

ABSTRACT

The overall objective of the study was to find out the impact of inventory management on the financial performance of Arusha International Conference Center. The study was guided by three objectives: To examine inventory management techniques used at AICC, to establish how effective inventory management affects financial performance the organization, to demonstrate the relationship between effective inventory management techniques and financial performance at AICC. Data was collected using questionnaires and interview guide. During data collection, both qualitative and quantitative methodologies were used to analyze data as a sample size of 30 respondents was used. The study concluded that AICC maintains a good inventory management system though there were some inventory management problems identified. These problems are not attributed to the system but rather to the kind of business that the organization engages it's self into. There is also a strong relationship between inventory management and the financial performance of the organization as seen from the findings, that a poor inventory system leads to high costs whereas a proper one instead reduces the unnecessary costs in an organization. The study recommended the firm should adopt a recommended stock valuation method as the currently used method does not comply with the Generally Accepted Accounting Practices (GAAP) however much it states profits properly. The organization should diversify their inventory system, to suit specific needs of production. Inventory management should maximize space and timely delivery to avoid staying off production. The over-riding need for any method of stock allocation should be customer satisfaction. Cost minimization techniques should be employed in the keeping and allocation of inventory. Lastly, management in manufacturing companies is recommended, to always forward planning, centralize the purchase and store function, carry out stock taking exercise periodically, top management in most organizations to emphasize on the proper inventory management techniques and measuring of efficiency deviations to identify weaknesses in the process of managing inventories, managers in organizations to undertake forward production planning.

