

KALID SAID MOHAMED ABDULLE

214-035053-06788

**EFFECT OF INVENTORY MANAGEMENT PRACTICES ON FINANCIAL
PERFORMANCE OF ALFADLI GENERAL TRADING COMPANY IN BOSASO,
SOMALIA**

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ABSTRACT

This study was carried out to examine the effect of inventory management on financial performance of Alfadli trading company in Somalia. Specifically, it sought to establish how inventory planning, inventory monitoring and supplier managed inventory relate with financial performance of Alfadli trading company. The study adopted a correlational research design to establish the relationship between dependent and independent variables of the study. Data was collected from respondents by use of questionnaires and interview guides. Census and simple random sampling techniques were used to select 144 respondents out of the study population of 240 employees in Alfadli trading company. Pearson correlations and multiple regression analysis were used to establish the relationship among the study variables. The correlations revealed that there was a statistically significant positive relationship between components of inventory management (Inventory planning, $r=.535$, $p\text{-value}<.005$), Inventory monitoring, $r=.677$, $p\text{-value}<.005$), and Supplier managed inventory, $r=.721$, $p\text{-value}<.005$) and financial performance of Alfadli trading company. The general implication was that efficient inventory management practices have a statistically significant positive effect on the financial performance of Alfadli trading company. In addition, a stepwise multiple regression analysis was also carried out and revealed that supplier managed inventory is the most significant predictor to financial performance of Alfadli trading company. Its relationship with financial performance of Alfadli trading company is 72%; its effect on the sample is 52% while its effect on the population is 51.6%. The results further indicated that a combination of the three variables (inventory planning, inventory monitoring and supplier managed inventory) would explain up to 67.5% change in financial performance of Alfadli trading company on the selected sample and 66.7% on the total population. The researcher study consequently recommended that Alfadli trading company management needs to ensure that the inventory plan is communicated to all departments, disciplinary actions are taken against any perpetrators of inventory irregularities and thorough evaluation of suppliers' ability to supply inventory in time is regularly carried out in the organization.