory warehousing systems on Seventh Day Adventist Institutions financial performance. The specific objective that guided this research was to assess the effect of Inventory warehousing systems on the financial performance of Adventist Book Centers. The researcher used descriptive research design in undertaking this study. The target population was 216 employees at HHES while sample size was 30% of the target population totaling to 64 employees. The sampling design adopted was be stratified random sampling because population is heterogeneous. Data was analyzed by use of statistical package for social science (SPSS) regression and correlation. Data was then presented using tables and figures. The empirical results revealed a positive significant relationship between financial performance and Inventory warehousing system

Mukopi and Iravo (2015) examined the effect of inventory management on performance of the procurement function of sugar manufacturing companies in the western sugar belt. Descriptive research design, specifically a survey study was employed in carrying out the research. The target population of the study consisted of a sample of procurement personnel of Mumias Sugar Company, West Kenya Sugar Company, Nzoia Sugar Company and Butali Sugar Mills which was 30 procurement personnel out of the total target population that was 100 procurement personnel. The research instrument was structured questionnaires that were self-administered to the respondents. Data was analyzed using SPSS and presented in tables and charts. The

ANOVA result for all variables indicated that there is a strong relationship between the four variables; lean inventory systems, strategic supplier partnerships, information technology, legal policies and the effect of inventory management on performance of the procurement function of sugar manufacturing companies.

Duru, Okpe and Udeji (2014) examined the impact of inventory management practices on the financial performance of engineering firms in Nigeria. Because of the huge inventories maintained by most firms, a considerable sum of an organizations fund is being committed to them. Thus it becomes absolutely imperative to manage inventories efficiently so as to avoid the costs of changing production rates, overtime, sub-contracting, unnecessary cost of sales and back order penalties during periods of peak demand. The research survey was conducted in all the five selected engineering firms from the period 2009-2014. Secondary data was obtained from Annual Reports of the companies under study. Correlation analysis was used to determine the nature and magnitude of the relationship among inventory management variables. The results indicate that there exists a positive correlation between inventory management and Return on Asset and also with Return on Equity which were found to be statistically significant.

Lwiki *et al.* (2013) examined the impact of inventory management practices on the financial performance of sugar manufacturing firms in Kenya, by analyzing the extent to which lean inventory system, strategic supplier partnership and technology are being applied in these firms. The research survey was conducted in all the eight operating sugar manufacturing firms from the period 2002-2007. The primary data was collected using structured and semi- structured questionnaires administered to key informants in the organizations. Secondary data was obtained from annual financial performance statements available in the year Book sugar statistics. Descriptive statistics was used to test the impact of inventory management practices and Correlation analysis was used to determine the nature and magnitude of the relationship among inventory management variables. The results indicate that there exists a positive correlation between inventory management and Return on Sales and also with Return on Equity.

### **2.2.2 Stock Audit on Financial Performance**

Ziaee (2014) conducted a study on the effect of audit quality on the performance of listed companies in Tehran Stock Exchange. According to this study a firm engages in opinion shopping by influencing or even manipulating its auditors decision in certain ways to obtain an opinion that is more favorable than that warranted by the quality of its accounting information. If such behavior exists, then it would lead to a higher degree of information asymmetry between managers and investors and weaken auditing protective effect on investors. Many researchers have been done to improve the understanding of audit quality to a better understanding. This concept can be achieved and the relationship between audit quality and other parameters to be determined. The study concluded that there is a positive significant relationship between audit quality and auditor size.

Okello (2014) conducted a study on an investigation of the effects of audit planning on inventory audit; a survey of selected audit firms in Nairobi County. The research study used descriptive research design in collecting the data from respondents. According to the study 87.3%, 76.1%, 81.7%, 77.5% of the respondents stated that, audit strategy, allocation of resources, scope of audit and priority risk areas respectively influence inventory audit. The study established that audit planning facilitates the auditor to develop audit strategy so as to determine in general terms how the inventory audit is to be carried; process of audit scope helps the auditor determine the resources necessary to perform the inventory audit and establishes the depth of the inventory audit; giving priority to risk areas and facilitates the auditors to factor various risks associated with inventory audit into the planning process. The study recommended that the auditor obtains the understanding of the accounting and internal control systems in the organization; consider the complexity of the entity's systems and controls and the manner in which they are used.

Kibe (2014) conducted a study on implementation of effective strategic audit planning in selected public institutions. The study adopted an exploratory research design. The study revealed that most respondents are concerned that professional excellence at both personal level and organizational level is important in strategic audit planning in the public sector to attain and maintain the reputation of public auditors as professionals with a name to protect and deliver to the expectation of the general public. The study concluded that effective implementation of strategic audit planning in public institutions has not been successful due to various gaps the respondents enumerated in the questionnaires which has resulted to little improved audit practices in the country.

### **2.2.3 Inventory Management Training on Financial Performance**

Training provides employees with specific skills or helps to correct deficiencies in their performances, while development is an effort to provide employees with abilities the organization will need in the future (Chew, 2004). According (Cole, 2002), training is a learning activity directed towards the acquisition of specific knowledge and skills for the purpose of an occupation or task. In addition, training helps in optimizing the utilization n of human resource that further helps the employee to achieve the organizational goals as well as their individual goals (Adeniji, Osibanjo & Abiodun, 2013).

Chen, Hsu, & Huang (2013) conducted a study on lagged effects of training on financial performance: evidence from longitudinal data. This paper examined the lagged association between training and financial performance of audit firms. The paper found that both partners and assistants training have significantly positive effects on financial performance with the former occurring in the current and one-year-lagged periods and the latter occurring in the one-year-lagged and two-year-lagged periods. Positive and significant association between training and financial performance informs practitioners that training contributes to audit firms and justifies the continuous education requirement in the public accounting profession. The evidence of one-year-

delay effect of assistants training on performance conveyed managerial implication to the practitioners in their employee recruitment policy.

Evans and Annuziata, (2012) argues that innovations promise to bring greater speed and efficiency to industries as diverse as aviation, rail transportation, power generation, oil and gas development, and health care delivery. It also holds the promise of stronger economic growth, through improved revenue collection and high performance of governments.

Lucey (2005) demonstrated that, business process automation solutions provide the tools, technologies, and infrastructure to automate complex business processes end to end in order to help increase competitive advantage and deliver tremendous value and visibility to your business, customers, and trading partners. This enables increased personal and organizational productivity by automating business policies and best practices, removing manual tasks, and eliminating error-prone reentry of information.

The mission of collecting tax and revenue in accordance with the applicable legislation is a complex task because of the massive amount of taxpayers and the different rules that are applied for each case (Davenport, 2013). To perform the alluded duty, many different systems exist with the intention of assisting the IRS personnel to carry out their job. Nevertheless, with the amount of data growth and the constant advancement of technology, a permanent rational sustainable innovation practice may be necessary to keep the IRS business processes running adequately (Davenport, 2013).

### **2.3 Summary and Gaps to be filled by the Study**

Amaka (2012); the finding from the analysis indicates that internal control measure management performance and is necessary for the growth and effectiveness of the organization. A survey research design was adopted for this research study thus presenting a methodological gap. The current study used descriptive research design.

Wambua, Okibo, Nyangau and Ondieki (2015); the empirical results revealed a positive significant relationship between financial performance and Inventory warehousing system. This study focused on Seventh day Adventist institutions thus presenting a scope gap. The current study focused on PED Mbale branch under USAID.

Okello (2014); the study found that audit planning positively affects inventory audit. The study was conducted in Nairobi thus presenting a geographical gap. The current study was conducted in PED Mbale branch under USAID.

Kibe (2014); the study found that audit planning positively affects financial performance. This study focused on only one form of inventory control thus presenting a conceptual gap. The current study focused on other forms which include inventory record keeping, computerization and inventory management training.

Mukopi and Iravo (2015); the study found that inventory management positively affects performance of the procurement function of sugar manufacturing companies in the western sugar belt. This study focused on sugar manufacturing companies thus presenting a scope gap. The current study focused on PED Mbale branch under USAID.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter discussed the research methodology that was used, in an attempt to achieve the objectives of the study. Attention focused on research design, target population, sample size and sampling techniques, data collection instruments, data collection procedure and data processing and analysis. Lastly it focused on ethical considerations.

#### 3.1 Research Design

The study adopted descriptive research design. According to Cooper & Emory (1995), the objective of the descriptive study is to describe phenomena as it exists at present. A descriptive design was appropriate for this study as it enabled the researcher to investigate the inventory control strategies on the financial performance of PEDN Mbale branch under USAID. Mugenda and Mugenda (2009). On the other hand, give the purpose of descriptive research as determining and reporting the way things are. The study adopted both qualitative and quantitative research approaches.

#### 3.2 Target Population

A population has been defined as the total collection of elements about which inferences are made and refers to all possible cases which are of interest for a study (Sekaran, 2008). Other scholars like Smith (2011) view population as the large collection of all subjects from where a sample is drawn. The target population of the study was 85 employees in PEDN Mbale branch under USAID. The employees in the procurement department were selected for study as they would provide reliable response needed for analysis.

**Table 3.1: Population**

<b>Sub Department</b>	<b>Population</b>
Finance & Accounting Department	10
Budgeting department	14
Internal Audit	8
Procurement Department	53
<b>Total</b>	<b>85</b>

**Source: PEDN Mbale branch (2022) Human Resource Department**

#### 3.3 Sample Size and Sampling Technique

A sample is a subset of a population (Kothari, 2004). The sample size for the study was determined using Krejcie & Morgan (1970) Table (see Appendices) as cited in Amin (2015:454) and a population of 85 a sample size of 70 respondents. Therefore, the sample size was 70 employees was selected using stratified random sampling. The strata were the departments. This

method was used because the samples represented the target population and eliminate sampling bias.

**Table 3.2: Sample Size**

<b>Sub Department</b>	<b>Population</b>	<b>Sample</b>
Finance and Accounting Department	10	10
Budgeting department	14	12
Internal Audit	8	8
Procurement Department	53	40
<b>Total</b>	<b>85</b>	<b>70</b>

**Source: PEDN Mbale branch (2022) Human Resource Department**

### **3.4 Data Collection Instruments**

Burns and Grove (2003) define data collection as the precise, systematic gathering of information relevant to the research sub-problems, using methods such as interviews, participant observations, focus group discussion, narratives and case histories. This study used both primary data and secondary data. Primary data was collected through the administration of questionnaires. A questionnaire is a pre-formulated written set of questions to which the respondents record the answers usually within rather closely delineated alternatives (Newing, 2011). Likert scale of 5 to 1 (5 = strongly agree, 4 = agree, 3 = Neutral, 2 = disagree and 1 = strongly disagree) was used. For the purposes of interpretation of the study results, 5 and 4 (strongly agree and agree) were grouped together as agree, 2 and 1 (disagree and strongly disagree) were grouped as disagree while 3 was neutral. The mean score of the responses was used to determine whether the respondents agreed or disagreed with the statements. The use of questionnaire was limited by respondent’s unwillingness to respond to the questions during normal working time. To overcome these, the researcher sought and availed himself at the most convenient time as preferred and sought for related data and estimates from the county government. The researcher also ensured anonymity to encourage the respondents to share their records for research purposes only. The secondary data for this was collected from the annual financial statements of PEDN Mbale.

### **3.5 Data Collection Procedures**

Kombo and Tromp (2009) states that data collection is important in research because it allows for dissemination of accurate information and development of meaningful programmes. The questionnaires were self-administered. The researcher informed the respondents that the instruments being administered were for research purpose only and the response from the respondents will be kept confidential. The researcher obtained an introductory letter from the University in order to collect data from the field and then personally delivered the questionnaires to the respondents and they filled in and then collect the questionnaires later. The drop and pick

later method were used in the study. The questionnaires were sent to the respondents under a questionnaire forwarding letter. Follow ups were made and the fully completed questionnaires were picked from the respondents later by use of a re- search assistant or through email.

### 3.6 Instrument Validity and Reliability

#### 3.6.1 Validity

Validity refers to whether a questionnaire is measuring what it purports to measure (Bryman & Cramer 1997). It describes validity as the degree of congruence between the explanations of the phenomena and the realities of the world. While absolute validity is difficult to establish, demonstrating the validity of a developing. To ensure content validity, the questionnaire was subjected to thorough examination by two randomly selected research experts. They were asked to evaluate the statements in the questionnaire for relevance and whether they were meaningful, clear and loaded of offensive. On the basis of the evaluation, the instrument was adjusted appropriately before subjecting it to the final data collection exercise. Their review comments were used to ensure that content validity is enhanced. The validity was also enhanced by pre-tidying of the questionnaire and use of experts, who were advised on the relevant questions to include in the questionnaire.

#### 3.6.2 Reliability

Reliability refers to the repeatability, stability or internal consistency of a questionnaire (Jack& Clarke, 1998). Cronbachs alpha was used to test the reliability of the measures in the questionnaire (Cronbach, 1995). In this study, data collection instrument which is a questionnaire was tested on 10% of the sample of the questionnaires and this ensured that it is relevant and effective. Reliability was tested using questionnaire duly completed by seven (7) randomly selected respondents. These respondents were not included in the final study sample in order to control for response biasness. The questionnaire responses were input into statistical package for social sciences (SPSS) and Cronbachs alpha coefficient generated to assess reliability. The closer Cronbachs alpha coefficient is to 1, the higher the internal consistency reliability (Sekaran, 2006). A coefficient of 0.7 is recommended for a newly developed questionnaire.

**Table 3.2: Reliability**

Variable	No of items	Respondents	$\alpha$ =Alpha	Comment
Inventory Recording	6	7	0.7543	Reliable
Stock Audit	6	7	0.7987	Reliable
Inventory Management	6	7	0.8211	Reliable
Financial	5	7	0.7342	Reliable

The Cronbach alpha has been computed for the purpose of measuring the reliability of the administered questionnaire. This was achieved through the subjection of seven questionnaires to a randomly selected seven employees PEDN Mbale. The conclusion reached is that all the variables could be relied upon as the Cronbach alpha achieved was above 0.7 was used as the hurdle rate of reliability for the study.

### **3.7 Data Processing and Analysis**

Burns and grove (2003) define data analysis as a mechanism for reducing and organizing data to produce findings that require interpretation by the researcher. According to Hyndman (2008) data processing involves translating the answers on a questionnaire into a form that can be manipulated to produce statistics. This involves coding, editing, data entry, and monitoring the whole data processing procedure. After quantitative data is obtained through questionnaires, it was prepared in readiness for analysis by editing, handling blank responses, coding, categorizing and keyed into statistical package for social sciences (SPSS) computer software for analysis. The statistics generated included descriptive and inferential statistics. Microsoft excel was used to complement SPSS especially in production of charts and tables.

The particular descriptive statistics included frequencies and percentages while the particular inferential statistics included correlation analysis and regression. Correlation analysis established the association between the variables while a multiple linear regression model was used to test the significance of the influence of the independent variables on the dependent variable. The choice and justification of using a multiple linear regression model is that it is useful in testing the causal/effect relationship between internal control strategies and financial performance.

In order to test for causal relationship between the dependent and independent variables,  $R^2$  statistic, F statistic, regression/beta coefficients were evaluated for significance using p values. The critical p value was set at 0.05. The results were presented in form of tables and pie chart.

### **3.8 Ethical considerations**

Ethics is a code of conduct which the researcher is supposed to obey when conducting the study (Mugenda & Mugenda, 2003). Ethical considerations relate to the moral standards that the researcher should consider in all research methods in all stages of the research design (Polit & Beck, 2003). Due care was given to strict adherence of research procedures particularly those involving human subjects. Since the study involved human participants, care was taken to ensure that they are not affected negatively in any way and the research was not undertaken for personal gain (Mugenda & Mugenda, 2003). In addition, a research permit was sought before the research study begins. Therefore, approval was sought from PEDN Mbale before undertaking the actual

research. The other ethical issues that were observed throughout the research process included: confidentiality and anonymity, voluntary participation and fairness on the respondents. This meant that any respondent who felt uncomfortable to continue on the research was allowed to step down. The researcher also ensured that the data collected was treated with utmost confidentiality and was used for purposes of the research only.

## CHAPTER FOUR

### PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

#### 4.0 Introduction

This chapter comprised of data analysis, findings and interpretation. Results were presented in tables and diagrams. The analyzed data was arranged under themes that reflected the research objectives.

#### 4.1 Response Rate

70 questionnaires that were administered to the employees in PEDN Mbale branch. Table 4.1 shows the results

**Table 4.1: Response Rate**

Response	Frequency	Percent
Returned	62	88.53%
Unreturned	8	11.37%
<b>Total</b>	<b>70</b>	<b>100%</b>

*Source: Survey Data (2022)*

A total of 62 questionnaires were properly filled and returned. This represented an overall successful response rate of 88.53% as shown on Table 4.1. According to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of above 50% is adequate for a descriptive study. Babbie (2004) also asserted that return rates of above 50% are acceptable to analyze and publish, 60% is good, 70% is very good while above 80% is excellent. Based on these assertions from renowned scholars, 88.53% response rate is excellent for the study.

#### 4.2 Bio data Analysis

This section consisted of information that describes basic characteristics such as gender of the respondent, number of years worked.

##### 4.2.1 Gender of the Respondents

The respondents were asked to indicate their gender. The results were presented in figure 4.1 below.

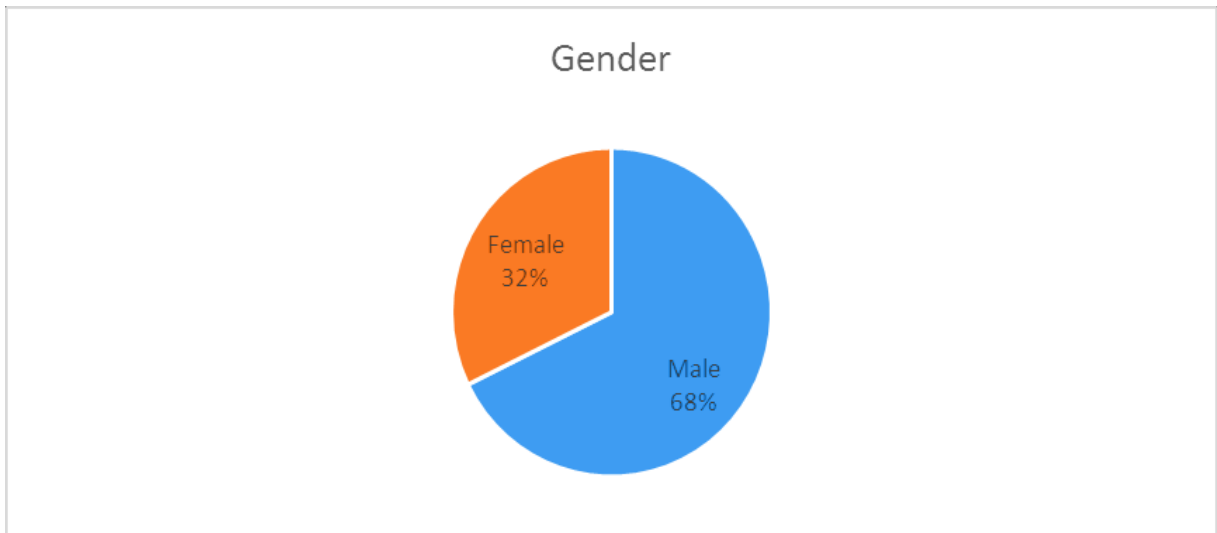


Figure 4.1: Gender of the Respondents

**Source: Survey Data (2024)**

The results indicated that majority of the respondents who were 68% were males while only 32% were female. This implies that most employees in PEDN were men.

#### 4.2.2 Age of the Respondents

The respondents were asked to indicate their age. The results were indicated in figure 4.2 below.

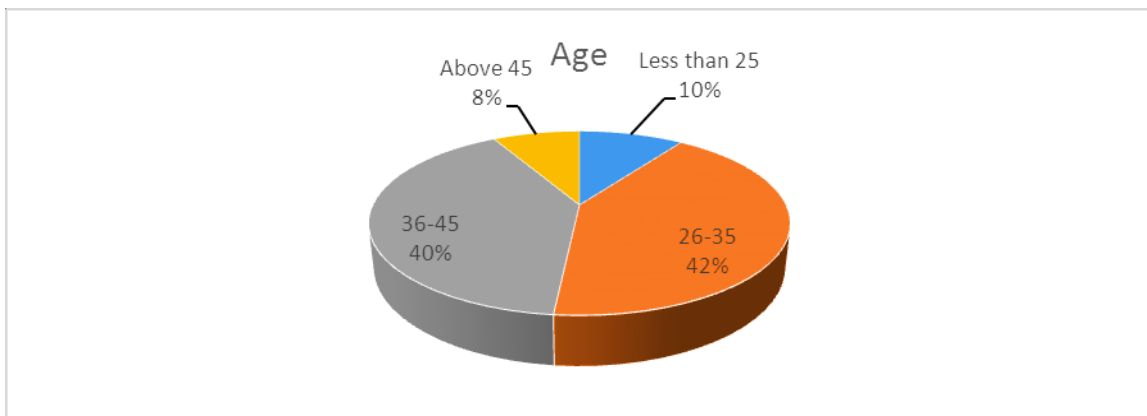


Figure 4.2: Age of the Respondents

**Source: Survey Data (2024)**

Majority of the respondents who were 42% were 26 — 35 years, 40% of the respondents were 36-45 years, 10% of the respondents were less than 25 years while only 8% were above 45 years. This implied that most of the employees in PEDN Mbale were middle aged people.

### 4.2.3 Level of Education

The respondents were asked to indicate their level of education. The results were indicated in figure 4.3 below.

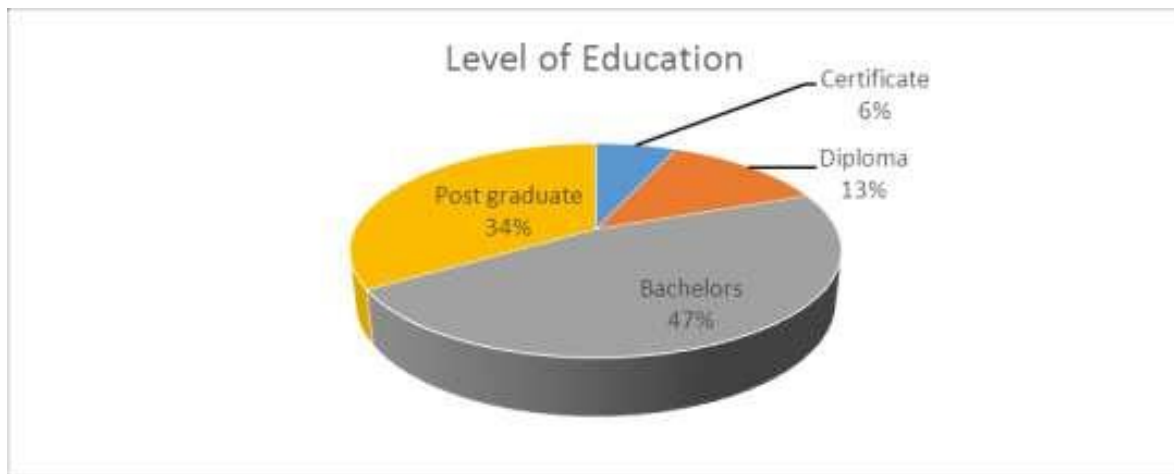


Figure 4.3: Level of Education

**Source: Survey Data (2024)**

Majority of the respondents who were 47% had bachelor’s degree, 34% of the respondents had post graduate degree, 13% of the respondents had diploma while only 6% had certificate. This implied that most of the employees in PEDN were educated people.

### 4.3.4 Years Worked

The respondents were also asked to indicate the years worked in the county treasury. The results were shown in figure 4.4 below.

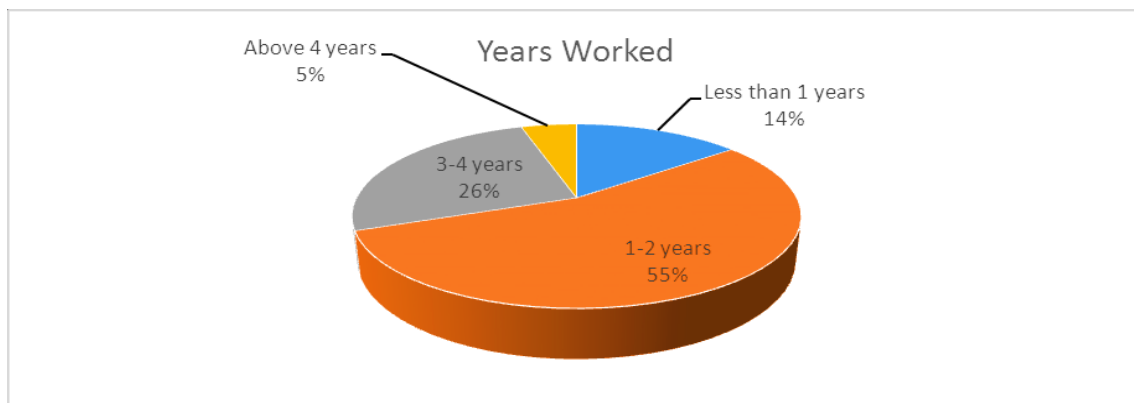


Figure 4.4: Years Worked

**Source: Survey Data (2024)**

Majority of the respondents who were 55% indicated that they had worked in the county treasury department for 1-2 years, 26% of the respondents indicated that they had worked for 3-4 years,

14% indicated that they had worked for less than 1 year while only 5% had worked for above 4 years.

### 4.3 Descriptive Statistics

#### 4.3.1 Inventory Recording and Financial Performance

The first objective of the study was to establish the effect of inventory recording on financial performance of PEDN Mbale branch. The results were presented in table 4.3 below.

**Table 4.3: Inventory Recording and Financial Performance**

Statements	SD	D	N	A	SA	Mean	Std Dev
Receiving documents are matched to purchase orders and invoices	6.50 %	17.7 0%	14.50 %	45.20 %	16.10 %	3.47	1.16
Inventory records are maintained based on periodic physical counts or a perpetual system	4.80 %	14.5 0%	6.50 %	50.00 %	24.20 %	3.74	1.13
PEDN Mbale keep accurate inventory records	4.80 %	16.1 0%	12.90 %	46.80 %	19.40 %	3.71	1.21
There is inventory warehousing systems in PEDN Mbale	8.10	9.70	4.80	51.60	25.80	3.77	1.18
Inventory recording affects performance of PEDN Mbale	3.20 %	16.1 0%	1.60 %	41.90 %	37.10 %	3.94	1.16
<b>Average</b>						<b>3.73</b>	<b>1.17</b>

**Source: Survey Data (2024)**

The results in table 4.3 revealed that majority of the respondents who were 61.3% (45.2% +16.1%) agreed with the statement that receiving documents are matched to purchase orders and invoices. These findings agreed with that of Wambua, Okibo, Nyangau and Ondieki (2015) whose results revealed a positive significant relationship between financial performance and Inventory warehousing system.

The results further revealed that majority of the respondents who were 74.2% agreed with the statement that inventory records are maintained based on periodic physical counts or a perpetual system. The results further revealed that majority of the respondents who were 66.2% agreed with the statement that PEDN Mbale keep accurate inventory records. The results further revealed that majority of the respondents who were 77.4% agreed with the statement that there are inventory warehousing systems in PEDN Mbale. The results further showed that majority of the respondents who were 79.0% agreed with the statement that inventory recording affects performance of PEDN Mbale.

The respondents were further asked to indicate other effect inventory recording have on financial performance of the county. Majority of the respondents indicated that inventory recording affects return on assets of the company

### 4.3.2 Stock Auditing and Financial Performance

The second objective of the study was to determine the effect of stock taking on financial performance of PEDN Mbale. The results were presented in table 4.4 below.

**Table 4.4: Stock Auditing and Financial Performance**

Statements	SD	D	N	A	SA	Mean	Std Dev
The number of locations that need to be audited in PEDN that affects the financial performance	8.10%	8.10%	33.90%	46.80%	3.20%	3.29	0.96
There is transparency in stock audit in PEDN	6.50%	3.20%	11.30%	56.50%	22.60%	3.85	1.02
The total count of stock that is available in PEDN affects the financial performance	3.20%	3.20%	9.70%	61.30%	22.60%	3.97	0.87
There is professional excellence among the audit team	4.80%	16.10%	14.50%	50.00%	14.50%	3.53	1.08
Stock audit affects financial performance of PEDN	3.20%	12.90%	4.80%	51.60%	27.40%	3.87	1.06
<b>Average</b>						<b>3.70</b>	<b>1.00</b>

**Source: Survey Data (2024)**

The results revealed that majority of the respondents who were 50.0% (46.8% + 3.2%) agreed with the statement that the number of locations that need to be audited in the county affects the financial performance.

The results also revealed that majority of the respondents who were 79.1% agreed with the statement that there is transparency in stock audit in PEDN.

The results further showed that majority of the respondents who were 83.9% agreed with the statement that the total count of stock that is available in the county affects the financial performance. The results also showed that majority of the respondents who were 64.5% agreed with the statement that there is professional excellence among the audit team in stock auditing. The results also showed that majority of the respondents who were 79.0% agreed with the statement that stock audit affects financial performance of the county.

On a five-point scale, the average mean of the responses was 3.70 which mean that majority of the respondents were agreeing with most of the statements; however, the answers were varied as shown by a standard deviation of 1.00. The respondents were further asked to rate the process of stock audit in their county. Majority of the respondents indicated that it was fairly good.

#### 4.3.4 Inventory Management Training and Financial Performance

The fourth objective of the study was to examine the effect of inventory management training on financial performance of PEDN Mbale branch. The results were presented in table 4.6 below.

**Table 4.6: Inventory Management Training and Financial Performance**

Statements	SD	D	N	A	SA	Mean	Std Dev
All employees in the training department undergo inventory Training	4.80%	4.80 %	17.70 %	46.80 %	25.80 %	3.84	1.03
There are seminars on inventory controls	9.70%	1.60 %	11.30 %	50.00 %	27.40 %	3.84	1.15
There is coaching and mentorship program on inventory control	4.80%	6.50 %	12.90 %	46.80 %	29.00 %	3.89	1.06
There exists career progression/path of employees	11.30%	6.50 %	12.90 %	53.20 %	16.10 %	3.56	1.18
Senior managers and supervisors nominate employees for training	8.10%	8.10 %	16.10 %	27.40 %	40.30 %	3.84	1.27
<b>Average</b>						<b>3.79</b>	<b>1.14</b>

**Source: Survey Data (2024)**

The results in table 4.6 revealed that majority of the respondents who were 72.6% (46.8% + 25.8%) agreed with the statement that all employees in the training department undergo inventory training. The results further showed that majority of the respondents who were 77.4% agreed with the statement that there are seminars on inventory controls. The results further showed that majority of the respondents who were 75.8% agreed with the statement that there is coaching and mentorship program on inventory control. The results further showed that majority of the respondents who were 69.3% agreed with the statement that there exists career progression/path of employees in the county. The results further showed that majority of the respondents who were 67.7% agreed with the statement that senior managers and supervisors nominate employees for training.

On a five-point scale, the average mean of the responses was 3.79 which mean that majority of the respondents were agreeing with most of the statements; however, the answers were varied as shown by a standard deviation of 1.14.

The respondents were further asked to indicate the challenges they encounter in inventory management training in the county. Majority of the respondents indicated lack of finances to support training programs.

#### 4.4 Inferential Statistics

Inferential analysis was conducted to generate model of fitness, and analysis of the variance and regression coefficients.

##### 4.4.1 Regression Analysis

The results in table 4.7 presented the fitness of model of regression model used in explaining the study phenomena.

**Table 4.7: Model Fitness**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
3	.661 <sup>a</sup>	.437	.398	.441

Source: Survey Data (2024)

Inventory recording, stock auditing and Inventory management training were found to be satisfactory variables in financial performance. This was supported by coefficient of determination also known as the R square of 43.7%. This meant that Inventory recording, stock auditing and Inventory management training explain 43.7% of the variations in the dependent variable which was financial performance. The results further meant that the model applied to link the relationship of the variables was satisfactory.

From the analysis, 43.7% variation in the dependent variable (financial performance) is explained by the model.

In statistics significance testing, the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant. Table 4.8 provided the results on the analysis of the variance (ANOVA).

**Table 4.11: Analysis of Variance**

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	Sum of Squares	DF	Mean Square	F	Sig.
Regression	8.613	4	11.062	22.153	<b>0.000</b>
Residual	11.095	57	0.195		
Total	19.708	61			

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**Source: Survey Data (2024)**

The results indicated that the overall model was statistically significant. Further, the results implied that the independent variables are good predictors of financial performance. This was supported by an F statistic of 22.153 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level.

**Table 4.9: Regression of Coefficients**

	<b>B</b>	<b>Std. Error</b>	<b>t</b>	<b>Sig.</b>
(Constant)	-0.649	0.689	-0.942	0.35
<b>Inventory recording</b>	0.293	0.132	2.213	<b>0.001</b>
<b>Stock Audit</b>	0.314	0.131	2.391	<b>0.000</b>
<b>Inventory Training</b>	0.355	0.126	2.811	<b>0.007</b>

**Source: Survey Data (2022)**

Regression of coefficients results in table 4.9 revealed that inventory recording has a positive and significant effect on financial performance (B=0.293, p=0.001). These findings agreed with that of Wambua, Okibo, Nyangau and Ondieki (2015) whose results revealed a positive significant relationship between financial performance and Inventory recording.

The table further indicates that stock audit has a positive and significant effect on financial performance (B=0.314, p=0.000). These findings agreed with that of Ziaee (2014) who found that there is a positive and significant relationship between stock audit and performance.

Lastly the study established that inventory training has a positive and significant effect on financial performance (B=0.355, p=0.007). These findings agreed with that of Chen, Hsu and Huang (2013) who found that both partners and assistants training have significantly positive effects on financial performance with the former occurring in the current and one-year-lagged periods and the latter occurring in the one-year-lagged and two- year-lagged periods.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter addressed the summary of the findings, the conclusions and the recommendations. This was done in line with the objectives of the study.

#### 5.1 Summary

This section provided a summary of the findings from the analysis. This was done in line with the objectives of the study. The first objective of the study was to establish the effect of inventory recording on financial performance of PEDN Mbale. The findings revealed that there was a significant effect of inventory recording on financial performance.

The second objective of the study was to determine the effect of stock taking on financial performance of PEDN Mbale. The findings revealed that there was a significant effect of stock taking on financial performance.

The third objective of the study was to examine the effect of inventory management training on financial performance of PEDN Mbale. The findings revealed that there was a significant effect of inventory management training on financial performance. The findings were also supported by the statements in the questionnaire which majority of the respondents agreed. This was also supported by the regression results which revealed that inventory management training had a positive and significant effect on financial performance.

#### 5.2 Conclusions

Based on the findings above the study concluded that Inventory recording, stock auditing and inventory management training have a positive and a significant effect on financial sustainability. The study concluded that effective implementation of strategic audit planning in PEDN has not been successful due and this has resulted to little improved audit practices in the country and thus leading to poor performance in the county.

The study concluded that highly automated organizations perform better than PEDN that still uses manual systems.

The study also concluded that organizations which conduct inventory training frequently perform better than organizations which lag behind in inventory training. In addition, coaching and mentorship programs for employees leads to better employee performance.

#### 5.3 Recommendations

The study recommended that there should be transparency in stock audit in PEDN. In addition, all the county government should be automated so as to improve their performance.

The study also recommended that the auditor should obtain the understanding of the accounting and internal control systems in the organization; consider the complexity of the entity's systems and controls and the manner in which they are used.

The study also recommends that the county government should organize frequent inventory trainings for all the employees in the inventory training departments. The county government should also introduce coaching and mentorship programs on inventory training for all the employees in the county government.

#### **5.4 Areas for Further Studies**

The study sought to examine inventory controls and financial performance of PEDN. This study, therefore, focused on PEDN, thus area for further studies could consider other NGOs in Uganda for the purpose of making a comparison of the findings with those of the current study. This study considered financial performance; further studies should also consider project performance in Uganda. Also, financial management control systems should be considered in further studies.

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## APPENDICES

### APPENDIX I: QUESTIONNAIRE

Iam Nahyuha Victoria is a bachelor's student of business administration at Uganda Christian University carrying out research on "the Inventory control and the Financial Performance of PEDN Mbale branch." This is, to kindly request for your time and co-operation to tick or fill in blank spaces with your most suitable answer or response. The information provided will be confidential and only used for the purpose of academic.

#### **SECTION 1: BASIC INFORMATION**

##### 1. Gender of respondents

Male   
Female

##### 2. How old are you? (Years)

Less than 25:   
26-35:   
36-45:   
Above 45:

##### 3. What is your level of education?

Certificate   
Diploma   
Bachelors   
Post graduate

##### 4. For how long have you worked with this County government?

Less than 1 year:   
1-2 years:   
3-4 years:   
Above 4 years:

**SECTION 2: EFFECT OF INVENTORY RECORDING ON FINANCIAL PERFORMANCE**

**5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree, 1= Strongly Disagree**

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
Receiving documents are matched to purchase orders and invoices					
Inventory records are maintained based on periodic physical counts or a perpetual system					
PEDN keep accurate inventory					
There are inventory warehousing systems in PEDN					
Inventory recording affects performance of the county government					

6. What other effects does inventory recording have on financial performance of PEDN

.....  
 .....

**SECTION 3: EFFECT OF STOCK AUDIT ON FINANCIAL PERFORMANCE**

**5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree, 1= Strongly Disagree**

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
The number of locations that need to be audited in the county affects the financial performance					
There is transparency in stock audit in the county					

The total count of stock that is available in the county affects the financial performance					
There is professional excellence among the audit team in stock auditing					
Stock audit affects financial performance of the county					

8. How would you rate the process of stock audit in PEDN? Explain

.....  
 .....

**SECTION 5: EFFECT OF INVENTORY MANAGEMENT TRAINING ON FINANCIAL PERFORMANCE**

**5= Strongly Agree, 4= Agree, 3= Neutral, 1= Disagree, 2= Strongly Disagree**

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
All employees in the training department undergo inventory training					
There are seminars on inventory controls					
There is coaching and mentorship program on inventory control					
There exists career progression/path of employees in the county					

12. What are the challenges you encounter in inventory management training in the county?

.....  
 .....

**SECTION 6: FINANCIAL PERFORMANCE**

<b>Statement</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
	1	2	3	4	5
The county was able to meet recurrent expenditure such as staff salaries					
The county was able to meet principal loan repayments					
The county was able to maintain all its operations					
All levies are dully corrected					
Our County's Accounting system adequately identifies the receipts and expenditure of grant contracts					

**APPENDIX II: KREJCIE & MORGAN TABLE 1970**

<b>N</b>	<b>S</b>	<b>N</b>	<b>S</b>	<b>N</b>	<b>S</b>	<b>N</b>	<b>S</b>	<b>N</b>	<b>S</b>
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

**N= population S=Sample size**

APPENDIX III: RESEARCH INTRODUCTORY LETTER



**UGANDA CHRISTIAN  
UNIVERSITY, MBALE UNIVERSITY COLLEGE.**  
A Centre of Excellence in the Heart of Africa

Academic Registrar office

To: MANAGER PEDN  
MBALE BRANCH

Dear Sir/Madam,

Re: Academic Research

Christian greetings!

We are honored to introduce to you Mr. Mrs./Miss. NAMUHHA VICTORIA JOYCE  
Of Registration Number; KES1/MUC/BBK1034 pursuing a Masters'  
Degree/Postgraduate Diploma / Bachelor's Degree  
GRADUATE BACHELOR'S DEGREE

He/ she is required to carry out an academic research on the topic  
INVENTORY CONTROL AND FINANCIAL PERFORMANCE OF PEDN UNDER  
UCX10 - MBALE BRANCH

and thereafter produce a well bound hard cover research report (MAROON) in color for undergraduate and three (BLACK) copies for Postgraduate students as a University requirement for the award of a degree/diploma in the academic discipline that he / she is pursuing.

We shall be grateful for the help you may offer to him or her accordingly.  
Thank you.  
Yours faithfully,

  
Timothy Akampurira  
Academic Registrar UCU-MUC

28 FEB 2024

For PEDN MANAGER

Please Allowed to  
Proceed with  
Research

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0789648234