EFFECTIVE STOCK MANAGEMENT AND ITS IMPACT ON THE GROWTH OF COCOA INDUSTRIES IN GHANA

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Abstract - Cocoa is one of the major export crops that is being held in high esteem in the world market. This international product serves as a source of food for some sections of the global market. Therefore, local problems could affect the government of the state and other stakeholders in terms of foreign exchange and other economic benefits. Recent theft in the industry has been rampant in the dailies (gazette) and on radios. Management of cocoa companies like Olam Ghana Limited, Agroecom Ghana limited and Kuapa Kokoo limited, have been a victim of late. Companies in the industry easily fold up and collapse every now and then. Almost every year Licensed Cocoa companies keep on coming and die-out like mushroom due to poor handling and management of stocks. In the cocoa industry, stock contribute about 80% of all the company's capital. This means that capital could be tied up in stock, and for that reason stock management in the industry is very crucial. For the government of Ghana to continue enjoy its fruits in the industry and more so to safe-guarding shareholders wealth and developing the interest of other stakeholders, people in this industry such as the District Managers, Warehouse keepers, Purchasing clerks must be trained and equipped with effective stock management to the detriment of their selfish interest. The research is aimed to educate and improve the internal controls in the area of stocks in the cocoa industry. In addition, people's inability to supervise subordinates well has resulted in poor stock management. To curtail the problems mentioned above, the research was to educate Managers, Warehouse keepers and Purchasing clerks on effective stock management. Stock levels and other control mechanisms are put in place to avoid the occurrence of deterioration, pilfering, and obsolescence among others that may affect productivity.

Keywords - Stakeholders, Management, Mechanism, Economic Benefits

I. INTRODUCTION

Stock management has been a problem over the years for industries, commerce and business. Management of stocks has been a trauma for the individual, enterprise and the state at large. This problem has eaten deep into the cocoa industry. The cocoa industry is said to be a risky business due to this menace of poor stock management. Such risk includes bolting with cash, theft and stealing cases, termite destructions, shrinkages losses among others. Despite the problems mentioned, the cocoa industry contributes about 60% to Ghana's Gross domestic product. (GDP) .

It is ranked to be the backbone of the economy in foreign exchange earnings. It employs about 48% of the total people who are gainfully employed in Ghana. Though the industry is not free from problems as listed including stock management, its contribution to the agricultural sector cannot be ignored. If the stocks in this industry are managed well, it will be one of the best sectors of the economy that the young energetic youth should channel their attention to, for lawful wealth creations. It is against this background that the researcher intends to raise the problem, suggest solutions and recommendations.

The purposes include:

1) Identify the problems and risks associated with the industry.
2) Investigate the problems associated with staffs who over see stocks.
3) Identify the factors that should be put in place to reduce risks such as theft, termite destruction among others.
4) This research will help promote stock control practices as an efficient tool in business.
5) Stock control policies will educate the Warehouse keepers, Accountants and Managers on acquisitions, storage etc.
6) It will increase management's commitments to stock control and management. This will avoid waste, deterioration and slow-moving items.

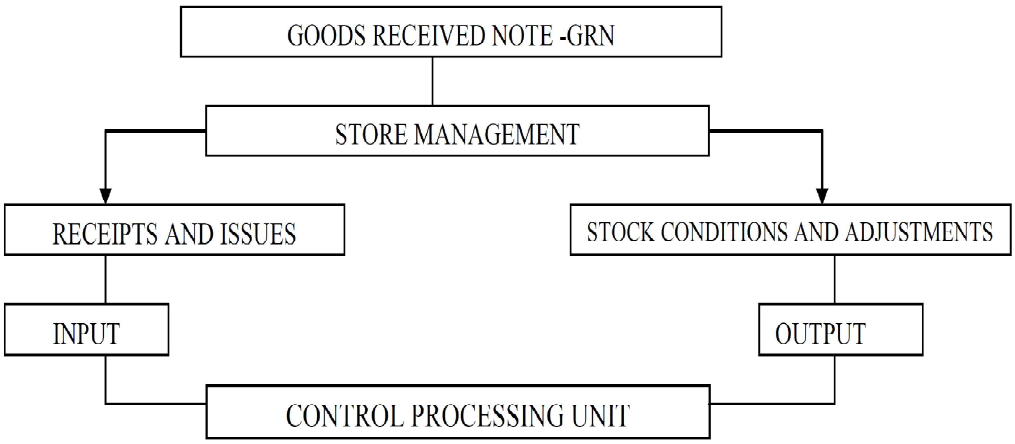
II. DEFINITION OF STOCKS

The Longman Dictionary defines stock as the list of all goods in warehouse. The new choice English dictionary says stock is a list of property of an individual or an estate. According to the Webster's 21st century dictionary, stock is defined as "goods, or materials which are kept for use or sale". Other authors also express their views about this. Stocks are those assets that a business buys and holds for re-sale. Deducing from all the definitions above, stock refers

to goods held in store for re-sale or for future production or use.

III. STOCK RECORDING PROCESS

The Process



IV. IMPORTANCEOF EFFECTIVE STOCK MANAGEMENT

To start with, effective stock management could increase the Company's profitability when theft, losses among others is controlled. In addition, slow moving items could be easily identified for management's consideration and strategic decision-making. The company's stock turnover period or cycle time could be shortened when those activities such as re-drying of the cocoa, re-bagging, re-sewing among others are eliminated. These cocoa companies basically obtain finance from either Cocobod or the Banks. This facility attracts some interest and the organisations ability to turnover their activities into cash, the better their performance and lower payment of finance cost. Finally, stock piling to tie up capital to unproductive use is reduced to tolerable level.

Records Keeping of Stocks

QUESTION	NO.OF RESPONDENTS	RESPONSES		PERCENTAGE	
		YES	NO.	YES	NO.
1. Do you keep records of goods you buy and send to port?	100	90	10	90	10
Do you regularly keep records?	100	60	40	60	40
3.Are goods sent to port the same day checked with those goods left unsold in stock?	100	70	30	70	30

Record keeping of stocks is an important measure of stocks management. It was observed from the sample that, about 90% of the total sampled population were keeping records. This attitude is much encouraging. Gone were the days when proper records were not kept for these companies. Considering how often they keep records it was observed that about 60% as against 40% kept records regularly without any supervision. Emphasis must be made that it is only through effective records keeping that quick turn around process could be achieved to help

safeguard the company's resources. It was revealed that knowledge of fast- and slow-moving items could influence where to buy cocoa from.

Sources and Supply of Goods and Funds

QUESTION	NO.OF RESPONDENT	RESPONSES YES	RESPONSES NO	PERCENTAGES YES	PERCENTAGES NO
1.Do you supply the business capital yourself?	100	30	70	30	70
2. Is the business pre-financed by suppliers?	100	60	40	60	40
3. Do you receive goods from one supplier?	100	20	80	20	80
4. Does your company rely on Cocobod seed fund?	100	40	60	40	60
5. Do you operate the Cash and Carry System of operation?	100	80	20	80	20

Stores Management and Controls

QUESTION	NO.OF RESPONDENTS	RESPONSES YES	RESPONSES NO	PERCENTAGES YES	PERCENTAGES NO
1. Is any officer responsible for checking obsolete, slow moving and expired goods?	100	50	50	50	50
2. Do you have a level at which goods will be re-ordered?	100	30	70	30	70
3. Do you store goods in some body's warehouse ?	100	0	100	-	100
4. Do you receive goods at a regular interval?	100	40	60	40	60
5. Do you have a decentralised store?	100	0	100	-	100
6. Do you normally order goods beyond your storage capacity?	100	0	100	-	100

The research conducted revealed a poor store management procedure. It was revealed that the capital of most businesses is tied up in the stocks due to improper records and poor cycle time. Maximum and minimum levels are not checked before goods are ordered due to the seasonal nature of the produce. This bad habit in the cocoa industry must be checked to reduce liquidity problems. It was seen that goods were ordered according to the size of their storerooms. This means that goods were not ordered beyond their storage capacity. Some owners said that how frequent one will receive goods from the suppliers depends on the loyalty of the businessman and the rapport the company has with the Purchasing Clerks (PCs). Coupled with the risk in the industry none of the companies indicated a positive sign about storing cocoa in a third party's warehouse.

Security of the Storeroom and the Goods

QUESTION	NO.OF RESPONDENTS	RESPONSES		PERCENTAGES	
		YES	NO	YES	NO
1. Do people have easy access to your storeroom?	100	20	80	20	80
2. Have you insured your goods?	100	100	0	100	_
3. Do you have equipment like fire extinguishers to control an outbreak of fire?	100	0	100	_	100

From the table above, it was revealed that storerooms are properly controlled, and unlawful entry is prevented. Unfortunately, on the part of the businesses, all the firms I visited have taken insurance covers against loses. It was found out that, these cocoa companies are prone to risk and insurance covers are very crucial for their business. The researcher also found out that, most of the firms he visited had no equipment to control disaster. This is very dangerous for these companies. If care is not taken, one day, it would dearly cause these firms.

Stock Valuation

QUESTION	NO. OF RESPONSES	RESPONSES		PERCENTAGE (%)	
		YES	NO	YES	NO
1. Do you value stocks?	100	90	10	90	10

2. How often do you value stocks?	Daily	Monthly	Quarterly	Yearly
	4	3	-	-
3. How are stocks valued in your firm at the District Level?	By Yourself 9	External Auditors 1		

Majority of these cocoa companies placed importance on stock valuation. About 90% of the businesses value their stocks for the preparation of their financial statement.

V. CONCLUSION

Record keeping of stocks over the years has improved because:

- It has helped owners to know their stock values.
- It has helped the managers to know the societies whose cocoa are of a good quality.

Added to the point, people are realising that stocks represent cash and as such must be managed well to prevent insolvency.

- More to the point, effective stock control is basically records keeping. For instance, businesses dealing with consumable items must be properly controlled taking sanitation factors into consideration, as it is vulnerable to theft and obsolescence. Continuous inventory record keeping is highly recommended.

Finally, it must be noted emphatically that, any error caused in the valuation of stock has a serious repercussion on the profits of the firm, in the year

under study and the subsequent years. This is because the closing stock of one particular year is the opening stock of another year.

RECOMMENDATION

The controls identified by some firms during the research were laudable whereas others were far below standards. I would suggest that if owners/managers of these industries would institute proper control measures, firms below standards might improve nicely. Again, I would suggest that owners of these companies should insure their businesses to minimise any future losses and calamity. Moreover, there should be the formation of unions. When this is done, members can in totality embark on research activities and programmes to foster smooth management of stocks. Cocoa companies do not advertise their products locally as the products are not sold locally but rather in the international markets. I recommend that the government help create more cocoa processing companies to buy our abundant raw materials to generate more foreign exchange for the country. Though it may seem highly expensive, it is the only means through which consumers' awareness can be aroused. As the private sector is regarded as the engine of growth, the government's objective of creating employment through the private sector could be achieved only when these recommendations plus other existing ones are tightly upheld.

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