

## Abstract

Enterprise performance of any business can be evaluated through the concept of financial risks analysis. Financial risks, financial risk management and enterprise performance are very pertinent indicators of business growth and survival and their ability to handle trade-offs between the three. The three indicators are a primary source of concern for financial managers as they steady the business in the volatile environment. Financial risk management studies have extensively been done on effects of risk management on performance of financial institutions, yet no conclusive study has been done on effects of Financial Risk Management on performance of water service providers in Kenya. Hence, the main purpose of this study was to determine the effect of financial risk management on enterprise performance of Water Companies in Kenya. The main objective of the study was to establish the effect of financial risk management on the enterprise performance of Water Companies in Kenya. Four variables namely liquidity risk management, operation risk management, credit risk management and legal risk management on enterprise performance of Water Companies in Kenya were tested. The research methodology used was descriptive survey design and self-administered questionnaires as the data collection instrument. Secondary data was also collected from financial statements of all 24 Water Companies and multiple regression analysis was used in the data collection instrument. Secondary data was also collected from financial statements of all 24 Water Companies and multiple regression analysis was used in the data analysis. The target population was derived from the 24 Water Companies licensed by Tana Water Services Board and a census was conducted on all the technical, commercial and financial employees. Statistical Package for Social Science (SPSS) was used to analyze data and present the findings of the study. The analysis established that three out of the four independent variables had positive and significant relationship with the enterprise performance of water service providers within Tana Water Services Board. The results were as follows (Liquidity risk management,  $\beta = .407$ ,  $p < .05$ ; Operation risk management,  $\beta = .215$ ,  $p < .05$ ; Credit risk management,  $\beta = .491$ ,  $p < .05$  and Legal risk management,  $\beta = .180$ ,  $p < .05$ ). The study recommends the maintenance of right liquidity ratios to forestall any losses that may arise due to the inability to finance day-to-day operations. The study also recommends the adoption of information technology in managing the non-revenue water that may result due to pipe busts or illegal connections.