

**Transaction risk Management:**  
**a case of Tanzania Electric supply Company Limited (TANESCO)**  
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The general objective of this study was to establish the foreign currency transaction risk management practices by the Tanzania Electricity Supply Company (TANESCO), This was prompted by the ever existing of fluctuation of TZS against USD and company's general performance. The nature of TANESCO's business is depending greatly on international business and this has enforced the company to have many transaction denominated in foreign currency. The study was conducted in Dar es Salaam at TANESCO Head Office because foreign transactions dealings are decentralized. The motive behind taking active role for managing transaction risk for firms engaging in international business was established as a result of abolishment of the fixed exchange rate system of Bretton Woods in 1971. In today's financial market, firms can employ various tools to hedge transaction risk. But successful hedging is incumbent upon a thorough understanding of various instruments, techniques and pitfalls involved. Using both secondary data (invoices) availed and survey data through questionnaires and interview it has been revealed that TANESCO does not actively manage its foreign transaction risk. The study concluded that lack of policy and guidelines for transaction risk management and non-application of hedging techniques has lead to substantial negative influence on both cash flow and budgetary control as a result of fluctuation of exchange rate of TZS against USD. In this view it is recommended that the company should embark on active management of transaction risk through use of current available hedging instruments in the currency market.