AN ASSESSMENT OF EFFECTS OF FINANCIAL MANAGEMENT PRACTICES ON THE FINANCIAL SUSTAINABILITY OF WATER COMPANIES IN KENYA: A CASE OF MACHAKOS COUNTY

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ABSTRACT

This study assesseseffects of financial management practices on the financial sustainability of water companies in Kenya,with a specific focus on Machakos County. The financial management dimensions considered were organizationalfinancial performance, Challenges faced during budgeting and forecasting processes, cash flow management practices, and financial reporting and tracking,and their effect on financial sustainability.Water companies have been evaluated over the last few years to determine their financial performance and ascertain their capacity to achieve financial sustainability. The performance evaluation reports document financial sustainability as one of the major challenges facing these companies. And this challenge is not stand-alone; it's a culmination of other challenges facing the water companies.

The study adopted a descriptive research design so as to find out the nature of financial management dimensions in use. The population of the study, which was also the sample size,consisted of the 6 registered public water companies licenced by the County Government of Machakos, and the Tanathi Water Services Board, with respondents being selected purposively from each company. The study used both primary and secondary data. A pretesting of the questionnaires was done on selected water companies not part of the sample prior to the main study. Analysis of the data collected was done using descriptive analysis with the help of the Statistical Package for Social Science (SPSS) software and the findings presented in form of frequencies, tables and pie charts so as to provide easy understanding of the results.

On the financial management dimensions in use, the study found out that organizational financial performance has a great impact on financial sustainability of the water companies; the water companies have put in place tools to manage their cash flows, including controls on revenue collection; most of the challenges faced during budgeting and forecasting have been adequately addressed, and the financial reporting and tracking system is characterised by quality periodic financial reports prepared by qualified personnel. Hence, the companies under study were considered to be financially sustainable as there was a positive improvement on their overall performance in terms of service delivery and response to customer complaints but declined due to a reduction in collection efficiency.

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