

## **INTRODUCTION**

### **1.1 Background of the Study**

When scholars first introduced the word “inventory”, they use the word stocks that are kept on store for use as the need arises. However, inventory includes all those goods and materials used in the production and distribution processes. Raw materials, components parts, sub-assemblies and finished products are all part of inventory as well as the various supplies required in the production and distribution process.

Inventory (or stock control) is defined by Jessop and Morrison (2010) as the operation of continuously arranging flows of materials so that stock balance are adequate to support the current rate of consumption, with due regard to economy.

Inventory ties up capital, use storage space require handling, deteriorate, sometimes become obsolete, incur taxes, require insurance, can be stolen, and sometimes are lost. Furthermore, inventory frequently compensates for sloppy and inefficient management, including poor forecasting, haphazard scheduling and inadequate attention to setup and ordering process. In other words, inventory may hide inadequacies and allows management to ignore them, in such cases inventory increases cost and productivity without enhancing net income, it is a liability regardless of where it is carried on the organizations balance sheet. In addition, if an organization has the wrong items in inventory, the situation is worsened. However, the benefits of a properly managed inventory outweigh the costs of maintaining it. The absence of the appropriate inventory will halt a production process. Lack of competent parts will short down an assembly line with partially complete ones collecting dust.

An expensive piece of earth-moving requirement may be idle by lack of an inexpensive replacement part. A patient may die due to the unavailability of plasma. The learning process will be hampered by the no arrival of texts. And in many cases, good customers may become irate and take their business elsewhere if the desired

product is not immediately available. The availability of the right items at the right time and in the right place supports the organizational objectives of customer's service, productivity, profit and return on investment. This is true in manufacturing, wholesale, retail, healthcare, and educational organizations. An inventory can be an asset in the full sense of the word. Measures of performance and productivity may differ among organizations, but all need adequate inventory management.

Also, it includes the related process of provisioning, which is the determination of requirement in advance, stock control is a way of regulating the levels of supplies in stock to avert stock excesses or deficiencies. It also involves techniques used to ensure that stocks are kept at levels that guaranteed maximum service levels at minimum costs.

Stock control involves the following processes

1. Assessing the items to be held in stock
2. Deciding the extent of stock holding of items individually and collectively
3. Regulating the input of stock into the store house
4. Regulating the issue of stock from the store house

All business and institution require inventories, often they are substantial part of total assets. Financially, inventories are very important to manufacturing companies, on the balance sheet, they usually represent form 20% to 60% of total assets, inventory are used, their value is converted into cash which improves cash flow and return on investment.

There is a cost for carrying inventories, which increase operating costs and decreases profit. Good inventory management is essential, inventory is an idle stock of physical goods that contain economic value and held in various forms by an organization in its custody awaiting packing, processing, transformation, we or sale in future point of times.

Since the inventory or stock in the company or firm determine to a greater extent the prosperity and success of a firm. Therefore, there is need for good management and

control of inventory in order for it to bring a more positive impact to the firm or company. Some scholars also defined inventory management as an effort for planning and controlling of inventory from the raw material stage to the customers for consumption or further production.

According to Breton (2007) is a major interest of purchasing managers in many industries, the inventories comprises a substantial share of the firm assets. If the productivity of the inventory asset can be enhanced, improvement will go directly to the bottom line. The function of purchasing is directly influenced by inventory management decision

To get the most value out of our resources, we must design production process that make product more effectively. Once the process exists, we need to manage their operation so that they produce goods most economically. Managing the operation means, planning for and controlling the resources used in the process.

If the right stocks in the right quantities are not available at right time, the process cannot produce what it should, labour and machinery will be poorly utilized. The profitability and even the existence, of the company will be threatened inventory management and control system are designed to monitor product availability, determining purchasing schedules and cycle out obsolete or unsold product.

Others scholars like “Anderson” also regard inventory management is the art and science of managing, to have the right product at the right time and right place in exactly the right amount, at the best possible price. It held to reduce the amount to time that product sits on your shelves.

To this ends, to keep inventory investment and inventory losses at a practical minimum. In as much as objective (i) is achieved by keeping inventory, this should not be done at a loss. Sound purchasing and supply management aims at efficient management and control of inventory levels in the overall interest of an organization. When optimum inventory levels are maintained, efficient utilization of capital is achieved with a resultant attractive return on investment (ROI). A good inventory

system ensures the development and maintenance of good stocking policies, records and procedures which ultimately combat fraudulent supply practice

Therefore, every organization constantly strives to maintain optimum inventory to be able to meet its requirement and avoid over or under inventory that can impact the financial figure and profitability, should implement this system.

## **1.2 Statement of the Problem**

The following problem was identifiable in the organization of my case study which retains my desire to embark on this research.

### **Lack of Continuous arrangement of flows of material**

This is the major problem of the organization, the operation of continuously arranging flow of materials so that stock balances are adequate to support the current rate of consumption with due regard to economy is unavailable.

### **Low Increment in cost of goods sold**

Inventory management and control system is the only measures for lowering cost of goods. Since they is absent of inventory management and control system, increase in cost of goods sold become obvious.

### **High amount of obsolete and unsold product**

A well design inventory management and control system, give the manufacturing company ability to reduce the amount of time that product sits on the shelves. But since they is no effective inventory management and control system in this organization, this give room to increase in the number of obsolete and unsold product.

## **1.3 PURPOSE OF THE STUDY**

The study is specifically undertaken to achieve the following purpose;

1. To examine the impact of inventory management and control system in the performance of a manufacturing company.
2. To unveil the relationship between inventory management and control system in the performance of a manufacturing company.
3. To find out whether inventory management and control system can coexist.

4. To diagnose the positive impact of inventory management and control system.
5. To examine the negative impact of inventory management and control system on performance of a manufacturing company.

#### **1.4 OBJECTIVES OF THE STUDY**

Some of the objectives to be achieved at the end of this study are as follows;

1. To provide a dependable solution to the problems in the organization.
2. To find out the impact of inventory management and control system in purchasing and supply of inventory in the manufacturing company.
3. To uncover what inventory management and control system is all about.
4. To make good recommendation on the topic.

#### **1.5 RESEARCH QUESTIONS**

1. Is there any relationship between inventory management and controlling system in the performance of a manufacturing company?
2. Does inventory management and control system has any positive impact on the performance of a manufacturing company?
3. Is there any reason for inventory management and control system in manufacturing company?
4. Does inventory management and control system help organization to be more profitable?

#### **1.6 RESEARCH HYPOTHESIS**

##### **Hypothesis 1**

**Ho:** There is no relationship between inventory management and control system in manufacturing company

**H1:** There is a relationship between inventory management and control system in manufacturing company?

#### **1.7 SIGNIFICANCE OF THE STUDY**

The study is specifically designed to help the organization of my case out of the present condition, by proffering dependable solution to the problem facing the

organization. The study is also designed to be useful for student in tertiary institution in advancing their knowledge about this topic and broadening their horizon.

Moreover, researcher in different researching organization will find the work meaningful, as it will act as a framework for further research work on this topic and help update studies previously undertaken on this topic.

### **1.8SCOPE OF THE STUDY**

This study is concerned with the impact of inventory management and control system in the performance of a manufacturing in SIBA water company, number 105 Uyo Road. Inventory as I had already said is the life blood of any business. Most firm productivity and profitability is determined by how effective their inventory management and control system is;

Nevertheless, while embarking on this study a number of constraints were met. These constraint ranging from lack of money to make around for data collection, typing and photocopying, as well as inadequate time to carry out the study.

### **1.9 LIMITATION OF STUDY**

This particular area of research limited to the impact of inventory management and control system in the performance of a manufacturing company in Nigeria with a particular reference to Siba Water Company Ltd, No 105 Uyo Road, Ikot Ekpene L.G.A. The references will be drawn from general concepts

### **1.10 DEFINITION OF TERMS**

**Control:** – Control means the supervision of all the relevance operations with the help of control mechanism that feeds back the progress of the work. (Onah 2008),

## **IMPACT OF INVENTORY MANAGEMENT AND CONTROL SYSTEM IN THE PERFORMANCE OF A MANUFACTURING COMPANY IN NIGERIA (A STUDY OF SIBA WATER COMPANY, IKOT EKPENE LOCAL GOVERNMENT AREA.)**

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