

ASSESSING THE EFFECT OF STOCK MANAGEMENT ON BUSINESS PERFORMANCE: *A Case Study of Area 3 Market, Lilongwe, Malawi, Central Africa.*

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ABSTRACT

Effective stock management is a critical factor influencing the performance, profitability, and sustainability of businesses, particularly Small and Medium Sized Enterprises (SMEs) operating in competitive and resource constrained environments. In Malawi, businesses in urban trading centers such as Area 3 Market face inventory related challenges, including stock-outs, overstocking, poor storage practices, and the sale of expired or contaminated goods. These challenges result in financial losses, reduced customer satisfaction, reputational damage, and non-compliance with regulatory standards. Despite the importance of inventory control, there is limited empirical evidence on how stock management practices affect business performance in local markets, particularly among SMEs and informal enterprises. mixed-methods approach was employed, with both quantitative and qualitative data collected using structured questionnaires administered to business owners, store managers, and inventory clerks. The study investigated key practices, including inventory control, stock monitoring, storage procedures, and demand forecasting, and assessed their impact on business performance indicators such as sales, profitability, customer satisfaction, and regulatory compliance.

Findings revealed that ineffective stock management contributed to stock shortages, accumulation of slow moving and expired goods, increased operational costs, and diminished customer trust. Businesses that implemented regular stock monitoring, proper storage, and structured inventory control techniques demonstrated improved sales, reduced losses, enhanced compliance, and higher customer satisfaction. The study also highlighted challenges such as reliance on manual systems, limited technical knowledge.

The study concludes that effective stock management is a significant determinant of business performance in Area 3 Market. It recommends adopting structured inventory systems, providing training for business operators, and strengthening regulatory support to enhance compliance and operational efficiency. The findings offer valuable insights for business owners, policymakers, and support institutions seeking to improve stock management practices and overall business sustainability in Malawi.

INTRODUCTION

1.1 Introduction

In any business that deals with physical products, stock management is one of the most important elements for success. When stock is managed properly, everything in the business tends to run more smoothly. Imagine a shop that always has what you need, no delays, no “come back tomorrow.” That does not happen by chance but through careful tracking of what sells quickly, what needs to be reordered, and what isn’t moving at all. This attention to detail helps the business operate more efficiently and keeps customers satisfied.

According to Adam Hayes stock management is the process of overseeing and controlling the ordering, storage, tracking and use of a company’s inventory while business performance refers to how effectively an organization achieves its objectives and goals (Hayes, 2024). Good stock management helps avoid two major problems which are, stock outs and overstocking. Stock outs can lead to lost sales and unhappy customers, while overstocking ties up money and leads to waste, especially when products expire, become outdated, or lose demand. Striking the right levels of inventory helps to reduce costs, avoid waste, and meets customer needs in time. It's like cooking just the right amount of food for guests and feed everyone, and nothing goes to waste.

In simple terms, stock management acts like the engine of a product based business. If it's steady and well regulated, the business is likely to survive and grow. If it’s weak or irregular, the whole operation can suffer. In today’s fast moving and competitive business environment, proper inventory control is essential for survival, profitability, and long-term growth. Businesses need to keep just enough inventory to meet customer demand without holding more than necessary, which can lead to high storage costs or losses.

The way inventory is managed can have a direct impact on many areas of business performance, including profit margins, operational efficiency, customer satisfaction, and even decision making. According to Jagdeep, inventory performance directly affects revenue through business performance, pricing strategies, and overall financial control (Singh, 2022). Arlene Wilson adds that successful inventory management involves several

key activities such as stock monitoring, ordering, storage, and replenishment that ensure smooth day to day operations. When done well, these practices can help reduce excess inventory, lost sales, forecasting errors, and customer complaints. At the same time, they can improve how quickly a business responds to changes in market demand and customer preferences.

Globally, businesses are undergoing major changes due to rapid advancements in technology, shifting customer behaviors, and increasing market competition. To stay ahead, many companies are turning to data driven stock management systems that help them forecast demand more accurately, automate reordering, and track stock levels in real time. These changes are reshaping the way inventory is handled across various sectors.

However, in Malawi particularly in Lilongwe's Area 3 Market many businesses still face serious challenges when it comes to stock management. Area 3 is a busy and important market that serves the daily needs of a large urban population. Despite their critical role in the local economy, many businesses in this area operate without proper stock control systems. Common issues include frequent stock outs, overstocking, poor record keeping, and a lack of modern inventory technology. These problems often lead to inefficiencies, lost sales, higher operating costs, and reduced customer satisfaction.

This study aimed to assess the effect of stock management practices on business performance in Area 3 Market. The goal was to examine how well businesses in this market manages their inventory and how that affects their ability to operate effectively and grow. Specific stock management practices explored include procurement planning, storage methods, inventory tracking, demand forecasting, and the use of technology. The study examined how these practices relate to key indicators of performance, such as profitability, efficiency, and customer retention.

To achieve this, data was collected using structured questionnaires administered to shop owners, store managers, and inventory staff within Area 3 Market. The research identified common stock management challenges and evaluated their impact on overall business performance. The insights gathered from this study were expected to offer practical recommendations that can help local businesses improve their stock management systems.

By doing so, they can reduce waste, meet customer needs more effectively, and boost their chances of long-term success.

1.2 Background of the Study

Stock management is a critical function in the business sector that significantly affects business performance, customer satisfaction, and compliance with industry standards. It involves the proper planning, control, and oversight of inventory from procurement and storage to distribution and replenishment. Effective stock management ensures that goods are available in the right quantities, at the right time, and in good condition. When stock is poorly managed, it can result in losses due to increased operational costs, expired or damaged goods, customer dissatisfaction, and in severe cases, regulatory sanctions.

In practice, businesses operating in Area 3 face several stock management challenges. Many do not maintain accurate stock records or have reliable systems for monitoring inventory turnover, expiry dates, or reorder levels. As a result, business owners often react to demand inconsistently, either underestimating or overestimating the quantity of stock required. This lack of consistency leads to a range of negative consequences. Customers were disappointed by unavailable products, capital was locked in unsold goods, and businesses face increased risks of losses due to spoilage, expired stock, or theft. Additionally, poor inventory visibility made it difficult for businesses to forecast demand, evaluate performance, or make informed procurement decisions.

Several high profile cases in Malawi had illustrated the impact of poor stock control on business operations. The closure of major outlets in March 2025 due to expired and contaminated stock, and the sugar shortages that disrupted sales across numerous stores and processing businesses, highlight systemic weaknesses in inventory planning and regulation.

It was within this context that this study sought to assess the effect of stock management on business performance, focusing specifically on businesses in Area 3 market. By examining how the business owners handled their inventory processes from procurement and storage to monitoring expiry dates and maintaining product availability. The study aimed to establish whether there was a direct relationship between stock management

practices and key performance indicators such as sales, customer satisfaction, profitability, and regulatory compliance. The findings were expected to provide practical insights that can guide businesses in improving their stock control mechanisms and enhancing their overall operational effectiveness in Malawi's competitive market environment.

1.3 Problem statement

Stock management is a critical component of operational efficiency and business performance. However, many businesses in Malawi, particularly in urban trading centres such as Area 3 Market, continue to experience persistent inventory related challenges that negatively affect their operations. Common problems include frequent stock-outs of basic goods, overstocking of slow-moving items, and poor handling and storage of inventory. These challenges result in financial losses, missed sales opportunities, reduced customer satisfaction, and exposure to regulatory penalties, despite growing awareness of the importance of effective stock management (Goswami, 2025).

Recent incidents in Malawi have highlighted the seriousness of poor inventory control. In 2025, the Malawi Bureau of Standards (MBS) conducted inspections in major cities, including Lilongwe, which led to the temporary closure of several retail outlets after expired and poorly stored products were discovered as reported by Maravi post (Reporter, 2025). These findings demonstrated how inadequate stock monitoring and storage practices can compromise consumer safety, damage business reputations, and lead to legal consequences. Similarly, stock shortages have disrupted business operations, as seen during the sugar shortage in early 2025, when some retail outlets were temporarily closed for hoarding. The shortage caused empty shelves, long queues, and customer dissatisfaction, revealing weaknesses in inventory forecasting and stock planning.

These cases show that ineffective stock management not only undermines regulatory compliance but also affects profitability, customer trust, and business continuity. Losses from expired stock, fines from regulators, and lost revenue due to unmet demand pose serious risks to business performance. Beyond financial impacts, such challenges weaken consumer confidence and raise concerns about the quality of business practices in Malawi.

Despite these developments, there is limited local empirical research examining the relationship between stock management practices and business performance, particularly among small and informal enterprises operating in marketplaces such as Area 3 Market. Many businesses lack clear inventory policies and performance evaluation mechanisms, making it difficult to identify weaknesses and implement sustainable improvements (Gupta, 2011). Therefore, this study seeks to examine how stock management practices affect business performance in Area 3 Market, with the aim of generating evidence based recommendations to improve efficiency, customer satisfaction, and regulatory compliance.

1.4 Research Objectives

1.4.1 The main objective of the study

To assess the effect of stock management on business performance in area 3 Market.

1.4.2 Specific objectives

1. To examine how businesses in area 3 Market manage their stock.
2. To examine the impact of stock management on business performance in area 3 Market.
3. To identify the challenges faced by businesses in managing stock in area 3 Market.

1.5 Research Questions

1. How do businesses in area 3 Market manage their stock?
2. What impact does stock management had on business performance?
3. What challenges did businesses face in managing their stock?

1.6 Significance of the Study

This study is significant because it addresses stock management as a critical factor influencing business efficiency, profitability, and sustainability. In the Malawian context, particularly in urban trading centres such as Area 3 Market, businesses continue to face challenges including stock-outs, overstocking, expired goods, and poor storage practices. These challenges lead to financial losses, reduced customer satisfaction, reputational damage, and regulatory risks. By examining how these problems arise, the study provides insights into how improved inventory control practices can enhance overall business performance.

The study is particularly beneficial to business owners, especially Small and Medium-Sized Enterprises (SMEs), by highlighting the relationship between stock management practices and key performance indicators such as sales, customer satisfaction, and regulatory compliance. The findings offer practical guidance that businesses can use to improve decision making, reduce inventory related losses, and operate more efficiently, especially in environments where stock management is largely manual or poorly structured.

The study also holds value for policymakers and regulatory institutions such as the Malawi Bureau of Standards (MBS) and the Ministry of Trade. In light of recent incidents involving expired and poorly stored products that resulted in the closure of several retail outlets, the findings provide evidence based insights that can inform the development of stronger inventory regulations, monitoring systems, and support programs for SMEs.

From an academic perspective, the study contributes to existing literature by filling a gap in local empirical research on stock management and business performance in Malawi. While inventory management has been widely studied globally, limited research has focused on SMEs and informal markets such as Area 3 Market. The study therefore serves as a useful reference for future researchers and training programs aimed at improving stock management practices in similar developing economy contexts.

Overall, by identifying key inventory challenges and proposing practical solutions, the study provides valuable guidance for business owners, policymakers, and support institutions, while also contributing to the broader body of knowledge on inventory management in developing economies.

1.7 Structure of the Report

The report is organized into five chapters.

Chapter One introduces the study, provides background, outlines the problem, states the research objectives and significance, and research questions.

Chapter Two reviews relevant literature on stock management and business performance.

Chapter Three outlines the research methodology used in the study.

Chapter Four presents Data presentation, analysis, interpretation and findings

Chapter Five presents the Conclusion and recommendations of the study

1.8 Chapter Summary

Stock management significantly influences business efficiency, profitability, and sustainability. In Malawi's urban centers like Area 3 market, many businesses faced stock related issues such as stock outs, overstocking, and expired goods, which led to financial losses and customer dissatisfaction. Despite growing awareness, many enterprises relied on informal inventory practices, exposing them to inefficiencies and risks.

The incidents, including MBS closures and a nationwide sugar shortage, had highlighted the serious consequences of poor stock management. Many businesses lacked proper systems for tracking stock, forecasting demand, and ensuring regulatory compliance.

This study explored the relationship between stock management and business performance in the Malawian context. It aimed to provide practical recommendations for improving inventory systems, especially for small and medium sized enterprises. The research supported policymakers with evidence based insights to strengthen business practices and promote sustainable growth.

RESEARCH METHODOLOGY

3.1. Introduction

This chapter presents the research methodology that guided the study titled 'Assessing the Effect of Stock Management on Business Performance: A Case Study in Area 3 Market.' A research methodology outlined the process and techniques used to collect, analyze, and interpret data. It included the research design, data collection methods, analysis techniques and the overall framework for achieving the study's objectives. A well-defined methodology ensures the reliability, validity, and reproducibility of research outcomes (Sreekumar, 2023). This chapter discusses the research design, setting, target population, sampling technique, sample size, data collection instruments, pilot study, data analysis, and ethical considerations.

3.2.1 Research Design

Research design refers to the overall strategy that guides how a study is conducted. It provides the structured framework for the collection, measurement, and analysis of data to address the research problem effectively.

In this study a descriptive research design was adopted with the aim to describe and understand the current stock management practices and assess how these practices relate to their operational performance among businesses in area 3 market without manipulating anything, As, quoted by Creswell “Descriptive research is type of research method that allows a researcher to systematically describe the characteristics, behaviors, or conditions of a particular group, situation or circumstance without influencing or manipulating the environment” (Creswell, 2009). In this context, the study aimed to obtain, document, and analyze the current stock management practices among businesses in Area 3 Market, as well as assess their relationship with business performance. To achieve this, the study used a questionnaire containing elements of both quantitative and qualitative approaches. This allowed the collection of both numerical data and detailed personal insights. This was important because it provided a more complete and balanced view of the subject under investigation.

The study targeted retail sector participants including business owners, store managers, sales personnel, and inventory clerks. A mixed methods approach enhanced the comprehensiveness of findings and supported cross verification (Bryman, 2012).

3.2.2 Research Methodology

The research methodology refers to the approach, tools, and techniques used to carry out the study. A mixed-methods approach was used, combining both quantitative and qualitative methods. This approach was chosen to enable a more comprehensive understanding of the topic. While quantitative data provided a measurable patterns in stock management and performance, qualitative insights helped to explain the reasoning behind certain practices and challenges faced by the participants.

Primary data was collected using structured questionnaires amongst participants from various retail businesses. This included business owners, store managers, sales personnel,

and inventory clerks. The questionnaire covered key areas such as inventory tracking systems, stock control methods, frequency of stock outs, and overall perceptions of operational efficiency. The choice of respondents was purposive, focused on individuals with direct involvement in stock management activities.

Data analysis involved the use of simple statistical tool to identify trends and relationships between stock practices and performance indicators such as product availability, order fulfillment rates, and sales turnover. Qualitative responses thematically analyzed to extract common views and insights that supported and clarify the quantitative findings.

Ethical considerations was strictly observed. Participants were assured of confidentiality and anonymity, and their participation was voluntary. This ensured that the data collected was not only reliable but also ethically sound.

3.3 Research Setting

The research was conducted in Area 3 Market, a trading center located in Lilongwe, Malawi. This market was selected due to its diversity of small to medium sized enterprises (SMEs), ranging from grocery stores, stationery to hardware shops, most of which operate in informal or semi-formal settings. Area 3 Market represents a typical urban trading center where stock management is often based on intuition and experience rather than structured systems. Conducting the study in this environment provided an opportunity to explore real world constraints and informal stock practices in a resource limited context.

3.4 Target Population

Population refers to the entire group of individuals or entities sharing common characteristics under study (Willie, 2024).. The population comprised 300 businesses operating in Area 3 Market.

Target population refers to the group from which the researcher draws conclusions (Frederic, 2021). According to (Mugenda, 2017, it must consist of individuals with relevant knowledge. This study targeted business owners, store managers, inventory clerks, and sales personnel, as they are directly involved in stock management and performance evaluation.

3.5 Sampling Technique

Sampling is the process of selecting a subset of a population for analysis (Ahmed, 2024)

Purposive and convenience sampling techniques were used. Purposive sampling identified knowledgeable respondents such as business owners and managers (Memon, 2025), while convenience sampling allowed selection of readily available participants (Alex, 2024). This approach ensured efficient data collection while capturing diverse perspectives.

3.6 Sample Size

This study had a population size of 300 businesses. Targeted a sample size of 172 participants including business owners, store managers, sales personnel, and inventory clerks. This number was considered sufficient for an exploratory study of this nature, provided a manageable yet representative pool of respondents from different sectors within the market (Marshall, 1996). The sample was expected to provide insights into variations in stock management techniques across different types of businesses, as well as their impact on operational performance and financial outcomes.

I used Slovin's formula to calculate the sample size. According to (Anitha Vijayakumar) it is a statistical method used to determine the sample size needed for a survey or research study when the population size is very large and is not feasible to survey the entire population. It provides an estimate of the sample size required to achieve a certain level of confidence in the survey results. Below is the method

Slovin's formula

$$n = \frac{N}{1 + N(e)^2}$$

Where;

n = sample size

N = population size of 300

e = margin of error (in decimal) of 0.05

$$n = \frac{300}{1 + 300(0.05)^2}$$

$$n = 300/1 + 300 (0.0025)$$

$$n = 300/1 + 0.75$$

$$n = 300/1.75$$

$$n = 171.43$$

3.7 Research Instrument

The study used a structured questionnaire as the primary research instrument. Questionnaires and interviews are preferred because according to Cox (2000), they are effective data collection instruments that allow respondents to give much of their opinions in regard to the research problem. According to Festing (2007), the information that is obtained from questionnaires is free from bias and researcher's influence. These tools were appropriate for collecting quantitative and qualitative data from a large number of respondents within a limited timeframe to gather information on stock management practices, operational performance and financial outcomes. The standardized format provided accurate and valid data and ensured consistency in responses and facilitate easier data analysis.

3.8 Pilot Study

Before the main data collection, a pilot study was conducted to test the clarity, relevance and reliability of the questionnaire because the purpose of the pilot is to identify and correct any ambiguous, confusing or unclear items and ensure that the instrument collects data as intended. Pilot testing is essential in refining research tools to ensure that they collect the intended data accurately (Van Teijlingen & Hundley, 2001). Five respondents were selected to complete the questionnaire and provide feedback. Necessary adjustments were made based on the findings, thereby enhanced the validity and reliability of the final data collection process.

3.9 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. Descriptive and Thematic analysis was adopted. Microsoft Excel Statistical tool was used for analysis to generate data array that were used for

subsequent analysis of the data. Microsoft Excel has descriptive statistics features that assisted in variable response comparison and gave clear indications of response frequencies. The data was coded to enable the responses to be grouped into various categories. Descriptive statistics was used to summarize the data. This included frequencies and percentages. Charts presentations were appropriately used to present the data that were collected for ease of understanding and analysis.

Thematic analysis was applied to analyze the data that was obtained from the open ended questions by read through responses carefully, code similar statements, grouped codes into themes and finally name and interpret the themes. The analysis focused on examining the relationship between stock management practices and business performance, particularly in relation to operational efficiency and financial outcomes in Area 3 Market.

3.10 Ethical Considerations

Ethical consideration refers to the set of moral principles and guidelines that researchers follow to ensure that their study is conducted in a fair, respectful, and responsible way (Wexler, 2023). It's about doing the right thing when dealing with people and information during research.

This study followed proper ethical guidelines to make sure all participants were respected and protected during the research process and made sure that the study was conducted in an ethical and responsible way. Some considerations were employed, firstly, I ensured that all participants took part in the study voluntarily. They were given enough information to understand what the research was about, what they expected to do, and how their information would be used. Those who were interested to participate were given to give their consent before answering any questions. No one was forced to join the study, and everyone was free to stop participating at any time if they felt uncomfortable.

Confidentiality and privacy were also respected. The names and personal details of participants were not shared with anyone. All information collected were kept safe and private. This enabled participants to provide honest responses without fear of judgment or identification.

The study was not expected to cause any harm to participants. However, care was taken to make sure that the questions asked were respectful and did not make anyone feel uncomfortable, asking sensitive or offensive questions was avoided.

Permission was also requested from the necessary authorities before starting the research. This included the St John The Baptist and the Area 3 Market chairperson and I explained the purpose of the study to get their support. This created a smooth and respectful environment for the research to take place.

Lastly, the research was conducted honestly and fairly. No information was made up or changed to fit expectations. All sources used were properly acknowledged, and the results were reported truthfully.

This study was carried out in a way that respects participants' rights and ensured that the research was done in a responsible and trustworthy manner.

3.11 Chapter Summary

This chapter detailed the methodological framework used in the study, including the research design, setting, population, sample, instruments, pilot testing, and analysis procedures. The chosen methods ensured that the study captured both numerical and experiential data to provide a comprehensive picture of inventory management practices in Area 3 Market. The ethical protocols followed further enhanced the integrity of the research. The next chapter will present the findings derived from the data collected during the fieldwork phase.

DATA PRESENTATION, ANALYSIS, INTERPRETATION AND FINDINGS

4.1 Introduction

This chapter presents the findings of the study conducted at Area 3 Market to assess the effect of stock management on business performance. The results are organized according to the study objectives and reflect the views and experiences of traders operating in the market. The chapter covers demographic information, stock management practices used by the traders, the influence of stock management on business performance, the contribution

of stock management to customer satisfaction and profitability, challenges experienced by traders, the strategies and recommendations suggested to improve stock management.

The purpose of this chapter is to present and interpret the data collected from the respondents. The findings provide a clear understanding of how traders manage their stock and how these practices influence their business activities.

The respondents consisted of traders of different ages, genders, and educational backgrounds. Most respondents were adults actively involved in running small and medium sized businesses such as stationery shops, grocery shops, clothing shops, hardware stores, pharmacies, commodity shops, cosmetics shops, and food outlets. The demographic information collected showed that the market accommodates both male and female traders with varying levels of education and business experience.

This chapter presents the data collected from 138 usable questionnaires, representing a response rate of 80.2 %, out of 172 distributed in Area 3 Market, Lilongwe. The results are presented using frequency tables and percentages, followed by immediate interpretation after each table in relation to the research objectives.

4.3. Demographic information

The demographic information in this study comprises gender, age, level of education, type of business, years of experience, and number of employees. This information was collected to determine the respondent's demographic characteristics.

4.3.1 Gender of respondents

The findings indicates that 58.7% of the respondents were male, representing 81 respondents, while 41.3% were female, representing 57 respondents. This indicates that more male business owner participated in the study at Area 3 Market.

4.3.2 Age of respondents

The age distribution of the respondents illustrates that, out of 138 returned questionnaires, 12.3% of the respondents were aged 21-30 years, 37% were aged 31- 40 years, 35.5% were aged 41-50 years, and the remaining 15.2% were aged 50 years and above. This indicates

that a large proportion of respondents aged 31- 40 years showed interest in participating in the study assessing the effect of stock management on business performance.

4.3.3 Education level of respondents

The distribution of educational qualifications among the respondents shows that, out of the 138 returned questionnaires, 22 respondents representing 15.9 % had primary education, 82 respondents representing 59.4 % had secondary education, and the remaining 34 respondents representing 24.6% had tertiary education. This indicates that respondents with secondary education formed the majority of participants in the study assessing the effect of stock management on business performance

4.3.4 Type of business

The findings on the type of business operated by respondents indicate that, out of 138 respondents, 49 respondents representing 35.5% were involved in stationery businesses, 21 respondents representing 15.2% operated hardware businesses, 13 respondents representing 9.4% operated restaurant businesses, 13 respondents representing 9.4% operated grocery businesses and 8 respondents representing 5.7% were involved in clothing businesses. The remaining 34 respondents representing 24.6% operated other types of businesses.

4.3.5 Business experience

The business experience of the respondents shows that, out of 138 of the returned questionnaire 16.7% of the respondents had less than 1 year experience, 26% of the respondents had 1-3 years of business experience, 23.1% had 4-6 years of experience and the remaining 34.05% of the respondents had more than 6 years of business experience

4.3.6 Number of employee

The findings on the number of employees indicate that 27 respondents representing 19.5% had 1-2 employees, 54 respondents representing 39.13% had 3-5 employees, 38 respondents representing 27.5% out of 138 respondents had 6-10 employees, and the remaining 19 respondents representing 13.77% had more than 10 employees.

4.4. Presentation of research findings

This section presents the findings of the study based on the three research objectives, using data collected from the questionnaires.

4.4.1. Stock Management Practices Used by Traders

The figure below indicates that, 31.9% of the respondents strongly agreed, 28.3% agreed, 18.8% of the respondents were not sure, 8.7% disagreed, and the remaining 12.3% strongly disagree with the statement. This implies that most businesses maintain accurate records and conduct regular stock-taking. This finding contrasts with Nyang'au (2013) in Kisii Town, Kenya, and Alsoussi and Tahboub (2025) in Jordan, who observed that many SMEs still rely on mental counting or rudimentary notebooks rather than systematic record keeping. The 40% of respondents who do not keep reliable records are exposed to invisible losses, theft, and inability to detect slow-moving or expiring stock which directly erodes profitability.

4.4.2 Use of modern tools and clear re-ordering procedures in business

According to the results, 16.7% of the respondents strongly agreed, 26.1% agreed, 15.2% were not sure, 14.5% disagreed, 13% of the respondents strongly disagreed with the statement and 13% used other tools. These findings indicate that technology adoption among traders is strikingly low. This finding corroborates Gebisa (2023) and Aklilu (2022), who found that even when business owners are aware of spreadsheets or basic inventory software, factors such as cost, unreliable electricity supply and lack of skills hinder adoption. In Area 3 Market, the majority of traders still rely on memory, exercise books, or simple hand written cards. The absence of clear re-order procedures explains frequent stock-outs and emergency purchases at higher prices.

4.4.3 Demand forecasting before purchasing

The results indicate that 39.1% of the respondents strongly agreed, 31.9% agreed, and the remaining 25.4% disagreed with the statement. This represents the strongest stock management practice identified in the study. Traders have developed strong experiential forecasting skills, a form of tacit knowledge highlighted by Orobia et al. (2020) as a

substitute for formal systems in resource constrained environments. Although this approach is not data driven, intuitive forecasting enables many businesses to avoid excessive over-stocking of unsuitable items.

4.4.4 Application of formal methods (FIFO, LIFO, JIT) or other methods

Based on the results, 68.8% of the respondents indicated that they use formal inventory management methods, while the remaining 31.2% reported using other methods. Although many traders claimed to use FIFO, LIFO or JIT, the large “others” category and field observations during data collection suggest that most traders simply follow a practical rule of “selling older stock first” rather than applying textbook inventory systems. This finding aligns with Fararishah & Samantha (2018) and Simwa & Barasa (2024), who noted that informal traders adapt formal concepts to their operational realities but rarely implement them fully.

4.4.5. Stock management Improves customer satisfaction and competitiveness

According to the results, 70.3% of the respondents agreed (strongly agree and agree) with the statement, 15.2% were not sure and the remaining 14.5% disagreed (disagree and strongly disagree) with the statement. These findings indicate that traders overwhelmingly recognize the availability of goods as the primary driver of customer loyalty in a market where buyers can easily switch to the next stall. This supports the findings of Dennis (2013) in Uganda and Nyongesa et al. (2023) in Kenya, who found that even basic inventory controls significantly reduce lost sales and customer complaints.

4.4.6 Stock management contributes to profitability and stable cash flow

The results indicate that 71.7% of the respondents agreed with the statement, 14.5% were not sure, and the remaining 13.7% disagreed with the statement, this strong level of agreement confirms the theoretical propositions of the Resource-Based View (Barney, 1991) and Lean Management Theory (Womack & Jones, 1996): which argue that when stock is well controlled, capital is not tied up in excess or obsolete items, wastage is reduced, and gross margin improves. This finding is consistent with Chakabva et al. (2023) in Cape Town who reported a positive correlation between stock management and SME profitability, as well as Gorondutse and Ali (2016) in Malaysia.

4.4.7 Good stock control enhances purchasing and sales decisions

According to the results, 72.5% of the respondents agreed with the statement, 17.4% were not sure, and the remaining 10.1% disagreed with the statement. This item received the highest level of agreement, indicating that traders consider accurate stock information to be their most important decision making tool. When records are reliable, business owners know exactly which products are selling, which are not, and when to negotiate bulk discounts with suppliers, resulting in direct operational efficiency gains, as noted by Slack (2019) and Wild (2017).

4.4.8 Influence of Stock Management on Business Performance

The results revealed that stock management plays an important role in improving the performance of businesses in Area 3 Market. Many traders explained that proper stock management has helped them increase profits by reducing wastage and minimizing unnecessary losses. This aligns with studies by (Chakabva et al, 2023) and (Gorondutse & Ali, 2016), which found that effective stock control mechanisms, include budgeting and turnover management, positively influence profitability and liquidity in SMEs.

Respondents also noted that stock management enables them to have goods available at the right time, which makes it easier to meet customer demand. Similar findings were reported by (Kimera, 2023), who highlighted that proactive inventory planning and demand forecasting improve order fulfillment and enhance overall business performance. Respondents also pointed out that stock management improves customer satisfaction because customers are more likely to find what they want when goods are well managed. Furthermore, some traders stated that effective stock control prevents stock-outs and reduces the storage of slow-moving items, which helps them avoid losing money on products that do not sell quickly. Similar findings were reported by (Orobia et al, 2020), who emphasized that proper inventory practices, even low-tech ones, significantly contribute to operational efficiency and financial performance. Others mentioned that stock management reduces pressure in daily operations and helps them keep track of whether their businesses are making profits or losses. These findings demonstrate that stock

management contributes greatly to the smooth running of business activities and enhances overall performance.

4.4.9 Contribution of Stock Management to Customer Satisfaction and Profitability

The study found that traders strongly believe stock management contributes to both customer satisfaction and profitability. Respondents emphasized that managing stock well ensures that goods are always available for customers, which leads to increased sales and improved customer confidence in the business. They also explained that stock management helps them manage their time better and identify weaknesses in their operations. Some traders noted that good storage practices, which are part of stock management, help maintain the quality of goods and ensure that products remain in good condition. These responses show that stock management not only supports financial success but also strengthens the relationship between traders and their customers.

4.4.10 Effect of Lack of capital and limited knowledge/training on stock management

The results shows that, 58.7% respondents agreed with the statement, 19.6% were not sure, and 21.7% disagreed with the statement. Lack of capital and limited knowledge or training emerged as major obstacle to effective stock management. This finding has been repeatedly reported across Africa. Nyang'au (2013) in Kenya, Orobia et al. (2020) in Uganda, and Aklilu (2022) in Ethiopia all identified the same twin barriers. Without access to affordable loans or free or low-cost training programmes, traders remain trapped in manual stock management practices.

4.4.11 Struggle with theft, losses, and poor record-keeping

The results shows that 47.1% of the respondents agreed with the statement, 34.8% were not sure, and 18.1% disagreed. This indicates that, nearly half of the businesses suffer measurable losses due to theft and stock discrepancies. Because record keeping is poor (only 60% keep accurate records, as shown in Table 4.6), owners often cannot clearly identify whether losses are caused by to theft, damage, or recording errors. This creates a vicious cycle as noted by Waters (2003).

4.4.12 Lack of storage space, poor storage, and over-stocking

According to the results, 45% of respondents agreed with the statement, 24.6% were not sure and the remaining 30.4% disagreed. Limited trading space forces traders to stack goods on the floor or store them in the open areas, which often leads to damage and product expiry. This mirrors the storage challenges observed by Alsoussi & Tahboub (2025) and explains why many respondents overstock slow-moving items. Traders often buy in bulk to benefit from supplier discounts but lack adequate space to store goods properly.

4.4.13 Challenges Faced in Managing Stock

The findings revealed that traders in Area 3 Market face a number of challenges in managing stock. A common challenge reported by many traders was poor record keeping, which often leads to losses, shortages, and in some cases, theft. This is consistent with findings by (Nyang'au, 2013) and (Waters 2003) who noted that inadequate inventory records hinder operational efficiency and can result in financial losses in small and medium enterpriss.

Some traders also mentioned difficulties related to overstocking or understocking, both of which negatively affect their operations. Similar challenges were identified in studies by (Gorondutse & Ali 2016) and (Dennis 2013), which found that improper stock level management, including lack of demand forecasting and high Days Inventory Outstanding (DIO), reduces profitability and operational flexibility.

Limited capital was frequently cited as a major obstacle, making it difficult for traders to purchase stock in appropriate quantities. Economic devaluation was also mentioned, as it affects restocking due to fluctuating prices. Other challenges included poor communication with suppliers, limited storage space, and the lack of training in modern stock management techniques. These challenges indicate the need for support systems, capacity building and better stock management practices to help traders operate more efficiently and improve both profitability and customer satisfaction (Slack, 2019; Kaplan & Norton 1996).

4.4.14 Strategies to Overcome Stock Management Challenges

Traders suggested several strategies that could help them overcome the challenges they face in managing stock. Some respondents explained that applying Just-In-Time practices would help them avoid overstocking and reduce wastage. Others suggested that conducting regular stock checks would help them detect shortages early and prevent losses. Accessing financial support from banks and microfinance institutions was seen as important, especially for increasing capital needed for restocking. Respondents also indicated that attending training sessions on stock management would help them improve their knowledge and skills. Some traders stated that stable economic policies would make it easier for them to restock goods. Additional strategies mentioned included close supervision of employees to prevent theft, advertising products to increase sales, and conducting market research to understand customer preferences. These suggestions show that traders are aware of practical solutions that can improve their stock management practices.

4.4.15 Stock management is crucial for the success of business

The findings show that the majority of respondents 76.8% believe stock management is very important for business success, while 12.2% were not sure and 10.8% disagreed. Most traders agreed that proper stock control helps businesses operate efficiently and achieve better performance. Although a small proportion of respondents were not sure or disagreed, the overall strong agreement indicates that stock management is widely recognized as a key factor that supports business growth and smooth operations.

4.4.16 Recommendations for Improving Stock Management Practices

Traders provided various recommendations aimed at improving stock management in their businesses. They explained that maintaining proper stock records and attending training would strengthen the way they manage their inventory. Some recommended that traders should study customer demand before purchasing stock, as this would help them avoid buying items that do not sell easily. Others suggested recruiting more stores workers to support stock handling and keeping proper customer records to better understand buying behavior. Some respondents mentioned the need for adequate storage space to protect

goods from damage. Increasing capital through loans or savings was also recommended. Finally, close supervision of workers was highlighted as an important measure to reduce cases of theft or mismanagement. These recommendations highlight key areas where improvement can enhance stock management in the market.

4.5 Chapter Summary

Businesses in Area 3 Market clearly recognize the value of good stock management and experience real performance benefits when it is done well. However, low capital, limited training, poor storage, and almost non-existent technology keep most traders locked in manual, reactive systems. Closing this gap through affordable training and simple low-cost tools offers the greatest opportunity for improvement. The next chapter discusses these findings, draws conclusions, and provides practical recommendations.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the final discussion of the study by summarizing the key findings, drawing conclusions based on the results and offering recommendations for improving stock management among businesses operating in Area 3 Market. The chapter also highlights areas that futures researchers may explore to build on the current study.

5.2 Summary of Research Findings

The study assessed the effect of stock management on business performance in Area 3 Market. Chapter Four showed that most respondents agreed that stock management is important for the success of their businesses. The findings revealed that effective stock management contributes to increased efficiency, reduced losses and improved customer satisfaction. This supports the studies of (Chakabva et al. 2023) and Kimera 2013), which emphasized that accurate inventory control and timely replenishment enhance operational efficiency and customer service in SMEs.

Respondents indicated that having accurate stock records, conducting regular stock reviews and ensuring timely replenishment of products enables business to operate

smoothly and avoid shortages that inconvenience customers. These results align with (Gorondutse & Ali 2026) and Orobia et al 2020) who found that proactive inventory management record keeping and monitoring are important for minimizing stock-outs and maximizing profitability.

The findings also showed that poor stock management practices, such as failing to keep records, relying on memory and not conducting stock counts, negatively affect business performance. Similar challenges were identified by Nyang'au 2013 and Waters 2003, who were reported that inadequate stock control leads to financial losses and operational inefficiencies in small businesses.

Some respondents highlighted challenges such as limited knowledge of stock control, lack of proper storage facilities and delays in receiving goods from suppliers.

These challenges are consistent with (Alsoussi & Tahboub 2025) and (Adato 2022), who found that SMEs often struggle with limited managerial capacity, poor supplier communication and insufficient storage resources.

Overall, the results indicated a strong relationship between proper stock management and improved business performance, as respondents clearly recognized that managing stock well leads to better financial outcomes and enhanced service delivery.

5.3 Conclusion from the Study

The study concludes that stock management plays a significant role in determining the performance of businesses in Area 3 Market. The majority of respondents strongly agreed that proper stock management contributes positively to business success, demonstrating that business owners understand its importance. The study further concludes that businesses that maintain accurate stock information, carry out regular stock checks and plan for customer demand are more likely to avoid losses resulting from stock-outs, overstocking or damaged goods. The challenges identified indicate that some businesses still lack the capacity or tools needed to implement proper stock management practices. Therefore, improving these practices has the potential to greatly enhance operational efficiency and overall business performance.

5.4 Recommendations of the Study

Based on the conclusion, the following recommendations are made to help improve stock management practices among businesses in area 3 Market.

Firstly, business owners should consider strengthening their skills in stock control through training or short courses that focus on record-keeping, demand forecasting and basic inventory management techniques.

Secondly, businesses should adopt simple and affordable tools such as stock cards, notebooks, spreadsheets, or basic digital applications to improve accuracy and reduce reliance on memory.

Thirdly, regular stock counts should be conducted to monitor stock levels and detect any shortages or discrepancies early.

Fourthly, businesses should improve their storage areas to reduce breakages, losses and spoiling of products.

Fifthly, owners should study customer buying patterns so that restocking can be planned based on actual demand, thereby avoiding overstocking or running out of essential items.

Lastly, businesses should maintain good working relationships with suppliers to ensure timely delivery of goods and minimize delays that affect operations.

5.5 Area for Further Study

The study opens doors for further research in several related areas. Future studies may explore how digital stock management systems can improve performance in small businesses, especially in informal markets. Another area worth investigating is the role of supplier management in ensuring steady stock availability. Additionally, a study focusing on how financial constraints affect stock management decisions by small business owners.

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