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Oscar Chakabva^{*}, Martha Bganya, Lawrence Ogechukwu Obokoh |

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STOCK MANAGEMENT AND SUSTAINABLE FINANCIAL PERFORMANCE OF SMES IN THE MOBILE INDUSTRY IN CAPE TOWN, SOUTH AFRICA

Oscar Chakabva*, Martha Bganya, Lawrence O. Obokoh

ABSTRACT

SMEs in the mobile industry have high telecommunication costs such as high stock costs and deactivation of SIM cards, perceived to be the major problem contributing to their stagnant financial performance. The objective of the paper was to investigate the implication of stock management on the financial performance of SMEs in the mobile industry in Cape Town, South Africa. A questionnaire survey was undertaken with a sample of 50 SMEs in the mobile industry to obtain quantitative data. The data was analysed using descriptive and inferential statistics through SPSS and Microsoft Excel power pivot. The results of the analysis revealed that most sampled SMEs prepared stock budgets and that the most commonly used stock management technique was the economic order quantity. It also revealed inexperienced personnel, lack of expertise in stock handling, poor store records and inadequate funds as the main factors hindering effective stock management. The correlation analysis results showed positive correlation of 0.65 between stock turnover and liquidity, and 0.71 between stock turnover and profitability. As a result, the study revealed that stock management impacts positively on the financial performance of a business. The study suggests that to tackle the root causes of poor financial performance among South African SMEs in the mobile industry, effective stock management is crucial.

KEY WORDS:

Stock, stock management, financial performance, mobile industry and SMEs

*Correspondence concerning this article should be addressed to Oscar Chakabva. The department Cost and Management Accounting, Cape Peninsula University of Technology, Cape Town, South Africa.

E-mail: chakabvao@cput.ac.za

1. INTRODUCTION

The South Africa (SA) mobile industry is considered as one of the most progressive and advanced industries in the African continent (Businesstech, 2017; Gaille, 2019). South Africa has the most extensive mobile phone presence in Africa, with productive development of internet connectivity and infrastructure growth since 2008 (Mpwanya & Van Heerden, 2015; Businesstech, 2017; Gaille, 2019). The Covid-19 pandemic accelerated the widespread adoption of mobile data and digital technologies in SA and globally, as remote working and remote learning have become the new norm (Faku, 2020; Hern, 2020; Ndlazi, 2020). Mobile industry penetration and development have created jobs in South Africa as well as new business opportunities for small and medium enterprises (SMEs), thereby improving infrastructure, productivity and financial performance (Samakosky, 2016; Elliott, 2019).

Despite the importance of the mobile industry to the South African economy, firms operating in this industry are struggling to survive, especially those classified as SMEs and have high failure rate in SA, ranging from 70 to 80% (Fatoki, 2014; Leboea, 2017). This high failure rate undermines the potential of the mobile industry to make a significant contribution towards economic growth, creation of jobs and the reduction of poverty.

Though the causes of the high failure rate of SMEs operating in the mobile industry are varied, one that is often discussed is inefficiency in respect of stock management. A study by Mpwanya and Van Heerden (2017) found that SME mobile providers neglect the management of stock (i.e., mobile phones, starter packs, routers and network equipment) and often take a long time to sell their stock, leading to a decline in profit and eventual insolvency. Anecdotal evidence have it that a particular SME in the mobile phone industry in Cape Town had been growing rapidly with an average of 1500 contract cellphone activations each month but kept on battling with liquidity and profitability problems. It was assumed that, due to the high number of activations of cell phones per month, the SME was acquiring lots of stocks which at the end became too excessive stock due to returns. Studies by Kanguru (2016) and Radasanu (2016) revealed that excess volumes of stock negatively affect the financial performance of a business.

In the quest for a sustainable solution to the poor financial performance and the high failure rate of SMEs operating in the mobile industry in South Africa, a focus on stock management could therefore be key. Despite this, little research has been conducted on the management of stock within SMEs operating in the mobile industry of South Africa. Most studies that have investigated stock management have focused on SMEs in the manufacturing sector (Shin et al., 2015; Otuya & Eginwin, 2017; Orobias et al., 2020). In order to address this knowledge gap, it is vitally important to investigate the implications of stock management on the financial performance of SMEs operating in the mobile industry in Cape Town, South Africa. The remainder of the article will commence with a detailed review of the literature in section 2 on the subject matter. The research methodology will in section 3, followed by the analysis and discussion of the results in section 4. The concluding remarks and areas for future research will be highlighted in section 5.

2. LITERATURE REVIEW

This section of the paper provides an overview of the mobile industry, a review of existing literature on stock management and financial performance. It also offers a theoretical framework for the investigation based on the contingency theory.

2.1. “An overview of the Mobile Industry.”

“The mobile industry is a subset of the telecommunications industry concentrating on cell phones, but encompassing electronics, producers of computer hardware, software, wireless and remote technologies that are utilised in a diversity of portable gadgets” (Akers, 2020; McMahon, 2020). The mobile industry is also an important element in the fourth industrial revolution (4IR), since 3G/4G networks in conjunction with increasing smartphone adoption are creating demand for 4IR digital media, digital content, facilities and services (McGinnis, 2018; Eiser et al., 2019).

The rise in consumer demand for mobile devices has led to growth in the mobile industry, created employment and improved living standards for populations in SA and around the globe (Akers 2020; McMahon, 2020). In SA 20 to 22 million people make use of cell phones, which is about 33% of the nation’s population (Statista.com, 2020). During this era of the Covid-19 pandemic, mobile internet, fixed wireless connections, and mobile applications have become essential instruments for staying operational and in touch with medical professionals, co-

workers, and loved ones (GSMA, 2021).

Recent SME landscape studies conducted by Anon. (2019) and Thulo (2019) have shown that most SMEs in South Africa do not survive more than five years because of the many obstacles they face in respect of financial resources. For SMEs in the mobile industry, the high cost of stock such as cell phones, starter packs, data and routers, as well as their ever-growing operational expenditure (Opex), including stock-related costs, can lead to stagnation in financial performance (Mpwanya & Van Heerden, 2015; Lang, 2018). The paper tries to focus on the perception that SMEs operating in the mobile industry in SA are underperforming partly due to lack of sound stock management.

2.2. The concept of stock management

According to Bhandari (2018:79), stock management is a “management tool that consists of planning, organising, monitoring and controlling the process of stocks from their initial procurement to ultimate destination.” A low level of stock unfavourably affects everyday operation of the business. On the other hand, a high level of stock can result in losses, stock damage, bad stock, opportunity costs and various holding costs. Figure 1, below, illustrates the stock management process.

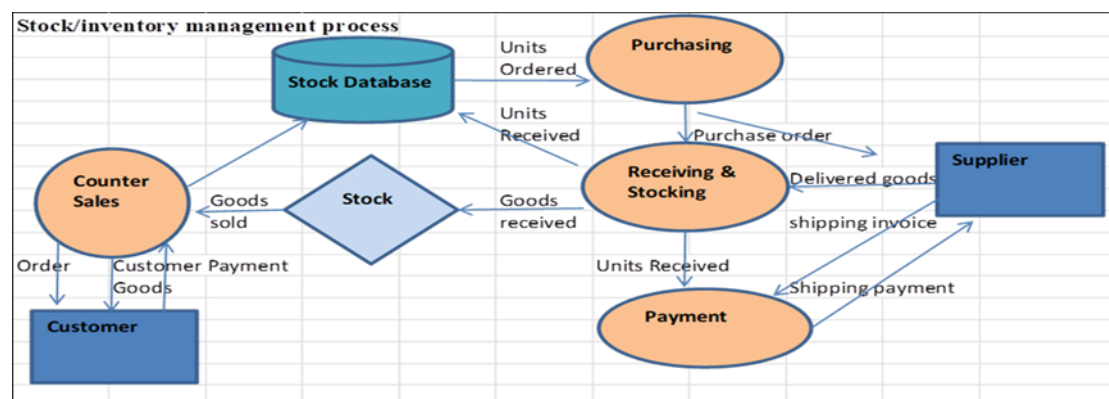


Figure 1: Stock management process (Tandem Technologies, 2014)

Moreover, Alla (2018) further elaborates that stock management is a “collection of techniques, tools, methodologies, and strategies for stowing, tracking, delivering, and ordering stock”. It is essential to control the movement of stock effectively to maximise liquidity, reduce losses and enhance profits, and this is where stock management techniques come into play. Experts have identified the following stock management tools and techniques: “economic order quantity, minimum order quantity, just in time, safety stock inventory, reorder point formula, batch tracking, consignment stock, perpetual stock management, drop-

shipping, six sigma and demand forecasting” (Shah & Mittal, 2019; Walts, 2020). CX Works (2018) notes that there is no universal prescription for stock management since it will depend on the processes, environment and technology characteristic of the organisation. SMEs should make sure that the strategy they choose can improve efficiency and sustain growth.

2.3. Factors affecting the effectiveness of stock management of SMEs

Factors that influence the effectiveness of stock management in SMEs include the following (Chan et al., 2017; Olowolaju & Mogaji, 2020);

- Inadequate funds,
- inexperienced staff,
- lack of skills and knowledge by the employees,
- poor communication,
- suppliers, poor store records
- Uneven document management.
- Lack of technology

Is there no brief explanation given by the quoted authors on the listed items?

2.4. Organisational Profitability and Stock management

The main goal of stock management is to attain safety stock by preventing the holding of too much or too little stock. Safety stock helps the business to achieve manageable holding costs (Orobia et al., 2020). If an organisation’s working capital is not properly managed, the funds could end up being tied up in stock (Kakeeto et al., 2017). This will result in a higher stock conversion period, which affects sales turnover and decreases profitability. It is therefore essential for SMEs operating in the mobile industry to avoid over-stocking, as it will not only incurs higher costs (for insurance and storage, etc.) but can also lead to obsolete stock, which will negatively affect profitability. On the other hand, if stocks are decreased the conversion period and the volumes of stock to safety stock through sound stock management, will improve profitability (Kakeeto et al., 2017). Otuya and Eginwin (2017) notes that SMEs with higher stock turnover produce better results than those with lower stock turnover. But circumstances in the industries investigated – Ghana’s food industry and Nigeria’s manufacturing industry – may be distinct from those faced by SMEs operating in the mobile industry in South African. They have high telecommunication costs i.e., high stock costs and excessive related stock costs, perceived to be the

major problem contributing to stagnant financial performance.

2.5. Organisational Liquidity and Stock management

Evans (2016) has noted that the major dangers of holding excessive stock are “loss of profit, excessive carrying costs and liquidity problems”. Stock management is therefore critical to the maintenance of an SME’s liquidity position (Rodeck, 2011). Bulk purchase of goods by a firm may lead to a discount from the supplier and/or better credit terms for the purchaser, but may result in the firm holding excessive stock and reduced liquidity. Bibi and Amjad (2017) assert that stock management is crucial to enterprises since it affects the firm’s profitability and liquidity. A firm should closely monitor both profitability and liquidity since sacrificing one for the other may cause serious problems down the line.

2.6. Management of stock in the mobile industry

While studies on stock management by SMEs in the mobile industry are scarce, the ones included in this section are relevant to the present study. Epusi (2013) investigated mobile phone dealers in Nairobi, Kenya. The study examined approximately 100 respondents selected through random sampling, about 65% of the target population of 155 listed mobile phone dealers in Nairobi. The study noted that a considerable number of the SMEs surveyed neglected the management of their stock in relation to the threat posed to the environment by the mobile devices. Although they were aware of this, they did not heed the guidelines supplied by environmental bodies for mobile stock management. According to Epusi (2013), the management of stock impacts on the environment both in the forward logistics that deliver mobile stock and services to end-users, and in reverse logistics, which recycle mobile stock to refurbished phones. Moreover, many respondents were knowledgeable about green products and suppliers and were prepared to consider the purchase of refurbished mobile phones.

The study further revealed that refurbished phones accommodated the needs of customers who appreciate the lower cost, although refurbished phones may manifest technical problems that have a major influence on stock returns, leading to more costs to the supplier. The study however did not assess the implications of stock management on the financial performance of refurbished phone retailers. The study was conducted in Kenya, and although Kenya has a high mobile phone penetration comparable to South Africa’s, the generalisability

of the study's findings is questionable in the SA context and in addressing the objectives of this paper.

In a recent study, Mpwanya and Van Heerden (2017) explored supply chain costs that encompassed stock and related matters in the "South African mobile phone industry". The study investigated one mobile retailing group and three mobile network operators, using semi-structured interviews to collect data for a qualitative, case-study approach. The study showed that operating expenses incurred by stock purchases and related costs in mobile phone businesses are colossal, and that information on the management of stock and stock supply in the mobile phone industry in SA is highly limited. The study suggested that companies should, continuously embark on cost reductions such as holding lower stock levels to improve business performance. It found that better liquidity can be achieved by stock management through the maintenance of balanced stock levels, higher stock returns and the greater use of resources. Other avenues for reducing expenses and increasing efficiency and profitability in the mobile phone industry included the outsourcing of certain support activities and the direct purchasing of stocks by device manufacturers.

Mpwanya and Van Heerden (2017) argue that regulators should reassess the South African mobile telecoms policies by allowing SME mobile retailers to purchase handsets directly from device manufacturers to boost efficiency, from the perspective of both retailers and end-users. This would reduce stock costs and enable a better deal for consumers, to improve financial performance. Mpwanya and Van Heerden's (2017) research took the form of a qualitative case study, however, quantitative research would have been able to summarise large tracts of information, with greater accuracy and no bias. The results of the study, which included both large and small mobile phone companies in the industry and used a small sample size, did not reveal the implications of stock management on the financial performance of the SMEs involved.

Furthermore, the theory underpinning the study will also help in the interpretation of the research's findings, which will further aid in gaining a better understanding of the subject. A deeper comprehension of the implications of stock management on the financial performance of SMEs in the mobile industry in Cape Town, SA, will be made possible by the contingency theory in management accounting.

2.7. Contingency Theory of Management Accounting

Contingency theory is a method for studying organisational behaviour that elucidates “how contingent variables such as culture, technology and the exterior environment influence the design and function of organisations”. (Islam & Hu, 2012; Maziriri & Mapuranga, 2017). This theory is based on the notion that not every entity will derive the same benefits from a particular organisational structure. Contingency theory, as applied to this study, asserts that no management accounting techniques – for instance, for stock management –are universally appropriate for all businesses. Their suitability for a given enterprise depends on the situational factors that it faces (Islam & Hu, 2012).

Otley (2016) and Nguyen and Le (2020) identify the contingency factors affecting management accounting technique adoption as “organisation size, market competitive intensity, technology and the qualification levels of accounting personnel”. Thus, the size of an organisation has an impact on how stock management is administered as a management accounting practice; large organisations, for example, have the resources to employ sound stock management. As a result, there is a “positive correlation between the size of the entity and the use of advanced management accounting techniques” for stock management. Management accounting techniques also evolve in response to market competition, with a positive correlation between market competition intensity and management accounting approach adoption. Finally, there is a favourable correlation between the qualification levels of a company's employees and its use of management accounting techniques. (Otley, 2016; Nguyen & Le, 2020). Thus, the lower the skills or qualification level of the employees, the less the appropriate management accounting techniques will be adopted. A corollary is that the more advanced the level of technology employed by an entity, the more informed their decision making will be and the greater certainty it is that they will implement suitable management accounting techniques such as sound stock management.

Furthermore, Lopez and Hiebl (2015) emphasise the critical necessity for research into accounting processes in SMEs. Kemerer (1991) applied contingency principles in an earlier study in management accounting research. The study investigated the effects of “structural factors” and discovered that companies that employed just-in-time programmes are prone to provide worker's performance information. A study by Kibangou (2019) also applied contingency theory and found that strategic management techniques such as

drawing up a balance scorecard and budgets could help small businesses enhance their performance. On the other hand, a recent study by Orobias et al. (2020) asserts that sustainable performance in a business is “contingent on its unique offerings and the development of this uniqueness over time by fostering the core competencies of the business”. Orobias et al. (2020) maintain that when an SME’s managers have the skills required, they can use them to improve stock management, which will lead to healthier financial performance.

3. METHODOLOGY

Drawing upon studies such as Antwi and Hamza (2015), and Pratap (2019), the study adopted a quantitative research approach by the use questionnaire survey a tool of positivist paradigm.

3.1. Research Paradigm, Approach, and Design

The positivist paradigm was adopted to investigate the implications of stock management on the “financial performance of SMEs” in the mobile industry in Cape Town. The positivist paradigm perspective clarifies how variables correlate, shape occasions and cause results in quantitative terms (Antwi & Hamza, 2015). The positivist paradigm was adopted instead of the interpretative paradigm as it is more relevant to the quantitative research study, and it helps to obtain the closest approximation. Impelling from the positivist paradigm used the quantitative research method was adopted in the research to mitigate the research problem at hand. A casual research design was used to measure the implication of stock management on the financial performance of SMEs in the mobile industry since the study’s goal is to assess the relationship between stock management (an independent variable) and the financial performance (a dependent variable) of SMEs in Cape Town, SA. Casual research is a research design that is effective when ascertaining the correlation between variables. As a descriptive research design, it is suitable for knowing the cause-and-effect relationships between the independent variable and the dependent variable. (Pratap, 2019). Quantitative research, according to Etikan, Musa, and Alkassim (2016), is dependable, simple, and efficient.

3.2. Research Population, Sampling Technique, and Sample Size

A research population refers to the whole pool of relevant subjects from which a statistical sample can be drawn (Kenton, 2020). The intended research population in this study included all SMEs in the mobile industry in Cape Town,

South Africa. Through the Bizcommunity online directory, 68 SMEs in the mobile telecoms industry were identified, forming the research population (Bizcommunity South Africa, 2020). To increase the number of participants, the SMEs who were approached were prompted to recommend an additional 30 SMEs operating in the mobile industry who were not on the Bizcommunity database. A sample of 20 SMEs was identified, that is, 30% of the 68 mobile industry SMEs listed on the nationwide Bizcommunity database. The size of the SMEs was limited to the official South African definition of firms employing 6 to 250 employees (South Africa, 2019). Purposive sampling was used. Purposive sampling involves selecting participants or events deemed capable of providing significant data that serves the purposes, of the study helping with feedback on research questions and attain the research goals (Taherdoost, 2016; Dudovskiy, 2018). The selected participants therefore comprised owners, managerial personnel, accountants and stock controllers.

The snowball sampling method was thereafter employed because only 20 of the 68 SMEs originally identified from Bizcommunity were located in Cape Town and it was decided that 20 respondents were fewer than the minimum of 30 required for a thorough or authoritative quantitative study (Eichler et al., 2018). Snowball sampling was therefore employed to recruit an additional 30 SMEs operating in the mobile industry. Snowball sampling is a form of chain-referral sampling whereby one individual from a target population refers the researcher to another individual, who then refers him or her to yet another person, as many times as the researcher desires (Beins & McCarthy, 2018:124). These 30 referrals were all located in the city of Cape Town and their company sizes ranged from 6 to 250 employees in accordance with the South African criteria for SMEs (South Africa, 2019). Besides, since the sample size exceeded the minimal requirement of 30 for a quantitative study, it is reasonable to assume that it was representative of the target population. (Ahmad, 2012; Eichler et al., 2018). As a proportion, it was higher than that used in other comparable research studies (Ocran et al., 2017).

3.3. Data collection and Analysis of Data

The data collection instrument used was a self-administered, closed-ended questionnaire survey. The researchers collected data through questionnaires handed out or mailed to representatives of SMEs – owners, managers, accountants and stock managers – that is, those involved in making decisions or processing management accounting reports and therefore likely to be well-

versed in stock management in their respective enterprises. The data collected from the questionnaires was recorded and analysed using the “Statistical Package for Social Science (SPSS)” version 27.0 and Microsoft Excel power pivot were utilised for data analysis purposes.

3.4. Measures to ensure reliability and validity

This section of the paper explores the reliability and validity of the research instrument that was used to collect data from participants.

3.4.1. Reliability of the research instrument

Reliability reflects how accurate a measurement or calculation can be; it refers to the degree to which the results remain constant over time and accurately reflect the overall population under study (Wagemaker, 2020:12). The questionnaire's reliability was tested to guarantee that similar results could be obtained if the questionnaire was directed at a similar group using a similar approach at a different time. This occurred during the pilot testing. The questionnaire was evaluated by 5 intellectuals with knowledge in questionnaire design, who confirmed that it was unambiguous, simple, understandable, and clear. Additionally, it was discovered that the questionnaire could produce the same results when given to the same respondents at various times (Wagemaker, 2020:12). To further test the questionnaire's reliability, a “Cronbach's Alpha Coefficient” reliability test was performed (Saunders et al., 2012:369; Arai et al., 2021:246). This is shown below for the questionnaire's “Likert scale” questions.

Table 1: Cronbach Alpha Testing

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.949	.952	22

“3.4.2 Validity of the research instrument”

Validity refers to the extent to which one can draw realistic conclusions about

people or populations based on test results that reflect the field of study (Loewenthal & Lewis, 2019; Wagemaker, 2020:12). Internal validity can be of various types, but for present purposes, only construct and content validity were regarded significant. Another way of ensuring a questionnaire's construct validity is to link the sub-questions to the main one (Jaccard & Jacoby, 2020:393). In this paper, the questions in the questionnaire were formulated essentially as elaborations of the four research sub-questions. To establish content validity, we also asked experienced educators to confirm that the research instrument covered all of the components of the study's research objectives. In addition, care was taken to include in the sample businesses located in various suburbs in Cape Town, to ensure that the findings were representative of the SMEs in the mobile industry as a whole and enhance their generalisability. As a result, external validity is determined to have been achieved in this survey.

3.5. Ethical Considerations

Because the study included human subjects, ethical procedures established by the "Cape Peninsula University of Technology's Research Ethics Committee" were followed. For instance, confidentiality, voluntary participation and informed consent ethical standards were upheld in this research study.

4. RESULTS AND DISCUSSION

This section analyses and discusses the responses to questions on the techniques used in forecasting stock purchases by SMEs in the mobile industry, the stock management measures they employ, the factors that hinder the effectiveness of stock management, as well as the correlation between stock turnover and financial performance among the SMEs concerned.

4.1. Demographic information

The results of the study "the implications of stock management on the financial performance of SMEs in the mobile industry in Cape Town, South Africa" were analysed and discussed using data from 40 of the 50 questionnaires that were distributed. The 40 completed questionnaires represented an 80% response rate. Furthermore, a 50% response rate for a research study is considered adequate, 60% good and 70%, excellent (Mugenda & Mugenda, 2003; Musando, 2013). In this context, an 80% response rate was ideal. Table 2 below shows how many people worked for the SMEs that took part in the research.

Table 2: Number of employees

		Frequency			Percent	Valid Percent	Cumulative Percent
Valid	1 to 5	2			5.0	5.0	5.0
	6 to 20	10			25.0	25.0	30.0
	21 to 50	4			10.0	10.0	40.0
	51 to 250	24			60.0	60.0	100.0
	Total	40			100.0	100.0	

The demographic information of the respondents was ideal for this study because of 80% of the firms had been in operation for more than 5 years, giving them adequate time to adopt stock management processes, making them ideal for this study. Furthermore, 95% of the sampled companies employed between 5 and 250 people, which qualified them as SMEs and made them a good fit for this study. Although only 40% of respondents were accountants, the remaining 60% were all involved in the organisation's decision-making, which necessitates management accounting information. They should thus have been familiar with the stock management practices in their business. The 55% had held their positions for more than 6 years and therefore could be anticipated to be well-informed about the business's operations. Most respondents (90%) had at least a diploma, indicating that they were educated and hence should have been able to complete the questionnaire survey competently.

The following analyses and discusses the results of the techniques used in forecasting stock purchases by "SMEs in the mobile industry in Cape Town, South Africa", the stock management measures they employ, the factors that hinder the effectiveness of stock management on these SMEs as well as the correlation between stock turnover and the financial performance of these SMEs operating in the mobile industry.

4. 2. Techniques used on forecasting stock purchases by SMEs in the mobile industry

The participants were asked to rate the usage of the techniques used to forecast stock purchases manage the stated risks using a "five-point Likert scale" with the following weightings: "Strongly disagree = 1, Disagree= 2, Neutral= 3, Agree= 4, Strongly Agree = 5". To facilitate presentation, the percentages of those who "strongly agreed or agreed" with the assertions were combined for presentation in Table 3. Those who could not agree or disagree with the statements – being unable to commit to a distinct stance – were grouped together as disagreeing with them. This technique is justified since it guaranteed

that only those who “strongly agreed or agreed” with the claims were recorded as such. It has been utilised effectively in other management accounting research (Mjongwana & Kamala, 2018; Ntshonga, 2019).

Table 3: The techniques used by SMEs to forecast stock purchases

	Usage%	Respondents	Standard Deviation
		N=40	
		Mean	
Prepares stock budgets	90.0%	3.90	0.545
Relies on common sense	35.0%	3.20	0.758
Just-in-time (rather than carrying large quantities of stock at once, the firms receive items from suppliers as required)	40.0%	3.45	0.597
Consignment stock (the firm obtains stock from suppliers prior to payment; the suppliers retain ownership of the stock, and payments are made after the merchandise is sold)	10.0%	3.00	1.468
Economic order quantity (“the business calculates the order quantity that minimises the total holding cost and ordering stock”)	50.0%	1.65	1.027

As depicted by Table 3 the majority of SMEs (90%) prepare stock budgets before purchasing stock, while a minority use common sense to decide the quantities of stock to be purchased. It was also found that the most commonly used stock management technique was the economic order quantity (50%), followed by just-in-time (40%) and the consignment stock method (10%). Furthermore, mean and standard deviation were used in further statistical analysis using SPSS to demonstrate the data's spread and highlight the respondents' diversity. The derived means were identical to the percentages given. More than half the statements have standard deviations of less than one, indicating that the respondents were in agreement with one another.

The findings above also corroborate the “contingency hypothesis, which holds that the applicability of accounting practices to a particular institution is contingent on situational elements” such as technology, organisational size, market competitive strength, and the level of accounting staff qualification (Islam & Hu, 2012; Maziriri & Mapuranga, 2017). For instance, the size of an organisation has an impact on its employment of stock management as a management accounting procedure or tool, since larger companies tend to have the resources to employ sound stock management. There is therefore a positive correlation between the size of the entity and the adoption of sound and

advanced stock management accounting techniques.

4.3. Stock management measures used by SMEs in the mobile industry

Table 4: Measures for controlling and monitoring stock

	Usage%	Respondents	Standard Deviation
		N=40	
		Mean	
Performed manually.	80%	3.45	1.260
Performed using a computer system.	55%	3.30	1.506
There are dedicated staff to manage the warehouse.	35%	2.60	1.374
There are clear procedures for picking and dropping off stock from the warehouse.	50%	3.25	0.954
The movement of stock is verified and authorised by the management.	45%	3.20	1.043
Every movement of stock is recorded on the stock-cards.	30%	2.25	1.463
Stock records are maintained based on periodic physical records.	60%	3.50	0.751
Stock records are maintained based on a perpetual system.	30%	2.80	1.522

Concerning the use of stock management measures, 80% agreed that their firms' stock control was performed manually, while 55% said it was performed using computer systems. Only 50% confirmed that defined procedures for receiving and issuing merchandise from the warehouse were followed, while 45% confirmed that the movement of stock had to be verified and authorised by management. A mere 30% reported that every movement of stock was recorded on stock cards. Most respondents (60%) stated that stock records were maintained on a periodic physical basis, while 30% reported that stock records were maintained according to the perpetual system. Moreover, 35% of respondents said their companies had dedicated staff to manage the warehouse. This indicates that a large percentage of the SMEs are either computerised or have excellent manual record-keeping and stock-taking processes.

These results corroborate the "contingency theory, which asserts that there is no universally applicable accounting system that applies equally to all organisations in all circumstances" (Otley, 2016:46). The effectiveness of various components of an accounting system is contingent upon the unique conditions in which an enterprise found itself. In the context of this study, different stock management practices are perceived differently according to the unique scenarios in which SMEs find themselves.

4.4. Factors that hinder the effectiveness of stock management on SMEs in the mobile industry

Table 5: Factors that hinder the effectiveness of stock management

Factors	Percentage agreed	Respondents	Standard Deviation (SD)
		N=40	
	Agree	Mean	
Inadequate funds	35%	2.80	1.137
Inexperienced staff	60%	3.45	0.815
Lack of skills and knowledge by the employees	10%	3.00	0.453
Poor communication	15%	3.20	0.823
Poor store records	40%	3.60	1.033
Lack of technology	45%	3.25	1.104

As depicted in Table 5, above, the factor that hindered the effectiveness of stock management the most was perceived to be inexperienced staff (60%). This was followed by a lack of technology (45%), poor store records (40%), and inadequate funds (35%). Other factors agreed upon by only a minority of respondents included poor communication (15%) and lack of skills and knowledge on the part of employees (10%). These findings contrast with those of prior studies that identified the factors that hinder stock management in SMEs as lack of innovation, top management not understanding the utility of management accounting, suppliers with poor store records, and a lack of technology and the learning and sharing of knowledge and skills (Chan et al., 2017; Olowolaju & Mogaji, 2020).

Moreover, the scores for inexperienced staff were (Mean = 3.45, SD = 0.815), lack of skills and knowledge among the employees "Mean = 3.0, SD = 0.453" and poor communication "Mean = 3.20, SD = 0.823". These findings showed a standard deviation of less than one, indicating agreement among the respondents on the above-mentioned statements about factors that hinder the effectiveness of stock management for SMEs in the mobile industry. However, fewer statements had results that were just above one, indicating a mixed reaction in that the proportions of people who agreed with the statement and those who disagreed were nearly equal.

These findings are consonant with "contingency theory, which states that certain contingency factors have to be present for an organisation" to implement sound

stock management. These include technology, knowledge and expertise, qualified accounting staff and sufficient numbers of staff. According to the theory, the sampled SMEs in the mobile industry face challenges when attempting to implement sound stock management because of these factors. In addition, the smallness of these entities may render their adoption of sound stock management practices cost-ineffective.

4.5. Correlation between stock turnover and financial performance

Table 6: Correlation between stock turnover and financial performance

Stock turnover and liquidity				Stock turnover and profitability			
		Q11	Q12			Q11	Q13
Q11	Pearson Correlation	1	.655**	Q11	Pearson Correlation	1	.710**
	Sig. (2-tailed)		.000		Sig. (2-tailed)		.000
	N	40	40		N	40	40
Q12	Pearson Correlation	.655**	1	Q13	Pearson Correlation	.710**	1
	Sig. (2-tailed)	.000			Sig. (2-tailed)	.000	
	N	40	40		N	40	40

Pearson correlation analysis was performed using SPSS on the responses to questions 11-13 to establish the degree of correlation between stock turnover and the financial performance of SMEs in the mobile industry in Cape Town, SA. As depicted in Table 6, it was found that there was a 0.655 positive correlation between stock turnover and liquidity as well as a 0.710 fairly strong positive correlation between stock turnover and profitability. The results therefore reveal that stock management has a positive effect on the financial performance of a business. These findings are consistent with those of Danlami (2016) and Orobia et al. (2020), who found that there is a positive and significant correlation between stock management and financial performance.

The preceding findings further corroborate the “contingency theory”, which asserts that an accounting practice's suitability for a given business is dependent on the entity's contingent circumstances, such as market competition, technology and the qualification levels of accounting personnel (Islam & Hu, 2012; Maziriri & Mapuranga, 2017). It appears that certain contingent factors that make management accounting techniques such as stock management suitable for organisations already exist among SMEs. For instance, the more advanced the level of technology employed by a business, the better informed

their decision-making will be and the more likely it will be that they adopt appropriate management accounting techniques such as sound stock management. The prevalence of low-cost technology has made it accessible to entities of all sizes, which nevertheless face the challenge of hiring properly qualified accountants.

5. CONCLUSION

The main objective of this paper was to investigate the “implications of stock management on the financial performance of SMEs in the mobile industry in Cape Town, South Africa”. To address the objectives of the study, a questionnaire survey was conducted to collect quantitative data, which was then analysed using “descriptive and inferential statistics” through SPSS and Microsoft Excel power pivot. According to the findings, the Correlation analysis results showed a 0.655 positive correlation between stock turnover and liquidity, as well as a 0.710 (fairly strong) positive correlation between stock turnover and profitability. In a nutshell, the findings of this study revealed that the majority of SMEs in the mobile industry decision-makers agreed that sound stock management has a positive effect on the financial performance of SMEs in the mobile industry of Cape Town, South Africa. The implication is that careful, efficient and effective stock management could be one of the keys to reducing high costs for better financial performance and sustainability.

This paper not only fills a gap in the literature about the implications of stock management on the financial performance of SMEs but also adds invaluable insights into stock management in SMEs. The latter could serve to inform future government initiatives aimed at improving their performance. The study recommends that SMEs operating in the mobile industry and other sectors should be educated on the benefits of fully committing to sound stock management practices in their operations through frequent training and workshops, regardless of the obstacles they encounter or the deterrents they face. Furthermore, the researchers recommend that mobile service providers, if possible, purchase stock from device manufacturers, use the just-in-time method as much as possible, as well as try to negotiate with suppliers to adopt the consignment stock approach. This could result in considerable stock and related cost reduction as well as better service offerings at lower prices for the customers. Consequently, these results open possibilities for future research. Since this study employed a quantitative method, it might be complemented by qualitative research to enable a more thorough-going analysis of the topic under

study. Further research could use factor analysis, Chi-Square tests, and time-series analyses to investigate the implications of stock management on the financial performance of SMEs, to obtain a more detailed statistical analysis of the contributions made by independent variables to dependent variables in cause-and-effect relationships. Furthermore, the study's findings were drawn from a sample of 50 SMEs. In order to enhance the generalisability of the findings, future research might choose to employ a larger sample size..

DISCLOSURE OF CONFLICT

The authors declare that they have no conflicts of interest.

AUTHOR(S) DETAILS

Oscar Chakabva

Department of Cost and Management Accounting

Cape Peninsula University of Technology, Cape Town, South Africa.

E-mail: chakabvao@cput.ac.za

ORCID ID: <https://orcid.org/0000-0002-5357-1363>

Martha Bganya

Department of Business School

Cape Peninsula University of Technology, Cape Town, South Africa

E-mail: marmaeresera@gmail.com

ORCID ID:

Lawrence O. Obokoh

Department of Business School

University of Johannesburg, South Africa

E-mail: lawrence.obokoh@JBS.ac.za

ORCID ID: <https://orcid.org/0000-0002-7142-543>

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