

**EFFECTS OF NON-CURRENT ASSETS MANAGEMENT ON THE
PERFORMANCE OF REGULATED WATER UTILITIES IN TANZANIA: THE
CASE OF MOROGORO WATERSUPPLY AND SANITATION AUTHORITY
(MORUWASA)**

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Abstract

The aim of this study was to assess effects of non-current assets management on the performance of regulated water utilities in Tanzania: the case of Morogoro Water Supply and Sanitation Authority (MORUWASA). The study main objective was assessed with four specific objectives namely; to assess the effects of non-current assets planning on the organizational performance, to examine the effects of non-current assets operations and maintenance System Organization and Agency theories were used to guide this study. The study adopted case study research design and quantitative research approach was used. The study sample size was 103 respondents from different departments at MORUWASA obtained through purposive and stratified random sampling. The study used primary data collected through questionnaires and interviews and were analyzed through Qualitative analysis by the use of thematic and content analysis. The study found that non-current assets planning, was found to have a positive impact on the organizational performance. The study recommended that effective non-current asset management skills should be taught to employees to facilitate effective asset management at organizational level and purchase of used non-current asset should be managed to ensure that the assets will render services for a long-life span

Keywords: non-current assets, management, regulated water utilities and Water Supply and Sanitation Authority

1.0 Introduction

As Tanzania grows into the middle economic development so there are demands for improvement of water supply services and resources in terms of quantity, quality and reliability. To achieve this goals and increase performance of organization, management of non-current assets is required effectively (The United Republic of Tanzania, 2020b).

Management of non-current assets is great importance in running the organization efficiently on its daily operations. The Tanzania Water Supply and Sanitation act of 2019 stated that when Rural Water Supply and Sanitation Agencies established in as government organization or agencies the ownership of waterworks, plant, equipment and other assets used by the Government, local government authorities or community organizations in connection with water and sanitation services together with any associated liabilities shall, without any compensation of the costs incurred, be transferred to the Urban Water Supply and Sanitation authority legally(The United Republic of Tanzania, 2019).

In order to achieve efficient performance of organization, the non-current assets strategies designed by the organization need a certain level of management insights and expertise from diverse organizational disciplines. It is stated that such non-current assets for economic wellbeing of Rural Water Supply and Sanitation Agencies may include office equipment, motor vehicles, motor cycles, plants, buildings, clean water systems, drainage, sewerage and sanitary systems (Vladimir *et al.*, 2010). It should also be borne in mind that in the course of usage non-current assets deteriorate.

The non-current assets in any organization are maintained to ensure that assets are safe in regard to good working conditions by checking and repairing them regularly. When such process is not well exercised, it leads to misallocation of resources, which had been taken over by dishonest staff or management. Thus resulting into failure to achieve the organization's desired goals.

Supervision of the implemented water projects was inadequate from LGAs to Ministries level leading to 32 percent of the established water infrastructure not supplying water as intended. Moreover, for the five financial years starting from 2013/14 to 2017/18 there were noted weaknesses in implementing water projects in rural areas. Specifically delays in completion of water projects, cost overruns and poor quality for the implemented water projects. Due to those challenges organization performance was not good at all (The United Republic of Tanzania, 2020)

1.2 Statement of the Problem

CAG report on the assessment of the organization financial performance of the public entities and found out that 14 PAs were not performing well. Lindi Urban Water Supply and Sanitation Authority, Dar es Salaam Water and Sewerage Corporation, Mtwara Urban Water and Sanitation Authority, Mwanza Urban Water Supply and Sanitation Authority are water supply and sanitation authorities which underperformed due different factors. The CAG report stipulated that these Water Supply and Sanitation

Authorities were facing critical financial situation whereby incurred losses and had excess liabilities over assets, which led to poor performance of organization (Mbashiru, 2019). Effective management of non-current asset to organization is very essential. Through non-current asset the productive capacity can be generated by investing in such assets which ensure long term profit range of organization (Vladimir *et al.*, 2010).

For successful utilization of public non-current assets to generate public revenues and increase organization performance, the precondition is a clear determination of what types of non-current assets which constitute the public asset portfolio and thereafter the components of property rights can be determined for proper enforcement on public assets (Mihaela, Nunsionovic and Roje, 2009).

Organization performance of Water Supply and Sanitation Authorities in Tanzania its measured by number of water projects implemented and access of clean water in rural and urban residents. To reach this goal Tanzania government through ministry of water have been increasing number of projects and provide Water Supply and Sanitation Authorities asset including non-current and current asset in order to run their operation and reach government requirement. Despite the fact that the government made efforts to ensure the percentage of population with access to clean water in rural areas is raised, still there is a challenge of ensuring that the target is reached. Among the efforts noted is construction of water projects through WSDP I and II although during execution of these projects there were noted challenges (The United Republic of Tanzania, 2020). Therefore, the study intended to assess the effects of non-current assets management on the organization performance a case of MORUWASA

Review of Literature

2.1 Systems Organization Theory

The systems organization theory is of recent origin having developed in early 60s. This is the theory which considers organization as system. In this theory the system is defined as an organised or complex whole: an assemblage or combination of things or part forming a complex unitary whole. This is done to ensure the efficient functioning of the system as whole. The organization as system has boundary which maintains proper relationship between the system (organization) and its environment (Asset). Furthermore, the system broadly of two types which are open (Current asset) and closed systems (non-current). An open system (current asset) interacts with its environment where as a closed system (non-current) has no interaction with the environment. Organization in interaction with its environment can be understood as input-output model. Input are non-current system plants, vehicle, machinery, sewage in which water supply and sanitation authorities take for organization. It transforms them with help of workers and ensure increase organization performance. Public asset management involves a variety of components that work together for efficient and effective service delivery at low cost (Lu, 2011).

It is argued that as far as the field of management is concerned, a system transforms input into output. The system also through internal and external feedback controls input, transformation process, and output (Kivisto, 2007; Kayis, Whyte and Bell, 2014). Among the inputs are both human and material resources. Machines and equipment, consumable materials, information, financial resources, and instructional resources constitute a group of material resources. The inputs in the system need to be transformed through a process of production and management. It follows therefore that transformations are performed on inputs in various different modes in accordance with the characteristics of the inputs (Collins, 2010; Lu, 2011; Iqbal and Mati, 2012). The components of non-current asset management which in this study are referred to is that effect of management of non-current assets conjointly constitute a public asset management system that determines consequences of asset management in the public sector for organization performance (Mushumbusi, 2019).

Emperical literature

Kayis (2014) pointed out that the segregation of duties should exist within the non-current asset cycle: most systems of internal control rely on assigning certain responsibilities to different individuals or segregating incompatible functions. Such segregation of duties intends to prevent one person from having both; access to assets and responsibilities should be ordinary segregated: Transaction authorization, custody of assets, reconciliation of physical non-current assets and liability to records, transaction initiation (Acquisitions and disposal of assets).

Kayis, Whyte and Bell (2014) in the study “non-current assets acquisition, disposal and recording on organizational performance” recommended that the person responsible for the non-current assets acquisition, disposal and recording should be responsible for only such functions, and have no such access to other than the assigned functions. In addition, people who are responsible for non-current assets transaction processing should have these responsibilities for non-current assets master file that neither maintains nor updates access to the non-current assets master file. In the manual system, segregation of duties may enforce administratively, based on the assignment of job responsibility. In an automated system, segregation of duties is typically enforced through the use of automated access restrictions (Iqbal and Mati, 2012).

3.0 Methodology

Research design it is a blue print to be followed throughout the study. Case study strategy was preferred because it allows for an in-depth assessment of effect on non-current assets management towards Organization Performance in Water Supply and Sanitation Authorities in Tanzania. In this study a qualitative design was employed where the case study strategy was used for collection and analysis of data. MORUWASA was used as a case study to of assessing effect on non-current assets management towards Organisation Performance in Water Supply and Sanitation Authorities in Tanzania.

This is because; the size of the area was reduced to a single unit and thus increasing flexibility in collection of information from a single organization.

Sampling Techniques

The study used purposive and stratified random sampling technique due to diversity in the study population which involve groups with low number of population suitable for purposive sampling and others which have high number of population suitable for stratified sampling technique (Ngechu, 2016). Stratified sampling involves grouping the population into small groups called strata and then sample is drawn from each group (Chandran, 2014). Purposive sampling technique was used to select respondents who holds high position at MORUWASA including community development officers, finance manager, head of human resources and head procurement officer. Stratified sampling technique method was used as it involved dividing the target population into various units based on any unifying characteristics as age, gender or religion

Data collection tool

A questionnaire is a list of questions or items used to gather data from respondents about their attitudes, experiences, or opinions. Questionnaires can be used to collect quantitative and/or qualitative information. This was the major tool of data collection. The questions in this method was prepared in response to research objectives presented under chapter one of the study. The questions were both open ended questions and closed ended questions. Questionnaire method was opted to be used due to its flexibility in collecting information from multiple respondents. This method provided a chance for respondents who were unwilling to be interviewed participate in the study. An interview is a conversation for gathering information. A research interview involves an interviewer, who coordinates the process of the conversation and asks questions, and an interviewee, who responds to those questions. Interview was used in order to collect qualitative information from top officials at the council especially management members. There questions prepared though other questions which were raised during the conversation of which all this provided information necessary for accomplishment of the study.

Processing and Analysis

Data analysis strategy is the activity of making sense of, interpreting and theorizing data that signifies a search for general statements among categories of data. Data analysis could be qualitative or quantitative. This study being descriptive was used qualitative and techniques to analyze the data that collected. However, numerical data were analyzed quantitatively using SPSS version 24 program in drawing tables and figures containing frequencies and percentages of respondents' selections. Qualitative analysis was carried out through Thematic Analysis also, the use of quotation marks in italic sentences which presented the explanations provided by participants of interview in relation to the

questions prepared. Data were further analyzed through regression analysis to show the statistical relationship between the variables in the study.

Findings and discussions

4.1 Data Analysis in Relation to Specific Objectives

The study analyzed descriptive statistics based on the following observed variables:

The Non-Current Asset planning on organization Performance

Effects of non-current assets management on the performance of regulated water utilities in Tanzania was assessed through non-current asset planning, acquisition/constructions, operations and maintenance, disposition and management on organizational performance.

Noncurrent assets are capitalized rather than expensed. This means that MORUWASA allocates the cost of the asset over the number of years for which the asset will be in use instead of allocating the entire cost to the accounting year in which the asset was purchased. Depending on the type of asset, it may be depreciated, amortized, or depleted. The procedures for non-current assets management at MORUWASA have a significant impact on the performance of MORUWAS. From table 4.2, majority of the respondents (70%) stated that establishment of MORUWAS requirements for non-current assets have significantly affected the performance of MORUWASA as productivity has increased since assets are not held beyond the anticipated lifetime.

63.4% of the study respondents stated that the organizational performance has been affected by the identifying the value the asset could add to the organization operations. This values have been identified as qualitative values and quantitative values. Qualitative values involve the assets output that can be measured in time, endurance and capacity. Quantitative values involve those outputs expressed or that can be multiplied. MORUWAS is interested in maximizing both quality and quantity values example the purchase of long lasting pipes, computers and water sources that could increase the supply of water at Morogoro. The agency has been successful in the value determination which in result has influenced the agency in reaching its goals

Findings further shows that MORUWASA is good at planning classifying and recording non-current assets. The whole process of planning, classifying and recording non-current assets have helped the organization in acquisition of strong and long lasting equipment's, keeping records of the agency's assets and keep a good track on the depreciation of its assets. 68.8% of the respondents stated that non-current assets planning has affected the Performance of MORUWAS, 63.4% stated that classification of non-current assets has affected Performance of MORUWASA and 68.9% of the respondents stated that non-current assets recording could contribute to good performance of MORUWASA

Table 4.1: Non-current Asset planning on organization Performance

		Frequency	Percent	Valid Percent
Establishment of the organizational requirement for non-current asset affects organization Performance	Not at all true	8	8.9	8.9
	Not very true	9	10.0	10.0
	I don't know	10	11.1	11.1
	Somehow true	41	45.6	45.6
	Very true	22	24.4	24.4
	Total	90	100.0	100.0
Identifying what value do non-current asset add to organization operations affects organization Performance	Not at all true	11	12.2	12.2
	Not very true	10	11.1	11.1
	I don't know	12	13.3	13.3
	Somehow true	41	45.6	45.6
	Very true	16	17.8	17.8
	Total	90	100.0	100.0
	Not at all true	9	10.0	10.0
	Not very true	6	6.7	6.7
	I don't know	13	14.4	14.4

		Frequency	Percent	Valid Percent
	Somehow true	49	54.4	54.4
	Very true	13	14.4	14.4
	Total	90	100.0	100.0
Classification of non-current assets affects	Not at all true	10	11.1	11.1
	Not very true	12	13.3	13.3

organization Performance	I don't know	11	12.2	12.2
	Somehow true	41	45.6	45.6
	Very true	16	17.8	17.8
	Total	90	100.0	100.0
Non-current assets recording organization Performance	Not at all true	8	8.9	8.9
	Not very true	9	10.0	10.0
	I don't know	11	12.2	12.2
	Somehow true	45	50.0	50.0
	Very true	17	18.9	18.9
	Total	90	100.0	100.0

Non-current asset planning was found to have significant influence on the performance of regulated water utilities in Tanzania. The findings show that the effective planning on non-current asset could result in increase in profitability, increase in quality of services offered and increase in number of customers at MORUWASA. MORUWASA should invest on the establishment of the organizational requirement for non-current, identifying what value non-current asset add to organization operations, classifying non-current assets and put a proper record of the number of assets managed by the organization.

7.0 Conclusion

The study concluded that The study found that non-current assets have a significant contribution on the performance of regulated water utilities in Tanzania. Non-current assets lead to improvement of quality of services offered and increase number of customers. There should be an effective asset management at MORUWASA so as to make data-driven decisions to reduce the cost of maintenance without impacting desired performance or risk. With a complete view of asset health and risk across MORUWASA operations, it helps to prioritize activities that allow it to effectively manage risk, create a seamless connection between asset condition, strategy, defect elimination, and work execution to enable effective management of unplanned costs, mitigation of risk, and avoidance of catastrophic failure.

Recommendations

From the study findings, the researcher recommends the followings; effective non-current asset management skills should be taught to employees to facilitate effective asset management at organizational level and purchase of used non-current asset should be managed to ensure that the assets will render services for a long life span

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