



**FACULTY OF COLLEGE OF LAW & MAN STUDIES & GRADUATE SCHOOL OF
BUSINESS & LEADERSHIP**

**Factors affecting the implementation of revenue collection strategy: a case study of
Nongoma Municipality, KwaZulu Natal, South Africa**

CONTEXT

By

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Man Studies**

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DECLARATION

I, **Maqhawe Gregory Dlamini**, hereby declare unless indicated to the contrary in this dissertation, the content of this dissertation represents my own unaided work and, this dissertation has not been previously submitted for academic examination at any other university.

Signature..... Date.....

ABSTRACT

Recent studies have manifested significant challenges in revenue collection in South African local government system. The research assessed the revenue collection challenges in South African local authorities and the possible solutions using Nongoma Municipality as a case study. The study analysed the different sources of revenue and analysed their contribution to the budget and their collection rate. A case study research design was used in this assessment. A sample of one **hundred and fifty** respondents was chosen. The sample is made up of four strata and these are; Nongoma Municipality employees, Nongoma Municipality residents/ratepayers, commercial ratepayers and vendors. Both secondary and primary data were used in the collection of data. Data was collected from interviews, questionnaires and Nongoma Municipality reports and it was analysed to come up with conclusions. The study established that Nongoma Municipality is facing operational challenges and they are mainly attributed to its failure to effectively collect revenue. The local authority is also not fully utilising revenue sources at its disposal. Despite these challenges the Nongoma municipality remains obliged to provide services to communities as the Constitution of the Republic of South Africa mandate them, 2006. A conclusion was reached that, to have viable local authorities, local authorities should do the following: improve efficiency in service delivery, practice accurate billing, improve revenue collection mechanisms and they should curb corruption and embezzlement of funds by officials. Local authorities also need to have good relations and reputation with all stakeholders. They should uphold good corporate governance as this will encourage ratepayers to pay their bills. Local authorities are recommended to come up with debt collection policies and politicians should support local government's initiatives in revenue collection. The study also recommended the central government to assist local authorities with grants for upgrading their old infrastructure. In addition, programmes that assist in the raising and collection of revenue must have the full backing of central government through legislation. Local Economic Development initiatives were also recommended as a way of opening new opportunities for local authorities' revenue. The study concludes by recommending the development of proficiency through training and policy relating to municipal revenue planning on financial performance, and the involvement of role players in the revenue planning process, as well as the employment of good strategic methods of raising adequate municipal revenue.

Keywords: Revenue collection, service delivery, implementation, and apolitical approach

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DEDICATION

I dedicate this piece of work to Mzwakhe and Nomthandazo Dlamini

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter examines the background to the study, presents the research objectives, questions, and assumptions as well as delimiting and justifying the study. The government in South Africa interacts with the public on three levels, that is, on a national, provincial, and local level. At all levels, different challenges are discernible, each one of a kind to the level of administration as determined by the duty it holds. Implementation of vibrant revenue collection strategies is a major challenge at Nongoma Local Municipality as there is a significant amount of money owed by its municipal residents. The municipality is at times unable to deliver adequate services to residents due to its poor record of revenue collection. The situation at the municipality has reached crisis levels to the extent that the Cooperate Governance and Traditional Affairs (COGTA) has intervened with the aim of assisting the municipality improve its financials through revenue collection. It is in this context that this research investigates the factors affecting the implementation of revenue collection strategy at Nongoma Local Municipality.

A sound revenue system for local governments is an essential pre-condition for the success of fiscal decentralisation (Bird 2010; Martinez-Vázquez and Smoke 2010a; Olowu and Wunsch 2003). In addition to raising revenues, local revenue mobilisation has the potential to foster political and administrative accountability by empowering communities (Shah 2008; Oates 2008). This thesis examines opportunities and constraints facing local revenue mobilisation. Political and administrative constraints facing various revenue instruments and factors affecting citizens' compliance behaviour are addressed.

1.2 Background of the Study

Local government is the most important sphere of government since its core function service delivery to residents. Therefore, it is exceptionally imperative that each local municipality produce its own income so that it can convey and meet the needs of the inhabitants. According to the Cooperate Governance and Tradition Affairs (COGTA) report of 2017, a few of the local governance municipalities, including Nongoma Municipality, are still battling with the income collection. In the COGTA report (2017), it is noted that Section 229 of the country's constitution mandates municipalities to raise rates and force extra charges on expenses for

services and the administration they give. Such powers and the capacities of the municipalities are contained in part B of Schedules 4 and 5 of the constitution. The municipalities are empowered to render to residents such services as water, electricity, refuse collection, roads and infrastructure maintenance/development and sewer disposal. An integral and indispensable part in the discharge of such services is the municipality's credit control and revenue collection. Nongoma Local Municipality is one of the municipalities in local government which has a grave problem when it comes to the collection of revenue. The municipality has no revenue streams in place as it only relies on the property rates, refuse, billboards, and property rental. Further to this, in his Doctorate thesis entitled "Municipality and the South African Revenue Service" Chauke, K.R stated that there was a need to engage in an in-depth analysis of the failures of local authorities in Revenue Collection, however, his research focused more on the comparisons between Local Authorities and SARS. According to the age analysis report, which is normally produced by revenue department monthly, there is poor revenue collection from all the above-mentioned sources of revenue as it indicates a slow movement in a decrease of debtor's balances. Nongoma Local Municipality has a high population growth rate which consists of 21 wards. All these wards are still developing, and hence demanding of development from the ward municipalities. However, with this challenge that is currently facing the municipality, it is highly impossible to speed up the processes of developing and fulfilling the needs of Nongoma citizens.

During the 2015/2016 financial audit, the Auditor General established that Nongoma Local Municipality is over stating their debtor's accounts. After investigations, they discovered that there is a lack of completeness and accuracy of data. This was raised as an audit finding and management was supposed to resolve the issue. It is in this context that the study therefore focuses on determining challenges within the municipality with regards to revenue collection with the aim of coming up with recommendations on how the municipality can improve its revenue collection and revenue management.

1.3 Motivation of the Study

Various categories are expected to benefit after drafting the findings obtained from this study. Firstly, the study seeks to contribute towards the improvement of the revenue collection rate for Nongoma Local Municipality and as a result the municipality will no longer be solely grant-dependent. It stands to be beneficial to other municipalities as it shows the effectiveness of the collection methods that are being used to collect revenue. The study also aims to be useful to

academicians and studies in revenue collection as the research will enable them to determine the factors affecting the implementation of revenue collection strategies. The study will bring about benefits associated with effective revenue collection policies within municipalities in South Africa and among the beneficiaries of this study is the Government of South Africa, Nongoma Local Municipality, the public as well as other municipalities in South Africa. To the discipline of degree of Master of Commerce at the University of KwaZulu-Natal in the Faculty of College of Law & Man Studies, the study will help to provide students with better problem-solving skills in issues regarding factors affecting revenue collection.

1.4 Focus of the Study

The study focused on the factors affecting revenue collection in the Nongoma Local Municipality. The study derived from the Revenue Administration dimension of the Master of Commerce discipline and the study will only concentrate on the dimension mentioned above.

1.5 Problem Statement

According to the Cooperative Governance and Traditional Affairs (2016), some municipalities are still struggling to collect substantial amounts of money that are outstanding from their debtors and in the case of Nongoma the figure stood at R14 Million for the year 2017. Nongoma Local Municipality has been diagnosed as one of the municipalities that has poor revenue collection. There is a considerable incongruity between the municipality revenue collection and expenditure, although the purpose of the municipality is not to make profits, the disparity in revenue collection and expenditure makes Nongoma a prime case study for this research. Due to this, COGTA (2016) encourages that municipalities should collect as much as possible so that it will be able to fund the services they provide their residents. According to Peyper (2016), the inability of local municipalities to collect debt is the main reasons for the financial ills facing numerous municipalities in SA. There is a growing concern on municipalities in South Africa caused by poor debt collection and a lack of revenue generation. Several factors account for poor revenue collection by municipalities in South Africa. Peyper (2016) argues that a lack of the right skills in finance departments, the poor economic climate and systems that do not work efficiently and effectively are the chief cause of poor revenue collection, and Nongoma is no exception to this scenario, with the entire Municipality's financial decisions being managed by only several key personnel, whose financial systems and decisions have been vastly affected by South Africa's economic underperformance. The poor revenue collection of municipalities puts severe pressure on municipalities to pay their debtors

and improve service delivery as well as to perform its daily duties. The poor revenue collection is reflected in Nongoma's budget preparation and monitoring processes, control over electronic fund transfer payments and the general financial viability. There is therefore a need to analyse the factors that account for revenue collection challenges at Nongoma local municipality and make recommendations on how it can improve its revenue collection and revenue management.

1.5 Aim of the Research

- To produce a solution to the challenges faced by the Nongoma Municipality in revenue collection

1.6 Objectives

The study aimed:

- To identify the main sources of revenue for the Nongoma Municipality
- To establish the strategies employed by the Nongoma Municipality in collecting revenue for the benefit of the Residents and business people resident in Nongoma.
- To establish the factors affecting the collection of revenue in the Nongoma Municipality
- To explore the views held by the revenue collection department of the Nongoma Municipality regarding its revenue collection strategies.
- To explore the views held by Nongoma Municipality residents and business people on Nongoma revenue collection

1.7 Research Questions

The study aimed at answering the following questions:

- What are the factors affecting revenue collection in Nongoma Local Municipality?
- What is the municipality's view regarding their revenue collection strategies?
- Which further strategies can be adopted and used to improve revenue collection in Nongoma Local Municipality?

1.8 Study Delimitation

Due to the poor collection of revenue at Nongoma Local Municipality, a decision was taken to conduct the study on factors affecting implementation of revenue collection strategy at the municipality. This follows that there are factors affecting the implementation of revenue

collection strategy since there is a problem of poor revenue collection in Nongoma Local Municipality. Therefore, the study focused on determining those factors, addressing them and made recommendations on how the issue of poor revenue collection can be resolved. The study was conducted by the study involving everyone who is directly linked with revenue collection in the municipality. To this end, the study must be understood in its academic discourse only as an educational mouthpiece in the discipline of Revenue Administration.

1.9 Chapter Outline

The study contains five different chapters; all the different chapters seek to unpack and discuss different objectives of the study. The Chapters are:

Chapter One: Research Introduction

The research framework chapter contains the purpose of the study to the reader. It includes the aim of the study, the research problem, research objectives, research questions, significance and contribution to the study, scope of the study, methodology, limitations of the study, definition of the study and conclusion to the chapter.

Chapter Two: Literature Review

This chapter outlines the different studies that have been conducted by different authorities, academics and research studies; it discusses different arguments and views with regards to the factors affecting the implementation of revenue in local government and central government. Therefore, the main aim of this chapter is to gain strong knowledge on the study factors affecting the implementation of revenue collection strategies.

Chapter three: Research Methodology

The research methodology chapter discusses the research method that is used to achieve the research objectives and to answer the research question of the study. The chapter contains many steps which are involved in this process and this chapter contains a description of these steps that are used to complete and fulfill the expectations of the research.

Chapter Four: Findings and Data Analysis

This chapter will disclose and analyze all the findings from interviews, questionnaires, and data from Nongoma Local Municipality. The data analysis will outline the findings which will help to come up with the recommendations. The feedback from Nongoma Local Municipality will be outlined in this chapter.

Chapter Five: Recommendations and Conclusions

The recommendations and conclusions chapter form the last chapter of the study; this chapter is formulated from the literature, theories concepts and the data analysis chapters.

Recommendations on what need to be done to improve revenue collection in Nongoma Local Municipality will be discussed in this chapter.

1.10 Definition of Terms

Rates

Are defined in terms of Section 1 (j) of the Local Government: Municipal Property Rates Act 6 of 2004 as a municipal rate on property envisaged in section 299 (1) (a) of the Constitution of the Republic of South Africa, Act No. 108 of 2006. Rates, which embrace a periodic tax charged upon the owner (or in some instances the occupier) of immovable property, are levied in the local government sphere in terms of the recently introduced Local Government: Municipal Property Rates Act. This form of taxation is a major source of revenue for municipalities.

Taxes

Defined by the Organisation for Economic Co-operation and Development (OECD) as confined to compulsory unrequited payment to general government (cited in Fox and Meyer, 2005:110). The Zimbabwean case of *Nyambirai v NSSA* 2005 (2) ZLR 1 (S), the Supreme Court had occasion to define a tax. It said that a tax is a compulsory levy and not an optional contribution, imposed by the legislature or other competent public authority, imposed upon the people or a substantial sector thereof and to be used for the public benefit or provides a service in the public interest.

Revenue

Defined as all sums of cash received by a government from outside sources – net discount and other adjusting transactions– other than from issue of debts, liquidation of venture and as agency and private trust exchange, this avoids non-cash exchanges such as receipt of benefit, commodities or other ‘receipts in kind’ (Fox and Meyer, 2005:113). Almost all social policy efforts require expenditure, which can be financed through loan capital, user charges, administrative fees, government-induced inflation or taxation. (Croome, 2013) An important purpose of taxation is therefore to generate enough revenue to assist in the financing of government activities. In South Africa, more than 90%

of government expenditure is in general financed through tax revenue.

Taxation

Providing a comprehensive definition of taxation is challenging. It can best be described as a monetary-based compulsory contribution payable by the public or a substantial sector thereof to a government (at a national or sub-national level) (Croome, 2013) its primary purpose is to defray government expenditures, but it can also serve as an instrument to attain socio-economic and political objectives. Taxes are levied in terms of legislation, which should comply with the constitutional law of the relevant jurisdiction. They are not levied as a *quid pro quo* for specific, defined benefits provided by the government, but should rather be utilised for public benefit. The term is defined as a levy on individuals or corporate bodies by central or local government to finance the expenditure of that government as a means of implementing its fiscal policy however payment for specific services rendered to or for the payer are not regarded as taxation” (Oxford Dictionary of Business and Management, 2005:546).

1.11 Chapter Summary

This chapter has narrated the research overview. It has therefore presented a background description of revenue collection and its functions within the municipality systems of South Africa as the context in which this study investigated factors that affect the implementation of revenue collection within Nongoma local municipality. The chapter also described the significance of the study, its limitations and defined terms. Building on this overview, the next chapter will review and discuss literature around the factors affecting the implementation of revenue in local government and central government.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

As the research examines the factors affecting the implementation of revenue at Nongoma Local Municipality, literature regarding to the factors affecting the implementation of revenue in local government and central government within South Africa and other countries is of importance to the study. To this end, the present chapter reviews and discusses such literature. Various sources were explored including books, journals, official reports, and legislation. To align the literature to the research objective, this chapter, apart from conceptual understanding of revenue collection, subdivided itself in three headings as per objective in the following manner: definition of revenue collection; factors affecting the implementation revenue collection; implementers' views on revenue collection strategy; and strategies for improving the implementation of revenue collection.

2.2 Defining Revenue Collection

Collection of revenue is exceptionally pivotal for the survival of any association. All organisations embrace revenue collections to meet their budgetary commitments. Hence, fruitful income collection implies that the extreme objective of the organisation must be well characterised (Ataro, Muturi, and Wandera, 2016).

2.2.1 Revenue

Van Donk, (2008:297) states that, trends in the structure and performance of municipal revenues are closely connected to underlying debates on redistribution, stabilisation, and accountability. Income in the form of tax assessment, excise duties, customs duty, licenses, or other sources is crucial in guaranteeing smooth execution of government operations (Ndunda, Ngahu and Wanyoike, 2015). Thus, according to Junquera-Varela et al. (2017), a good tax system comprises of four basic elements namely; equity, economic efficiency, technical efficiency, and revenue stability. Several factors facilitate fiscal contract between citizens and government. According to Junquera-Varela et al. (2017:18), these factors comprise:

- An even-hander taxing structure;
- Value-advancement in tax enforcement and organisation;
- Public interest, straightforwardness, and citizen services;

- Clearer interface between tax collection and public consumption; and
- Constructively engaging civil society in tax issues.

It may be concluded that compliance with the above factors results in successfully implementing revenue collection strategies and attaining an optimal revenue forecast. In contrast, the absence of the above make revenue collection systems in place weak and affect governments' ability to provide public services.

2.2.2 Sources of Revenue

Governments throughout the world require assets in form of incomes to perform their diverse capacities counting social and financial exercises. Taxation is one of the leading avenues of revenue collection by governments all over the world (Karimi, Kimani, and Kinyua, 2017). While taxation require assets in form of incomes to perform their different capacities including social and financial activity becomes vital in financing public products and re-distribution of income, the handle through which a government collects tax can involve significant costs in terms of productivity ties (OECD, 2017). Tax is the main source of revenue for any government hence it may be sub-divided as direct tax, indirect tax and non-tax revenue. Tax-payer's money can be utilised as incentives for citizens and government to deal and enter into a commonly advantageous fiscal contract (Junquera-Varela et al., 2017). This implies that, on one hand people accept the contract to comply with taxes and the state through its government representatives maintain the rule of law and render services to the public, on the other. In other words, there is existence of mutual acceptance between people and the governments (Moore, 2008) that a breach of agreement, results in adversely affecting revenue collection strategies. The South African Revenue Service (SARS) is involved with a wide range of taxes, which includes: Personal income tax (PIT), including capital gains tax (CGT); Corporate income tax (CIT), including CGT Value-added tax (VAT); Customs/import duties, Excise duties; Donations tax; Transfer duty; Estate duty; Securities transfer tax; Skills development levy, Unemployment insurance fund (UIF) contributions; International air passenger departure tax, Donations tax; Fuel levy; Environmental levy; among other taxes (South African Revenue Service (SARS), 2008). In addition, a study conducted by Barchell and Listokin, (2012:154) revealed that municipal revenue is categorised into two revenue sources. Thus, they indicated municipal own revenue that is raised by the locality itself which consist of taxes and charges. They also reported on Intergovernmental transfers, as contributed by both the national and local governments. In same light, Mosha, (2010:5) stated that municipal government derive their revenues mostly from both internal and external sources.

Sources of Revenue for Local Municipalities

Carmichael (2003) wrote that the major sources of revenue for local authorities are rates on fixed property and income derived from trading activities such as water, and gas supply services. Jayapalan (2002) supports this assertion as he also wrote that property rates form the most important source of revenue for local authorities. In his book, *Modern Governments and Constitutions*, Jayapalan identifies another source of revenue for local authorities as the grants-in-aid from the local government ministry. He identified two types of grants in aid which he called percentage aid and the rate support grants. The percentage grants-in-aid are given by the parent ministry on the condition that the local authority fulfils certain conditions and maintains a certain level of standards. The rate support grants are not tied to any specific services but are given as a general form of revenue.

Semboja (2000) identified sources of revenue for local authorities as a mixture between taxes, license fees and charges. He also wrote that despite the large number of revenue sources, four main sources are crosscutting almost all councils. These are development levy (head tax), crop and livestock cess (agricultural cess), business licenses and market fees. Semboja also asserts that tax can present another source of revenue for local authorities. He wrote that in local government tax collection is the responsibility of the council staff and is completely separated from the central government. In district councils it is organized around three levels, namely the council headquarters, the wards and the village levels. At the sub-village level, the leader is responsible for mobilizing taxpayers.

Chandler (2005) asserts that sources of revenue for local authorities are real estate tax on commercial buildings, stamp duties, land lease charges, the land tax, and market place duties. They may only partially be classified as original local sources, however, since national law places limits on the rates. Municipalities may not raise tax rates above the legal maximum but are free to abate these taxes and reduce the rates at a direct cost to the municipality's budget. Kolovitskova & Lukovenko (2007) wrote that most sufficient among revenue sources for local governments are the following:

- local taxes and duties;
- land taxes - for cities of oblast significance and 60 percent of the land tax – for rural and urban settlements, for cities of rayon significance; income taxes of enterprises of communal property;
- incomes from selling communal property;

- own incomes of budgetary entities and organisations;
- industry tax;
- taxes on owners of transport means.

Rhodes (1988) wrote that local authorities in England obtained their revenue mainly from rates and grants for the government. McConnell echoed this view when he pointed out that council revenue comes mainly from rates, fees, rents and non-domestic rates which are rates charged on non-resident people for using the facilities of the town. Mutizwa-Mangiza (1998:5) gave a detailed account of the sources of revenue for local authorities, he pointed out that for raising revenue, local authorities had the following sources of revenue open to them;

- Rates- land rates on property owned by individuals, companies or government including parastatals. This also includes rates on buildings, for instance developed property.
- Fees and charges- the major sources under this category are premises licence, occupational licence, services or facilities (for example ambulances and survey fees), goods or documents supplied (for instance water sewerage buildings and plan approvals and transfer fees.)
- Commercial activities including returns from own investments and rental income.
- Cess and royalties
- Return on investments- these represent investments in companies they do not explicitly control and own.
- Service charges- these are charges on residents and company's resident in their jurisdiction
- Grants from government, donations and transfers from other arms of government.
- Short term borrowing but this needs the approval of the minister.
- Internal sources-money set aside from budget to pay for projects and is commonly referred to as a contribution to capital.
- Stock issues- in Kenya, local authorities are empowered to issue stocks and bonds to raise revenue for their operations. Very few however exercise this option. The only local authority to raise revenue using this option in Kenya is the Nairobi council.

The researcher shall explore further and find out if local authorities are utilizing all sources of revenue they are empowered to administer by the law. The researcher would also want to find out if efforts are made to improve revenue collections by finding new sources other than the traditional sources. Myers and Beadley (2005) assert that organisations are not allowed to

discriminate between customers by charging them different prices. Neither may they discriminate by offering the same prices but different credit terms. This will ensure that no customer is disgruntled and finally abscond to payment. Maness and Zietlow (1998) advocated that the most carefully devised credit policy cannot keep a company's credit activity from becoming a problem area if the company does not diligently collect the receivables. Delayed payments deny the seller the use of the money result in increased collection costs and increase the risk that payment will never occur. The author asserted that traditional approaches to monitoring the receivable balance include day's sales outstanding, also known as the average collection period, accounts receivable turnover and the aging schedule.

Myers and Beadley (2005) stated that when a customer is in arrears, the usual procedure is to send a statement of account and to follow this at intervals with increasingly insistent letters or telephone calls. If none of these has any effect, most companies turn the debt over to a collection agency or an attorney. Maness and Zietlow (1998) added by asserting that many state and federal laws and regulations govern the extension of credit, the use and communication of credit information, and the used in collection. In this research, the researcher wants to establish the methods used by Nongoma Municipality to collect revenue and the factors that are hindering the effective collection of revenue from Nongoma residents and business operators.

2.2.2.1 Direct Tax Revenue

Direct taxes- Corporate tax; Personal income tax, withholding tax- rents, management and professions fees, and property tax.

2.2.2.2 Indirect Tax Revenue

Includes excise duty tax on imports and local goods, import duty, stamp duty, Value Added Tax (VAT) on imports and local supplies, and so on.

2.2.2.3 Non-tax Revenue

Includes fees for passport, driving licenses and so forth; penalties and fines for breach of law or non-fulfilment; and surplus from public enterprises, for instance, dividends from profits.

2.2.3 Revenue Collection

The 2015 Addis Ababa Action Agenda on Financing for Development stated that it must be emphasised that the mobilisation and effective use of domestic resources ... are central to our common pursuit of sustainable development (Junquera-Varela et al., 2017). Similarly, for Allan (2008) revenue collection system is of the most important function of the governments at any level. However, complexity of the revenue collection function lies on numbers of

processes, which includes assessment of taxes, fees and charges; billing taxes, fees and charges; collection of the revenue, deposit of the revenue; auditing of taxpayers; evaluation of collection procedures; litigation involving delinquent revenue due; accounting for revenue collection and information management. Collection of revenue needs relates capacity to it. South Africa division of revenue refers revenue capacity to the ability to generate revenues (South Africa Division of Revenue, 2015). To this capacity, relates effort for processing the collection of revenue, thus, the division defined revenue effort as the effectiveness in collecting revenues. The South African Revenue Service Act of (2007) gives South African Revenue Service the command to gather all tax revenues that are due to the fiscal; implement greatest compliance with pertinent enactments; give a customs service that will increment income, advance exchange and secure ports of entry against smuggling and other illicit trade. In so doing, requires South African Revenue Service to function mainly towards collection and administration of all national taxes, duties, and levies. SARS (2008) insights uncovered that all three circles of government national, provincial, and local raise tax and contribute to the national economy. Total South African tax revenue increased from R302 billion in 2002/03 to R599.3 billion in 2007/08 with corresponding percent to gross domestic product accounting for 25.2 percent in 2002/03 to 29.1 percent in 2007/08 (SARS, 2008). Moreover, SARS, 2008 statistics detailed that provinces account for fair beneath 1 percent of total South African tax revenue (0.2 percent of GDP) and local government around 3.6 percent of total South African tax revenue (1 percent of GDP).

2.2.4 Revenue from non-exchange transactions

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Municipality and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

2.2.4.1 Government grants (Other charges and development grants)

Government grants are not recognised until there is reasonable assurance that the Municipality will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Municipality should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to statement of financial performance on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation

for expenses or losses already incurred or for giving immediate financial support to the Municipality with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

2.2.4.2 Other transfers

Other transfers include fees, fines, penalties, licenses, gifts, donations (including goods-in-kind), and transfers from other government entities. These are recognised when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and the fair value of the asset can be measured reliably. Services-in-kind are not recognised as revenue but are disclosed in the financial statements.

2.2.5 Formalizing the Closed-List Structure of Local Government Revenues

It is important to disclose the list structure of local government revenues in South Africa. Broad-based recognition should be given to the fact that local revenue autonomy is to be pursued within the context of a closed list of local taxes to achieve both objectives (a standardised, more efficient framework for local taxation, as well as local revenue autonomy and flexibility). The clear and formal recognition of the closed list as a basis for local taxation in the regulatory framework, in practices and procedures, and so on would ensure the overall legitimacy of the local government revenue system. While embracing a restrictive approach to local taxation denies local municipalities the option of introducing their own local revenue instruments, the approach would continue to provide local governments with the discretion to change local tax rates (within centrally established limits). Furthermore, the list of permitted taxes should be defined in such a way that it provides flexibility to LGAs by allowing them to select from various options how to administer local taxes. As such, the reform of the local government tax system would allow for asymmetries in revenue assignments. For instance, the right to collect certain revenues (for example, local property rates) might be subject to certain centrally-defined conditions. Although Local government municipalities specifies main sources of revenues in the Act such Local taxes, fees, fines, licences and permits and other own sources, it is very important to mention the detailed sources in such a way that the user of this information can understand deeply the sources of revenue in LGAs.

2.2.6 The Legal Framework of Local Government Municipalities

This section looks at legal framework of district municipalities. District and Urban municipalities are established by the Minister responsible for Local government and they become body corporate which have perpetual success in and have an official seal. In their corporate name may be capable of suing or being sued; May be capable of holding and purchasing or acquiring in any other way and disposing of any movable or immovable property.

Within the district, if prescribed number of households have settled and made their homes within any area of South Africa mainland to the satisfaction of the Registrar, he may register that area as a village. However, the Minister may authorise two or more areas to be registered as a single village.

A village so registered shall have a village assembly and a village municipality. The village municipality so established shall be of body corporate: Having perpetual succession and an official seal, in its corporate name can sue or being sued. Can hold and purchasing, or acquiring in any other way, and is posing of any movable or immovable property. A village or a group of villages may attain a township authority status if they satisfy the qualifications pre-requisite to of township authority status. District municipalities are divided into divisions which consists of wards whose number and sizes are determined by the district municipality. However, the general principles, to guide the determination of the number and size of divisions may be provided by the minister and those general principles shall be complying with by all district municipalities.

2.2.7 Functions and duties of Local government municipalities

The basic functions of local municipalities are to maintain and facilitate the maintenance of peace, order and good government within its area of jurisdiction, to promote the social welfare and economy well-being of all persons within its area of jurisdiction and further the social and economic development of its area of jurisdiction. However, a municipality may delegate any of its function to a township authority, village municipality or other local government body within its area of jurisdiction, but prior approval of proper officer and concurrence of the township authority, village municipality or other local government body concerned must be obtained, except a district municipality shall not delegate any of its executive or legislative functions in relation to its area of jurisdiction.

2.2.8 Legislative powers of Local municipalities

District municipality may make bylaws designed to promote and secure the good rule and orderly government of its area of jurisdiction and foster and maintain the health, safety and well-being of the inhabitants of its area of jurisdiction. The bylaws shall be approved by the minister. The bylaws made may apply to the whole of the area of jurisdiction of a district municipality or any part of it. The municipality has power to make different bylaws in respect of different parts of the area of jurisdiction. The district municipality may in the bylaws annex to the breach of any bylaws not exceeding five thousand shillings or such term of imprisonment exceeding twelve months or both. It may also annex different fines and different terms of imprisonment for successive or continuous breaches of any bylaw. Every ward secretary and

village secretary shall have power to enforce all bylaws within the area under his jurisdiction. Village municipalities have the power to make bylaws the proposals of the bylaw will be considered by the village on behalf and submit them to the district municipality in whose area of jurisdiction the village assembly is situated for its approval.

2.2.9 Local Revenue Structure for LGAs

Local Government revenue consists of own-source revenue, grants from Central Government, Aids and borrowing. The Local Governments set rates, fees and charges to be collected in a given year considering planned expenditure, projection of grants from the Central Government, Aids from Development Partners and Loans from various sources. Own-source revenue represents part of total revenue, aggregated at the national level. Together, Produce Cess, Service levy, property rates, fees and charges account for most of own-source revenue. However, their combined share to the National aggregates has remained insignificant over time. Total LGAs own source revenue amounts to seven percent (7%) of the total LGAs annual revenue. Source: Municipality financial report (CFR) reports 2011/2012. Significant LGAs own source revenue will reduce the budget deficit and enhance decentralisation policy. Fjeldstad (2007) as quoted in Kakwesigabo (2010) conducted a different study which focused more on Local Government revenue enhancement: he found that before the rationalisation of local government taxes in South Africa, most district municipality generated only 10-20 percent of their total revenue from own sources, of which development levy was the major source. 80-90 percent of total revenue in many rural types of municipality was conditional grants transferred from central government. Hence, fiscal autonomy in most local municipalities was limited both with respect to revenues and expenditures. However, the rationalisation had reduced the limited local autonomy even further. The study revealed the immediate consequences of the rationalisation some municipality activities were scaled down or postponed. This provided room for further revenue reforms in LGA to increase their autonomy. On this, Fjeldstad (ibid) found out one major administrative problem today for many municipalities is their inability to collect fully the revenue due to them. The study revealed the huge gaps between reported and projected revenues. This undoubtedly provided room for further study on why LGA fails to raise enough revenues and how their budget implementations are affected especially particular district municipalities (Kakwesigabo, 2010).

2.2.10 Local Government Revenue System

The capacity of local governments to mobilize revenue is important to their financial sustainability and their ability to promote the well-being of their local communities. The current Local Government revenue system in South Africa is mainly originated from the

rationalisation of own sources revenue in the year 2003. Many local revenue sources were abolished, and nuisance of those taxes was one of the reasons cited for the abolishment. Major abolished sources included development levy and livestock. Thus, there is no single LGA revenue source that is linked to the general population. Again, in 2004, in what had been regarded as attempt to create favourable environment for business, the Government abolished business licenses fees which also contributed much of the local revenue. Business licenses fees were re-introduced in 2012/13 and started into operation in the financial year 2013/14. According to the CFR reports, 2008 as cited in Mzenzi (2013), the result of these pronouncements, total local revenue dropped by nearly 16.2% from R57.7 billion in 2002 to R48.3 billion in 2003, and dropped further to R43.8 Billion which is 11.3%in 2004.To compensate for abolishment of the development levy and other nuisance taxes, the Local Government compensation grant was introduced in the financial year 2003/04. Later, it was referred to as General Purpose Grant (GPG) after being combined with the local administration grant.

2.3 Revenue Collection Policies

2.3.1 Tax Policy: The Canons of Taxation

In his 1776 treatise, an Inquiry into the Nature and Causes of the Wealth of nations, the Scottish classical economist, Adam Smith, outlined four criteria of a tax system, commonly referred to as the ‘canons of taxation’. The principles of equity, certainty, convenience and cost efficiency have become the most enduring and widely acknowledged principles for tax Policy. These principles provide (ideal) rational, non-political guidelines to policy-makers although fiscal legislation need not conform to these ‘canons’ to be enforceable.

2.3.1.1 The first canon: Equity

Smith stated that the principle of equity demands that taxpayers ought to contribute towards the state’s coffers in proportion to the revenue that they respectively enjoy under the protection of the state. The most widely measure for equity is the criterion of ability-to-pay; the underlying taxation is a sacrifice levied upon some kind of ‘personal economic well-being. It has become customary to define the two dimensions of ability-to-pay namely horizontal equity, requiring taxpayers with equal capacity to contribute proportions, and vertical equity, requiring taxpayers with greater more taxes (which is accomplished through progressive taxation). Approximate measures of taxable capacity include income, consumption, wealth and utility.

2.3.1.2 The second canon: Certainty and Simplicity

Smith's second maxim dictates that the tax that a person is bound to be certain, and not arbitrary, which implies that the time, manner and; of payment should be clear and ascertainable to the taxpayer, Certainty involves simplicity, requiring that taxes should be simple in concept and administration. It is, for example, desirable that the taxpayers ascertain his or her tax liability according to operations and records liability she needs to perform and preserve anyway. Certainty of law is closely the legality, both principles of adherence to the rule of law, and is a quality of a true democracy where the taxing municipalities are accountable: electorate.

2.3.1.3 The third canon: Convenience

Smith's third maxim provides that every tax ought to be levied at a time: way, most convenient to the taxpayer. This principle touches proposition that taxes should preferably be levied in cash rather than goods. Furthermore, taxes should ideally be levied in a way that takes cognisance of a taxpayer's liquidity. If a tax is levied on the value of unrealised assets, the assets need to be valued, which opens the door for inconsistencies and tax avoidance through discretionary valuations.

2.3.1.4 The fourth canon: Cost-effectiveness and Efficiency

The economic function of a tax in a market economy is to transfer resources from the private sector to the public sector. Smith's fourth maxim requires that the costs of a tax should not be a disproportionately high percentage of the revenue yield. There are three major components of costs, namely collection costs, 'dead-weight' market costs and unproductive costs.

Collection costs - The first component is the collection costs of the system, which consist of administrative costs, namely the cost of establishing and maintaining a tax collection system, and compliance costs, namely the cost for taxpayers to comply with their tax liabilities (in terms of time, money and effort). An efficient collection system requires that the resources available for public use be as nearly as possible equal to the resources withdrawn from the private sector: that is, that the process by which resources are transferred involve minimal waste. Both costs will be less if the taxpayers' tax liability can be easily established. Efficiency will therefore be enhanced by a certain and simple tax system.

Dead-weight market costs and neutrality - A tax has an efficiency cost in that it influences the economic decisions of taxpayers. Taxation perceived as being unfair and a penalty to the economically active may discourage work effort and savings and may encourage tax avoidance. This involves the cost to society of the misallocation of resources (referred to as 'dead-weight losses'), resulting in the underlying economic activity being distorted or even destroyed. This

underlines the criterion that the tax system should be neutral: a taxpayer should not be influenced by the tax system to choose one course of action above another predominantly because its tax position is better. It is, however, inevitable that taxation distorts economic decision-making to some extent. The criterion of efficiency therefore requires that taxes should be designed to redistribute purchasing power with the distortion or disruption to the market economy.

Unproductive costs - A third component is the costs of tax planning and tax advisors, resulting resources being employed in the unproductive activity of finding loopholes tax-free alternatives, which may even further distort the allocation resources. An efficient tax system therefore dictates that tax avoidance evasion be kept to a minimum, which requires simple tax laws. Economic analysis has a great deal to offer in understanding the need for a more comprehensive approach to tax research and reform than always takes place currently. Two particularly useful areas are the general theory of the second best and the theory of optimal taxation. Public choice theory also has much to offer but the implications of that analysis will be left to a later paper.

2.3.2 The General Theory of the Second Best

One of the themes of a wider approach to the issues of compliance and simplification is the interdependence between different economic, as well as political and social, variables and realities. One important insight, probably not very well known outside mainstream economics, is the theory of the second best. This relates to the fact that the variables in an economic system interact so that changing one part will have effects on other variables that are not even directly involved in the initial change. A limited analysis may fail to anticipate such changes, which could offset the original intended improvement. This can mean that a reform designed to achieve an economic improvement, far from actually doing so, might even make things worse. This does not seem to be consistent with normal intuition, but it might be illustrated with a simple example where two economic distortions are offsetting each other. Suppose a monopolist – a single seller of some good or service – might wish to exploit its market power and push the price up but has only one customer who has the market power to keep the price down and the result might be something like the optimum price. However, to remove either the economic power of the monopolist or its customer without removing both could result in the market price moving away from the optimal position.

As a tax example, it is often suggested that taxes should be imposed to counteract external effects – say pollution – or some other environmental concern. This may be true if the external effect causes the price to give the wrong economic signal about the full cost of the output

including the external costs. The tax could be used to represent the social cost in the market which would then be guided in the right direction. This is not the only possibility though. It may be that existing distortions have already pushed the price in this direction and, if tax policy makers have not considered all aspects of the change before implementing it, the resulting tax might move the price further rather than closer to the optimum position. More generally the theory of the second-best states that it 'is not true that a situation in which more, but not all, of the optimum conditions are fulfilled is necessarily, or is even likely to be, superior to a situation in which fewer are fulfilled' (Lipsey and Lancaster 2006).

Indeed, the general theory of the second best holds that if one of the Paretian optima cannot be achieved then a second-best optimum can be reached by departing from all the other optimum conditions. Furthermore, nothing can be said in general about the direction or the magnitude of the secondary deviations from optimum conditions made necessary by the inability to achieve the original optimum condition. Lipsey and Lancaster illustrate this with a tax example. They suppose that a tax is imposed on one good only and the revenue raised is returned as a gift to the purchasers, so the only result is to distort relative prices. Given this distortion, the only general thing that can be said is that a second-best optimum could only be achieved by a system of taxes on other goods and services, some of which may be more than, some less than, the original tax and in some cases a subsidy might be required.

As already indicated, the tax system is not an independent entity and imperfections in the tax system may have implications for the pattern of public expenditure. For example, Balestrino and Galmarini (2003) argued that imperfect income tax compliance implies it is desirable that the supply of public goods should be distorted downwards. At a more detailed level an infinite amount of such analysis is possible. For instance, West and Williams (2007) estimate the parameters required to calculate the optimal second-best gasoline tax. The implication of 'second best' analysis is that the failure to consider a much wider range of factors than is currently the norm might mean that an 'improvement' in tax compliance or simplification does not lead to an overall improvement at all. When the wider context is included, the overall disadvantages may be greater than the more obvious benefits of the initial change. The literature on optimal taxation adds further insights and is therefore also described briefly next.

2.3.3 Optimal Taxation

The work on optimal taxation is relevant here because the literature is concerned with tax structures that take account of both the requirements of economic efficiency and the need

to be fair between one taxpayer and another. It is concerned with questions such as whether income or commodity taxes should be used and how tax rates should vary across commodities. The equity dimension relates to the question of how progressive the tax system should be. To some extent, of course, there is a trade-off between the two criteria of efficiency and equity. A tax system that is economically efficient may not be considered fair and vice versa and the purpose of much of the optimal taxation literature is to find the best balance between the two. Having said that, it is not always easy to model what is fair and there have been difficulties in incorporating important variables. One of the earliest and most famous contributions was Ramsey's (1927). He concluded that uniform commodity taxes were rarely optimal, though it might be noted that the analysis abstracted from the costs of operating different tax rates. There is now a considerable literature on optimal taxation though Broome's (2005) parody suggests that it should not always be taken literally. Frey (2006, p. 32) pointed out that optimal taxation will only be introduced if it is acceptable within the political-economic process.

Feldstein (2007) criticized the literature for concentrating too much on the features of the optimum and too little on the process of attaining it. An accessible summary is provided by Heady (2003) who also raised the specific question of the contribution optimal taxation could make to practical tax policy. Although that literature clearly offers some important insights, it cannot help in all areas of tax policy. Indeed, the difficulty of applying much of the work in optimal taxation to policy issues is a constant theme. Alm (2006) suggested that previous attempts to derive an 'optimal tax system' were largely irrelevant to practical tax design since they ignored a range of considerations involving fiscal and social institutions. He argued that many of the relevant institutional features could be included in an optimal tax framework but acknowledged that it would never be able to incorporate all of the 'incredible complexity' that must be considered in the design and reform of tax systems.

Nevertheless, research relating to optimal taxation continues to develop and often in the right direction by including additional variables from the wider context. Gradstein (2009) examined political mechanisms that ensure efficiency enhancing restraints on taxation. In the context of the present paper, the discussion of optimal taxation and evasion is particularly relevant because, as with other areas, the analysis results in important insights but not precise policy prescriptions. Cremer and Gahvari (2004) suggest that the optimum marginal tax rate is lower in the presence of tax evasion, but this depends on their assumptions. An increase in tax rates may improve economic efficiency as it might cause some labour to move into the illegal labour market which may be less economically distorted than the legitimate one. However, as Sandmo

(2005, p. 658) points out, there are some serious implications in viewing ‘anti-social behaviour’ as a social gain in this way. There is the theoretical but rather crude insight that increasing the probability of detection by increasing the frequency of audits and penalties for evasion are substitutes. Concern about minimizing compliance costs might indicate a preference for the latter. However, shifting costs from the public to the private sector is no guarantee of a net gain and on equity grounds, if no other, that approach may lead to unacceptably high penalties for the few who are caught for crimes committed by many individuals who escape unscathed. In any case the decision to evade may well be heavily influenced by behavioural rather than economic factors narrowly defined (James et al. 2001).

The recent study by O’Donoghue and Rabin (2006) used the optimal taxation framework to examine ‘sin taxes’ – such as those on unhealthy foods that people might consume more than they should because they lack self-control or some other problem. The existence of merit goods or merit bids where the government and individuals have different ideas about individuals’ optimal consumption was raised by Musgrave (2009) and has been discussed ever since. In a sense an individual’s consumption that does not take full account of future harm might be thought of as an internal externality with respect to that individual’s future health – or ‘internality’ as Herrnstein et al. (2003) put it. O’Donoghue and Rabin show that introducing taxes on unhealthy items and returning the proceeds to the taxpayers can increase economic welfare, but such a conclusion can be reached without using optimal taxation analysis. The authors also acknowledge that the analysis has numerous limitations. This is generally in line with the nature of the optimal taxation approach and so the policy implications are also limited. The optimal taxation approach once again reinforces the point that it is a difficult and complex process to develop changes to the tax system where the advantages outweigh the disadvantages. Yet it is also clear that giving the wider context less attention than it deserves is not the way to proceed. This can be illustrated by the issue of tax compliance examined in the following section.

2.3.4 Gordon-Li Model

Roger Gordon and Wei Li developed a model of tax enforcement based on Chinese experience in 2000s. During that time, the national government of China was unable to collect much of any revenue from small and medium sized firms, so that its tax revenue came almost entirely from taxes on larger state-owned firms. The model came to explain the reason behind the failure of the government from collecting revenue from small and medium sized firms (Gordon and Li, 2005). Majority of these firms entirely rely on use of cash transaction which create the room for tax evasion hence narrowing of tax base. Gordon and Li (2005) assumed that firms

can be monitored and taxed only if they make use of the financial sector, thereby leaving a paper trail. But firms will be using the financial sector if the benefits exceed the cost of using them. The model argued that the capital-intensive firms will value much the use of financial sector because of the expected benefits such as lending facilities et cetera.

2.4 Factors Affecting the Implementation of Revenue Collection

This section elaborates on factors that affect the implementation of revenue collection hence it constitutes of three sub-divisions. The first sub-section gives the background of international perspectives relating to factors affecting the implementation of revenue collection, including a structural and institutional issues; policy and administrative issues. These issues as factors can affect the implementation of revenue collection. The second sub-section investigates the local perspective on the implementation revenue collection. The last sub-section concludes with a summary of the section.

2.4.1 International Perspective on Factors Affecting the Implementation Revenue Collection

Many scholars have provided empirical evidence on factors affecting the implementation revenue collection (Allan, 2008, Junquera-Varela et al., 2017, Kayaga, 2007, Ndunda, Ngahu and Wanyoike, 2015, Odago, and Mwajuma, 2013). For instance, Allan (2008) enumerate several common problems or factors affecting the collection of revenue, which includes reduced rate of processing revenue receipts; slow deposit of receipts; slow billing; lack of motivation to pursue collections; ineffective enforcement of revenue laws; determining of what is owed; poorly trained staff; lack of internal controls; and poor record management. In the same line of factors affecting the implementation of revenue collection, Junquera-Varela et al., (2017) analysis found a lack of enough domestic revenue mobilisation that recurrently, results in the reduction of new capital assets and amplifying the poor maintenance and operation of existing assets.

Taxation is amongst the leading ways of revenue collection by governments all over the world. It is submitted that, developed countries have advanced and successful tax policies which enhance revenue collection (Ndunda, Ngahu and Wanyoike, 2015). In contrast, in most developing countries, particularly in low-income countries, government revenues fall short of the rising need for public expenditures and must be supplemented through borrowing, multilateral development assistance, or both (Junquera-Varela et al., 2017). It is asserted that, developed countries have advanced and successful tax policies which enhance revenue collection (Kayaga, 2007). However, Junquera-Varela et al. (2017) categorised broadly two

challenges facing low-income countries, which include structural and institutional issues first and secondly policy and administrative issues. Fjeldstad, Ali and Goodfellow (2017:2) still recognise options responding to the challenges. Indeed, developments in Africa imply huge challenges for urban governance and service delivery as such, they view sound revenue system is an essential pre-condition for handling these challenges. They also stress that property tax appears to emerge as a potential cornerstone for the efforts to strengthen broad based direct taxation in urban Africa.

According to Ndunda, Ngahu and Wanyoike (2015) many scholars agree that developing countries face problems of inefficient tax administration. They stress that such problems are credited to deficient regulatory staff with essential aptitudes, and high level of absence of education of taxpayers and tax collectors (Ndunda, Ngahu and Wanyoike, 2015). Further, lack of training facilities and opportunities aggravate the problem of inexperienced and unqualified personnel. Furthermore, the literature indicates an ineffectiveness of compliance management, which results in a fragmentation of the revenue collection system (Schlotterbeck, 2017). Put differently, inappropriate behaviour, rent seeking, and corruption from agents who are supposed to comply with tax, becoming principal to tax department with taxpayers or vice versa (Junquera-Varela et al., 2017). They clarify that corruption in government in general and in tax collection unfavourably influence the advancement and execution of the private sector. Furthermore, they emphasise that civil service earning low income may be motivated to illegal income, which reduce optimal revenue collection target.

2.4.2 Local Perspective on the Factors Affecting Implementation of Revenue Collection Policies

For most urban municipalities in Africa, local revenues collections are necessary but not enough to develop and supply adequate services for the fast-growing urban population (Karimi, Kimani, and Kinyua, 2017). It has been observed that, the growth of Africa's towns and cities outperformed local authority capacity in terms of management, infrastructure, and financing hence these cities and towns were encountered with a governance crisis (Fjeldstad, Ali and Goodfellow, 2017). Ataro, Muturi, and Wandera (2016) state that a study in Kenya Trans-Nzoia County found land rates as the main sources of revenue collection. Similarly, a study conducted by Ndunda, Ngahu and Wanyoike (2015) on Factors Influencing Optimal Revenue Collection acknowledged corrupt practices among tax and clerk officials in Kenya, Nakuru County. It was also found that inadequate training facilities and opportunities to strengthen inexperienced workers is an influential factor. Furthermore, Odago, and Mwajuma, (2013) notes that management support assist in implementing e-procurement in the county

governments. Additional, top management acts as driving factors of implementation process. Moreover, (Odago, and Mwajuma, 2013) study also, revealed that budgetary allocation affects the effective implementation of e-procurement.

It is exemplified and amplified that, in Africa a combination of inappropriate tax policy and weak administration, property registers and valuation rolls are often out-dated or not in place (Fjeldstad, Ali and Goodfellow, 2017). Furthermore, they also reported on the billing, collection, and enforcement as generally weak, to ensure effectiveness the revenue collection strategies. Ali, Fjeldstad, and Sjørnsen (2013) added a key factor to the above describing the payment to non-state actors such as criminal gangs for protection reduces tax compliant attitude, therefore affecting revenue collection in Africa. Literature considers options for reform to address the above factors and challenges. Thus, Tax reform and specialised assistance confined to technical and objective perspectives of tax assessment have fizzled to capture the reality of policy making and income collection in numerous nations (Junquera-Varela et al., 2017). The researcher therefore, infers that such failure of the tax reform is attributed to different group's interests and expectation as far as distribution of resources and wealth is concerned. Moreover, the literature revealed that rigidities in Tax Administration as elements affect revenue collection strategies as such, it involves the inability to forecast revenue accurately or at all; the setting of unrealistic revenue targets; the failure to assess the tax base, tax potential, or tax gap; and the passage of purely technical reforms of the tax administration (Jorquera-Varela et al., 2017).

In the South Africa context, Schreiner, and Hassan, (2011) municipalities acquire a great deal of funding in the form of financial transfers from the central government and locally generated revenue, including debt finance, although they obtain their finance from a wide variety of sources. This implies as Pieters (2015) pointed out the back-bone of local resources in most countries is largely central government transfers, principally for capital investment. He added that central government transfers account is usually based on a redistribution of certain centrally collected revenues. Furthermore, to his views, these transfers balance the proportion between the revenue-raising capacity of municipalities and their mandatory local expenditures. It was observed that, local government revenues collected revolved around three broad categories namely; taxes on property and on economic activities; user fees for the delivery of services and the improvement of infrastructure, and lastly, loans borrowed to finance long term investments, generally infrastructure.

2.4.3 General Perspective on factors affecting Revenue Collection Strategy

Gono (2006) in his assessment of parastatals and local authorities, asserted that the major

challenge facing local authorities has been lax corporate governance practices characterized by lack of transparency, lack of meaningful capital investment, weak financial controls and systems, poor policy guidance, poor policy implementation, poor business culture, failure to produce audited financial statements and inadequate staffing levels. All these challenges will lead to dwindling revenue collections and hence budgets deficits.

Gono (2006) further observed the following reasons as contributing to liquidity challenges in most local authorities:

- councillors who are political appointees who tend to lack necessary technical expertise required for prudent policy making;
- Declining Public Sector Investment Programme Support (PSIP).
- High staff turnover, especially critical professionals such as the technical staff and financial experts;
- Lack of adequate communication especially between the local authorities and stakeholders which stalls progress in most cases;
- Lack of incentives to attract and retain qualified staff;
- Local authorities have found it difficult to levy economic rates because of the fear of political protest;
- Low staff morale;
- Management of debt is poor as evidenced by huge mismatches between creditors and debtors; and
- Most of the councillors are into local authorities to pursue their own political self-interests and may not necessarily add any value to the running of entities.
- Much of the infrastructure such as water; roads; communication equipment and sewer pipes are old and constantly breaks down;
- Shrinking revenue base as traditional sources of revenue including property taxes, charges and grants, fees, rates, tariffs and loans from central government have shrunk steadily;
- Staff members remaining in acting positions for long periods;

USAID (2006) in its document titled *A Guide to Enhancing of Municipal Revenue* disclosed reasons contributing to poor debt collection in South African local authorities as follow.

- Lack of political will to enforce credit control measures due to the lack of accurate data on which credit control can be taken, credit control measures being taken on indigent households, and councillors influencing the operations of officials;
- Lack of skills and capacity to manage the collection of outstanding debt;
- Lack of integration and coordination among the financial management, credit control and debt collection systems within local authority

According to Carnegie and Baxter (2006) the local revenue generated constitutes 75% of the revenue used in the provision of services to the local communities in the developed countries. The main source of revenue is through taxation which can be defined as an implicit contract between citizens and their government (Moore, 1998).

The corruption scandals in the tax administration were instrumental in President Thabo Mbeki's decision to establish a Commission on the Causes of Corruption in South Africa. The commission was appointed in January 2006 with a mandate to map the extent of corruption in the country and identify steps to deal with it (URT, 2006a, i–iii). Investigations identified four factors as keys to explaining the extent and types of corruption pervasive in the revenue collection strategy.

2.4.3.1 Political intervention.

This generally took place in the form of discretionary tax exemptions granted to business people who were willing to pay and/or had the 'right connections' (URT, 2006a, pp. 307–311), which generally means that people with the financial and political means to coerce the decision-making arm of municipalities had the power to avoid taxation through exemptions.

2.4.3.2 High tax rates and complicated regulations.

The potential gain from involvement in corruption could be considerable, both for officials and taxpayers. Relatively high rates and a complex and partly incoherent set of rules, especially for customs and corporate taxes, resulted in large potential rewards for taxpayers willing to bribe to cut their own tax burden and/or speed up customs clearance of their goods (URT, 2006a, pp. 291–295, 316–329). For customs officials, the bribes taken for clearing specific containers in Dar es Salaam harbour could be as much as a whole year's salary. In general, the system gave tax officials considerable discretionary powers.

2.4.3.3 Poor pay and working conditions.

The low wage levels at the tax administration compared to the private sector invited corruption. The average public employee's salary including allowances in the early 2000s was enough to cover only about 40% of normal household expenditures (Mans, 2004). Moreover, working

conditions were characterised generally by a lack of technical equipment and poor office facilities, as well as unclear criteria for recruitment, promotion and rewards (URT, 2006a).

2.4.3.4 Low probability of detection and punishment for corruption.

Internal auditing and monitoring functions had become for the most part non-operative and ineffective (Cunningham, 2006; URT, 2006a). For instance, the internal operational auditing unit in the Customs Department at the head office in Dar es Salaam had only four staff members in early 2006 and five persons for the whole Dar es Salaam region, where about 80% of the total customs revenues in Tanzania are collected. Responsibility for internal auditing was therefore outsourced to external auditors from the Office of the Controller and Auditor General, which stationed on a permanent basis six–seven people at the customs administration. But this compromised, of course, their independence and opened up for collusion between auditors and tax officers. According to Cunningham (2006), these auditors were ‘part of the system and the peer network to be inspected’. Audits were further crippled by low skills. The auditing staff lacked the training in auditing and inspection methods, and the required equipment and basic facilities to perform controls. In practice, the probability of being detected and punished for corruption was virtually non-existent.

2.4.4 Other Factors Affecting the Revenue Collection Strategy

2.4.4.1 Corrupt Practices in Revenue Administration

According to Child (2008), corrupt practices in revenue administration involves tax officers, taxpayers, and importers and customs clearing agents, therefore it can take many forms ranging from systematic- where individuals act together, systematically support evasion to individual corruption, where tax officers abuse their position for financial gain from tax payers. In most cases corrupt practices include: Charging for services that should be free, Charging for help to overcome complicated procedures and to qualify for exemptions or duty free treatment, Turning a blind eye to non-registration for taxation, smuggling, and fraud (in customs, for instance, the declaration of false values supported by fraudulent invoices),Overstating values, over-assessing tax to instigate corrupt deals with importers and tax payers, Aiding taxpayers and importers in understating income and value of goods, Losing’ files, Facilitating or organising the smuggling of goods, receiving payments to complete tax returns for tax payers or customs entries for importers.

2.4.4.2 Tax Exemptions

Every year the Parliament of South Africa carefully scrutinizes the Government’s budget. Tax exemptions, on the other hand, do not receive the same attention in the Parliament, effectively making them hidden expenditures. Tax exemptions involve very large sums of money. The

sheer size of the amount involved raises question about the purpose these incentives serve and whether the amounts spent on them are justified.

Could it be that tax exemptions are too high for a country that is struggling to collect sufficient resources to finance its budget? Could it be that South Africa would be better off if fewer tax exemptions were granted and more money was spent on health, water or education? And why is information on who benefits not publicly available?

There is no definitive policy brief that tackles these questions, and this leads to the debate on whether the current practice in South Africa is desirable. The analysis is based on information contained in Revenue Reports obtained from the South Africa Revenue Authority (SARA). It shows that the size of tax exemptions increased substantially in the second part of this decade (2006-2010), if tax exemptions were harmonized with what is practice in Kenya (1 percent of GDP) the existing shortfall in tax revenue would have been avoided, SARA grants twice as much in tax exemptions in Kwa-Zulu Natal as it does elsewhere and tax exemptions benefit mainly multinational investors with certificates of incentives from the South Africa Investment Centre (SAIC).

Reasons for Tax Exemption

Tax exemptions are granted for a variety of reasons. In South Africa, exemptions may be given for the following reasons:

- Where the foreign or official nature of the item in question doesn't warrant a tax for example, consumption on internationally bound aircraft or goods consumed by the armed forces and diplomatic missions.
- Where activities of certain organisations do not earn them a profit but have a direct benefit to society which the Government may not be able to otherwise procure. This basis is used to grant exemptions to charities including religious organisations.
- Where consumption of certain goods is deemed to have direct benefit to society.
- For example, certain human and veterinary medicines are exempt from VAT, as are fire-fighting vehicles. Exempting such goods from taxes increases their consumption, which in return brings greater benefits due to their positive effects on society.
- Another reason exemption is granted is to stimulate economic growth. These exemptions should normally lead to increased investment, employment, output growth and thus lead to more tax revenues eventually. Groups of companies granted wide-ranging exemptions such as favourable corporation taxes on profits and reduced import duties fall under this category. Most notable among these are companies established under the Export Processing

Zones Authority (EPZA) Act, mining companies and other companies which hold certificates of incentives from SAIC.

Large firms often make use of this tax incentive mechanism to avoid paying taxes (Gauthier and Reinikka, 2001). Governments of developing countries are much eager to attract investment in their countries, in so doing they end up granting exemptions to large firms as incentive to boost investment whilst in other large firms see as the loophole to avoid paying taxes. The exemption granted either can cover one of these taxes; corporate income tax, sales tax/VAT and import duties or both of them to a specific firm. According to Income Tax Act of 2004 section 10, 52 and 54, an exemption may be granted for variety of reasons such as promotion of investments, public interest ground, diplomatic and political grounds. For whatever reasons, exemption by definition and implication are selective and discriminatory, they are therefore the source of inequality in the tax system, and thus exemptions are sources of complexities in the tax administration (Mponguliana, 2005). The government can also grant exemptions to non-government organisations on an ad hoc basis (that is, following no specific rules or criteria for granting exemptions) using statutory instruments.

2.4.4.3 Evasion or Avoidance

One of the most important problems that any tax administration faces are cheating or evasion. It is important to distinguish between tax avoidance and tax evasion. Tax avoidance is changing one's behaviour in such a way as to reduce legal tax liability, and as such, tax avoidance is not illegal. Tax evasion is failing to pay taxes which are legally due. If a tax on oranges is levied and you sell fewer oranges, it is tax avoidance. If you fail to report your sales of oranges to the tax authorities, it is tax evasion. Tax evasion is not a new problem. Even Plato observed, when there is an income tax, the just man will pay more and the unjust less on the same amount of income (Rosen, 1985, p. 322). In recent years the phenomenon of tax evasion has received a large amount of public attention. However, by its very nature it is difficult to measure.

Cheating may be habit-forming, that is, once people become accustomed to evading taxation, they will continue to do so even if the marginal tax rates are lowered. In the face of this, there is no guarantee that the now existing low rates will significantly discourage incentives to evade income tax. Since the probability of being detected is small and the penalty rate is still low, evasion of income tax is likely to continue. It is noteworthy that tax evasion is not the only factor that has adversely affected tax collection in South Africa. The government participation in economic activity in the economy, since the Arusha Declaration of 1967 is one of the major factors that have also contributed to low tax collections. Public participation in the economy in form of parastatal enterprises, most of which operated inefficiently, and hence fall in

production resulted in low tax collection of commodity taxes (sales tax and excise duty) and company taxes. However, this study concentrates on loss of revenue arising from tax exemptions, tax avoidance and evasion.

Rosen (2009) define tax evasion as the situation whereby a person fails to pay legally due taxes. He accounts for the environment that can lead to tax evasion; a person can keep two books of records, one with actual records and the other for the purpose of showing tax authorities; barter transactions, the situation whereby payments is received in kind; deal in cash, paying for goods and services in cash makes it difficult for tax authority to trace the transactions. The above explanation of tax evasion by Rosen (2009) asserts that the act of evading tax is intentional. The essential point is to create difficulties for tax authorities to establish the real gain or profits obtained from the transactions or businesses. The reason for tax evasion is to maximize gain or income also to maintain liquidity.

According to Fjeldstad (2003), high tax rates and complicated regulations were reasons behind tax evasion. He argued that high tax rates and complex set of rules, especially for customs and corporate taxes, resulted in large potential rewards for tax payers to evade the tax burden. Taylor (2001) asserts that tax compliance is determined by probability of detection and legal sanctions, when the probability of being caught and punished is high, non-compliance or rather tax evasion will be low. This provides the views that tax payers always weigh between benefits and losses resulting from tax evasion. Grasmick and Scott (1982) not only acknowledged the relationship between the threat of legal punishment (detection probability) and intention to evade taxes but also pointed the issue of social stigma attached to tax evasion. This imply that how does the society consider the person who has evaded the tax, a hero or villain? And how does the person feel before the society, sense of guilty or sense of achievement?

Smith and Tyler (2006) pointed that Tax revenue authority collects revenue on behalf of governments. If the government is perceived to be representative, then tax payers will be willing to pay taxes but when the tax payers perceives that government is not representative tax evasion is likely to occur. Fjeldstad and Semboja (2001) see that line in terms of tangible benefits in return of taxes. They argue that taxes are perceived to be unfair and people receive few tangible benefits in return for tax compliance.

2.4.4.4 Cash Transaction

When business transactions are conducted through cash transaction, the situation complicates the enforcement of tax collection (Gordon and Li, 2005). Parties involved in this arrangement have the loophole of not being recognized by tax authority hence erosion of tax revenue.

One reason South Africa has remained both heavily aid dependent and unable to invest faster in its own development is because of its low domestic revenue collections. This brief has shown that tax exemptions in South Africa are different from its counterparts Zambia and Zimbabwe and appear to largely benefit large scale investors with certificates of incentives from investment promotion centres. Becoming self-sustaining in resources is priority for the government and could be supported by granting exemptions more prudently.

This can be achieved by:

- Improving enforcement.
- Introducing new exemptions less liberally and making them time bound; and,
- Reviewing various laws granting exemptions;

Moreover, it is not possible now to establish how such high levels of exemptions benefit South Africa. With more transparency, for example by consistently disclosing individual exempt companies and exemptions amounts granted on the internet, such analyses may be possible. This kind of information is at present not fully available to the public, even though tax exemptions are just another form of Government expenditure. Just like expenses on health, water or education, tax exemptions should be subject to the scrutiny of Parliament and taxpayers (policy forum 2009).

2.5 Implementers' views on Revenue Collection Strategy ideas

This section explores the views of the national and local government implementers on revenue collection strategy policies and ideas throughout the world as well as in South Africa. It is subdivided into three sub-sections. First sub-section gives the international perspective on the implementers' views on revenue collection strategies. The second sub-section investigates the empirical results in South Africa. The last sub-section deals with additional factors affecting revenue collection.

2.5.1 International Perspective

Most of the countries in the world experienced tax reforms to enhance their revenue collection strategies. However, a lot in the interest of reforming tax structures remain outstanding, as per OECD (2010) findings: decreased share of income taxes in total collection, predominance of tax motivations and the coming about tax expenditures; challenges of managing with casualness and trouble in taxing micro, little, and medium ventures; absence of a sound revenue-forecasting framework and tax crevice examination; and complexities of exploiting natural resources. This means implementers of revenue collection strategies are still facing

setbacks with regards to implementation of revenue collection strategies in their respective jurisdiction. In the same light, Junquera-Varela et al. (2017) found responses to setbacks particularly, in Africa and Latin America. It was found that creation of revenue municipalities independent of the civil service have been a major feature in several countries of Africa and Latin America. The expectation of this autonomy is to improve the performance of tax administrations by reducing political interference, increasing flexibility, and improving wages and working conditions (Junquera-Varela et al., 2017:19).

In practice, Pashev (2006) has observed that, there may be collusions between tax administrators and taxpayers to reduce charges in exchange for illegal payments. This called for responsibilities of public servant who play an important role in the implementation of revenue collection strategies. Thus, for Allan (2008) the major responsibility of the revenue collection administrator is to collect as efficiently as possible those revenue that are owed to the governments. Accordingly, it is recommended to revenue collectors to develop written policies and procedures covering all collection activities; training staff; and to be prudent in handling money of taxpayers. Furthermore, most of the tax administrations, countries have formally published their business plans and engaged stakeholders involved in tax issues including governments and taxpayers to present main strategies directions (Schlotterbeck, 2017). In contrast, these strategies lack operational plans that could impulse systematic translation. Also, the argument presented by Schlotterbeck revealed a low level of implementation from implementers of revenue collection strategies. Similarly, literature noted that management of Personal income tax was generally weak (Junquera-Varela et al., 2017). They emphasise that, this type of tax has multiple exemptions, which result in lack of incapacity for self-assessment and compliance.

According to Ndunda, Ngahu and Wanyoike (2015), revenue collection is devolved in several African countries such as Ghana and Uganda while centralised in countries like Liberia. Brown and Blackmer (2010) are of the view that spending the optimal amount of effort on each account allows to know more or little on tax payment activity. More importantly, according to Brown and Blackmer (2010) key factors for collections rely on best practices including quick responses, Taxpayer research, Account management and Technology and automation. This implies that time is one of the most important factors in ensuring collections. Implementers of tax collection strategies need to consider these factors as far as revenue collection depends on them. Scholars have suggested that implementers of revenue collection strategies need to routinely make decisions about how to allocate their staff resources based on the specifics of the accounts they handle (Brown and Blackmer, 2010). Recently, the study conducted by

Schlotterbeck (2017) reported on individual performance management. It was found that systems to ensure that employees and teams perform to their full potential never exist in most of the countries. Often, the existing individual performance management is in a nascent stage, and relies on inappropriate processes and practices characterised by (Schlotterbeck, 2017):

- insufficient communications and collaborative work between managers and employees, and
- limited goal setting,
- the absence of performance implementation plans.
- weak feedback mechanisms,

Many local tax systems in Anglophone Africa are characterized by high levels of arbitrariness, coercion and corruption (Bahigwa et al. 2004; Fjeldstad and Therkildsen 2008; Juul 2006; Prichard 2010; Pimhidzai and Fox 2012). Further, a widely found feature is the huge number of revenue instruments used by local municipalities (Brosio 2000; Fjeldstad and Semboja 2000). Local governments seem to raise whatever taxes, fees, and charges they can raise, often without worrying excessively about the economic distortions and distribution effects that these instruments may create. A complicated and non-transparent local government revenue system is costly to administer, and it facilitates corruption and mismanagement (Bardhan and Mookherjee 2002). Moreover, many local taxes have a distorting effect on resource allocation decisions, and, thus, an inhibiting effect on the start-up of new enterprises and the achievement of economic growth (Bahigwa et al. 2004; Devas and Kelly 2001; Sander 2003). These effects occur when effective rates vary greatly between different goods that are traded, or when license fees are set too high for start-up small-scale enterprises to survive. In a study of small and medium sized enterprises in Zambia, Misch et al (2011) find that the effective tax burden varies substantially between firms. Enterprises face a range of different taxes, fees and licenses, and the types of taxes that firms are subject to differ - not only between sectors, but also between firms within the same sector. Even among marketers in the same municipality the type of fees and levies differ substantially. In addition, the levels, and types of local revenue instruments by themselves can result in the tax burden falling more on the poor than on the relatively better off in local communities. A recent study from Uganda shows that small informal non-farm enterprises pay local taxes in a regressive way (Pimhidzai and Fox, 2011). While the majority of the micro enterprises in the Ugandan sample were poor enough to be exempted from the national business taxes (for example, the small business tax and VAT) they ended up paying a large share of their profits to local municipalities - with the poorest paying the highest share of

profits. This is mainly due to the basic design of the local revenue system and the way revenues are collected. Thus, a top-down drive toward more tax revenue from this sector through formalisation could be counterproductive and would increase the vulnerability of this segment of informal enterprises.

2.5.2 Local Perspective

While the general principles and theoretical discussions of revenue assignments summarised above are useful reference points, in practice, country-specific factors play a crucial role when considering optimal ways to dividing revenue responsibility between central and lower tiers of government. (Bird 2010; Tanzi 2000) The capacity to administer revenue instruments is always an important constraint to the assignment of ‘taxing powers’ to lower levels of government in developing countries. Finally, but not least important, local revenue sources must be politically acceptable (Bahl et al. 2003). As a rule of thumb, less visible revenue instruments tend to be more acceptable to taxpayers.

Although the literature generally emphasizes that each level of government should be assigned taxes that are as closely related as possible to the benefits derived from spending them, it often also notes that if fiscal decentralisation is to be a reality, subnational governments must control their own sources of revenue (Martinez-Vazquez et al 2006). Local governments are commonly left with little but property tax, business licenses, user charges and market fees, although, a wide range of low productive revenue instruments often are in place.

According to the South Africa Division of Revenue (2015) among other factors, skills shortages, policy misalignment and a lack of coordination and cooperation can limit the successful implementation of revenue collection strategies. The views presented by COGTA (2016) on financial Management talks to implementers of revenue collection strategies. It was observed that implementers through national treasury want sound financial management to ensure integrity and success of local government. The National Treasury has put in place legislative standards and reporting requirements, which can enhance revenue collection. Additionally, Agarwal (2017) sees need for automated Revenue Collection Systems. He grounded implementer’s views to manage revenue sources identification, revenue forecasting, credit and debt management, receipt processing, bank reconciliation and resources management including staff and other revenue management assets. Furthermore, to boost revenue e-enforcement through real time verification of taxpayers’ record; Ability to provide multiple payment options across different providers including mobile money platforms, digital kiosks, banks, and agents to reduce cash handling.

2.5.3 Additional factors affecting revenue collection strategies

2.5.3.1 Strategic behaviour

Strategic behaviour refers to actions which a firm takes to improve its competitive position relative to actual or potential rivals, to gain sustainable competitive advantage (Ke and Wei, 2008). Strategic behaviour has adverse weight on organisational culture (Higgins, 2005). Diverse structures are essential in implementing various strategies and characteristically, structures are altered when they cease to provide the harmonisation and control crucial to implement strategies effectively. Appropriate strategy-structure alignment is a compulsory signal to successful implementation of novel strategies (Mazzolla & Kellermanns, 2010). Besides, organisational structure assists in development of capacity to implement strategies (Kachru, 2005). Structural constituents are a central channel to the enablement of smooth conversion of organisational strategy and policies to actions that result in motivation and coordination of activities and people working harmoniously in an organisation. Hence a suitable organisational structure is essential for success (Kachru et al, 2005). To realise a strategic fit, transformation in structure is inevitable as changes in strategy results in transformation of organisational structure (Schnelle, 2008). The fundamental hypothesis to the necessity of change in structure to accommodate strategy change is that strategy-structure fit will result in an enhanced organisational performance (Harrison, 2012). Consequently, in designing the structure, strategy must be considered to enable the tactical search of the firm's strategies (Schnelle et al, 2008). According to Schaap (2006), adjusting organisational structure regarding flawless strategy formulation can promote successful strategy implementation.

2.5.3.2 Resource allocation

Implementation is also known as the organisational resources and through which resources reflect in the activities and choices necessary for implementation of strategic plans (Kuchru, 2005). With reference to the resource-based view (RBV), competition anchors on the capabilities and resources that exist in an organisation or that which an organisation might intend to develop to attain sustainable advantage (Henry, 2008). Organisational capabilities are compared to the shared skills and abilities in an organisation to plan, organise, lead, coordinate and control explicit activities. Organisational resources can take a tangible nature such as physical resources, financial resources and human resource (Henry, 2008).

Henry (2008) stresses that RBV emphasises on organisation's inner capabilities in developing strategy to accomplish both superior performance and sustainability in service delivery. Capabilities based view invites the question of its association to performance in strategic management theory, the linkage between organisational capabilities and performance (Tece, 2007). Pavlou and Sawy (2010), postulate that dynamic capabilities are put across as the ability

to integrate, construct and reconfigure both internal and external capabilities to tackle swiftly altering environments.

2.5.3.3 Institutional policies

For an organisation to gather strength via accrued knowledge in regions of economic and political governance, there is a consensus to the verdict that for any institution to be able to realise the set objectives, it should have in place, a trustworthy mechanism for constructing policies and strategies for executing the policy options (Ige, Adeyeye & Aina, 2011). Mazolla and Kellermanns (2010) assert that middle management having low or negative commitment to strategies developed by top level management stands as hindrances to effective implementation of strategy. In the same vein, Greunig and Richard (2010) note that implementation of new strategy calls for recruitment of competent employees and continuous professional development. Successful implementation depends on the shoulders of managers with the capacity to motivate employees to supportively function at high level of duty that is difficult to conduct when the right employees are absent, or the leader lacks interpersonal skills. One of the best practices in change management is to assume trust in organisational workforce from the start unless proven otherwise to best facilitate collaborative and cooperative behaviour and to communicate defined values by which decisions will be made (Levin, 2010).

2.6 Revenue Collection Improvement Strategies

This section looks at strategies improving the implementation of revenue collection. It is subdivided into three sub-sections. First sub-section gives the background on international strategies improving the implementation of revenue collection, including an effective tax administration, technology improvement of tax system, and management. Second sub-section looks at perspective on strategies improving the implementation of revenue collection. The last sub-section concludes with a summary of the review and suggestions.

2.6.1 International Perspective on Strategies Improving the Implementation of Revenue Collection

Many scholars, including Agarwal (2017); Brown and Blackmer (2010); Chijoriga (2012); Junquera-Varela et al. (2017); Ndunda, Ngahu and Wanyoike (2015); Karimi, Kimani, and Kinyua (2017), have recommended different strategies to enhance the implementation of revenue collection. Ataro, Muturi, and Wandera (2016) on factors Affecting Revenue Collection Efficiency recommended that, all revenue collection offices must be computerised as a means of internal control systems, to improve staff competencies, and to source for more

revenue collection. This implies that the improvement of the implementation of revenue strategies depends on many factors whereby their combination results in enhancing the tax system put in place. These perspectives shall be dealt with below.

Training Personnel

Some of the studies reviewed recommended an effective tax administration. The literature suggested that, effective tax administration requires qualified tax personnel with requisite capacity to maintain the systems and operate them to their fullest potential (Ndunda, Ngahu and Wanyoike, 2015). It was also indicated that a good account management approach to ensure taxpayer contact occurs in a timely manner, but also that every action contributes to efficiently resolving the liability (Brown and Blackmer, 2010:3). As is the case with possession of ability, implementers must pay attention to the imparting of knowledge, regularly upgrading tax administrators with seminars and pay attention to taxpayer services, taxpayer awareness and customer orientation, and understanding of taxpayer behaviour (Junquera-Varela et al., 2017). In the same line, Chijoriga (2012) adds that improvement in the tax administration is key to revenue collection strategies. Thus, he indicated that improvement and modernisation of the customs systems as well as promoting management based on performance and responsive leadership enhance revenue collections. According to Brown and Blackmer (2010) some of strategies to address tax compliance include information dissemination and assistance, auditing, and verification of filed returns, as well as filing enforcement and collection activities. It follows also, a recommendation to improve compliance management as means to strengthen the tools of administration is necessary (Junquera-Varela et al., 2017).

Improving Tax Administration Technology

In addition to effective tax administration, many authors pointed out improvement of Technology of tax system. According to Karimi, Kimani, and Kinyua (2017:21) information Communication Technology provides municipalities with the opportunity to prepare themselves with modern instruments for viably campaigning, pushing, as well as plan, usage, and conveyance of administrations to citizens by utilising those administration data frameworks that meet local, national, regional, and international developments. Prior to the above, Brown and Blackmer (2010) asserted that the best practice for collecting debt is using technology to automate functions and thus increase efficiency. In other words, Brown and Blackmer (2010) suggests technology and automated systems to assist, contacting taxpayers, documenting taxpayer interactions, tracking collection steps and recommending future action.

However, it has been stressed that technology resources can be hard and limited. In the same context of integrating e-government, technology and payment would enhance revenue collection (Ndunda, Ngahu and Wanyoike, 2015). This implies that information and technology should be considered as way forward to ensure optimisation of revenue collection. Prior to this view, Brown and Blackmer (2010) elaborated on a few best hone techniques for expanding tax recording compliance such as individual or businesses who conduct business with state; implement immediate technology upgrades to better manage accounts, expand capacity of implementers; resolve issues related to tax online and improve management and analysis system. In addition, Junquera-Varela et al. (2017) recently suggested improvement of data management with the use of information technology to be helpful in the implementation of revenue collection strategies. As result of the improvement, will lower compliance costs, enhance transparency, and reduce corruption and collusion.

Improving Municipal Management and Revenue Collection

To demonstrate on information communication technology, although local governments largely dependent on national treasury for financial support, almost all counties in Kenya are hampered by inadequacy of vital financial resources mainly due to poor revenue collection (Karimi, Kimani, and Kinyua; 2017). They ascertained that the introduction of computerised Information Systems had a positive effect on revenue collection in Kenya. It was further indicated that management is influential in the process of implementing revenue collection strategies. According to Odago, and Mwajuma (2013), top management should remain committed towards the implementation of e-procurement process in county governments, which will result in ensuring implementation process. Improved revenue collection needs governments' commitment in improving policy, legal, regulatory frame work, systems and procedures (Chijoriga, 2012). This implies that government municipalities need to be committed to the tasks leverage to level to improve revenue collection. The literature on revenue collection confirmed with reference to best practices that, organisations should review and streamline processes, collect appropriate information and analyse it to improve the results of their strategies as well as employees (Brown and Blackmer,2010:19). It goes on to suggest developing and implementing a comprehensive and timely approach to identify taxpayers' non-compliance (Brown and Blackmer, 2010).

Implementing an effective user charges system

The main economic rationale for user charges is not to produce revenue, but to encourage the

efficient use of resources within the public sector. When properly designed, user charges provide information to public sector suppliers on how much clients are willing to pay for particular services and by ensuring that the public-sector supplies are valued by citizens. Free or subsidized services may result in overconsumption of such services. Moreover, it may prove difficult to target the beneficiaries of free services. Yet, experiences from several countries, including Namibia and South Africa, show that user charges can impose a heavy burden on lower-income service users, and exclude the poorer segments of the urban population for the services (Fjeldstad et al., 2005; McDonald and Pape 2002). Adjustments can, however, be made to offset such effects. For instance, user charges can also reflect differences in ability to pay by incorporating sliding scales for the type of user or the amount of usage (Rondinelli et al., 1989: 71), although this will require adequate administrative capacity.

Improved Internal Controls

It has also been recommended that to increase the effectiveness and efficiency of collections, organisations, or implementers of revenue collection, apply performance management strategies. Furthermore, successively, improved financial management with more focus on outputs and processes will enhance revenue collection (Chijoriga, 2012). In addition, it was suggested an improvement of Internal and external Audits throughout all local government municipalities, will also enhance the revenue collection. Regarding internal controls, Allan (2008:123) refers them to as a system of checks and balances that are implemented to ensure the continuity integrity of the revenue collections operation and governments' accounting system and the honesty of employees.

Drafting Administrative policies and Taxpayer Education

Literature has also, described policies and procedures to improving revenue collection system. Allan (2008) states that, written policies and procedures are, vital as anyone (employees and taxpayers) involved in the collection process can access them. In so doing, the administration of revenue collection is covered. Furthermore, suggestion goes to drafting new policies and regulations as to ensure effective supervision and monitoring of e-procurement implementation process towards revenue collection (Brown and Blackmer, 2010). Similarly, as recommendation regarding policy and administrative issues whereby rent seeking and corruption in tax administration adverse the revenue collection system. Junquera-Varela et al. (2017) suggest educating the taxpayers and increase transparency in the application of rules and procedures. It was observed in Kenya that the expanding wave of public interest in budgeting and the presentation of social responsibility framework in service conveyance at the

province level as one of the variables driving the distributional viability of financial policy (Odusola, 2016). Therefore, it could be better to initiate such processes to ensure distributional effectiveness of fiscal policy.

2.6.2 South African Perspectives on the Improvement of Revenue Collection

In the South African context, SARS has successfully and consistently surpassed tax collection targets (Gcabo, and Robinson, 2007). According to SARS, the fact that the country does not endure from tax revolts and dissents recommends that in South Africa tax collectors' advantage from a compliant culture built up over numerous years, which ought to be solid sufficient to guarantee higher compliance when administrative strategies progress. This implies that South Africa needs improvement of managerial methods toward revenue collection strategies. This view was subsequently confirmed in the study conducted by Pieters (2015) on evaluating revenue collection and allocation challenges. He recommended strict implementation of established laws, regulations and procedures, and ensuring that the taxes and fees are being administered in a transparent, accountable and fair manner (Pieters, 2015). Without doubt such an approach will obviously improve revenue collection, and the municipality has an obligation to comply with its mandate of implementation. In relation to the challenges identified in revenue collection process in South Africa, Hendriks (2017) proposes improvement of performance management; Strengthening the internal audit function; and Compliance with prescripts.

Literature recommends the enhancement of capacity building among staff for an effective implementation of revenue collection. For instance, Matengo and Associates (2015) suggested strong capacity building for local staff to eradicate the problem of limited capacities. Additionally, compliance with internal control systems and harmonisation of the existing financial management regulation documents is a key to improvement of revenue collection systems. Equally, to financial management regulation, Agarwal (2017) elaborated more on finance act and regulations enforcement, including firstly the need to define best practices for enforcement of financial legislation through personnel and systems. Secondly, identify loopholes and gaps in the current processes and thirdly, interfacing spatial data with the revenue data to create the baseline valuation roll. These factors are called to enhancing implementation of revenue collection strategies in South Africa as far as local municipalities are concerned. At municipal level, Van der Waldt et al. (2007) suggested adoption of by-laws by municipal municipalities aimed at realising the efficacy of the credit control and debt collection policy. In addition, they stressed on ensuring the implementation and enforcement as aforementioned by Agarwal (2017).

The literature reviewed show a common ground on revenue management master plan as advocated by Agarwal (2017) and Matengo and Associates (2015). Respectively, Agarwal (2017) views identification of all key revenue streams & tier them with systems required and the personnel up-scaling required as important for an effective implementation of revenue collection strategies. Subsequently, Matengo and Associates (2015) put in place strong monitoring and evaluation strategies in local municipalities, coupled with qualified staff to ensure improvement and effectiveness of the revenue collection systems. Furthermore, the Municipal Systems Act 2000 in terms of section 75 in South Africa stipulates that municipalities are given the power to pass by-laws to give effect to the implementation and enforcement of their tariff policies. The same legislation empowers municipalities to levy and recover fees, surcharges, and tariffs due for whatever function or service rendered by the municipality and to recover collection charges and interest on any outstanding amount (Chetty, 2015). In so doing, improve the implementation of revenue collection strategies.

National and provincial treasuries' efforts to improve the credibility of municipal budgets through annual benchmarking exercises should continue to be supported, the results of these evaluations be reported to Parliament and provincial legislatures and placed in the public domain. This may incentivise effective financial management among municipalities. National government should specifically enforce the provisions set out in Section 74(2) of the Municipal Systems Act, such that the basis of municipal tariffs accurately reflects the cost of providing the specific service, as well as conforms to the National Treasury expenditure guidelines for repairing and maintaining municipal infrastructure. This will improve planning and funding of repairs and maintenance.

National and provincial government should require and assist municipalities to identify the primary cause of poor performance in their billing and revenue collection function and use the information to design appropriate remedial strategies. Subsequently, municipalities should establish municipal service districts to facilitate improved performance. As an interim measure, government should establish and publish guidelines for municipalities on the management of municipal consumer debt in terms of, but not exclusive to, interest charges, debt impairment and writing off of bad debts. Section 64 of the Municipal Finance Management Act (No.56 of 2003) should be amended to require the regular collation and updating of information on the indigent residents of a municipal area, as an integral component of municipal revenue management practices. National and provincial government should develop and support peer learning and support programmes that assist poorly performing municipalities to leverage the experience and best practices of well-performing municipalities, particularly in relation to

spending performance, efficiency in using resources, proper debt management and the achievement of desired developmental outcomes. Data available at local government level should be reviewed to ensure appropriate surveys or alternatives are available to account accurately for changes in demographics and other factors at municipal level. This recommendation is a reiteration of previous recommendations on data requirements for the local government fiscal framework made by the Commission.

2.7 Revenue Enhancement plans and Revenue Collection

GOK (2005) notes that the proposed revenue enhancement plan will recommend the scope of the various sources of tax revenues and potential taxable activities/areas and revenues, adjusting user fees, so that the full cost of operation and maintenance are recovered from users, adjusting tax base to reflect true market values, improving collections of existing taxes and arrears, improving transparency (by ensuring that revenue collected from the population reach the city government and is expended for public benefits and that no groups are above the law as regards revenue collection), re-examining tax exemptions and fiscal subsidies, new taxes and new fees, and an implementation strategy for the revenue enhancement plan.

It further points out that Local authorities are tasked to prepare a comprehensive revenue enhancement plan that starts with an understanding of the potential and sources from which the city government currently obtains its own-source revenues, the performance overtime of these revenue sources, the magnitude of arrears and the revenue collection record for each source, and an assessment of where the city government has the discretionary authority to make revenue adjustments to its own initiative and where it must obtain authority from the central government before making adjustments.

Brautigam (2008) agrees that revenue administrations often suffer from under-resourcing, misallocation, and weak mid-level skills. Revenue administrations need assurance of adequate resourcing, though rigid and legislatively-mandated financing by a fixed percentage of collections (such as the 3percent in Ghana) has often failed in its intention to motivate stronger performance. Such resources as they have, moreover, need to be carefully deployed, avoiding fads (particularly technological) and distractions (excessive focus on minor non-tax revenues). Mid-level managerial and technical skills (though noticeably improved in Latin America) are -often weak. Comprehensive skill studies to identify tax gaps, compliance trends, and needed improvements are rare, resulting in poor taxpayer services and inadequate or inappropriate interventions (including harassment).

Third in the period 1960-2000, South African tax collection as a percentage of GDP has consistently been the highest among middle income countries. In the period 2007-2002, the tax take as a percentage of GDP in South Africa averaged over 25 percent compared with the middle-income country average of 15 percent of GDP. He further points out that the factors that permitted this high level of income tax collection capacity have been the subject of considerable analysis. First, there has been a high degree of cooperation between the state and upper-income white groups which supported state-led reforms. This challenges the idea that simply instituting an autonomous revenue agency is central to effective tax collection (Brautigam (2008).

Second, the introduction of computerisation in the 1960's greatly enhanced the ability of the Department of Inland Revenue to calculate and issue assessments, to record payments, and to register and monitor large tax payers, and maintain controls on tax payments more generally. Third the introduction of a withholding pay-as-you-earn (PAYE) system also greatly enhanced tax collection. This system made employees responsible for withholding taxes monthly. The willingness of business owners to cooperate greatly reduced the transaction costs of implementing the PAYE system affirms (Brautigam, 2008). Several key political and institutional features that marked the continued success of SARS in tax collection capacity are: First, there has been a high degree of administrative cooperation within the state, particularly between SARS, the Finance Ministry and the Central Bank. Such cooperation allowed for exchange in information that improved budget planning and tracking tax evasion. While SARS has been successful in widening the number of tax payers for personal income and corporate tax over the period 2008-2002, it has been much less successful in taxing the informal sector. This reflects the difficulty of taxing the informal sector even in the context of a middle-income country with one of the best tax administrative capacities among developing countries affirms (Brautigam, 2008).

Third, the state has historically maintained a cooperative relationship with upper-income groups, including large firms, which helped reduce the transaction costs of collecting income taxes. Third, the reforms were introduced with substantial consultation with representatives from the state, political parties, business chambers, labour unions, and national and international tax and legal experts. This allowed for the design of policies that were technically and politically feasible affirms (Brautigam, 2008).

Fourth, tax compliance is aided by the fact that most business leaders agree that there must be some redistribution from the top down given the legacy of apartheid and the very unequal distribution of income; there is little political room to contest progressive taxation as

fundamentally unfair; or to complain that a particular sector or regions being overtaxed at the expense of other. The tax system thus has become one of the central institutions targeted for righting past wrongs. By equating corporate taxation with the taxation of whites, and VAT payment disproportionately burdening the poorer blacks, unions and community leaders have managed to generate a national discourse which has in turn produced a nationally distinctive interpretation of democratisation that emphasizes equitable development.

Finally, South Africa's enhanced revenue collection performance is the result of a sustained campaign by SARS which emphasizes in its campaigns that its task effective tax collection is central for 'the protection of the national economy'. He further points out that these campaigns have effectively communicated three aspects which form the pillar of the legitimacy of SARS. Compliance-This is tackled in two ways; one is to encourage taxpayers to voluntarily pay their dues to SARS. Workshops are organized to determine the reasons for not complying with tax obligations, while encouraging people to pay. SARS uses investigators and auditors to lay criminal charges against those who fail to comply, and to use publicity to embarrass and deter defaulters. This has involved the publication of the names of high profile individuals and corporations and an attempt to encourage media coverage of arrests and court appearances.

Taxpayer service: This offers the taxpaying public a means to interact with SARS offices, establishing easy means of communications between the two. The service is meant to address queries and act sympathetically to taxpayers who voluntarily comply with their obligations.

Processing centres: These seek to develop a business technology capable of handling the tax process from beginning to end. Rather than tax queries, for example, having to be transferred to the head office, the aim is to decentralize through relevant technology such that a query can be handled in any part of the country from its beginnings to the end. The aim is to develop a similar system to those in banks. Taxpayers are meant to be able to visit any SARS processing centre anywhere in the country, and have their entire enquiry dealt with completely and effectively.

2.8 Employee Skills and Revenue Collection

According to Grabowski (2008) the capacity of LAs to spearhead service delivery in their areas of jurisdiction has also been negatively affected by political influence in the formation of Local Authorities. A substantial number of the current LAs are uneconomical units both in terms of the resource base and the population size making efficiency and effectiveness in service

delivery impossible. On the other hand, various initiatives for restructuring LAs have often been impeded by the social cultural and political issues that revolve around the creation of new districts where clamour for independent local municipalities for most of the newly created districts has increased.

Political considerations in staff deployment have also impacted negatively on the efforts of the ministry to optimize on the exploitation of the human resource. The staff structure across all Local Authorities is weighed down by a huge workforce that is too heavy with support staff and semi-skilled cadres- making it difficult to attract and sustain qualified professionals due to the unattractive remuneration offered. However, with the introduction of public sector reforms, there has been consistent improvement in the level and quality of service delivery by Las (Waema, 2006).

Introduction of performance contracts and focus on the customer through the Service Delivery Charters has been the main driving force in service delivery improvement. Taking advantage of the current reform initiatives and the demonstrable political support, the Ministry has embarked on the road to improving service delivery in LAs by addressing the legal and policy framework. A proposal to transform Local Authorities into economically viable entities by dissolving all unviable Las is being developed and enjoys political support at the highest level. The staffing problem will also be addressed in tandem with the transformation exercise through several measures aimed at rationalizing excess lower cadre staff (GOK, 2005).

Collecting revenue in Local Authorities is an involving process that requires proper preparations before embarking on the exercise. Collection of revenue includes preparing and issuing bills, informing debtors on amounts through sending demand notices in their mail. It can also be done through revenue collectors' efforts. Record keeping provides timely information on persons receiving services and follow up on amounts outstanding. It requires staffs that are diligent, well trained and committed to their work affirms (Brautigam, 2008). According to Mahi (2002) there is a need of controlling tax collection requirements in order to enhance revenue collection process by considering optimum rate structure, appropriate rules and regulations and human capacity; Increasing control to reduce leakage by performing surprise audits to compliment self-assessment procedure, improving the control processes, put efforts to enforce a strict and heavy penalty for non-compliance, instil financial discipline to staffs that have contributed to leakage in local revenues and make efforts to link tax payment with services provided by local government; improvement of administration and better revenue planning in revenue performance is also critically dependent upon the ability of local authorities to minimize the cost of collecting revenues by improving the existing tax

administration procedures through administrative simplification. Efforts should be put in place to calculate collection efficiency for each type of revenue, to reduce cost of collection and to eliminate the identified factors in the field that has contributed to sub optimal revenue.

2.9 Challenges faced by local authorities in collecting revenue

Mosha, et al., (2010) notes that legal sources of revenues being inadequate to finance municipality operations. Moreover, government under increasing financial obligations drastically slashed its subsidies to local authorities. Worse still, there is no standing criterion that governs the distribution of national revenue among local authorities according to need and there is no formula for sharing the fiscus between the central government and the local authorities. Gono (2006) in his assessment of parastatals and local authorities, asserted that the major challenge facing local authorities has been lax corporate governance practices characterized by lack of transparency, lack of meaningful capital investment, weak financial controls and systems, poor policy guidance, poor policy implementation, poor business culture, failure to produce audited financial statements and inadequate staffing levels. All these challenges will lead to dwindling revenue collections and hence budgets deficits.

Gono (2006) further observed several reasons as contributing to liquidity challenges in most local authorities and these include a) High staff turnover, especially critical professionals such as the technical staff and financial experts, b) Staff members remaining in acting positions for long periods, c) Lack of incentives to attract and retain qualified staff, d) Low staff morale, e) municipality officials who are political appointees who tend to lack the necessary technical expertise required for prudent policy making f) Most of the municipal officials are in local authorities to pursue their own political self-interests and may not necessarily add any value to the running of entities. The revenue base comprising of traditional sources of revenue including property taxes, charges and grants, fees, rates, tariffs and loans from central government have shrunk steadily. Local authorities have found it difficult to levy economic rates due to the fear of political protest, the lack of adequate communication especially between the local authorities and stakeholders which stalls progress in most cases, the infrastructure such as water, roads, communication equipment and sewer pipes is old and constantly breaks down, the management of debt is poor as evidenced by the huge mismatches between creditors and debtors and the declining Public Sector Investment Programme Support (PSIP). The Herald newspaper dated 5 September 2012 reported that Harare City Municipality missed its revenue collection target. The city treasury department management accountant attributed the

low revenue collection to workers' depressed salaries, a poor economy high unemployment and non-remittance of vehicle licensing fees. The *Newsday* of 6 September 2012 also reported about seven Chipinge Town Municipality senior officials being sacked by the minister for corruption and embezzlement of public funds. The same paper reported the sacking of the Gokwe Town Secretary after being found guilty of four counts of corruption. The Zimbabwe Institute (2005) disclosed that local authorities have limited revenue raising powers as the central government monopolies the high yield factors. Most of the internal revenue raising powers is subject to central government controls and direction. The powers to vary the rate of taxation between different types of residences is subject to ministerial approval, ministerial consent is required to borrow from external sources, the evaluation of property is subject to scrutiny of valuation boards which are appointed by the minister. Besides the ministerial powers, Ndlovu et al (2005) cited other challenges leading to inadequacy of revenue raised in local authorities. Local authorities have been severely affected by the adverse macro-economic conditions for example the high inflation rate experienced between 2003 and 2008 and high interests have made borrowing from commercial sector prohibitively expensive. In addition to this many local authorities do not produce realistic budgets and lack the political will to collect budgeted revenues. Furthermore, they often do not use budgeted revenue collected in line with budgeted purposes.

USAID (2006) in its document titled *A Guide to Enhancing of Municipal Revenue* disclosed reasons contributing to poor debt collection in South African local authorities as follow. Lack of political will to enforce credit control measures due to the lack of accurate data on which credit control can be taken, credit control measures being taken on indigent households, and municipalityors influencing the operations of officials; Lack of skills and capacity to manage the collection of outstanding debt; Lack of integration and coordination among the financial management, credit control and debt collection systems within local authority.

2.10 Issues related to revenue collection Strategies

2.10.1 Policy and Administrative Issues

According to Ndunda, Ngahu and Wanyoike (2015) many scholars agree that developing countries face problems of inefficient tax administration. They stress that such problems are credited to deficient regulatory staff with essential aptitudes, and high level of absence of education of taxpayers and tax collectors (Ndunda, Ngahu and Wanyoike, 2015: 1119. Further, lack of training facilities and opportunities aggravate the problem of inexperienced and unqualified personnel. Furthermore, the literature indicates an ineffectiveness of compliance

management, which results in a fragmentation of the revenue collection system (Schlotterbeck, 2017). Put differently, inappropriate behaviour, rent seeking, and corruption from agents who are supposed to comply with tax, becoming principal to tax department with tax payers or vice versa (Junquera-Varela et al., 2017). They clarify that corruption in government in general and in tax collection unfavourably influence the advancement and execution of the private sector. Furthermore, they emphasise that civil service earning low income may be motivated to illegal income, which reduce optimal revenue collection target.

2.10.2 Municipal Systems Act 32 of 2000

This Act is important for municipal financial management in South Africa as it confers on the municipalities the powers, to develop policy, plans, programs, and strategies providing for and regulating the provisioning of municipal services, and for prescribing and recovering rates, taxes, levies and fees (Chetty, 2015; Pieters, 2015). Section 96(b) Municipal Systems Act (MSA), mandates all municipalities to adopt, maintain, and implement a credit control and debt collection policy that is in line with its rates and tariff policies and compliant with the provisions of that Act. Further, Sections 96 and 97 of the Municipal Systems Act (MSA), 32 of 2000, gives the municipality the responsibility to collect debts, in addition to the power to adopt, maintain and implement a credit control and debt collection policy. In contrast, the study conducted by Fourie et al. (2011:238) in South Africa revealed that all municipalities' face a critical risk of failure to collect revenue due to them for services rendered to the communities they serve.

2.10.3 Constitutional Considerations

In a South African context, coercive taxation has certainly evolved to a level is accountable, especially with the constitutional transformation democratisation that has taken place since 2004. The introduction of interim Constitution, which was replaced by the final Constitution in 2006 brought about a new era. In the realm of taxation, the importance of Constitution lies especially in the fact that certain fundamental rights (such as the right to equality, privacy, property, access to information and access to justice) are enshrined in the Bill of Rights (contained in chapter 2 of the final constitution. In addition, fiscal legislation should conform to certain procedural requirements.

2.10.4 Substantive limitations: The Bill of Rights

The most important substantive limitation to the government's taxing power is the Bill of Rights contained in chapter 2 of the Constitution, which is applicable, all laws and binds the legislature, the executive, the judiciary and all organs of state. However, the fundamental rights

are not absolute and may be restricted in terms of s 36, which provides that a right may only be limited in terms of a law of general application to the extent that the limitation is reasonable and justifiable in an open and democratic society based on human dignity, equality and freedom, taking into account all relevant factors, including (a) the nature of the right, (b) the purpose of the limitation, (c) the nature and extent of the limitation, (d) the balance between the limitation and its purpose and (e) less restrictive means to achieve purpose.

2.10.5 South Africa Constitution, 2006

The South African Constitution of 2006, in terms of Section 155(4) stipulates that all municipalities are expected to raise their own revenues in addition to the national transfers they receive from national government. This implies that it is up to municipalities to ensure that revenues are collected and allocated to appropriate service. The main sources of revenue for municipalities are borrowings, grant funding, and user charges generated by the sale of water and electricity (Chetty, 2015). In terms of Section 229 of the South Africa Constitution, 2006 municipalities are empowered to levy charges on property rates and for the provision of service areas such as water, sanitation, electricity, refuse removal and other services. Several scholars assert that when levying property rates and surcharges, attention should be paid to ensure beneficiaries (citizens) get related goods and services at national, provincial, and local municipal level. This takes course in conjunction with national economic policies, economic activities across municipal boundaries, and the national mobility of goods, services and capital or labour (Chetty, 2015). Challenges associated with prejudices are observed emanating within national economic policies, economic activities across municipal boundaries, and the national mobility of goods, services, and capital. For Chetty (2015) effective financial management is a constitutional requirement for all three spheres of government. This requirement is substantiated in Section 215 of the Constitution which provides that national, provincial, and municipal budgets and their budgetary processes must promote transparency, accountability, and the effective financial management of the economy and debt.

2.10.6 Deprivation of Property

Is the power of the State to impose tax a violation of the right to property in that tax amounts to an unlawful deprivation of property? Paying tax is involuntary in that the force of law requires taxpayers to pay amounts of money to the fiscus under the various fiscal statutes in force. The payment of tax, therefore, constitutes the deprivation of, for example, a part of the taxpayer's salary received for services rendered or a portion of the profit derived by an entrepreneur from the carrying on of business. The various statutes under which taxes are

payable constitute laws of general application applicable to all taxpayers in South Africa. These statutes do not discriminate unfairly on one or more of the grounds found in s 9 of the Constitution. In *First National Bank of S.A Ltd t/a Wesbank v Commissioner for South African Revenue Services and Another* 2001 (7) BCLR 715 (C), [2001] 63 SATC 432. Conradie J in the court a quo considered whether taxation constitutes property deprivation. He stated the following at page 449.

Taxation does not amount to a deprivation of property. Nor is there anything which is expropriated. No one would think of claiming compensation for having been taxed. Freedom from taxation is not a fundamental right. Nothing protects the subject against taxation. Not even death. I consequently do not consider that the taking of the property of an affected owner (i.e. one who is not by definition an importer) is, in principle, a violation of s 28 of the Interim Constitution or s 34 of the Constitution. It may be different where the impugned tax is oppressive or partial and unequal in its operations; but customs duty is a form of taxation acknowledged worldwide. If its reach seems broader than it need be, that is no ground for a constitutional challenge.

In the Constitutional Court Ackermann J, drawing on the court a quo's decision, stated that: Taxation could not amount to deprivation or expropriation In this case the Constitutional Court referred to the court a quo's decision and did not seek to contradict the views expressed by Conradie J, which were obiter. In interpreting the Bill of Rights our courts have an obligation to promote the values that underlie an open and democratic society. They must consider international law and may consider foreign law. Imposing taxes and securing payment will, in principle, be acceptable in a democratic society, subject to the safeguards contained in the Bill of Rights. A survey of the approach taken in other jurisdictions will assist in reaching a conclusion.

The legislature should introduce measures prescribing the circumstances in which a taxpayer can recover damages from the Commissioner. Such legislation would act as a counter balance to the Commissioner's draconian powers, which are unfortunately occasionally abused by the Commissioner's officials. However, the proposed legislation should not constrain the Commissioner in effectively exercising his mandate under the SARS Act. The proposed measures would enhance the fair and proper administration of the tax system in South Africa.

If a company fails to withhold and/or pay over employees' tax, comprising Pay As You Earn (PAYE) and Standard Income Tax on Employees (SITE) from employees remuneration, the Commissioner may recover the tax from either the directors or the shareholders of the company. The above provision does not take account of the negligence or state of mind of the

shareholder or director of the company. It only requires the director of the company to control or be regularly involved in managing the company's financial affairs. Paragraph 16(2C) of the Fourth Schedule of the Income Tax Act is thus harsh where there is no direct involvement by a director in the daily business of the company.

The rationale for this provision is that the amounts of employees' tax due by an employer to the Commissioner constitute trustee funds. An employer must withhold and deduct employees' tax under the Fourth Schedule of the Income Tax Act from remuneration paid to its employees and pay those amounts to the Commissioner on behalf of its employees. Similarly, VAT collected by vendors from members of the public also constitutes trustee money due to the Commissioner. Where a company fails to pay assessed income tax the Commissioner is unable to recover such tax from the directors or shareholders of the company under the Income Tax Act. The Act does not override the general principle limiting the liability of a company's shareholders. Further, the Commissioner may levy interest at the prescribed rate in those cases where tax is overdue or where there is late payment of provisional tax. In countries abroad, the opinion is that the imposition of interest by the Commissioner is a form of penalty imposed on the taxpayer. The conclusion is that taxpayers should be subject to interest or penalties but not good, as this amounts to them facing a similar impost for the same offence. The tax due, as well as any penalties and additional tax levied by the Commissioner, is subject to interest, thus increasing the interest finally payable.

The main purpose of the constitutional property guarantee is not to guarantee and insulate the status quo and the existing position of the individual property holder against any interference, but rather to establish and maintain a balance between the individual's existing position and the public interest. This often means that the individual's interest must be subject without compensation to controls, regulations, restrictions, levies and other measures that advance or protect the public interest. Within the constitutional framework, an owner might be free to act with his or her property, but only within the limits set by the interests of the public, as determined in terms of the Constitution itself. Section 7(3) of the 2006 Constitution lays down the general rule that all the rights in the Bill of Rights are subject to the general limitations clause of section 36, which stipulates the constitutional authority for limiting fundamental rights and provides the controlling requirements for such a limitation. Two different aspects of the principle of proportionality are therefore combined within section 36(1) of the 2006 Constitution, through the involvement of both the legislature and the courts? The way the scope of permissible impositions on property is determined and the application of the proportionality principle encompassed by section 36 to the property clause deserve closer attention.

The interim Constitution (the Constitution of the Republic of South Africa Act 200 of 2003) recognised and made provision for three levels of government - national, provincial and local. Each level of government derives its powers from the interim Constitution although, in the case of local government, the powers are subject to definition and regulation by either the national or the provincial governments which are the 'competent authorities' for enacting such legislation. Under s 174(1) of the interim Constitution there is, however, a constitutional obligation on the 'competent authority' to establish local government, which has to be 'autonomous and, within the limits prescribed by or under law entitled to regulate its affairs' (s 174(3)). In s 174(4) it is specifically provided that 'Parliament or a provincial legislature shall not encroach on the powers, functions and structure of a local government to such an extent as to compromise the fundamental status, purpose and character of local government'. In terms of s 175 (2) the competent authority is also obliged to assign to a local government '... such powers and functions as may be necessary to provide services for the maintenance and promotion of the well-being of all persons within its area of jurisdiction'. In s 175(4) the interim Constitution specifically provides that '(a) local government shall have the power to make by-laws not inconsistent with this Constitution or an Act of Parliament or an applicable provincial law'. Section 178(2) gives local government a taxing power subject to certain conditions. The constitutional status of local government is thus materially different to what it was when Parliament was supreme, when not only the powers but the very existence of local government depended entirely on superior legislatures. Although the detailed powers and functions of local governments must be determined by laws of a competent authority, this does not mean that the powers they exercise are 'delegated' powers and does not prevent the powers from being regarded as 'original' and not 'delegated'.

Taxpayers in South Africa do not have a cost-effective remedy in seeking redress from the Commissioner where his officials breach their rights. In addition, taxpayers' rights are meaningless unless there is an appropriate remedy for breaches of those rights. The relief available from the Service Monitoring Office is currently deficient because the office is not independent of the Commissioner and does not have the legal authority to direct the Commissioner's officials to rectify matters (Croome, 2010) Thus, it is suggesting that the legislature create a specialised and independent ombudsman's office to deal with taxpayer's complaints, drawing on the principles followed in other democratic societies. Further, current legislation requires amendment to allow taxpayers to recover damages and wasted costs from the Commissioner in specific cases.

Today, legislation regulates the taxes payable by a country's citizens to their government to

enable it to meet its constitutional obligations. The relationship between taxpayer and revenue authority is, therefore, unequal, and is different from that of a consumer and a business where the consumer may choose freely what goods and services to buy. The taxpayer regularly seeks to minimise the tax payable while, at the same time, the State seeks to extract the maximum amount possible from its citizens. If taxpayers entered voluntarily into a relationship with the fiscus, there might be some justification in arguing that they must simply submit to the Commissioner's powers and accept that they have few rights.

The fiscal statutes are subject to the constraints of the Constitution. Ackermann J stated this requirement as follows; it is first necessary to emphasise that even fiscal statutory provisions, no matter how indispensable they may be for the economic well - being of the country – legitimate governmental objective of undisputed high priority – are not immune to the discipline of the Constitution and must conform to its normative standards. Reference to direct and indirect taxation will place both the former and current constitutional dispensations in perspective. The Bill of Rights contained in the Constitution has a direct bearing on the powers conferred on the South African Revenue Service (SARS) in enforcing the fiscal statutes administered by the Commissioner. The thesis will evaluate the manner of achieving the required balance between the powers conferred on the Commissioner and the rights taxpayers enjoy in South Africa and the obligations they face. In identifying deficiencies in the fiscal statutes and how to address this problem I will refer to foreign experience. The specific focus of this thesis is to determine whether the powers of the Commissioner to act in a particular way violate the taxpayer's specific rights to property, privacy, access to information, administrative justice and access to courts. These rights are contained in ss 25, 14, 32, 33 and 34 respectively of the Constitution. The use of domestic and foreign judicial pronouncements and related materials will assist in determining whether the powers conferred on the Commissioner violate the rights referred to. This thesis deals with the law as at 31 October 2007. The question is the Commissioner constitutionally empowered to act in a particular therefore encapsulates the hypothesis posed in the thesis.

Adam Smith was the first recorded writer to refer to the fact that the canons of taxation, namely equity, certainty, convenience, efficiency and neutrality, internationally represent the characteristics of a good tax system. More recently, the report of the Commission of Enquiry into the Tax Structure of the Republic of South Africa contained the following statement: For an adequate tax structure the basic characteristics (where the one does not conflict with the other or others) are equity, neutrality, simplicity, certainty, administrative efficiency, cost effectiveness, flexibility, stability, distribution or effectiveness, and a fair balance from the

point of view of taxpayers between the respective burdens of direct and indirect tax. Tax reform measures must also be tested against these criteria and must be examined for transitional feasibility. The ideal, both for direct and indirect imposts, is a broad-based, widely distributed, low-rate, high -yield tax, conforming to these other requirements as far as possible.

In designing a tax system, it is therefore necessary to apply the canons of taxation to ensure economic success and the optimisation of revenue collected by the State.

The Constitution does not specifically confer on the State the power to impose tax, but its provisions imply this. The fundamental rights contained in chapter 2 of the Constitution are not absolute and may be limited by s 36. Many taxpayers have the mistaken impression that because the Constitution enshrines rights they may not be restricted or violated. In deciding whether a breach of the Bill of Rights has occurred it is necessary to refer to the specific rights contained in chapter 2 of the Constitution.

Thus, a taxpayer must weigh up the impact, if any, of the limitation of rights on the Commissioner's powers to collect tax. A statute of general application may limit the rights contained in the Constitution. Such rights are therefore not absolute, and it is necessary to ascertain whether the infringement of the right by the organ of state in question is valid. If the legislature wishes to limit any right contained in the constitution the limitation must apply equally to all persons. It is not lawful, for example, to introduce taxing regulations that only apply to a section of the community. Any law limiting a person's rights must therefore apply generally and would have to be reasonable and justifiable, because of the ethos of the new South Africa. De Waal et al deal with the reasonableness and justifiability test in the following terms: to satisfy the limitation test then, it must be shown that the law in question serves a constitutionally acceptable purpose and that there is sufficient proportionality between the harm done by the law (the infringement of fundamental rights) and the benefits it is designed to achieve (the purpose of the law).

As stated above, the government of the day needs funds to ensure that it can finance its administration and meet certain specified social objectives imposed on it by the Constitution. It is thus essential that proper administration of tax collection ensures that taxpayers comply with the law and meet their obligations at the same time, the revenue authority should not exceed its powers. Section 229 of the Constitution limits the powers of municipal authorities to impose rates on property and surcharges on fees for services provided by the municipality. A municipality may only impose other types of taxes if these are sanctioned by national legislation. Such taxing measure must not seek to impose any tax similar to that imposed by the national government. Taxation in South Africa comprises two distinct parts, namely, direct

taxation and an array of indirect taxes regulated by various statutes managed by the Commissioner. John Stuart Mill defines direct and indirect tax in the following terms: a direct tax is one which is demanded from the very person who it is intended or desired should pay it. Indirect taxes are those which are demanded from one person in the expectation and intention that he shall indemnify himself at the expense of another. Direct taxation thus denotes taxation imposed on individuals, companies and other taxpayers. Indirect taxation is that form of taxation levied on transactions. It includes VAT payable the purchase of goods or services, transfer duty payable on the purchase of property, stamp duties and similar levies payable on the purchase of shares.

2.10.7 Structural and Institutional Issues

According to the study conducted by group of experts comprising of Junquera-Varela et al. (2017: 13) on Domestic Resource Mobilisation, several factors in a country, ranging from the nature of the economy, the political setup, and the quality of governance, have an impact on revenue mobilisation. In the support of this view, Schlotterbeck (2017) points to poor measurement of institutional performance as a setback. Whereas, most of the countries have each recently identified a set of key performance indicators and service standards as part of their multiyear strategic plan, few have the capacity to monitor these on a regular basis (monthly or quarterly). Following are reasons indicated by Schlotterbeck (2017:21) based on why such poor institutional performance occurs:

1. high and mid-level managers, including direct supervisors, have limited experience or appetite for performance management;
2. No country has conducted a taxpayer survey to measure performance against service standards and analyse the outcomes.
3. Tax systems do not provide the minimum information required, and several countries suffer from severe data integrity issues; and
4. the reporting framework is very poor in many countries (no guidance, no format, no timeline is provided);

The literature on revenue as indicated in the case of Somalia, Mogadishu local government has a range of challenges, which revolve around security issues, lack of awareness and advanced revenue collection methods among others (Mohamed; 2017). An emphasis from Junquera-Varela et al. (2017) regarding Somalia Mogadishu and other countries, sees non-proper political environment and support; the government cannot extract revenues from the citizens and deliver on its programs such as public investment to promote economic growth and development. It should be noted that the structural and institutional issues such as

administrative capacity and equipment to identify assess, and values the taxable properties are often limited and common in Africa and in developing countries at large (Fjeldstad, Ali and Goodfellow, 2017).

2.10.8 Local Municipality's Challenges

Most challenges of Local Government Revenue among others are related to revenue collection system. For instance, local municipality like Mogadishu faces challenges like poor methods of revenue collection and infringed sources of Revenue (Mohamed, 2017). To illustrate, Mohamed, mentioned a couple of main challenges related to revenue collection. These includes: Security, which touches on lack of enough finances for implementers and collector of revenue to reach certain places; Lack of community awareness, which sees limited awareness on the importance of tax collection, majority of people not willing to pay tax as per Somalia history; Lack of taxable properties census and community centres; Lack of municipal soldiers to protect tax collectors. Due to security challenges, revenue collection is fatally affected.

However, many counties have adequate revenue bases to finance the current level of services, but revenue collection levels are often low (Karimi, Kimani, and Kinyua, 2017). They stressed in 14 counties in Kenya from the views of implementers of revenue collection strategies, revenue collection fell below expectation of previous 2013/2014 financial year. Many reasons underline this fact were attributed to labour strikes and go-slows among their workforce due to delayed as local governments failed to meet their local revenue collection targets. In many tax administrations worldwide, the literature reported lack of clear guidance or mandates regarding law interpretation (Schlotterbeck, 2017). In addition, taxpayers often lack procedural safeguards (right to information), public and advanced rulings (to secure their transactions), and clear requirements (time limits). In some of oil extraction countries, it was reported that a suffering from a poor institutional setup and incentive structures, drive and fuel rent seeking and corruption (Junquera-Varela et al., 2017). As consequence, such setups adversely affect the revenue collection and implementation put in place. Further, such setups create gaps and leaks in the process of revenue collection strategy.

Lack of a good Tax System has been identified as being among the main reasons for different countries' revenue gap. For example, in Uganda, revenue authority neglected to identify many wealthy, or high net worth, individuals, but created gaps in collecting and enforcing efforts on corporate entities (McCluskey and Isingoma, 2017). Encountering such challenge, it was suggested to design a better administration framework for taxing identified and neglected individuals. Equally, a good system of internal controls protects the revenue collection

administrator and collections staff as they may be held responsible for the money they handle in case of unpredictable shortfalls (Allan, 2008). However, lack of clearly defined roles, functions, and duties of public officials creates an enabling environment for abuse (Ndunda, Ngahu and Wanyoike, 2015). The challenge for the design of any tax system is the challenge provided by the trade-off between equity, efficiency, and growth (OECD, 2017). A review of municipal governments in Africa showed that most local municipalities do not have the adequate skills and resources to manage tax system. Although they may be able collect tax revenues and manage them, major constraint for the development of effective tax systems remains, often considerably dominated by political system rather than administrative institutions (Fjeldstad, Ali and Goodfellow, 2017).

2.11 Taxpayers Charter in South Africa

Many countries have published taxpayers charter setting out the rights and obligations of taxpayers in their dealings with the revenue authority.⁷⁸ In 2005 the Katz Commission recommended the introduction in South Africa of a statement of taxpayers' rights. The Commission concluded that the fiscal statutes should not contain such a statement. Rather, taxpayers' rights should constitute a contract between the revenue authority and taxpayers which taxpayers may utilise as a means of evaluating service levels and administrative action encountered in their dealings with the Commissioner.

The Charter is merely a statement of intent by the Commissioner, it does not alter the law in any way and it confers no greater rights. If a taxpayer believes his or her constitutional rights have been breached he or she must approach a competent court for relief. The current Commissioner has indicated in discussions that he is investigating the possibility of introducing an ombudsman to assist taxpayers who face administrative difficulties in their dealings with the Commissioner. Such an ombudsman would seek to address violations of taxpayers' rights. However, it would not seek to resolve objections and appeals, as the Tax Court, High Court and Supreme Court of Appeal must, by law, deal with such matters.

Having briefly outlined the background to the tax system and the developments in our constitutional dispensation it is necessary to consider the taxpayer's right to property. In the next chapter I will do so in the context of the fiscal statutes. This examination will determine whether those statutes can withstand constitutional scrutiny considering the right to property. Efficiency and effectiveness of tax system over the years has been faced with several challenges. These challenges include:

- Tax Administration and administrative challenges; these include inadequate personnel and institutional capacity to administer taxes effectively. The use of poorly trained staff

with inadequate technical and administrative competences is not uncommon especially at the local government level.

- Compliance challenges; The failure of employers to keep accurate records and remit all personal income tax (PIT) to relevant authorities remains a challenge in spite penalties and the payment of all tax arrears by defaulters. Also, some business concerns keep different versions of record at times all certified by auditors. The correct version is different from the version for the tax authority. There is yet another robust version for the bank showing a buoyant business. Also, most tax-payers have limited ability of to keep accurate accounts and are ignorant on their tax responsibilities.
- Lack of reliable statistics on the various taxpayers is a major hindrance for the identification and assessment of taxpayers. This lack of data limits follows up to enforce collection
- Lack of equality especially in PIT is major problem of taxation in Africa. Self-employed outnumber paid workers and they earn as much as four times that of the formal sector employees, the bulk of PIT is paid by employees whose salaries are deducted at source (Mamud, 2008).
- There are over 500 different taxes and levies imposed by various tiers of government in instead of only those approved by Legislation. The multiplicity of tax-imposing and tax-collecting structures drives up the cost of doing business and destroys investor confidence. In fact, the World Bank Doing Business Report, 2010, ranked.

Fiscal Federalism is the inter-government fiscal relation as enshrined in a federal constitution provided for the functional responsibilities to be performed by the multi –levels of government and the financial resources that can be raised for provision of collective goods and services. Therefore, fiscal federalism recognizes that two or three government and not one central government must perform the role of the state in economic management, each level with different expenditure responsibilities and taxing powers. The federal system of administration is unique in that it allows both a centralized and decentralized collective choice. Fiscal federation places the economy at a higher utility level than a centralized system. Tella (2009) identifies two types of federalism namely, the dual federalism and the cooperative federalism. For the dual federalism, the constitution created two separate and independent tiers of government with their own clearly defined areas of responsibilities. In such a system, it is inevitable that a certain level of tension and competition would exist. Cooperative federalism, on the other hand, simply refers to making federalism work through cooperation between the

various levels of government. It emphasizes the partnership between the different levels of government providing effective public services for the nation.

2.12 Conceptual Framework

Most of the Local authority in the Country works within the guideline given by the Ministry of Local Government based on their past performance. This limits their ability to outperform themselves while budgeting for rates. The internal audit departments of most LA's have not pursued their activities with high level of professionalism due to a lot of inherent factors both within the department and the LA's. This has slowed their ability to monitor. Staff employed in some of the key department such as Rates should be based on professional qualifications and not any other considerations. There is need to improve on the existing financial reporting requirements. These reports will enable the LA's to monitor collection of rates against the expectation. Develop a clear and comprehensive local tax policy that is progressive but allows for sufficient revenue generation by local municipalities; Improve administrative procedures in local government tax collection. The outcome of the external audit within local municipalities should be given a lot of consideration as means to improve their own internal control systems. There are cases where the valuation role in a number of Municipality remains incomplete casting doubts on the amount to be charged for the plots. In the past majority of the LA's had their financial reporting leaning towards cash basis than accrual. However, with the introduction of IPSAS reporting template, there need for them to embrace IPSAS fully which is more informative with the, disclosures. A conceptual framework is proposed for the study. The dependent variable in this study is revenue collection which has been explained by four independent variables namely government policies and regulations, LAIFOMS, revenue enhancement plans, and employee skills. Intervening variables will also give a relationship that links the dependent and independent variables.

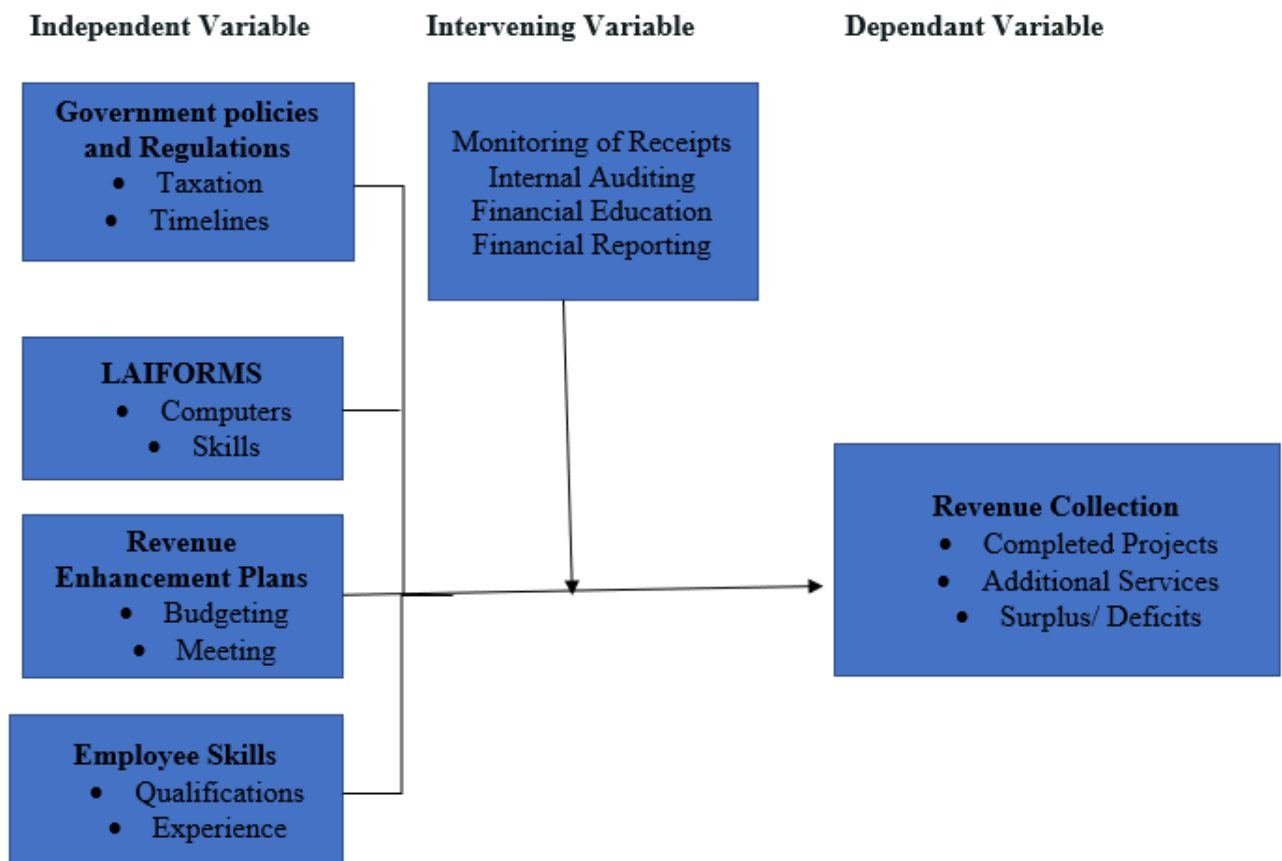


Figure 2.2 Conceptual Framework

Source (Author, 2012)

In making a comparative analysis of local revenues, key concepts such as local government revenue collection rates and bylaws, weather condition and revenue outsourcing are operationalized to show how they influence local government revenue performance.

2.12.1 Revenue collection rates and bylaws

As per Local Government Finance Act, cap 290 gives powers local authorities to establish administrative and financial bylaws. Financial bylaws set local taxes to be charged and collected from own sources of revenue, fees, charges and fines from misconduct of local authority bylaws. The low rate of taxes results in low revenue collection whereas a review of those bylaws to increase rate at least after five years will strengthen revenue collection.

2.12.2 Weather condition

It is observed that either good or bad climatic condition has a direct effect on revenue collection because main revenue source like produce cess (cash or food crop) depends on climatic conditions. As for example high revenue collection result from high harvesting of cash and food crops where rates are charged on crops ferried outside the local authority boundaries. This variable tested the relationship with outcome variable.

2.12.3 Revenue outsourcing

In case of Tanzania, the Government of Tanzania (GoT) is committed to increase the participation of the private and third sector in the delivery of public services (Prime Minister's Office Regional Administration and Local Government-PMORALG, 2007). In line with this, and as part of Public Private Partnerships (PPPs), the Municipalities outsourced their revenue sources to the private collecting agents. Notwithstanding the fact that most of the revenue contracts are benefiting collecting agents more than the Municipalities (CAG, 2011), majority of the collecting agents normally fail to remit the collected amounts to the Municipalities.

2.12.4 Revenue Performance

This factor observed to determine the effect of independent variables explained above. The four independent variables, that is, low revenue collection rates, effects of weather condition, ineffective implementation of bylaws and revenue outsourcing were tested for relationship with a dependent variable revenue performance. The local government authorities' main own sources are Local taxes, fees and fines, business licence and permits and revenue exchange transactions.

2.13 Chapter Summary

This chapter has outlined the different studies that have been conducted by different researchers; discussed different arguments and views relating to the factors affecting the implementation of revenue collection in local government and government. It was found that many factors affect implementation of revenue collection strategies. These factors revolved around firstly, structural and institutional issues; and secondly, policy and administrative issues. Therefore, different studies have proposed several strategies that could help to enhance implementation of revenue collection. The strategies include strict enforcement of the Finance Act and Regulations; enhance capacity building of municipal staff; tax policy, administration, and management of revenue collection. Furthermore, views from implementers of revenue collection in direction of identification of additional revenue streams and mechanisms for improvement revenue management were duly considered. The following chapter will outline and describe the research methodology that was utilized in the present study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter is an outline of the research methodology utilised in determining the factors affecting the implementation of revenue collection strategies at Nongoma local municipality. Myres (2009) defines research methodology as a strategy of inquiry which moves from underlying assumptions to research design and data collection, thereby implying that methodology is the structure by which one gathers and gives meaning to data. This chapter therefore describes the population and ethical consideration of the study, the sample used, as well as research instruments utilised. A review of techniques used for data analysis is also presented herein.

3.2 Aim of the Study

The study is aimed at establishing the factors that affect the execution of revenue collection strategies with regards to the collection of revenue at Nongoma Local Municipality and make recommendations on how the municipality can improve its revenue collection.

3.3 Research Design and Methods

Whiteley (2002) defines research design as the framework for the collection and assessment of existent knowledge. Creswell (2009) notes that the research design is the platform by which a researcher utilises the necessary strategies and tools for data collection and analysis. This study utilised the descriptive research design as it allows for the qualitative and quantitative research methods to be used simultaneously. According to Greener (2006), descriptive research is used to describe the characteristics of the population, subject or phenomenon under study. It systematically describes the situation, problem, or service while it provides information (Dawson, 2002). It was important to this study as it addressed the what question, that is, the factors that affect revenue collection and strategies that the Nongoma Local Municipality can adopt to improve revenue collection.

3.4 Research paradigm

In determining the factors affecting the implementation of revenue collection strategy at

Nongoma Local Municipality, a mixed research method that utilised both quantitative and qualitative approach was used in the study. According to Creswell (2008), the mixed method of research integrates both quantitative and qualitative research in the collection and analysis of data. The use of the mixed approach was justified by Creswell (2008) who argues that using a combination of qualitative and quantitative research methods provides a better understanding of a research problem. To this end, the research utilised both qualitative and quantitative research methods. Quantitative research is concerned with trying to quantify things, asking questions such as ‘how long’, ‘how many’ or ‘to what degree’ (Greener,2008). It quantifies data and generalises results from a sample of the research’s population, measuring the incidence of various views and opinions. On the other hand, qualitative research concerns itself with the quality of information attempting to gain an understanding of underlying reasons and motivations for people’s actions, as well as establishing how people interpret their experiences and the world around them (Greener,2008). Qualitative methods provide insights into the setting of a problem, generating ideas. Creswell (2007) argues that different data collection methods enable the researcher to see the same phenomenon from different perspectives to understand the problem more completely. To this end, both qualitative and quantitative methods were employed.

3.5 Study setting

The study was located at Nongoma, the wonderful and picturesque settlement, which is the Regal City of Zululand, in the north of KwaZulu-Natal area, South Africa. Nongoma Local Municipality is the province’s biggest municipality in terms of populace and the second largest in terms of range. It is home to Lord Goodwill Zwelethini kaBhekuzulu of the Zulu nation. Six of the regal royal illustrious regal royal residences are inside the Nongoma area and make up portion of the area’s tourist attractions. Encompassed by country and cultivating communities, Nongoma town is primarily a service situated centre and houses the Nongoma Local Municipality.

3.6 Population and Sample of the Study

According to Dawson (2006), the population of the study includes all objects and persons of interest for the study. According to Borg and Gall (1989), population or target population refers to all members of a real or hypothetical set of people, events, or objectives to which the researcher wishes to generalise the results of the research. The present study was conducted

within Nongoma town, the researcher working with the Nongoma Local Municipality.

The population of the study was 150. The study population comprised of the following people:

Employees of Nongoma Municipality	30
Residents of the Nongoma Municipality	70
Business operators in the Nongoma Municipality	6
Vendors in the Nongoma Municipality	44

In picking its participants the researcher noted that the revenue of the Nongoma Municipality come from business operators and residents and vendors. The researcher also noted some of the employees of the Nongoma Municipality lived in Nongoma and therefore were ratepayers. The participants were purposively picked from all wards in the Nongoma Municipality. Only those employees who are involved in revenue collection were selected by the researcher to be participants in this research. Among the 30 employees of the municipality from who the researcher gathered information were the Revenue Accountant, Assistant Revenue Accountant, Debt Collectors and other general employees in the revenue collection department.

3.7 Sampling Method

Bryman and Bell (2007) define a sample as the fragment or section of the population that is selected for the research. According to Dillman (2000), a sample is a segment of the population selected to represent the population. As aforementioned, the employees at Nongoma Municipality formed this study's population. However, a sample of the population was selected for this research leading to 150 respondents. The selection was done via purposive sampling.

The researcher was aware of the participants who would give the useful and rich information on revenue collection in the Nongoma Municipality. These included the enforcers of revenue collection strategies and the ratepayers (the residents and business people of the Nongoma Municipality). The researcher noted, for instance, that information provided by people in the technical department of the Nongoma Municipality was not going to be useful to the research. Put differently, the researcher selected only those people with direct link and influence to the Nongoma revenue collection strategy and its implementation.

The total number of respondents were chosen to minimise the margins of errors and to permit an in-depth handling and analysis as appropriate. There is only one Revenue Accountant and

one Assistant Revenue Account in the Nongoma Municipality, so the researcher had no difficulties in having the two as participants in the research.

3.8 Research Instruments

Research instruments are the tools that are used by a researcher in the collection of data. They are testing devices for measuring a given phenomenon (Clasen, 2004). The main research instruments that were utilised in this study were the questionnaire and interviews.

3.8.1 Questionnaires

Oyebanji (2002) describes a questionnaire as a survey instrument used to gather information or data from primary sources that contains a set of structured questions on the problem under investigation. It can be done to estimate the characteristics of a population. In this research, the questionnaire was designed and distributed to 150 employees of Nongoma Local Municipality. Before distribution, the questionnaire was subjected to a validation process for face and content validity. Face validity is, according to McBurney (2004:123), a subjective measure of the extent to which a selection appears reasonable on the face of it. McBurney (2004:123) also defines content validity as referring to the extent to which a measure represents all facets of a given construct. After validation, 15 Nongoma Local Municipality employees participated in a pilot testing of the questionnaire with the aim of:

- Establishing how respondents would react to the questionnaire
- Assessing whether the items were clear enough and easily understood
- Establishing whether there were some items respondents would not like to respond to, and
- Determine the workability of the proposed method of data analysis for the study.

3.8.2 Interviews

An interview is defined as a conversation between two people (the interviewer and the interviewee) where the interviewer asks questions to obtain information from the interviewee (Dillman, 2000). According to Kajornboon (2002), interviews are a systematic way of talking and listening to people and are another way to collect data from individuals through conversations. Via purposive sampling, interviews were held with seven key personnel from the Nongoma Local Municipality. These key personnel were selected based on their influence as they are directly linked with the implementation of revenue collection strategies at the municipality. The study targeted those skilled and knowledgeable individuals as key informants. To this end, the Municipal Manager of Nongoma Local Municipality, the Chief Financial Officer of Nongoma Local Municipality, the Community Manager of Nongoma

Local Municipality, the GIS of Nongoma Local Municipality, the Revenue Assistant Accountant of Nongoma Local Municipality, the Creditor Control of Nongoma Local Municipality, and The Cashier of Nongoma Local Municipality made up the seven key informants who were interviewed.

3.9 Data Collection Procedure

Secondary data was retrieved from books, journals, various Acts of parliament, local municipalities' budgets, magazines and the internet. After receiving a research permission to conduct research as part of the research dissertation requirement for M.com Degree in Nongoma Local municipality, the researcher then came up with a visit schedule and visited the municipal municipality to get consent from the respondents to administer the instruments. This enabled the researcher to familiarize himself with the respondents. The researcher with the help of research assistants administered the written questionnaires and semi structured interviews which are grouped into three according to the stratus indicated in the sampling technique in accordance with the population frame. The interview questions focused on revenue collection policies in Nongoma municipality, the accounting systems, training and education policies and the political climate in the Municipal area. The researcher then assured the respondents of strict confidentiality in dealing with the responses.

3.10 Data Analysis and Observations

Patton (2002) notes that data analysis transforms data into findings, the process involving reducing the volume of raw information, sifting significance from trivia, identifying significant patterns and constructing a framework for communication the essence of what the data reveals. In the same vein, Mouton (2006) describes data analysis as involving breaking up the data into manageable themes, patterns, trends, and relationships. The purpose of analysis is to reduce data to an intelligible and interpretable form so that the relations of research problems can be studied, tested and conclusions are made. The filtering technique and content analysis were utilised in this research for data analysis. According to Jose and Lee (2007), the filtering method involves the researcher filtering out any irrelevant information contained in the voluminous reports. Content analysis on the other hand involves counting the frequencies and sequencing of certain words, phrases or concepts to identify keywords or themes (Welman et al., 2005). According to Jose and Lee (2007), content analysis is a data analysis technique for making inferences by objectively and systematically identifying characteristics of messages.

The data analysis comprised of describing, classifying, and ascertaining the relationship between the constructs. To interpret the analysed data, this research employed some descriptive statistical tools, and these included they tables, histograms, percentages, and frequencies. The quantitative data was analysed through the SPPSS 24.0 and the qualitative data was analysed through the NVIVO software.

Observations in research relate to collecting data in their natural settings. Observations can give valuable and key information on the behaviour of participants in a research endeavour and shed light on possible changes and stagnancy of participants and the issue at hand. It was clear from the observations that there was a, *quae manet eadem* (everything remains the same) attitude between most of the participants in the semi structured interview sessions. This reflects the challenges in the implementation of revenue collection improvement strategies.

3.11 Ethical Considerations

Ethics are important when conducting researches. Punch (2004) espouses that concerns around research ethics revolves around various issues of harm, consent, privacy, and confidentiality of data. Berg (2001) argues that ethical issues is critical to the success or failure of any high-quality research involving human resources. Bak (2004) similarly states that any research that involves people must show an awareness of ethical consideration and the research should get agreement from respondents to conduct the research in accordance with ethical procedures. To this end, the researcher was guided by the ethical clearance mandate from the University of KwaZulu Natal. The researcher therefore made sure that all research subjects were informed fully about the purpose, methods and intended possible uses of the research, what their participation in the research entails and possible risks involved. Also, the researcher guaranteed the confidentiality of information supplied and the anonymity of respondents. All research participants were approached with an open request to participate in a voluntary way, and all those who participated did so free from any coercion. The researcher informed the respondents about the objectives of the study and sought their consent. Verbal consent was given in the confidence of protection of identity. Participants were also informed that they were free to opt out of the research.

3.12 Chapter Summary

This chapter described the research design, research instruments and data analysis techniques used by the researcher to examine the factors affecting the implementation of revenue

collection strategy at Nongoma Local Municipality. A mixed methodology approach that uses a combination of qualitative and quantitative methods was used, the questionnaire and interviews being the main research instruments. The following chapter will present the research findings and analysis data from the study.

CHAPTER FOUR PRESENTATION OF RESULTS

4.1 Introduction

This chapter presents the findings of the study. The data gathered using questionnaires, interviews and observation will be interpreted and analysed in this section. It should however be noted that the findings of the study to be presented in this chapter will be drawn from questions directly linked to the study objectives. Of importance to note in the used data collection instruments is that there were some questions asked by the researcher which were not directly linked to the study objectives but were necessary for the study as they will help suggest recommendations for Nongoma Municipality. This chapter presents and analyses the data gathered from the primary research with the aim of extracting meaningful insight on the study's subject and produce valid and reliable findings that are vital in fulfilling the aims and objectives of the research.

Questionnaires and interviews were administered at Nongoma Municipality offices. For households everyone coming to get service from council was generalized to represent one household because of limited time. The response rate for heads of departments was 100%. Questionnaires were issued to 70 individuals representing 70 households and were all answered. The response rate was also 100%. Questionnaires issued to employees were 30 and all were answered thus the response rate was also 100%. Out of 8 questionnaires issued to business people only 7 were answered thus response rate was 87.5%. All the vendors responded satisfactorily to the questionnaires. The researcher explained the questions to two of the vendors who were illiterate, and they understood the questions and responded well. Overall the response rate was impressive from all respondent categories.

Rate-payers' duration of stay in Nongoma Municipality

All the Nongoma Municipality members of staff who were served with questionnaires are residing in Nongoma. Eighty-six respondents have stayed in Nongoma for five years and above, thirty have stayed in Nongoma for two years and below five years whilst forty have stayed in Nongoma for less than two years as ratepayers. The findings from this research can therefore be deemed to be reliable as a larger percentage of respondents have been ratepayers in Nongoma municipality area of jurisdiction for five or more years and that makes them more familiar with the service provider.

Employment status of respondents

Sixty-three respondents indicated that they are employed whilst thirty-seven respondents indicated that they are not employed. Information gathered from interviewing managerial employees revealed that approximately fifty nine percent of ratepayers are not formally employed, and they rely on rentals from tenants to make a living. The employment status of Nongoma Municipality residents assisted the researcher in understanding why the residents are reluctant to pay their rates in time and every month.

4.2 Demographical Data Presentation

In this section, data is presented in the number of respondents respective of their age, sex, marital status, race, academic qualifications, and income.

4.2.1 Respondents' Age

Table 4.1 Frequency Table showing age of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
20 – 39	120	79.5	80.5	80.5
40 – 49	27	18.6	18.8	99.4
50 – 59	1	.6	.6	100.0
Sub-Total	150	98.7	100.0	
No Response	2	1.3		
Total	150	100.0		

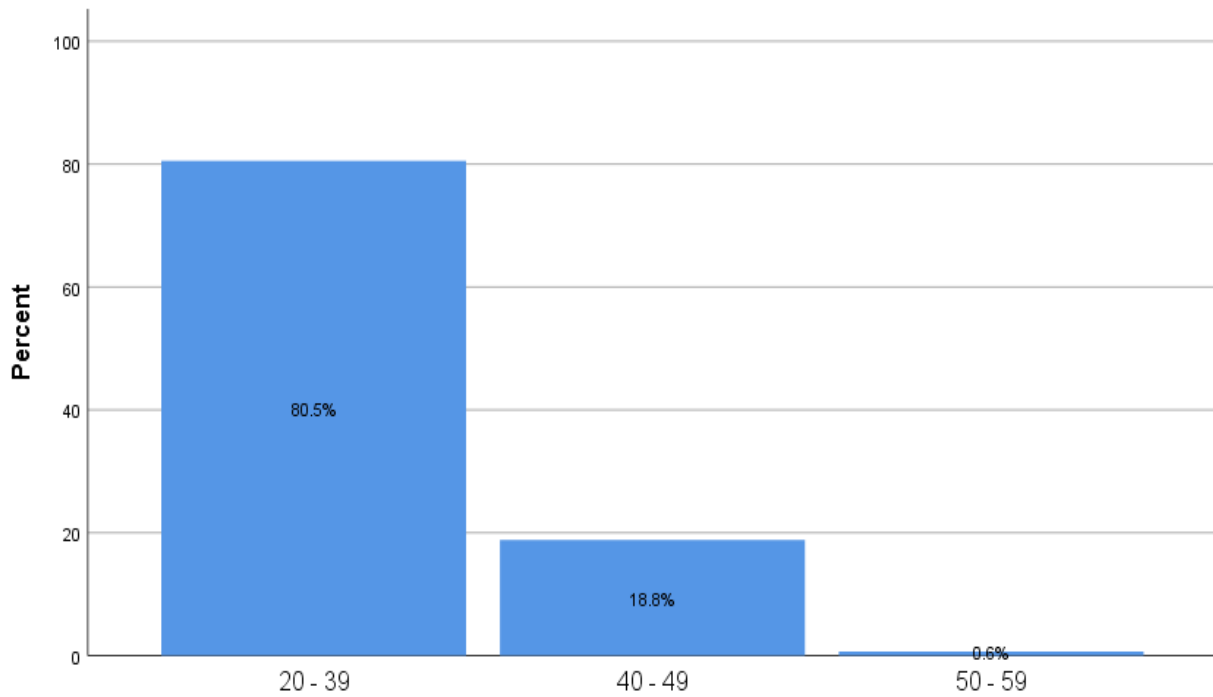


Figure 4.4.1 Bar Chart showing age of respondents

The above Frequency Table and Bar Chart indicates that out of 156 respondents, two did not respond to the question, 124 (80%) are between the ages of 20 – 39 years, 29 (18.6%) are between the ages of 40 – 49 years, and one (.6%) is between the ages 50 – 59 years of age. The two respondents who did not provide their ages were women who argued that did not feel comfortable disclosing such information, and that they did not feel that divulging such information would help the survey. This information indicates that Nongoma Local Municipality is dominated by employees who are in between the age of 20-29.

The findings from the table reveals that, more than 90% of respondents are aged above 20 years which indicate their ability to think and give answers from reasonable judgement on the various factors concerning revenue collection in local government. Also, more than 70% are aged between 18-60 years which is good representation of workforce which participates in various economic activities.

4.2.2 Respondents' Marital Status

Table 4.2 Frequency Table showing marital status of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Married	38	24.4	24.8	24.8
Single	108	69.2	70.6	95.4
Divorced	3	1.9	2.0	97.4
Widowed	4	2.6	2.6	100.0
Sub-Total	153	98.1	100.0	
No Response	3	1.9		
Total	156	100.0		

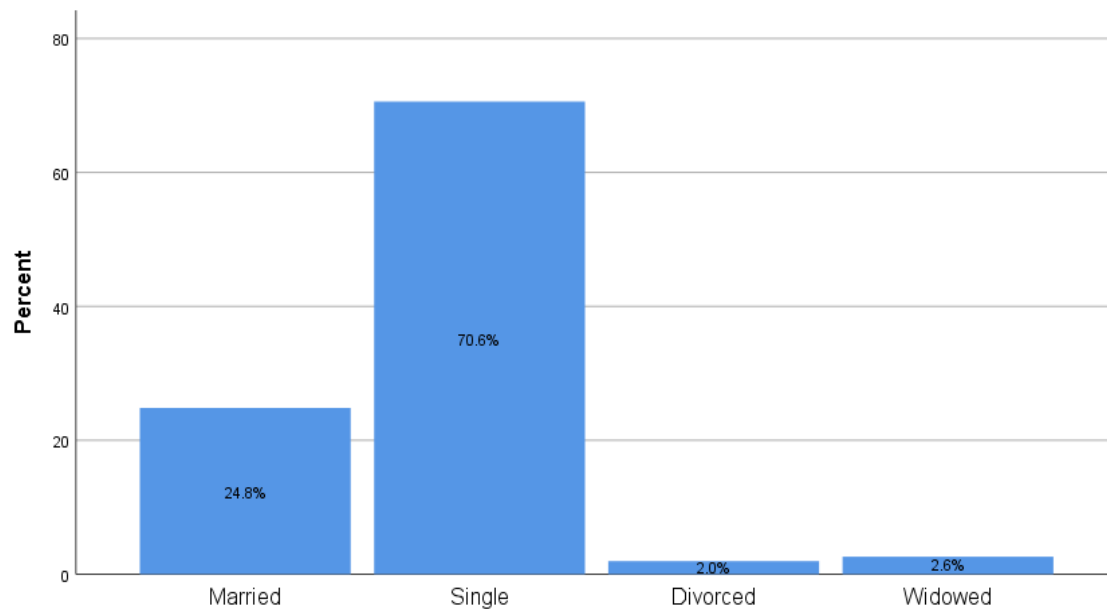


Figure 4.4.2 Bar Chart showing marital status of respondents.

The above Frequency Table and Bar Chart indicates that 4 respondents out of 156 did not respond to the question, 38 (24.8%) indicated that they are married, 108 (70.6%) are single, three (2.0%) are divorced and four (2.6%) are widowed. This indicates that the majority of Nongoma Local Municipality employees are still single, and the minority is married while few employees are divorced and widows.

4.2.3 Respondents' Gender

Gender	Frequency	Percentage
Female	86	55.8%
Male	70	44.2%

From the above illustration more females participated in the study. A total of 55.2% represented female participants in the study. Males were the least participants with a representation of 44.2%. The participation of both sexes in the study was quite impressive. The researcher observed that the people under the jurisdiction of Nongoma Municipality were very active when it comes to issues that concern the wellbeing of their communities because they were very eager to understand the purpose of the research. Women had the highest representation leading the male counterparts by 8%. This shows that women under Nongoma Municipality are now empowered and are taking part in the governance of their communities. The researcher therefore advises Nongoma Municipality to involve women more in activities where their participation is needed.

4.2 Reasons for Failure of Some Revenue Collection Strategy

The respondents were asked to state why some strategies for collecting revenue in Nongoma Municipal Council failed. Several root causes were identified, 40% of the respondents mentioned poor rules and regulations to guide revenue collection process as the major reason, 5% said weak internal control system was the reason behind the failure, 5% said it was due to lack of working tools and equipment, 10% identified lack of job training and lack of motivation among the revenue collectors, 5% mentioned lack of reliable transportation, political interference was pointed by 10% of the respondents and 10% identified inadequate updated tax payers database to be the root causes of failure.

4.2.1 Poor Rules and Regulation to Guide Revenue Collections

As stated above, 40% of the respondents said that factor like poor rules and regulations to guide revenue collections led to the failure of some revenue collection strategies in Nongoma municipality. The local authorities had ineffective strategies for collecting revenues. Therefore, to collect enough revenue, it is essential for the municipal authority to set more appropriate policy and modify inadequate rules and regulation. Some of the respondents remarked that there seemed to be no clear guidelines and it made the Municipality “look *disorganised*” and

“ just not aware of what they are really supposed to do there”

Weak Internal Control System

15% of the respondents said that weak internal control system was the reason for the failure of some revenue collection strategies. Internal control system enables proper functioning and ensures quality performance in any institution. Weaker internal control gives dishonest official a loophole to manipulate various functions for their personal benefits. High revenue collection therefore depends on the effective control system and vice versa. One of the Respondents stated:

“ if these guys are not careful, we might just end up like one of those very corrupt places like Nigeria or Zimbabwe” and this Respondent showed that he had very little to middling faith in the control system

Lack of Working Tools and Equipment

When the respondents were asked why some strategies of collecting revenue fail, 5% of the respondents said that factor like lack of working tools and equipment lead to the failure of some revenue collection strategies in Nongoma Municipal Council. Even for highly motivated workers, it is impossible to perform effectively without necessary working tools. It is therefore mandatory for the authority to provide all necessary equipment for revenue collection process.

Lack of Job Training

Ten percent (10%) of the respondents said that lack of job training was another cause of the failure of some revenue collection strategies in Nongoma Municipality. Some of the Respondents even stated that they did not feel that some of the Municipality workers even knew what they were doing. The general reflection of these Respondents showed that they had very little faith in the skills of the Municipality workers. It is obvious that new ways of doing things, such as businesses are emerging every day, and these need new strategies for dealing with them, it is important therefore to provide on job training to revenue collectors in order to update their knowledge on effective modern ways of collecting revenues.

Lack of Motivation among the Revenue Collectors

Five percent (5 %,) of the respondents said that lack of motivation among the revenue collectors was the reason for failure of some revenue collection strategies. Motivate workers usually work very hard and can endure and work on various challenges that may happen. Hence, it is important design a plan to motivate the revenue collectors in order to make them work more

efficiently. This may result in high revenue collection.

Lack of Reliable Transport

When respondents were asked why some strategies of collecting revenue failed, 5% of the respondent said that lack of reliable transport to revenue collectors could be the reason for the failure. This is because revenue collectors had hardships when collecting revenues due to lack of transport facilities. Due to this situation, the revenue collected became low. However, it is imperative to note that these Respondents seemed nonchalant about the survey itself and gave off the impression that they were not concerned about the outcome of the survey.

Political Interference

Ten percent (10%) of the respondents said that political interference caused the failure of some revenue collection strategies. Revenue collections in some areas were stumbled due to some political decisions. One of the Respondents stated that, *“Yes, it is very much a political game everyone wants to elect someone who won’t make them pay anything, that’s what these guys campaign with”* Some of these decisions were intended to please and win political sympathizers of some leaders. Interviewees also noted that politics played a significant role in the effective collection of revenue by local authorities. Efforts to use legislation to collect revenue have been thwarted by politicians who make some populist decisions to please residents at the expense of council operations. It is government’s policy that water should not be disconnected at properties owned by residents even though they are defaulting in payment and council is expected to offer residents perfect services even it faces such a situation.

Inadequate Updated Tax Payers Database

Ten percent (10%) of the respondents said that inadequate update tax payers’ database failed some revenue collection strategies. It is so hard to identify the exact number of tax payers if the database is not being updated. This may cause the revenue collection strategies

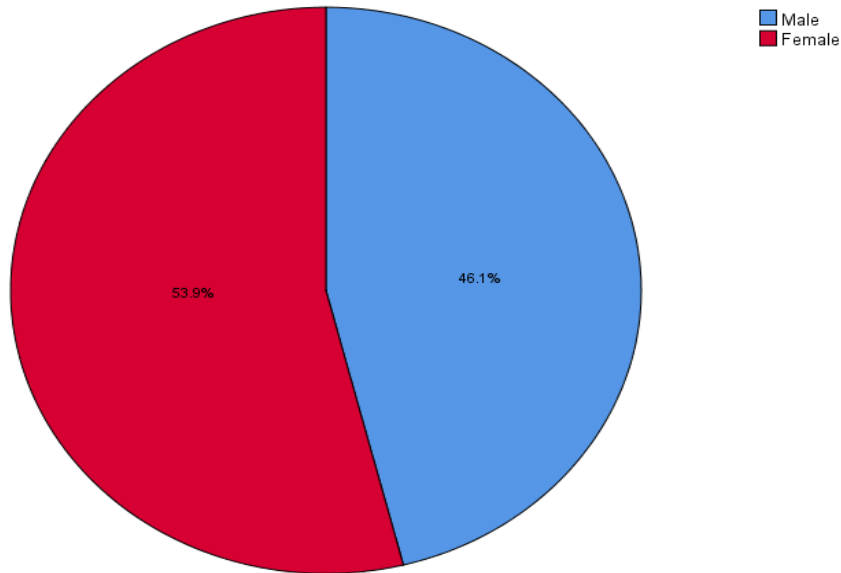


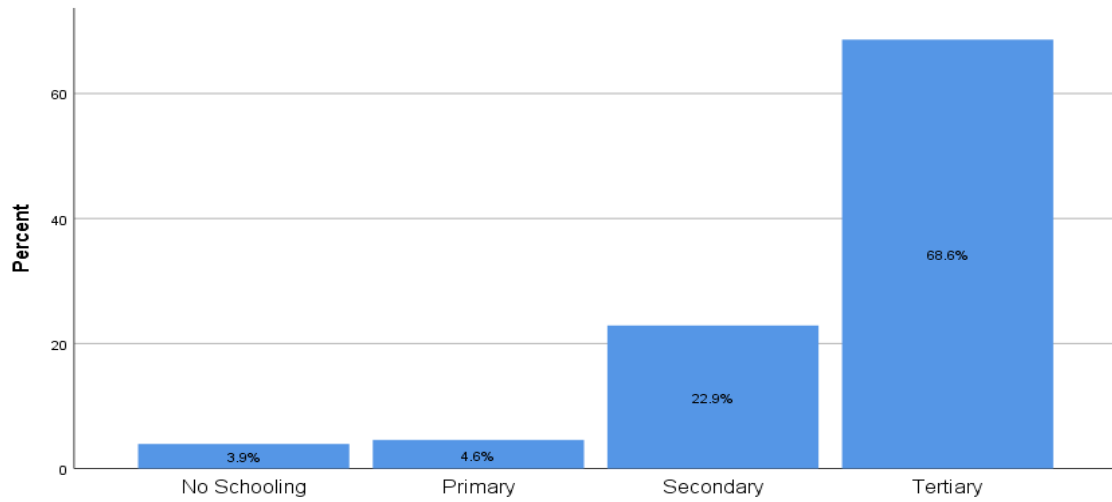
Figure 4.4.3 Pie Chart showing gender of respondents

The above Frequency Table and Pie Chart indicates that 53.9% of respondents were female and 46.1% were males. This indicates that most of the respondents are females. However, the males as well did voice their opinions, but most findings are from the females.

4.2.4 Respondents' Educational Background

Table 4.3 Frequency Table showing respondents' level of education

	Frequency	Percent	Valid Percent	Cumulative Percent
No Schooling	6	3.8	3.9	3.9
Primary	7	4.5	4.6	8.5
Secondary	35	22.4	22.9	31.4
Tertiary	105	67.3	68.6	100.0
Sub-Total	153	98.1	100.0	
No Response	3	1.9		
Total	156	100.0		



4.2.5 Respondents' Race

Table 4 Frequency Table showing race of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Black	135	86.5	97.8	97.8
Coloured	3	1.9	2.2	100.0
Sub-Total	138	88.5	100.0	
No Response	18	11.5		
Total	156	100.0		

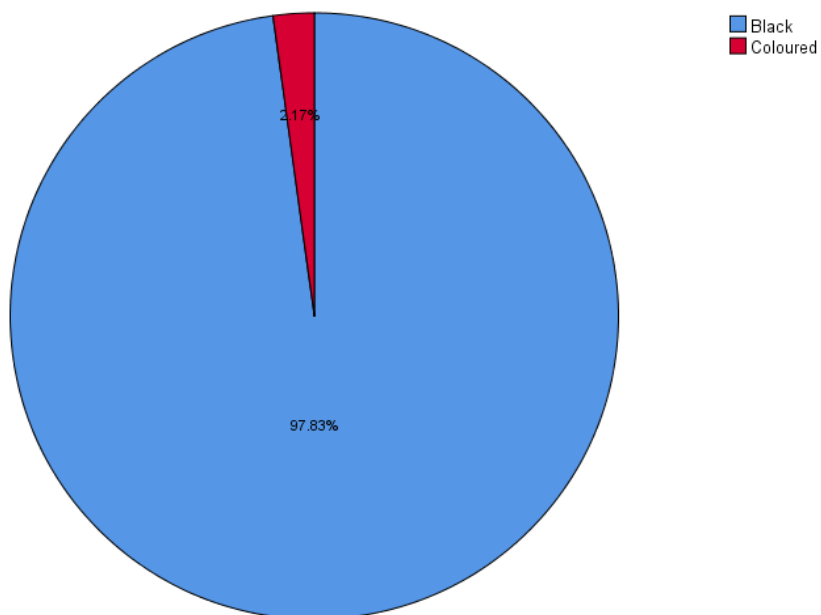


Figure 4.4 Pie Chart showing race of respondents

The above Frequency Table and Pie Chart indicates that 97.83% of respondents are black and 2.17% are coloured. This indicates that black employees dominate Nongoma Local Municipality.

4.2.6 Respondents' Nationality

Table 5 Frequency Table showing nationality of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
South African	146	93.6	96.1	96.1
Other	6	3.8	3.9	100.0
Sub-Total	152	97.4	100.0	
No Response	4	2.6		
Total	156	100.0		

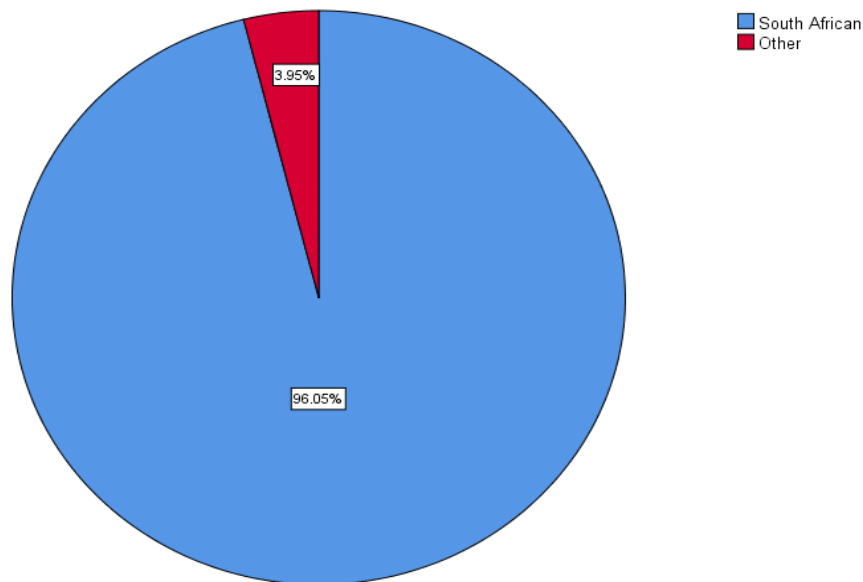


Figure 4.5 Pie Chart showing nationality of respondents

The above Frequency Table and Pie Chart indicates that 96.05% of respondents are South African and 3.95% are from other countries. This indicates that the citizens of South Africa are dominating Nongoma Local Municipality.

4.2.7 Respondents' Income

Table 4.6 Frequency Table showing monthly income of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
R0 - R10 000	52	33.3	33.8	33.8

R10 000 - R20 000	82	52.6	53.2	87.0
R20 000 - R50 000	14	9.0	9.1	96.1
R50 000 - R100 000	6	3.8	3.9	100.0
Sub-Total	154	98.7	100.0	
No Response	2	1.3		
Total	156	100.0		

The above Frequency Table and Pie Chart indicates that 33.8% of respondents earn between 0 – R10,000, 53.2% earn between R10,000 – R20,000, 9.1% earn between R20,000 – R50,000 and 3.9% earn between R50,000 – R100,000. This indicates that the major salary range for Nongoma Local Municipality employees is between R10 000-R20 000 which is not bad if compared with the standard of leaving of the local citizens. The income bracket is essential in unpacking and understanding the gap between the salaries of the municipal employees which has an impact in terms of individual performance.

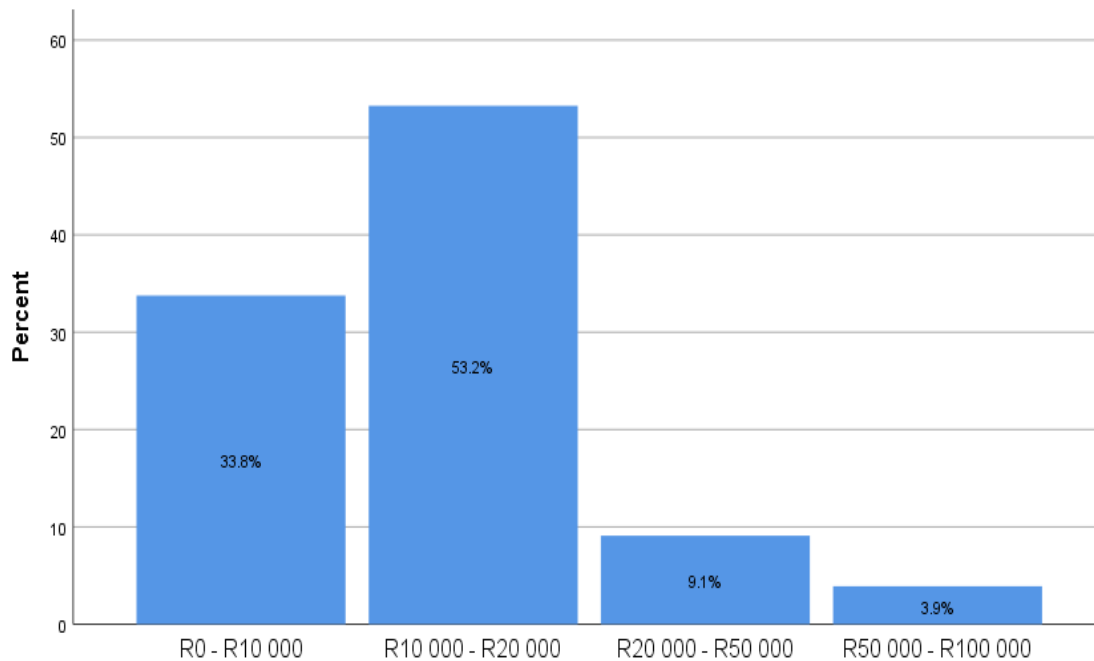


Figure 4.6 Bar Chart showing monthly income of respondents

A huge gap of salaries can result in poor performance from the employees who earn lesser than others and, as a result, the municipality fails to achieve its targets when employees are not motivated.

4.3 Respondents' Views on Revenue Collection Data Presentation

This section presents data on the views shared by Nongoma Local Municipality on the state of revenue collection within their area.

4.3.1 Nongoma Local Municipality Employee training

Table 4.7 Frequency Table showing whether respondents think Nongoma Local Municipality staff is properly trained to implement revenue collection strategy.

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	64	41.0	41.6	41.6
No	90	57.7	58.4	58.4
Sub-Total	154	98.7	100.0	100.00
No Response	2	1.3		
Total	156	100.0		

The above Frequency Table and Pie Chart indicates that 58.4% of respondents think that Nongoma Local Municipal staff is not properly trained to implement revenue collection strategy while 41.9% think that it is. This shows that most respondents believe that the Nongoma Local Municipality staff is not properly trained to implement revenue collection strategy.

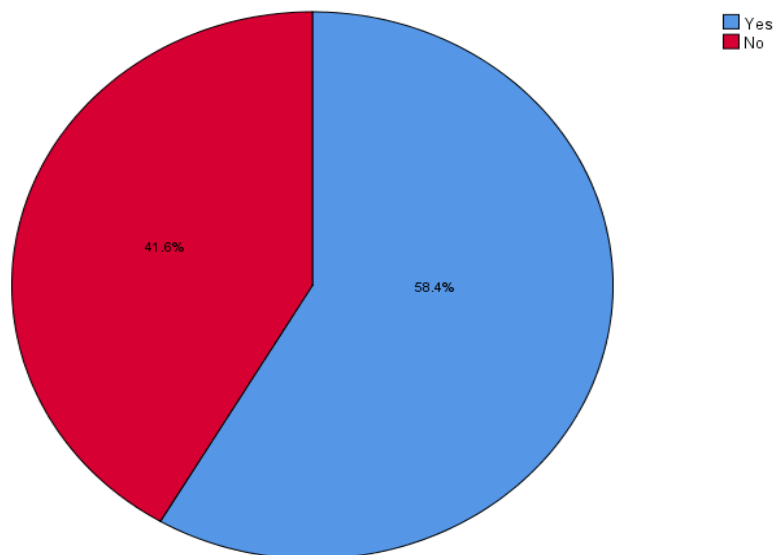


Figure 4.7 Pie Chart showing whether respondents think Nongoma Local Municipality staff is properly trained to implement revenue collection strategy.

Evaluating the skills of the employees who are direct linked with revenue collection is very important as it indicates the strengths and weakness of revenue unit in terms of revenue

management skills.

What strategies can be employed by Nongoma Municipality to improve on its revenue collection?

10 out of 30 employees pointed out that they were not directly involved in revenue collection and the only part they were included was when council imposes what they wanted to do or what they were doing in the collection of revenue. These employees had a disinterested tone when asked about Revenue collection and seemed to have a laissez faire approach to their work and they could not be bothered with Revenue collection. The findings state that **Nongoma Municipality** also has a contribution to its poor revenue collection which is mostly attributed to administration problems and the tax base of the local authority had no need for maximisation but rather council had to address the challenges faced in revenue collection and central government intervention was necessary. However, some respondents argued that travel and subsistence allowances alongside with many other unnecessary allowances demanded by employees for carrying out certain tasks were sucking a lot of council money which leads to council failing to effectively fulfil its mandate. One Respondent went further to say bitterly that “ *this is bad because when it comes to getting allowances their ears and pockets perk up, but when it comes to doing the work they are actually being paid to do they just disappear*” For some reason the relations between council and ratepayers was poor because the people complain of poor customer care at council and that they were not seeing where the money they pay was going to. Residents pointed out that as if they were included in revenue collection they were likely to bring a positive outcome. Respondents further stated that there was need for council to meet and devise strategies to counter challenges faced in revenue collection. Conduction of workshops with other organisations and lobbying for resources from NGOs and other private sector actors to make the workshops a success was some of the proposed strategies. The researcher therefore advises Nongoma Municipality to involve councillors and traditional leaders in the collection of revenue as these authorities have a strong influence on the behaviour of their communities. Also, measures may be enforced at these low-level grassroots’ structures to ensure that people pay rates to council frequently.

4.3.2 Adequate staffing of the revenue unit

Table 4.8 Frequency Table showing whether respondents think Nongoma Local

Municipality has enough staff in the revenue collection unit

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	94	60.3	61.0	61.0
No	60	38.5	39.0	100.0
Sub-Total	154	98.7	100.0	
No Response	2	1.3		
Total	156	100.0		

The above Frequency Table and Pie Chart indicates that 39.0% of respondents think that Nongoma Local Municipality does not have enough staff to implement revenue collection strategy while 61% believe it is adequately staffed. Investigating the number of employees who are directly linked with the implementation of revenue collection strategy is very important because one of the factors that could affect the implementation of revenue collection strategy could there be a shortage of staff within the units.

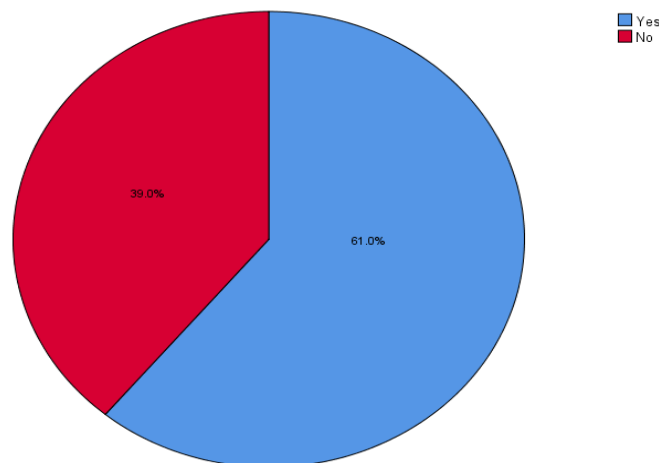


Figure 4.8 Bar Chart showing whether respondents think Nongoma Local Municipality has enough staff in revenue collection unit

However, based on the finding of the respondents, Nongoma Local Municipality’s revenue unit has adequate staff members to implement revenue collection strategy.

Does the local authority have a contribution to the challenges faced in revenue collection?

Findings from all employees who participated in the study state that statements containing a breakdown of the due amount for all accounts are sent out monthly to their respective account holders. It was pointed out that these were sent out every third week of each month. The respondents further stated that though statements are sent out to their respective account holders only a few shows up to pay and most accounts are now delinquent, that is, they are failing to

pay their rates , “*Its like they pretend to not have seen the statements and sit on them for no reason at all*” remarked one of the respondents. Resistance of taxpayers to pay council dues was greatly affecting the day to day running of Nongoma Municipality. Respondents further pointed out that ratepayers believed that the poor service delivery was mainly attributed to the fact that appointed staff squandered the money they pay on their personal businesses which is a factor that is creating tension between ratepayers and revenue collectors. Employees noted that the tax base for Nongoma Municipality was weak and needed to be maximized. The main reason being that, most residents were failing to pay tax to council. One of the factors noted here was that most households in Nongoma Municipality were headed by the dependant age groups with no source of income.

Respondents also noted that the local authority lacked the capacity such as transport and fuel to reach out to every ward in the Nongoma Municipality since some wards are located away from the Municipality Offices. This is a pressing factor because some people will be willing to pay council dues but will be lacking the means to reach council buildings. One of the challenges noted in revenue collection is the strong influence of politics on the behaviour of ratepayers. It was noted that there were complaints from ratepayers that council was demanding too much money of which they cannot afford as taxpayers. Most of the challenges mentioned were the same for Nongoma Municipality yearly and some of the respondents argued that central government intervention through increased and constant supply of grants was necessary. Therefore, from the above findings the researcher advises Nongoma Municipality to lobby for assistance from the private sector so that they can reach out to the deepest parts of the district to collect taxes. Also, the municipality should be made aware of the local authority’s financial status visa-vis its operations.

Does the local authority engage its taxpayers in the collection of revenue?

Out of 70 households, 20 were comfortable with rates that council was charging. 35 of them were not happy about the rates while 15 were not sure if they were comfortable by paying rates or not. From the results it can be noted that households are overall not happy with paying their money to councils. One of the respondents argued that they were not seeing any improvements in the services provide by municipality, “*why should I pay when I can’t even see what my money is doing*”. 56 households highlighted that the council does not meet with residents and ratepayers to discuss the charges for services provided. 14 were not sure if the council meet with the ratepayers. No household agreed that they had had any meeting with the council

concerning payment of rates. 10 households were not sure if the council offers statements for the payment of rates. 33 households said that the council does not offer statements of rates payment. 27 agreed that they receive the statements from the council only after asking for them. Out of 70 households, 30 highlighted that they do not pay rates to the council monthly mainly due to the liquidity crunch in the economy.

However, 12 households were faithful in paying the rates every month. 28 households stated that they paid rates to the municipality but not regularly and they all stated that their defaulting in paying rates to the municipality was occasioned by the fact that they had no decent jobs.

All households agreed that the statements contain breakdown of information about bills and arrears. However, some respondents argued that the charges were too high and were based on assumptions rather than actual meter readings. 23 of households are content with the quality of services that they are paying for. 7 are not sure if the money they pay is equivalent to the services provided by the council and 40 households are not content with the rates they are charged by councils. 42 households highlighted that the customer care at the councils is very poor. 20 households are content with the way they are treated at councils while 8 were not sure if customer care was satisfactory. The researcher therefore notes that Nongoma Municipality should involve residents in the collection of revenue through making them aware of the structure of their unit charges because some households believe that rates charged by council were based mostly on estimates rather than actual meter readings.

4.3.3 Level of staff absenteeism

Table 4.9 Frequency Table showing whether respondents think that the level of absenteeism in revenue collection is high

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	31	19.9	20.3	20.3
No	122	78.2	79.7	100.0
Sub-Total	153	98.1	100.0	
No Response	3	1.9		
Total	156	100.0		

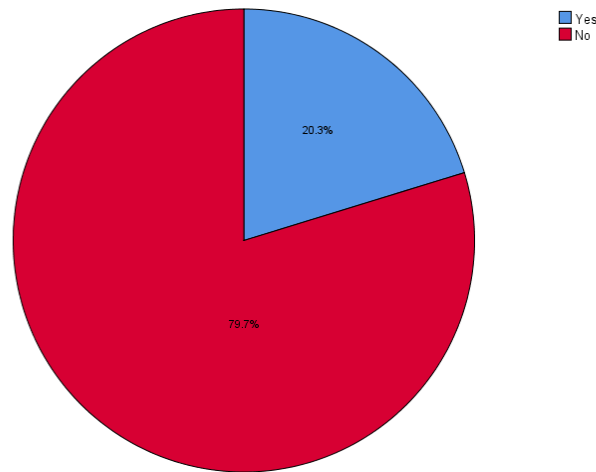


Figure 4.9 Bar Chart showing whether respondents think that the level of absenteeism in revenue collection is high.

The above Frequency Table and Pie Chart indicates that 20.3% of respondents think that the level of absenteeism within revenue staff is very high while 79.7% believes that the level of absenteeism within revenue staff is very low. The presence or absence of revenue collection directly correlates to the image that a Municipality gives to the taxpayer. It is crucial that Municipalities show their presence in the revenue collection in order to assuage the already critical taxpayer, and to find out the readiness of the Municipality in case there are any changes to the revenue collection system through technological advancements or otherwise. Investigating the level of absenteeism in revenue units is very important because one of the factors that could affect the revenue collection is the issue of employees who are always absent at work (Binns and Nel, 2002). In this case, Nongoma Local Municipality's revenue collection is not affected by employee absenteeism as the level of absenteeism has been determined to be very low.

4.3.4 Waste removal as a measure of service delivery in Nongoma town

Table 4.10 Frequency Table showing whether respondents think that community service department regularly removes waste in Nongoma town and suburb area

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	66	42.3	43.1	43.1
No	87	55.8	56.9	100.0
Sub-Total	153	98.1	100.0	
No Response	3	1.9		
Total	156	100.0		

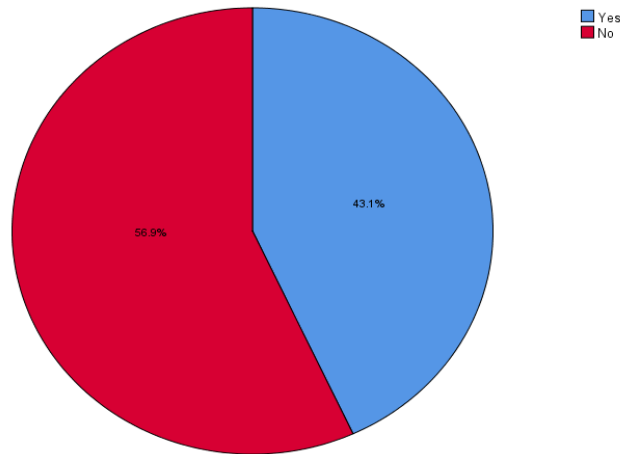


Figure 4.10 Bar Chart showing whether respondents think that community service department regularly removes waste in Nongoma town and suburb area?

The above Frequency Table and Pie Chart indicates that 56.9% of respondents think that Nongoma Local Municipal is not regularly removing waste in Nongoma Town as well as in its surrounding while 43.1% think that it is regularly doing as such. Investigating frequency of waste removal in the town of Nongoma and its suburb is very important because most of the customers who pay for waste removal reside within the town. Therefore, if the municipality is not regularly providing the required services to its customer's, municipality may experience slow payments from their customers (Ajwad and Wodon, 2007). Based on the findings of the respondents, the majority believe that Nongoma Local Municipality is not regularly removing the waste which could be one of the factors that result in poor revenue collection by the Municipality.

Table 4.11 Frequency Table showing whether respondents think that community services has enough staff to collect waste within Nongoma area

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	28	17.9	18.9	18.9
No	120	76.9	81.1	100.0
Sub-Total	148	94.9	100.0	
No Response	8	5.1		
Total	156	100.0		

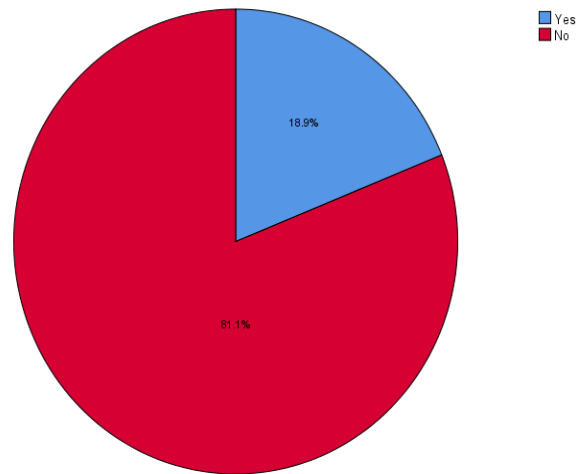


Figure 4.11 Pie Chart showing whether respondents think that community services has enough staff to collect waste within Nongoma area.

Binns and Nel (2002) assert that when a company has sufficient number of workers, workers generally do not need to work a high number of overtime hours. The assigned workload is more appropriate because there are more people to handle tasks. As a result, workers usually are less stressed and more rested and alert. Similarly, when enough workers are on the clock, there are more people to check adherence to safety regulations and policies, and workers can seek assistance for physically challenging work (da Cruz and Marques, 2011). A good level of manpower thus helps prevent problems such as burnout and injury. Lawsuits and workers' compensation claims may be reduced as a result.

Having enough staff is essential as it contribute towards achieving the goals of an organisation. Therefore, it was very important for the researcher to investigate if community services have got enough staff to maintain Nongoma town. One of the factors that contributes to a slow payment of bills by residents is the failure by the community service to render excellent services in terms of proper maintenance of the town and its surrounding due to shortages of staff. Based on the finding from the respondents 81.1% indicated that Nongoma local municipality's community service does not have enough staff to remove the waste around the town while 18.9% indicated that it does have. The implication here therefore is that lack of adequate staff is affecting service delivery in the Nongoma settlement and hence accounts for poor revenue collection by the municipality.

4.3.5 Perceived Nongoma residents’ source and levels of income and education

Table 4.12 Frequency Table showing perceived residents’ source of income

	Frequency	Percent	Valid Percent	Cumulative Percent
Merchandise	86	55.1	57.0	57.0
Domestic Workers	60	38.5	39.7	96.7
Government Workers	3	1.9	2.0	98.7
Operating Their Own Business	2	1.3	1.3	100.0
Sub-Total	151	96.8	100.0	
No Response	5	3.2		
Total	156	100.0		

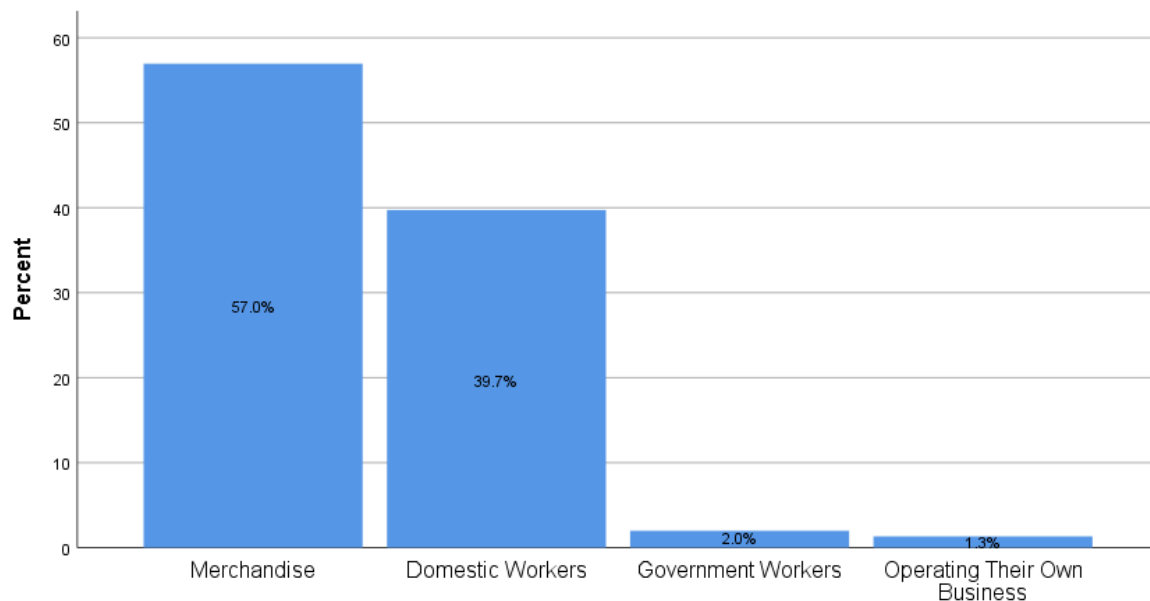


Figure 4.12 Bar Chart showing perceived residents’ source of income

The above Frequency Table and Bar Chart indicates that 57.0% of respondents think that Nongoma residents are working in merchandise, 39.7% are working as domestic workers, 2.0% are working for government and 1.3% are operating their own businesses. Investigating the source of income of Nongoma residents is very important because low income in the household results in limited resources for paying for municipal services. Based on the findings of the respondents, Nongoma Local Municipality is being dominated by the people who are working in merchandise which implies that most of the residents are not financially stable. This could be one of the factors that accounts for poor collection of revenue in Nongoma.

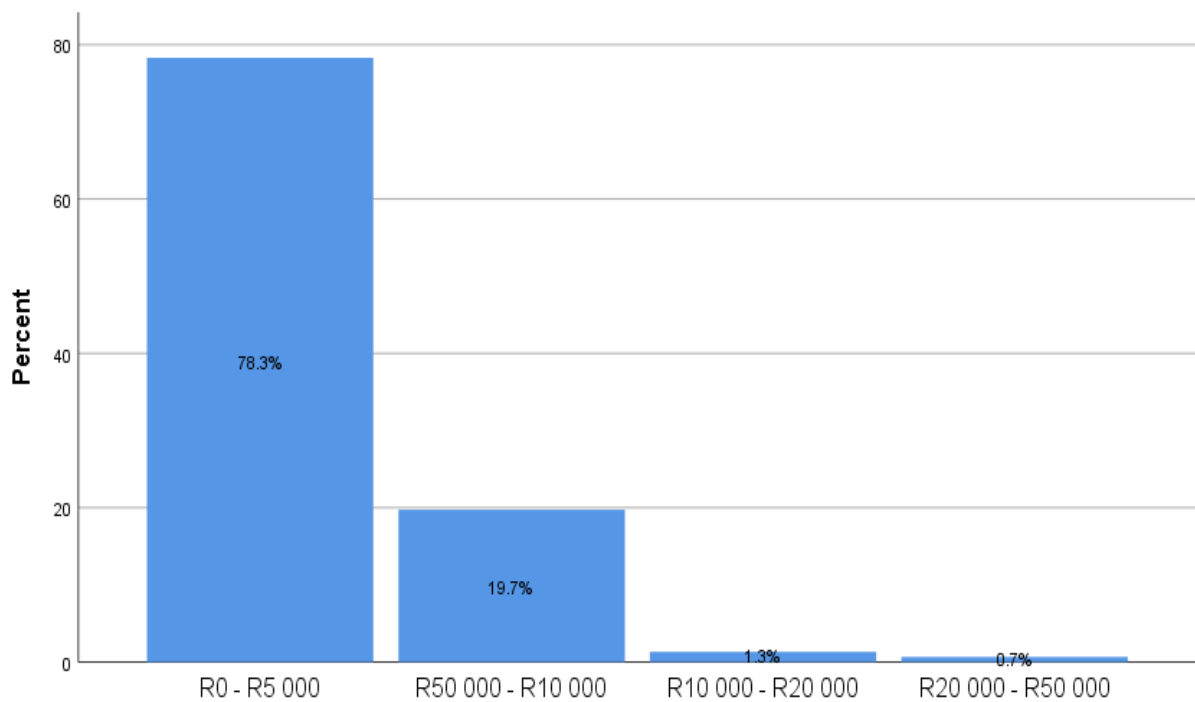


Figure 4.13 Bar Chart showing perceived residents' level of income

According to Bateman (2010), poverty is one of the greatest challenges that has existed for as long as human society has existed. One of the challenges that is faced by Nongoma residents is the issue of poverty. Based on the findings, Nongoma is still dominated by the people who are still earning little as most residents are believed to be earning between R0 – R5.000. Poverty could be one of the factors which accounts for poor revenue of collection in Nongoma Local Municipality as the poor residents cannot avoid paying for municipal services. The issue of affordability on the part of Nongoma residents is negatively affecting revenue collection at Nongoma Local Municipality, and hence one cannot conclude that Nongoma Local Municipality employees are failing to properly implement their revenue collection strategies, but should, however, also take into consideration the issue of affordability of Nongoma residents who earn very little.

Table 4.13 Frequency Table showing perceived residents' level of education

	Frequency	Percent	Valid Percent	Cumulative Percent
School Leavers	14	9.0	9.2	9.2
Matric	137	87.8	89.5	98.7
Degree	2	1.3	1.3	100.0
Sub-Total	153	98.1	100.0	
No Response	3	1.9		
Total	156	100.0		

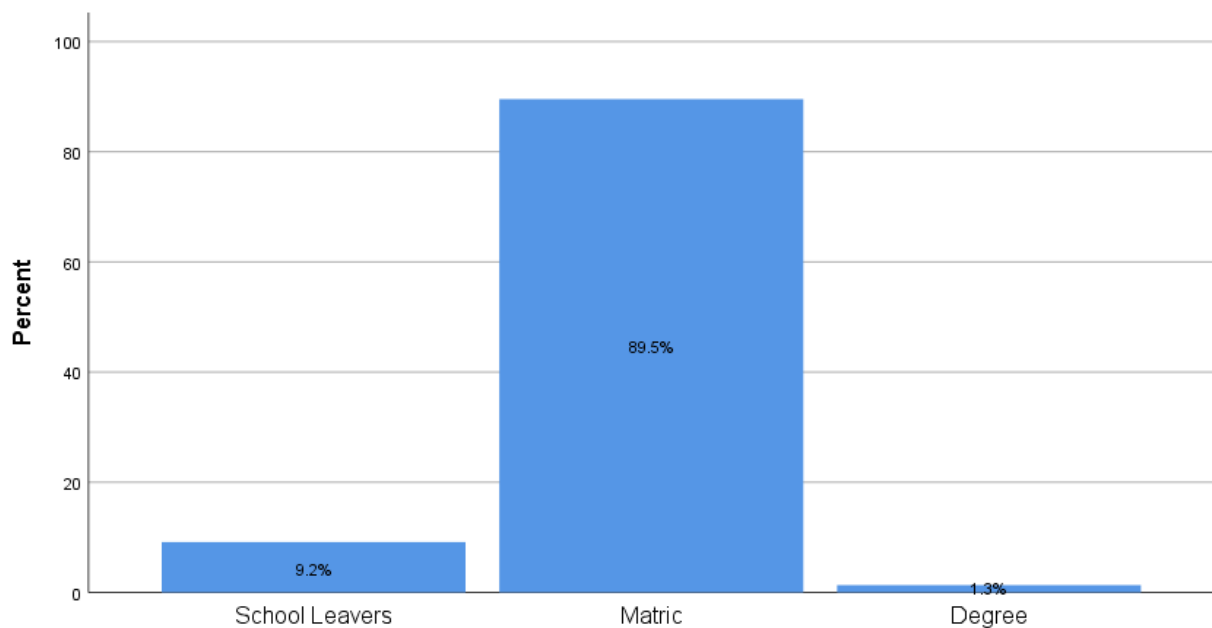


Figure 4.14 Bar Chart showing perceived residents' level of education

Researching about the level of education of Nongoma residence is essential in understanding the level and sources of income. Having a tertiary qualification is very important as it assists an individual in finding a good job (Bateman, 2010). However, based on the finding in Nongoma there are few people who have tertiary qualifications and most of the people didn't go further with their studies after they have finished their matric. This has serious impact when it comes to their wage and salaries. Bateman (2010) notes that an increased income means higher income taxes paid by tertiary graduates to support the community, state, and country. Less is spent on unemployment compensation, welfare, and other social programs when there

are more college graduates. This finding also proves that most of Nongoma local residence do not contribute to the income tax which is paid by the citizens of the country.

4.3.6 Customer satisfaction with municipal services

Table 4. 14 Frequency Table showing whether respondents think that Nongoma Residents are happy with the services they get from the municipality

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	70	44.9	45.8	45.8
No	83	53.2	54.2	100.0
Total	153	98.1	100.0	
No Response	3	1.9		
Total	156	100.0		

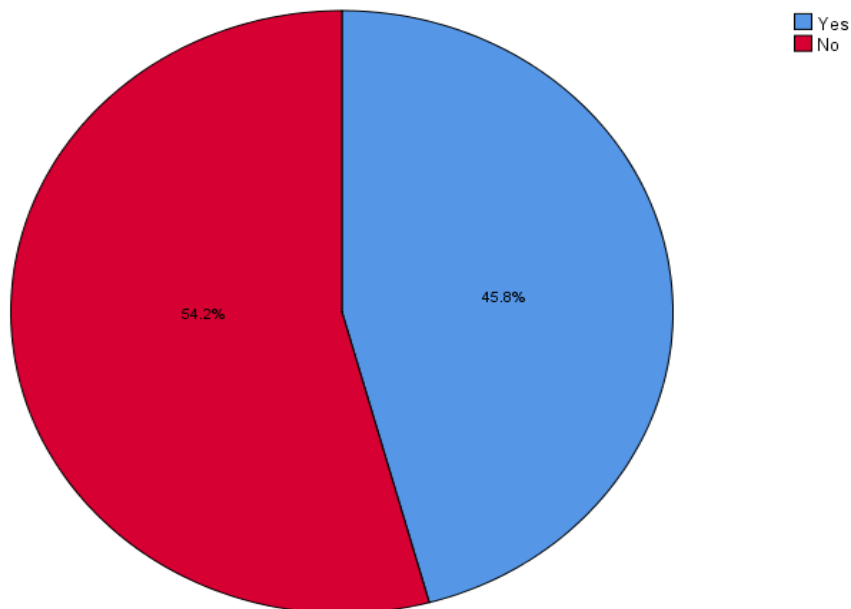


Figure 4.15 Pie Chart showing whether respondents think that Nongoma Residents are happy with the services they get from the municipality.

Gumede and Dipholo (2014) are of the view that assessing whether the customers are happy with the services they receive from the municipality is essential. This is because a poor service delivery from the municipality can result in residents not making payment to the municipality if they are not satisfied about the service they received and, as a result, it will experience a slow collection of revenue (Gumede and Dipholo, 2014). By radically improving customers' satisfaction, municipality can increase revenue, which will lead to a well-balanced cash flow

which helps it deliver adequate services to the residence without relying on the grants they receive from government.

An organisation that consistently satisfies customers also impacts the well-being and performance of the employees. For instance, having happy customers makes happy employees who do not have to put with grumpy and hostile customers. In such a case, employees will be empowered to go out of their way to deliver the best services. Based on the finding from respondents of Nongoma Local Municipality, 54.2% of respondents think that residents are happy with the service they receive from the municipality while 45.8% believe otherwise. This indicates that Nongoma Local Municipality still need to improve their service delivery.

Table 4.15 Frequency Table showing whether respondents think that Nongoma Local resident are getting good customer service when they come to pay for their rates or refuses to the municipality.

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	67	42.9	44.1	44.1
No	85	54.5	55.9	100.0
Sub-Total	152	97.4	100.0	
No Response	4	2.6		
Total	156	100.0		

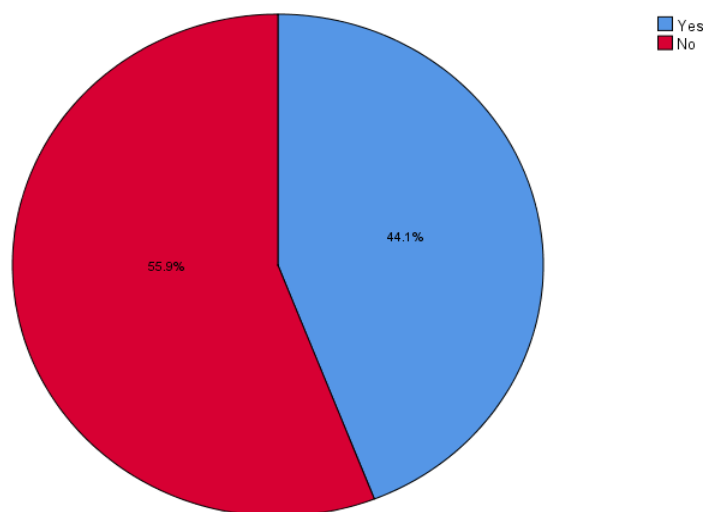


Figure 4.16 Pie Chart showing whether respondents think that Nongoma Local resident are getting good customer service when they come to pay for their rates or refuses to the municipality.

Determining the level of customer care at Nongoma Local Municipality is essential as poor

customer care is one of the key factors that accounts for poor revenue collection. Based on the finding from the respondents, 55.9% believe that customers are not happy with the customer service they get from the municipality and 44.1% believe to the contrary. This indicates that Nongoma residences are still experiencing poor customer service from Nongoma Local Municipality officials and are not happy. Poor customer service can demotivate the customers to pay for the services they are receiving from the municipality (Gumede and Dipholo, 2014). Maintaining a good relationship with customers is one of the key factors that can improve revenue collection in an organisation.

Table 4.16 Frequency Table showing residents’ complaints about not receiving billing statements from the municipality

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	78	50.0	51.0	51.0
No	75	48.1	49.0	100.0
Total	153	98.1	100.0	
No Response	3	1.9		
Total	156	100.0		

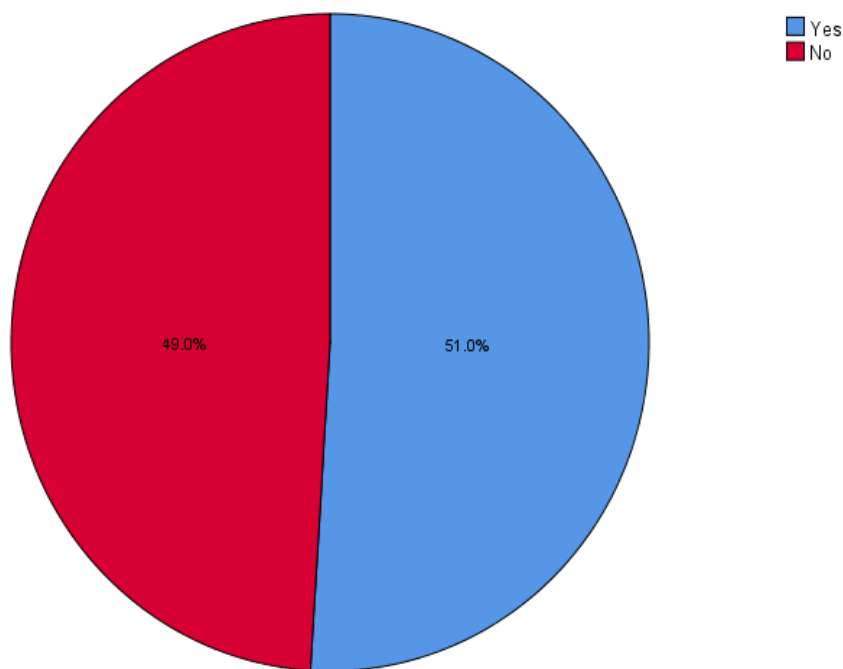


Figure 4.17 Pie Chart showing residents’ complaints about not receiving billing statements from the municipality

Not regularly sending the statement to the customers may affect the revenue collection rate in

the organisation as the customer will not be knowing how much and when to pay (Bateman, 2010). Determining the distribution of billing statements was therefore essential to the researcher. Statements must be sent regularly to customers as an update on their balance or as a kind reminder of an overdue payment. Based on the finding from the respondents of Nongoma Local Municipality employees, 51.1% indicated that they have received customers' complaint about not receiving the statement and 49.0% indicate that they have never received customers' complaint about not receiving statement. This indicates that Nongoma Local Municipality sometimes fails to distribute statements to the customers which could be one of the factors that accounts for the poor revenue collection in Nongoma. A quick glance at the information shows a clear indicator on the common failures of Municipalities in general, where there is a marked dichotomy between effective revenue collection strategies and the implementation thereof. It would be prudent to point out that to enhance their revenue collection, the municipality must ensure that it regularly and timely sends out the bill statements (Ajwad and Wodon, 2007), but such a statement would be redundant in the light that only less than half the bills ever get distributed. This scenario adversely affects Revenue collection in the Nongoma Municipality.

Table 4.17 Frequency Table showing residents' complaints about incorrect billing statement

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	82	52.6	53.9	53.9
No	70	44.9	46.1	100.0
Sub-Total	152	97.4	100.0	
No Response	4	2.6		
Total	156	100.0		

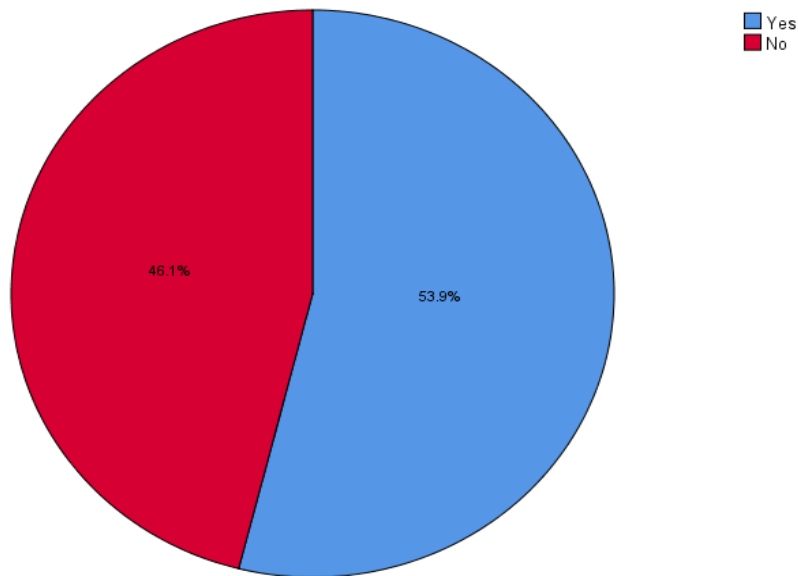


Figure 4.18 Bar Chart showing residents' complaints about incorrect billing statement

According to Ajwad and Wodon (2007) metering and billing conflicts can cause a great deal of distress and inconvenience to customers. Improperly addressed inconsistencies can cause serious damages to a company's reputation. To this end, billing errors can also have a huge impact on a company. They can lead to increased wholesale costs, low staff morale and loss of trust amongst shareholders. Furthermore, unbilled revenues can significantly damage customer confidence (Ajwad and Wodon,2007). No customer wants to receive an unexpected bill in the mail. Even if the matter is promptly dealt with, the customer's trust in the service will almost certainly be compromised. Some customers may even choose to switch to the competition. Therefore, it was very important to determine the issue of accurate of billing in Nongoma Local Municipality. Based on the findings from the respondents of Nongoma Local Municipal employees, 53.9% have received customer complaints about statements reflecting incorrect billing and 46.1% never received such. One of the Respondents even remarked that “ *I cant even trust any of the statements they send because half the time the statement contains fictions(sic)*” This indicates that the revenue section is sometimes sending incorrect statements to the customers which could be one of the factors that accounts for poor revenue collection in the area.

Table 4.18 Frequency Table showing residents' notification of change of property ownership to ensure billing system details are up to date

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	23	14.7	15.6	15.6
No	124	79.5	84.4	100.0
Sub-Total	147	94.2	100.0	
No Response	9	5.8		
Total	156	100.0		

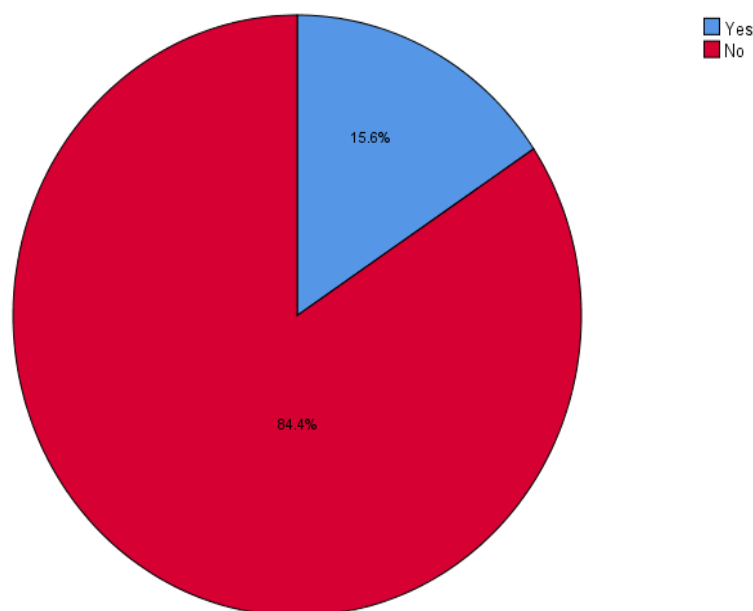


Figure 4.19 Pie Chart showing residents' notification of change of property ownership to ensure billing system details are up to date

Having an updated database of all customers in system is very important to an organisation. This minimises the risk of sending custom statement using incorrect information (Binns and Nel, 2002). Therefore, it was important to establish if the customers updated the municipality during the change of property so that the municipality will also update on the billing system. Based on the finding from the respondents, 84.4% indicated that during change of property owner residence do not notify the municipality while 15.6% indicated that residence do notify the municipality when selling property. This indicates that Nongoma Local municipality is

sitting with an out-dated database on the system. As a result, the revenue section is sending invoice to the wrong people using old information. This has a negative impact because there is a very high risk of current customers absconding making payments as the accounts will not be in their names, thereby affecting revenue collection.

4.3.7 Debt collection processes

Table 4.19 Frequency Table showing the use of debt demand letters

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	23	14.7	15.5	15.5
No	125	80.1	84.5	100.0
Sub-Total	148	94.9	100.0	
No Response	8	5.1		
Total	156	100.0		

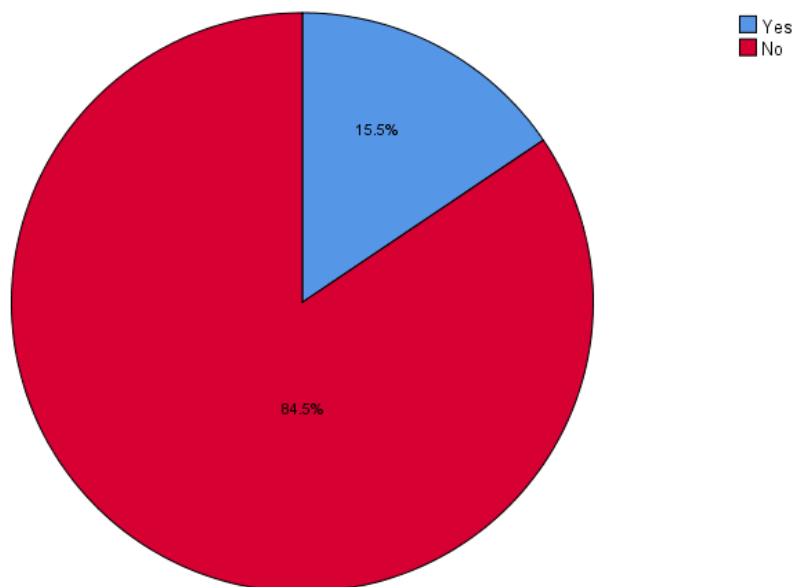


Figure 4.20 Pie Chart showing the use of debt demand letters

According to Gumede and Dipholo (2014), a demand letter or a lawyer letter, if you have an attorney write it, states one's request to receive funds for services rendered, gives details of the specific situation leading to the letter, states what actions will be taken if payment is not received, and sets a deadline for payment. In certain cases, one may consider submitting a notice to lien, which is a demand letter that notifies the client of one's intent to enforce a lien unless payment is remitted (Gumede and Dipholo, 2014). Therefore, investigating about the

regular issuance of the demand letter to long overdue accounts was useful in understanding if Nongoma Local Municipality uses all the tools that are in place to improve revenue collection and reduce the long overdue debtors. Based on the finding from respondents of Nongoma Local Municipality employees, 84.5% believe that the revenue collection unit is not issuing demand letters to encourage the debtors to pay while 15.5% believe that this is being done. This indicates that one of the factors that is affecting good revenue collection at Nongoma Local Municipality is the poor implementation of credit policy which was put in place to help Nongoma Local Municipality improve its revenue collection rate. However, the municipality should realise that demand letters can be a critical part of receiving payment for its services because, from psychological standpoint, it is often quite effective in getting a client to take your invoice seriously (Gumede and Dipholo,2014). It notifies the client that, if necessary, the municipality will take legal action to receive a payment. When the client weighs out the cost of legal fees, they are more likely to reconsider the invoice. If the dispute goes to litigation, the municipality will have a detailed outline of all circumstances leading to non-payment.

Table 4.20 Frequency Table showing legal action taken against debtors

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	8	5.1	5.4	5.4
No	140	89.7	94.6	100.0
Sub-Total	148	94.9	100.0	
No Response	8	5.1		
Total	156	100.0		

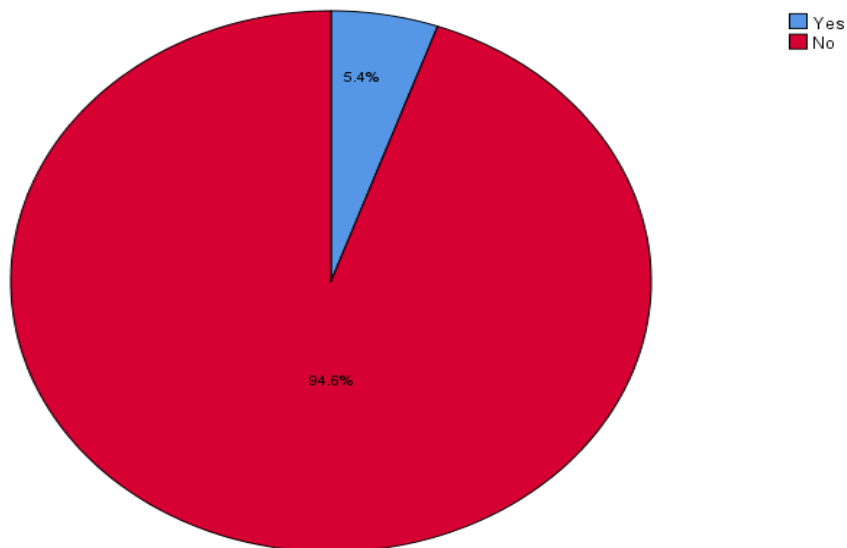


Figure 4.21 Pie Chart showing legal action taken against debtors

According to the crediting control policy of Nongoma Local Municipality, after sending demand letter to a long overdue debtor and if the debtor does not respond on arranging on reducing the amount owing, the revenue section can escalate the matter to the attorneys of the municipality for legal actions against the debtor. It was essential for the researcher to investigate whether the municipality is making use of the internal controls that are in place to improve revenue collection and reduce the long overdue debt. Based on the finding from Nongoma Local Municipality employees, 94.6% disagreed that revenue collection unit is escalating the matter to the Municipality attorneys for their intervention and 5.4% agreed that revenue collection unit involves their attorneys once they followed all the required step that encourages a debtor to come and pay for his or her long overdue amount. In this instance, it is apparent that Nongoma revenue section does not utilise all the available resource that are put in place to encourages the long overdue debtors to come and pay for their long overdue accounts, which straightens the argument that revenue section is not making use of the internal controls that are put in place to improve the revenue collection.

Table 4.21 Frequency Table showing the tracing of missing debtors by the municipality

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	8	5.1	5.4	5.4
No	140	89.7	94.6	100.0
Sub-Total	148	94.9	100.0	
No Response	8	5.1		
Total	156	100.0		

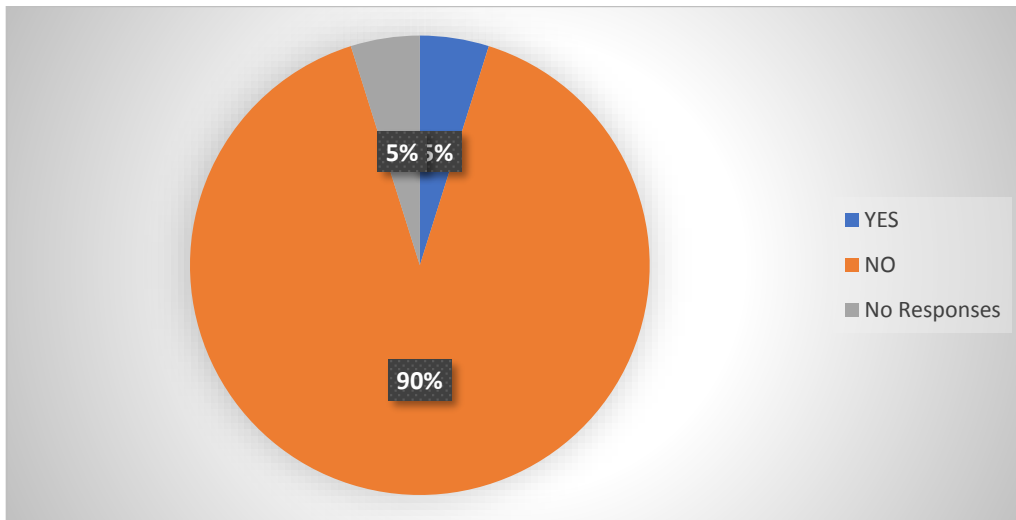


Figure 4.22 Pie Chart showing the tracing of missing debtors by the municipality

Alexander (2010) notes that in South Africa, households in metropolitan areas are reported to account for R42.1 billion or 65.3% of outstanding debt to metros, followed by businesses which account for R18.4 billion or 28.4%. Debt owed by government agencies is approximately R1.6 billion (2.5%) of the total outstanding debt owed to metros. This indicates that the very same challenge of accounts that are in arrears is not only affecting Nongoma Local Municipality only, even metros are having the same challenge. It was therefore important to establish whether the Nongoma Local Municipality trace missing debtors as this would ensure improved revenue collection. According to respondents from Nongoma Local Municipality officials who were participating in this research, 94.6% believe that the revenue section is not tracing missing debtors to recover the outstanding amount and 5.4% believe that it does so. This indicates that one of the weaknesses of revenue collection is letting missing customers with debt go without even putting effort to trace them which results in a huge balance of debtors.

Table 4.22 Frequency Table showing whether respondents think that outsourcing an agent to collect debtor can reduce the long overdue debtors.

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	105	67.3	70.9	70.9
No	43	27.6	29.1	100.0
Sub-Total	148	94.9	100.0	
No Response	8	5.1		

Total	156	100.0		
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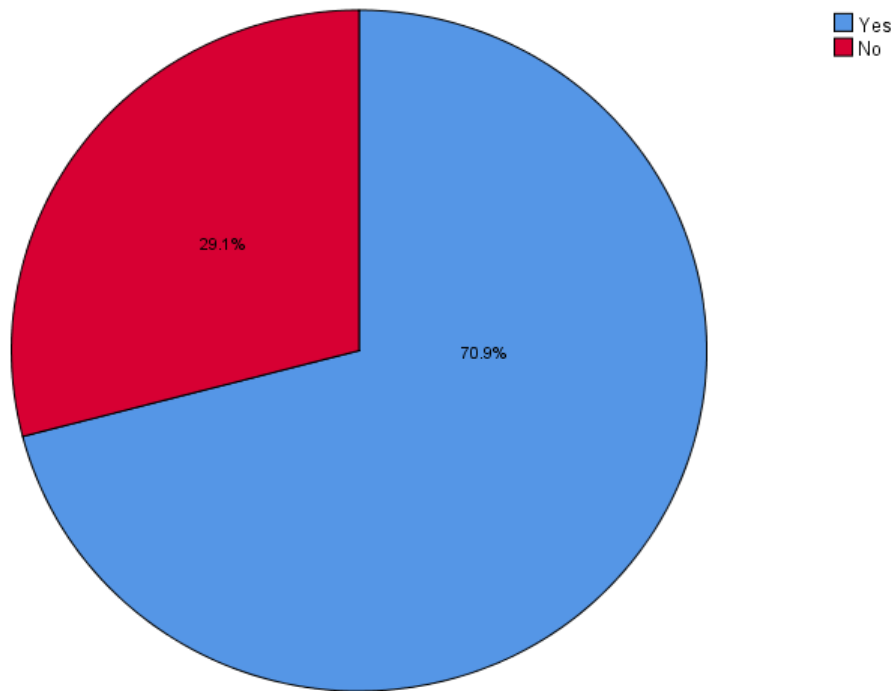


Figure 4.23 Pie Chart showing whether respondents think that outsourcing an agent to collect debtor can reduce the long overdue debtors

To sustain a profitable business, one must collect payment for products or services rendered. However, some customers are not reliable and do not fulfil their debts (Koelble and LiPuma, 2010). The older the debt gets, the harder it becomes for a business to pursue payment from the customer. In such a case, a third-party collection agency can help a business recover unpaid debts. Hiring of a collection agency increases a business' chances of collecting overdue debt as it is the agency's primary focus. Collection agents are trained professionals equipped with the best techniques to coerce debtors to pay as they are incessant, aggressive, and often report unpaid debts to credit bureaus (Koelble and LiPuma, 2010). A collection account negatively affects a debtor's credit score, and hence debtors will often make payment arrangements with collectors just to avoid credit damage. Considering this, 70.9% of respondents indicated that there is a need of a collecting debt agent while 29.1% indicated that there is no need of collection debt agent for the Nongoma municipality to collect overdue debt. This indicates that outsourcing a collection agency is an alternative source of revenue collection for the municipality.

4.3.8 Alternative sources of income for the municipality

Table 4.23 Frequency Table showing whether respondents think that there are any other sources of revenue the municipality is not aware of

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	13	8.3	8.8	8.8
No	134	85.9	91.2	100.0
Sub-Total	147	94.2	100.0	
No Response	9	5.8		
Total	156	100.0		

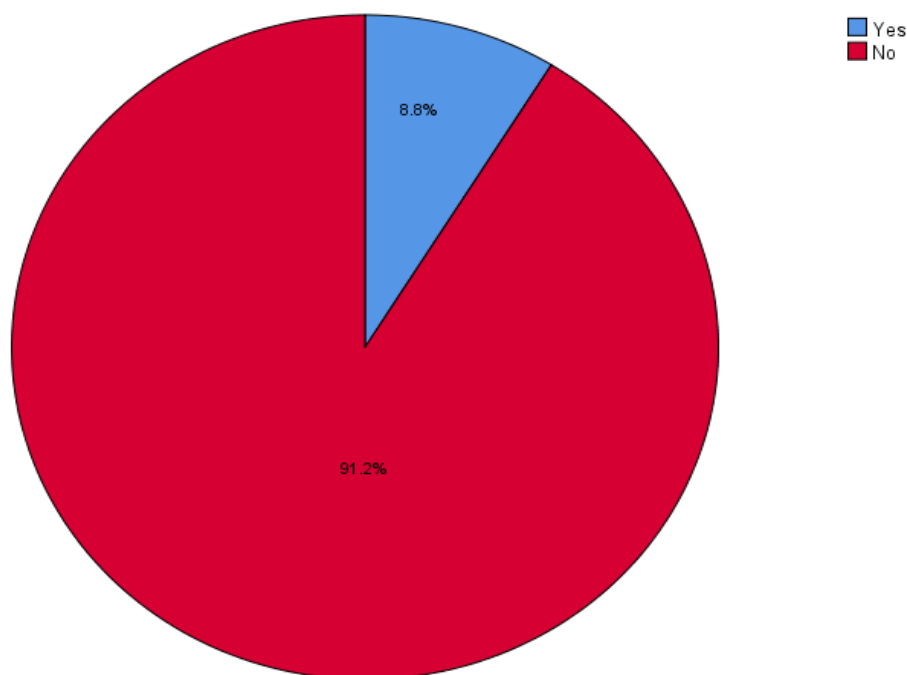


Figure 4.24 Pie Chart showing whether respondents think that there are any other sources of revenue the municipality is not aware of

Determining the availability of alternative sources of revenue in Nongoma Local Municipality was the research objective of the study. To this end, Table 4.25 and Figure 4.25 above indicate that 91.2% of respondents believe that there are no alternative sources of revenue and 8.9% believe that there exist. Table 4.26 and Figure 4.26 below shows suggested alternative sources of revenue which can help the municipality improve its revenue.

Table 4.24 Frequency Table showing suggested alternative sources of revenue

	Frequency	Percent	Valid Percent	Cumulative Percent
Speed Traps/ Road Cameras	2	9.1	40.0	40.0
Building of Renting Properties	2	9.1	40.0	80.0
Parking Meters	1	4.5	20.0	100.0
Sub-Total	5	22.7	100.0	
No Response	17	77.3		
Total	22	100.0		

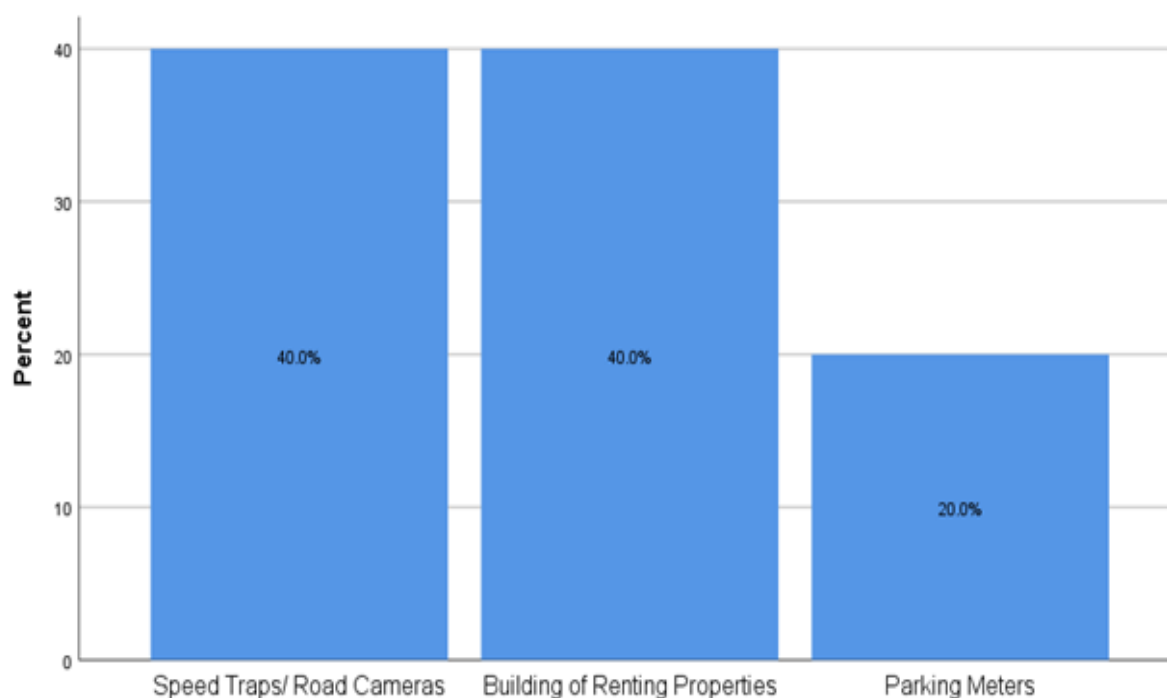


Figure 4.25 Bar Chart showing suggested alternative sources of revenue

The above Frequency Table and Bar Chart indicates that out of 156 respondents only 22 responded yes to the question on the availability of alternative sources of revenue for the municipality. Out of the 22, two (40%) respondents indicated that the sources of revenue are Speed Traps/Road Cameras, two (40%) indicated that building of rental properties are sources of revenue income, and one (20%) indicated that parking meters are source of revenue. The

remaining 17 did not respond to the question. This shows that there is little knowledge about alternative revenue avenues and the municipality is heavily reliant on residents' payments of bills.

4.4 Presentation of Qualitative Data

For the qualitative analysis the researcher coded data into different nodes and cases using NVIVO software. Similar responses were grouped together under same nodes.

4.4.1 What are the factors affecting the implementation of revenue collection strategy at Nongoma Municipality?

Table 4.27 below shows interviewee responses to the above question:

Table 4.25: Interviewee responses question

Interviewees	Responses to the question
Interviewee 1	lack of training to revenue staff; poor internal controls
Interviewee 2	lack of training to revenue staff; poor implementation of revenue policies; outdated information on operating system (pastel)
Interviewee 3	incorrect billing; late distribution of customer statements; poor internal controls
Interviewee 4	not regularly collecting of waste (Irregular collection) resulting in slow payments of business
Interviewee 5	lack of training; late distribution of statements; poor control.

The Table above indicate that most of the interviewees regard lack of training of revenue staff (17.8%) as the major cause affecting the implementation of revenue collection strategy at Nongoma Municipality and revenue policies and strategies (8%) as the minor cause.

4.4.2 Is there anything that could help Nongoma Local Municipality improve the revenue collection?

Figure 4.28 and Table 4.28 below show interviewee responses to the above question:

Figure 4.26: Interviewee responses question

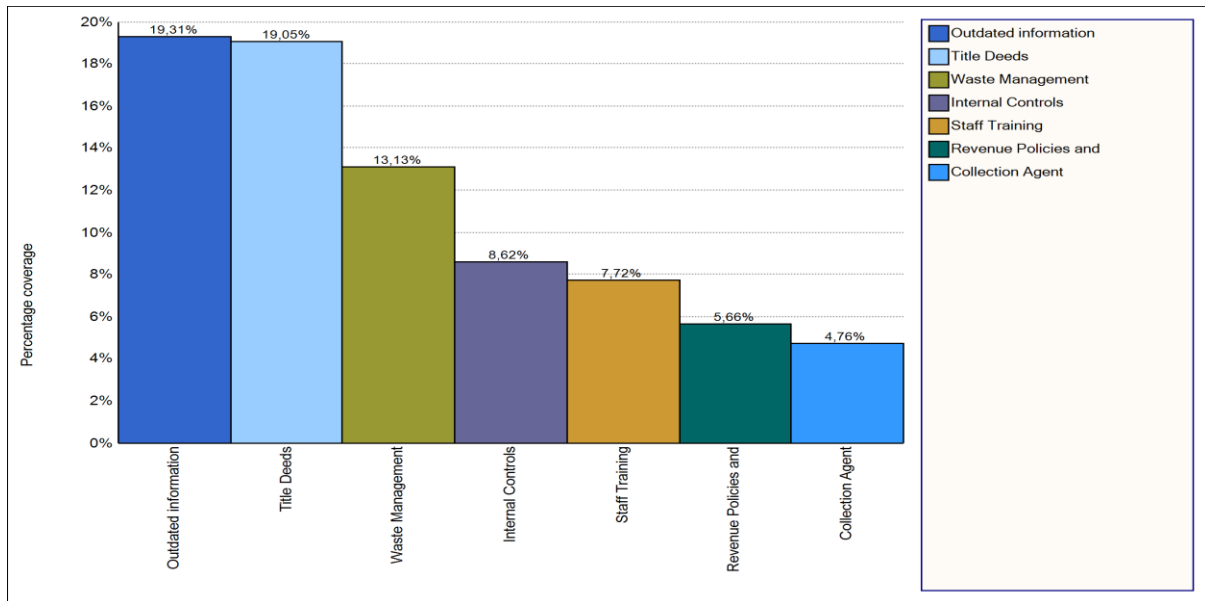


Table 4.26: Interviewee responses question

Interviewees	Responses to the question
Interviewee 1	Must provide staff training on revenue collection strategies. Should proper implement its revenue policies
Interviewee 2	NLM must issue title deed
Interviewee 3	strengthen internal controls, perform data cleansing so that statements could be send to correct customers, outsource collection agent
Interviewee 4	should maintain town and surroundings to motivate residents to pay for rates and refuse removal
Interviewee 5	must issue title deeds to residents so that they can pay rates.

4.4.3 Are there any other sources of revenues at Nongoma Local Municipality?

Figure 4.29 and Table 29 below show interviewee responses to the above question:

Figure 4.27: Interviewee responses question

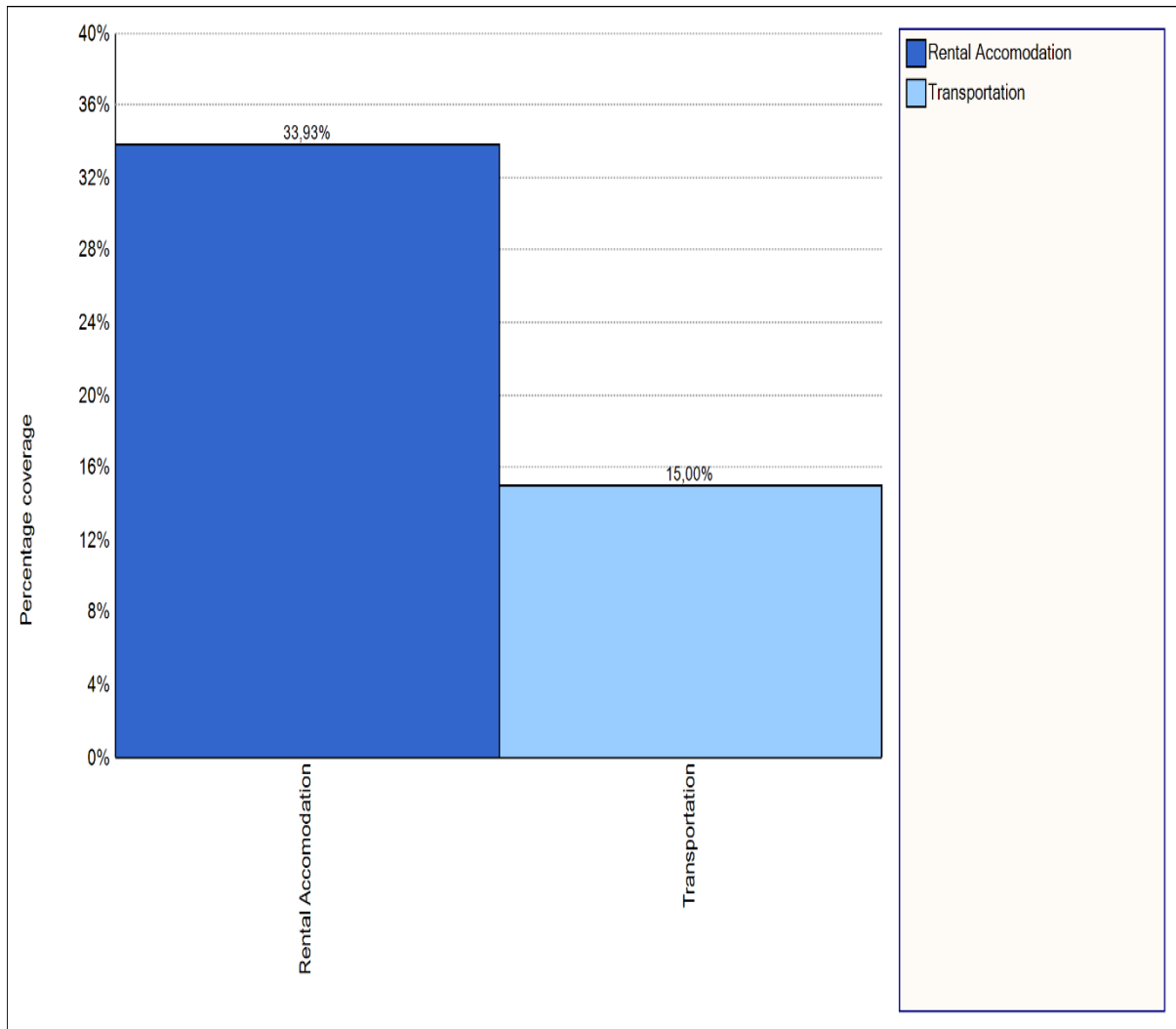


Table 4.27: Interviewee responses question

Interviewees	Responses to the question
Interviewee 1	building of rental accommodation since there's high demand of accommodation in town
Interviewee 2	transportation (NLM must get bus services)
Interviewee 3	No
Interviewee 4	building of rental accommodation
Interviewee 5	building of rental accommodation.

4.4.4 Is there anything that you would like revenue station to improve, which could improve the revenue collection?

Figure 4.30 and Table 30 below show interviewee responses to the above question:

Table 4.28: Interviewee responses question

Interviewees	Responses to the question
Interviewee 1	They must improve on customer care like sending invoices on time
Interviewee 2	sending invoices on time and improve customer services
Interviewee 3	ensure they record return statement, perform investigation why statement was not delivered to the customer
Interviewee 4	must improve customer care, send invoices on time
Interviewee 5	improve on customer care and send invoices on time to customers.

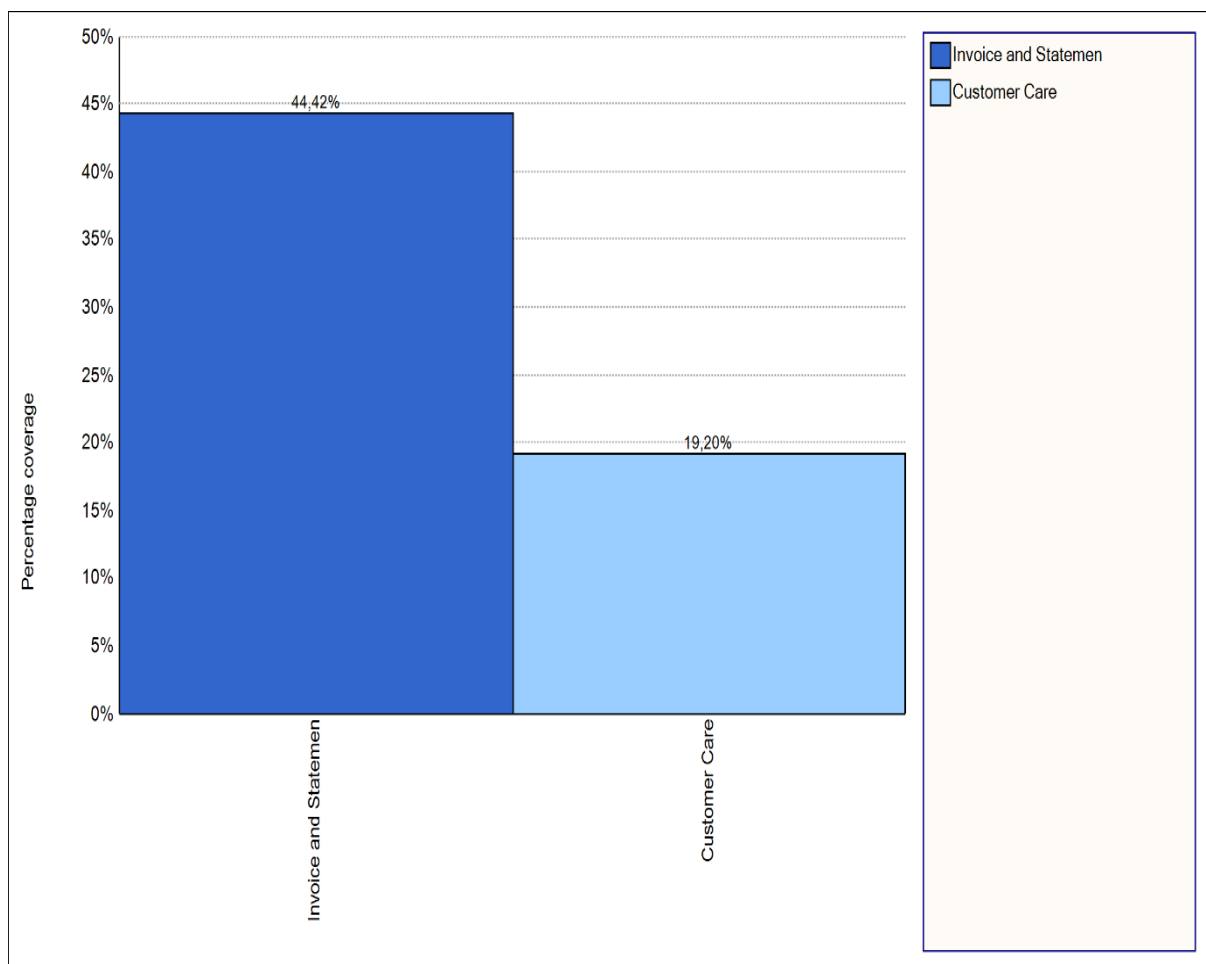


Figure 4.28: Interviewee responses question

4.4.5 Are there any other alternative strategies that should be implemented to improve on revenue collection? And if there are, what are those strategies

Figure 4.31 and Table 4.31 below show interviewee responses to the above question:

Table 4.29: Interviewee responses question

Interviewees	Responses to the question
Interviewee 1	Ensuring that all key performances are put in 100% towards achieving municipality goals with regards to collection revenue (collection strategy)
Interviewee 2	forming revenue steering committee to monitor collection of revenue, outsourcing debt collector (collection agent)
Interviewee 3	outsourcing debt collector
Interviewee 4	Ensuring that all the key informants are putting in 100% towards achieving the municipality goals with regards to collection revenue.
Interviewee 5	outsourcing of debt collector who will work hand in hand with the key performance.

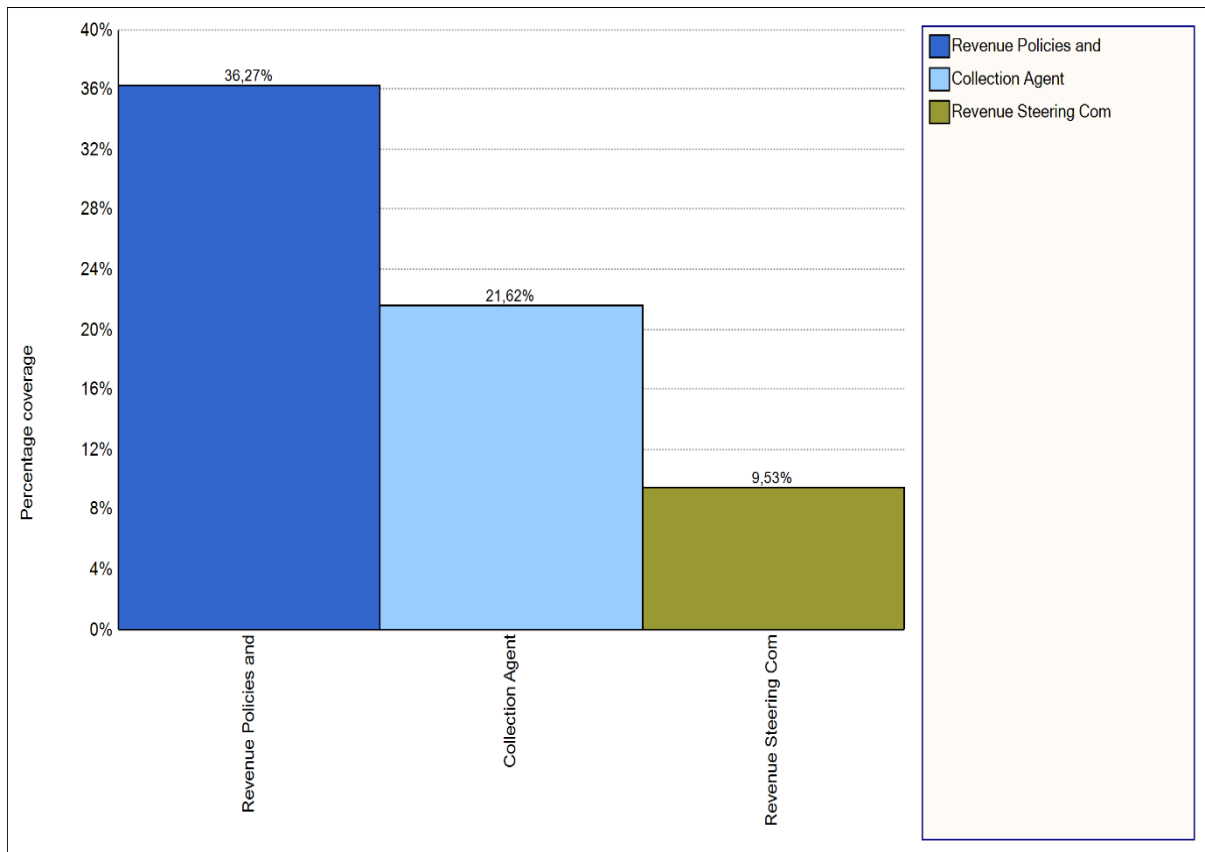


Figure 4.29: Interviewee responses question

4.5 Graphical analysis of responses to questions by interviewees

The following diagrams in this section indicate different nodes categorising the interviewee's responses to questions 1 – 5.

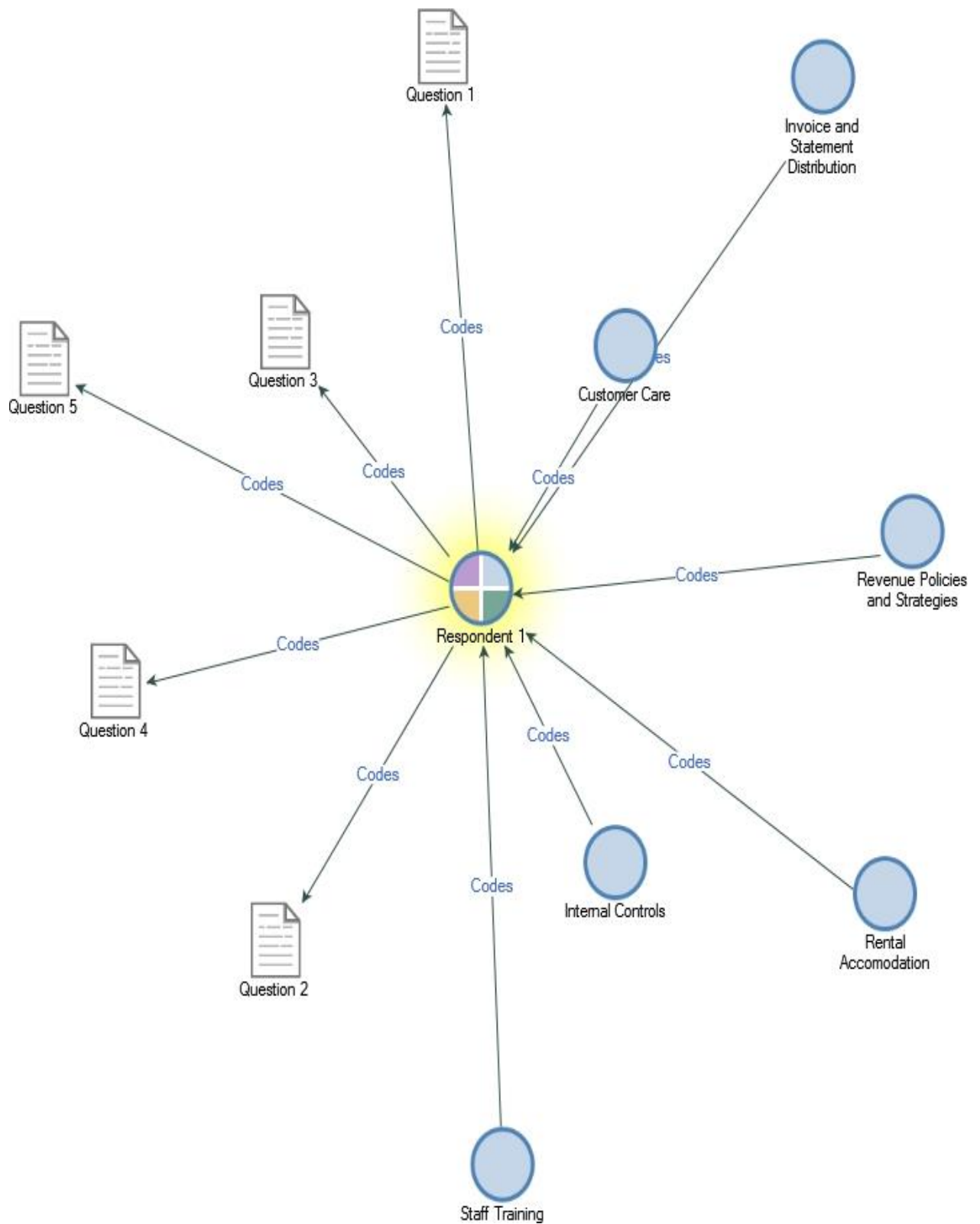


Figure 4.30 Interviewee 1 on question 1 – 5

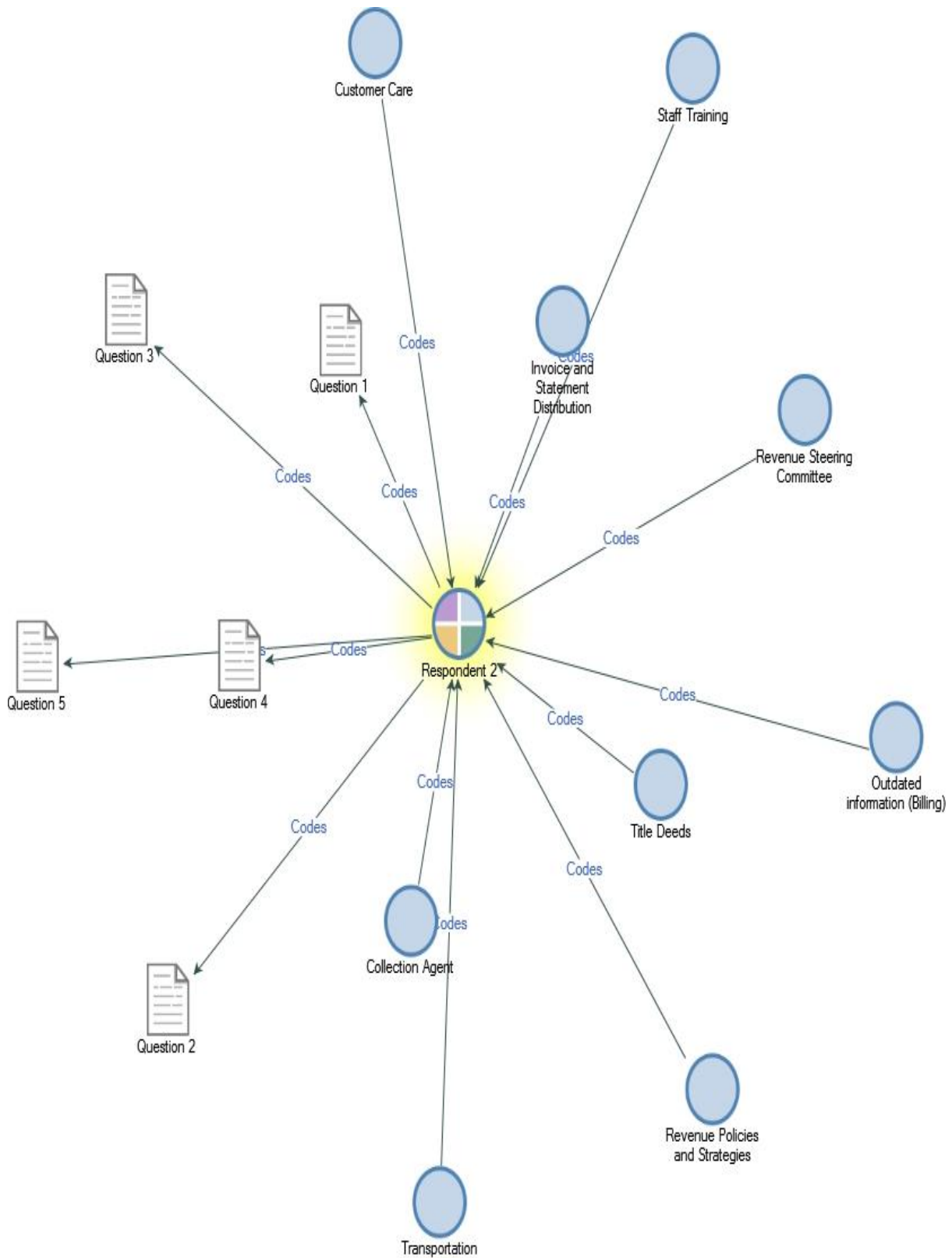


Figure 4.31 Interviewee 2 on questions 1 – 5

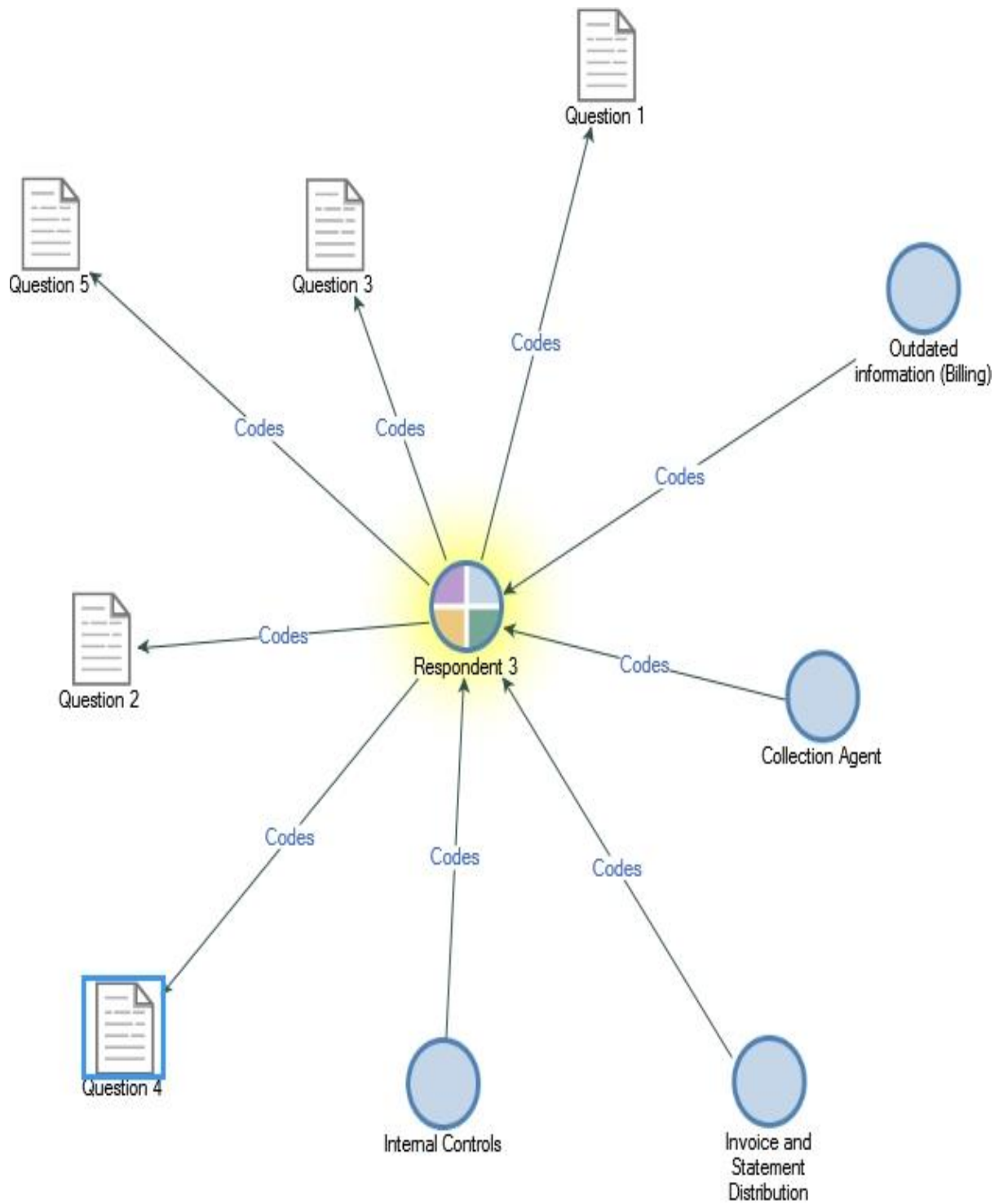


Figure 4.32 Interviewee 3 on questions 1 – 5

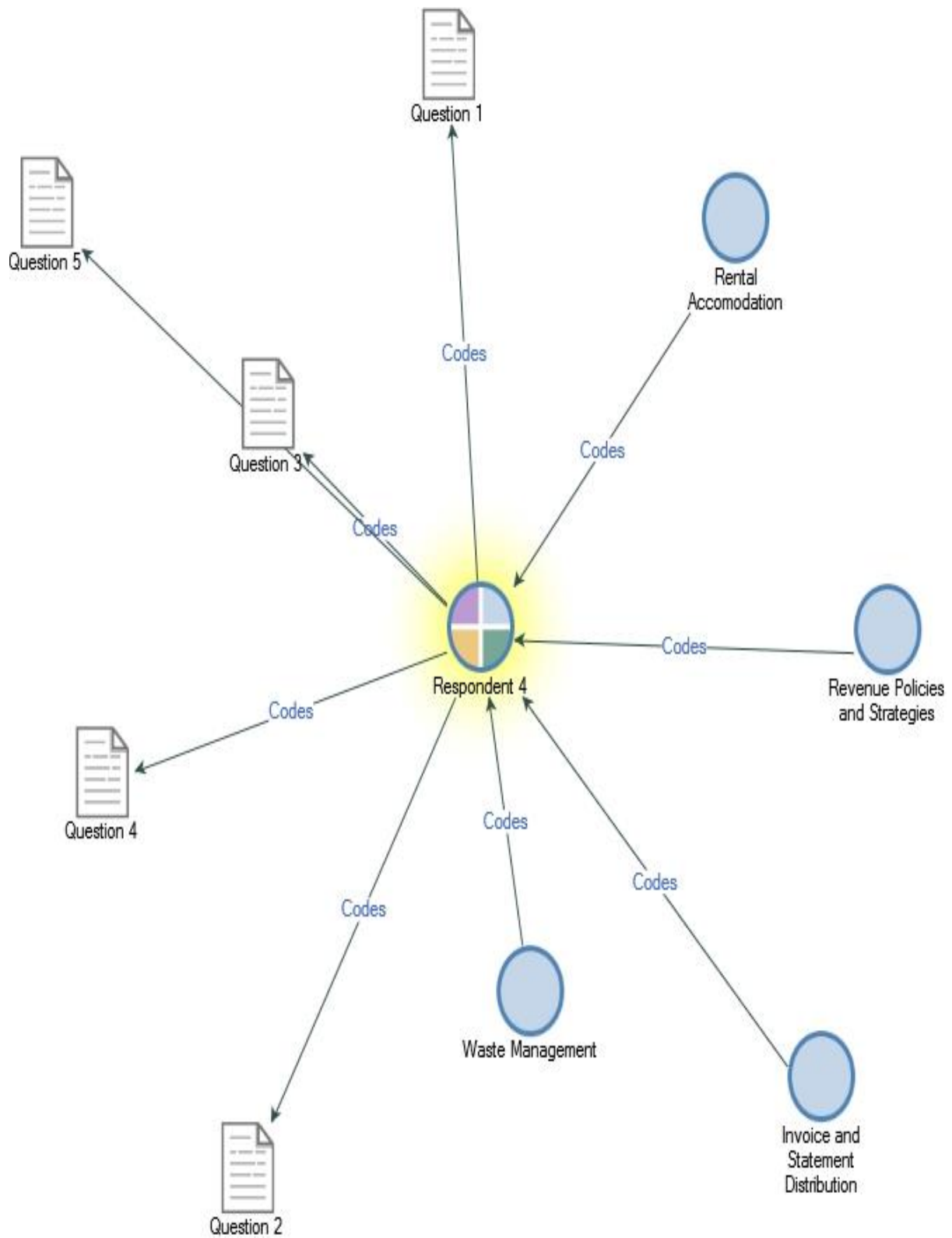


Figure 4.33 Interviewee 4 on questions 1 – 5

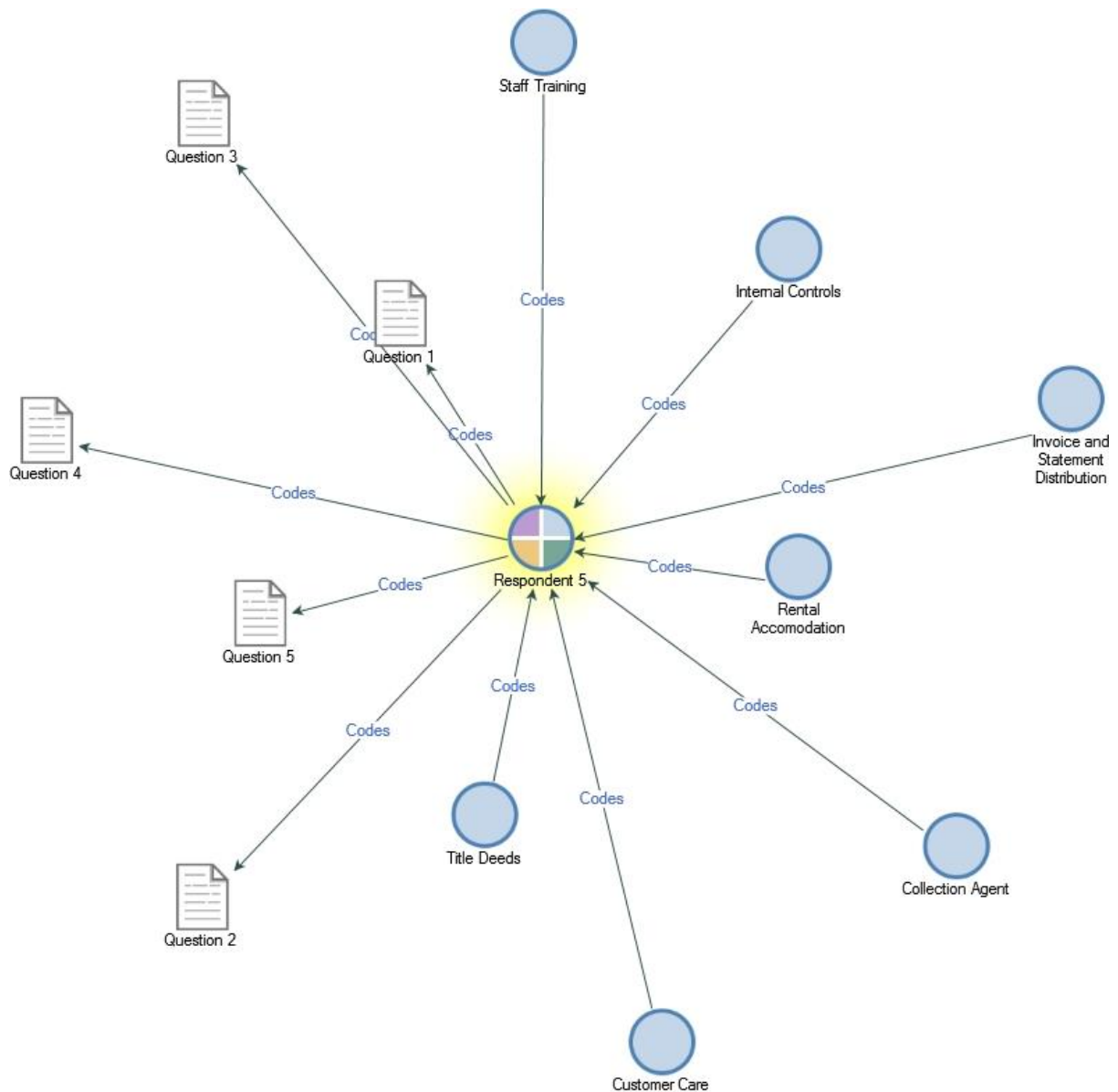


Figure 4.34 Interviewee 5 on questions 1 – 5

4.6 Chapter Summary

In this chapter, data on the factors affecting revenue collection at Nongoma local municipality, available alternative sources of revenue and debt collection by the municipality were presented, discussed, and analysed considering the research respondents' responses on the questionnaires and interviews. The following chapter summaries and concludes the study.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarises and concludes the study. Firstly, it discusses the findings of the research in relation to the study's objectives. Recommendations are then made based on the conclusions drawn from the discussions.

5.2 Major Findings

The major objective of the study was to investigate the factors affecting revenue collection at Nongoma local municipality. Through data analysis and literature review, this objective has been met as is discussed in the section. In summary, the first objective of the study was to determine factors that affect the revenue collection strategies in Nongoma Local Municipality, the second one was to explore the views of the municipality's employees on revenue collection strategy within the municipality and the third one was to recommend strategies that can be used to improve the revenue collection in Nongoma Local Municipality.

Considering the first objective, it is the finding of the study that lack of training of revenue collection staff contributes to the ineffective implementation of revenue collection strategies in Nongoma Local Municipality. Although 58.4% of the respondents believes that the revenue collection staff is properly trained to implement the revenue collection strategies that can improve a good collection of revenue in Nongoma Local Municipality, there is still that significant portion of respondents that makes up to 41.6% that still believe otherwise.

According to Binns and Nel (2002), the success of any organisation is hinged on the efficient performance of the employees and how customers relate with them. As such, lack of employee training is trouble for any organisation as untrained staff are inefficient. Binns and Nel (2002) therefore suggest that organisations should train staff which ensures that they perform more efficiently. Training is also crucial as it helps employees have more skills and knowledge of their work and the organisation's objectives (Binns and Nel, 2002). In the same vein, Noble and Wright (2012) argue that a properly trained and committed individual is more likely to remain loyal to an organisation as it would have invested resources on the individuals. Employees are therefore motivated to give back to the organisation and hence are more efficient than those without proper training who are inefficient which result in low productivity and inaccurate work. Considering these arguments, one therefore notes that improperly trained

stuff at Nongoma local municipality hinder the successful implementation of revenue collection strategies by the entity.

In relation to the first objective, it is also the finding of the research that irregularly removal of waste around Nongoma Town and its surrounding contribute to poor revenue collection in Nongoma Local Municipality. Because of the municipality's poor service delivery, residents abscond from paying for utilities and municipal services. This results in them incurring debt while the revenue section cannot properly implement its collection policies to encourage the long overdue debtors to come and pay as customer claim that they will not pay for poorly rendered service from the municipality.

Nealer (2009) notes that the municipality is the local government that is close to the people. The citizens elect it to represent them and ensure that they get the best service. Municipalities, according to Nealer (2009), should have no excuse in delivering the best services as they can use their own resources (for example, finances, equipment, and employees) or outsource (for example, hire out third party service providers) in rendering services. In the case that the municipality falls to render services as expected, they face challenges in revenue collection as residents will refuse to pay citing poor service delivery. This is the case with Nongoma local municipality as residents are refusing to pay citing poor service delivery by the municipality. It is also the finding of this research that incorrect billing contributes to the ineffective implementation of revenue collection strategies in Nongoma Local Municipality. It has been established that sometimes the municipality sends out incorrect billing. Metering and billing conflicts can cause a great deal of distress and inconvenience to customers (Ajwad and Wodon, 2007). Prolonged ignorance of these inconsistencies can cause serious damage to the municipality's revenue collection. Ajwad and Wodon (2007) also note that unbilled revenues can significantly damage customer confidence. No customer wants to receive an unexpected bill in the mail. Even if the matter is promptly dealt with, the customer's trust in the service will almost certainly be compromised. In conclusion, it is the finding of the research that incorrect billing affects Nongoma local municipality's revenue collection.

Similarly, irregular distribution of debtor statements to the customer negatively affects the successful implementation of revenue collection strategies in Nongoma Local Municipality. It has been established that the municipality is not regularly sending debtor statements to the customers resulting in them not paying as they will not be knowing how much and when to pay. According to Noble and Wright (2012), debtor's statements are essential to the municipality's cash flow as they assist in controlling and providing detailed information on customers' payments and monies owed to the entity. As such, sending debtor's statements to

customers at regular intervals is a good way of reminding them to pay for the services rendered. That the Nongoma local municipality does not send these out at regular intervals means that its revenue collection flow is negatively affected.

Poor implementation of credit control policies negatively affects revenue collection by Nongoma local municipality. Section 96 of the Municipal Act, Act 32 of 2000 states that a municipality should collect all monies that is due and payable to it. Subject to the act and any other applicable legislation, the municipality is mandated to adopt, maintain, and implement a credit control and debt collection policy which is consistent with its rates and tariffs. According to Zubane, B. (2007), the role of credit control policy within a municipality is to provide general guidance on the procedures that need to be followed in the process of revenue collection. This policy also provides specific guidance toward implementing strategies to improve revenue collection in the municipality. However, the Nongoma local municipality is not utilising this policy as it has been established that the revenue unit does not send demand letter to encourage debtors to pay as Nongoma Local Municipality credit policy requires it. Furthermore, revenue units don't refer the long overdue debtors the attorneys of the municipality as is required by the credit policy. In conclusion, poor implementation of credit control policy plays a major role in poor revenue collection in Nongoma Local Municipality.

5.3 Recommendations

The study also aimed to recommend further strategies that can be used to improve revenue collection in Nongoma Local Municipality. As such, in light of the above mentioned findings of the factors affecting the successful implementation of revenue collection by the municipality, such factors as lack of properly trained revenue collection staff, poor internal controls, poor implementation of revenue and debt collection policies, outdated customer information on operating system (pastel), incorrect billing, late and irregular distribution of customer statements, as well as irregularly collecting of waste, the study makes the following recommendations:

5.3.1 Staff training on revenue collection

There is need for the Nongoma local municipality to train its revenue collection staff as this will help them understand their job more and equip them with necessary skills useful in their performance. A trained workforce will ensure improvement in revenue collection. It is apparent that most of the employees' lack in some or several skills sets necessary for the successful implementation of revenue collection strategies, and training will facilitate strengthening of these skills thereby improving the workforce. Training is crucial for organisation development

and success, and it stands to be beneficial to both employer and employee (Binns and Nel,2002). An employee will become more efficient and productive when well trained. Hence the study recommends that Nongoma local municipality staff be trained.

5.3.2 Accurate customer billing

The study recommends that the Nongoma local municipality distribute accurate customer billing statements. Accurate billing is one of the key factors that keeps the client happy. Ensuring that the customer receives an accurate invoice is essential as it is the foundation for the municipality's cash flow. If the municipality is not billing customers or collecting the correct amounts for the service provided, the municipality cash flow suffers a lot. Furthermore, if the billing schedule does not align with the customers' expectations, the customer turns to lose confident in the organisation and resulting in delayed or non-customer payment. It is therefore recommended that revenue collection units get a reliable billing system that will minimise billing errors. By so doing, the municipality will run their billing efficiency and effectively thereby improving revenue collection.

5.3.3 Early distribution of statements

It is the recommendation of the study that the Nongoma local municipality distribute debtor's statements early. These are important to the cash flow and for keeping the accounts up to date as they provide detailed information of all outstanding payments owed to the municipality by customers. Sending debtors statements out to the customers at regular intervals is a good way to gently remind them that they owe the organisation a certain amount of money.

5.3.4 Proper implementation of credit policies

Nongoma local municipality is recommended to make proper use of its credit policies. Van der Westhuizen (2009) notes that the collection of income levied on account statements submitted to debtors should be realised within 30 days to ensure the sustainability of local government and continued service delivery. Payment of arrears must also be addressed to minimise continued arrears. There is provision for debt collection via the issuance of reminder letters, summons or hiring of third party collection agents within the government's municipal policies. As such, Nongoma Local Municipality should properly implement its credit control policy so that it will improve its revenue collection.

5.3.5 Shortcomings in the local government revenue systems

The Central Government through the PMO-RALG should undertake a comprehensive review of the existing local revenue system to ensure that it assists the respective Municipalities to raise sufficient local revenues. In undertaking the review, representatives from each Municipality must be involved. The aim should be to determine which revenue sources should

be taxed in which Municipality. This can be done by categorically differentiating revenue sources for Urban and Rural Municipalities.

5.3.6 Absence of By-laws for Some Municipality Revenue Sources

Local government authorities should enact by-laws for all sources of internal revenue. This will ensure that there is legal backing for collection and follow up on compliance and defaulters.

5.3.7 Administration of Outsourced Revenue Sources

This should be applicable to all sources of revenue, those collected by Municipalities themselves and those collected by outsourced agents. Municipalities must monitor compliance on the contracts entered on outsourced revenue collection agents. Furthermore, the possibilities of the Municipalities building their own capacity and with appropriate incentives assume the responsibility of collecting their own revenue source should be explored.

5.3.8 Political and Central Government Interferences

There should be frequent capacity building initiatives to Municipality's staff in administration of Local revenues. Staff responsible for revenue collection as well as senior officers accountable for local revenues should be oriented in effective enforcement of tax and non-tax revenue administration including application of relevant laws and by-laws. In addition, political leaders must be educated and frequently reminded of the need of their supportive role in local revenue collection.

5.3.9 Limited Tax Payers Awareness

Local Government Authorities should schedule periodic awareness campaigns on revenue collections to be conducted by politicians at local levels, Municipality staff and Municipality executives. Citizens should be made aware of applicable taxes and the respective by-laws in their areas, the applicable rates, due dates, modalities of payments, and benefits for paying taxes and consequences for non-payment. Taxpayer' education can be performed in various ways including general meetings, distribution of leaflets, and tailor-made trainings for specific group of taxpayers.

5.3.10 Establishment of Municipality Properties for rent

In order to ensure reliable revenue for local authorities, Municipalities need to build and rent out properties such as office buildings, parking spaces, modern markets and modern abattoirs.

5.3.11 Taxes on Telecommunication Towers

Local Authorities should be allowed to charge local taxes on the telecommunication towers within their areas of jurisdiction.

5.3.14 Other LGA Specific Sources of Revenue

In order to boost local revenue collection, Municipalities must explore other specific sources of revenue in their geographic areas and enact by-laws for their collections, for example fees on local tourist attraction areas, hunting and small-scale mining activities.

5.4 Issues for further research

Based on the knowledge gaps identified in this study, we suggest areas for further research on Local Government Taxation. Research on the technical administrative framework for local taxation has the potential to identify constraints and practices that can guide policy work and be used as benchmarks to assess actual policy implementation. Financial transfers from the central level are typically important components of Local Government revenues. How does this impact on local government fiscal autonomy, which typically is formulated as a key objective of local tax reforms? It was believed that through outsourcing revenue collection would increase efficiency in revenue collections in the sense that, an independent person/agent will involve and invest in revenue collection so as to exceed the targets and make profit while the Municipalities will remain with the task of setting the targets, monitoring and supervising the collection procedures. From this study it was revealed that instead of outsourcing, the municipalities are now going back for the municipalities themselves to get involved in tax collection, administration and spending. Hence, there is a need to conduct a comprehensive study to identify the efficiency of outsourcing revenue collection or being collected by municipality themselves. A study of similar nature should be conducted in all different municipalities in South Africa.

5.5 Conclusion

It is clear based off this this study that Municipalities need to adopt more adept and effective revenue collection systems to stay ahead of Budget deficits, while their primary goal has never been to make profit, their target which remains service delivery has been adversely affected by these deficits. This study delved into the Revenue Collection systems of Nongoma and took a look at both local and international systems in order to come up with a solution to the problem that is plaguing most local authorities in a currently economically challenged South Africa, The study undertook an analysis of complied data and came up with recommendations for the improvement of not only Nongoma's revenue collection, but also any other local municipality that may be undergoing similar challenges, making this study a reference if not stepping stone in the implementation of improved revenue collection strategies.

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APPENDICES

Appendix 1: Permission to Conduct Research



12 June 2017

Mr Gregory Maqhawe Dlamini (217047364)
Graduate School of Business & Leadership
Westville Campus

Dear Mr Dlamini,

Protocol reference number: HSS/0672/017M

Project title: Factors affecting the implementation of revenue collection strategy: A case of Nongoma Municipality

Full Approval – Expedited Application

In response to your application received on 30 May 2017, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and FULL APPROVAL for the protocol has been granted.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully


.....
Dr Shenuka Singh (Chair)

/ms

Cc Supervisor: Dr Mbuyiseni G Ntuli
Cc Academic Leader Research: Dr Muhammad Hoque
Cc School Administrator: Ms Zarina Bullyraj'

Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

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The Municipal Manager

11 May 2017

NONGOMA MUNICIPALITY

P O BOX 84

NONGOMA

3950

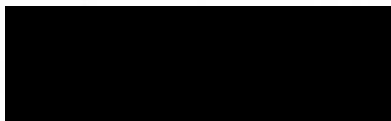
PERMISSION TO CONDUCT RESEARCH AS PART OF THE RESEARCH DISSERTATION REQUIREMENT FOR M.COM DEGREE IN NONGOMA LOCAL MUNICIPALITY

Dear Mrs V Sokhela

My name is Gregory Maqhawe Dlamini, and I am Masters of Commerce in Leadership studies (MCLS) student at the University of KwaZulu Natal in Westville. The research I wish to conduct for my dissertation is about: Factors affecting the implementation of revenue collection strategy. This project will be conducted under the supervisor of Dr Njabulo Khumalo (UKZN, South Africa)

I am hereby seeking your consent to approach a number of Nongoma Local Municipality staff members to participate in my research. Please be assured that all information gained from the research will be treated with the utmost circumspection. I have provided you with my research proposal to be used in the research process.

Upon completion of the study, I will provide Nongoma Local municipality the copy of the fully research report. If you require any further information, please do not hesitate to contact me on 035 831 7513, maqhawed@nongoma.org.za. Thank you for your time and consideration in this matter.


Gregory Maqhawe Dlamini

I hereby grant the candidate the permission to conduct his research study.


.....

Mrs V Sokhela

Municipal Manager

Appendix 2: Informed Consent Form

UKZN HUMANITIES AND SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE (HSSREC)

APPLICATION FOR ETHICS APPROVAL For research with human participants

INFORMED CONSENT

Note to researchers: Notwithstanding the need for scientific and legal accuracy, every effort should be made to produce a consent document that is as linguistically clear and simple as possible, without omitting important details as outlined below. Certified translated versions will be required once the original version is approved.

There are specific circumstances where witnessed verbal consent might be acceptable and circumstances where individual informed consent may be waived by HSSREC.

Information Sheet and Consent to Participate in Research

Date: 18 May 2017

Dear Valued Colleague,

My name is Gregory Maqhawe Dlamini from the finance department at Nongoma Local Municipal, Nongoma, Tel 035 8317513, email gregory.maqhawe@gmail.com

My research forms part of my dissertation as a requirement for the completion of my Masters of Commerce in Leadership (MCOMM)

My supervisor's details are as follows;

Dr Njabulo Khumalo

University of KwaZulu-Natal

Graduate School of Business and Leadership

Office No.01a: Ground Floor

E-mail: khumalon6@ukzn.ac.za

Tel: 031-260 8768

You are being invited to consider participating in a study that involves research the Factors affecting the implementation of revenue collection strategy at Nongoma Local Municipality. The aim and purpose of this research is to determine the factors that affect the implementation of revenue collection strategies, explore the views of the implementers and then develop a model that will improve the revenue collection at Nongoma Local Municipality. The study is expected to enroll one hundred and sixty two participants in total, questionnaires will be provided to the one hundred and fifty five participant to answer and the other seven participants who are directly linked with the implementation of revenue collection strategy will conduct interviews, namely the Municipal Manager of Nongoma Local Municipality, the Chief Financial Officer of Nongoma Local Municipality, the Community Manager of Nongoma Local Municipality, the GIS of Nongoma Local Municipality, the Revenue Assistant Accountant of Nongoma Local Municipality, the Creditor Control of Nongoma Local Municipality and The Cashier of Nongoma Local Municipality. The duration of your participation if you choose to enroll and remain in the study is expected to be thirty minutes for completion of the questionnaire and fifteen minutes for interviews with the study concluding by end November 2017. The study is funded by the University of KwaZulu Natal.

The study does not involve any risks and/or discomforts. We hope that the study will create benefits resulting in long-term financial sustainability for the organisation through developing a model that will improve the revenue collection for the organisation.

There is no risk or compensation involved in the study.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (approval number_____).

In the event of any problems or concerns/questions you may contact the researcher at (provide contact details) or the UKZN Humanities & Social Sciences Research Ethics

Committee, contact details as follows:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban

4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557- Fax: 27 31 2604609

Email: HSSREC@ukzn.ac.za

Participation in this research is voluntary and participants may withdraw participation at any point. In the event of refusal/withdrawal of participation the participants will not incur penalty or loss of benefit to which they are normally entitled. The participants will not experience any negative consequence should the participant wish to withdraw from the study. The participant would need to send an email notification for orderly withdrawal.

Confidentiality of personal information will be managed and maintained by the researcher in an access controlled, with only the researcher and the supervisor having access to the information. As per university guidelines, research will be stored for five years and thereafter shredded and destroyed.

--

CONSENT

I _____ have been informed about the study entitled the factors affecting the implementation of revenue collection strategy at Nongoma Local Municipality.

I understand the purpose and procedures of the study being to determine the factors that affect the implementation of revenue collection strategies, explore the views of the implementers and then develop a model that will improve the revenue collection at Nongoma Local

I have been given an opportunity to answer questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time without affecting any of the benefits that I usually am entitled to.

I have been informed about that there is no compensation and that the study bears no risk of loss or injury.

If I have any further questions/concerns or queries related to the study I understand that I may contact the researcher at (provide details).

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researchers then I may contact:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban

4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557 - Fax: 27 31 2604609

Email: HSSREC@ukzn.ac.za

Additional consent, where applicable

I hereby provide consent to:

Audio-record my interview / focus group discussion YES / NO

Video-record my interview / focus group discussion YES / NO

Use of my photographs for research purposes YES / NO

Signature of Participant

Date

Signature of Witness
(Where applicable)

Date

Signature of Translator
(Where applicable)

Date

Appendix 3: Interview Guide

INTERVIEW QUESTIONS FOR THE SEVEN KEY INFORMANTS OF NONGOMA LOCAL MUNICIPALITY

1. According to your thought, what are the factors affecting the implementation of revenue collection strategies at Nongoma Local Municipality?
2. According to your thought, is there anything that could help Nongoma Local Municipality improve the revenue collection?
3. According to your thought, are there any other sources of revenue at Nongoma Local Municipality?
4. According to your thought, is there anything that would like revenue section to improve on which could improve the revenue collection?
5. According to your thought, as the key informants of revenue collection at Nongoma Local Municipality are there any other alternative strategies that should be implemented to improve revenue collection and if there are, what are those strategies?

Appendix 4: Questionnaires

QUESTIONNAIRE SURVEY (EMPLOYEES)

NO:

Questionnaire for Nongoma Local Municipal Employees

Questionnaire survey conducted by: Mr G.M Dlamini (University of KwaZulu-Natal, Masters of Commerce Leadership Student)

SECTION A: SOCIO-ECONOMIC STATUS OF THE RESPONDENTS

1. What is your age?

20-39	40-49	50-59	60-69	70+

2. What is your marital status?

Married	Single	Divorced	Widowed/ widower	Other

3. What is your gender?

Male	
Female	

4. What is your level of Education?

No schooling		Primary		Secondary		Tertiary	
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5. What is your race?

Black	White	Coloured	Indian	Other (Specify)

6. What is your monthly income?

R 0 - 10000	R 10000 - 20000	R 20000 – 50 000	R 50 000 – 100 000

7. What is your nationality?

South African	
Other	

SECTION B: Assessment of feelings towards Nongoma Local Municipal residents and staff

8. Do you think Nongoma Local Municipality staff is proper trained to implement revenue collection strategy?

Yes	
No	

9. Do you think Nongoma Local Municipality has enough staff in revenue collection unit?

Yes	
No	

10. Is community service department regularly removing waste in Nongoma town and suburb area?

Yes	
No	

11. Do you think the level of absenteeism in revenue collection is high?

Yes	
-----	--

No	
----	--

12. Do you think most of Nongoma residents are working as:

merchandise	
Domestic workers	
Government workers	
operating their own business	

13. Income for Nongoma Residents is between:

R0-R5000	R5000- R10000	R10000-20000	R20000- R50000	R50000- R100000

14. Concerning the level of education, which qualifications do you think most of Nongoma Residents have?

School leavers	Matric	Degree	Master's Degree	Doctorate

15. Do you think Nongoma Residents are happy with the services they get from the municipality?

Yes	
No	

16. Do you think that Nongoma Local resident are getting good customer service when they come to pay for their rates or refuses to the municipality?

Yes	
No	

17. Have you ever had any complaints from any Nongoma Local resident complaining about not receiving any billing statement from the municipality?

Yes	
No	

18. Have you ever had any complaints from any Nongoma Local resident complaining about incorrect billing statement from the municipality?

Yes	
No	

19. According to credit control, “if a debtor fails to pay for his or her overdue amount, a demand letter should be send regularly to debtor” demanding them to come and pay to the municipality. Do you think that the municipality is sending those demand letters?

Yes	
No	

20. Nongoma credit control states that “a debtor who fails to pay his or her overdue amount should be referred to the attorneys” have you ever see any Nongoma local resident taken to attorneys.

Yes	
No	

21. Do you think that Nongoma Local Municipality trace the debtors who are missing to ensure that they recovery the outstanding balances?

Yes	
No	

22. Are there any other sources of revenue that you think the municipality is not aware of them?

Yes	
No	

If yes, what are those sources of revenue?

23. Do you think that outsourcing an agent to collect debtor can reduce the long overdue debtors

Yes	
No	

24. Do you think that community services have enough staff to collect waste within Nongoma area?

Yes	
No	

25. Does the resident of Nongoma local municipality notify the municipality when there is a change of property ownership to ensure that the municipality update the details in the billing system?

Yes	
No	

Appendix 5: Gate Keeper’s Letter

The Municipal Manager

11 May 2017

NONGOMA MUNICIPALITY
P O BOX 84
NONGOMA
3950

**PERMISSION TO CONDUCT RESEARCH AS PART OF THE RESEARCH
DISSERTATION REQUIPMENT FOR M.COM DEGREE IN NONGOMA LOCAL
MUNICIPALITY**

Dear Mrs Sokhela

My name is Gregory Maqhawe Dlamini, and I am Master of Commerce in Leadership studies (MCLS) student at the University of KwaZulu Natal in Westville. The research I wish to conduct for my dissertation is about: Factors affecting the implementation of revenue collection strategy. This project will be conducted under the supervisor of Dr Njabulo Khumalo (UKZN, South Africa)

I am hereby seeking your consent to approach several Nongoma Local Municipality staff members to participate in my research. Please be assured that all information gained from the research will be treated with the utmost circumspection. I have provided you with my research proposal to be used in the research process.

Upon completion of the study, I will provide Nongoma Local municipality the copy of the fully research report. If you require any further information, please do not hesitate to contact me on 035 831 7513, maqhawed@nongoma.org.za. Thank you for your time and consideration in this matter.

Yours sincerely,

.....
Gregory Maqhawe Dlamini

I hereby grant the candidate the permission to conduct his research study.

.....
Mrs V Sokhela
Municipal Manager

Appendix 6: Turn it in Digital Report



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