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INVENTORY MANAGEMENT AND FINANCIAL PERFORMANCE OF PUBLIC ENTITIES IN TANZANIA: A CASE OF TANZANIA POSTAL CORPORATION

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Abstract
This study vowed to examine and establish the effect of inventory management on the public sector financial performance in Tanzania using Tanzania Posts Corporation (TPC) as the case study. Specifically, the study intended mainly to establish the effects of inventory management on financial performance of Tanzania Posts Corporation. The study adopted a mixed research method with use of both quantitative and qualitative approaches. Explanatory survey research design was used and a sample of 200 respondents was selected from among TPC employees who included financial management officers (Finance and Accounting Staff) and Corporation Executives at the Headquarters, Zones and Branches (out of the population of 400 targeted respondents) of which 194 respondents' questionnaires were complete and were, therefore, used in the analysis. The selection followed both a stratified and random sampling methods and by the use of Slovenes formula in arriving at the sample size. Questionnaire and interviews were used to collect primary data while secondary information was collected using documentary review, and the quantitative analysis was undertaken using SPSS Version 26 tool. Findings revealed that inventory management affected the financial performance of Tanzania Postal Corporation (TPC). This study, therefore, concludes that inventory management had more positive effects on the financial performance of TPC and, thus, requires appropriate management. The study recommends that the management of TPC should strengthen the aspect of appropriate inventory management techniques and the related Internal Control System (ICS) of the entity so as to keep the entity intact and achieve positive financial performance.

Key Words (Index Terms): Inventory, Inventory Management, Financial Performance, Public Entities.

1.0 Contribution/Originality of the Study

This paper's primary contribution has been the capability of establishing and determining that inventory (which is one of most significant elements of a firm's working capital) management affected the financial performance of Tanzania Posts Corporation (TPC) in Tanzania to a great extent in a way as to show that it is one of the major elements of the WCM that, if not properly managed, it affects the public sector performance in Tanzania and beyond.

1.1 Introduction and Background to the Study

This part of the study reconnoits and evaluates the effects of inventory management on financial performance of public business organisations (PBOs) in Tanzania and gives an assessment of how these entities try to overcome the negative performance scores thereof. The various variables/elements of working capital (WC), for an entity, involve the most liquid resources of an organization, and these, include inventories, cash and cash equivalents, bank balances, account payables, trade debtors and other receivables (Nsanganzelu, 2023; Ejike, 2018). However, most organisations do not ensure optimum level of operating liquidity of these elements of working capital (WC), and this has been a major obstacle to their overall profitability and good financial performance

(CAG, 2020-2023; Nsanganzelu, 2023; Ejike, 2018). Thus, inventories, which are among the working capital elements, is one of the WC variables forming the nerve-centre of any business entity operations, hence, it should be managed effectively and efficiently in order to ensure the firm's continued operationalization, growth and sustainable development (Nsanganzelu, 2023; Kitomo, Likwachala & Swai, 2020).

Inventories management performance is one of the main provider of critical understanding into the financial position of an entity's state of affairs, and, as an important indicator of a firm's financial fitness accessed via its Statement of Financial Position, the availability of a company's working capital is one of the first items a lender or investor will examine on the firm's Statement of Financial Position (Stubely & Laporsek, 2016) for various reasons including lending and investing in the firm. Inventory Management is also one of the tools that play an important role in ensuring continuous wealth maximization and assists in maintaining firms' stability (Nsanganzelu, 2023). Despite the wide and significant contribution of the public business organization (PBOs) to the Tanzanian economy, the potentials of these government entities in Tanzania have not been exploited to their fullest extent and this is a major concern to the economy and development stakeholders, their financial performance still falls below the required expectation (Nsanganzelu, 2023; CAG, 2020, CAG 2021, CAG, 2022; Okonkwo & Obidike, 2016; Kitomo, Likwachala & Swai, 2020). This suggests that despite the existence of many firm-support programmes that provide backing to these organisations, they continue to experience high failure rates (Nsanganzelu, 2023; CAG, 2020).

In accordance with CAG (2021; 2022), forty-five (45) PBOs of the likes of TPC (these are TTCL, NDC, TANESCO etc.) had their financial stability established to be inadequate and that they reported deficits and losses for many previous consecutive years (CAG, 2017-2022). The CAG (2017-2022) report identified that the deficits or losses from these PBOs were mainly attributed to underperformance, insufficient alternative sources of revenue and over dependency on Government subvention. In 2022, the CAG further established that 24 PBOs were financed by debts, whereas 10 PBOs had negative equity and 45 had negative working capital and concluded in the Audit Report that the financial constrains facing these PBOs require Government support to effectively discharge their mandates (CAG, 2022).

Further review by the CAG (2022) found areas for improvement in strategic Public Entities and strategic projects with a role of creating conducive business environment. The report identified lots of exorbitant costs and losses of potential revenue of billions of TShs due to mismanagement and improper handling of resources. Furthermore, the report by CAG (2021; 2022) found 99 PBOs with long outstanding payables amounting to TShs 7.65 trillion due to similar causes.

The Resource-based View (RBV) was employed in this study, which proposes that acquiring and deploying superior business-specific tangible and intangible resources is a sure way of achieving an entity's long-term competitive advantage and superior performance (Nsanganzelu, 2022). Unfortunately, this has not been the case in Tanzania over the last ten years; the performance of some organizations in the country has been stagnant, with some reports of low or deteriorating performance (CAG, 2022; Nsanganzelu, 2023). However, still, the application of Wernerfelt's Resource-based View (RBV) Theory, proposed in 1984 and later updated by Barney in 1991, sees business organizations as having a set of valuable resources at their disposal that can be used to maximize profitability (Barney, 1991). The Resource-based View (RBV) which proposes that the possession and subsequent deployment of superior business-specific tangible and intangible resources is a certain means of achieving an entity's sustainable competitive advantage and a superior performance. Unfortunately, this has not been the case in Tanzania in the last ten (10) years; the performance of many PBOs in the country has been stagnant and sometimes reported to be low or deteriorating (CAG, 2020; CAG 2022).

Currently, the amount of PBOs in the country (Tanzania) has increased vividly, but their financial performance has not been that much up to standard (CAG, 2020; Nsanganzelu, 2023) and, given their noble function and contribution in the economic development of the country, this study had the view that the undesirable performance of these organisations could be well explained by how they manage their working capital, inventory management inclusive (Nsanganzelu, 2023). Some suggestions have been provided by different researchers for the business firms' financial underperformance such as the failure in working capital management, poor access to finances (World Bank, 2020; Tanzi, 2019) and, generally, lack of strategic resources consistent with the Resource Dependency Theory propounded by Barney (1991). Moreover, other studies (Usman, Shaikh & Khan, 2017; Zhang, Chen & Yu, 2017; Zariyawati, Hirnissa & Rose, 2017) assert that business firms' financial performance trends in Spain, the Scandinavian Countries, Malaysia and elsewhere were predicted by the efficient management of the elements of working capital as the overall indicator of profitability and business firm overall performance.

While in recent years authors have started to pay attention to the similar research in emerging countries, they have continued to neglect countries in Asia and Africa (World Bank Group, 2017; Quartey, Turkson, Abor & Iddrisu, 2017; Tanzi, 2019; Trapnell et al. 2017). Substantial variations between countries in Asia and Africa and other types of economies put into question the generalizability and practical application of findings derived from developed countries and underscore the need for a separate analysis focusing on Asia and Africa region. Regrettably, these objectives have remained largely unattained in many African Countries. This study undertook this task.

Realizing the contribution of the efficient and effective PBOs' financial performance, the Government of Tanzania (and other Governments across Africa) plus other stakeholders in the national development arena have adopted various initiatives towards assisting PBOs in this area. Thus, Government venture development programmes are major mechanism required to aggressively stimulate the growth of these organisations (Nsanganzelu, 2023). The Government and other institutions have been playing vital positive roles on the performance of the PBOs despite the prevailing economic conditions. The Government of Tanzania has also taken a number of measures to reform the public entities and promote adequate performance in these organisations (MoFP/URT, 2017, 2018). Regardless of the reforms by the Government geared at enhancing these organisations' performance, there is still a gap between the operations and the achievements thereof.

1.2 The Statement of the Problem

Despite the significant contribution of the public sector business organisations to the Tanzanian economy, the potentials of government entities in Tanzania have not been exploited to their fullest extent possible and this is a major concern to stakeholders of the country's economy, growth and development, their financial performance still falls below the required expectation (CAG, 2017-2022; Okonkwo & Obidike, 2016; Kitomo, Likwachala & Swai, 2020; Nsanganzelu, 2023). While in recent years authors have started to pay attention to similar research in emerging countries, they have continued to neglect countries in Asia and Africa (World Bank Group, 2020; Zariyawati, Hirnissa & Rose, 2017; World Bank Group, 2017; Quartey, Turkson, Abor & Iddrisu, 2017; Tanzi, 2019; Trapnell et al. 2017). Substantial variations between countries in Asia and Africa and other types of economies put into question the generalizability and practical application of findings derived from developed countries and underscore the need for a separate analysis focusing on Asia and Africa region (Nsanganzelu, 2013). This study undertook this task.

There has been an ongoing trend for the Government and other stakeholders (both national and international) to engage various efforts including enacting government policies, strategy adoption and research so as to enhance better performance for government entities (MoFP/URT, 2017, 2018; World Bank Group, 2017; Quartey, Turkson, Abor and Iddrisu, 2017). In order to advocate these efforts in the country, the Government initiated the Government/Government entities/Parastatals Development Policy, 2017 targeting strategic moves in this direction (MoFP/URT, 2017). The performance, for instance, of public organisations in Tanzania, has been quite adverse over the years as compared to private entities in the same industry (CAG Reports, 2018-2022, Vodacom Tanzania AGM Presentations, 2018-2022).

Surprising of the existence of the various capacities for the government entities in Tanzania, much deserves to be explored on their low level of performance (Nsanganzelu, 2023). Even those few studies that exist most have not come up with wider theoretical and empirical debate. Although previous studies have attempted to show the effect of various elements of working capital management on the financial profitability of government entities, most of these studies are from the developed nations (Turyahebwa, Sunday & Ssekajugo, 2013; Obazee, 2019; World Bank Group, 2020). However, such studies employed theories that did not link management of working capital elements to business financial performance of business organisations in the public sector in a country specifically like Tanzania (Nsanganzelu, 2023). So far, these studies had a string of unresolved contradictions applicable to government sector business organisations, thus, calling for a new study in a developing country setting like Tanzania to be undertaken, using the theory of RBV. This research attempted to bridge this gap by advancing the theory in an advanced setup in order to provide conceptual evidence on how to improve financial business performance by applying the elements of the working capital management practices.

It has been found out that large number of business failures in the past have been blamed on the inability of the managers in planning and control of the working capital elements of their respective firms in Africa (Tanzi, 2019; Nsanganzelu, 2023). These reported inadequacies among financial managers are still practiced today in many organizations in the form of inappropriate cash management, high bad debts, high inventory costs etc., which adversely affects their operating performance (Tanzi, 2019).

1.3 Purpose of the Study

The study aimed at examining and establishing the effects of inventory management on financial performance of government entities in Tanzania.

1.4 Specific Research Objectives

This study guaranteed to utilize the following specific research objectives:

i) To find out the effects of cash management on financial performance of PBOs in Tanzania.
ii) To determine the relationship between cash management and the financial performance of PBOs in Tanzania.

1.5 Scope of the Study

The scope of this study was sectioned into three areas namely geographical, content and theoretical scope.

1.5.1 Geographical Scope

The study was undertaken within Tanzania Posts Corporation (TPC), covering all its seven (7) Zones of Operations.

1.5.2 Content Scope

This study focused on the effects of the management of inventory on the financial performance of government entities (PBOs) in Tanzania. The main constructs under the independent variable, thus, included measures of inventory management such as the days of inventory conversion cycle among others, as predictors of financial performance of business firms in terms of profitability (measured by the Return on Assets (ROA) and growth, which is the dependent variables.

1.5.3 Theoretical Scope

Theoretically, the study adopted the Resource Based View (RBV) of the Firm. This theory was propounded by Wernerfelt in 1984. The theory advocates that firms have different resources at their disposal, and if used appropriately, they will contribute to unique and competitive performance. This theory is well related to the inventory resources management of the government entities in Tanzania in a way that the financial performance of these parastatals lies primarily on how they apply the bundle of such valuable and important resources at their disposal. The inventory resources at their disposal in Tanzania was examined to assess their level of management and the effects that they have on these government entities' financial performance.

1.6 Significance of the Study

1.6.1 Theoretical Significance

The study aspired to establish the effects of inventory management practices on government entities' financial performance. Relevant theoretical arguments (from the RBV theory) were used in a way as to establish a base on justifying reasons behind better business firms' financial performance (Nsanganzelu, 2023). Earlier studies have looked into the causes of business failures, but they have not been able to vividly bring that out, specifically for the firms in Africa, in a way as to expose out the best practices that affect and influence the best business financial performance of business entities in the public sector in Tanzania (World Bank Group, 2020; Zariyawati, Hirnissa & Rose, 2017; World Bank Group, 2017; Quartey, Turkson, Abor & Iddrisu, 2017; Tanzi, 2019; Trapnell et al. 2017; Nsanganzelu, 2023). Thus, this study strived to fill the gap that previous such studies have not been able to vividly bring the effect of the independent variables out, specifically for the firms in Africa, in a way as to expose out the best practices that affect and influence the best business financial performance of business entities in the public sector in Tanzania and contribute to the present practice and knowledge by coming up with empirical evidence in order to support theories which are necessary in stimulating business financial performance in a developing country setting like Tanzania (Nsanganzelu, 2023).

1.6.2 Policy Implication

The study findings contribute largely on how policy makers can develop policies to optimize the financial performance of the PBOs in Tanzania. The study intended to bring a positive influence in enhancing the implementation of the current policies of both the PBOs and of the government by providing solutions to the operational challenges that they are facing and that the study findings have or will be able to impact the review of these business policies.

1.6.3 Managerial Implications

The study intended to advance appropriate knowledge on how government entities (PBOs) can properly be able to utilise good and appropriate management of their working capital elements, including inventories, for optimal performance. Either, the findings also provide management skills to business organisations, as a whole, in Tanzania and elsewhere, on how to appropriately manage their financial resources, derived from combined efforts explained through the various models/theories and through the findings thereof.

2.0 Literature Review

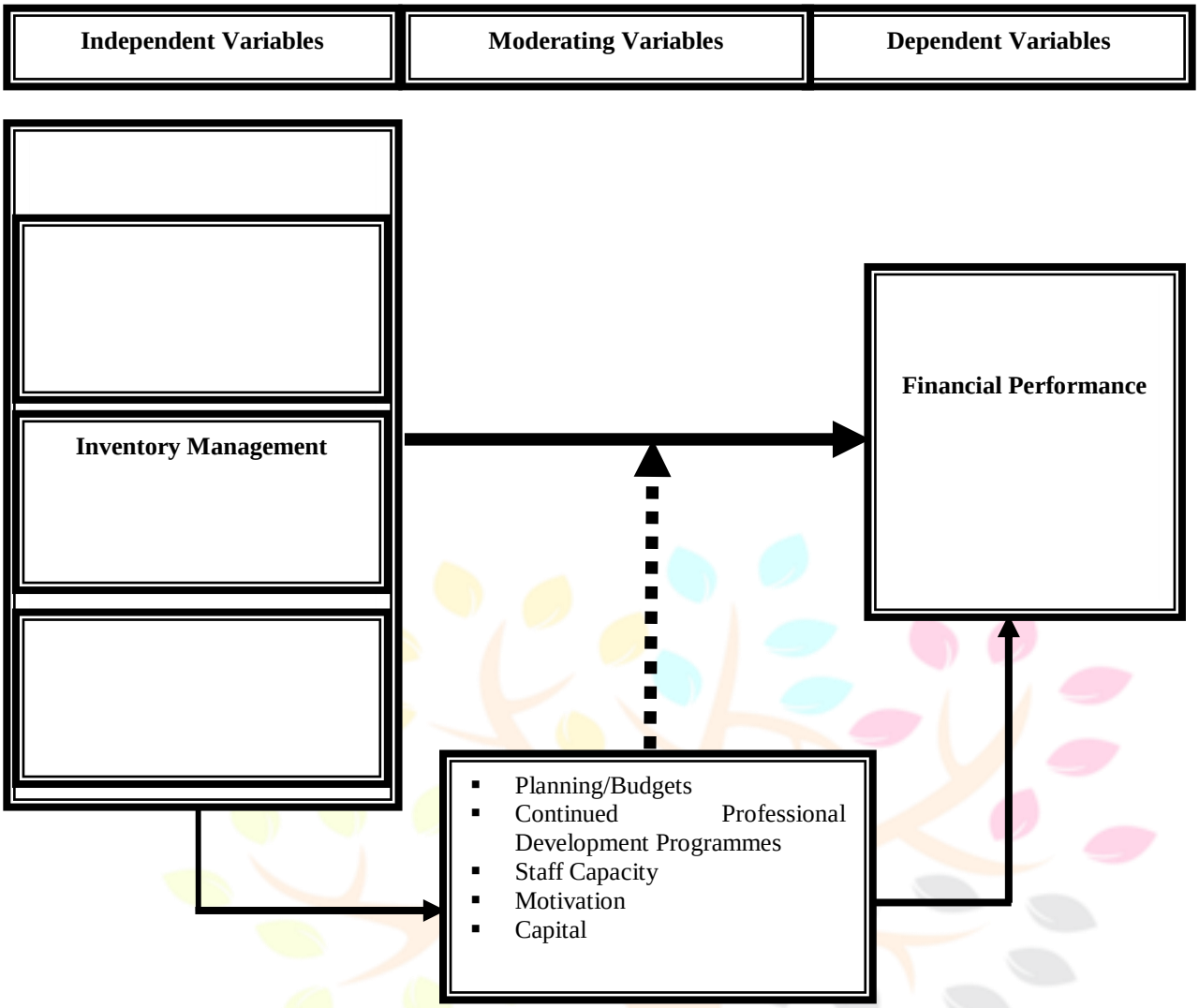
2.1 Theoretical (Conceptual) Framework

This study put in use a theoretical/conceptual structure represented in form of a model as depicted under Figure 2.1 below. The conceptual framework was developed from the theoretical and empirical literature review related to the study's dependent and independent variables (Nsanganzelu, 2023). The independent variable was used as the influencing factor leading into one dependent variable namely the financial performance of government entities.

The framework adopted the application of the Resource-based View (RBV) Theory, propounded by Wernerfelt in 1984 and later updated by Barney in 1991 as the Resources Dependance Theory, which sees business organisations to have a set of valuable resources at their disposal which can be utilized by these organisations in order to maximize firms' profitability (Wernerfelt, 1984; Barney, 1991).

This theoretical/conceptual framework of the study has been represented in the following diagram:

Figure 2.1: The Theoretical/Conceptual Framework.



Source: Adapted from Abdulazeez, Baba, Fatima & Abdurrahman (2018). Working Capital Management and Financial Performance of Listed Conglomerate Companies in Nigeria (Pg: 54).

Nevertheless, the RBV theory still does not take into account some other important constructs such as the knowledge aspect, as well as the optimum levels of, say, working capital elements (Nsanganzelu, 2023), therefore, the current study considered the extent to which some of these aspects are put into use in order for the public sector business firms to boost performance. This called for the study to bridge this theoretical gap and supplement the theory appropriately and by use of other complimenting theories, such as the Cost Trade-off Theory (the Liquidity and Illiquidity Cost Trade-off) (Nsanganzelu, 2023). The study employed the multiplicative effect of various constructs of working capital management practices, as a multidimensional construct to provide a relevant assertion for understanding financial performance of public sector business organization in Tanzania. The Framework asserts that, as part of measure of activity and liquidity (ratios), inventory management has an indirect effect on performance measured by gross operating profit (Nyamweno & Olweny, 2014).

2.2 Empirical Literature Review

There has been limited research on inventory management (as one of the working capital elements) and financial performance challenges and their effect on government entities in Africa. Most studies in the area focused mainly on countries outside Africa (OECD, 2005).

2.2.1 Inventory Management of PBOs

The elements of current assets (CA) and current liabilities (CL) have a short life span, they are engaged in current operations of a business and normally used for short-term operations of the firm during an accounting period i.e., within twelve months (Okonkwo & Obidike, 2016; Nsanganzelu, 2023). Usman, Shaikh & Khan (2017) undertook a study with the title "The Impact of Working Capital Management on Firm Profitability: Evidence from Scandinavian Countries-Denmark, Norway and Sweden", whereas their study concluded that working capital and the current ratio (CR) are positively related to and affect firms' profitability, represented by the return on Assets as a measure of profitability (Nsanganzelu, 2023). A study conducted by Zariyawati, Hirnissa & Rose (2017) on working capital management and the performance of both small and large entities in Malaysia revealed that the elements of working capital management have a profound significant effect on firm performance.

Furthermore, a study carried out by Zhang, Chen & Yu (2017) examined the trends in working capital management and its impact on firm's performance. This study by Zhang, Chen & Yu (2017) pursued to examine the effect of specific components of working capital such as the inventory management (the inventory holding period), cash conversion cycle and the average collection period on the Return on Assets (ROA) as a measure of profitability of an entity. Data was collected and analyzed by

use of regression analysis technique. The study established that the use of working capital management practices such as cash conversion cycle and the inventory holding have a significant impact on the performance of business firms (Zhang, Chen & Yu, 2017; Nsanganzelu, 2023).

Considering the massive and huge potentials of the government entities and despite the credit of their immense contribution to the country and the global sustainable economic development at large, their performance still falls below expectation in many developing countries (Okonkwo & Obidike, 2016). This suggests that despite the existence of many firm-support programmes that provide backing to these organisations, they continue to experience high failure rates (Kehinde, Abiodun & Adegbuyi, 2016; Nsanganzelu, 2023). This raises questions on whether these PBOs properly manage the working capital elements such as inventory and other financial resources at their disposal. The Government, shareholders and lenders have invested heavily in these public companies financially and continue to provide an enabling environment for conducting business, and, hence, these stakeholders have the expectation that such firms should continue to perform to the desired and expected standards and return dividends and shareholders' value of these firms to the owners. A study in Kenya concluded that various companies have not been performing so well and many have suffered declined performance due to failure to properly manage the working capital resources at their disposal (Tanzi, 2019).

Karidag (2018) inspected inventory management, cash and receivables management and their effect to financial performance and competitiveness of entities. The data for analysis were collected from 188 entities through structured questionnaires and tested four hypotheses using structural equation modelling (SEM). The findings of the regression analyses showed that the higher degree of conduct of receivables and cash management practices is positively associated with financial performance of entities while a weaker degree of association is found for inventory management practices (Karidag, 2018; Nsanganzelu, 2023). The influence of working capital management practices on the financial performance of entities indicates that various resources management factors including proper working capital management has a significant positive impact on the financial performance of an enterprise (Karidag, 2018; Kitomo, Likwachala & Swai, 2020; Nsanganzelu, 2023,).

It is very significant that an entity effectively and efficiently manages its WC, if not, the entity will find itself in a position of consistent loss making which will place doubts on the entity's ability to continue in business as a going concern (Ejike, 2018; Nsanganzelu, 2023). Anandasayanan (2018) undertook a study in Sri Lanka on the effects of working capital management practices on the profitability of Sri Lankan listed firms, for the period of seven (7) years on a trend analysis basis, found out that there is a significant negative effect between net operating profitability and the average collection period, inventory turnover in days and the average cash conversion cycle. This is interpreted to mean that managers can create value by reducing the number of days of accounts receivable and inventories to a reasonable minimum (Anandasayanan, 2018). Further consistent results were obtained from a study by J. Garcia undertaken in 2011 (as cited in Nyamweno and Olweny, 2014) on the 'Impact of Working Capital Management Upon Companies' Profitability: Evidence from European Companies' that used cash conversion cycle to represent working capital and GOP as a measure of company profitability, revealed a significant negative effect of RCP, ICP, Payables Deferral Period and CCC on company profitability. These findings and conclusions suggest that firms can improve their profitability by reducing the time span during which working capital is tied within the company. The National Baseline Survey Report (2019) in Tanzania asserts that among the key factors for the adverse performance of government entities is the insufficient working capital elements (cash management inclusive) which contribute largely to their poor performance.

It is asserted that entities' management can create value by properly managing their inventory positions (increasing their inventories only up to a reasonable level), reducing the number of days accounts receivables, take long to pay their creditors in as far as they do not strain their relationships with these creditors and carefully reducing the cash conversion cycle to its minimum (Rahman, Rahman & Belas, 2017). It was also determined that, the effects of WCM on firm's profitability (measured by ROA), using panel data, are with a significant negative relationship especially between profitability and number of days accounts receivables (AR) and the cash conversion cycle (CCC). Financial leverage, sales growth, current ratio and firm size were used as control variables and were found to have a significant effect on the firm's profitability, and, in a similar way, studies in finance and investment show that proper working capital management practices play a great role in business performance and sustainability (Rahman, Rahman and Belas, 2017).

In an analogous way, it was further asserted that the Days AR and CCC are indirectly related to the firms' ROA and that the duo of ICP and the Days APP have a direct effect on firms' ROA (Makina & Kenga'ra, 2020). Thus, in their study titled 'Effect of Working Capital Management on Performance of Commercial SMEs in Mombasa County, Kenya, Makina & Kenga'ra (2020) concluded that WCM affects, significantly, the financial performance of an organization and that financial managers must treat it with an utmost concern. Their study used questionnaires as their main instrument with 70 respondents drawn from firms from all six (6) sub-counties of Mombasa County, Kenya, and adopted the use of multiple regression and inferential statistics in the analysis. The study identified a notable effect of working capital management constructs such as inventory management, cash conversion cycle and debts management on the performance of such firms in Mombasa County (Makina & Kenga'ra, 2020).

Kitomo, Likwachala & Swai (2020) undertook a study in Tanzania on financial management practices among various enterprises in Tanzania. The study recommended that practitioners needed, essentially, to be educated, familiarized and sensitized on the various appropriate WCM approaches and their implications to their businesses so that they will be able to select and utilize appropriate techniques in managing profitability and liquidity in their businesses in order to offset the undesirable effects as outcomes in their entities' operations (Kitomo, Likwachala & Swai, 2020). Ngomuo & Wang (2015) carried out a study aimed at assessing the performance of Local Government in Tanzania by using a balanced scorecard model as proposed

by Kaplan & Norton (1992) to integrate both financial and non-financial performance measures. This study adapted but altered/modified the model by adding another performance perspective which is the social perspective. Their study findings revealed that the overall performance of these organisations was poor with a performance level of 39.43% which is much contributed by poor financial management and performance rather than non-financial performance. Working capital management and its effects on firms' financial performance has been studied significantly by different other researchers (Zariyawati, Hirnissa and Rose, 2017; World Bank Group, 2017; Quartey, Turkson, Abor and Iddrisu, 2017.). The research coverage on the area has not specifically covered Tanzania, leaving a gap that needs to be explored further.

2.2.2 Financial Performance of Government Entities

Various research have shown that entities with poor inventory management approaches are prone to failure of such businesses, and that firms that have good and organized WCM have better financial performance (Makina & Kenga'ra, 2020). They also affirm that Managers can, ultimately, increase firms' profitability (financial performance) by improving the management of WC components under their authority. It follows that WCM is an attempt to manage and control the current assets (CA) and the current liabilities (CL) so as to optimise profitability and achieve a proper level of liquidity in the organisation. The study by Usman, Shaikh & Khan (2017) examined entities' WC and concluded that it represents between 30% to 40% of an organisation's overall investment. They asserted that the main objective of working capital is to provide a assurance to an entity that the firm will be or is capable of meeting its short-term obligations at a given period of time. However, it is also asserted that working capital mismanagement may lead to serious losses in any given business firm (Usman, Shaikh & Khan, 2017; Makina & Kenga'ra, 2020).

A study by Lamptey, Frimponj & Morrison (2017) was undertaken on the influence of WCM on organisations' financial performance in developing countries, focusing on Ghana. The study reviewed the financial statements and annual reports for five (5) years, utilizing convenience sampling technique to select 400 business firms, and the study found out that the cash conversion period (CCP), days accounts receivable and inventory turnover days were had a significantly negative effect and were also negatively correlated to the performance of business firms (Lamptey, Frimponj and Morrison, 2017; Nsanganzelu, 2023).

2.2.3 The Effects of Cash Management on the Financial Performance of Government Entities

In accordance with other similar literatures, there is a strong correlation between the components/elements of working capital management and the financial performance of business firms, and, that there are significant effects towards business firms' financial performance as derived from how these firms manage such working capital elements (Kitomo, Likwachala, and Swai, 2020). Poor utilization of current assets leads to tremendous financial cost which leads to the impairment of cash inflows (Kitomo, Likwachala, and Swai, 2020). Thus, the effective management of working capital elements cannot be underestimated for proper liquidity and appropriate financial performance of business entities (Kitomo, Likwachala, and Swai, 2020).

Liquidity (and other aspects of WC measurement) and profitability (a financial performance variant) are two important and major aspects of corporate business life (Nsanganzelu, 2023). The problem becomes that of undertaking to increase profits at the cost of liquidity which can bring stern problems to any business entity. Hence, there must be a trade-off between these two most important objectives (liquidity versus profitability) of any entity. One objective should not be at the cost of the other because both these objectives have their own value to business organisations (Nsanganzelu, 2023). If firms do not care about return and profit, they cannot survive for a longer period, and on the other hand, if they do not care about liquidity, they will face the problem of insolvency or bankruptcy (Nsanganzelu, 2023). This situation calls for business managers to give appropriate consideration to the aspect of WCM as it does ultimately affect the financial performance (including profitability) of the entities (Nsanganzelu, 2023).

3.0 Methodology

3.1 Research Design

The study adopted a descriptive survey research design. The design was chosen as a means to evaluate the effect of the independent variable on the dependent variable thereof. Primary data was collected using questionnaires. The study used a mixed research method which means that both qualitative and quantitative approaches were employed. The quantitative approach was used because questionnaires were administered to respondents, while the qualitative approach/method was adopted to the senior executives using interviews. Kothari (2004) argues that the quantitative approach involved the generation of data in numerical form which can be subjected to rigorous data analysis in a formal and rigid fashion.

The analysis of data was made using various statistical methods. The study achieved 97% response rate since 194 out of 200 questionnaires administered were filled and returned. Data for the study was collected using both primary and secondary sources. Secondary data was collected through documentary review of published records and financial statements/reports, journals, textbooks and Government documents, industry and annual reports, while, primary data was collected using a self-administered structured questionnaire and interviews.

3.2 Study Location and Population

A population comprises any entire set of elements or objects that possess at least one common characteristic (Brian, 2000). Furthermore, a population can be very large or small depending upon the size of the group of the elements or objects from which the researcher plans to draw inferences. Hence, the population is that entire set that a researcher has in mind from which information or data can be obtained for the study purpose. The population of this study in terms of the target staff comprised of four hundred (400) out of which two hundred (200) respondents were selected following stratified and simple random sampling methods and by use of Slovenes formula in arriving at the sample size. Burns and Grove (2003) define sampling as a process of selecting a group

of people, events or behaviour with which to conduct a study. The data collected described things as they were during the time of the study. Geographically, this research was conducted in Tanzania Postal Corporation (TPC) from all its Zones in Tanzania.

3.3 Sampling Plan (Sample Size and Sampling Techniques)

Sampling is a process of selecting sufficient number of elements from the population so that the study of a sample and an understanding of its properties or characteristics would make it possible for us to generalize such properties or characteristics to the population elements (Nsanganzelu, 2023). This study used both stratified and random sampling techniques. The purposive sampling was used in this study since accounting and finance officers as well as operations officers are directly related to this study basing on their profession and experience in the area that was under study. This is supported by Kombo and Tromp (2013: 82) who argue that a purposive sample is used for people or objects which are believed to be reliable for the study. In addition, Kothari (2004: 17) notes that purposive sampling is more appropriate when the universe is small and known characteristics of it is to be studied intensively. Random sampling was also used in this study in order to give to each category of the target population an equal chance of being selected. Kombo and Tromp (2013:79) support that; random sampling is used to give each unit an equal and independent chance of being selected. Similarly, Kothari (2004: 15) argues that the random sampling is adopted when every item of the universe has an equal chance of inclusion in the sample.

The sample size of the population was calculated using Slovenes formula. Maximiano (2007) pointed out that the Slovene's formula is used to obtain good and reliable sample size. Therefore, using the Slovene's formula, the total sample size for the study was arrived at as:

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

Whereby:
n = sample size
N = target population
e = level of significance at 0.05 or the error.

Therefore, the study sample size was estimated at:

$$n = \frac{400}{1+400(0.05)^2}$$

$$= \frac{400}{2.00}$$

= 200 Respondents.

The Slovene's formula gave the result of 200 respondents among the 400 target respondents.

Sample Size

Thus, the study used a sample size of 200 respondents. The summary for the sample size is shown in Table 3.3 below:

Table 3.3 Sample Size Distribution

S/No.	Respondent Categories	Target Respondents Population	Sample Size Distribution	Percentage
1.	Financial Management Officers	80	40	20%
2.	Operations Officers	240	120	60%
3.	Managers	80	40	20%
Total		**400**	**200**	**100%**

Source: (Field Data, 2021)

3.4 Research Instrument

This research used questionnaires and interview as the two techniques of collecting primary data. Questionnaires were self-designed and administered in such that they could be filled by the respondents and collected back by the researcher. This method was useful on reducing the problem of non-response, hence, its justification for this study. Sekaran (2006) defined questionnaire as a pre-formulated set of questions which respondents record their answers within rather closely defined alternatives. The questionnaires consisted of a set of questions set by the researcher in relation to the objectives of the study to guide the respondents in responding appropriately to the researcher at the time of the field study; this enabled the respondents to express their opinions and views on the problem under study. The questionnaires consisted of a 5-point Likert Scale which is a considered to be a suitable method widely used due to its convenience to the respondents in agreeing, disagreeing etc. for each question. The questions were created to cover various components of the variables under study. Within each component there was a series of questions that examine or test specific aspects (constructs) of the variables.

The interview technique was employed in order to obtain more information about the study. Kothari (2004) asserts that interview is a method for collecting data through oral verbal stimuli and reply in terms of oral–verbal responses. The study utilised structured interview because it provides reliable and systematic information. Kombo & Tromp (2013:94) support this by arguing that structured interview provides reliable, systematic, quantifiable and complete information.

3.5 Instrument (Questionnaire) Validity and Reliability

The study utilized construct validity whereby the obtained data through the questionnaires represented a theoretical concept meaningfully and accurately. This method was considered to be applicable after a pilot study was conducted using test-retest method to same group of respondents yielding consistent results. The test-retest method that was employed in testing instrument validity yielded consistent results (100% consistency). The questionnaires were also tested for reliability using test-pre-test method to ensure reliability. Bryman and Cramer (1997) observed that validity is concerned with the question of goodness of fit or concurrence between what the researcher has defined as a characteristic of the phenomenon under study and what the researcher is reporting in terms of measurement. The instrument's validity was further diagnosed as follows:

Internal Validity: Piloting by testing the questionnaires before sending them to the selected sample ensured internal validity of the study. The testing was done so that the questionnaires were appropriately reviewed and tested. This was made so as to ensure that the questions asked concentrated on the issues essential to the survey. The exercise also ensured that the right questions with proper ingredients were asked, which increased the reliability of answers and their consistency throughout the survey questionnaires. The questions were checked against a set of questions used in similar research that were undertaken previously.

Face Validity: Face validity is the degree to which the findings correctly map the phenomenon in question (Nsanganzelu, 2023). The researcher involved supervisors, other professionals, research colleagues and other experts to examine the questionnaires so as to guarantee facial validity and the contents. Their comments, corrections and suggestions were used to revise the questionnaires before preparing the final instrument version.

Content Validity: Content validity refers to the representativeness of the item content domain: the manner in which the questionnaire and its items are built to ensure the reasonableness of the claims of content validity. The rigorous procedures used to select the questionnaire constructs to form the initial items, personal interviews with experts, and the iterative procedures of scale purification imply that the instrument had strong content validity (Nsanganzelu, 2023).

Instrument Reliability

The researcher calculated the reliability coefficients of the scales using Cronbach's Alpha. In order to calculate Cronbach's Coefficient Alpha, the following Kunder-Richardson (K-R) 20 formulae was used:

$$KR_{20} = \frac{(K)\,(S^2 - \sum s^2)}{(S^2)\,(K-1)}$$

Where:

KR_{20} = Reliability coefficient of internal consistency
K = Number of items used to measure the concept
S^2 = Variance of all scores
s^2 = Variance of individual items

A high coefficient implies that items correlated highly among themselves. This is sometimes referred to as homogeneity of data. The reliability correlation by Cronbach Alpha found the coefficient to be 0.78 which was considered acceptable for this research.

3.6 Plan of Data Analysis (Data Coding, Analysis and Interpretation)

From the collected data, the task of analyzing, thoroughly and carefully, the data for the study was undertaken. This involved the establishment of categories, the application of the categories to the raw data through coding, tabulation etc, which led to drawing statistical references. In this case, therefore, raw data was classified into some purposeful and usable categories. Tabulation and subsequent analysis of data was made. The researcher employed the use of tables and frequencies and findings represented with the aid of statistical tables. Tabulation, as noted by Kothari (2002, 2004) is the use of tables in analysis and presentations of research data. Tabulation conserves space, reduces explanatory and descriptive statements to a minimum, facilitates comparison and summation of items and provides a basis for various statistical computations. The responses of the subjects were entered into the computer using Statistical Package for Social Science (SPSS) research. The responses from closed ended questions were coded into frequencies and percentages for easy analysis and interpretation. The 5-point Likert Scale and Mean interpretation was made as follows:

Table 3.6a: The 5-Point Likert Scale Interpretation

Rating	*Response Mode*	*Description*	*Interpretation*
5	Strongly Agree	Agree with no doubt at all	Very Satisfactory
4	Agree	Agree with some doubt	Satisfactory
3	Undecided	No idea	Nil
2	Disagree	Disagree with some doubt	Fair
1	Strongly Disagree	Disagree with no doubt at all	Poor

Source: **(Field Data, 2021)**

The mean score ranges, their description and interpretation are as presented in the Table 3.6b below:

Table 3.6b Mean score interpretation

Mean Score Range	Description (Response Mode)	Mean and Interpretation
4.30 - 5.00	Strongly Agree	Very High-Very Satisfactory
3.50 - 4.29	Agree	High-High
2.70 - 3.49	Neutral	Moderate
1.90 - 2.69	Disagree	Low-Fair
1.00 - 1.89	Strongly Disagree	Very Low-Poor

Source: **(Field Data, 2021)**

After the actual data collection had been undertaken, the actual processing and analysis of the data was carried out where both quantitative and qualitative procedures were utilised.

4.0 Study (Research) Findings

The study data was analyzed using descriptive and inferential statistics on the effect of the independent variable on the dependent variable. The researcher employed Statistical Package for Social Sciences (SPSS) Version 26 as the main descriptive and inferential statistical tool to analyze the data and determine the extent of the effects of the independent variable on the dependent variable. The results of the processed data were presented using percentages, means, standard deviations, frequencies, pie charts and tables for easy understanding.

4.1 The effects of inventory management on financial performance of Tanzania Posts Corporation

4.1.1 Quantitative Results

This part of the study depicts findings from questionnaire on the effects of inventory management on financial performance of Tanzania Posts Corporation as indicated in Table 4.1.1.

Table 4.1.1: The effects of inventory management on financial performance (N=194)

Items	Mean	Std. Deviation	Interpretation
TPC has good liquid assets management practices	3.0619	1.00067	Moderate
TPC has enough raw materials to facilitate daily operations	2.6907	1.04669	Low
There is a good asset base for the firm	2.3299	1.01002	Low
TPC has a proper future inventory price forecasting	2.3093	1.30253	Low
TPC has a good system of keeping track of what has been ordered, how much and whom	2.1753	1.24684	Low
The Internal Control System (ICS) is strong	1.7835	1.00493	Very low
There is excess inventory to meet customers demand	1.6186	.89261	Very low

Source: (Field Data, 2021)

The scores in Table 4.1.1 denote that inventory management had both positive and negative effects on the financial performance of TPC. The results indicate rating ranging from moderate to very low-this imply that the items that received a moderate rating indicate an average effect of inventory management on financial performance of TPC, the items that low and very low rating show an adverse effect thereof towards financial performance of TPC. The standard deviation values show the extent of how respondents agreed or did not agree to the attributes-small values of the standard deviations indicate small deviations from the mean scores showing that the mean scores were close to each other for most responses and vice versa.

Results in Table 4.1.1 indicated four items low ratings, and two constructs with very low ratings. These are the areas that TPC should concentrate on and ensure that they are improved accordingly. These are: improve liquid assets management practices, collect enough raw materials and appropriately manage them, improve the asset base of the entity; inventory price forecasting practices improved, put in place a good system of keeping track of the ordering process, improve the organisation's internal control system (ICS) on the various WCM areas and ensure that there is optimum inventory to meet customers' demand.

The findings are uniform and consistent with the findings from other researchers (Anandasayanan, 2018; Karidag, 2018, Ejike, 2018; Kitomo, Likwachala and Swai, 2020; Rahman, Rahman and Belas, 2017; Makina and Keng'ara, 2020; Nsanganzelu, 2023).

4.2 The relationship between working capital management and financial performance of public sector business organisations in Tanzania.

This section is composed of two parts: the model validation, the analysis of path coefficient and correlation analysis as described below:

4.2.1 Model Validation

The purpose of model validation was to check if the proposed factor structures are indeed consistent with the actual data collected from the field. Model validation was necessary because at the beginning of the study, the researcher had developed the conceptual framework without data. It was necessary to check if the constructs are aligned with their underlined measures or indicator variables.

Table 4.2.1: Summary of One-Way ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.651	3	3.884	6.927	.023[b]
	Residual	42.876	190	.561		
	Total	54.527	193			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Cash Management, Account Receivable & Payable Management, Inventory Management

Source: (Field Data, 2021)

The Analysis of Variances (ANOVA) is a tool of analysis that splits an observed aggregate variability found inside a data set into two important parts to the study which are the Systematic Factors and Random Factors (Makina and Keng'ara, 2020). In this study, this tool (ANOVA) was used to determine the impact that the independent variables have on the dependent variable of the study (financial performance of TPC) in a regressional setup.

For this study, the regression model yielded a sum of squares of 11.651 and a residual of 42.876 whereas the mean square was 3.884 and 3 degrees of freedom. The probability value of 0.023 indicates that the regression relationship was highly significant in predicting how cash management, account receivable & payable management, inventory management affected the financial performance in TPC. The F calculated at 5% level of significance was 6.92 since F calculated is greater than the F critical (value = 2.8387), this shows that the overall model was significant.

4.2.2 Regression Analysis

In this study, a multiple regression analysis was conducted to test the influence among predictor variables. The research used statistical package for social sciences to code, enter and compute the measurements of the linear regression. The purpose of this analysis was to determine the extent to which the (three) independent variables (cash management, account receivable & payable management, inventory management) affect the financial performance of TPC. The summary model with a regression of 0.864a, an R square of 0. 750, adjusted R square of 0.690 with a standard error of estimate of 0.7325.

Table 4.10 Regression Analysis Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.86662	0.7503	0.6902	0.7325

a. Predictors: (Constant), Cash management, Account Receivable & Payable Management, Inventory Management

Source: (Field Data, 2021)

R-Squared is a commonly used statistic to evaluate model fit. R-square is 1 minus the ratio of residual variability. The adjusted R2, also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. This means that 69.02% of the changes in the financial performance at TPC could be attributed to the combined effect of the predictor variables.

5.0 Discussion of the Findings

5.1 To find out the effects of inventory management on financial performance of TPC

Findings agree with those of Ani et al. (2012) who conducted a survey on top five manufacturing entities and found out that WCM, as reflected by the inventory conversion, have an impact on the profitability of such companies. On the other hand, their findings further revealed that the turnover ratios for inventory, payables, and receivables have a direct impact on the financial performance of the surveyed top five manufacturing companies. In addition, the findings agree with those of Abbasali & Milad (2012) in Tehran who looked at a group of companies that were listed on the Tehran Stock Exchange from 2006 to 2010 and found out that inventory conversion cycle, cash conversion cycle, current ratio, current assets to total assets ratio, current liabilities to total assets ratio, and total debt to total assets ratio had positive effects on financial performance of the firms.

Furthermore, findings on TPC had proper strategies for dealing inventory management agree with those of Kitomo, Likwachala, and Swai (2020) who found out that efficient inventory management is an important component of WCM practices that is critical in ensuring the entity's liquidity and, as a result, a sustained good financial performance.

5.2. To establish the relationship between inventory management and public sector business financial performance

The results on the relationship between inventory management and financial performance concur with those of Makina and Keng'ara (2020) in Kenya who found that there was a significant positive effect and relationship between inventory management and other aspects/elements of WCM components to the financial performance of Kenyan business firms. On the other hand, the findings echo those of Gorondutse, Abass, Abubakar & Naala (2018) in Malaysia who undertook a study on the effect of the elements of the WCM on firm's financial performance and revealed that there was a significant positive effect of inventory management and the days account payable on firms Return on Assets (ROA) and the Return of Equity (ROE).

The results from this study are also consistent with and reflect the findings of a similar study conducted in Tanzania by Swai (2020), which concluded that there is a strong significant effect and correlation between inventory management and business entities' financial performance, and that there are significant effects on business firms' financial performance as a result of how they manage their WCM elements, which include inventories. Alternatively, Waweru & Ngugi (2014) investigated the impact of adequate WC elements management methods on the performance of Kenyan businesses and discovered that proper WCM had a considerable positive impact on business performance. Nevertheless, results from this study disagree with those of Ha, Thuhn & Hang (2016) who conducted a study in Vietnam on the impact of the elements of the WC on firm financial performance and found out that receivables and working capital turnover have a negative impact on enterprise financial performance, cash, accounts payable and inventory conversion periods have a direct relationship with cooperative financial performance, and enterprise growth rate and age have an impact on corporate financial performance, according to the study (Ha, Thuhn & Hang, 2016; Nsanganzelu, 2023).

6.0 Conclusions

The study concludes that inventory management had many areas with low to very low scores or ratings that called for management action on such areas. These are the areas that TPC should concentrate on and ensure that they are improved accordingly. The areas cited out from the results that need immediate management response are: improve liquid assets management practices, collect enough raw materials and appropriately manage them, improve the asset base of the entity; inventory price forecasting practices improved, put in place a good system of keeping track of the ordering process, improve the organisation's internal control system (ICS) on the various WCM areas and ensure that there is optimum inventory to meet customers' demand.

7.0 Recommendations

Based on the conclusions of this study, the following recommendations have been made to various stakeholders of business and for future research: The government should assist in strengthening TPC Internal Control System so as to keep the company on track to meet its profitability targets and achieve its mission while minimizing undesired surprises. When in place, internal controls give management the flexibility to deal with a quickly changing economic and competitive environment and therefore, contribute highly in the financial performance of the organization.

Since TPC is a public business organization, then the government should provide financial assistance so as to help TPC get enough support in allevaiating the undesirable performance in the areas that have been found to score low and very low ratings as explained above in the findings and conclusion areas. The Government of Tanzania should also assist TPC to invest more so that its profits can be increasing quarterly and annually in a positive trend, to help TPC get high return on assets and manage inventories as appropriate.

8.0 Related Future Studies

As for future related studies, this study recommends that the current study may be repeated using a complex and more precise instruments for measuring the variables. Future studies can be undertaken by including more government entities in other sectors of the economy. Comparison between the implications of this study with the outcome of investigation of the same effect/impact or relationship in other sectors, and to increase the sample size by involving other public entities in order to enhance the precision of findings are also recommended.

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