Research Article

The Effect of Foreign Exchange Rate on the Market Operations of Bottling Companies a Case Study of Sierra Leone Bottling Company Limited

Alhaji Bakar Kamara

University of Management and Technology Freetown, Sierra Leone

Abstract:

This study focused on investigating the effects of foreign exchange rates on the market operations of bottling companies in Sierra Leone, using the Sierra Leone Bottling Company (SLBC) as the case study. The problem was found around bottling companies not maintaining the regular market operations and performance due to the drawbacks they face in foreign exchange risks. This effect often rests on the staff working for bottling companies like Sierra Leone Bottling Companies (SLBC) situated in Freetown, the capital city of Sierra Leone. Therefore, the research included a sample of 100 staff of SLBC as respondents to the study. Qualitative or descriptive analysis was employed, and the operational results of the exchange rate was targeted to test the outcomes of a consistent exchange rate ratio in promoting the profits of the Company. The problem revolves around bottling companies not being able to maintain the expected pro due to the drawbacks they face in the foreign exchange rate. SLBC staff should ensure that raw materials are properly managed and accounted for to avoid stock of materials to ensure total production for customers' satisfaction. Government should play an active role to see that the exchange rate is brought to its most favourable rate to ensure a normal/favourable market operating environment for firms.

1.2 Background of the Study

Exchange rates are affected by changes in currencies and their respective values. When there's an appreciation in your currency, it means that its value becomes higher than the foreign currency you want to exchange it. Depreciation of a currency means the opposite, resulting in a lesser value compared to the foreign currency. While it might look like appreciation is always favourable to any business, that's not the case. It all comes down to the kind of business you own and how currency changes will affect that business. When it comes to the world economy, most individuals don't realize the impact of the changes in currencies on a global level. After all, they're only using their local currency in their everyday life, which continues to progress smoothly. The same can't be said about businesses, especially ones that are involved in international trade.

The volatility of currency exchange rates can have a wide array of impacts on businesses, ranging from mild to severe. The impact is more evident in businesses that rely on international trading operations, but it can affect many other businesses directly or indirectly.

Fluctuations in currency exchange rates are primarily unpredictable and can cost your business dearly. However, that shouldn't scare you away from pursuing your business ventures. On the contrary, it should encourage you to plan and have backup strategies to act quickly. But just to be on the safe side, here are some ways you can secure your business from the exchange rate volatility: **Limit the Number of Currencies Used, Use Fixed Contracts, and Consider Trading Forex.**

This is a simple inference that a more robust economy will always be the backbone of a strong currency. Thus, a country with solid and steady economic growth will typically see its central bank increase interest rates to manage inflation. The impact of increasing interest rates is outlined in the section above this one.

This is the most clear-cut scenario showcasing how fluctuations in **exchange rates** can severely affect a business. Exporting goods overseas means that your cost of producing goods and the price of selling them will come in two different currencies. This means that your business is in for some severe profits or, equally, some devastating losses.

Imagine you own a U.K. company where you import products from Europe. If the UK Sterling Pound to Euro rate increases, you will find yourself making more money without altering your prices. Using the same scenario, if a company exports product, their exports will become more expensive and unprofitable in the long run.

These principles do not just apply to businesses that import/export finished products. A lot of companies need to import raw materials to produce their products. This is a case where the entire business is influenced. In the long run, managers should

consider operating exposure when setting the strategy and worldwide product planning. In the short run, understanding operating exposure will often improve operating decisions. Also, the evaluation of a business unit and its managers should occur after exchange rate effects have been taken into account since they are outside management's control.

Because of these changes, exchange rates affect companies' operating profits in globally competitive industries, whether or not they export their products. In addition, changes in exchange rates can often affect companies with no foreign operations or exports but face significant foreign competition in their domestic market.

By understanding the long- and short-run behaviour of exchange rates, we can understand how they affect operating profit. In the long run, changes in the nominal dollar-foreign currency exchange rates tend to equal the difference between the U.S. and foreign inflation rates in the price of traded goods. Thus, if the U.S. inflation rate is 4% higher than Germany's during the year, the Deutsche mark will strengthen approximately 4% against the dollar. This long-term relationship between exchange rates and price levels—usually called purchasing power parity (PPP)—implies that changes in competitiveness between countries, which would otherwise arise because of unequal inflation rates, tend to be offset by corresponding changes in exchange rates. In the short run of six months to several years, however, exchange rates are volatile and greatly influence the competitiveness of companies selling to the same market but getting materials and labour from different countries.

Because changes in actual exchange rates reflect deviations from PPP over long periods, the cumulative change in the real exchange rate tends to be smaller than that of the nominal exchange rate. However, the volatility of actual exchange rates in the time frame of six months to several years causes an exaggerated variability in operating margin.

The study on the effects of exchange rate on the market operations of Bottling companies like Sierra Leone Bottling Company (SLBC) is not an exception to the above and that foreign exchange risk and other challenges formed part of the heavy distracting items towards the market operations of such companies. Further, unrecognized inflation gains and losses help predict future cash flows as these gains and losses turn into cash flows over time.

1.2.1 Background of the Case Study

This chapter presents the key elements that show the rationale of the research study. It will entail the prelude or background of the case study considering the origin, development, application of variables and the effect of exchange rates on the market operations in Sierra Leone using Sierra Leone Bottling Company Ltd as a case study. Sometimes in 1907, Messes Schumacher and Stream arrived in Freetown to establish a whole chain of business. They stayed in Sierra Leone for twenty-five (25) years, and it was during this time, they opened the first European Butchery and Ice Factory (1912). Many other projects were pioneered, including deep-sea trawling and Mineral Water manufacturing. In 1932, the parrot brand of soft drinks was introduced, and in 1938, the first commercial, 35mm Cinema, was brought to Sierra Leone. In 1948 and 1951, they started their up-country operations in Bo with the first Cold Store and Cinema. In 1955, the Sierra Leone Bottling Company was acquired by the Keller Group Zurich. Konchitchki (2011) looked into the effect of inflation and nominal financial reporting on firm performance and stock prices. He adopted the content analytical technique and observed that though the monetary unit assumption of financial accounting assumes a stable currency (i.e., constant purchasing power over time), nominal financial statements violate this assumption even during low inflation or deflation periods. He notes that, while the effects of inflation are not recognized in nominal statements, such effects may have economic consequences. He also discovered significant abnormal returns to inflation-based trading strategies, which suggest that stock prices do not fully reflect the implications of the inflation effects for future cash flows.

The bottling company is currently not producing products (Drinks) though they are buying the finished products (Drinks) from neighbouring countries to enable them to meet their customers' demands. The operational session of producing drinks ceased on 30th June 2019. Still, their marketing was done from products they bought from neighbouring countries in West Africa and sold in Sierra Leone to allow continuity in operations.

1.3. Problem Statement

The relationship between foreign exchange risk and market operations of bottling companies in Sierra Leone should be positive because these companies import most /almost of their raw materials and are there always to maximize profit for shareholders. However, the problem revolves around bottling companies not maintaining the regular market operations and performance due to the drawbacks they face in foreign exchange risks. This effect often rests on the staff working for bottling companies like Sierra Leone Bottling Companies (SLBC) situated in Freetown, the capital city of Sierra Leone. This problem has been predominantly and currently in existence over the years despite the many concerns raised by government representatives in bettering the exchange rate problem in Sierra Leone. When this is not controlled, the companies are prone to liquidation that will have a negative spillover effect on the poverty trend in the host country due to the high unemployment rate.

1.4. Aim and Objectives of the Study

1.4.1. Aim of the Study

The study's broad aim is to investigate the effects of exchange rate on the market operations of bottling companies in Sierra Leone, using the Sierra Leone Bottling Company (SLBC) as the case study.

1.4.2. Objectives of the Study

The specific objectives include:

i. To find out the nature of foreign exchange risk on market operations
ii. To point out the relationship between inflation and foreign exchange rates in Sierra Leone Bottling Company (SLBC).
iii. To examine challenges faced by Sierra Leone Bottling Company (SLBC) in maintaining effective market operations.
iv. To find out the meaningful contributions these companies (Bottling Companies) contribute to the economy's general growth.
v. To determine the Government's role in ensuring an average/challenging market environment in the Bottling Industry in Sierra Leone, take SLBC as a case study.

1.5. Research Questions

In this research work, some of these questions will be answered.   Thus:

i. Are there effects of foreign exchange rates on Sierra Leone Bottling Company (SLBC)?
ii. Is there any relationship between inflation and foreign exchange risk in Sierra Leone Bottling Company (SLBC)?
iii. Are there other challenges Sierra Leone Bottling Company (SLBC) Freetown faces in maintaining effective market operations?
iv. Are there any meaningful contributions that these Bottling companies make towards the general growth of the economy?
v. What role does the Government have to play in ensuring a stable market environment in the Bottling Industry in Sierra Leone?

1.6. Significance of the Study

The exchange rate has a significant role to play in the market operations of the Freetown bottling company. This suggests that the exchange rate plays a vital role in buying/paying for their raw materials and selling their product and other services. However, very little has been done on the effects of foreign exchange rate on the market operations of bottling companies in Sierra Leone, incorporating imports, exports and all payments. An unfavourable exchange rate can lead to the devaluation of a country's domestic currency, and as a result cost of living becomes very high, leading to pervasive poverty. This trend, if not reversed, will lead to retard economic growth and development. This study is so much of immense importance as it highlights the effects of foreign exchange risks on the market operations of Sierra Leone Bottling Company prescribes the policy recommendation that will be of importance to policymakers, all bottling companies and researchers. This study seeks to validate or invalidate the above notion. The outcome of this study will provide the true answer to the problems that have been existed and serve as an opportunity to address these existing problems.

1.7. Scope of the Study

The study covers the period between 2015 – 2019. The methods used to collect data/information are from questionnaires, personal observation, textbooks, Internet, journals, magazine and customers of Sierra Leone Bottling Company and Sierra Leone Brewery.

1.8. Limitations to the Study

Taking research on such a vague subject is somehow strenuous and heart-rendering, especially when poverty is looming in the country. To have completed this research, the researcher encountered many problems that verified against its early completion. However, a desperate effort was made to go through. The limitations put forward here indicates a host of problems experienced in the process.

Firstly is the problem of Finance; in undertaken such research is enormous. Furthermore, the task is very demanding considering the cost of a computer page is killing, and this has been a severe problem for a student in Sierra Leone.

Secondly, the offices' policies and systems to get information are confusing and bureaucratic/rigid; many procedures and formalities have to be undergone—this problem we usually face.

Finally, the time spent on dissertation work which indeed is very hard to compromise, especially during this world Pandemic period of Covid-19 in which all health and preventive measure must be observed so as a way to combat the Corona Virus (Covid-19) deadly disease.

Review of Literature

2.1 Theoretical Framework

The theory on which this study hinge is the theory of supply chain management. The term supply chain entered the public domain when Keith Oliver, a consultant at Booz Allen Hamilton, propagated supply chain management theory in the interview for the financial times in 1982. This theory gained prominence in the mid-1990s when a fury of articles and books came out on the

subject. In the 90s, it rose to prominence as a management buzzword and operations managers began to use it in their title with increasing regularities. Supply chain management spans all movement and storage of raw materials, work in progress inventory, and finished goods from the point of origin to consumption. Thus, the researcher thought it fit to use the theory above. Moreover, it depicts how inventory moves from producers to final consumers, which links to material management as a construct for the study's exchange rate (independent variable).

2.1.1. Nature of Foreign Exchange Risks

Exchange rate risk management is an integral part of every firm's decisions about foreign currency exposure. According to the Isle of Man Financial Service Authority (2017), foreign exchange rate risk is the risk that the companies may suffer losses due to adverse exchange rate movements during a period in which it has an open position in a currency. The value of asset/inflow exposures in one currency is not equal to the value of liability/outflow exposures in that currency; this is described as an open position. Open positions may be short (liabilities exceed assets) or long (assets exceed liabilities). This is a simplistic definition, and the components of the calculation of an open position are given below. Companies with a short open position in a currency are exposed to the risk that the currency might appreciate. In contrast, those with a long open position in a currency are exposed to the currency's risk of depreciating.

2.2. Conceptual Framework

The relationship between inflation and foreign exchange rates in the market operations of bottling companies.

According to Konchitchki (2011): inflation, a state of rising prices or of disequilibrium in which an expression of purchasing power tends to cause an increase in the price level, impacts heavily on costs and revenues, assets and liabilities. Three different channels can be identified to explain the negative effect of inflation on firm valuation: increasing inflation induces a decrease in future real earnings. It correlates positively with risk aversion and high expected discount rates, driving stock prices downwards for a given expected real cash flow and the money illusion approach. According to Illes M, (2010, P.38): serious damage has been caused to the domestic economy by defects in the knowledge of experts, especially in the case of the public utility companies. In the 90s, it was typical that the requirements concerning inflationary profit were not considered in the course of regulating the public-utility companies. In addition, cost-level prices, i.e. prices covering only costs, were dictated, which served as a basis for a process of a substantial loss of assets. For a long time, the consumers got the services at a lower price than the real value of the costs. This is similar to a situation in which the service provider would have given little assets to the customers in each case. The higher the consumption was, the greater the gift attached to it. These pieces of assets given under necessity (and invisibly) meant the loss of the value mechanism contained in these systems. Warr (2005) observed that the economic value added is calculated using information produced from conventional historical cost accounts, implying that inflation can distort information content and applications of the performance measurement criteria. It can distort economic value added through three (3) factors: the operating profit, the cost of capital (Weighted Average Cost of Capital-WACC), and capital base. These distortions may result in inefficient investments. In an economy, money is used both as a medium of exchange and as a measure of real value as determined by the number of goods and services for which it can be exchanged. The amount of goods or services for which a naira can be exchanged is called the purchasing power of the naira. Most countries' economies have been characterized by significantly increasing prices of most goods and services. This general increase in prices results in inflation, which is a decrease in the purchasing power of the nation's currency or an increase in the general price level (Muthama, Mbaluka & Kalunda, 2013). It denotes a persistent increase in consumer prices or a persistent decline in the purchasing power of money; that is, inflation is things getting more expensive. Ochieng and Kinyua (2013) investigated the relationship between inflation and dividend payout for firms quoted on the Nairobi Securities Exchange. They also considered the relationships between exchange rate, Treasury bill rate and dividend payout. Umaru and Zubairu (2012) critically and empirically examined the influence of inflation on economies' growth and economic development using time series data extracted from the central bank of Nigeria (CBN) for the forty-one-year period from 1970–2010. The study employed augmented dickey-fuller (ADF) test statistics for confirming the presence of unit root (i.e. non-stationary condition) and the Granger causality test to determine the existence of causation between gross domestic product (GDP) and inflation using statistics. Konchitchki (2011) looked into the effect of inflation and nominal financial reporting on firm performance and stock prices. He adopted the content analytical technique and observed that though the monetary unit assumption of financial accounting assumes a stable currency (i.e. constant purchasing power over time) yet, even during periods of low inflation or deflation, nominal financial statements violate this assumption. He notes that, while the effects of inflation are not recognized in nominal statements, such effects may have economic consequences. Further, unrecognized inflation gains and losses help predict future cash flows as these gains and losses turn into nominal financial statements that violate this assumption flows over time. He also discovered significant, which suggest that stock prices do not fully reflect the implications of the inflation effects for future cash flows. Additional analysis reveals stock prices act as if investors do not fully distinguish monetary and nonmonetary assets, which is fundamental to determining the effects of inflation. Based on the above, he posited that, although inflation effects are not recognized in nominal financial statements, they have significant economic consequences, even during a

period in which inflation is relatively low. Jubaedah and Abdul Razak (2016), although studied the impact of financial performance, capital structure and macroeconomic factors on the value of the firm, highlighted the significant influence exerted by the independent variables (financial performance, capital structure, inflation and exchange rates) on corporate value. The study achieved this using panel regression analysis on cross-sect-series data collated from the audited annual reports of twenty textile firms listed on the Indonfirm's value. Daferighe and Charlie (2012) examined the relationship between inflation and the performance of the stock market. The study employed time series (secondary) data on the exchange for twenty years (1991-2010). It developed four (4) models made up of four (4) dependent variables (i.e. market capitalization ratio, the total value of shares traded ratio, the percentage change in all share indexes and turnover ratio) and a single independent variable. The results of multiple regression indicated negative relationships between the regressands and the single regressor (inflation). Effiong, Udoayang and Asuquo (2011) investigated the correlation and differential influence of historical cost and current cost profits on the operating capabilities of the firm. They adopted the survey technique to investigate thirty-one (31) companies carrying first-tier securities under seventeen (17) industrial classifications. Their financial statements were adjusted for effects of price changes using the consumers' price index (CPI). Correlation influence between the historical cost profits on the operating ability of the firm was measured and established and that of current cost profits on the other hand.

2.2.1. Material Management and Market Operations of Bottling Companies

Materials Management is a tool to optimize customer service requirements while adding to profitability by minimizing costs and making the best use of available resources. Banjoko (2000) and Jacobs et al. (2009) explained that the primary objective of Materials Management is to ensure that the correct item is bought and made available to the manufacturing operations at the Right Time and at the lowest possible cost. They stressed that without adequate planning for materials resources, the overall performance of an organization might be crippled. Barker (1989) articulated that improvement in continuity of supplies with reduced lead times, reduction in inventories with reduced obsolescence and surplus, improvement in cooperation and communications with reduced duplication of effort, reduction in material costs, improvement in quality control, improvement in status control, and quicker identification of problems are the main benefits of Materials Management in organizations. Ogbo (2011) noted that the primary objective of inventory management and control is to inform managers how much of a good to reorder, when to reorder the good, how frequently orders should be placed and what the appropriate safety stock is for minimizing stock-outs. Thus, the overall goal of inventory is to have what is needed and minimize the number of times one is out of stock. Ann, I Ogbo and Wilfred Isioma Ukpere (2014 p.112) stated that: inventory control means availability of materials whenever and wherever required by stocking adequate numbers and kinds of stocks. The total of those related activities essential for the procurement, storage, sales, disposal or use of material can be referred to as 1inventory management. Inventory managers have to stock up when required and resourcefully utilize available storage space to exceed available storage space. Maintaining accountability of inventory assets is their responsibility.

More M. K, Oloko M and Okibo W (201, P.15) noted that: material requirements planning is a standard system for calculating the quantities of components, sub-assemblies and materials required to carry out a production programme for complex products. The MRP process starts with a production programme that schedules the products to be completed week by week during the planning period. It is based on customer orders, sales forecasts and manufacturing policy. Material requirements planning systems help manufacturers determine precisely when and how much material to purchase and process based upon a time-phased analysis of sales orders, production orders, current inventory and forecasts. Thus, they ensure that firms will always have sufficient inventory to meet production demands, but not more than necessary at any given time.

2.2.2. To Explore the Challenges Faced By Bottling Companies in Foreign Exchange Rate and Its Effect on Their Market Operations

According to Beck T, Demirguc-Kunt and Maksimovic V (2002, p. 2): A firm's growth is more affected by reported constraints in countries with underdeveloped financial and legal systems and higher corruption. Thus, policy measures to improve financial and legal development and reduce corruption are well justified in promoting firm growth, particularly the small and medium enterprise (SME) sector development. However, our evidence also shows that the intuitive descriptors of an "efficient" legal system are not correlated with the general legal constraint components that predict firm growth. This finding suggests that the mechanism by which the legal system affects firm performance is not well understood. Our findings also provide evidence that the corruption of bank officials constrains firm growth in some countries. Recession periods are another drawback for a firm's progress. This was also confirmed by Benito et al. (2010), who were paying particular attention to England and Wales during the early 1990s recession and the current financial crisis versus the market operations of their companies, find that company market operations stop and liquidations rise during recessionary periods. Corporate finance literature suggests that market imperfections, such as those caused by underdeveloped financial and legal systems, may constrain firms in their market operations ability to fund investment projects. However, as reflected in the conflicts of interest and informational asymmetries between corporate insiders and investors, the magnitude of these imperfections is expected to decrease with the development of financial and legal systems.

Kusi L and Nyarku K (2015 p.551) stated that: The averages and the respective standard deviations of the challenges were calculated and illustrated in Table 2. Erratic power supply scored an average of 5.0000 (very severe), thus signifying the most severe challenge. About ninety per cent of operations rely on electricity, thus posing severe impacts - huge costs to install standby generators, pay high fuel and maintenance charges, inhibit capacity planning, pay high utility rates (water bills and light bills), frequent machine break down, close down as a result of idleness and many others.

All respondents also stated the high cost of transportation and scored an average of 4.9583, again in the "Very Severe" range. Respondents indicated this challenge due to the continuous increment in petroleum prices in Ghana due to automatic price adjustment failure by the Government to regulate prices of energy products. The Ghanaian Statistical Services (2014) Report revealed that the Central region recorded the highest year-on-year inflation rate of 20.4 per cent while the Upper West Region recorded the lowest inflation rate of 12.3 per cent for August 2014. In addition, high interest in banking products continues to challenge SMEs and inhibit expanding and introducing new products to the domestic market. Interest rates in Ghana averaged 16.67percent from 2002, reaching an all-time high of 27.50percent in March 2003 and a record low of 12.50 per cent in December 2006. The benchmark interest rate was last recorded in September 2014 at 19 per cent. This proves how borrowing costs affect SMEs' ability to take advantage of available credit facilities in Ghana. The high cost of business registration, cumbersome documentation, and delays in registration were additionally stated with average scores of 4.8333 and 4.3750, respectively and partly ascribed to the non-registration (71.65%) of SMEs within Cape Coast Metropolis.

Research Methodology

3.0. Design of the Study

The research is a descriptive research design that generally describes the characteristics of a particular situation, event or case. It involved both qualitative and quantitative data, which this research used. As defined by Glass & Hopkins (1984), descriptive research design involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection and often uses visual aids such as graphs and charts to help the reader understand data distribution. The study will use a cross-sectional survey of randomly selected returns on exchange rate effects on business enterprises. It was designed to specifically collect data on the exchange rate in Sierra Leone Bottling Company. The research techniques used semi-structured interviews, personal observations and documentary, personal observations and documentary research. The data was analyzed using simple percentages. Tabular presentations too were used for comparative analysis and also used as regression analysis.

3.1. Area of the Study

The study was conducted in Freetown, Sierra Leone's capital, where the people's main economic activities are civil service, trading, fishing, etc. In 2015, the country's population was estimated at 7,075,641, of which 1,293,252 lived in Freetown (Sierra Leone population and housing census 2015). As a result of the rebel war, which started in 1991, there was a massive influx of people in Freetown from all over the country. During the rebel invasion of Freetown in 1999, the houses in Freetown, equally in most provincial villages, were completely particularly wiped out; as a result, there is a mass inflow of unskilled villagers into the city of Freetown for greener pastures. This has drastically increased the population of Freetown to the point of conjectures. The Sierra Leone Bottling Company Limited (SLBC) is located at brook street Dwarzark Freetown, Sierra Leone.

3.2 Population of the Study

The Sierra Leone Bottling Company has a total Staff Strength of One Hundred and Fifty (150) permanent/full-time staff. 20% of these are Females; whiles 80% are males. SLBC also has contract staff, and they do not have a permanent number; contract staff are only contracted on a timely basis when their need arises. Therefore, they are not part of the SLBC regular payroll system.

3.3. Sample and Sampling Technique (S)

This was a portion of a representation of an entire population, which should be reflective of the research population; the Male and Female staff were individual staff in the Head Office and Marketing staff. The name of this sample was a representative feature of the staff in (SLBC) that was selected to provide information to respond to the factors relating to exchange rate on business in the development of an organization. A random sampling technique was used to determine the sample to use in this research.

3.4.1. Sampling Sizes

The study's selection is 25 out of 150 staff using random sampling technique to which the survey was administered. That is 17% of the staff. This will represent a questionnaire return rate of approximately 80% and an attrition rate of 15%. This sample means that the sample sizes selected was relatively good and provide a sample from which generations can be made above the current structure in SLBC. Sampling theory has it that the larger the sample size, the greater the chance that the study would reflect the actual work-life situation and the more representative the sample would be. It is based on this assumption that this sample was selected.

3.5. Data Collection Instrument (S)

The quality and accuracy of the research were determined by the nature of the data collected and used during the research.

➢ **Instrumentation**

Essential tools employed in the research were the following, mainly due to the value of the study:
a) Questionnaires
b) Interviews
c) Observations (Participation, non-participation)
d) Recorder
e) Note Pad

The theory of the methods selected and particular is mainly because the research is a fundamental analysis of the impact of exchange rate on business enterprise to achieve specified organizational goals. Therefore, the respondents will mainly be the workers and some distributors and customers of SLBC. Also, all the respondents will be literate and composition of SLBC staff in a different area.

3.6. Data Collection

Data collection refers to the gathering or assembling of data from one or more sources. Data can be collected through questionnaires, personal interviews direct observation, including primary and secondary sources. Those three methods collections were employed in putting together this work. First, a self-administered questionnaire was submitted to the marketing department of Freetown Cold Storage Company Limited. It paved the way for interviews to be conducted. Questions that were "out of reach" of particular personnel were forwarded to a particular authority. The use of self-administered questionnaires enabled detailed factual data to be collected on the products offered by the Company. The authorities are expected to provide information, and the risk of interviews, bias was minimized as the authorities themselves filled the questionnaires. Because of possible biases and the desire to follow-up ambiguous and interesting answers in questionnaires, personal interviews were held with pertinent managers, employees of the marketing department, and some of the customers. Such interviews allowed the attitude of respondents to be obtained and for questions to be explicit interviews to enhance an unequivocal response. Two hurdles are expected to be encountered with this method. The first one often had to wait for a lengthy period before a manager could be interviewed, and secondly, constant interruption during conversations with managers and employees. The third collection method was directed (non-participant) Observation: This method was also employed to collect data on how exchange rates occur. Records on the establishment of the Company, its aim and objectives and its management were contacted from the Company's documentation. To make the work more authentic unpublished materials, textbooks, newspapers and other work relevant to the study were consulted—methods of analysis and presentation of data.

3.7. Sources of Data Collection

The areas and most sources of data were employed.
These included:
a. Primary sources
b. Secondary sources
c. Print and examine media sources (Tertiary source)

This is against the background that the study has a basic description or qualitative structure, hence the general theoretical and library approach.

3.7.1. Primary Data Sources

These are first accounts and included to form the primary source of explanation, generalization, condition and recommendation for the study.

3.7.2. Secondary Data Sources

Premium also collected all reliable data sources to enhance an objective evaluation, backed by informed conclusions and judgments. Most of the sources included historical documents (letters, reports, speeches etc.)

➢ **Print and electronic source**

Despite some of their weaknesses/limitations, the Print and Electronic media sources offer scarce, reliable and current information on the topic. This can be seen from the explanations and issues much as – advertising models around the world, history and

principles, codes and guidelines, Company's performance and the essential element of effective in advertising if it is to be achieved, and its requirements as a strategy for quality performance.

3.8. Method of Data Analysis

Qualitative or descriptive analysis was employed, and the operational results of the exchange rate would be targeted to test the outcomes of a consistent exchange rate ratio in promoting the profits of the Company.

Presentation and Analysis of Data

4.1. Data Analysis and Results Presentations - Presentation of data via tables and figures

Table.4.1: Shows descriptions of respondents at SLBC

Designation	Frequency (F)	Percentage (%)
Manager	2	8
Accountants	4	16
Procurement and Logistics Officers	4	16
Cashiers	4	16
Marketers/Field supervisors	4	16
Human Resource/Administration Officers	4	16
Production Engineers.	3	12
Total	25	100

Research findings, 2020

Figure.4.1: Shows descriptions of respondents at SLBC
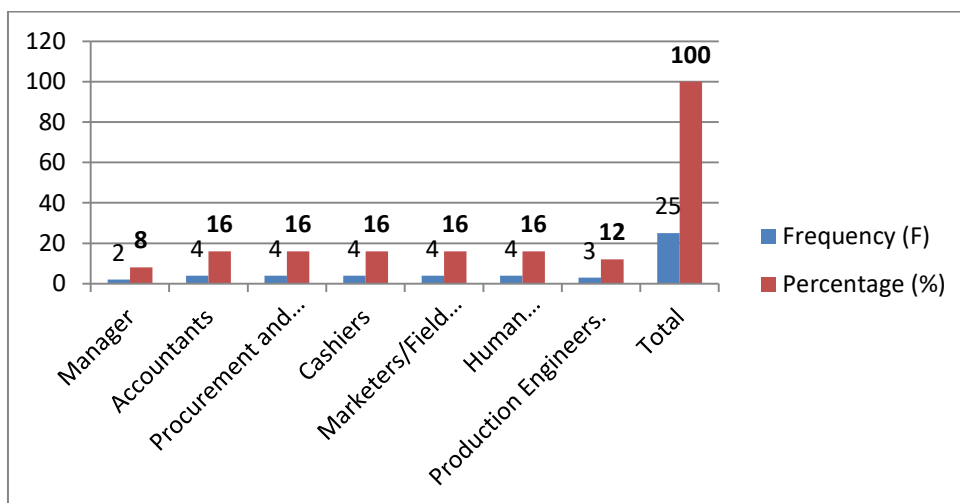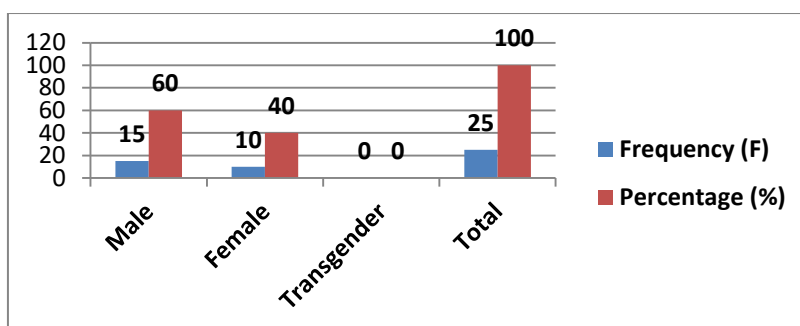

Research findings, 2020

From table 4.1 and figure 4.1 above, it is clear that there are 2(8%) managers, 4(16%) accountants, 4(16%) procurement and logistics officers, 4(16%) cashiers, 4(16%) marketers/field supervisors, 4(16%) human resource/Administrative officers and also 3(12%) production engineers.

Table 4.2: Shows sex of respondents at SLBC

Sex	Frequency (F)	Percentage (%)
Male	15	60
Female	10	40
Transgender	0	0
Total	25	100

Research findings, 2020

Figure.4.2: Shows sex of respondents at SLBC
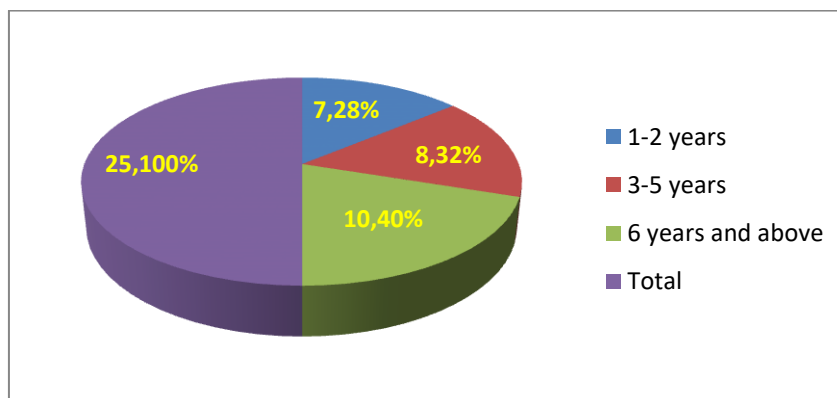

Research findings, 2020

From table 4.2 Figure 4.2 above, it is clear that 15(60%) are male, 10(40%) are female, and 0(0%) are transgender.

Table.4.3: Shows work experience of the staff at SLBC

Duration	Frequency (F)	Percentage (%)
1-2 years	7	28
3-5 years	8	32
Six years and above	10	40
Total	25	100

Research findings, 2020

Figure.4.3: Shows work experience of the staff at SLBC
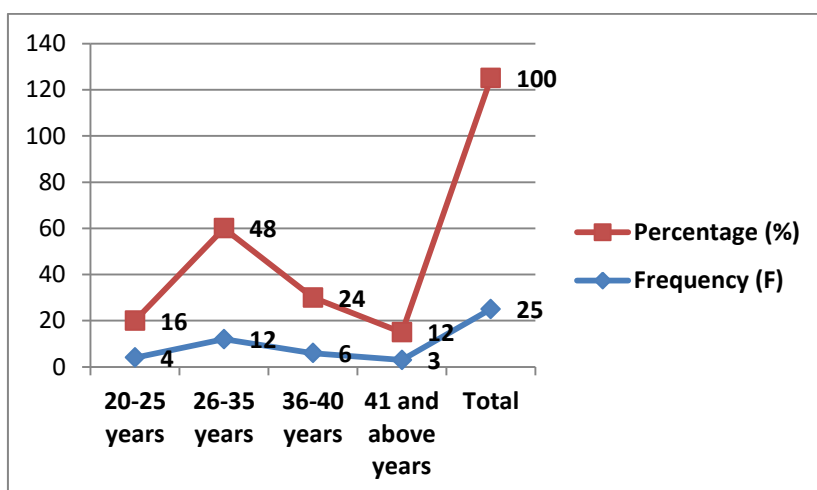

Research findings, 2020

From table 4.3 figure 4.3 above, it is clear that 7(28%) are 1-2 years of work experience, 8(32%) are 3-5 years of work experience, and 10(40%) are six and above years of work experience.

Table.4.4: Shows age brackets at SLBC

Age bracket	Frequency (F)	Percentage (%)
20-25 years	4	16
26-35 years	12	48
36-40 years	6	24
41 and above years	3	12
Total	25	100

Research findings, 2020

**Figure.4.4: Shows age brackets at SLBC**

Research findings, 2020

From table 4.4 figure 4.4 above, it is clear that 4(16%) are between 20-25 years, 12(48%) are between 26-35 years, 6(24%) are between 36-40 years, and 3(12%) are between 41 years and above.

Table.4.5: Shows to what extent does foreign exchange risk affects the market operations of SLBC

Extent	Frequency (F)	Percentage (%)
Greater	14	56
Moderate	7	28
Very low	4	16
Total	25	100

Research findings, 2020

Figure.4.5: Shows to what extent does foreign exchange risk affects the market operations of SLBC
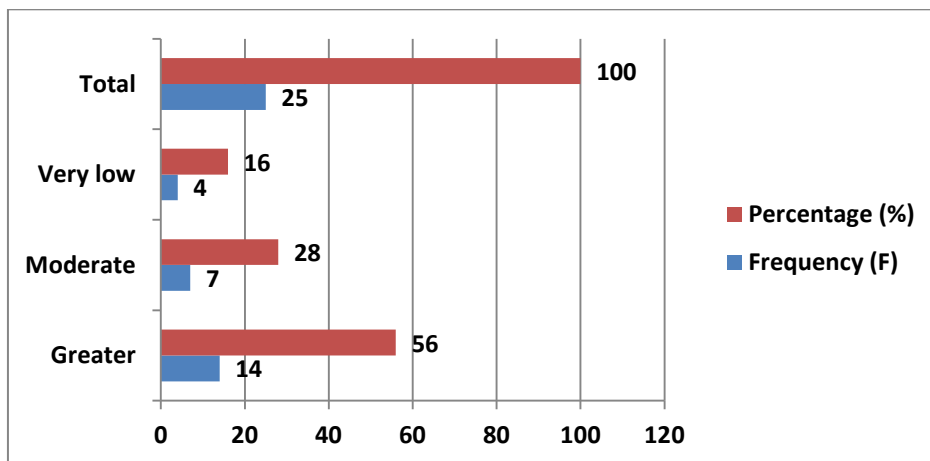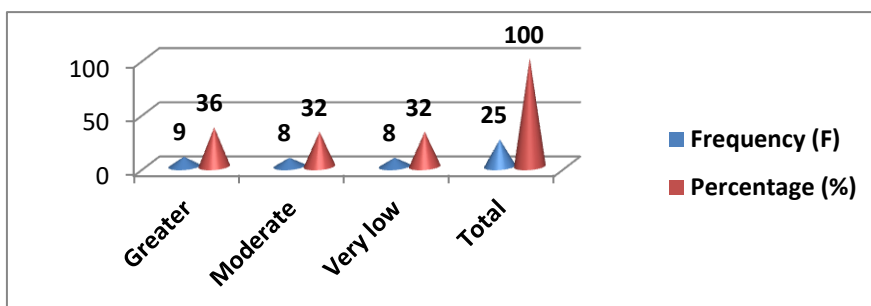

Research findings, 2020

From table 4.5 figure 4.5 above, it is clear that 14(56%) voted for more excellent, 7(28%) for moderate and 4(16%) very low.

Table.4.6: Shows the extent to which the relationship between inflation and foreign exchange rates affects the market operations of SLBC

Extent	Frequency (F)	Percentage (%)
Greater	9	36
Moderate	8	32
Very low	8	32
Total	25	100

Research findings, 2020

Figure.4.6: Shows to what extent to which the relationship between inflation and foreign exchange rates affects the market operations of SLBC
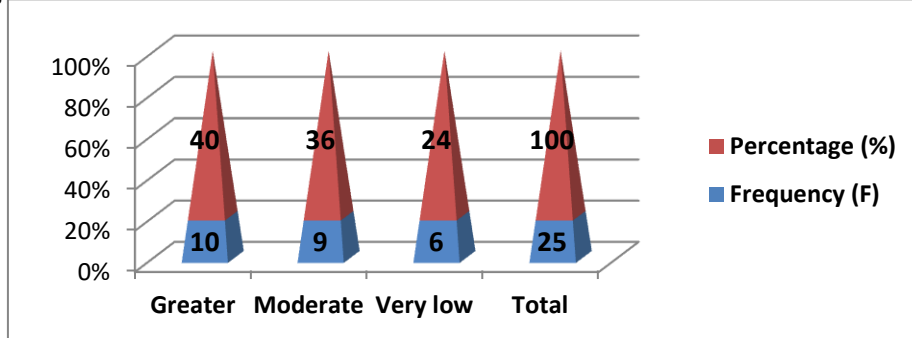

Research findings, 2020

From table 4.6 figure 4.6 above, it is clear that 9(36%) are more significant, 8(32%) moderate, and 8(32%) deficient.

Table.4.7: Shows to what extent do exchange rate challenges affect SLBC in maintaining effective market operations.

Extent	Frequency (F)	Percentage (%)
Greater	10	40
Moderate	9	36
Very low	6	24
Total	25	100

Research findings, 2020

Figure.4.7: Shows to what extent do exchange rate challenges affect SLBC in maintaining effective market operations.

Research findings, 2020

From table 4.7 figure 4.7 above, it is clear that 10(40%) were selected for more excellent, 9(36%) for moderate and 6(24%) very low.

4.2. Discussion of Findings - Qualitative Result

The "mode" was used as the analytical tool, expecting a 5% degree of error during the analysis. It is a central tendency statistical technique used to know the most frequent number or variable. It is mainly used in qualitative research Oso and Onen (2009). The data was collected in the form of Yes=5, somewhat=4, agree=3, disagree=2 and No=1. Where 5 is the highest occurrence, followed by 4, 3, 2 and 1. The conclusion of findings was made by the researcher using the most frequent answer from the above.

1. To find out the nature of foreign exchange risk on market operations of Sierra Leone Bottling Company (SLBC) Freetown.

2. To point out the relationship between inflation and foreign exchange rates in Sierra Leone Bottling Company (SLBC).

3. To examine challenges faced by Sierra Leone Bottling Company (SLBC) in maintaining effective market operations.

Personal information of respondents:

The researcher found it significant to know respondents' personal information ranging from sex to educational background of respondents.

From table 4.1 and figure 4.1 above, it is clear that there are 2(8%) managers, 4(16%) Accountants, 4(16%) Procurement and logistics officers, 4(16%) Cashiers, 4(16%) Marketers/field supervisors, 4(16%) Human resource/Administrative officers and 3(12%) production engineers, from table 4.2, table 4.2 above, it is clear that 15(60%) are male, 10(40%) are female, and 0(0%) are transgender. From table 4.3 figure 4.3 above, it is clear that 7(28%) are 1-2 years of work experience, 8(32%) are 3-5 years of work experience, and 10(40%) are six and above years of work experience. From table 4.4 figure 4.4 above, it is clear that 4(16%) are between 20-25 years, 12(48%) are between 26-35 years, 6(24%) are between 36-40 years, and 3(12%) are between 41 years and above.

To find out the nature of foreign exchange risk on Sierra Leone Bottling Company (SLBC) Freetown.

From table 4.5 figure 4.5 above, it is clear that 14(56%) voted for more excellent, 7(28%) for moderate and 4(16%) very low. Ogbo (2011) posits that the primary objective of inventory management and control is to inform managers how much of a good to reorder, when to reorder the good, how frequently orders should be placed and what the appropriate safety stock is for minimizing stock-outs. Thus, the overall goal of inventory is to have what is needed and minimize the number of times one is out of stock. According to the researcher, foreign exchange risk control is essential. It is a tool to indicate future increase/decrease in the value of foreign exchange rates and keep management alert for future actions. The Accountant SLBC, Foreign Exchange is the most significant factor that affects the Company's market operations. The Company depends entirely on the importation of its raw materials. He further states that material handling such as shipments, storage, and their movements also incurs many costs that directly affect SLBC's market operations. Supported by the production engineer of SLBC, the raw materials (Sugar, concentrates) the Company uses for its production are costly and incur the highest cost of its total cost since these raw materials cannot be acquired locally. He further stated that some of these raw materials could not be stored for long, and they require timely and immediate attention as soon as procured. These raw materials are directly affected by the continuous and rapid increase by the foreign exchange to the Leones since SLBC is dependent on the importation of raw materials. Managing foreign exchange rates is critical if SLBC is to maintain a regular market operation now and subsequently. This is obvious as, without sufficient materials, there will be stock out, which will eventually affect the market operations of SLBC.

To point out the relationship between inflation and foreign exchange rates in the market operations of Sierra Leone Bottling Company (SLBC)

From table 4.6 figure 4.6 above, it is clear that 9(36%) are more significant, 8(32%) moderate, and 8(32%) deficient. Konchitchki (2011) looked into the effect of inflation and nominal financial reporting on firm performance and stock prices. He adopted the content analytical technique and observed that though the monetary unit assumption of financial accounting assumes a stable currency (i.e., constant purchasing power over time), nominal financial statements violate this assumption even during periods of low inflation or deflation. According to the findings from the field as compared to the literature forwarded by Konchitchki (2011), inflation of prices of inventory is a force to reckon with if the profitability of Sierra Leone Bottling Company (SLBC) Freetown. The Manager of SLBC, inflation or rapid increase in the raw materials like sugar, concentrate etc. that are needed for the production of bottle drinks distract their average profitability, and that is as a result of the complex exchange rate between the Leones as a local currency versus the foreign currency ranging from U.S. Dollars, Euro, Pound Stallings, Yen, Dutch etc. "Inflation is a threat towards our profitability ratio."

This can also be supported by the contribution of the Procurement Officer, who said that most times, the foreign currency rate to the Leones changes (increase) without notification affects the profitability of SLBC significantly. The rapid and continuous increase of foreign exchanges against the Leones seriously affects SLBCs total importations and procurements since the Company depends on one hundred per cent on importation of its raw materials. Moreover, inflation is one of those situations that also render Companies like SLBC unprofitable due to the rapid increase of material prices ranging from sugar, concentrates and the rest. This is supported by a staff of the SLBC who is always crying for adjustment in the exchange rate of a domestic currency versus foreign ones.

To examine challenges faced by Sierra Leone Bottling Company (SLBC) in maintaining effective market operations.

From table4.7, figure 4.7 above, it is clear that 10(40%) were selected for more excellent, 9(36%) for moderate and 6(24%) very low. Beck T, Demirguc-Kunt & Maksimovic V. (2002, P. 2) Firm growth is more affected by reported constraints in countries with underdeveloped financial and legal systems and higher corruption. Thus, policy measures to improve financial and legal development and reduce corruption are well justified in promoting firm growth, particularly the small and medium enterprise (SME) sector development. However, from the researcher's point of view, legal and financial constraints threaten the development of firms comparing the literature and findings from the field.

The Public Relation Officer (PRO) of SLBC, legal activities for employees and the entire Dwarzark community in Freetown, where SLBC is located, affects its profitability. The payment of legal fees, taxes, benefits and bonuses to employees and their community development projects/programs incurs a lot of costs which affects SLBC's profitability significantly.

The Human Resource Officer's support also states that the manning of SLBC total staff about policy, financial and legal measures for better employee performance also affects the Company's profit margin. As supported from the views of the staff of SLBC, it is clear that the management of SLBC does face challenges in the exchange rate that often leads to low profitability serving as a threat to the progress of the Company.

Summary, Conclusion and Recommendation

5.1. Summary of Findings

The study focused on investigating the effects of foreign exchange rates on the market operations of bottling Companies in Sierra Leone, taking a case study of Sierra Leone Bottling Company (SLBC) Freetown. The problem revolves around bottling companies not being able to maintain the expected profit due to the drawbacks they face in the foreign exchange rate. This effect often rests on the staff working for bottling companies like Sierra Leone Bottling Companies (SLBC) situated in Freetown, the Capital city of Sierra Leone. Therefore, managing inventory is critical if SLBC is to maintain normal market operations now and subsequently. This is obvious as, without sufficient materials, there will be stock out will eventually lower the market operations of SLBC. As support from the views of the staff of SLBC, it is clear that the management of SLBC does face challenges in the foreign exchange rate that often leads to unfavourable market operations serving as a threat to the progress of the Company.

Foreign exchange risk is indeed one of those situations that also render Companies like SLBC unfavourable market operations due to rapid increase of material prices ranging from sugar, concentrates and the rest, which is one hundred per cent imported. This is supported by a staff of the SLBC who is always crying for adjustment in the exchange rate of a domestic currency versus foreign ones.

5.2. Conclusion

The study focused on investigating the effect of foreign exchange rate on the market operations of bottling Companies in Sierra Leone, taking a case study of Sierra Leone Bottling Company (SLBC) Freetown. The problem revolves around bottling companies not being able to maintain the expected pro due to the drawbacks they face in the foreign exchange rate. This effect often rests on the staff working for bottling companies like Sierra Leone Bottling Companies (SLBC) situated in Freetown, the capital city of Sierra Leone. However, the study's research questions are as follows: Are there effects of foreign exchange rate on the market operations of Sierra Leone Bottling Company (SLBC) Freetown? Is there any relationship between inflation and

foreign exchange rates in the market operations of Sierra Leone Bottling Company (SLBC) Freetown? Are there other challenges Sierra Leone Bottling Company (SLBC) Freetown faces in maintaining effective market operations? From the findings collected from the field, analyzed and thoroughly discussed, the researcher is now proud and confident and proud enough to conclude that indeed foreign exchange rate between Leones as domestic currency versus foreign currencies ranging from U.S. Dollars, Pound Sterlings, Yen and Dutch etc. do pose a threat or affect to a great extent the market operations of The Sierra Leone Bottling Company (SLBC) Freetown. This poses the aim of the research.

5.3. Recommendations

The study focused on investigating the effects of foreign exchange rates on the market operations of bottling Companies in Sierra Leone, taking a case study of Sierra Leone Bottling Company (SLBC) Freetown. The problem revolves around bottling companies not being able to maintain the regular market operations due to the drawbacks they face in the foreign exchange rate. This effect often rests on the staff working for bottling companies like Sierra Leone Bottling Companies (SLBC) situated in Freetown, the capital city of Sierra Leone. SLBC staff should ensure that raw materials are properly managed and accounted for to avoid stock of materials to ensure total production for customers' satisfaction. Government should play an active role to see that the exchange rate is brought to its most favourable rate to ensure a normal/favourable market operating environment for firms.

Bibliography

1. Asaolu O. T, Agorzie J C., Unam M J., 2012) "Materials Management: An Effective Tool for Optimizing Profitability in the Nigerian Food and Beverage Manufacturing Industry"
2. Beck, T., Demirgüç-Kunt, A & Maksimovic V (2002) "Financial and Legal Constraints to
3. ISLE of Man Financial Service Authority (2017)
4. Firm Growth: Does Size Matter?
5. Benito, A. Nelss, K., Price, S. and K. Rachel (2010). The impact of the financial crisis on supply. *Quarterly Bulletin,* Q2, Bank of England.
6. Daferighe, E. E. & Charlie, S. S. (2012). "The impact of inflation on stock market performance in Nigeria. American Journal of Social and Management Sciences".
7. Effiong, S.A., Udoayang, J.O. & Asuquo, A.I. (2011) "Correlation and differential influence of historical cost and current cost profits on the operating capabilities of the firm". International Journal of Financial Research.
8. Ghana Statistical Services (2014) Report
9. Jubaedah, I., Ivan, Y. & AbdulRazak, A. H. (2016). "The influence of financial performance, capital structure and macroeconomic factors on firm's value: Evidence from textile companies at Indonesia Stock Exchange". Applied Finance and Accounting.
10. Kazim, S. (2010). "inventory inaccuracy and performance of collaborative supply chain practices. Industrial management and data systems".
11. Konchitchki, Y. (2011). "Inflation and nominal financial reporting: Implications for performance and stock prices" The Accounting Review.
12. Mogere M. K, Oloko M and Okibo W. (2013) "Effect Of Inventory Control Systems On Operational Performance Of Tea Processing Firms: A Case Study Of Gianchore Tea Factory", Nyamira County, Kenya.
13. Ochieng, D. E. & Kinyua, W. H. (2013). "Relationship between inflation and dividend payout for companies listed at the Nairobi Securities Exchange". International Journal of Education and Research, 1(6), 1 –8.
14. Ogbo A I& Ukpere W I P.112) "The Impact of Effective Inventory Control Management on Organizational Performance: A Study of 7up Bottling Company Nile Mile Enugu", Nigeria.
15. Ogbo, A.I. (2011). "Production and Operations Management. Enugu: De-verge Agencies Ltd".
16. Ogbadu, E. E. (2009). "Profitability Through Effective Management of Materials". Journal of Economics and International Finance.
17. Ondiek, G. O., & Odera, O. (2012). "Assessment of material management in Kenya manufacturing firms". Journal of business studies quarterly, 3, 40-49.
18. Umaru, A. & Zubairu, A. A. (2012). "Effect of inflation on the growth and development of the Nigerian economy (an empirical analysis)". International Journal of Business and Social Science.