

A framework for enhancing the management of municipal revenue and working capital in



South Africa

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DECLARATION



I, Godfrey Sabeio Mpungose, hereby declare that the thesis entitled: **A framework for enhancing the management of municipal revenue and working capital in South Africa** is the result of my investigation and research that this has not been submitted in part or full for any degree or for any degree to any other University. The materials consulted have been duly acknowledged.

A handwritten signature in black ink, consisting of a large, stylized 'G' and 'M' followed by a horizontal line.

G.S. Mpungose

28/03/2018

Date

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ABSTRACT

The purpose of this study is to design a framework for enhancing the management of municipal revenue and working capital in South Africa. In spite of , the municipalities having put in place credit control and debt collection guidelines as the management tools to assist them to collect all monies due to them in accordance with the Municipal Systems Act, 2000, many municipalities have experienced escalating and outstanding debt. Other municipalities have been indirectly declared technically insolvent, regardless of the implementation of credit control and debt collection policies in the municipalities. It is on this basis that the purpose of the study was to design a framework for enhancing management of municipal revenue and identifying the causes of failure of current credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to South African Municipalities.

The study used a sequential exploratory design where 15 municipal finance managers were interviewed through in depth and focus group interviews. A total of 13 households and 2 organisations interacting with municipalities were incorporated to elicit their views on municipal governance through in depth interviews. Thematic analysis was used to identify the themes that emerged. The qualitative phase was followed by quantitative phase.

During the quantitative phase, a questionnaire was used to collect data from households and municipalities participants. Three hundred questionnaires were sent to municipalities and two hundred and forty two questionnaires were returned. Another three hundred questionnaires were sent to the households and three hundred questionnaires were returned.

The qualitative phase indicated that the municipalities lacked ICT system to improve revenue collection due to budget constraints they were subject to it; abuse of political power where the politicians instructed the municipal officials to relax internal controls to enforce the compliance of credit control and debt collection policy due to the next elections; incorrect billing; fraud and corruption by municipal officials who received bribes from households to reconnect the services without settling their accounts ; unwillingness of consumers to pay their accounts due to dissatisfaction with municipal services ; staff and skills associated with failure of debt control; illegal connection and faulty meters that compromised the implementation of credit control and debt collection policy.

The quantitative phase depicted that the municipalities are subject to an ingrained culture of non-payment, inadequate skills of municipal officials, including finance departments of municipalities, bribes, corruption and fraud on the municipal officials seeking the households to pay them so that they do not cut or restrict services even if the household accounts are unsettled.

The recommendations with regard to the above findings were to propose for the implementation of the five-stage model for reducing lack of debt control within the municipalities. The five stage model comprised the systems reducing failure of debt control , management style dealing with failure of debt control, strategy implementation to control credit failures, strategy implementation: structure strategy to control credit failures and strategy implementation: structure strategy to control credit failures.

The other recommendation is for the Government of South Africa to make amendments of the Municipal Systems Act, 2000, regarding the debt collection stages from the defaulters.

Key words:

Revenue Management; Working Capital; Political Structure; Administration Structure; Municipal Systems Act, 2000; Credit Control and Debt Collection Policy.

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LIST OF ABBREVIATIONS

IDP	:	Integrated Development Plan
MPRA	:	Municipality Property Rates
CCDP	:	Credit control and debt collection policies
CFA	:	Confirmatory Factor Analysis
CFO	:	Chief Financial Officer
COGTA	:	Cooperative Governance and Traditional Affairs
DORA	:	Division of Revenue Act
EC	:	Eastern Cape
FFC	:	Financial and Fiscal Commission
FS	:	Free State
GP	:	Gauteng
GHS data	:	General Households Survey data
IMFO	:	Institute of Municipal Finance Officers
ICT	:	Information and Communications Technology
IS	:	Information System
KMO	:	Kaiser-Meyer-Olkin Test of Sampling Adequacy
KZN	:	KwaZulu Natal
LIMP	:	Limpopo
MFMA	:	Municipal Finance Management Act
MP	:	Mpumalanga
MSA	:	Municipal Systems Act
NC	:	Northern Cape
N.D.	:	No date

NW	:	North West
OECD	:	Organisational for Economic and Development
SALGA	:	South African Local Government Association
SAPS	:	South African Police Services
SDBIPs	:	Service Delivery and Budget Implementation Plans
SPSS	:	Statistical Package for the Social Sciences
USAID	:	United States of Agency for International Development
RSA	:	Republic of South Africa
WC	:	Western Cape

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CHAPTER 1: INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

The purpose of this study is to design the framework for enhancing the management of municipal revenue and working capital due to the uncollectable consumer debts experienced by most South African municipalities over the past ten years. This has a negative impact on the financial position of these municipalities. This has occurred despite the municipality property rates and Municipal Systems Act, 2000 that have given the municipalities' power and authority to design the credit control and debt collection policies for monies due to them. Manyaka (2014:127), in terms of governance, states that the Constitution of Republic of South Africa (2006) makes a provision of the three spheres of government, which are national, provincial and local government, whereby local government is tasked to provide significant developmental responsibilities. Tsatsire, Taylor and Raga (2010:272) further emphasize that municipalities, in accordance with the new developmental mandate, are required to exercise a representative function with enhanced community participation to achieve service delivery, social and economic development and a healthy environment.

The municipalities are required to facilitate enhanced participation with communities, organisations and businesses to contribute to the development of the area and this is also described in the Integrated Development Plan (IDP), as an approach to planning, to assist the municipalities fulfil their developmental role (Tsatsire, Taylor & Raga, 2010:273). De Wet (2004:8) adds that if municipalities want to remain sustainable in the delivery of effective and efficient services to the communities, they are supposed to ensure that they collect revenue, curb wasteful and fruitless expenditure by making sure that infrastructure and equipment are well maintained and managed.

Du Plessis (2014:15) in light of the above, stresses that the Government of South Africa in the local sphere has put in place the legislative framework such as the Municipality Property Rates (MPRA), Act 6 of 2004 and Chapter 10 of the Municipal Systems Act, 2000, which provide municipalities with the authority to design credit control and debt collection policies (CCDP) to cater for their needs.

According to Municipal Systems Act, 2000, the municipalities are supposed to adopt credit control and debt collection policy through passing by-laws. The by-laws that are passed by the municipal councils give the municipalities the powers to implement credit control and debt policy in South African municipalities (Pauw, Woods, Van Der Linde, Fourie & Visser, 2009:314-315). The objectives of the credit control and debt policy are to:

- Provide a framework within which the municipal council exercises its executive and legislative authority with regard to credit control and debt collection;
- Ensure that all monies due and payable to the municipalities are collected and used to deliver municipal services in the best interests of community residents and ratepayers and in a financially sustainable manner;
- Set realistic targets for all debt collection;
- Outline credit control and debt collection policy, procedures and mechanisms; and
- Provide a framework to link the municipal budget to indigent support and tariff policies (Fourie, Opperman & Scott, 2011; South African Local Government Association (SALGA), 2015; Peters, 2011; United States of Agency for International Development (USAID), 2005; Pauw *et al.*, 2009:314-315 and Thornhill & Cloete, 2014).

Despite, the implementation of credit control and debt control policy by the municipalities, in terms of Municipal Systems Act, 2000, the majority of the municipalities in South Africa are confronted by challenges of municipal debts. This type of debt negatively affects the cash position of municipalities and their ability to fulfil their constitutional responsibilities and deliver quality services (Peters, 2011:1; Du Plessis, 2014:15). According to Peters (2011:115), the municipal consumer debt has a number of potential consequences such as crippling the cash position of municipalities and reducing the finance available for the delivery of basic services, infrastructure and maintenance as well as upgrading the infrastructure. Therefore, the purpose of this study is to design the framework for enhancing the management of municipal revenue and working capital due to the uncollectible consumer debts that are experienced by most of the municipalities over the past ten years (Peters, 2011:1; Du Plessis, 2014:15). This failure has a negative impact on the financial position of the municipalities.

Notwithstanding the challenges that South African Municipalities are facing, the municipalities are regarded as important contributors of poverty alleviation and economic development of the communities at large through providing free basic services to households and investing in infrastructure and services that are critical to economic growth (Peters, 2011:115).

Municipalities rely heavily on local government share allocation and conditional grants as well as municipality's own revenue, which comprise property rates and charges for providing basic services including water, electricity, refuse removal and sanitation. These services are pivotal in sustaining and developing local communities and regional economies (National Treasury, 2012:4-7).

Dharamlall and Moodley (2013:1) also point out that the Auditor-General South Africa in the financial year of 2011/2012 revealed that the average collection period across local government with regard to consumer debt was 387 days before any impairments (141 days after impairments).

It is also emphasised that in the state of Local Government Finances as at June 2012, 171 municipalities reported debtor levels higher than 30% of its own revenue and that debtors increased by 20% across local government on average (Dharamlall & Moodley, 2013:1-2).

In light of the above, it can be deduced that some of the municipalities are subject to net liability position due to poor management of municipal revenue in the context of the South African Municipalities. Therefore, Fjeldstand and Heggstand (2012:1) point out that a sound revenue system for local government is an important pre-condition for the success of fiscal decentralisation.

In addition, it is revealed that the growth of Africa's population has outpaced local authority capacity for service delivery in terms of management, infrastructure, and financing (Fjeldstand *et al.*, 2012; Nhede, 2013; Mazibuko & Fourie, 2013; Thornhill, 2006; Monkam, 2013:1). Firstly, the urban municipal authorities, many of which were originally instituted as colonial administrative institutions, have not coped with the fast-growing population. Secondly, a growing number of residents live in informal settlements characterised by deficient basic services like housing, clean water, electricity, sanitation, refuse collection, roads, and transport.

Thirdly, many local government authorities are financially weak and rely on financial transfers and assistance from the central government. Moreover, local government tax administration is often ineffective and not able to properly account for revenue collected (Fjeldstand *et al.*, 2012:1; Dharamlall *et al.*, 2013:1; Shafiei, Pakbaz, Shahbazi & Pilvieh, 2015:596-598).

Ngwenya and Majam (2011:170), in light of quality service delivery in the municipality, add that poor service delivery in South Africa between the period 2004 and 2009 has been seen as the root cause of protests in most communities in Gauteng. It is revealed that more than 50 service delivery protests occurred between 1994 and 2005 and reached a peak in 2009 (Ngwenya & Majam, 2011:170). These necessitated the Minister of Cooperative Governance and Traditional Affairs (COGTA) to introduce an intervention called "Operational Clean Audit 2014" and the Local Government Turnaround (Ngwenya & Majam, 2011:170).

The Turnaround Strategy focuses on five strategic objectives intended to improve service delivery, and addressing the financial and administrative problems in the South African municipalities (Ngwenya & Majam, 2011:170-171).

This implies that there is a need for accountability and good financial management to facilitate effective service delivery to occur in the municipalities in South Africa. Hence, this implies that the municipalities cannot deliver services to their communities without adequate municipal finances, and to raise income taxes, levies, rates and services paid by ratepayers (Mazibuko & Fourie, 2013:131).

This justifies that there is no municipal administration that can deliver services to its community if and only if there is money to pay its operational costs (Mazibuko & Fourie, 2013:131-132). Thus, mayor, municipal manager, councilors, chief financial officer and municipal other officials are all expected to play their best role in the sound financial management in their municipality (Mazibuko *et al.*, 2013:131-132; Fourie *et al.*, 2011:10-11).

This leads to the conviction that public confidence in municipalities is affected by the fundamental perception that anticipated service delivery is not rendered as expected due to poor revenue management and working capital within the municipalities.

Hence, the objective of this study is to contribute in designing a framework for effective management of municipal revenue and working capital, which would have a direct impact on the financial viability of municipalities in order for municipalities to offer effective service delivery to their communities. According to Zhou and Chilunjika (2013:1), the concept revenue means all the incomes from taxes, charges, fines, loans in which the local authorities mobilize from within and outside their areas of jurisdiction, whereby local authority collection systems differ depending on the size of jurisdiction, the payment methods allowed and the type of revenues received.

1.2 BACKGROUND TO THE STUDY

Pauw *et al.* (2009:314) concur with Du Plessis (2014:15) by highlighting that a municipality is required to collect all money that is due and payable to it and to ensure that it can fund its expenditure and sustain service in terms of Section 96 of the Municipal Systems Act (Act no.32 of 2000).

Kanyane (2011:937) and Pauw *et al.* (2009:314) argue that in terms of credit control and debt collection policy, the municipalities irrespective of being rural or urban municipality is supposed to adopt, maintain and implement a credit control and debt collection policy that is consistent with its rates and tariff policies. Pauw *et al.* (2009:314) suggest that such approach ultimately ensures that the municipality's financial position is viable, sound and secured.

In contrast with the above, according to a study by Kanyane (2011:937), it was revealed that when the debtors' ledger of the municipality was analysed, it was discovered that in most cases, there are long outstanding debts, usually outstanding for a period of more than 12 months. It is further stated that in a study conducted by the United States Agency for International Development: USAID (2005:2) that during the period between of 1998 and 2005 many municipalities became less sustainable due to escalating uncollectible municipal consumer debt. Such a situation poses a serious threat to the financial health of the municipalities and gives rise to service delivery backlogs as argued by Dharamlall & Moodley (2013:1).

The South African Local Government Association (SALGA) (2015:12) highlights that the South African fiscal system puts an emphasis on revenues generated locally to fund the bulk of municipalities' service delivery obligations. This aid the municipalities to enhance revenues and ensure the sustained delivery of municipal basic services are achievable.

Peters (2011:5-6) suggests that municipalities must be able to collect the revenues for the services provided to the communities and grow their own revenue base. The non-generation of municipal revenue can compromise the service delivery to the local government communities. This may suggest that the municipalities are subject to municipal consumer debt (Peters, 2011:2). Municipal consumer debt is defined as the non-payment by households, government and businesses on property rates and charges of water, electricity, sanitation and other municipal services (Financial and Fiscal Commission, 2011:45).

The Financial and Fiscal Commission (2011:45) further adds that municipal consumer debt poses a potential challenge that threatens the fiscal and financial position of municipalities and can affect the sustainable of quality service delivery. The background of this study further focuses on the municipalities in South Africa, municipal revenue and expenditure analysis and analysis of real average municipal consumer debt per municipal category.

1.2.1 Municipalities in South Africa

Chapter 7 of the Constitution of South Africa (1996) gives a framework for the establishment of democratic local government. Local government comprises 257 municipalities across South Africa, which are categorised into three broad bands namely, metropolitan municipalities, local municipalities and district municipalities. The three categories differ in terms of their composition and functioning. The eight metropolitan municipalities are City of eThekweni, City of Cape Town, City of Johannesburg, City of Ekurhuleni, City of Tshwane, Buffalo City and Mangaung Metropolitan municipality. A metropolitan municipality is a densely populated urban area with central business districts, and creates a conducive environment for economic growth and employment opportunities. There was a significant change in the local government sphere during demarcation of municipal boundaries. These changes became effective after the 2016 local government elections.

The changes resulted in a reduction of the number of local municipalities from 226 to 205 and the total number of South Africa municipalities from 278 to 257 (Local Government Handbook, 2017). The composition of local government in South Africa is depicted as follows:

Table 1.1: The past and current number of municipalities

Province	Metropolitan Municipality (Category A)		Local Municipality (Category B)		District Municipality (Category C)		Total	
	2011	2017	2011	2017	2011	2017	2011	2017
Eastern Cape	2	2	37	31	6	6	45	39
Free State	1	1	19	18	4	4	24	23
Gauteng	3	3	7	6	2	2	12	11
KwaZulu-Natal	1	1	50	43	10	10	61	54
Limpopo	0	0	25	22	5	5	30	27
Mpumalanga	0	0	18	17	3	3	21	20
North West	0	0	19	18	4	4	23	22
Northern Cape	0	0	27	26	5	5	32	31
Western Cape	1	1	24	24	5	5	30	30
Total	8	8	226	205	44	44	278	257



Source: Auditor-General South Africa, 2014; Municipal Demarcation Board, 2010; Madumo, 2012:85-86; Local Government Handbook, 2017).

Table 1.1 depicts that there are 44 district municipalities primarily responsible for towns and smaller cities. Local municipalities are grouped together in contiguous areas that form a district municipality. The 44 district municipalities provide structural and administrative support to local municipalities assigned to them (Mazibuko & Fourie, 2013; Auditor-General South Africa, 2014; Municipal Demarcation Board, 2010; Madumo, 2012:85-86, Local Government Handbook, 2017).

It is also pointed out that in all municipalities; the legislative and executive authority is vested in municipal councils. The municipal councils are regarded as the critical strategic components of municipalities as they play an important role of monitoring their respective municipalities and can make binding decisions (Madumo, 2012:86).

Table 1.1 also highlights that KwaZulu-Natal has the highest number of municipalities with 54, followed by Eastern Cape with 39 municipalities. Gauteng has the lowest number of municipalities overall, three of the eight Metropolitans fall within the province while KwaZulu-Natal and Eastern Cape have 16 of the 44 District municipalities. Fourie *et al.* (2011:5) as well as Van der Waldt, Venter, Van der Walt, Phutiagae, Khalo, Van Niekerk and Nealer (2007:8), in light of the above, further state that there are three categories of municipalities, which are:

Category A: Municipalities or metropolitan municipalities

These municipalities are regarded as municipalities that have exclusive municipal executive and legislative authority in their areas, and are characterised by high population density, intense movement of people, goods and services, many business districts and a centre of economic activity with a complex and diverse economy.

Category B: Municipalities or local municipalities

The municipalities, in this category, share the municipal; executive and legislative authority in their areas with a category C or district municipality. Local municipalities are in areas that do not meet the criteria set out for metropolitan municipalities.

Category C: Municipalities or district municipalities

These have municipal executive and legislative authority in an area that includes more than one local municipality, and they fall within the area of a district municipality (Fourie *et al.*, 2011:5).

1.2.2 Municipal revenue and expenditure analysis

The latest Statistics South Africa financial census of municipalities for the year ended 30 June, indicates that the highest contributor to municipal revenue for the 2014 financial year were grants and subsidies received accounting for 32,5%(2013:32.3%) followed by sales of electricity at 28,9% which is a marginal drop from 30,2% in 2013(Statistics South Africa,2015).

The third highest contributor to municipal revenues in 2014 was property rates at 14,5 % marginally up from 14% in 2013 followed by "other revenue" at 9,6 % in 2014 (2013 this was pegged at 9,1%). Other revenue entails revenue from which includes "fines, licenses and permits, public contributions and donations and so on" (Statistics South Africa, 2015:2).

The other main contributors, according to Statistics South Africa (2015) in 2014, include revenue from sale of water at 8,5%(2013:8,4%), sewage and sanitation charges at 3,4% (2013:3,3%) and lastly, refuse removal charges at 2,7% (2013:2, 6%).In terms of municipal expenditure for 2014, employee costs accounted for 26, 1% of operating costs marginally up from 25, 8% in 2003 followed by the purchase of electricity at 22,1% in 2014 marginally down from 23, 3% in 2013 (Statistics South Africa,2015).

Depreciation of assets accounted for 9,4 % of expenditure in 2014, marginally down from 10,0% while collection costs, loss on disposal of property, plant and equipment accounted for 9,3 operating expenses in 2014(2013:8,3%) (Statistics South Africa, 2015). Bad debts accounted for 6,4% of expenditure in 2014 marginally down from 6,2% in 2013 followed by general expenditure at 5,9% in 2014(2013:5,7%) (Statistics South Africa, 2015).

General expenditure includes accommodation, travel and subsistence, audit fees, bank charges, consultancy and professional fees, fuel and oil, hiring of equipment, insurance costs, subscriptions and membership fees, telecommunication costs (Statistics South Africa, 2015:4).

In 2014, water purchases accounted for 5,3% of expenditure, marginally up from 5,2% in 2013 while contracted services accounted for 4,8 % of municipal expenditure in 2014 (in 2013 this was at 4,6%) with repairs and maintenance accounting for 4,7% (2013 was 4,7%).The lowest contributors to municipal expenditure in 2014 included interest paid at 2,5% (2013 was 2,6%),grants and subsidies paid at 2,3%(2013 was 2,5%) and the remunerations of councilors that remain unchanged at 1,2% in 2014 (Statistics South Africa, 2015). Importantly, consumer debt increased form 28, 2 billion in 2013 to 31, 8 billion in 2014(Statistics South Africa, 2015).The municipalities in South Africa, in contrast of the above, have put in place the policy framework, which is a credit control and debt policy that is meant to assist the municipalities to collect the monies that are due to them (Fourie *et al.*, 2011).

However, the municipalities are still experiencing the escalating municipal debts. Hence, it can be deduced that the municipalities are subject to poor revenue management. It implies that the municipal expenditure is more than the revenues that are collected. This can give rise to the situation whereby the municipalities have inadequate working capital for day-to-day operations. Thus, these circumstances are referred as poor management of working capital on the side of the municipalities.

1.2.3 An analysis of real average municipal consumer debt per category

According to the Constitution of South Africa, 1996 (Act of 108 1996) and White Paper on Local Government 1998, the municipalities have the authority and power to collect revenues due to them, but the majority of South African municipalities are subject to the consumer debts, which impact negatively to the municipalities 'cash position.

This can limit the municipalities to render constitutional mandates and deliver quality services to the households. The municipal consumer debt is a situation whereby the households, government and businesses are unable to pay for property rates and charges of water, electricity, sanitation and other municipal services (Peters, 2011:1-2 and USAID, 2005).

Peters (2011), USAID (2005) and SALGA (2015) agree that the municipalities are confronted with the challenges of consumer debt. Peters (2011:2) states that the escalation of municipal consumer debt in the period between 2004/5 -2009/10 was as follows:

Table 1.2: Real average municipal consumer debt per municipal category, 2004/5 -2009/10

Municipal category	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Metropolitan municipalities		-22,4%	22,0%	-9.9%	1,4%	-2,9%
Secondary cities		74,3%	-42,3%	6,5%	14,9%	14,8%
Larger Towns		2339,7%	-92,2%	16,8%	2,4%	-12.5%
Medium to smaller			-78,1%	4,4%	29,8%	-18,1%
Rural municipalities		990,5%	-57,9%	-57,0%	27,8%	-5,8%
District without major powers		393,1%	-80%	-30,5%	-23,8%	-75,0%
Districts with major powers		274%	51,1%	-31,5%	41,6%	15.1%

Source: Peters (2011:2)

Table 1.2 indicates that average a debt declined between 2008/9 and 2009/10 which suggests that municipalities are getting better at collecting payment for services delivered but non-payment remains an issue and is a serious challenge to the financial health of municipalities. The research study conducted by USAID (2005:2) revealed that the total debt has more than tripled in the four years between 1998 and 2002 and has resulted in the shortage of cash for service delivery in the municipalities. It is also suggested that the municipalities can implement a turnaround strategy for revenue enhancement through reviewing the current revenue business models and processes applied within the municipalities (USAID, 2005:2).

In light of the above research studies, it was revealed that section 96 of the Municipal Systems Act, 2000 allows the municipalities to adopt, maintain and implement a credit control and debt collection policy in order to collect all money that is due and payable and to ensure that it can fund its expenditure and sustain service delivery (Fourie *et al.*, 2011:214). Despite, the policy framework of credit control and debt collection that is implemented by the municipalities, the municipalities are still unable to collect the revenues that are due to them (SALGA, 2015; Peters, 2011; USAID, 2005).

Therefore, it can be deduced that the policy implementation is not effective in terms of assisting the South African Municipalities to collect the revenues due to them for services rendered to the communities. The researchers in their studies did not attempt to develop a framework to improve the management of municipal revenue and working capital. Therefore, there is a gap in developing a framework to improve the management of revenue and working capital in municipalities.

1.3 PROBLEM STATEMENT AND SUBSTANTIATION

Fourie *et al.* (2011:238) point out that the most critical strategic risk facing the municipalities in South Africa is their ability to collect the revenue that is due to them for services rendered to their communities. This is evident in the study conducted SALGA (2015) that the collection of revenues in municipalities is most critical risk and the continuously challenge facing the municipalities in South Africa. SALGA (2015) highlights that the total stock of and real growth in municipal consumer debt for the period between 2004 and 2014 revealed that there is a constant in the total debt owed by consumers of municipal services to municipality. The debt in 2004 was very poor, with only 28 municipalities disclosing the debt status.

In 2005/6 and 2006/07 only 55 municipalities debt owed to them and debt levels increased significantly by 26% in real terms. It was also revealed that the total stock owed to municipalities continue to increase and was close to R100 billion in 2013/14 (SALGA, 2015).

This was referred as a significant of lost municipal revenues, which was equated to around 40% of total operating expenditure that year. In turn, the municipalities could have spent 40% more on services to communities if the municipalities (SALGA, 2015) recovered the outstanding debt. Consequently, the study conducted by Dharamlall and Moodley (2013:1) reveal that the most common symptom of the going concern uncertainties identified at the 74 municipalities was a net liability position, which 38 municipalities reported thereby indirectly declaring technical insolvency. Poor working capital management and net cash deficits were also common symptoms shown by these municipalities (Dharamlall & Moodley, 2013:1).

However, one critical question is what happens when the ability of municipalities to generate adequate levels of own revenue is constrained. To this end, the issue of non-payment is regarded as municipal consumer debt, which have a serious threat to the financial health of municipalities in South Africa.

The researchers such as Peters (2011), SALGA (2015), USAID (2005), Dharamlall, and Moodley (2013) who conducted the studies on revenue management and working capital also revealed that the municipalities in South Africa are subject to uncollectible consumer debts. These researchers in their studies did not attempt to develop a framework for creating effective management of revenue and working capital in municipalities.

The studies of these researchers reveal that Municipal Managers, Chief Financial Officers, Municipal Councils, Executive Mayors, Ward Councilors and Managers are supposed to play a critical role in improving the revenue management and working capital in municipalities in South Africa.

Kroukamp (2007:19) in addition of the above, suggests that the problem of local government debt is associated with the inter alia to the affordability of rates and tariffs, that is, if rates and tariffs are too high, many communities of municipalities cannot afford to pay the rates and tariffs. In addition, the level of services being provided by a local authority must justify the payment of the rates and the administration system with regard to the collection of revenues that the communities of the municipality feel compelled to pay.

Schoeman (2011) also concur with the above studies by pointing out that in the process whether the municipalities are given the independence on the utilisation of grants but local government sustainability does not seem to prevail in the municipalities. Schoeman (2011:6) states that in order for the municipalities to be sustainable, there must be a situation whereby revenue should match expenditures from an inter-temporal perspective. The municipality fiscal sustainability in South Africa was found to be under pressure because a sample of 27 municipalities revealed that the average collection period is in the range of 150 days and a delay is on the increase (Schoeman, 2011:6).

This implies that the municipalities have a liquidity problem, increased short-term loans, deficits and accumulation of long-term debt. In addition, it was revealed that the number of debtor in the sample and provision for bad debt are on the increase and even though the operating revenues increases, but expenditure growth exceeds revenue growth (Schoeman, 2011:6).

Hence, it is deduced that the municipalities in South Africa are subject to net liability position and there is a high probability for some of the municipalities could be declared indirectly technical insolvency in future.

The study that was conducted by Dharamlall and Moodley (2013:1) attest that the some of the municipalities have a series challenge with regard to revenue management and working capital. It is revealed that some municipalities were indirectly declared technical insolvency due to the fact that were subjected to net liability position (Dharamlall & Moodley, 2013:1).

Fourie *et.al.* (2011:238) argue that the problem of municipal debts is uncontrollable despite that the municipalities have introduced the credit control and debt collection policy that give municipalities the authority to collect all revenues due to them. This implies that the municipalities are unable to collect the revenues from their customers and communities in return of their services rendered to their customers and communities. Hence, it can be concluded that there is research gap with regard to develop a framework that will aid to improve the management of revenue management and working capital in the municipalities in South Africa.

In light of the above, the problem statement of this study can be summarised as follows:

- The municipalities have adopted and implemented policy on credit control and debt collection in accordance with Municipal Systems Act, 2000. However, in return, the municipalities are still experiencing uncollectable consumer debts and some were subjected to net liability position. This implies that the municipalities in South Africa are subject to poor revenue management and working capital management that will impact negatively on the day to day operations of the municipalities to provide services to their customers and communities.

In conclusion, this implies that there are important implications for the management of municipal revenue and working capital policies. Hence, the aim of the study is to investigate the causes of uncollectable municipal revenues, despite the implementation of credit control and debt collection policy in the South African municipalities. The study will then design a framework that will assist the South African municipalities to improve the revenue management and working capital due to a challenge of the uncollectable monies that are due to the municipalities in South Africa.

1.4 RESEARCH QUESTIONS

The background and the research problem of the study indicate that there is a research gap with regard to develop a framework to improve the management of revenue management and working capital. The research gap will be addressed by answering the research questions, which are depicted as follows:

1.4.1 What are the causes of failure of current credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African Municipalities?

1.4.2 What framework can be used to improve the management of municipal revenue and working capital in South Africa?

1.5 RESEARCH AIM AND OBJECTIVES

1.5.1 Research aim

In view of the problem statement and research questions formulated above, the aim of the study is to investigate the causes of failure of current credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African Municipalities and thereafter, to develop framework to improve the management of municipal revenue and working capital in South Africa.

1.5.2 Research objectives

The study in light of the research problem and the background of the research study will intend to achieve the research objectives, which are outlined below:

1.5.2.1 To identify the causes of failure of current credit control and debt collection policy and Municipal System Act, 2000 in terms of collecting all monies due to the South African Municipalities.

1.5.2.2 To develop a framework that can be used to improve the management of municipal revenue and working capital in South Africa.

1.6. SCOPE OF THE STUDY

According to the Auditor-General South Africa (2014), Municipal Demarcation Board (2010) and Madumo (2012:85-86) as reflected in **Table 1.1** above, there are 257 municipalities in South Africa. The findings of the studies conducted revealed that the municipalities in South Africa are unable to collect all monies due to them and are also subject to net liability position despite the implementation of credit control and debt collection policy in terms of Sections 96, 97 and 99 of Chapter 9 of the Municipal Systems Act, 2000 (SALGA, 2015; USAID, 2005; Dharamlall & Moodley, 2013; Fourie *et al.*, 2011).

In light of the above, it is clear that the problem of uncollectable consumer debts is a challenge of municipalities in South Africa. Therefore, this study will focus on municipalities in South Africa, which are categorised into Category A: Municipalities or metropolitan municipalities, Category B: Municipalities or local municipalities and category C: Municipalities or district municipalities (Fourie *et al.*, 2011:5).

According to Fourie *et al.* (2011) and Pauw *et al.* (2009), the following personnel are responsible for implementing and put internal control systems in credit control and collection policy in the South African Municipalities:

- Municipal Managers
- Chief financial Officers
- Municipal Council
- Mayors/Executive Mayors
- Ward Councilors
- Managers
- Audit and Risk Committee
- Internal Auditors
- Finance portfolio committee members

In terms of the above stated, the study focuses on the municipal managers, chief financial officers, executive managers and other managers because they are involved in the effective implementation, controlling, monitoring and evaluation of credit control and debt collection policy as contained in Sections 95; 96(a); 96(b); 64(2) (a); 99; 97; and 97(2) of Municipal Systems Act of 2000 in the context of municipalities in South Africa.

It follows from the above that, this study covers the managers of COGTA since they supposed to enhance the role and status of municipalities in terms of services delivery to their communities, but the municipalities are unable to delivery to their communities as expected and therefore, it can be concluded that there is a contrast between what COGTA has mandated to do in the context of South African and what is currently happening to the municipalities according the findings of Dharamlall & Moodley (2013); SALGA (2005); USAID (2005) and Peters (2011).

In their studies, South African municipalities are unable to collect revenues due to them based on the services that were provided to communities of municipalities. In return, the households, government and businesses are expected to pay for the services that are provided to them by the municipalities in terms of credit control and debt collection policy in order for these municipalities to be sustainable and continue to provide service delivery.

Hence, it can be deduced that the scope of the study extended to the householders, government and businesses.

1.7 SIGNIFICANCE OF THE STUDY

The research study intends to improve the management of municipal revenue and working capital of municipalities in South Africa and the service delivery of the communities of municipalities at large. However, those who benefit directly are the municipal managers, and municipal officials. The municipal managers and municipal officials are anticipated to acquire strategies that they can use to deal with the South African Municipalities that are confronted with escalating uncollectable municipal consumer debt, which has a negative impact on the financial health of the municipalities, which all give rise to service delivery backlogs.

On the other hand, the public officials is bound to learn more about the enhancement of management of revenue and working capital and what they should do in order to support the municipalities to counteract the situation whereby the municipalities are indirectly declared insolvency due to the fact that are subject to net liability position and some of the municipalities are indirectly declared insolvency due to fact that the municipalities are subjected to net liability position (Dharamlall & Moodley, 2013).

Therefore, the parties involved improving the management of municipal revenue and working capital benefit are as follows:

1.7.1. Economic growth / development of municipalities

The municipalities have lost the credibility in terms of service delivery to communities at large, which have been observed through industrial actions against some of the municipalities (COGTA, 2009:12).

In terms of research objective 2, the developed framework aids the municipalities to restore their credibility through utilizing the revenue enhancement strategies to ensure improvement of municipal working capital for day-to-day operations.

1.7.2. Significance to administration function on credit control and debt collection

The significance to administration function in this study will cover municipal manager, chief financial officer, municipal council, mayor/executive mayor, and councilors that are briefly discussed in the subsections as follows:

The administrative structure includes the municipal managers other executive managers and their role is to implement the credit control and debt collection policy in terms of Municipal Systems Act, 2000. The framework provides sound knowledge and strategies to implement and enforce the compliance of credit control and debt collection policy in municipalities.

1.7.3. Political structure

The responsibility political structure includes:

- To approve a reporting framework for credit control and debt collection;
- To play an oversight role in the implementation a policy

Therefore, the framework developed in this study offers sound knowledge to play an oversight role in the implementation of credit control and debt collection policy.

1.7.4 Policy making perspective

According to Pauw *et al.* (2009:216), there are risks related to the poor management of working capital and the potential problems can prove costly in terms of the bad debts, stock obsolete and cash restrictions, which prevent the service delivery. In terms of this research study, a framework for improving the management of municipal revenue and working capital is developed to deal with the shortage of cash in the municipalities, which has a negative impact on the programmes of the infrastructure in municipalities.

In light of the above, the study contributes to the municipalities developing the policy proposals on credit control and debt collection policy in order to introduce the best practices and to build the necessary control systems to curb the net liability position that the municipalities are subject to as pointed out in Dharamlall & Moodley (2013).

Thus, the overall significance of the study is based on the purpose of the study, that is, to design a framework for enhancing the management of municipal revenue and working capital due to the uncollectable consumer debts that had experienced by most of the South African municipalities over the past ten years.

1.8 CHAPTER DIVISION OF THE STUDY

This section covers a chapter layout to indicate the flow of research and the reasoning processes. It also provides some initial information of the objectives within each chapter. The research study is separated into chapters, which are structured as follows:

Chapter one: Introduction and background

This chapter focusses on the research title, giving an overview of the background and providing a scope of the study. This chapter also highlights debtor management practices, revenue management and enhancement. The problem statement and substantiation, research questions, research aim and objectives are discussed together with chapter division of the study. The objective of this chapter is to give the research orientation of this study.

Chapter two: Literature Review on Revenue Management and Working Capital

This chapter addresses the literature review that is relevant to research objective one, whereby the literature review of debtor management practices, revenue management process, the roles and responsibilities of managers in the implementation credit control and debt collection policy is presented.

It gives the in-depth discussion of debtor management cycle, municipal business model, and the mandate of credit control and debt collection policy in terms of Municipal Systems Act of 2000 in the municipalities of South Africa. The chapter also highlights the views of researchers with regard to revenue management and working capital.

The literature review of other countries with regard to revenue management and working capital is equally highlighted to provide a global panorama of local governance practices.

Chapter three: Literature Review on Theoretical Framework

This chapter discusses theories that are relevant to the improvement of management of municipal revenue and working capital. These theories include theory of non-payment, theory of accountability, stakeholders' theory of accountability, institutional theory and transaction cost theory.

Chapter four: Research Methodology

This chapter explains the research methodology used in the study. The sample is highlighted and the method of obtaining data, reliability and validity of the research are discussed. This chapter gives the research methodology utilised to address research objectives one and two in order to design a framework to effectively management the municipal revenue and working capital as per research objective two of the research study.

Chapter five: Qualitative Data Analysis and Interpretation of results

This chapter reports the findings with tables, graphs and figures and verbal descriptions. This chapter presents information on which variables were used in the analyses.

Chapter six : Quantitative Data Analysis and Interpretation of results

This chapter discusses and interprets the findings of quantitative phase, whereby the findings of the quantitative phase will confirm the findings of qualitative phase. This chapter explores important relationships among what was done in the past, the purpose of the study, and the result of the current study. The chapter interprets the results and discuss their implications. It also uses the data to address the research objectives.

Chapter seven: Framework for improving the management of municipal revenue and working capital

This chapter indicates the strength of the findings that depict the summary of the framework, which address research objective 2 of the study as outlined in number **1.5.2.2** above.

Chapter eight: Conclusions and recommendations

This chapter offers feasible recommendations with regard to how to improve the management of municipal revenue and working capital.

1.9 CHAPTER SUMMARY

The outstanding and escalating debts in municipalities have a negative impact on financial position of South African municipalities. The Municipal Systems Act, 2000 has given powers to the municipalities to adopt, maintain and implement credit control and debt collection policy to collect all monies from local communities in terms of services rendered to them. The municipalities are expected to be financial viable in order to provide services to households, businesses and government departments. The households, businesses and government departments in return, should pay for the services provided to them. Thus, if the municipalities want to be financial viable in terms of providing services to local communities, they must ensure that they collect revenue, curb wasteful and fruitless expenditure and ensure that infrastructure and equipment are well maintained and managed. Hence, the purpose of this study is to develop a framework to improve the management of municipal revenue and working capital in South Africa municipalities in South Africa.

This chapter provided the introduction, background of the study whereby the problem statement emanated from it, the significance of the study, research questions and objectives and chapter division of the study. The chapter also focused on municipalities in South Africa, analysis of real average municipal consumer debt per category and municipal revenue and expenditure analysis. Lastly, the division of chapters of the study was outlined. The following chapters 2 and 3 will present the detailed literature review of the problem statement.

CHAPTER 2: LITERATURE REVIEW ON LEGISLATIVE GOVERNMENT FRAMEWORK GOVERNING MUNICIPAL REVENUE AND WORKING CAPITAL

2.1 INTRODUCTION

This chapter discusses the literature that impact on the improvement of the management of municipal revenue and working capital and gives an overview legislative framework for local government applicable to management of municipal revenue and working capital. The chapter further explains and discusses the municipal structure for management of local government finance, local government fiscal framework for funding municipalities in South Africa, the strategies for improving municipal revenue, municipal debt management, debt profile of South African municipalities and conceptual framework for management of municipal revenue and working capital.

Additionally, Fourie, Opperman and Scott (2011) state that all municipalities in South Africa are facing a critical risk in terms of their ability to collect revenue due to them for services rendered to the communities they serve. However, Section 96 and Section 97 of the MSA provide for the debt collection responsibility of municipalities, as well as their ability to adopt, maintain and implement a credit control and debt collection policy.

In terms of Section 96(a) and Section 96(b) of the Municipal Systems Act (MSA), 2000 a municipality must adopt, maintain and implement a credit control and debt collection policy that is consistent with its rates and tariff policies and complies with the provisions of the MSA. Thus, a municipality must collect all monies due to it (RSA, 2000a).

2.2 LEGISLATIVE FRAMEWORK FOR LOCAL GOVERNMENT APPLICABLE TO MANAGEMENT OF MUNICIPAL REVENUE AND WORKING CAPITAL

This section depicts the legislative framework for local government in accordance with management of municipal revenue and working capital. The Constitution (RSA, 1996) lays the foundation of other pieces of legislation for managing the municipal revenue and working capital as well as debt management. The Constitution (RSA, 1999) is the supreme law of the land, which aimed at improving the quality life of all citizens. This implies financial management is a constitutional requirement for all three sphere of government (Craythorne, 2006:247). In addition, Craythorne (2006:247) and Constitution (RSA, 1996) highlight that Section 215 contained the national, provincial and municipal budgets.

Section 215 of Constitution (RSA, 1996) seeks accountability to national, provincial and budgetary processes to endorse transparency, accountability and the effective financial management and debt management. The local government was set aside with main purpose of rendering service delivery local communities they serve (Craythorne, 2006). The municipalities will be able to provide services to local communities if and only if they are able to collect revenue and control outstanding debts.

South Africa's legislative requirements with regard to local government's financial management functions are set out in the Constitution of South Africa, 2006 (Act of 108 1996) and other legislation with the intention of effective and efficient financial management and administration (Mazibuko & Fourie, 2013:132; Kroukamp, 2007:19-20; Manyaka, 2014:129-130). The legislative mandates applicable on revenue management and working capital are briefly discussed in the following subsections:

2.2.1 The Constitution of South Africa, 1996 (Act of 108 1996)

The Constitution of South Africa, 1996 (Act of 108 1996) cites that the local government has the responsibility to provide services to the local communities. It also imposes a specific set of responsibilities on national and provincial spheres of government to support and capacitate the municipalities.

Fourie *et al.* (2011) and Pauw, Woods, Van Der Linde, Fourie & Visser (2002) state that the Constitution of South Africa, 1996 (Act 108 of 1996) suggests that the municipalities should raise their own revenue from services, property rates, surcharges and other taxes, levies and duties.

Furthermore, Chapter 7 of Constitution indicates that the municipal finance system should be in accordance with basic policy principles, which are:

Revenue adequacy and certainty: The municipalities are expected to possess enough resources to execute the responsibilities assigned to them;

Sustainability: It refers to financial sustainability, whereby the municipalities are supposed to prepare the balanced budgets in such a manner that revenue exceeds expenditure. The municipalities should ensure that the services are affordable and to those who cannot afford to pay for basic services must be introduced to indigent management policy in order to become indigents;

Effective and efficient resource use: The municipalities are subjected to scarce resources and it requires municipalities to use resources in such a way the local communities derived benefits from scarce resources. This can be achieved through budget process that will make it a point that resources are put to their best use;

Equity and distribution: The municipalities must ensure that the citizens are treated equitably in terms of rendering the services. However, the local government is not only responsible for equally distribution of wealth. It requires the national government to play an important role in this regard in terms of subsidizing the provision of basic services through increase of equitable share and conditional grants;

Accountability, transparency and good governance: The municipalities are supposed to account to local taxpayers for the utilization of public funds. This will require the councillors to defend their expenditure decisions and able to explain why and how the revenue are needed to sustain the raised expenditure;

Development and investment: The municipalities should embark on increased investment in municipal service infrastructure in order to meet the basic needs in relations to the context of existing service backlogs;

Macroeconomic management: The municipalities are duty bound to operate within the macroeconomic framework because are part of public sector in South Africa. This implies that the municipalities financial activities should be in line with macroeconomic fiscal policy (Fourie *et al.*, 2011).

Moreover, the Constitution (RSA, 1996) undoubtedly provides for municipalities to levy charges on services rendered to local communities. The municipalities should collect monies due to them in the transparent and accountable manner from the citizens of South Africa. The Municipal Systems Act, 2000 supports the municipalities to charge the services, collect revenue and control outstanding debts (RSA, 2000a; Fourie *et al.*, 2011; Pauw *et al.*, 2002, Thornhill *et al.*, 2014).

Consequently, in light of the above, it is critical for the municipalities to possess best financial management practices in place to effect these commitments and able to charge services in affordable manner.

2.2.2 Municipal Systems Act (MSA), 2000

MSA (32/2000) emphasised that the local government should be developmental orientated and set out core principles, mechanisms and processes to promote developmental local government. Sections 62(1), 64(1) and 96(b) gives the mechanisms to regulate the collection and management of municipal revenue. Section 96 of Municipal Systems Act (32 /2000) gives powers to municipalities to adopt, maintain and implement credit control and debt collection to collect all monies due to the South African Municipalities. The municipal councils in this regard should pass by-laws to give effect to the implementation of credit control and debt collection policy in the municipalities.

The municipality have the authority to charge, recover, and recover fees, charges and tariffs in terms of any service of the municipality. The municipality has power to recover collection charges, interest on outstanding debt (Fourie *et al.*, 2011; RSA, 2000a) .However, it requires, the municipal council before levying any fees, and cover them to pass a resolution to its council members. The municipality thereafter must make a public notice about this resolution for a period of at least 30 days (Fourie *et al.*, 2011).

The credit control and debt collection policy is the financial policy, which is consistent with its rates, and policies and compliance with the provisions of Section 96 of the Municipal Systems Act, 2000 in order to develop the local economy and provide acceptable services to its residents. This policy should provide mechanisms and procedures to ensure that payments are received in full from residents who can afford to pay. The policy must also cater for people who cannot afford to pay municipal accounts through allow them to be registered as the indigents so that they can access basic services such as water and electricity, (Fourie *et al.*, 2011).

The municipalities are invested with the powers to pass by-laws to give effect to the implementation and force compliance of credit control and debt collection policy. The municipality has the authority to charge and recover fees, charges and tariffs in terms of any service of the municipality. The municipality has power to recover collection charges and interest on outstanding debt (Fourie *et al.*, 2011; RSA, 2000a). However, it requires the municipal council, before levying any fees and recovering them, to pass a resolution through its council members. The municipality thereafter must make a public notice about this resolution for a period of at least 30 days (RSA, 2000a).

Based on the above, the Municipal Systems Act, 2000 gives the municipalities authority to draft credit control and debt collection policy then the municipal councils approve it.

This policy as the financial policy, which is consistent with its rates, and policies and compliance with the provisions of Section 96 of the Municipal Systems Act, 2000 in order to develop the local economy and provide acceptable services to its residents. This policy should provide mechanisms and procedures to ensure that payments are received in full from residents who can afford to pay, or in accordance with its indigence relief measures for those who have registered as indigents in terms of approved indigent management policy of the municipality (Fourie *et al.*, 2011).

2.2.3 Municipal Finance Management Act (MFMA), 56 of 2003

The MFMA (56/2003) intends to ensure that the municipalities and municipal entities have the sound and sustainable financial management through establishing treasury norms and standards local government for:

- Ensuring transparency ,accountability and appropriate lines of responsibility in fiscal and financial affairs of municipalities and municipal entities;
- Planning budget process and financial processes and coordinating of these processes of organ of state in other sphere of government;
- Process of managing revenue, asset and liabilities, expenditure, and handling of their financial dealings;
- Borrowing;
- Handling of financial problems.
- Supply chain management; and
- Other financial matters

2.2.4 Municipal Property Rates Act, 6 of 2004

The Constitution of South Africa (1996) highlights that municipalities are entitled to impose rates on property in their own areas in consultation of national legislation. In addition, the municipalities are supposed to be developmentally oriented in order to attend to service delivery priorities and to promote economic and financial viability of the municipalities. The Municipal Property Rates Act (6/2004) regulates the municipalities' power to impose property rates. The municipalities are entitled to impose rates on property in their own areas in consultation. The property rates are the main source of finance the services provided to local communities. Thus, the amount that property owners should pay the municipalities depends on the value of property and the rate in the rand applicable on that particular financial year.

In addition, Kroukamp (2007:20), points out that Municipal Property Rates Act, 6 of 2004 acknowledges the effective billing systems and an enhanced credit control and debt collection policy as the key to sustainability of municipal revenue and working capital.

2.2.5 Municipal Demarcation Act (27/1998)

Municipal Demarcation Act (27/1998) authorizes the Municipal Demarcation Board to determine the categories of municipalities and outer boundaries and wards. The board has to give advice to the central government and work in collaboration with other government departments to ensure that the municipal boundaries are aligned with service delivery regions of government. It is critical for the Board to assess the capacity of a municipality when determining and redetermining a municipal boundary.

2.2.6 The Municipal Fiscal Powers and Function Act (12/2007)

This act authorizes the municipalities the right to impose rates property and a surcharges on fees for services provided or on behalf of the municipality in terms of Section 229 (1) (a) of the Constitution of South Africa, 1996.

The act offers effect to Section 229(1) (b) of Constitution of South Arica, 1996 through allowing municipalities to impose other taxes, levies and duties to local government, if authorized by national legislation. The act provides the Minister of Finance to prescribe norms and standards for municipal surcharges. Therefore, the municipalities should be able to collect revenues and control debts through implementation effective credit control and debt collection policy.

2.2.7 The Division of Revenue Act

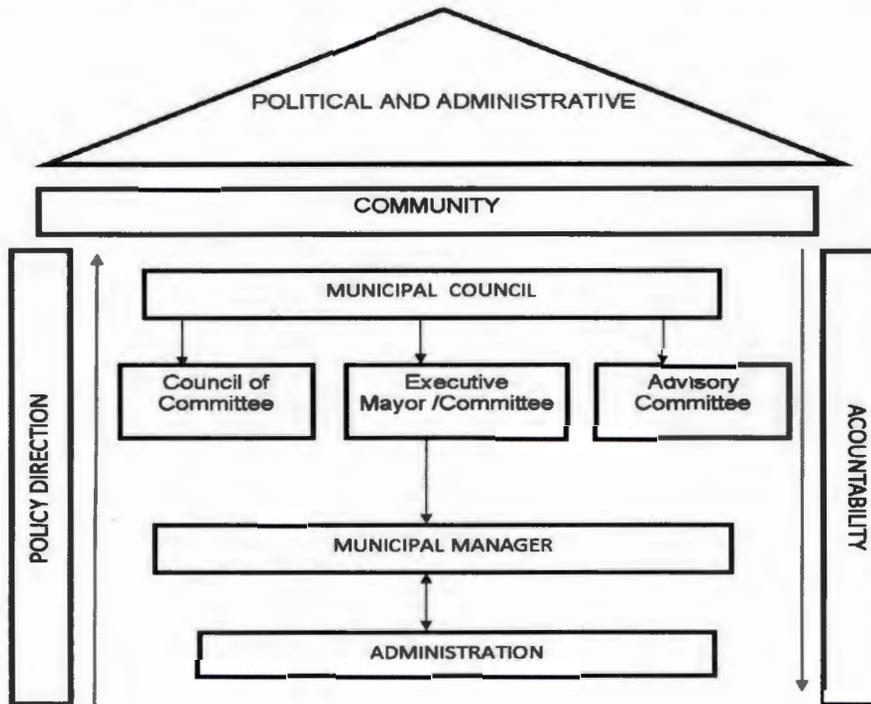
The Division of Revenue Act is act passed by parliament annual to give for the equitable division of revenue raised national among the national, provincial and local government for the following year and responsibilities of three spheres pursuant to such division.

2.3 MUNICIPAL STRUCTURE FOR MANAGEMENT OF MUNICIPAL REVENUE

According to the Structure Systems Act (32) of 1998 and Municipal Finance Management Act, there are structures within the municipalities that are expected to execute critical responsibilities in terms of revenue collection and debt management. These structures are fundamental structures for the existence of the municipalities and without them, the services cannot be provided to the households, businesses, government departments and other stakeholders of the municipalities (Fourie *et al.*, 2011; Craythorne, 2006). The Chief Financial Officers Handbook for Municipalities (n.d) and Craythorne (2006) point out the municipal structure, categories of municipalities roles and responsibilities of municipal council, councillors, executive mayor, mayor, municipal manager and chief financial officer (CFO).

The above-mentioned structures are important for implementation of credit control and debt collection policy in terms revenue collection and debt management. The structures that are critical in revenue collection are the political and administrative structures, which are depicted in **Figure 2.1** as follows:

Figure 2.1: Municipal structure for management of local government finance



National Treasury: Chief Financial Officers Handbook for Municipalities (n.d)

The function of leadership structures as the council mayor, municipal managers, chief financial officer with regard to municipal management are briefly outlined in the following subsection.

2.3.1 Municipal Mayor

The executive mayor is supposed to promote the management of municipal revenue and working capital through ensuring that council's budget, cash flow and targets for debt collection are met and executed in terms of credit control and debt collection policy and relevant by-laws; monitoring the performance of municipal managers in implementing the policy and by-laws; to review and evaluate the policy in order to improve efficiency of council's credit and debt collection procedures, mechanisms and processes and to report to council on these matters (Pauw, *et al.*, 2009).

2.3.2 Municipal City/ Manager

The municipal /city manager is the head of the administration of the municipality who is appointed by municipal council in terms of Section 57(6)(a) of the amended Municipal Systems Act. In terms of Municipal Systems Act and Section 1 of the Municipal Finance Management Act (MFMA), the municipal/city manager is also the accounting officer of the municipality (Fourie *et al.*, 2011).

The accounting officers/municipal managers of the municipalities are supposed to take responsibility for the management of revenue management through taking reasonable steps to ensure that:

- the municipality has effective revenue collection systems are consistent with section 95 of the Municipal Systems Act (customer care) and the municipality's credit control and debt collection policy, including the calculation of revenue due to the municipality on a monthly basis;
- accounts for municipal tax and charges for municipal services are prepared on a monthly basis;
- that all monies received are promptly deposited in accordance with the Act into municipality's primary and other bank account;
- the municipality has and maintains a management, accounting and information system which recognizes revenue when it is earned; accounts for debtors; and accounts for receipts of revenue;
- the municipality has and maintains a system of internal control in respect of debtors and revenue;
- the municipality charges interest on arrears, except where the council has granted exemption in accordance with its budgets-in line with related policies and within a prescribed framework; and

All revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled a least on weekly basis (Craythorne, 2006).

2.3.3 Ward councilors

The ward councilors, in terms of enhancing the management of municipal revenue and working capital, are supposed to hold regular ward meetings to discuss these matters; to adhere to and convey council policies to residents and ratepayers and to ensure that ward committees act in terms of the roles and functions as approved by council in terms of credit control and debt collection (Pauw, *et al.*, 2009).

The municipalities are duty bound to collect the revenues that are due and payable to ensure that they can fund their expenditure and sustain service delivery in terms of section 96 of the Municipal Systems Acts of 2000.

2.3.4 Chief financial officer (CFO)

According to Thornhill *et al.* (2014), the municipalities are expected to have a budget office and treasury office headed by chief financial designated by the municipal manager and personnel allocated by the municipal manager to the CFO.

The CFO of a municipality is administratively in charge of the budget and treasury office to perform functions such as:

- Budgeting, accounting, analysis, financial reporting, cash management, debt management, financial management, review and other functions as may be delegated to the chief financial officer by the municipal manager.

The CFO of municipality is accountable to the municipal manager for the performance of the functions assigned to him/her.

In tallying the above, Section 77 of Municipal Financial Management Act 56 (2003) points out that top management of municipalities are responsibly for financial administration. The top management comprises the accounting officer, the chief financial officer; all senior managers who are responsible for managing votes of the municipality and to whom powers and duties for this purpose have been delegated in terms of section 79 of this Act, and any other senior officials designated by the accounting office (Section 77 of MFMA, 2003).

Section 78 of MFMA, paragraph 56, (2003) highlights that each senior manager and each official of municipality exercising financial management responsibility must take all reasonable steps within their respective areas of responsibility to ensure that:

- (a) the system of financial management and internal control established for the municipality is carried out diligently;
- (b) the financial and other resources of the municipality are utilized effectively, efficiency, economically and transparency
- (c) any unauthorized, irregular or fruitless and wasteful expenditure and any other losses are prevented;
- (d) the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary; and
- (e) the provisions of this Act, to the extent applicable to that senior manager or official, including any delegations in terms of section 79, are complied with

In addition, the Chief Finance Officer Handbook (2003) argues that the municipal manager, chief financial officer and other senior managers are responsible for:

Accountability: the municipal manager is accountable to the council for overall administration of the municipality and should provide guidance to municipality with revenue collection imperatives.

Staffing: The municipal manager should ensure that the well skilled executive managers are appointed and to provide general financial management expertise including revenue and debt management. The CFO must update regularly senior management of the municipality (National Treasury: Chief Financial Officers Handbook for Municipalities, n.d).

Debtors/Accounts Receivable: Section 97 of MSA, 2000 suggests that the credit control and debt collection policy should be adopted and maintained and implemented through approved and signed by-laws (*Fourie et al., 2011*). In terms of the purpose of this study, it is critical for politicians and municipal administration to ensure that revenue collection and debt management in accordance with credit control and debt collection is implemented to the letter (*Thornhill et al., 2014; Pauw, et al., 2009; Section 77 of MFMA, 2003; Van der Waldt et al., 2007*).

In year monitoring and reporting: CFO is accountable to municipal manager to ensure that municipality complies with in year monitoring reporting requirements as per Section 71 of MFMA. Thus, CFO must ensure that internal control systems such as the revenue management systems and in year monitoring and reporting are of good quality and report is submitted as per prescribed timeline (National Treasury: Chief Financial Officers Handbook for Municipalities , n.d).

Risk Management: CFO and all senior managers as well as other municipal officials must ensure that strategic and operational risks are identified and mitigating strategies are in place and effectively implemented. This implies that the municipality should also identify financial risks in relation to revenue collection and debt management, thereafter put in place mitigating strategies and implement them (National Treasury: Chief Financial Officers Handbook for Municipalities, n.d).

However, in turn, what is cited above is not happening and the municipalities are subject to escalating consumer debts (*Pauw et al., 2009; USAID, 2005*). Thus, some of the municipalities are indirectly declared technically insolvent and expenditure growth exceeded revenue growth (*Dharamlall & Moodley, 2013:1*).

Therefore, it can be concluded that the municipal council, executive mayor, ward councilors, chief financial officers other senior managers and other municipal officials are not executing their roles and responsibilities as required which is to ensure that all monies due to municipalities are collected as per credit control and debt collection policy (*Pauw et al., 2009*).

Hence, it can be deduced that municipal council, executive mayor, ward councilors and municipal officials as reflected above have important administration functions in improving the management of municipal revenue and working capital. Thus, this study proffers recommendations that can be utilized by these officials of municipalities to contribute to the improvement of the management of municipal revenue and working capital in South Africa.

2.4 LOCAL GOVERNMENT FISCAL FRAMEWORK FOR FUNDING MUNICIPALITIES IN SOUTH AFRICA

2.4.1 Principles Governing Local Government Financing

According to Zhou and Chilunjika (2013:234-234) in Zimbabwe, it is revealed that across the world, taxes constitute the major source of the local government and ratepayers sometimes have a problem with regard the amount to be paid and the benefits derived from the amount paid. It is further stated that revenue collection should be guided by the general theory of tax design which means that tax design and revenue collection should be based on benefit-pay, economic efficiency, administrative convenience and equity. The tax design principles have implications that are beyond governance of local tax revenue collection, which include the strengthening of local authority in social legitimacy that has a bearing on their sustainability and capacity to enlist local participation in local authority and programmes (Zhou & Chilunjika, 2013:234-234).

In terms of transparency and accountability, the local communities and ratepayers are expected to be part of budget process; reviewing tax rates, fees, and fines (Zhou & Chilunjika, 2013: 234; Fourie *et al.*, 2011). Zhou *et al.* (2013:234) in the study that was conducted by the Zimbabwe Institute in 2005, the concepts of transparency and accountability should be part of democratically elected officials when it comes to policies and actions regarding public funds, and this is applicable in the context of South African municipalities, in where there is a dire need for sound financial management within municipalities (Fourie *et al.*, 2011; Pauw *et al.*, 2009).

2.4.2 Approaches to municipal financial management

In light of the above, Pauw *et al.* (2009:253-254) highlight that financial management processes in municipalities involve municipal revenue, credit management process, expenditure and debt management. The municipal financial management, according to Pauw *et al.* (2009:254) are categorised into three approaches that are briefly discussed in the subsections as follows:

2.4.3 The limited resources approach

Pauw *et al.* (2009:256) point out that the municipalities cannot render services to their clients and community without working capital available to cover their operational and capital expenses.

This implies that municipalities are expected to generate money by raising taxes, levies, rates and service charges for services provided from the local community within its municipal jurisdiction and municipalities are highly recommended to utilise the possibilities for intergovernmental transfers. However, it is revealed that the municipal resources are insufficient to provide the services that are required by the local community, thus the needs of communities remain unsatisfied.

This is consequently addressed within medium term expenditure frameworks and further attended to during prescribed integrated development plans of a municipality (Pauw *et al.*; 2009:254).

2.4.4 The policy implementation approach

Pauw *et al.* (2009:255) point out that this approach requires the municipal and accounting officer to ensure that the municipal financial management policies are implemented. This calls for a structured and well planned process by means of legislation, regulations and directives. The municipalities should make provision in their Integrated Development Plans (IDPs), and Service Delivery and Budget Implementation Plans (SDBIPs) for the implementation of these policies.

2.4.5 The policy compliance and accountability approach

The policy compliance and accountability approach require municipalities to comply with financial management legislation, regulations and policies on financial management. The municipalities are expected to take corrective measures if there are deviations with regard to the legislative framework of financial management that are currently existing in South African Municipalities (Pauw, Woods, van der Linde, Fourie & Visser, 2009:255; Mazibuko *et al.*, 2014). Pauw, Woods, van der Linde, Fourie and Visser (2009:255) suggest that when the municipalities are unable to deal with the non-compliance with current financial legislative framework then they are likely to obtain disclaimer or qualified audit report on the financial statements and annual report of the municipality.

It is further emphasised that the aim is not only to achieve compliance, but also to extend to the application of best management practices and benchmarking for the efficient and effective management of finances, which include municipal revenue and working capital. The application of these practices needs well-trained and competent management practitioners and political will at council level to support them (Pauw *et al.*, Woods; Mazibuko *et al.*, 2013).

In addition, of the above discussion the local government has a framework for funding in municipalities. The local government fiscal framework that is appropriate to fund the municipalities according to National Treasury (2012:4), which is discussed as follows:

2.4.6 Municipal annual budgets

The annual budget of a municipality comprises plan of financial operation for the budget year and the two ensuring that financial years have estimate proposed expenditures. In addition, Craythorne (2006) states that the municipal council approve an annual each financial year before the commencement of financial year. The municipal mayor must table the annual budget at least 90 days before the start of the budget year, which is 1 July in each year (Craythorne, 2006). The annual budget, must include the following:

- Setting out realistically anticipated revenue for the budget year from each revenue source;
- Setting out indicative revenue per source and projected expenditure by vote for the two financial years following the budget year
- Setting out estimated revenue and expenditure by vote for the current year and actual revenue and expenditure by vote for financial year, and
- A statement containing any other information required by section 215(3) of the Constitution of South Africa (Craythorne, 2006).

The annual budgets include operational and capital accounts (Fourie *et al.*, 2011) that are follows:

2.4.6.1 Municipal operational budget

The municipalities receive the other sources of equitable share and national grant allocations (Financial and Fiscal Commission, 2011; Manyaka, 2014). Equitable share allocations are envisioned to supplement municipalities, and the said councils may use them at their discretion. They are intended for basic services (SALGA, 2012; Manyaka, 2014).

The National conditional shares are allocated for special purposes and have conditions attached to them. If the municipality fails to use them as per specified conditions (reflected in DORA) or they are unable to spend them, then, these funds are subsequently returned to National Funds (Ramakhula, 2010; Financial and Fiscal Commission, 2011; Manyaka , 2014).

On the other hand, the provincial transfers are for definite purposes and municipalities should comply with the provincial priorities for specific projects. This funding is intended to meet the provincial or national obligations (Ramakhula, 2010; Financial and Fiscal Commission, 2011; Manyaka, 2014).

2.4.6.2 Municipal capital budget

The municipalities cited that this funding is inadequate to undertake capital investment projects and municipalities will always supplement with their revenue (Ramakhula, 2010; Financial and Fiscal Commission, 2011; Manyaka, 2014).

2.4.7 Municipal Annual budget cycle

Fourie *et al.* (2011) highlights that Section 16 (2) of MFMA requires the mayor of the municipality to table the draft annual budget at a council meeting at least 90 days before the of the municipal budget year. The National Treasury (2004 b) suggested six steps in preparing of the budget, which provides guidelines to municipalities on budget process from the start to the end of a process. The stages are as follows:

2.4.7.1 Strategising

This is phase where the mayor provides the guidelines/plan when the process will start and end:

- The preparation ,tabling and approval of budget
- The annual review of the IDP as required by Section 34 of MSA and budget related policies
- The tabling and adoption of any amendments to the IDP, and
- Community participation timeline on the budget (National Treasury, 2004 b; RSA, 2000a).

2.4.7.2 Strategising

This the phase whereby the municipality reviews its IDP and sets service delivery targets for period of next three years in consultation of stakeholders on tariffs, indigents, credit control and free basic services .The local., provincial and national matters, previous year's performance ,current economic and demographic trends are taken into cognisance in this stage (National Treasury, 2004 b; RSA, 2000a).

2.4.7.3 Preparing

The preparing stage entails revenue and expenditure projections, draft of policies and consulting local, provincial and national priorities. The municipal manager and senior managers do the budget preparation. The budget preparation involve the processes below:

- integration of strategic objectives with budget allocations
- accurate in the estimation of revenue and expenditure projections
- assessing affordability of rates and service charges and identifying needy households not affording the rates and charges
- assessment of previous year performance and corrective measures to be included in new budget
- suitable planning and improved project management.

The mayor will then set meetings with municipal managers and CFO on monthly basis for setting of priorities; the meetings are set in November, January, February and March in order for political oversight to provide guidance to officials with regard to new budget (National Treasury MFMA Circular 10(2004b:2).

2.4.7.4 Tabling

The draft and revised IDP is tabled in council not later that than 90 days-1 April before the start of the municipal financial year plus suggested resolutions and modifications to budget relate policies. The municipal manager on the same day post the budget revised IDP and all related documents to the municipal website for public information purposes. Then, the municipal make ensure that public hard copies, electronic copies, and other related documents of the budget are available to public and send them to the national and treasuries as well as to other appropriate organs of state.

2.4.7.5 Approving

According to Section 53 of the MFMA (2003), the stage include the finalisation of plans to implement the budget, through the approval of the SDBIP and performance agreements for executive managers and municipal manager.

In terms of Section 53 (1)(c)(ii) of the MFMA, 2003 necessitates the SDBIP to be approved within 28 days after the budget. It is commended that Draft SDBIP and performance tabled with budget and deliberated in conjunction with the budget approval. The process of implementation commences if the budget is finalised (Section 53(1) (c)(ii) of the MFMA, 2003).

2.4.8. Alignment between IDP and municipal budget

According to Section 25(1) of Municipal Systems Act (MSA), 2000 there must be alignment between municipal budget and integrated development plan (IDP) Section 25 of MSA, specifies; how the municipalities should adopt IDP

Section 25 of MSA states that every council should, within a prescribed period after the commencement of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality. The plan must:

- Link ,integrate and coordinate plans and take into cognisance proposals for the development of the municipality;
- Align resources and capacity of the municipality within the implementation of the plan;
- Comply with the requirements of chapter 5 of the MSA,2000; and
- Is compatible with national and provincial development plans requirements

The sound integrated development plan (IDP) is fundamental for putting in place a good financial plan. In terms of Section, 26 of MSA, a financial plan must include a budget projection for at least for the next three years.

Fourie *et al.* (2011) suggest that the financial plan reflected in the municipal IDP must including the following:

- Include the budget projection as required by Section 26(h) of the MSA
- Indicate the financial resources that are available for capital developments and operational expenses
- Include a financial strategy that defines sound financial management and expenditure control
- Ways and means of increasing revenues and external funding for the municipality and

- Its development priorities and objectives ,which address revenue raising strategies, asset management strategies, financial management strategies, capital financing strategies, operating financing strategies and strategies that will enhance cost effectiveness.

2.4.9 Revenue, Working Capital and Debt Management

The revenue and work and debt management are briefly below:

2.4.9.1 Revenue management and revenue enhancement

National Treasury (2012:2) state that *“revenue management is a fundamental and routine financial management function of the municipality’s revenue generating business that encompassing billing and collection activities in respect of trading and property rates levied.”*

On the other hand, the revenue enhancement is revenue growth by increasing the value of revenue generated, whereby the national policy development can make additional sources of revenue to municipalities and whereby the municipalities can grow its own revenue base through effective processes and internal controls to ensure that every property is billed for property rates and all services consumed (National Treasury, 2012:2)

According to National Treasury (2012:5), the sources of funding of the municipalities are funding of the operating budget (equitable share and national conditional grant allocations) and funding the capital budget whereby the municipalities are expected to generated their own revenue due to insufficient funds to undertake capital investment projects.

2.4.9.2 The role of MFMA in revenue management

MFMA (2003) aims to modernise budgetary and financial management practices within municipalities and it also aim to assist the municipalities to maximise their capacity to delivery services by implementing a performance driven approach and by adopting a more strategic approach to budgetary and financial management. MFMA (2003) clearly states that the budget must set out realistically anticipated revenue taking into consideration revenue collection levels during the current year and the levels of revenue collection.

In support of the above, De Wet (2004) emphasises that it would not be appropriate to reflect in the next budget, a revenue collection rate of 90% if the current collection rate is only 60% and the previous year rate was 65%.According to Section 11(3)(i) of the Municipal Systems Act (2000), the municipality is expected to recover rates, taxes, levies, duties, service fees, surcharges and as well as to set and implement tariff rates and tax and debt collecting policies.

Municipal Property Rates Act (2004) further points out those municipalities must manage their revenues through rates policy; policy on tariff, fees and charges for services provide; indigent support policy; credit control and debt collection policy; and customer care policy.

Despite, the above policy pronouncements the municipalities are subject to escalating consumer debts and other are still facing poor working capital, which making it difficult for them to executive their day to day business in their communities at large. Therefore, there is a gap of designing a framework improve the management of municipal revenue and working capital in South Africa.

2.4.9.3 Revenue management and working capital

Working capital is mostly regarded as realisable cash in the context of government departments, which are meant to support the day to day operations of the organisations. The excess of current assets over current liabilities normally represents working capital. It is the critical operation components of available working capital include debtors, creditors, stock and cash (Pauw *et al.*, 2002:205; Kovel'skiy, 2015; Vuorikari, 2012).

Visser and Erasmus (2002:371) add that working capital also entail purchasing and pricing policy design and financial aspects of contract management. Marwa (2015:7) highlights that most financial statements on the local government authorities depict high dependency of finances from central government due to a slow speed in collecting revenue from debtors and clearing the liabilities. Working capital involves management of current assets and current liabilities so that the organisations will have a sound net asset position in order offer the quality services to their customers (Marwa, 2015). In the study conducted by (Dharamlall and Moodley, 2013:1), it was revealed that the municipalities are subject to net liability position and indirectly declaring technical insolvency due to poor working capital.

It is suggested that a tight credit policy to collect receivables can be a solution to solve a problem of illiquidity because funds from the debtors would be used to finance operational expenses and meet short-term obligations (Marwa, 2015:7). Kamau and Ayuo (2014:73) state that working capital management aim to ensure that there are check and balances to ensure that the amount of cash flowing into the business is enough to sustain organisations operations. Ani, Okwano and Ugwunta (2014:967) emphasise that effective working capital management has to do with the planning and controlling of current assets and current liabilities in order to strike a balance between liquidity and profitability.

Hina (2014:374) adds that liquidity indicates the ability of the organisation in responding to short-term obligations and thus an organisation needs to improve its liquidity and profitability while conducting its daily business operations. This implies that it is essential for any organisation to successfully manage its working capital in order to sustain the business.

According to Pauw *et al.* (2009:214) in terms of Section 99(2) g of the MFMA, the accounting officer must take of reasonable steps to ensure that the entities manage effectively and economically the working capital in line with the prescribed cash management and investment framework. Pauw *et al.* (2009:214) highlights that in the context of municipalities to raise the bulk of their own income is a major management issue and usually a more when the users of local government services if they are not meeting related debt obligations. In addition, if municipalities find it difficult to meet the obligations of infrastructural programmes when the balance sheet of a municipality depicts a difficult working capital (Pauw *et al.*, 2009:214).

Having reviewed all the material for this study, it can be concluded that there is something that need to be done to improve the quality of debtor management practices of the South African municipalities in order to improve revenue management and working capital for effective business operations of the municipalities. As Botes and Pesler (2001), Burger (2001) and Fjeldstand (2004) point out, that a further study of investigation of factors that influence municipal consumer debts need to be conducted due to changes in local government sphere.

Madumo (2012:83) highlights that the leadership of the municipalities refer to those who are in positions of political and administrative authority (that are executive mayors and municipal managers) who are supposed to improve service delivery of municipal services.

In contrast, with the above, Madumo (2012:89) suggest that leadership challenges coupled with political interference include lack of finance, lack of skilled human resources, lack of proper planning, and lack of commitment. It is highlighted that the political interference is more evident in the municipalities when a councillor interferes on the role and responsibility of a municipal managers (Madumo, 2012:89).

In light of the above, it was revealed that the municipalities have implemented credit control and debt collection policy, but according to the studies that have been reviewed above, the municipalities in South Africa are unable to collect all monies due to them with regard to the services that have been rendered to the communities of municipalities.

Fourie *et al.* (2011:239) in terms of the above stated, emphasise that the municipalities are duty bound to embark effective debt collection process through adopting ,maintaining and implementing a credit control and debt collection policy in accordance with the Sections 96 and 97 of Chapter 9 of the Municipal Systems Act of 2000. This implies that the municipalities in terms of Section 96(a) of Municipal Systems Act of 200 must collect all monies due to them through putting in place the revenue collection systems consistent with Section 95 of the Municipal Systems Act of 2000 and its credit control and debt collection policy (Fourie *et al.*, 2011:239).

In contrast of the above, the municipalities are unable to collect all monies due to them, hence, it can be concluded that the municipalities in South Africa are unable to put in place the effective revenue collection systems as stipulated in Section 95 of the Municipal Systems Act of 2000. Fourie *et al.* (2011), in support of collection of monies due to municipalities, point out that financial management in the municipalities of South Africa is the responsibility of all. Fourie *et al.* (2011), then suggest a financial governance framework that should be adhered to, in the South African Municipalities. The financial governance framework is depicted as follows:

Table 2.1: Financial governance framework

	Responsible for	Oversight over	Accountable to
Council	Approving policy and budgets	Mayor	Community
Mayor	Policy, budgets, outcomes, management of /oversight over municipal manager	Municipal manager	Council, public
Municipal manager	Outputs and implementation	Administration	Mayor, council, public
Chief financial officer	Outputs	Financial management	Municipal manager

Source: Fourie *et al.* (2011:10).

According to Fourie *et al.* (2011), **Table 2.1** in terms of Municipal Finance Management Act, 2003 (Act 56 of 2003), the municipalities in South Africa must develop sound financial governance within the municipalities through developing a comprehensive system of clarifying and separating responsibilities of mayors, councillors and officials. This framework is built on the basis of responsibilities of accountability and oversight with a culture of transparency and regular reporting (Fourie *et al.*, 2011:9-10). In light of the above, this study will investigate the causes of failure of current credit control and debt collection policy and Municipal System Act, 2000 in terms of collecting all monies due to the South African Municipalities and thereof develop a framework that can be used to improve the effectiveness of management of municipal revenue and working capital in South Africa.

2.4.9.4 Sources of municipal revenue

Municipalities generate revenue through trading services and property rates, which required the municipalities to ensure that the properties are correctly charged for property rates and for all municipal services rendered to the property (National Treasury, 2012:6; Mosha, 2004).

In addition, Akudugu (2013) points out that revenue mobilisation is a very critical task of local governments because local governments need money to perform their day-to-day administrative functions as well as to provide services to local residents. According to National Treasury (2012:6-11), the sources of municipal revenue are property rates and trading services. The sources of municipal revenue are briefly discussed in the subsection that follows:



Property rates

Fourie *et al.* (2011:198) point out that the amount in which a property owner must pay to municipality in respect to property rates is determined by the value of the property and the rate in the rand applicable during a financial year; subject to relevant exemptions, rebates and ratepayer and the municipality. The municipality property rates are levied on the market value of properties within the municipality's jurisdiction. Municipal property rates act provides the guidelines of municipalities to adopt a rates policy that is in line with provisions of this Act, for levying of properties tax on all rateable properties within its area of jurisdiction.

Municipalities are permitted to pass by-laws and publish them in the provincial gazette allowing the levying of property rates by the municipality (National Treasury, 2012:6). The Municipality Property Rates Act, 2004 authorised the municipality to impose property rates on property owners and also governs all approaches to municipal rating and should be complimented by municipal rating policy (Fourie, Opperman & Scott, 2011:198). National Treasury (2012:15) further states that the revenue management function within municipalities for property rates depends on property and ownership information generated by the Valuations functions and Deeds Registry respectively. It is mentioned that when billing records do not reflect the same information as Valuations and Deeds Registry then there is a high probability for municipality's billing records not reflect the correct property information or ownership information or both.

National Treasury (2012:) also suggest that the municipalities' revenue function must reconcile the billing data to the Deeds Registry to ensure the accuracy of property ownership information; to the Valuation Rolls to confirm the accuracy of property values and the category of property that informs the usage and the applicable cent in the rand to be applied. The reconciliation of billing information to other systems within municipality is pivotal to ensure that the municipality is able to optimise the billing and collection of property rates revenue (National Treasury, 2012).

Service charges

Pauw, Wood, van der Linde, Fourie and Visser(2009:305-306) point out that the municipalities provide the major services to households, businesses and other organisations within the municipal boundaries for which service charges or tariffs are levied:

- Water provision
- Electricity provision
- Sewerage services
- Refuse removal services

Pauw, Wood, van der Linde, Fourie and Visser (2009:306) further add that municipality can recover collection charges and interest on any outstanding from the users or debtors whereby these fees, charges or tariffs should be approved by municipal council through a resolution passed with the supporting vote of a majority of the councillors. This will require the Municipal Manager to make the newly approved tariffs public. According to Section 74 of the Municipal Systems Act (2000) and Fourie, Opperman and Scott (2011:306-307), the municipalities are supposed to implement the tariff policy in accordance with certain principles and requirements. According to the Municipality Demarcation Board (2010), a number of factors affect municipal performance to fulfil their service delivery and development. The performance of the economy has an important correlation to the financial viability of municipalities given the major sources of considerable financial powers, including the right to raise income through property taxes and user charges for services. Local authorities raise most of their operating budgets from their own income.

Approximately 67, 5% of municipal revenue was generated from rates, taxes and service charges (sale of services for example electricity to consumers) in 2014 (Statistics South Africa, 2015) with 32, 5% revenue coming from intergovernmental transfers and grants. Fiscal and Finance Commission (2013) points to a steady decline amongst municipalities of revenue generated from own sources, and increase reliance on transfers. Furthermore, importantly, the Auditor - General's 2015 Report also revealed that the financial health of some of the municipalities was in need of intervention as these was "material uncertainty with regard to their ability to continue operating in the foreseeable future" (Auditor-General, 2015:10).

In addition, Mosha (2004:5) states that the municipalities derive their revenues from both internal and external sources, in which the internal sources are based on property taxes and land fees and the others are non-land-based such as taxes on households and license fees, whereas external sources are mostly revenue from intergovernmental transfer ,grants, money from borrowing and etcetera.

In light of the above, Pauw *et al.* (2009:306-307) suggest the conditions the municipalities should adhere to, when the municipal council adopts and implements a tariff policy with an intention of levying of fees for municipal services.

In addition, Fourie *et al.* (2011:307) point out property rates policy, the municipal council must adopt tariff by-laws to give effect to the implementation and ensure compliance of tariff policy. It is also highlighted that these by-laws may differentiate between different categories of users, debtors, service providers and service standards and must not promote unfair discrimination among the people (Fourie *et al.*, 2011:307).

2.4.10 Revenue Management Process

2.4.10.1 Revenue collection (Debt and Credit Management)

Revenue collection is part of metered service delivery and billing, which includes collection of revenue, customer management, debt and credit management and indigent registration and management. According to SALGA (2005:5), many municipal customers are indigent and therefore cannot afford to pay for services and this has to be integral into financial planning and strategy development of the municipalities in South Africa. It is the duty of the municipalities to ascertain the customers that cannot and who can afford to pay because the customer profile will assist the municipalities to put in place the planning strategies for free basic services implementation, indigent subsidisation, Local Economic Development, service delivery and service rollout, billing and revenue collection strategies and debt collection. These elements will affect the municipal budget and budget process (USAID, 2005:11-13).

In light of the above, the key revenue collection process can be summarised as follows:

- Debt collection;
- Credit control;
- Indigent Management; and
- Customer Care and Management (SALGA, 2005:4; Fourie *et al.*, 2011 and Pauw *et al.*, 2009).

The study conducted by Mazibuko and Fourie (2013:141-142) with regard to municipalities revealed that collection rate was 100,62% in the financial year as compared to the 2012 -13 first quarter figure with a total that amount to 84,14%, depicting underperformance for this quarter. According to Mazibuko and Fourie (2013:141-142), the electricity revenue increased from 81,33% in 2011-12 to 89,59% in that quarter in 2012-13, and water increased from 78,25% to 86,52% for the quarter of 2012-13. The analysis of collection rates reveal that municipalities were budgeted for a 92, 3% collection rate, but total actual collection versus the billed revenue amounted to 84,1%(Mazibuko and Fourie, 2013:141-142). In addition, the metros budgeted for a 93,6% collection rate but achieved the collection of 90,9%, while the secondary cities collected billed revenue at a lower rate of 81,9%%(Mazibuko & Fourie, 2013:141-142).

In light of the above, it is revealed that the factors influencing expenditure and revenue raising in the municipalities are:

- Operational efficiency;
- Market characteristics of services provided;
- The level and standards of services that it provides and the structure and level of charges, including rates and fees for services used to recover the costs and services;
- The ability and willingness of ratepayers and users to pay for services, through increases in rates and fees and charges. An increase in charges might result in a less than proportional increase in revenues as leave the council area or potential new residents are deterred or users reduce the consumption levels;
- Financial and asset management skills;
- The amount of grants and subsidies the municipalities receive (Australian Services Union, 2007).

According to the study conducted by Mazibuko and Fourie (2013:141-152), it can be deduced that the municipalities are subject to poor revenue collection and that can impact negatively on the working capital in the municipalities. There is no mention of a framework that is in place for improving the management of municipal revenue and working capital. Thus, this study will investigate the causes of failure of credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African Municipalities. In light of the above, London (2014) in his study acknowledges that there is gap in the collection process of debts in municipalities due to the exclusion of technology in the improving of local government collection process.

The study will also explore the influence of technology in the improvement of local government debt collection process because most of researchers such Peter (2011) & SALGA (2015) did not consider technology as one of the variables that is critical in local government debt collection process.

The research studies conducted above reveal that the municipalities have adopted and implemented credit control and collection policy but South African Municipalities are still experiencing uncollectable consumer debts. The researchers in their studies did not attempt to develop a framework for effective management of municipal revenue and working capital.

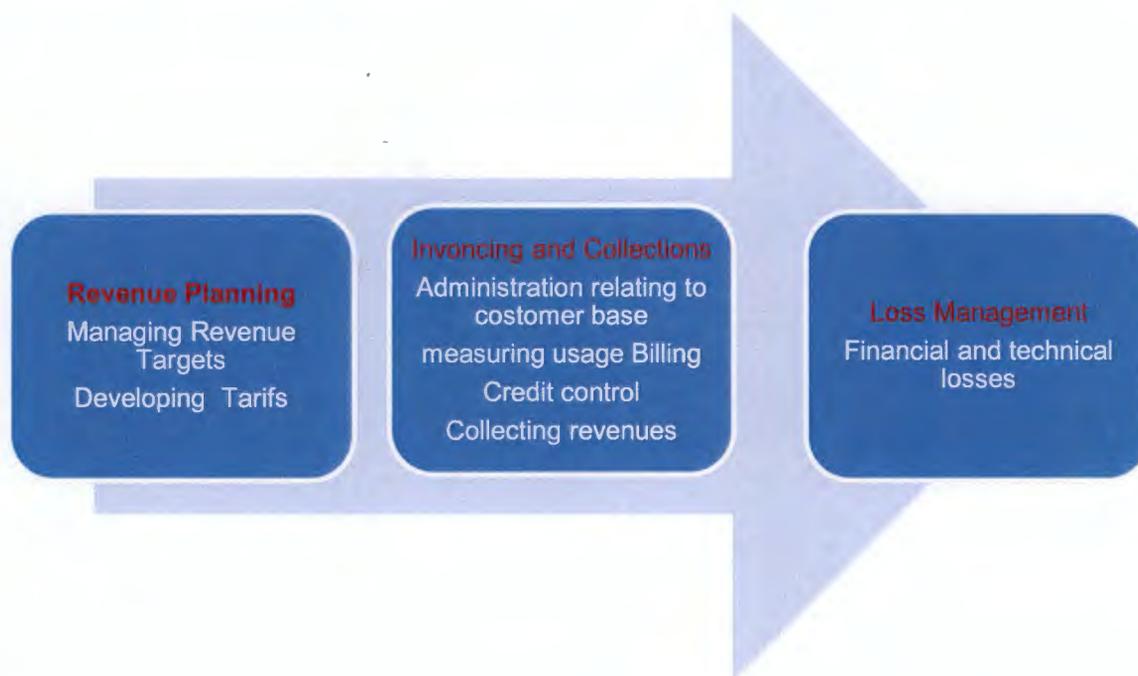
Therefore, there is a gap in terms of developing a framework that will assist the municipalities to enhance the management of revenue and working capital. There is also no mention of the influence of debtor management practices in influencing the municipal revenue and working capital.

According to Section 11(3)(i) of the Municipal Systems Act (2000), the municipality is expected to recover rates, taxes, levies, duties, service fees, surcharges and as well as to set and implement tariff rates and tax and debt collecting policies. Municipal Property Rates Act (2004) further points out that municipality must manage their revenues through rates policy; policy on tariff, fees and charges for services provide; indigent support policy; credit control and debt collection policy; and customer care policy.

Despite, the above policy pronouncements the municipalities are subject to escalating consumer debts and other are still facing poor working capital, which making it difficult for them to executive their day to day business in their communities at large. Therefore, there is a gap of designing a framework improve the management of municipal revenue and working capital in South Africa.

SALGA (2015:34) points out that accurate billing is an important element in effectively managing of revenue in the municipalities, and it is suggested that billing should fit into the broader revenue management value chain, which is depicted as follows:

Figure 2.2: Revenue Management Process



Adapted from SALGA (2015:35).

SALGA (2015:35) also put more emphasis on the importance on accurate billing which has proven in other countries as a critical element in improving municipal revenues. The success of accurate billing in the municipalities is depicted as follows:

Table 2.2: Accurate billing improved the municipal revenues

Country	Billing Reform
Burkina Faso	They have used the computerisation of billing and administrative systems and replacement of old meters improved cost recovery to 96% of costs.
Kenya(Nyeri and Mavoko)	The integrated financial management systems used to identify tax defaulters. As the results the management of bad debts was critical in improving local tax revenues
Brazil(Sao Paulo)	They placed specific focus on improving the metering and billing of the prime 2% of customers who comprise 34% of revenues In addition, they installed new meters. The outcomes of the above system resulted to the drastically improvement of revenue collection.
Thailand	<p>The appointment of meter readers to check meters on monthly using handheld readers that confirm consumption levels with the utility's servers before printing instant bills.</p> <p>This resulted in an improvement of financial performance, with revenue significantly exceeding costs.</p>
Uganda	A city council in Kampala undertaken many reforms with an intention of improving property tax collection, including a bill delivery drive, media campaigns, better reminders ,more payment points, pressure on individual defaulters and use of private bailiffs

Source: SALGA (2015:36)

Table 2.2 indicates that some countries have been successful in improving the management of revenue through putting in place the appropriate strategies that yielded to good results in terms of enhancement of revenues in their municipalities. USAID (2005:2-5) concur with SALGA (2015:33) by suggesting that that the municipalities can improve the debt collection process through the critical elements such as communication strategy, provision of metered services, accurate billing and revenue collection (Debt and Credit Management).

The strategies to improve the debt collection process are briefly discussed in the subsection that follows:

2.5 THE STRATEGIES FOR IMPROVING MUNICIPAL REVENUES

De Wet (2004) points out that many municipalities must remain sustainable in delivering effective and efficient services to their community through collecting all revenues, curb wasteful and unnecessary expenditure bills and ensure that current infrastructure and equipment is well maintained and managed. It is further suggested that the municipalities should ensure that they bill consumers the services that are delivered to them and thereafter collect, all the money for the services actually rendered (De Wet, 2004). The United State Agency International Development (USAID) (2005:3) concur with De Wet (2004) by stating that the critical elements of improving municipal revenue are briefly discussed in the subsection, which is as that follows:

2.5.1 Communication strategy

The study conducted by United State Agency International Development (USAID) (2005:3) reveal that the communication strategy is regarded as a vehicle to build sound long term sustainability through clearly communicating the municipal expectations to all customers and relevant parties. Communication is defined as the two-way process which involves community participation that is enshrined in the Constitution of South Africa of 1996 and municipal systems act of 2000 and also facilitate alignment between municipal goals and community expectations (USAID, 2005:3). The communication is pivotal in municipalities with regard to support the financial and technical aspects of revenue enhancement.

The communication strategy will facilitate the understanding of indigent policy, the billing system, credit control and collection policy and support on technical aspects of revenue enhancement and support for councillors and officials on revenue enhancement (USAID, 2005:11-15). The communication strategy support on revenue enhancement are briefly discussed in the following subsections:

Indigent policy

When the municipality has approved the indigent policy and procedures; the municipality should produce pamphlet information in English and local vernacular language with the purpose of promotion of better understanding of service accounts. The municipality should then prepare their ward committee members through providing training on all aspects of the indigent policy and procedures (USAID, 2005:12-13).

The billing system

The communication strategy to facilitate a clear understanding to all customers and relevant parties of municipalities include launching a drive to inform the community on the billing system through information pamphlet written in English and appropriate vernacular language(s); publishing information pamphlet on local newspaper; provide awareness campaign on promotion of the indigent grant policy; and provide training to ward members on all aspects of billing system (USAID, 2005:14-15).

Credit control and debt collection policy

The formulation of effective credit control and debt collection policy is an important part of debt management and revenue management and when it comes to communication strategy, the municipalities must take into cognisance the factors such as:

- A defaulter may or may not be able to pay due to genuine poverty or unemployment
- A culture of entitlement exists in many townships in South Africa
- Equity in action taken by the municipality is essential and inequity or perceived unfairness is likely to be counter-productive
- Ward councillor and ward committee support is essential and they must participate in the process (USAID, 2005:24-25).

Communication support for technical aspects of revenue enhancement. This refers to the installation of water and electrical meters whereby the factors to be considered in design of relevant programme include meters' amount of payment; it is easy to intimidate installation contractors; it is easy to vandalise installed meters; and community support and buy in is essential and sustainable through developmental local governance (USAID, 2005:13).

Communication support for councillors and officials on revenue enhancement and importance and need for development local governance entail appropriate communication materials and capacity building and training programmes in order to communicate, educate and train municipal officials and ward councillors on all aspects of revenue enhancement and the need to developmental local governance (USAID, 2005:13).

2.5.2 Provision of metered services

The provision of metered services will focus on the efficient delivery of services to customers and meeting customer expectations and the provision of metered services will reduce the wastage of water and electricity. The technical efficiency of provision of metered services comprise of demand management and meter management (USAID, 2005:13-16).

Demand management focuses on the technical losses incurred in the network through leakages. Meter management is regarded as the supply losses incurred through the service meter and includes illegal connections and faulty meters (USAID, 2005:13-16).

2.5.3 Accurate billing

This is a critical element of the municipal revenue management business model and due to poor billing and revenue collection municipalities are becoming increasingly dependent on intergovernmental funding to balance their budget. If the customer information and billing are incorrect, the municipality has no basis to effectively collect revenue. Therefore, the key billing programme to ensure correct billing process entails accurate billing, customer information auditing and data cleaning (USAID, 2005).

2.6 MUNICIPAL DEBT MANAGEMENT

2.6.1 Debtor Management Cycle

According to Fourie *et al.* (2011:222), the debtor management cycle comprises input documents, accounting for debtors, reporting, debt collection and credit control, and customer relations. The debtor management cycle is briefly discussed in the subsections that follows:

2.6.1.1 Inputs document

Meter reading

The reading of meters in the context of municipalities in South Africa is regarded as a basic link between the metered services operation of municipalities. It is also stated that the reading of meters will determine what the customer will actually pay and this requires open and transparent when this function is executed to ensure that non-payment of debt amongst the communities of the municipalities is discouraged.

It is important that the municipalities maintain their credibility at all times to foster a feeling of goodwill towards communities of municipality. The meter reading centred on water and electricity services. These services consist of high cost and revenues from these services must be collected as soon as possible. The timely and accurate reading of meters of reading of meters is critical important for effective revenue collection in the municipalities (Fourie *et al.*, 2011:222-223). According to Fourie *et al.* (2011:222-223), reading of meter consist of meter reading timetables and meter reading periods, meter reading routes, meter reading sheets, and capturing of meter reading to ensure the realisation of accurate data for effective collection of municipal revenue.

Valuation roll

The municipalities are authorised to levy property rates based on the rateable value of a property and applicable rate approved by the municipality. The information for debtor is captured and maintained in debtor's master file on the municipality's database and to be used for the purpose of billing (Fourie *et al.*, 2011:222-223).

Payments

In terms of the daily cash control, all receipts issued will be reconciled to the daily cash takings which must be banked on a daily basis. All payments in terms of debtor accounts should be reflected in cash book as debit and as a credit in sundry debtors 'control account (Fourie *et al.*, 2011:226).

Tariff and services charges

Fourie *et al.* (2011:226) suggest that the municipalities must keep an approved time table of tariff and charges of each service on municipalities' data base and must be updated as each amendment to existing tariffs is approved or new tariffs are introduced. Fourie *et al.* (2011:226) also highlight that the table of tariff should reflect the date of the amendment and the council meeting authorising the amendment. It is also pointed out that in the case of property rates, the appropriate tariff and service charges for each individual consumer are captured and stored in the debtors' master file or sub-ledger and to be used in the process of billing (Fourie *et al.*, 2011:226).

Adjustments (journals)

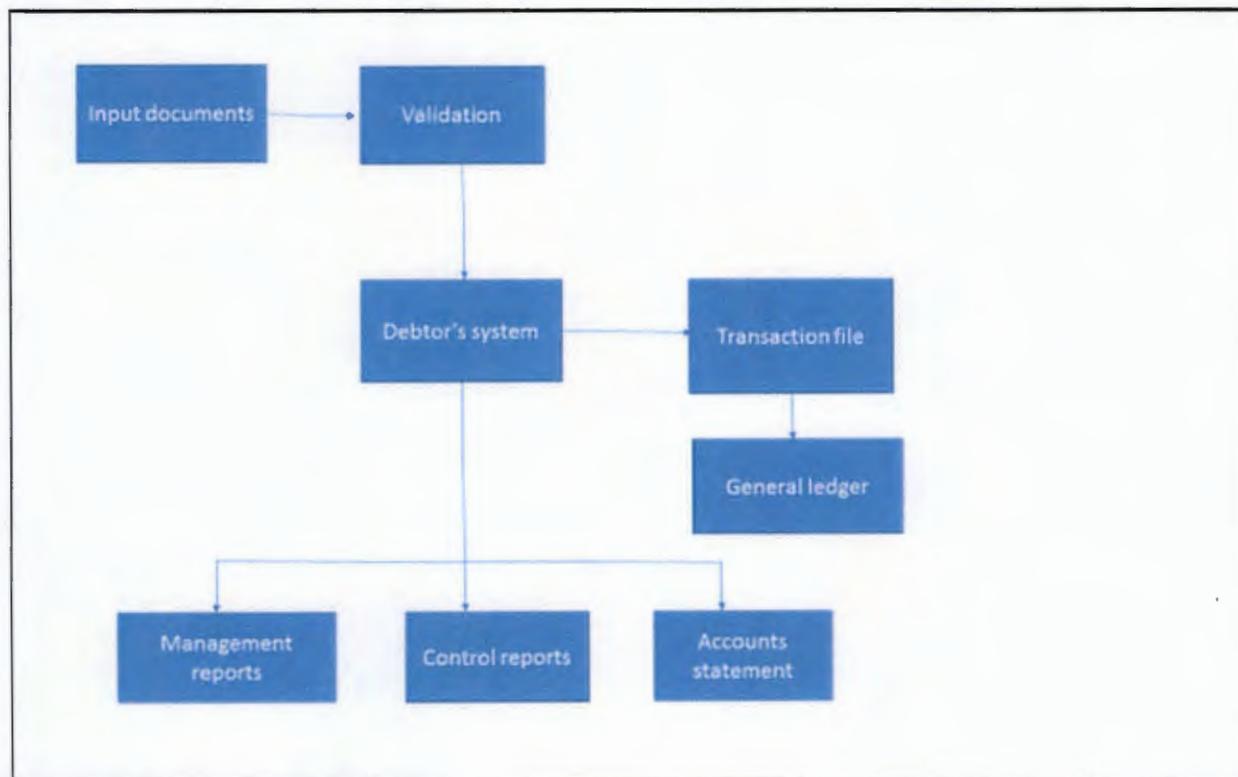
Fourie *et al.* (2011:226) point out that the adjustments to accounts with regard to incorrect meter reading or incorrect posting are made by journal entries, and these journal entries have an impact on the amount owing by customers, and must be taken into cognisance before the final billing can commence.

2.6.2 Debtors control system

The debtors control system is design to keep a record of all amount owing by customers, ratepayers and other debtor and also provide the link between consumption and usage of services, and payment or non-payment for such services. The purpose of the debtors control system is therefore to record all transactions per account holder relating to the consumption and usage of municipal services, liability for property rates and payments for rates and services (Fourie *et al.*, 2011:226).

According to Fourie *et al.* (2011:227) the debtors control system comprises validation of transactions, determination of cash allocations, updating of master files, and maintenance of the transaction file, and reporting generation, which can be depicted as follows:

Figure 2. 3: Overview of the flow of information



Source: Fourie *et al.* (2011:227)

2.6.3 Accounting for debtors

According to Fourie *et al.* (2011:228), the municipalities in South Africa must ensure that the accounting records in respect of a debtors' system which comprises of a debtor's sub-ledger whereby the amount owing by each debtor is recorded and a deposit ledger that depicts the deposits which have to be paid by all electricity and water consumers. Fourie *et al.* (2011) further emphasise that the municipalities must ensure that they have accrual system, control account and consolidated accounts for effective management of municipal revenue in order for the municipalities to have the net working capital for their day-to-day operations.

2.7 DEBT PROFILE OF SOUTH AFRICAN MUNICIPALITIES

2.7.1 The challenges facing local government

Van der Waldt, Venter, Van der Walt, Phutiagae, Khalo, Van Niekerk and Nealer (2007:3) state that “local government is defined as the level of government created to bring government to local populace and to give citizens a sense of participation in the political processes that influence their lives”.

According to Van der Waldt *et al.* (2007:3 7), the municipalities were created and are still created to provide services and goods, because of the inability of central government to offer these goods and services. Therefore, the municipalities have the responsibility to make sure that all citizens are provided with services to satisfy their basic needs through their own resources, that is, finances, equipment and employees (Van der Waldt *et al.*, 2007:7).

Van der Waldt *et al.* (2007) also emphasise that people have to pay rates to the municipalities for providing the above stated services. The municipalities are responsible for the following key functions in accordance of Part B of Schedule 4 and Part B of Schedule 5 of the Constitution of South Africa, 1996 (Act of 108 1996):

- electricity delivery;
- supply of water for householders;
- sewage and sanitation;
- storm water systems;
- refuse removal;
- fire-fighting services;
- municipal health services;
- decision around land use;
- local roads;
- local public transport;
- street trading;
- abattoirs and fresh food markets;
- park and recreational areas;
- libraries and other community facilities; and
- local tourism (Van der Waldt *et al.*, 2007:3 -7).

Despite, the strategies to improve municipal revenue and municipalities mandate that are highlighted in **number 2.5** above, the local government is still confronted with certain challenges with regard to revenue management and the management of working capital (De Wet, 2004).

The major challenge is the collection of revenue raised for services rendered to various consumers as well as the socio-economic circumstances prevailing within the area of the local authority; the accounts not sent to debtors or sent to incorrect addresses; and the consumers not willing to pay for services utilised (De Wet, 2004). De Wet (2004) also highlights that the municipalities are subject to other challenges, which are the political versus official in terms of collection of outstanding debt, whereby the hands of municipal officials are tied as a result of political interventions with regard to the collection of outstanding debt.

According to the Municipal Finance Act: MFMA (2003) the responsibilities of the mayor, councillors and municipal officials are clarified and separated to ensure transparency and accountability. De Wet (2004) emphasises that accountability and oversight responsibilities are weakened where they are duplicated responsibilities between political office bearers and municipal officials.

The MFMA is therefore meant to assist the officials to concentrate on their responsibilities without political interference and MFMA with then assist the municipalities in implementing its credit control and debt collection policies that are approved by the council (De Wet, 2004). According to the findings in the research study that was conducted by De Wet (2004), it can be deduced that there was no mention of the impact of behaviour of the managers in the improvement of revenue management and working capital in the municipalities. Therefore, there is a need of further investigation of the roles and responsibilities of managers towards the improvement of the management of municipal revenue and working capital in the municipalities. The challenges that are facing the South Africa Municipalities are discussed in the subsection that follows:

2.7.2 Municipal debt level in South Africa

SALGA (2015) conducted the study, which cover the period between 2004/05 and 2013/14 whereby the general trend analysis; customer analysis; and service /sources analysis were highlighted in the study. It was highlighted that approximately R100 billion is owed to South African municipalities in a form of municipal consumer debt. In 2013/14, the average debt owed to municipality was around R400 million. In terms of customer's analysis, it was revealed that in 2013/14 the households owed municipalities about R60 billion in unpaid debt; which is referred as non-payment of municipal consumer debt that can emanate from inability or unwillingness to pay for local services (SALGA, 2015).

It is further indicated that some organs of state owed municipalities over R1 billion as at 2013/14 financial year. It was also noted that the municipalities are experiencing non-payment of water, property and electricity services, whereby R25 billion is owed on the outstanding water debts. SALGA (2015:24) also points out that the share of debt older than 120 days of total debt increased from 44% of total debt in 2004/05 to 66% of total debt in 2013/14, which indicates that the debt is simply accumulating in municipal books. Peters (2011:160) in the study that was conducted between 2004/05 and 2009/10 reveals that despite the progress made, but consumer debt remains a challenge since the municipalities are still faced with an average of about R4 billion worth of consumer debt.

The research study that was conducted by SALGA (2015) reveals that the municipalities are subject to challenges of uncollectible consumer debt and this has a negative influence on the revenue management and the net asset position of the South African Municipalities. Mavhungu (2011:28) in his study adds that the consumer debt challenge in municipalities can also be traced as far as 2000 whereby, it was mentioned that in February 2000, the consumer debtors owed to municipalities in South Africa amounted to R15 billion in service charges and in turn, municipalities owed service providers a total of R234 million for bulk electricity, of which 6, 5% (R15, 3 million) was more than 60 days in arrears.

Mazibuko and Fourie (2013) also concur with SALGA (2015) by stating that the multiple effects of municipal consumer debts are issues of public finance and intergovernmental fiscal concern, which require the municipalities and local government policy-makers to understand the impact of this debt and how to mitigate this risk in the municipalities in South Africa. In support of this statement, Mazibuko and Fourie (2013) point out that municipal consumer debt comprises late payments of property rates, service, other municipal charges and amounts that are regarded as irrecoverable. This is evident by the total of the municipal consumer debts that amounted to R87,2 billion on report produced by National Treasury in 30 September 2012, and this is a signal of a noticeable serious challenges the municipalities are confronted with because they are unable to collect all billed revenues (Mazibuko & Fourie , 2013).

This implies that the municipalities are underperforming in respect of collections, which possess a significant risk and has a direct impact of cash and cash equivalents in the municipalities.

Mazibuko and Fourie (2013) highlight that the municipal consumer debts as per National Treasury of 30 September 2012 are pointed out as for debtors (by income group) over 90 days, bills for water amount to R18, 3 billion (80, 2%) of amounts billed for debts of R22,8 billion), for electricity to R7,4 billion(44,4%) of R16,6 billion) for property to R14,2 billion (R68,7% of R20,7 billion, for sanitation to R6,5 billion(R78,5% of R8,2 billion, and for refuse removal to R5,2 billion(81,8% of R6,4 billion).The other outstanding payments amounted to R11,7 billion (94,0% of R12,4 billion). It is further stated that the average in terms of debtors by income group over 90 days is R63 billion (72,6% of R87 billion). Lastly, the debtors (by customer group) of over 90 days are government at R3,2 billion-R67,3 of R4,8 billion, business at R9,9 billion 52,7% of R18,9 billion (Mazibuko & Fourie , 2013:141).

In all the studies that were conducted by the above researchers, revealed that there is a knowledge gap in the improvement of the municipal revenue and working capital, the impact of managers in enhancing on the effective management of municipal revenue and working capital, and there is no influence of debtor management practices in the efficient management of municipal revenue and working capital. Hence, it can be concluded that there is no framework for improving the management of municipal revenue and working capital.

Therefore, there is no effective roles and responsibilities of managers towards improving of revenue management and working capital through credit control and debt collection policy that has been implemented by municipalities in collection of municipal revenues due to them for the services that were rendered to clients and communities of South African Municipalities. Thus, this study will investigate the causes of failure of current credit control and debt collection policy and Municipal System Act, 2000 in terms of collecting all monies due to the South African Municipalities and thereof develop a framework that can be used to improve the effectiveness of management of municipal revenue and working capital in South Africa.

In light of the above, Fourie, Opperman and Scott (2011:242) also caution the municipalities that any debt collection strategy should identify, develop and address strategic imperatives with regard to the powers, functions and responsibilities of all stakeholders. The strategic imperatives will include the development and implementation of acceptable policies and by-laws (rates, tariff, indigent, and revenue management), political and administrative support (Fourie *et al.*, 2011).

De Wet (2004) further highlights that the accounting officer must ensure that the municipality has developed all the necessary policies as stated in MFMA, Municipal Systems Act 2000, which include Credit Control Policy, Debt Collection Policy, Indigent Management Policy, Tariff Policy , and Information Systems Policy.

2.8 THE FUTURE OF GOVERNMENT DEBT COLLECTIONS

According to the study conducted by London (2015:2-4), it was revealed that the rapid technology advancements and ever-evolving best practices offer significant opportunities for governments to recover outstanding receivables more effectively, and able to help in mitigating economic challenges in their areas of operations. London (2015:5) suggests that the debt collection processes have evolved over time and they are trending for the future, which are depicted as follows:

Table 2.3: The evolution of collection practices

Collection process	Historical	Current or new	Next generation
Presentation the bill to the debtor	<ul style="list-style-type: none"> • Mail –paper bill 	<ul style="list-style-type: none"> • Mail –paper bill • Email • Paperless/online 	Paperless/online
Responding to questions about the bill	<ul style="list-style-type: none"> • Mail –paper correspondence • Public Service Walk-in Office • Inbound call centre 	<ul style="list-style-type: none"> • Inbound call centre • Web portal for FAQs and account information lookup 	<ul style="list-style-type: none"> • Interactive online chat • Smart phone applications • Social media
Interacting with debtor and establishing a payment	<ul style="list-style-type: none"> • Mail –paper correspondence • Inbound/outbound call centre • Public Service Walk-in Office 	<ul style="list-style-type: none"> • Inbound /outbound call centre • Unattended messaging • IVR payment application • Web portal application 	<ul style="list-style-type: none"> • Smart phone applications for payments • Third –party internet applications
Processing debtor payment	<ul style="list-style-type: none"> • Manual paper check processing 	<ul style="list-style-type: none"> • Lockbox processing • EFT payment processing including recurring payments • Credit and debit card processing including recurring payments 	<ul style="list-style-type: none"> • Non-traditional payment processes such as PayPal, Google Checkout • Money transfer options

Source: London (2015:5)

Table 2.4: The evolution of collection practices

Collection process	Historical	Current or new	Next generation
Securing an involuntary payment	<ul style="list-style-type: none"> • Pursuing a judgement via the court system and manually producing garnishment documentation 	<ul style="list-style-type: none"> • Automated legal documentation processing to secure high-volume judgements • Data scrub and acquisition • Intergovernmental off-sets 	<ul style="list-style-type: none"> • Banking standards for automated e-levy transactions • Non-government offset programmes between government and industry; centralised receivables warehouse community • Electronic garnishments transmitted to employers • Electronic liens transmitted to countries
Organisational structure	<ul style="list-style-type: none"> • Field offices with manual collection efforts • Collection policies and practices developed and administered locally 	<ul style="list-style-type: none"> • Agency –specific call centre to handle inbound debtor correspondence • Standardised collection practices within agencies • Field offices handling more complex cases with reduced staffing 	<ul style="list-style-type: none"> • Centralised collection units serving multiple agencies and debt types • Data sharing leveraging tools and analytics across multiple agencies • Decision analytics driving collection activities for all agencies • Mobile management for field agencies

Source: London (2015:5)

Table 2.3 and **Table 2.4** revealed that the information system (IS) has an influence of the revenue collection in the municipalities.

According to Otieno, Obura, Aila, Ojera and Siringi (2013:29) information system is a mechanism that helps people to collect, store, organise and use information and Information System is a collection of people, procedures, a base of data and sometimes hardware and software that collects, processes, stores and communicates data for transaction processing at operational level in order to support managerial decision making.

According to study conducted in the Homa Bay Municipal Council by Otieno *et.al.* (2013) in relation of influence of , o in Information and Communications Technology (ICT) over 85% of the respondents were of the view that adoption of ICT had enhanced tighter control. In addition, 85% of the respondents believed on the positive impact that Information System had on financial control and this has led to even an improvement of management integrity, as well as services to suit both staff and clients who were traders. The study conducted in Kenya revealed that that investment in ICT is very important to Local Authorities because the computerised Information Systems has a positive effect on revenue collection, enhancing management integrity and provision of clear records among other factors (Otieno *et al.*, 2013). Githinji, Mwaniki, Kirwa and Mutongwa (2014) concur with Otieno *et al.* (2013) by supporting to use of ICT on revenue collection by Kenyan Countries.

In this study, the influence of ICT in revenue management and working capital as reflected in the study by Otieno *et al.* (2013) were explored as one of the factor that can assist for improvement of the management of municipal revenue and working capital in the South African Municipalities.

Table 2.5: Financial governance framework

	Responsible for	Oversight over	Accountable to
Council	Approving policy and budgets	Mayor	Community
Mayor	Policy, budgets, outcomes, management of /oversight over municipal manager	Municipal manager	Council, public
Municipal manager	Outputs and implementation	Administration	Mayor, council, public
Chief financial officer	Outputs	Financial management	Municipal manager

Source: Fourie *et al.* (2011:10)

According to Fourie *et al.* (2011), **Table 2.5** in terms of Municipal Finance Management Act, 2003 (Act 56 of 2003), the municipalities in South Africa must develop sound financial governance within the municipalities through developing a comprehensive system of clarifying and separating responsibilities of mayors, councillors and officials.

This framework is built on the basis of responsibilities of accountability and oversight with a culture of transparency and regular reporting (Fourie *et al.*, 2011).

In light of the above, this study will investigate the causes of failure of current credit control and debt collection policy and Municipal System Act, 2000 in terms of collecting all monies due to the South African Municipalities and thereof develop a framework that can be used to improve the effectiveness of management of municipal revenue and working capital in South Africa.

2.9 THE CONCEPTUAL FRAMEWORK

The conceptual framework presents the variables of the study. **Figure 2.4** below depicts the framework for the management of municipal revenue and working capital. The municipalities have the sources of revenue such as the property rates and services charges. The municipalities have to embark on investments and cash management in order to ensure that the municipalities have the working capital for day-to-day operations. In terms of the Constitution of South Africa, the municipalities have the responsibility of providing services to local communities such as the households, business and government department. In return, the local communities must pay for the services rendered to them.

The political structure such as mayors and municipal councillors must ensure that credit control and debt collection policy together with the by-laws are approved. The administrative structure such as the municipal managers and chief financial officers must ensure that the credit control and debt collection policy is implemented in order to collect monies that are due to the municipalities. The households that are subject to poverty and employment must access the basic services such as water and electricity through indigent policy.

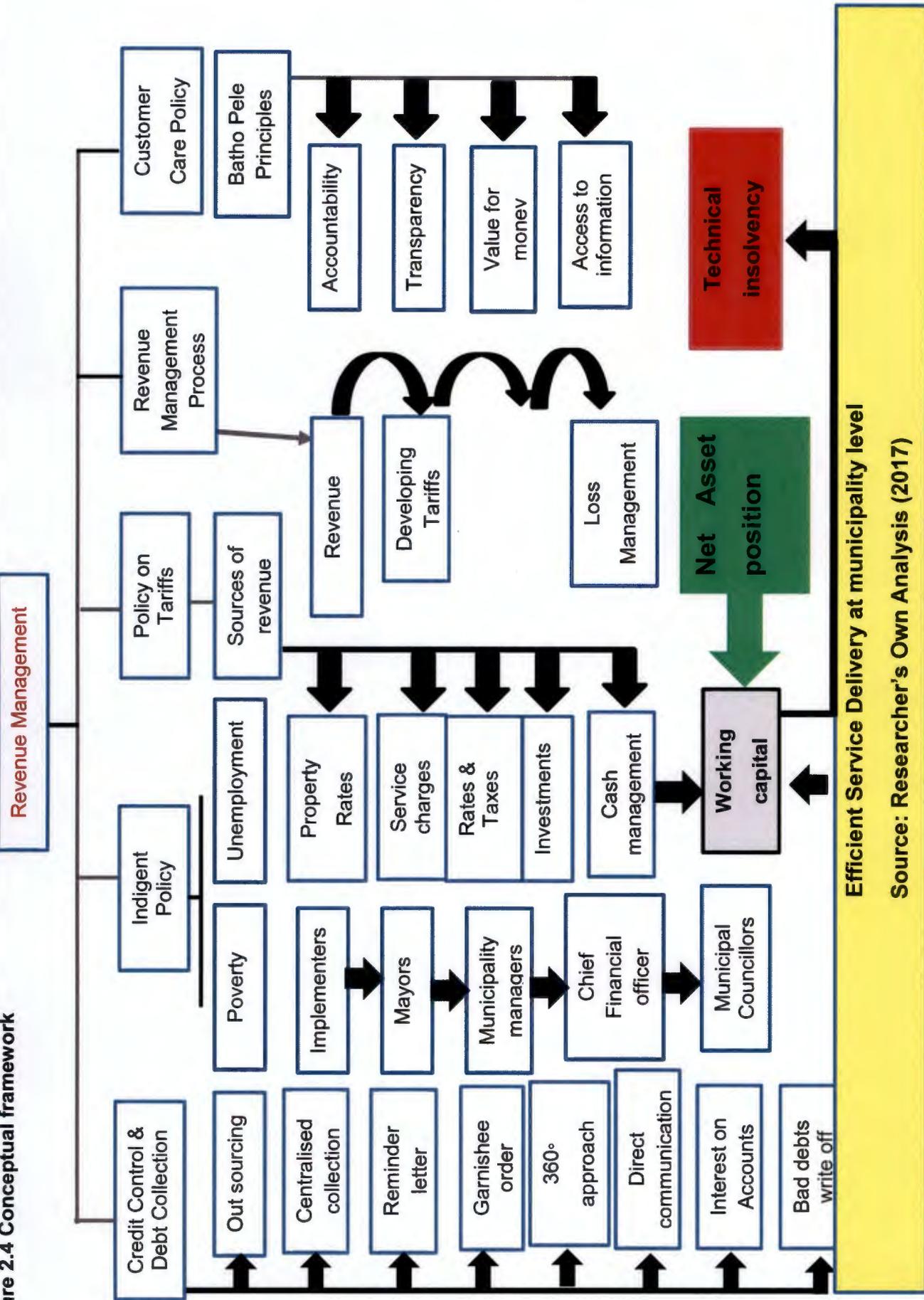
The municipalities need to deal with non-payment of municipal accounts to those local communities who can afford to pay their municipal accounts but are not paying them. The internal control measures that can be applied by municipalities include dab debts, outsourcing revenue collection, centralising collection activities, apply garnishee orders, holistic view of nonpayers(360-degree view), power of direct communication, charge interests on outstanding debts and some of the debts should be written off.

In light of the above, the municipalities must ensure that they make use of customer care policy and Batho Pele principles such as transparency, value of money and access of information are applied when they are dealing with revenue management process, collection of revenue and management of municipal debts.

If the municipalities in the process of revenue collection are experiencing the continuously escalating of debts, then they could be directly declared technically insolvency. This implies that they may be subject to net liability position. Consequently, this may affect negatively on the working capital of the municipalities (Fourie *et al.*, 2011; Pauw *et al.*, 2002; SALGA, 2015; USAID, 2005; Peters, 2011).

The conceptual framework of the management of municipal revenue and working capital is depicted in **Figure 2.4** as follows:

Figure 2.4 Conceptual framework



Efficient Service Delivery at municipality level
 Source: Researcher's Own Analysis (2017)

2.10 CHAPTER SUMMARY

The municipalities have the legislative framework to promote the improvement of management revenue and outstanding ad escalating debts using credit control and debt collection policy as the management tool. The political structure and administration structure should work together in support of local communities in implementation of a policy. Both structures cited above must understand their unique different roles for policy implementation in order to curb the escalating and outstanding debts in their municipalities. If the debts increased in municipalities, the municipalities should apply debt collection stages in consultation with local communities as control measures to counteract the escalating debts. In addition, the municipalities should put in place the strategies to improve the management of revenue such as the accurate billing system, provision of metered services and investing in ICT system.

This chapter focused on literature review that is relevant research objective one, whereby the literature review on debtor management practices, revenue management processes, the roles and responsibilities of managers in the implementation of credit control and debt collection policy was presented. It gave an in-depth discussion of debtor management cycle, municipal business model and the mandate of credit control and debt collection policy in terms of the municipal systems act of 2000 in the municipalities of South Africa. The chapter highlighted the views of researchers with regard to revenue management and working capital and the views on municipal revenue in other countries. Chapter 3 focuses on the literature review on the theoretical frameworks that inform credit control and debt collection policies locally and globally.

CHAPTER 3: LITERATURE REVIEW ON THEORETICAL FRAMEWORK

3.1 INTRODUCTION

According to the literature that was reviewed, South African Municipalities experience uncollectable debts irrespective of the implementation of credit control and debt collection policy, which gives the municipalities the power and authority to collect all the monies that are due to them. The credit control and debt collection policy also gives municipalities strategies in terms of how to deal with irrecoverable bad debts in order to reduce the rate of non-payment within the municipalities.

It was identified that municipalities experience a multiplicity of the challenges of non-payment for services rendered to their customers and communities in the form of trading services and property rates.

The legislative mandates in Chapter 2 highlight that there are pillars which should play critical roles in assisting municipalities to collect the revenues due to municipalities in return of the services that are delivered to customers and communities of the municipalities (SALGA, 2015; USAID, 2005; Peters, 2011; Botes and Pesler, 2001; Mazibuko, 2013).

Hence, it can be concluded that the South African municipalities are confronted with the ineffective revenue management system. In light of the above, this study is guided by theory of non-payment, theory of accountability, transaction cost theory, institutional theory, framework for corporate governance, PESTLE analysis and 7-S Framework.

3.2 Theory of non-payment

SALGA (2015:30) states that municipalities are mandated to constitutionally provide services to municipal communities and in turn are expected to collect revenues from these communities. If the communities do not pay the municipalities, this affects the financial viability of the municipality as a consequence of the non-payment of debts.

As pointed out that the municipalities are confronted with non-payment of debt in the background of the study, Peters (2011:2) highlights that there are two main reasons for municipal consumer debt, which may be inability and unwillingness to pay for services delivered. Consumers could be willing to pay but because of poor service delivery or lack of penalties for non-payment can refrain from paying for poor services (Peters, 2011:2).

The theory of non-payment in municipalities in South Africa has led to poor revenue management and working capital, which has caused some of the municipalities to sit at net liability positions. The reasons of non-payment are briefly discussed in the subsections that follow:

3.2.1 Reasons for non-payment by householders

According to Peters (2011:162), the reasons for non-payment of water between 2004 and 2008 centred on a metering system that is irregular; no metering system; no billing system in place; meter is broken; households cannot afford to pay, unhappy with services and others who simply do not want to pay.

3.2.2 Reasons for non-payment by business

According to Peters (2011:163), businesses are not paying due to irregular billing, incorrect billing, unhappiness with service/economic slow-down; others do not pay and are subjected to high tariffs. Peters (2011:155) further adds the escalation of debts in the municipalities may emanate from poor performance by municipalities in terms of inaccurate billing, weak credit control measures and he suggests that customer service mechanisms may serve to reinforce non-payment and consumers may be unable to pay due to unemployment and poverty (Peters, 2011:155)

According to studies that were conducted by Botes and Pesler (2001), Burger (2001) and Fjeldstand (2004), it was revealed that the further investigation of factors that influence municipal consumer debts needs to be conducted due to changes in local government sphere.

3.2.3 The drivers of non-payment

Researchers in South Africa have extensively conducted research studies of the drivers of non-payment in the context of South African municipalities. According to Botes and Pesler (2001) as well as Booyesen (2001), it was revealed that the non-payment amongst households occurs in both poor and non-poor areas and literacy rates are regarded as main drivers of misunderstanding the municipal accounts and this has increased an unwillingness to pay.

In contrast with the above, Glaser and Hildreth (1999) suggest that there is a close relationship between perceptions of government and willingness to pay the municipalities on the basis of services that were rendered and this was confirmed by the findings of mid-western United States whereby out of 3 000 000 people, half of these respondents were willing to pay for the local government that has shown the improved performance in terms of service delivery.

Fjeldstand (2004) and Cullis & Lewis (1997) argue that the behaviour of the staff of the local government is most critical in influencing customers and communities of the municipalities to pay for services that are rendered to them. Three dimensions are identified as influencing people to pay. First, there should be a trust that the local government is acting in the best interests of the citizens, that people must strongly believe that government will spend money on appropriate and quality services. Secondly, the citizens should believe that the local government authorities will establish fair procedures for revenue collection and the citizens must believe that non-payment will trigger effective enforcement by the local government, which could result in penalties such as disconnection of services.

Lastly, it has to do with the trust of other citizens to pay their share (Fjeldstand, 2004; and Cullis & Lewis, 1997). Fjeldstand (2004) and Cullis & Lewis (1997) state that this is referred to as “*a belief about honesty of others that is linked to the role of social influences.*”

This implies that people, most of the times, observe others in order to ascertain what is acceptable, reasonable and expected in the context of the municipalities with regard to the payment of trading services and property rates.

In a study that was conducted by Alozie and McNamara (2010), it was discovered that the women were interested to pay for services linked with housing for poor, job training and placement services, including the treatment of drinking water. This implies that the gender-specific behaviour with regard to payment of services may have an impact on the willingness to pay, which was also tested in this study. It was further pointed out that household income, connection charges; level of education can drive willingness to pay (Adenike and Titus, 2009).

It is noted that none of the researchers cited above have attempted to design a framework that improves the management of the revenue and working capital of municipalities. Therefore, it can be deduced that the municipalities are subject to ineffective revenue management. Thus, it can be concluded that there is a research gap in terms of developing a framework of improving the revenue collection in municipalities in South Africa.

Mazibuko *et al.* (2013:217) points out that municipalities have to sustain their operations in the long run because without income they cease to exist and it would become impossible to provide quality services to communities serviced by the municipalities.

In light of what has been mentioned above by Botes and Pesler (2001); Burger (2001) and Fjeldstand (2004), this study investigated the causes of failure of current credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African Municipalities and subsequently developed a framework that could be used to enhance management of municipal revenue and working capital in South Africa.

3.3 Theory of Accountability

Pauw *et al.* (2009:28) state that accountability is a focal point of the management of public money where the individuals using the money are accountable or answerable to the taxpayers. The types of accountability are known as internal and external accountability. Internal accountability refers to taking responsibility for the tasks that have been given in the institution and external accountability is to owners, shareholders or stakeholders (Pauw *et al.*, 2009:28).

According to Pauw *et al.* (2009:28), accountability can be approached in the context of a political point of view and from a financial point of view. The financial accountability of the organisation is the responsibility of the accounting officer who is the head of the organisation and in the context of the municipality is the municipal manager. On the other hand, the political head of the organisation is the Minister or municipal councillor and this accountability is less intense than that of the accounting officer or municipal manager. In the context of municipal accountability to people, it is important to highlight the indirect democracy versus direct democracy, governance in the municipality and leadership in the municipality.

- **Indirect democracy**

This is the system that has do with elected office bearers who are politicians that represent the people and govern on their behalf whereby public organisations are under the direction of a government and all other organs of state in a democratic state, which are accountable to the people hence departments are accountable to the people through the government of the day (Pauw *et al.*, 2009:30).

- **Direct democracy**

Direct democracy is the system that promotes public participation whereby the manager's work focuses on giving account to the people through their representatives in the legislature (Pauw *et al.*, 2009:30).

It is also stated that in the public financial management, the legislature has an executive function, which includes imposing taxes, allocating expenditure, regulating public financial expenditure and overseeing the spending of public finances. The legislation in financial management in South Africa is in accordance with Chapter 13 of the Constitution (Pauw *et al.*, 2009:30). This can be depicted as follows:

Table 3.1: Public Financial Management in South Africa in accordance with Chapter 13 of the Constitution

Constitution of South Africa				
Annual Budget Act	DORA	PFMA type legislation act		Preferential legislation
Allocations	Equitable share and grants	Treasury Regulations	Regulations for municipalities	Preference regulations
		Institutional policies and procedures	Institutional policies and procedures	Institutional policies and procedures

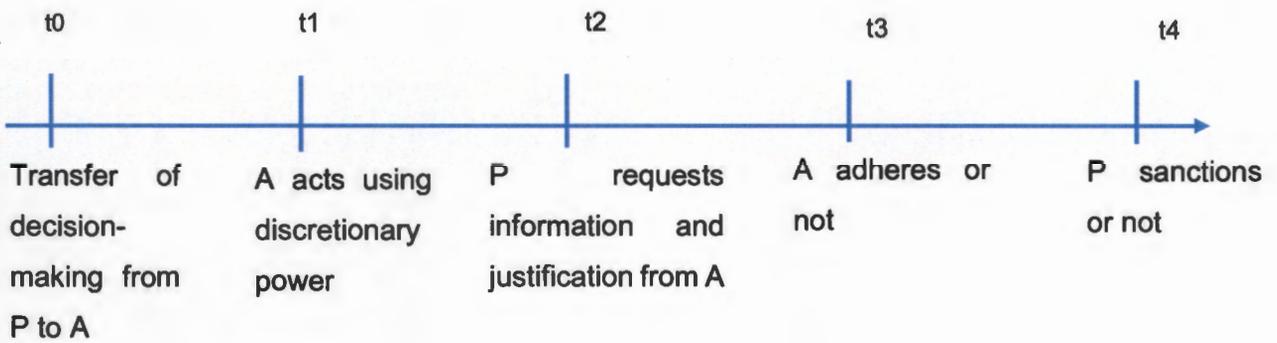
Adapted from Pauw *et al.* (2009:37)

Table 3.1 is in line with the legislative mandates and policies discussed in Chapter 2 with regard to revenue management in the municipalities. Lindberg (2009:1) points out that the concept of accountability comprises a long tradition in both political science and financial accountability. In terms of political science, this is only possible when the governed are separated from the governors. The main focus in political science has to do with decision-making power which is transferred from a principal (for an example, the citizens) to an agent (example government) where there should be a mechanism in place for holding the agent accountable for their decisions and if need arises to impose sanctions and ultimately by removing the agent from power (Lindberg, 2009:1).

On the other hand, accounting as the concept refers to financial prudence and accounting in accordance with regulations and instructions and it is noticed that in the last 10 to 15 years, the concept of accountability has also extended to community of scholars and practitioners concerned with diverse areas such as administration, development, business ethics and governance (Lindberg, 2009:1).

Accountability is associated with authority, the act of discretionary governing, which is understood as the authoritative allocation of resources and exercising control and coordination (Lindberg, 2009:7). This implies that there should be a need for an identifiable locus of authority. Hence, it is arguable that responsibility is null and void when nobody knows who is responsible, thus it can be concluded that there must be a person who receives the whole praise of what is well done, and equally the whole blame of what is not done well. Lindberg (2009:10) suggests that there are five conditions of accountability, which are depicted as follows:

Figure 3.1: Time Line of Accountability



Source: Lindberg (2009:11)

The analogy of **Figure 3.1** indicates that the decision-making power should move first from D to A through P. A will then act in this capacity and P can thus need A to supply information and justification for these actions. This implies that if A fails to do so, P has a right to sanction A. It is further stated that these conditions of accountability can be explained and clarified by the types of accountability, which are tabulated as follows:

Table 3.2: Sub-types of accountability

Source of Control	Strength of Control	Upward	Vertical Downward	Horizontal
Internal	High	Business	Bureaucratic	Audit
	Low	Client-Patron	Patron	Peer Professional
External	High	Representative	Fiscal	Legal
	Low	Societal	Political	Reputational

Source: Lindberg (2009:12)

In terms of Lindberg (2009:12) in accordance with **Table 3.2**, the types of accountability are briefly discussed as follows:

Business accountability

Business accountability is regarded as an inspiration for enhancing accountability in other spheres and is denoted by a P that is part of the organisation as shareholders, which will hold A (executives) to account for producing profit or services for the customers and communities in the case of municipalities in South Africa. The level of control is high with details of operations rendered and it runs vertically upward. P will require any form of information in line with the business. Business accountability intends to promote local democracy and improve the quality of service delivery.

Bureaucratic accountability is characterised by internal P and has high control, but runs downwards from top managers to lower levels. It consists of rules and regulations in carrying out the instructions regarding implementation decided upon higher levels. According to these types of accountability, managers have the right to request the information from lower levels.

Audit accountability

Audit accountability is horizontal where the internal P is holding other offices and office holders within the same municipality accountable in terms of financial accuracy and prudence. The auditors require special information that lies within the formal key ambit of the audit.

Client-patron accountability and patron-client accountability

These are regarded as informal forms of accountability as in both client-patron accountability in an upward format and downwards as in patron-client accountability. These are characterised by a low degree of control as well as limited means of monitoring and evaluation. The client can hold the patron accountable for delivery of the kind of benefits promised as part of the bargain and is often limited to that. In terms of patron-client accountability, the patron can hold the client accountable for various things, taking into account that the patron can be of significant value.

Professional / peer accountability

Professional accountability is horizontal accountability where the P (the peers) are internal and focus on audits, on safeguarding the organisational or occupational reputation and this type of accountability has factors that entail respect for colleagues and voluntary self-submission to being held accountable that come with professional peer reviewing.

Representational accountability

The representational accountability in the context of political systems regard P as citizens and A as their elected representatives in a vertical relationship running upwards where the level of control is high. In the case of the municipalities, the citizens hold the municipal councils accountable and the nature of elected office gives citizens a powerful position to acquire information with regard to political activity.

Fiscal accountability is vertical downward and horizontal and has high and detailed degree of control. If fiscal accountability runs vertically downward, an external P like the legislature holds different ministers, departments and agencies fiscally accountable for example, the minister of finance can hold other ministries fiscally accountable.

Societal accountability entails the civil society and the media who will take actions aimed to force politicians, business and legal decision-makers to be accountable and justify their actions.

Political accountability is vertically downward and has an external accountability with relatively weak control whereby the bureaucracies are large and are able to handle many issues every day, while the politicians are few and have several competing priorities plus severe time and cognitive constraints.

In addition, Sikhakhane and Reddy (2011) suggest that political accountability entails the relationships that permits municipalities to respond to local desires and demands of politicians, local communities and interest or pressure groups. This implies that the municipal officials are obliged to make informed decisions in order to respond to the concerns of key stakeholders. Thus, the municipal administrators and politicians have their interdependent roles in municipalities. In contrast with this, the municipal officials and politicians with special reference to municipal and mayor are frequently in disagreements. This results in factions with the council and among officials. Hence, this affects negatively on service delivery and compromises accountability to local communities (Sikhakhane *et al.*, 2011).

Reputational accountability runs horizontally among peers or peer institutions, which are external agents where the image of the agent can be damaged if, found /deemed he /she acted in contradiction with the established norms, standards and procedures.

In light of the above, with regard to revenue collection the politicians and municipality officials play different roles and responsibilities in revenue collection and debt management. Hence, there should be no interference when they execute their unique different roles. Thus, it is concluded that they are accountable in revenue collection and debt management in municipalities.

Furthermore, Sikhakhane *et al.* (2011) add that there are purposes of accountability, namely:

(i) Accountability as a control is whereby there is the monitoring of activities to ascertain whether the divisions in organisation are using scarce resources in economic, effective and efficient manner. The control may be in a form of informal communication through meetings, conversations, and memoranda. On the other hand, control may occurred formal using written, oral and statistics reports as well as personal observations. In the context of local government sphere, the municipal manager must get information and feedback from municipal officials to determine if their performance is satisfactory in order to account to the council. In turn, the council should has to account to the electorate.

(ii) Accountability as assurance. The local communities need assurance that the local resources are not abused. In this regard, the municipal councils have to appoint the skilled municipal officials because they do possess the expertise and skills to perform the expected administrative and operational tasks. However, the municipal councils has the authority to govern in municipalities.

(iii) Accountability and continuous improvement refer to workplace environment where the performance measurement intends to identify the strengths and weaknesses of the municipal officials during performance assessment and appraisal. The continuous improvement assists the municipalities to identify and attend to the constraints that hamper the performance of municipal officials. Accordingly, it was discovered that municipalities have challenges such as the huge backlogs of services, lack of skills among officials and limited resources.

(iv) Accountability and public governance. In the context of municipalities, these refer to the objectives and norms of governance municipal officials, which are accountable to the citizens. The objectives are regarded as economic growth and productivity whereas the norms are governance are viewed as efficiency, effectiveness, competition, value of money and profit. Therefore, public governance is more focussed on promoting economic growth, increasing efficiency, effectiveness and productivity and ensuring cost effectiveness.

Subsequently, accountability is improved by citizen participation, transparency, responsiveness and representivity. Citizen participation is in line with Local Government Municipal Systems Act, 2000 (Act 32 of 2000, section 3(1); special reference to chapter 7, which focuses on community participation and create mechanisms and processes as well as to develop approaches to promote it. This implies the municipalities should put programmes that promotes dynamic citizen participation including consultation and information sharing. Without citizen participation, local government cannot succeed. Thus, it could mean that the municipal council as part of its mandatory requirement should devote time on citizen participatory in order to address the needs and challenges of local community.

In support of this, Van der Walt (2007) and Theron (2005) suggest that the citizen participation can be enhanced through using questionnaires, community forums, social surveys and advisory panels in consulting with citizens in order to acquire their views on important issues such as the municipal payment of services.

Furthermore, ward councillor and ward committee should play active role in citizen participation. Venter (2007) supports this, by stating that ward committees creates formal communication channels and partnerships between the community and council and can express their dissatisfaction with the performance of the councillor to the councillor. Finally, the municipal activities are subject to public review; this requires the council to ensure transparency through organising meetings in order for all stakeholders to access information and state their views concerning municipal service delivery with special reference to public participation and accountability (Sikhakhane *et al.*, 2011).

This implies that the municipality can promote revenue collection and debt management through active public participation and accountability. Kilika and Mutua (2013:39-40) concur with Lindberg (2009: 12-13), Sikhakhane *et al.* (2001) and Venter (2007) by stating that the theory of accountability can be viewed under stakeholders Theory of Accountability, Dimensional Framework, Role of Theory of Accountability, and Mechanisms for Accountability, which are briefly discussed as follows:

3.3.1 Stakeholders Theory of Accountability

Kilika *et al.* (2013:39) highlight that accountability in the public sector is a complex phenomenon and is complicated by the difficulty in defining and measuring financial outcomes. They suggest that the stakeholder theory provides the benefit of addressing the challenges of turbulent environments brought by various groups that have legitimate stakes of varying degrees from the organisation. The fundamental focus of stakeholder theory is that the organisation's success in the attainment of accountability is highly dependent upon the successful management of all the relationships that it has with its stakeholders.

The stakeholder theory accepts that organisations can persuade the society in general and its different stakeholders and this theory includes planning, policy model, and corporate social responsibility models of stakeholder management.

In this study, in the context of municipalities improving municipal revenue and working capital the theory would include:

- the Government, municipal councils, executive mayors, ward councillors, municipal managers, chief financial officers, COGTA, SALGA, IMFO, municipal customers and general public who have different roles and responsibilities in credit control and debt collection in the municipalities (Craythorne, 2006; Pauw, *et al.*, 2009; Thornhill *et al.*, 2014).

3.3.2 Dimensional Framework

Kilika *et al.* (2013:40) emphasise that organisations use disclosures through managing their relationships with their stakeholders and external environment and is regarded as a precept of the stakeholder.

There are three-dimensional frameworks to explain the correlations among disclosures, accountability and economic performance. Firstly, stakeholder power states that an organisation will be receptive towards the intensity of stakeholder demands such as the circumstances when the stakeholders control important resources, the organisation is expected to respond in a manner that satisfies their demands. Secondly, strategic posture pronounces that the organisation is likely to consider concerns with regard to social demands. Lastly, the past and current economic performance determines the relative weight of a social demand and the attention it receives (Kilika *et al.*, 2013:40).

3.3.3 Role of Theory of Accountability

According to Kilika *et al.* (2013:40), the role of theory of accountability refers to the role systems in the manner of how organisations manage to yield reliable behaviour on the side of their members. It emphasises the responsibilities of the individuals controlling and coordinating the resources that are allocated to the organisations. According to role theory, the focal worker assumes to face auditing on shorter and recurring cycles and it clarifies the important components and relationships central to accountability (Kilika *et al.*, 2013:40).

3.3.4 Mechanisms for Accountability

Kilika *et al.* (2013:40) suggest that organisations are unique therefore; each organisation requires the accountability structure that is appropriate to its needs and turbulent environment in which an organisation is subject. It is also stated that the organisations must have transparent and standardised reporting and accounting mechanisms for large-scale service delivery as well as structures to cater for large amounts of external funding and systems for decision-making.

Akudugu (2012:22) on the basis of the above, highlights that decentralisation has been carried out with an intention of bringing governance and development decision-making closer to the ordinary citizens at the sub-national level.

The decentralisation of power, authority and resources to sub-national organisations is envisioned to make governance more appropriate to the needs of the people and make governments more accountable to the local people. Local government authorities are supposed to improve social-economic development in their respective localities and the capability of local governments to effectively execute their functions is heavily dependent on the degree of financial decentralisation.

The local government authorities need to ensure that there is value for money through linking the processes of fiscal decentralisation with the subject of accountability. The financial accountability will be realised and make impact if the local government authorities account for these resources. The success and the sustainability of financial decentralisation would be realised provided through the capacity of local governments to institute the measures to manage properly these revenues (Akudugu, 2012:22-23).

The effective financial accountability in the municipalities will depend on ensuring that the revenues are appropriated legally and the roles and responsibilities of administrative and political functions with regard to financial management in terms of revenue management and working capital are clarified to all the people involved in credit control and debt collection in the municipalities (Akudugu, 2012; Pauw *et al.*, 2009).

The accountability in local government is regarded as a governance matter and it goes beyond the provision of financial statements. Accountability as a governance matter implies that it involves the element of role expectations and role behaviour in financial accountability (Akudugu, 2012).

Accountability of financial management in terms of revenue management and working capital in the South African municipalities belong to municipal staff and municipal councils, who are the representatives of local people, customers and public in general (Pauw *et al.*, 2009; Craythorne, 2006; Thornhill *et al.*, 2014).

This implies that municipal councils have the responsibility to hold municipal officials accountable on the management of municipal financial resources and this requires municipal officials to have a deeper understanding of financial matters and well versed with their roles and responsibilities with regard to credit control and debt collection process in the municipalities.

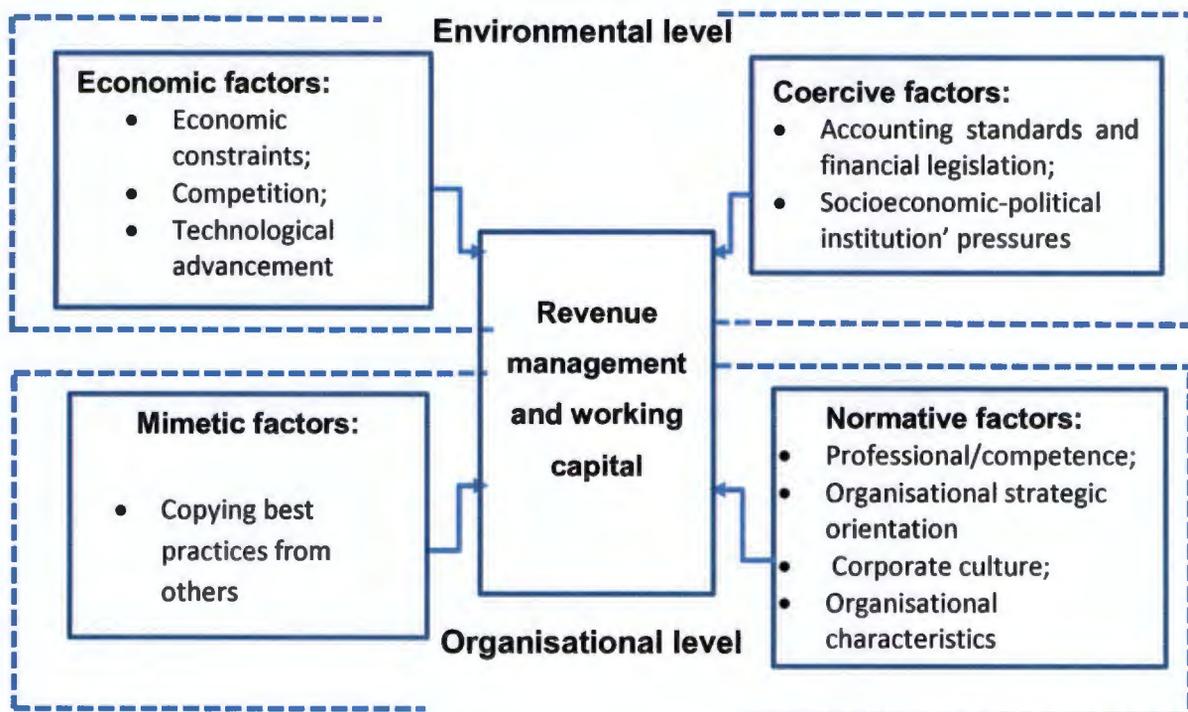
Hence, it can be deduced that accountability theories are applicable to this research since the municipalities have received the budget from the government and subsequently they use it to provide the services to their customers and public in general in the form of electricity, property, refuse removal, sanitation and water whereby in return the customers and public in general are expected to pay to the municipalities for the services rendered to them.

The municipal officials such as the municipal managers, chief financial officers, ward councillors, executive managers etcetera have different responsibilities in terms of ensuring that credit control and debt collection policy is effectively implemented to collect municipal revenues. This implies municipalities are accountable to provide services to citizens and customers and the citizens and customers are supposed to pay for the services rendered to them. The municipalities have to ensure that there is effective revenue management system in order to collect the revenues of the municipalities and take into cognisance the indigents.

3.4 INSTITUTIONAL THEORY

Kloviene (2012:1245) suggests that the organisations are subject too turbulent environments and are expected to adapt to these continuous changes in order to survive in a competitive environment. Kloviene (2012:1) highlights that the institutional theory identifies internal and external factors on the specific environment as the institutional factors, which are depicted in **Figure 3.2** below:

Figure 3.2: The list of institutional factors in the context of the revenue management and working capital



Adapted from Kloviene (2012:1246)

Figure 3.2 above is applicable to this study since municipalities are subject to economic factors such as the circumstances whereby the municipalities are dependent on technology advancement in shifting from the usage of manual collection of payments to electronically enabled platforms because it caused delays to customer service with built-in risks of manual cash management (Mathews, 2014:3).

Therefore, the rapid technology advancements and ever-evolving best practices offer significant opportunities for local governments to recover outstanding receivables more effectively, and help in mitigating economic challenges in their areas of operations (London, 2015).

The municipalities in South African are also subject to coercive factors such as legislative mandates taking the form of credit control and debt collection policy which gives municipalities the authority and power to collect their revenues in return of the services that were rendered to their customers and communities (Pauw *et al.*, 2009).

The municipalities are expected to draft and implement the indigent policy to cater for poor households and provide for social packages to the poor households (Pauw *et al.*, 2009). Kloviene (2012:1247) states that organisational strategic orientation should be linked to operations via the costing and organisation strategic orientation such as IDP is regarded as the influence force for revenue management and working capital (Pauw, *et al.*, 2009).

The corporate culture created by top management of the organisations forms the cultural forms consistent with their own aims and beliefs. These, in turn, influence the revenue collection practices in municipalities (Pauw *et al.*, 2009).

3.5 TRANSACTION COST THEORY

According to Mathews (2014:15), the transaction cost theory has to do with the perspective of financial management theory for two key reasons, which are the ambiguity of transactions and widely accepted value of efficiency in this area. In the acceptable standards and norms, the revenues could be collected through three different types of contracts between the revenue collecting authority and revenue collector (wage, share and fixed-rent contracts). According to Mathews (2014:15), the wage contracts refer to situations whereby the government appoints revenue collection agents on fixed wages and the revenue collection agents reach agreement to turn over to the government all the revenues they collect.

The share contract takes place together with a wage payment whereby the revenue collection agent holds on to a pre specified share of the revenues collected whereas the fixed rent contract occurs when the revenue collector approves to pay a pre specified sum to the government in return for the entire revenue proceeds (Mathews, 2014:16). In the collection of revenues of municipalities, the transaction cost theory can be applicable when municipalities embark on outsourcing revenue collection to private agents (Fjeldstand, Katera and Ngalewa, 2009).

According to Fjeldstand, Katera and Ngalewa (2009) the benefits and costs of outsourcing that have been experienced by the local Authorities in Tanzania involve revenue enhancement and predictability budgeting and planning; cost effectiveness in terms of lower administrative costs for municipalities because the costs of collection were incurred by the private sector instead of using government employees; reallocation of staff and less political interventions in the day to day operations of tax collection are the main benefits of outsourcing as a fundamental benefit of outsourcing.

This implies that the South African municipalities can benefit on the cost transaction theory through outsourcing revenue collection to private agents to deal with the challenges of uncollectable revenues from the customers and communities of the municipalities and assist the municipalities that are declared as technically insolvent due to poor working capital (Peters, 2011; Dharamlall & Moodley, 2013).

Thus, when the municipalities are unable to collect their revenues through credit control and debt collection, they are supposed to opt for collection strategies such as outsourcing and centralised collection and the municipal officials are expected to play key responsibilities in the implementation of credit control and debt collection policy and other policies that are relevant in the revenue collection in the municipalities.

3.6 FRAMEWORK FOR CORPORATE GOVERNANCE

Corporate governance ensures that the business is under control and encourages the organisation to establish high principles that drive the code of conduct according to laid down ethical and equitable values (Hendriskse and Hefer-Hendrikse, 2012: 104-107).

In addition, the Organisational for Economic and Development (OECD, 1999:1) points out that corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders.

Corporate Governance also provides the structure through which the objectives of a company are set and means of attaining those objectives and monitoring performance are determined.

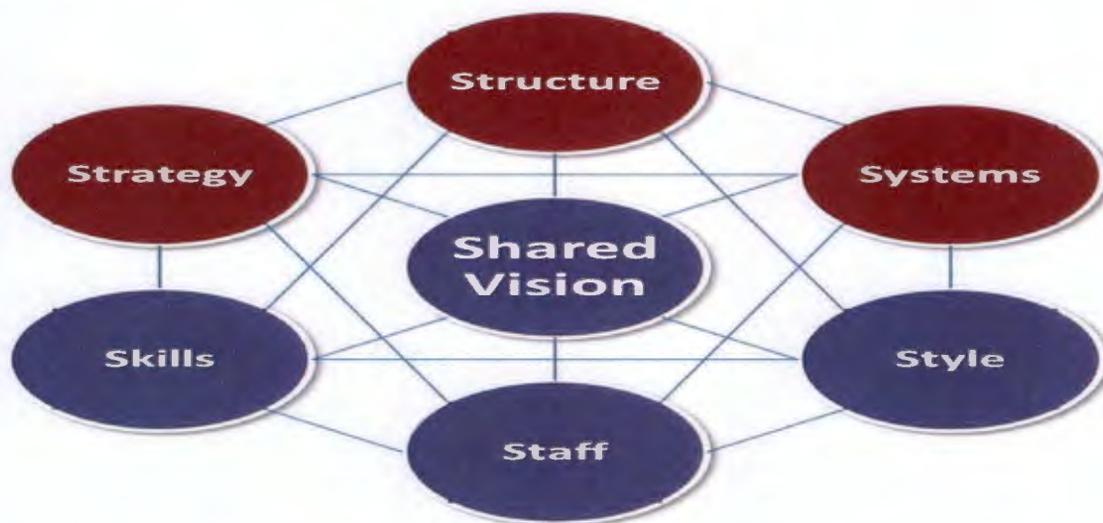
Hendriskse *et al.* (2012) concludes, “corporate governance contributes to business success by making leadership aware of the importance of making sound decisions that involve returns and risks, and of making the business responsible and accountable with integrity from top to bottom”.

This implies that the politicians and municipalities are accountable in the implementation of credit control and debt collection observing compliance procedures set by the municipalities. The municipalities should also approve the by-laws that give effect in implementation of a policy. There should be no political interference to disturb the municipal officials to implement a policy (Thornhill *et al.*, 2014).

3.7 THE 7S'S FRAMEWORK

The Mc Kinsey 7 S framework was developed by McKinsey consultants, which guide and evaluate organisational development to achieve vision and produce desired performance results. The framework is depicted in **Figure 3.3** below.

Figure 3. 3:7Ss Framework



Adapted from BPP Learning Media (2016) Chartered Institute of Management Accountants (CIMA) Study Text

According to **Figure 3.3**, the 7-Ss are Structure, Strategy, Skills, Staff, Style, Systems and Shares values. The 7Ss are briefly explained as follows:

- **Strategy:** The coherent set of action by which an organisation plans to achieve competitive advantage
- **Style:** The tangible patterns of evidence pertaining the priorities of the top management team
- **Skills:** A synergistic blending of dominating attributes and capabilities in the organisation
- **Structure:** The formal assignment of organisational specialisations, authority and responsibility
- **Systems:** The repetitive procedural processes and flows of ordinary operations
- **Staff:** People in organisation considered in terms of corporate demographics, no individual personalities
- **Shared values:** the guiding concepts and vision underlying the desired corporate destiny (Pothiyadath and Wesley, 2014).

The 7S Framework was used to as a tool for assessing the municipalities' performance. The motive behind utilising this framework is because it revealed in this study that some of the municipalities were subjected to uncollectable consumer debts over the past ten years. This framework is most appropriate when an organisation intended to identify and target the areas of organisation development intervention (BBP Learning Media, 2016). Therefore, the nature of the research objectives are well suited for the deployment and adaptation of 7-S Framework. The research objectives of the study are:

- To identify the causes of failure of current credit control and debt collection policy and Municipal System Act, 2000 in terms of collecting all monies due to the South African Municipalities.
- To develop a framework that can be used to improve the management of municipal revenue and working capital in South Africa.

These researches require identifying the areas that need attention and focus and target the same areas for organisation development intervention.

3.8 PESTLE ANALYSIS

The municipalities are operating in a turbulent environment and they should analyse the implications of these challenges, changes and modify the way it reacts to them. This is referred as business strategy.

The municipalities need to identify external factors according to research objectives, which could have an impact on the implementation on credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African Municipalities.

A tool used by the municipalities in this regard is the PESTLE Analysis and the acronym PESTLE entails the following components:

P: Political; Economic; S: Social; Technological; L: legal and E: Environmental issues.

3.9 CHAPTER SUMMARY

The theory of non-payment of services of municipalities has led to poor management of revenue and working capital .Local communities such as the households, businesses and government departments owed municipalities huge debts. This requires the staff of municipalities and leadership of municipalities to exercise their different levels of accountability to curb the non-payment of municipal accounts.

The municipal corporate governance structures should promote the collection of revenue and debt management through the effective implementation of credit control and debt collection policy. The municipal corporate governance structures may opt to use the transaction cost theory to tighten the control measures to collect revenues and control outstanding and escalating debts. The municipalities in collecting revenue and controlling debts should take into account the factors stipulated in institutionary theory and PESTLE Analysis. This chapter focused on the theoretical framework in relation to the management of municipal revenue and working capital in the municipalities. Chapter 3 covered the theory of non-payment, theory of accountability, transaction cost theory, institutional theory, framework for corporate governance, PESTLE analysis and 7-S Framework. The next chapter, that is, chapter 4, focuses on research methodology of the study.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 INTRODUCTION

This chapter discusses the methodological issues that was adopted for this study, which includes the research philosophy, research design, research strategy, techniques and procedures.

The research process is used to address the identified research gap with regard to developing a framework that improves the management of revenue and working capital to deal with the uncontrollable debts in South African municipalities. The municipalities have been exposed to escalating debts, despite having introduced the credit and debt collection policy. This policy was intended to give municipalities the authority to collect revenues due to them.

4.2 RESEARCH PHILOSOPHY

Saunders, Lewis and Thornhill (2009:108) define research philosophy as the important assumptions and the way one views the world. This ontological viewpoint informs the research strategy and methods the study selects to achieve the research objectives of the study. Creswell (2009:6) also emphasises that the concept worldview means a basic set of beliefs that guide action while others called them paradigms, epistemologies and ontologies or broadly conceived research methodologies. Furthermore, according to Blanche, Durrheim and Painter (2006:40) paradigms are systems of interrelated ontological, epistemological and methodological assumptions. Paradigms in this research study provide a rationale for the research and indicate the type of methods of data collection chosen in the study. In line with this, Saunders, Lewis and Thornhill (2012) reported that there are three main views about research philosophy, which are epistemology, ontology and axiology.

Creswell (2009:6) emphasised that each of these views has four different worldviews, which, are known as the post positivist worldview; social construction worldview; advocacy and pragmatism. This implies that the research questions are the best launch pads for a researcher's position relative to each philosophy in research (Saunders *et al.*, 2012; Saunders *et al.*, 2009; Creswell, 2009).

In light of above the discussion, it follows that there are debates on ontology and epistemology. These debates are centred on the choice between positivist and interpretivist or between qualitative and quantitative. It may be deduced from the debates that it is important for the study to adopt a multidimensional continua than separate positions (Saunders *et al.*; 2012). Consequently, Saunders *et al.* (2012) suggested that researchers need to choose a position on each of the continua that is somewhat unrealistic in practice. It may be concluded that this study adopts the position of the pragmatic philosophy (Saunders *et al.*, 2012).

Additionally, Morgan (2007) emphasises that pragmatism redirects researchers' attention to examine the causes that have the most influence on what we choose to research and the manner we choose to do. This study uses pragmatism to examine how municipalities experience revenue and service delivery challenges in the midst of uncollectable and escalating consumer debts. This implies that others are sitting at net liability position, and in such instances then expenditure growth exceeds revenue growth in some of the municipalities in South Africa.

The pragmatism allows this study to first use qualitative method to explore the causes of failure of current credit control and debt collection implementation in the South African municipalities (Saunders *et al.*, 2012; Creswell, 2009; Peters, 2011; Du Plessis, 2014). This philosophy also encourages the use of both interviews and questionnaires to gain insight and generalise the results of the root causes of uncollectable and escalating debts the municipalities are experiencing in South Africa. The use of mixed research methods in this study follows the fact that the research questions of the study are qualitative and quantitative in nature. Pragmatists argued that objective reality might exist, but that the human mind was incapable of the objectivity to discover such reality and as a result, they use both inductive and deductive reasoning. This implies that they value both objective and subjective points of view (Creswell and Clark, 2007). This study to utilise both inductive and deductive reasoning to cater for the objective and subjective points of view to address the research questions of the study.

4.3 RESEARCH DESIGN

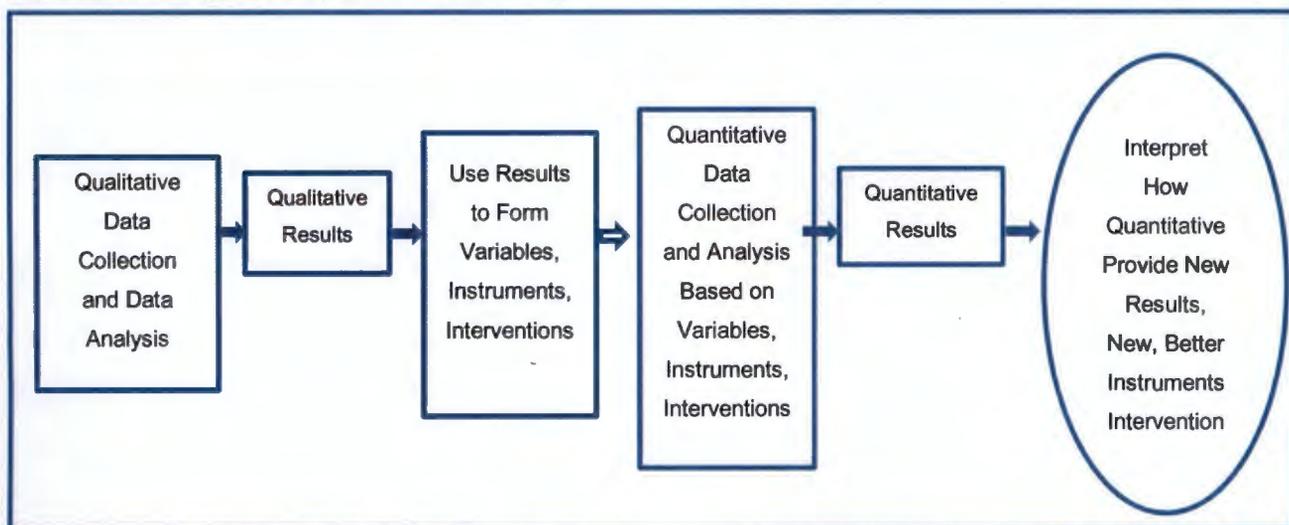
Tustin, Ligthelm, Martins and Van Wyk (2005); Salkind (2014), Blanche *et al.* (2006:34) & Kumar (2005:74) state that the research design is a plan followed in terms of how a research is carried out in a manner that it answers the research questions of the study. The purpose of a research design is to answer the research problem, the research objectives and the hypotheses.

4.3.1 Mixed methods research designs

Mixed methods research designs utilise both quantitative and qualitative in a single research study collect or analyse data. There are four mixed methods research design types, which are classified using category as linked to variants, timing, weighting, and mixing (Creswell *et al.*, 2007; Azorin & Cameron , 2010). According to Creswell *et al.* (2007), the four types of mixed methods designs are triangulation, embedded, explanatory, and exploratory. This study adopts the exploratory sequential design. Creswell *et al.* (2007) establish that exploratory design exists to first explore qualitatively.

It entails that this design is useful when “measures or instruments are not available, the variables are unknown, or there is no guiding framework or theory”. The exploratory sequential is depicted in **Figure 4.1** as follows:

Figure 4.1: Exploratory sequential design



Source: Adapted from Creswell (2009); Saunders *et al.* (2012); Creswell *et al.* (2007)

In **Figure 4.1**, the mixed methods sequential exploratory design consists of two distinct phases: qualitative followed quantitative. In this research design, a researcher first collects and analyses the qualitative (text) data and gets qualitative results, which are used to form variables and to develop instrument for quantitative purposes. The quantitative (numeric) data are then collected and analysed second in the sequence and help explain or elaborate on the qualitative results obtained in the first phase. The second quantitative phase builds on first qualitative phase and the two are connected in the penultimate stage of the study. The rationale of this design is that the qualitative data and their sub sequential analysis provide universal understanding of the research problem.

The quantitative data and their results refine and explain those qualitative results by generalising the participants' views in order to provide new results, better instruments and better interventions to improve the management of municipal revenue management and working capital in South Africa (Creswell, 2009; Saunders, Lewis & Thornhill, 2012; Creswell & Clark, 2007; Peters, 2011; USAID, 2005).

Creswell *et al.* (2007:262) and Saunders *et al.* (2012:168-169) emphasise that it is important to utilise both quantitative and qualitative research in the research study, which include the rationales such as complementarity, development, initiation and facilitation. The reasons for using both mixed methods in this study are that one data source (qualitative) is not robust enough to cater for the complexities of the research problem since it caters for small sample. The small sample is purposively selected. The qualitative method seeks to provide more insight into the problem statement. On the other hand, the quantitative method enhances the results of qualitative phase. This implies that data is qualitatively and quantitatively collected and analysed in this study with an intention to cater for municipal diversity. The study approaches municipal diversity through collecting data from the critical municipal officials, Auditor-General of South Africa, SALGA, Financial and Fiscal Commission, other institutions and political office bearers that play various roles and responsibilities in revenue management and working capital in the Municipalities (Saunders *et al.*, 2012; Mazibuko & Fourie, 2013; Fourie, Opperman & Scott, 2011).

All these role players are expected to address the current problems in municipalities where the expenditure growth exceeds revenue growth and some municipalities are indirectly declared technically insolvent (Fourie *et al.*, 2011; Dharamlall & Moodley, 2013). Thus, the exploratory sequential design facilitates the collection of data from these officials in order to provide new results, new and better instruments as well as better informed interventions subsequently used to design a framework to effectively manage municipal revenue and working capital in South Africa. This implies that this design intends to develop and test an instrument since none is available and also to identify important quantifiable variables. It is also appropriate when the study seeks to generalise the results to different groups to explore a phenomenon in depth and then measure its prevalence (Creswell *et al.*, 2007).

4.4. TYPE OF STUDY

Saunders *et al.* (2012:170-172) emphasise that the research study needs to recognise the nature of research design chosen through following an exploratory, descriptive or explanatory purpose. The research questions of this study are exploratory and descriptive in nature; therefore, this study adopts both exploratory and descriptive purposes. The exploratory and descriptive purposes are briefly discussed in the following subsections:

4.4.1 Exploratory

Saunders *et al.* (2009:139) point out that exploratory research is defined as a valuable means of finding out what is happening in seeking new insights, to ask questions, and to assess phenomena in a new light. It is particularly useful if one wishes to understand the problem such as the precise nature of the problem. Saunders *et al.* (2009:140) advise that there are three principal ways to conduct the exploratory research, which are a research of the literature; interviewing experts in the field and conducting focus group interviews. The exploratory research is used to create some better opinions about researching for the study. The main emphasis of exploratory research is on the discovery of ideas and insights with regard to root causes of failure of credit control and debt collection policy in municipalities. It permits the researcher to be acquainted with the problem studied and generate hypotheses tested in the study (Saunders *et al.*, 2012).

In light of the above, the exploratory approach is this study seeks to gain new insight through exploring the reasons why expenditure growth exceeds revenue growth in the municipalities. The exploratory approach is this study is carried through conducting in-depth personal and focus groups interviews with senior managers of municipalities, other municipal managers, households and organisations interacting with municipalities. These interviews are intended to gain new insight, new interventions and variables used in the quantitative phase of this study.

Thus, it can be deduced that exploratory approach is associated with inductive reasoning and it follows from the fact that through exploratory study builds a theory. This theory is used in the descriptive study whereby the descriptive questions are utilised to generalise the causes of failure of credit control and debt collection policy in municipalities that ultimately helped in developing the themes for the survey instrument in the following descriptive research.

4.4.2 Descriptive

Saunders *et al.* (2009:140) highlight that the objective of this research is to portray an accurate profile of the persons and events. Blanche *et al.* (2006:44) state that the main intention of descriptive studies is to describe and analyse a particular phenomenon. Descriptive studies intend provide accurate observations and the research design focuses on the validity (accuracy) and reliability (consistency) of the observations, and the representativeness of sampling (Blanche *et al.*, 2006:44).

The approach in this study uses descriptive statistics to identify the relationship of variables identified in the qualitative phase. The descriptive study allows this research to use frequency counts, measures of central tendency (mean or mode), and measure of variation-standard deviation (Saunders *et al.*, 2012).

This type of study is more structured and based on a large sample, which allows the study to use structured questionnaire and cover larger population in this study. It extrapolates more insight and interventions from the managers of municipalities in order to develop a framework to improve the management of municipal revenue and working capital in South Africa.

4.4.3 Research approaches

According to Saunders *et al.* (2009:124), two approaches are deduction and induction in nature. The comprehensive understanding of these approaches will enhance the efficiency of the research study. The approaches are briefly discussed in the subsections that follows:

4.4.3.1 Deduction approach

Saunders *et al.* (2009:113) and Saunders *et al.* (2012) point out that deduction moves straight to the development of a theory and thereafter gathers evidence to test the theory.

This approach allows the deduction of a hypothesis from theory; expressing the hypothesis in operational terms that suggest a relationship between two specific concepts or variables; testing this operational hypothesis; examining the specific outcome of the inquiry with an intention to confirm the theory (Saunders *et al.*, 2009:113-114).

4.4.3.2 Induction approach

The inductive approach is regarded as the process where the study is intended to build a theory with a purpose of establishing what is going on and to understand better the nature of the problem as well as the meanings of human events (Saunders *et al.*, 2009:126; Remler and Ryzin, 2015:14).

4.4.3.3 The justification of choosing both approaches for the study

According to Saunders *et al.* (2012), it is acceptable to have multi-approach or a combination of the research approaches. Based on approaches adopted by Saunders *et al.* (2009) as outlined in **Figure 4.1** above, this study adopts both approaches.

The inductive approach in this study explores phenomena and gets a better understanding of the research problem by using interviews.

Moreover, in line with the discussion **4.1** above, it is established that the pragmatic approach draws heavily on the inductive and deductive reasoning (Creswell, 2009; Creswell *et al.*, 2007). The inductive approach helps researchers to understand best the nature of the problem through in-depth and focus group interviews, whilst the deductive approach tests the theory through a structured questionnaire.

This implies that in order to fully analyse a phenomenon, it is critical to support the inductive approach with deductive thinking to resolve a real world problem such as the one investigated in this research.

4.5 RESEARCH STRATEGY

Saunders *et al.* (2012:173) point out that strategy is regarded as a plan of how the researcher responds to the research questions of the study. It is referred as methodological connection between the research philosophy and a choice of methods to collect and analyse data. This implies that the choice of the research strategy is guided by the research questions and objectives and the research philosophy adopted by the study. Accordingly, this study has adopted the mixed methods, therefore, the research strategies adopted by the study are briefly outlined in the following subsections:

4.5.1 Survey strategy

As pointed out the study uses mixed research methods. The quantitative phase of this study comprises the collection and analysis of survey data. The quantitative methods entails the collection of data, which is generally called a descriptive research design. More specifically, it is survey research. Survey research elicits information from the participants; summarising their responses with percentages, frequency counts or through sophisticated statistics indexes; and then draws inferences about a particular population from the responses of the sample (Leedy, Lewis & Ormrod, 2011). The surveys regularly utilise questionnaires to facilitate for collection of a great amount of data from a sizeable population in the most economical method.

The survey sample is drawn from a known population and a structured questionnaire is utilised, complemented with interviews (Saunders *et al.*, 2012; Hofstee, 2011:122). The survey strategy is used to gather quantitative data to answer “what”, “who”, “what”, “where” and “how many” questions and is mainly used in descriptive and exploratory research. The survey is used to gather data through structured questionnaires, implying that the data is collected in a standardised form. Thus, the survey strategy tests the theory in this study.

In the study, this strategy is used in conjunction with stratified sampling whereby the designing of the questionnaire and sampling procedures are carefully planned in order to yield more reliable and valid data (Leedy *et al.*, 2011; Saunders *et al.*, 2012).

This implies that when the study uses more than one case as in this study, the emphasis is on cross sectional design. The reasons for utilising the survey strategy in this study entail the duration of the survey, the cost of the survey, the time-value of the information, and coverage of a wide range of topics (Tustin *et al.*, 2005).

The survey strategy in the study comprises developing the questionnaire; pilot testing; designing a sample plan; collecting data; and analysis of the data. This survey in the study is subsequently applied to the second phase of exploratory sequential design (quantitative phase).

4.5.2 Case study strategy

The case study strategy is a plan that intend to explore a phenomenon within its context or within its real life context. This strategy is used when a study is envisioned to acquire the comprehensive understanding of the context of the research process.

The strategy has the ability to generate answers to the question 'why' 'what' and 'how' questions which will assist to achieve the research objectives.

This strategy, in the study provides the opportunity to incorporate the views of the participants in the interviews. It also allows the study to explore into behaviour patterns of the participants (Saunders *et al.*, 2012; Baskarada, 2014). The case study strategy is therefore utilised in the exploratory study on the first phase of exploratory sequential design (qualitative phase). The study consists of three different type of groups, which are the municipalities, organisations interacting with municipalities and households. The three different type of groups interviewed through in depth and focus group interviews.

According to Remler and Ryzin (2015:76) the study, that comprises three or a larger number of cases is referred as a study that uses the comparing cases. This study utilised three different groups that allowed the study to compare and contrast the findings emanating from each group of the three groups. It encouraged the researcher to consider what is unique and what is mutual across three different groups. Consequently, the case study strategy regularly promotes theoretical reflection on the findings (Bryman & Bell, 2015).

Thus, it can be deduced that this study involves three different groups and it follows that from the fact that it is better viewed as a cross sectional design (Bryman *et al.*, 2015). Leady *et al.* (2011) emphasis that case study strategy is a "*type of qualitative research in which in-depth data gathered relative to a single individual, programme or event for the purpose of learning more about an unknown or poorly understood situation*". This implies that it collects intensive data from participants that would be interviewed.

This intends to explore a phenomenon, identify themes and explain patterns to build a new or modify an existing theory.

The case study strategy is associated with inductive approach and link to purposive sampling in this study. it proposes to explore and learning more about unknown or poorly understood situation with regard to the current failure of credit control and collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African municipalities (Creswell, 2007; Saunders *et al.*, 2009).

4.6 RESEARCH TIME HORIZON

Saunders *et al.* (2009) assert that the choice of the research period is rooted to the research investigating questions. There are two choices, which are cross-sectional (specific period) and longitudinal (longer time period). This cross-sectional study covers a particular phenomenon at a particular time. The cross sectional survey is one of the most frequently used and it is also cited that many case studies are based on interviews that are conducted over a short space of time (Bryman *et al.*, 2015).

In conclusion, this research is a cross sectional study that investigates the causes of failure of current credit control and debt collection policy in municipalities in South Africa.

4.7 POPULATION OF THE STUDY

According to Matthews and Ross (2010:154), population in statistical terms refers to the total number of cases that can be included as research subjects. Salkind (2014:185) also adds that population is regarded as a group of participants whereby researchers wish to generalize the results of the study. Sekaran and Bougie (2009:267) & Arlene (2005:82) state that population must be defined in terms of elements, geographical boundaries and time. In the research process, most studies cannot include all elements of the population of interest, so a sampling frame needs to be identified. This implies that the target population is regarded as a set of units to be studied in the research project.

The target population of this study comprises municipalities in South Africa, households, organisations interacting with municipalities. A carefully selected sample was chosen to represent the population (Bryman *et al.*, 2015). It implies that a sample must be small enough in order to be manageable and give a good representation of the population. The sampling method is briefly discussed in the following subsections:

4.7.1 Description of the population

The research study comprised three different types of groups, which are the municipalities, households and organisations interacting with municipalities. The municipalities according to the Constitution (RSA, 1996) have the responsibilities of providing services to the local communities. The local communities in the context of this study are referred to the businesses (organisations interacting with municipalities), government departments and the households.

Group 1: Municipalities

According to Local Government Handbook (2017), there are 257 local municipalities in South Africa that provide basic services such as water and electricity to households, organisations interacting with municipalities and government departments. The municipalities are categorised into three types, namely local government municipalities, district municipalities and metropolitan municipalities. The study focussed on the executive managers and managers of the municipalities. The executive managers in the municipalities are referred to the municipality manager, chief financial officer and other executive managers. The managers are the financial managers and other managers in all divisions of the municipality (Thornhill *et al.*, 2014).

Furthermore, SALGA (2015) cited that R100 billion are owed municipalities as consumer debt by households and government departments. The motive behind of including the above managers in the study was that the municipal manager, an accounting officer is responsible for the collection of revenue and debt management. However, the responsibilities of the municipal manager can be delegated to the chief financial officer (Thornhill *et al.*, 2014; National Treasury: Chief Financial Officers Handbook, n.d).

The revenue collection and debt management can be delegated to executive/managers and other managers through the delegation authority from municipal manager (Thornhill *et al.*, 2014; Pauw *et al.*, 2002). Thus, this study covered executive/senior managers, financial managers and other municipal staff since the implementation of credit control and debt collection policy is the joint effort for the whole municipality (Fourie *et al.*, 2011).

Hence, the effective revenue management and debt management ensure that the municipalities are in possession of working capital that assists them to operationalise their businesses on the day- to - day basis. This implies that the effective revenue collection and debt management are regarded as the reasons for existence for municipalities in order to provide services to local communities. The municipalities cannot achieve on their own the real management of revenue collection and debt management.

They would need the households, businesses and government departments to pay for the municipal services provided to them (MSA, 2000; Thornhill *et al.*, 2014; Fourie *et al.*, 2011).

Group 2: Households

The households are provided the services such as water, electricity, removal of refuse by municipalities. In return, the households have the responsibility to pay for the services delivered to them by municipalities so that the municipalities are able to further offering services to local communities (RSA, 1996; MSA, 2000). The households are the recipients of the services provided by the municipalities.

The Statistics South Africa (SA) (2015) provided the general survey of households that are benefiting from the services delivered by the municipalities. The households are categorised as per province as reflected in **Table 4.1**.

Table 4.1: Name of household per province 2002 to 2015

NUMBER OF HOUSEHOLDS (THOUSANDS)												
Province	2002	2004	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
WC	1 198	1 269	1 348	1 389	1 432	1 477	1 524	1 571	1 619	1 669	1 720	1 775
EC	1 405	1 445	1 482	1 503	1 525	1 549	1 573	1 600	1 631	1 663	1 695	1 727
NC	231	242	254	261	268	275	282	289	296	304	312	320
FS	686	710	738	755	773	790	806	823	843	863	883	906
KZN	1 902	1 999	2 101	2 161	2 224	2 290	2 358	2 428	2 504	2 583	2 663	2 747
NW	837	878	926	952	980	1 010	1 040	1 071	1 105	1 140	1 177	1 215
GP	2 743	2 960	3 217	3 356	3 504	3 661	3 823	3 990	4 153	4 323	4 501	4 690
MP	774	825	882	914	947	981	1 015	1 051	1 088	1 127	1 168	1 211
LP	1 037	1 096	1 159	1 195	1 232	1 270	1 309	1 350	1 392	1 436	1 483	1 532
RSA	10 814	11 425	12 107	12 485	12 886	13 303	13 731	14 173	14 631	15 107	15 602	16 122

Source: Statistics South Africa (2015)

According to Statistics South Africa (2015), **Table 4.1** "outlines the estimated number of households to which the GHS data were benchmarked in each province". Households estimates, developed using the United National headship ratio methodology, were used to calibrate the household files".

Table 4.1 depicts that the number of households increased from 10, 8 million in 2002 to 16, 1 million as at 2015. It is estimated that Gauteng had the largest number of households, followed by KwaZulu-Natal, Western Cape and Eastern Cape. Northern Cape, the least populous province, also had the least number of households (Statistics SA, 2015).

Group 3: Organisations interacting with municipalities

The organisations interacting with municipalities are referred to businesses, SALGA, COGTA, IMFO, and Fiscal and Financial Commission. In context of this study, the organisations interacting with municipalities were referred to as the businesses. The municipalities provide services such water; electricity, refuse removal and so on, and the businesses are expected to pay for municipal services provided to them by municipalities (Fourie *et al.*, 2011; Pauw *et al.*, 2009).

In the study conducted by Peters (2011), it was revealed that the municipalities cited that the organisations owed municipalities huge debts were businesses (organisations interacting with municipalities, households and government departments).

It is upon these premises that the households and organisations interacting with municipalities were included in this study. There were assumptions that the households and organisations interacting with municipalities are in the position of providing root causes of failure of current credit control and debt collection policy because they were referred to as defaulters in the study conducted by Peters (2011).

4.7.2 Sample frame

A sample frame is a list of the population units/elements (commonly referred to as sample numbers) from which to select units/elements to be sampled (Tustin *et al.*, 2005; Remler *et al.*, 2015). Saunders *et al.* (2009:213) concur with Tustin *et al.* (2005) and Remler *et al.* (2015) by saying that the sample frame is regarded as a complete list of all the cases in the population where the sample will be taken from, for instance, in this study, the sample frame was the managers that are directly and indirectly involved with the improvement of management revenue and working capital in the municipalities in South Africa. This implies a listing of all units in the target population of the study. The research objective or question in this study was concerned with the failure of causes of credit control and debt collection policy in South African municipalities.

Accordingly, it was pointed out in number 4.7.1 above that, the population that would be utilised in this study involved municipalities, households and organisations interacting with municipalities. This means that the sampling frame was complete the lists of officials in municipalities, households benefiting from municipalities as reflected in **Table 4.1** above and list of organisations interacting with municipalities.

Saunders *et al.* (2012) state that obtaining a sampling frame is thus important but the researchers need to be aware of the possible complications of using existing databases. Moreover, Saunders *et al.* (2012) in the study conducted in Britain highlight that:

- “Individual databases were often incomplete;
- The information held about organisations in databases was sometimes inaccurate;
- The information held in databases became out to date”.

Therefore, the researcher should ensure that the sampling frame is complete, accurate and up to date. The researcher where there is no suitable lists have to compile his/her own sampling frame. It was the case in this study, the researcher compiled the lists of sampling frame for:

- Organisations interacting with municipalities, and
- The municipal finance officials in South African municipalities

Based on the **Table 4.1** above, the sampling frame was derived from the number of households benefitting from the services provided by the municipalities.

4.7.3 Sample strategies

Saunders *et al.* (2009:213) state that the sampling techniques are categorised into two groups, which are probability or representative sampling and non-probability or judgemental sampling

Non-probability sampling is the chance of individual case being selected from the entire population is unknown and it is not possible to response to research questions to attend to the objectives that need to be catered through statistical inferences about the characteristics of the population. (Saunders *et al.*, 2009:213).

Probability sampling means the chance of the individual case being chosen from the population is known and is often equal for all cases. Therefore, it is possible for responding to research questions, and achieving the research objectives that requires the researcher to estimate statistically of the population based on the selected sample (Saunders *et al.*, 2012).

The probability has the advantages two important advantages in the research study. Firstly, the researchers can be self-assured that a selected sample is representative of the larger population from which is drawn only when a probability sampling method has been used. Finally, the probability sampling allowed researchers to precisely estimate the amount of variance present in a given data that is due to sampling error (Saunders *et al.*, 2012; Remler *et al.*, Bryman *et al.*, 2015).

Based on the design of this research study, it is pragmatic qualitative and quantitative, inductive and deductive research, with case study and survey strategies and cross –sectional time horizon; accordingly, both non-probability sampling and probability sampling are used in the study.

Thus, the non-probability sampling (purposing sampling) and probability sampling (stratified sampling) are briefly outlined in the following subsections as follows:

4.7.3.1 Purposive sampling

Leedy *et al.* (2011) and Creswell *et al.* (2007) define purposive sampling as a situation whereby the participants are deliberately chosen for a particular purpose and those participants represent the diverse perspectives on an issue. Purposive sampling is used in the study to obtain information from specific target group members (Sekaran & Bougie, 2009: 276).

Saunders *et al.* (2009:222) and concur with Sekaran and Bougie (2009: 276) that purposive sampling not only relies on the availability and willingness to participate, but the study aims to sample participants in strategic way in that those sampled are relevant to the research questions posed. Tustin *et al.* (2005:346) point out that in purposive sampling, the sample members are chosen with a specific purpose and objective in mind.

This study uses purposive sampling to collect data from diverse respondents in order to get data from a wide range of different individuals. These different individuals allow the study. Purposing sampling covered three different types of groups, which are outlined below as follows:

Group 1: Municipalities

Therefore, in light of the above discussion, the market 1 municipalities (metropolitan municipalities), market 2 municipalities (“secondary cities” municipalities - mainly district municipalities) and market 3 municipalities (rural municipalities - mainly local municipalities) were purposively selected for this study.

This implies that these types of municipalities generate a diversity of information with regard to the causes of failure of credit control and debt collection policy in South African Municipalities. In light of the above, purposive sampling identified respondents as experts, possessing practical experience and exposure in the field. They have the strategic and practical knowledge in revenue management and working capital in the municipalities.

These municipalities are in diverse environments where they can share their pragmatic experiences with regard to revenue management and working capital. This implies that these participants that have experience with the central phenomenon provided inside information based on their exposure and experiences. The expertise of these respondents facilitated the exploratory phase of qualitative research in order to provide the basic information in formulation of structured questionnaire of the study.

Group 2: Households

The households as the beneficiaries of the services provided municipalities used in the purposive sampling because in the study conducted by (Peters, 2011) are referred to as defaulters. Therefore, the researcher assumed that they could be able to contribute to the identification of root causes of failure current credit control and debt control policy Municipal Systems Act, 2000 in terms of collecting all monies due to the South African municipalities.

Group 3: Organisations interacting with municipalities

The organisations interacting with municipalities are termed as the businesses in this research study. According to Peters (2011), the businesses were one of the defaulters in terms of payment of the municipal services.

It is against this finding that the businesses as organisations interacting with municipalities are included in purposive sampling since the researcher also assumed that they could give insight on the root causes of failure current credit control and debt control policy Municipal Systems Act, 2000 in terms of collecting all monies due to the South African municipalities.

In justifying, the reason for selecting these participants shown in **Tables 4.2, 4.3 and 4.4**. Creswell *et al.* (2007:112) also add that the researchers identify a small number that will provide in-depth information about each person or site of the study.

This was, however, the case in the study. Consequently, in a specific study the purpose is to collect data from the diverse, market 1; market 2; and market 3 municipalities in South Africa, households as well as the organisations interacting with municipalities, which are indirectly involved in municipal revenue and working capital. The sample size for purposive sampling is briefly discussed as follows:

(i) Sample size for purposive sampling

The sample size refers to how many respondents that should be included in the study (Saunders *et al.*, 2009).

The participants in **Tables 4.2, 4.3 and 4.4** are directly and indirectly responsible for the implementation, controlling, monitoring and evaluation of credit control and debt collection policy as contained in Sections 95; 96(a); 96(b); 64(2)(a); 99; 97; and 97(2) of Municipal Systems Act of 2000 in the context of municipalities in South Africa (Thornhill *et al.*, 2014:137; Fourie *et al.*, 2011; and Pauw *et al.*, 2009).

In support of suitable sample size, Saunders *et al.* (2012:283) suggest that the sample size should be between 25 and 30 interviews. Moreover, in the case, a research involves comparison between distinct groups; the sample size should be larger, treating each group as a separate homogenous population (Saunders *et al.*, 2012). Therefore, the sample on purposive sampling of this study is outlined below in **Tables 4.2; 4.3; 4.4** as follows:

Table 4.2: Group 1: Municipalities-non-probability (purposive sampling) sample size

Municipality	Number of participants	Type of participants	Type of interviews
Ekurhuleni Metropolitan	2	1. Revenue Head 2. Budget and Management Accounting Head	In depth interviews
EThekweni Metropolitan	2	1.Revenue Head 2.Budget Head	Focus group interviews
Mafikeng Local	1	Chief Financial Officer	In depth interviews
	2	Other financial managers	Focus group interviews
uMgungundlovu District	4	Other financial managers	Focus group interviews
Lesedi Local	2	Other financial managers	Focus group interviews
Total participants	15		

Table 4.3: Group 2: Households-non-probability (purposive sampling) sample size

Household	Number of participants	Type of interviews
Households from Lesedi and Ekurhuleni	13	In depth interviews
Total participants	13	

Table 4.4: Group 3: Organisations interacting with municipalities-non-probability (purposive sampling) sample size

Organisation	Number of participants	Type of interviews
Company 1	1	In depth interviews
Data(Pty) Company	1	
Total participants	2	

The purposive sampling was divided into respondents who are at the level of finance senior managers, other financial managers, households and organisations interacting with municipalities. The sample size was **30** respondents purposively selected because they possess the diverse in-depth knowledge and practical experience concerning management of revenue and working capital of the municipalities in South Africa (Pauw *et al.*, 2009; Peters 2011; Fourie *et al.*, 2011).

4.7.3.2 Stratified sampling

Tustin *et al.* (2005:353) and Remler *et al.* (2015) state that stratified sampling separates the population into subgroups (strata) and then select random samples from each subgroup whereby the population can be segmented in accordance with age, gender and income and assures that the profile of the sample matches the profile of the population. Stratified sampling is used in this part of the study as the sample that cover a larger population of the municipalities in South Africa. Additionally, in some cases a list of the sampling frame may already be divided into strata and if systematic sampling is employed, selected samples are automatically representative according to the proportion of the strata.

A list of different types of municipalities was obtained from Municipal Demarcation Board (2010). These participants are clustered in accordance with market 1 municipalities (metropolitan municipalities), market 2 municipalities (secondary municipalities-mainly district municipalities) and market 2 municipalities (rural municipalities-mainly local municipalities). This made the population much easier to be sorted out and will be analysed as depicted in **Table 4.1**. The sample size for stratified sampling is outlined below:

(i) Sample on stratified sampling

According to Saunders *et al.* (2012) the samples of larger absolute sizes are more likely to be representative of the population from which they are drawn from than smaller samples in particular the average(mean) calculated for sample is more likely to equal the mean for the population. This is referred as law of larger numbers (Saunders *et al.*, 2009).

Moreover, in many business and management studies, the researchers tend to estimate the population's characteristics to be within plus or minus 3 to 5 percent of its true values. It is further pointed out that the smaller the absolute size of the sample, the greater the margin of error. This implies that the absolute sample size on margin error decreases for larger sample sizes (Saunders *et al.*, 2009).

However, the researchers general operate to 95% level of certain and Saunders *et al.* (2009) presented that rough guide to different minimum sample sizes required from different sizes of population given a 95-percentage confidence level for different margins of errors. **Table 4.5** provided a rough guide to the different minimum samples of population given 95% confidence level for different margins error as follows:

Table 4.5: Sample sizes for different sizes of population at a 95% confidence level

Population	Margin of error			
	5%	3%	2%	1%
50	44	48	49	50
100	79	91	96	99
150	108	132	141	148
200	132	168	185	196
250	151	203	226	244
300	168	234	267	291
400	196	291	343	384
500	217	340	414	475
570	254	440	571	696
1000	278	516	706	906
2000	322	696	1091	1955
5000	357	879	1622	3288
10 000	370	964	1936	4899
100 000	383	1056	2345	8762
1 000 000	384	1066	2395	9513
10 000 000	384	1067	2400	9595

Source: Saunders et al. (2009)

Table 4.5 indicates that the smaller the absolute size of the sample and to a far lesser extent, the smaller the relative proportion of the total population sampled, the greater the margin of error.

(a) Sample size on stratified sampling for group 2: households

As highlighted by Saunders *et al.* (2009) in terms of **Table 4.5**, this study used confidence level of **95%** and margin of error of **5%**. According to **Table 4.5**, the population of 10 000 000 with margin error of 5% was estimated to **384**. In terms of **Table 4.1**, the households that benefitted from the services provided by municipalities were estimated to 16, 1 million households as at 2015. Thus, for this study taking into account the turbulent environment the households are subject to, the sample size for households was estimated to **300** participants. It was due to that the municipalities are subject to the turbulent environment with regard to access to data collection of the study.

(b) Sample size on stratified sampling for group 1: municipalities

According to Remler *et al.* (2015), the standard error (of the Proportion) is a measure of the precision of the estimate and the standard error (SE) of the sampling distribution that can be found with the formula:

$$\frac{SE = \sqrt{PX(1 - P)}}{n} \text{ -----Equation 1}$$

In terms of Remler *et al.* (2015), the empirical rule for normal distribution is as follows:

- (i) 68 % of the sampling distribution will be within ±1 standard error of mean
- (ii) 95% of distribution will be within ±2 standard errors (1.96 to be exact) of the mean.
- (iii) 99.7% or nearly all, of the sampling distribution will fall within ±3 standard errors of the mean.

Furthermore, in order to calculate for the populations that are larger, and particularly for population where the total population is unknown such as the case of municipalities, Remler *et al.* (2015:290) postulates that the following formula could assist the researcher identify the right sample size required.

$$\text{Sample Size} = n = \left(\frac{2S}{\text{Margin of Error}} \right)^2 \text{ -----Equation 2}$$

Additionally, the sampling distribution of a mean if turns out be normal in shape, the formula for

Standard Error (SE) of a sample mean is $\frac{SE = S}{\sqrt{n}}$ -----Equation 3

Therefore, when equations 1, 2 and 3 are combined and the following formula was derived for the purpose to calculate the sample of unknown population for municipalities.

$$n = \frac{px(1-p)}{SE^2} \text{ ----- Equation 4}$$

n = sample size; s= population standard deviation; p= proportion having the characteristics and SE = the degree of precision. However, if the proportion of the population is unknown (municipalities), the researcher may use p= 0.5 which assumes maximum heterogeneity (i.e. a 50/50 split).

Accordingly, 95% of the distribution will be within ± 2 standard error (1.96 to be exact) of the mean was used as reflected in empirical rule (ii) above.

Thus, the degree of precision (SE) is the margin of error that is acceptable. Setting SE= 0.05, for example would give a margin of error of plus or minus 2% in accordance with empirical rule (ii) above.

Hence, in order to calculate sample size of population for municipalities, the formula for equation 4 above in conjunction with empirical rule number (ii) above was used in this study. Henceforth, the sample size = $1.96 \times 1.96 \times 0.5(1-0.5) / 0.05 = 384.16$. Thus, for the purpose of this study considering the ever-changing environment the municipalities are subject to, the estimated sample size for the municipalities was **300**.

(c) Sample size on stratified sampling for group 3: organisations interacting with municipalities

The sample size for the organisations interacting with municipalities was not estimated due the completed questionnaires that were insufficient to estimate the sample size. Hence, the organisations interacting with municipalities were excluded in the quantitative phase of the study.

The sample size affects the quality and generalisation of data. If the sample size was small, it would affect negatively in such that the data obtained may not be representative. This implies that the larger the sample size, the better researchers can generalise to the population (Creswell *et al.*, 2007; Saunders *et al.*, 2009). The sample on stratified sampling was estimated to **300** participants.

In this study, sample size was grouped into senior financial managers, other financial managers and other municipal officials of local, district and metropolitan municipalities in order to observe the representative.

The study was also extended to the households whereby the sample size was estimated to 300 participants. These respondents are directly and indirectly involved in dealing with collection of revenues in the South African municipalities (Fourie *et al.*, 2011; Pauw *et al.*, 2009).

4.8 DATA COLLECTION AND ANALYSIS

Creswell *et al.* (2007) and Creswell (2009) establish that when the study uses mixed methods data collection and analysis procedures, there are certain aspects that should be taken into account. The aspects that should be considered include population, procedures, timing, weighting and mixing.

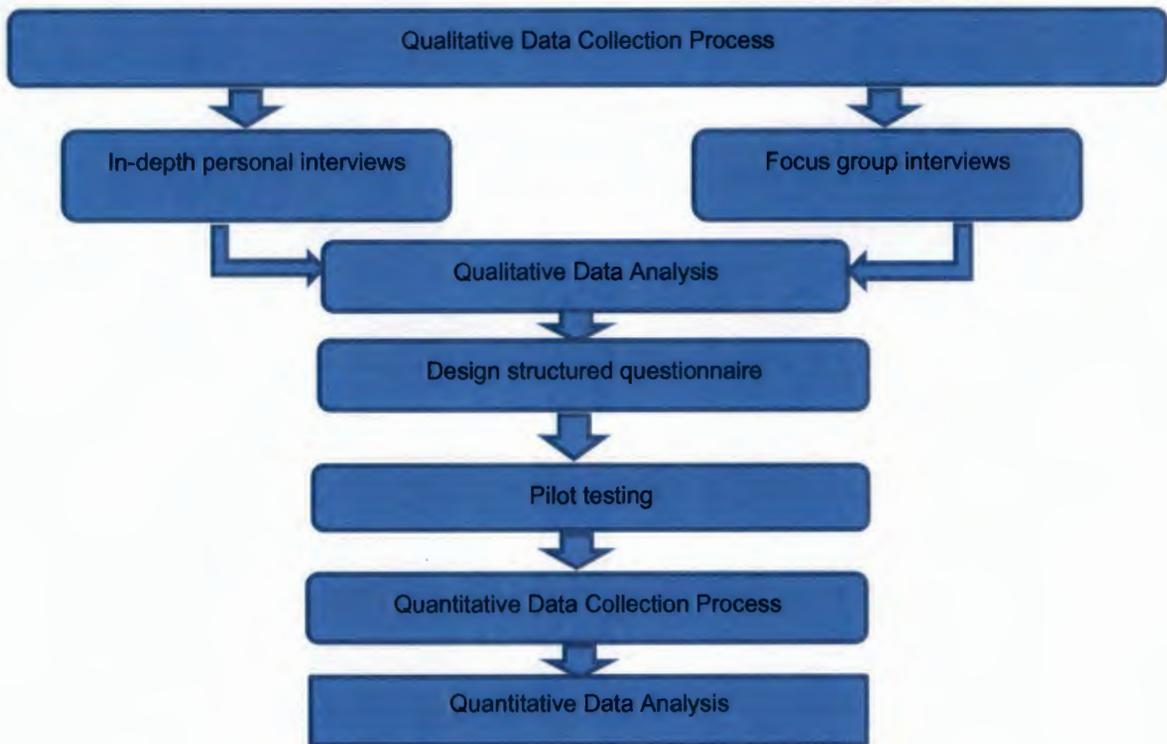
Population: In the exploratory designs, the participants of first phase of data collection should not be the same participants as the second phase. Consequently, this study did not include participants from the qualitative phase in the quantitative phase. In this study, the procedures include qualitative data collection in stage one and then analysed in the next stage. Thereafter, the decisions should be taken in terms of how the qualitative data was utilised to influence quantitative data collection and analysis. In phase one, the root causes of failure of credit control and debt collection policy was explored to generate quotes, codes and themes. In phase two, the quotes, codes and themes from qualitative findings were utilised to develop the structured questionnaire (Creswell *et al.*, 2007; Creswell, 2009). The **timing** in this study was considered as two-phase or sequential whereby interviews were used in first phase and were followed by data collection by the structured questionnaires.

Weighting refers to the emphasis given to the two forms of data collection within the study. The weighting is influenced by the goals, research questions, procedures, researcher's familiarity with one method over the other and the intended audience (Creswell *et al.*, 2007; Creswell, 2009). Based on Creswell *et al.* (2007) and Creswell (2009) with regard to the weighting factors, the data in this study was weighted equally for certain motives. Firstly, each method is rooted in its different goals, research questions and procedures. Secondly, both methods were mixed equally through discussion.

According to Creswell *et al.* (2007), mixing refers to a study that includes both qualitative and quantitative approaches, taking into account how to mix data including timing and weighting.

The mixed data collection and analysis procedures is depicted in **Figure 4.2** and is briefly discussed in the following subsections:

Figure 4.2: Exploratory sequential data collection and analysis methods



Adapted from Saunders *et al.* (2012), Creswell (2009) & Creswell *et al.* (2007)

4.8.1 Qualitative data collection method

Data collection is the critical stage towards addressing the research questions of the study. According to Saunders *et al.* (2012), the data collection is known as the method in which the data is captured in the fieldwork. The different techniques include structured, semi-structured and in depth and group interviews (Saunders *et al.*, 2012). The case study strategy was adopted in the qualitative phase of data collection process. The research instruments are briefly discussed in the following subsections are follows:

4.8.2 Instrument design - the interview protocol

The interviews conducted through face-to-face in the first phase of the collection process. Interviews are a natural way of interacting with participants in order to gather data that are relevant to research questions and objectives. A personal interview is direct communication between interviewer and interviewee in which the interviewer asks the interviewee questions (Coetzee and Schreuder, 2012:33). There are different types of interviews that are categorised into structured interviews, semi-structured, and unstructured interviews (Saunders *et al.*, 2009:320).

Semi-structured interviews are informal in nature that are used to explore in depth interview, whereby the interviewee is afforded an opportunity to express freely about beliefs, events and behaviour in connection with the research topic of the study (Saunders *et al.*, 2009:320).

The study as outlined in **number 4.5.2** above, has adopted the case study strategy in the qualitative phase of this study.

Creswell *et al.* (2007) suggests that there are various types of data collection techniques in case study research, highlighting that data collection in case study research can be drawn from multiple sources of information such as observations, interviews, documents and audio-visual materials. This study adopted in depth personal and focus group interviews, which are discussed as follows:

(i) In depth personal interviews

The semi-structured in depth personal interviews in this study were prepared in advance, whereby the main questions were set prior to the interviews. The basic research questions were posed as the first interview questions whereas the specific questions are generally developed to cover more in-depth different aspects of the research issue (Salkind, 2014). Leedy *et al.* (2011:148) suggest that the researchers should develop the interview questions in advance in line with the research questions and research problem of the study. Saunders *et al.* (2012) highlight that the study that is intended to use the semi-structured interviews can provide a list of themes and some key questions to the respondents. Additionally, other questions may be needed to explore the research questions and objectives.

Moreover, in this study, the research instruments of the semi-structured in depth personal interviews with questions were prepared in advance, containing open questions, specific and closed questions. The probing questions were also utilised in the process of interviews to explore responses critically important to the research questions, objectives and problem statement (Saunders *et al.*, 2012:390-392).

The study adopted the in-depth interviews for the benefits that include providing a richness and depth of data, affording an opportunity to ascribe a response to single individuals; developing close rapport and high degree of trust with respondents that promote a freer flow of conversation and more valid results; and overcoming overt peer pressure to conform to other norms (Tustin *et al.*, 2005). This implies that in this study, the in depth personal interviews found more insight about the root causes of failure of the current of credit control and debt collection policy in the municipalities.

Semi-structured in depth personal interviews were conducted with senior managers, organisations interacting with municipalities and households. All these respondents were requested to give the interviewer permission to tape record the sessions in order to curb information retrieval challenges after the interview guide. The interviews ranged from 30 minutes to 60 minutes and later were transcribed for analysis of participants' responses (Saunders *et al.*, 2012; Creswell *et al.*, 2007; Tustin *et al.*, 2005).

(ii) Focus group interviews

The focus group interview is conducted with a group of people, sharing a common type of experience, but not necessarily knowing each other in the normal course of their lives. The focus group is used in the study to guide the exchange of ideas, feelings, and experiences on a specific research topic (Saunders *et al.*, 2012; Remler *et al.*, 2015; Masadeh, 2012).

Leady *et al.* (2011) suggest that that the focus group interview should be prepared in advance. Leady *et al.* (2011:148) highlights that focus groups are useful when time is limited; people feel more comfortable in a group than alone and may be more informative than individually conducted interviews. In this study, the focus group interviews explored the new ideas as well as obtaining greater depth and understanding of the research topic.

4.8.3 Qualitative data analysis.

According to Marshall and Rossman (1995:11) data analysis is the process of bringing order, structure and meaning to the mass of collected data and it is a messy, ambiguous, time consuming, creative and fascinating process. Data will be categorised into descriptive themes and coded. Information that fell under the same theme will be arranged together. This is in line with McMillan and Schumacher (2006:367) that qualitative researchers integrate the operations of organising, analysing, interpreting data and calling the entire process data analysis.

Saunders *et al.* (2012) & Bryman and Bell (2015) argue that there are inductively based analysis procedures to analyse the qualitative data approaches to analysis. These are grounded theory method; template / thematic analysis; analytic induction; narrative analysis; and discourse analysis.

This study adopted thematic analysis because the study has to develop the themes that will be used to develop the questionnaire for quantitative phase of the study. However, Creswell *et al.* (2007) and Saunders *et al.* (2012) establish that qualitative data analysis entails preparing and organising data for analysis, reducing the data into themes through coding and condensing the codes and lastly, representing the data in figures, tables or a discussion.

Thus, this study adopted the suggestions of Creswell *et al.* (2007). The qualitative data analysis, according to Creswell *et al.* (2007) are briefly outlined as follows:

Phase one: Data preparation (raw data-transcripts, field notes): during process of qualitative phase, the interview sessions were recorded, and then a template analysis processes the audio-recorded and subsequently be transcribed into actual words.

In the study, the transcribing will only transcribe those sections of each audio recording that are applicable to research study (Bell *et al.*, 2015; Saunders *et al.*, 2012, Remler *et al.*, 2015). In the process of producing transcript and written up notes, a transcript summary were developed.

Phase two: Reading through all data: In this study, the researcher attain a general sense of the information and to reflect on its overall meaning; get the universal ideas of the participants; the impression of overall depth; credibility and use of the information (Creswell, 2009).

Phase three: Coding: Then through thematic analysis, the data will be categorised and coded in order to identify and explore themes, patterns and relationships. The codes and categories were depicted in tables and revised as the process of data collection proceeds (Fereday, 2006).

Phase four: Thematic development: the template would serve as the conceptual framework that will represent and explore key themes and relationship. Thematic analysis/template analysis will assist the study to select key themes to explore and to identify emergent issues that emanated from the data collection and analysis. These issues generally are not the focal point of the research study (Bryman *et al.*, 2015; Saunders *et al.*, 2012, Remler *et al.*, 2015). The themes will be analysed for each group and across different groups. In this study, the visuals, figures and tables were used in the discussions. They conveyed descriptive information about each participant with regard to the cases that will be studied (Creswell, 2009; Fereday, 2006; Vaismoradi, Jones, Turunen, Snelgrove, 2016).

Phase five: Data presentation and interpretation the meaning of themes: In conclusion, the main phases of data analysis in this study will involve preparing and organising the data; reducing and summarising the data through a process of coding; identify general categories or themes; presenting the data, in narrative form, figures, and /or tables and integrating and summarise the data .Lastly, it follows that the categories that will be constructed in each interview protocol along with their corresponding themes will be depicted in Tables.

4.8.4 Validity and Reliability in qualitative phase of the study

Creswell (2009), Brink (1993), Yazan (2015) and Shenton (2004) point out that the validity and reliability in qualitative phase is not carry out as the same as in the quantitative research. Qualitative validity is referred as the process whereby the researcher checks for accuracy of the findings by employing certain procedures. On the other hand, the qualitative reliability is concerned with consistency, stability and the researchers' ability to record information accurately. Reliability is intended to indicate that the researcher's approach consistent across different researchers and different research projects (Creswell, 2009).

Many qualitative researchers use the concepts credibility, trustworthiness, trust, value, applicability, consistency and conformability instead of validity and reliability when referring to criteria for evaluating the merit of qualitative research (Creswell, 2009; Brink, 1993; Yazan, 2015; Shenton, 2004). The qualitative reliability and validity are briefly outlines as follows:

(i) Reliability, in this study, was ensured through checking the transcripts to ensure that they did not contain obvious errors made during transcription; and cross-checking codes developed by different researchers through comparing results that are independent derived (Creswell, 2009).

(ii) Validity, according to Creswell (2009), is one of the strengths of qualitative research and intends to establish the trustworthiness, authenticity, and credibility of the findings in qualitative research. Validity in this study was established through the following **validity strategies** (Creswell, 2009; Brink, 1993; Yazan, 2015; Shenton, 2004).

Triangulation is the process whereby two or more data sources, methods, investigators, theoretical perspectives and approaches are used to analyse a single phenomenon in the study. In this study, triangulation involved using of different methods such as the observations, focus group and individual interviews that will form major data collection strategies of qualitative phase of this study (Creswell, 2009; 2013). The observations, in depth interviews, focus group interviews used qualitative data collection instruments to supplement and complement the weaknesses of each data collection method that may emanate from the data collection process with regard to causes of credit control and debt collection policy in the municipalities.

Member checks. In this study, the use of member checking to determine the accuracy of the qualitative findings was done through taking the final report or themes back to participants and determining whether these participants were convinced that they were accurate. The researcher took back parts of refined product such as themes and case study analysis. This served as a follow-up interview with participants in the study and provided an opportunity for the participants to comment on the findings.

Use of rich thick description to convey the findings

Creswell (2009) highlights that the case study researchers provide rich, thick description of the cases as an external validation source. In the study, this was achieved through detailed descriptions of the settings and thereby proving many perspectives about themes. This gave assurance that context of findings were transferable to similar environments seeking to improve revenue management and working capital in municipalities.

4.8.5 Designing the structured questionnaire

The themes in the qualitative phase as outlined in **number 4.8.3** were developed using thematic analysis. The developed themes in qualitative phase were used to develop a structured questionnaire for the municipalities and the households. Sekaran and Bougie (2009:197) state, “a questionnaire is a pre formulated written set of questions to which respondents record their answers usually within rather closely defined alternatives. Saunders *et al.* (2009:320) point out that a questionnaire includes all techniques of data collection in which each person is asked to respond to a set of same questions in a predetermined order. All participants through the questionnaires are asked the same questions, in the same order and using the same wording and have set of answer to choose from, the questionnaire will begin with relatively simple and closed questions, and thereafter some open ended involved questions at the end of the document (Matthews & Ross, 2010:202).

The questionnaires were two point and five-point scaling as well as questions that need to be completed in a phrase in order to ensure the participants got different kinds of questions to avoid fatigue and boredom by complex questions.

The questions of the of both municipal and household questionnaires were designed in such a manner that they reveal the causes of failure of current credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African Municipalities, and the strategies to improve the management of municipal revenue and working capital. The various Sections A, B, C, and D of both structured questionnaires were grouped into three categories, which are:

Demographic data

The structure questionnaire of both municipalities and households of this study consists of **Section A**, demographic data. **Question 1** up to **Question 7** of the structured questionnaires represent the demographic data of both questionnaires. The demographic data covers the worker profiling of the participants. These questions comprised two, five-point scaling questions, and the other questions that needed to be completed in a phrase.

Research Objective 1: The causes of failure of current credit control and debt collection policy

The sections B1 and B2 of municipal structured and section B1 of the household questionnaires covered the factors that influence the implementation of credit control and debt collection policy in the South African municipalities.

Research objective 2: Framework can be used to improve the management of municipal revenue and working capital in South Africa

Section C of the structure questionnaire of municipalities and households is based on the themes identified from the first phase (qualitative phase) of the study. However, these themes are derived from the second main theme of the study, which is, the strategies to improve the management of municipal revenue and working capital. Saunders *et al.* (2011:432-440) state that the questionnaire may consist of open questions, closed questions, list of questions, ranking questions and rating questions. This study intends to use these types of questions based on the identified themes in the qualitative phase. Most questions in this section are in a closed form using a five-type Likert-type scale.

Saunders *et al.* (2012:436) and Remler *et al.* (2015) point out that Likert scales fall within the ordinal level of measurement and have a rank order. The ranking order can be grouped using 5 categories of response, from (for example) 1 = strongly disagree, 2 = disagree, 3 = no opinion, 4= agree to 5 = strongly agree.

The respondents instructed to select the response option that best reflect their position on each item (Saunders *et al.*, 2012). The study used the open questions because the participants will be able to answer in their own words; allow unusual responses to be derived; explore new areas; useful for generating fixed choice format answers; and the level of knowledge and understanding of respondents on issues with regard to revenue management and working capital can be identified. However, the closed questions through Likert - type scale improved comparability of answers. This made it easier to show the relationship between variables and denoted comparisons between participants.

The closed questions in this study through Likert –type scale were be pre-coded as follows:

Table 4.6: Scales of pre-coding

Strongly agree	Disagree,	No opinion	Agree	Strongly disagree
1	2	3	4	5

The scale codes for this study reflected the numerical values 1 and 2 are regarded as negative, 3 as neutral and 4 and 5 as positive (Saunders *et al.*, 2012; Remler *et al.*, 2015).

Lastly, **Section D** of both municipal and household questionnaires catered for, the research objectives 1 and 2 through seeking any comments and suggestions from the participants.

4.8.6 Pilot testing

This section of the study indicates how the interview guides and the structured questionnaire were tested for validity and reliability. According to Groves, Couper, Lepkowski, Singer and Tourangeau (2004) and Remler *et al.* (2015) the survey questions should meet the content standards, usability standards and cognitive standards. The researcher used the expert review and cognitive interviews to ensure that content, cognitive and usability standards in the study are viable.

Expert review is regarded as a technique whereby the experts of questionnaire design evaluate whether the questions meet content, cognitive and usability standards (Groves *et al.*, 2004; Remler *et al.*, 2015). In this study, the questionnaire was given to the experts at the higher institution research centre to review the instrument and make recommendations with regard to the questions, ordering of the questions, and structure of the questions, response alternatives, and instructions of the survey. The purpose is to request the design experts to improve the content, cognitive and usability standards of the instrument. The design experts will be mainly concerned with the comprehensive of survey methodology, whereas the subject matter experts will focus mainly on content of the instrument (Groves *et al.*, 2004; Remler *et al.*, 2015).

Subject matter experts, in this study, reviewed the questions to assess whether the content is suitable for measuring what they (questions) supposed to measure. The study utilised 4 subject matter experts ($n=4$) to review the structured questionnaire and interview guides questions in order to evaluate whether their content is appropriate for measuring the intended concepts (Groves *et al.*, 2004; Remler *et al.*, 2015).

Cognitive interviews are referred as a process whereby the interviewer administers the draft questions in interviews, probe to learn the respondents understand of the questions, and try to learn how they formulate their responses (Groves *et al.*, 2004; Remler *et al.*, 2015). In this study, the cognitive interviews was conducted with two content experts ($n=2$) with the intention of identify the grey areas with regard to the content (questions) of the structured questionnaire and the interview guides.

Pilot. In this study, in order to definitely address the usability of the questionnaire and interview guides, a non-random sampling of respondents who are conversant with municipal revenue and working capital, but not necessarily partaking in the study were surveyed to test the questionnaire and interview guides. According to Saunders *et al.* (2012), the pilot testing of the research instruments is important before the utilisation of them to collect data.

Saunders *et al.* (2009:394) suggest that the structured questionnaires and interview guides can be sent to expert or expects to look at them and make comments on the representativeness and suitability of the questions including suggestions in relation to structure of the questionnaire. According to Saunders *et al.* (2009:394), this can aid in ascertaining a content validity and allow for the making of changes prior to the pilot testing with a group as the same as possible to the final population in a sample.

According to De Vos, Strydom, Delport and Fouche (2005:205), the pilot study is “a small study conducted prior to a large piece research to determine whether the methodology sampling instruments and analysis are adequate and appropriate”. A total of 10 officials from different municipal institutions were given the structured questionnaires and the interview guides as a pilot study to test the feasibility of the study. The pilot testing was used to establish the status quo of issues such as the how long the questionnaire and interviews will take to complete; the clarity of instructions; which of the questions were unclear or ambiguous; which, if any, questions the respondents felt difficult to answer; to ascertain any major topic omissions; whether the layout was clear and attractive (Saunders *et al.*, 2012).

The respondents requested to make any comments and suggestions with regard to the content and general comments of the questionnaire and interview guides in order to effect changes if necessary. Saunders *et al.* (2009:394) add that pilot test has to do with refining the questionnaire in order for respondents will not experience a challenge in responding to the questions and there will be no problem in recording the data. Pilot test will also go further to get some assessment of questions validity and probably reliability of the data that will be collected and preliminary analysis through pilot test can be used to ensure that data collected will be able to investigate questions to be answered (Saunders *et al.*, 2009:394).

In light of the above, this study utilised the pilot study to improve and refine the questions, responses, and format of the questionnaire and interview guides in order to enhance its effectiveness and in recording data (Saunders *et al.*, 2009:394).

4.8.7 Quantitative data collection method

Saunders *et al.* (2012:452) and Creswell *et al.* (2007) point out that once the questionnaire has been designed, pilot tested and amended and well as sample being selected, the questionnaire can be utilised to collect data. The questionnaires are useful for data collection research that uses mixed methods. The utilisation of questionnaires ensures greater generalizability of the research findings that can be achieved using other methods.

The administration of questionnaires can take different forms such as some of the questionnaires are mailed and others are distributed by hand to individuals or to a group (Salkind, 2014). Saunders *et al.* (2012:454-458) also emphasis that there are many approaches of delivery and collecting the questionnaires such as internet-and intranet-mediated questionnaires, postal questionnaire, telephone questionnaire, and delivery and collection questionnaire. In case of this study, the postal and emailing of questionnaires to participants were utilised to reach the participants to complete the questionnaires.

The other approach used in this study, was to the delivery and collection of questionnaires especial to the participants that are residing in KwaZulu-Natal and Gauteng. This implies that some of the questionnaires were distributed through this approach.

According to Saunders *et al.* (2012), this approach has the response rates as high as 98 per cent that is achievable. The questionnaires were emailed, posted and delivered and collected to the selected sample ($n=300$) from sample on stratified sampling as depicted in 4.7.3.2 above.

The questionnaires amount to **300** were distributed to officials of Local, District and Metropolitan Municipalities in South Africa and the households. Saunders *et al.* (2009) and Saunders *et al.* (2012:) emphasise that the self-completed questionnaire should be accompanied by a covering letter or email which will explain the purpose of the survey and this is regarded as the first part of the questionnaire that the participant will first look at. Therefore, it implies it should be taken care of since the covering letter will affect the response rate.

Saunders *et al.* (2011:446) also highlight that there should be an introduction on the questionnaire at the start of questionnaire, which will explain clearly and concisely why the participants should complete the survey. This will assist the researchers to achieve high rate of response if it is done on the first page of the questionnaire in addition to the covering letter (Saunders *et al.*, 2012:446-448).

In light of the above, this study adopted the suggestions of Saunders *et al.* (2012:446) with regard to the explanation of purpose of the questionnaire with the intention of achieving high rate of return of completed questionnaires by participants.

4.8.8 Quantitative data analysis

Once data is collected, it will be analysed by using the qualitative methods. The descriptive, inferential and modelling statistics can be used in data analysis in the quantitative study (Bryman.*et al.*, 2015; Saunders *et al.*, 2015; Remler *et al.*, 2015). Salkind (2014:229) stated that the research study could use the descriptive statistics to describe some of the characteristics of the distribution of the scores that the researcher has collected.

Mouton (1996:161) states that data analysis entails sampling findings into manageable portions thus identifying patterns and themes. Tables, Graphs (Descriptive Tests) and factor analysis (inferential Tests) was used to analyse the data.

Remler *et al.* (2015) add that many research studies use multiple regression, but some of studies use other multivariate methods such as factor analysis. Factor analysis is a quantitative tool used for grouping many variables into smaller group of variables. Furthermore, Remler *et al.* (2015) highlight that there are two main factor analysis, namely: exploratory factor analysis and confirmatory factor analysis. The study used the exploratory factor analysis in order to estimate how the items correlate with each factor (Remler *et al.*; 2015).

Saunders *et al.* (2009:444) also highlight that descriptive statistics allow the study to describe and compare variables numerically and statistics to describe a variable will mainly concentrate to the central tendency and dispersion. SPSS was used to statistically test the data. The questionnaires were analysed as per question and exercise good record keeping to the questionnaires returned from the participants of the survey. Cronbach's Alpha Test was used to test and check correlations between independent and dependent variables.

4.9 VALIDITY AND RELIABILITY IN QUANTITATIVE PHASE

The validity and reliability are briefly discussed in the following subsections:

4.9.1 Reliability

Reliability refers to the dependability of the measurement instrument, that is, the extent to which the instrument yields the same results on repeated trials (Blanche, Durrheim & Painter, 2006:152; Salkind, 2014:165). It indicates the extent to which the measure is within bias (error free) and ensures consistent measurement across time and across various items in the instrument. To ensure that there is validity, the same questions were asked to all respondents.

Cronbach's Alpha is a reliability coefficient that indicates how the items in a set are positively correlated to one another. Cronbach's Alpha is computed in terms of the average intercorrelations among the items measuring the concept (Sekaran and Bougie, 2009:324). The Cronbach's Alpha was used to test the reliability of the data in this study.

4.9.2 Validity

Testing the validity of a measure involves a number of theoretical and empirical tasks that are roughly associated with three related kinds of measurement validity; namely, criterion related validity; content validity and construct validity (Blanche, Durrheim & Painter, 2006:147; Salkind, 2014:174-175).

According to Blanche, Durrheim and Painter (2006:147) validity is a degree to which a measure does what it is intended to do, test of how well an instrument that is developed measures the particular concept it is intended to measure.

It is concerned with whether one measures the right concept; and reliability with stability and consistency of measurement. Saunders *et al.* (2012) highlight that the content validity can be attained by requesting the panel of individuals to assess the questions of the questionnaire whether they are essential and useful in order to address the research questions and the objectives of the study. For the purpose of the study, this approach will be used.

According to Saunders *et al.* (2012), the construct validity is referred to as the measurement that intends to measure what is planned to be measured and accurately performs the function(s) it is supposed to perform. The structured questionnaires that will be used in the research study will be simple and easy to be understood to avoid errors. Factor validity can be established by submitting data for factor analysis. Factor analysis is a method of identifying a reduced number of factors from a large number of measured variables (Sekaran & Bougie, 2009:327). Therefore, factor analysis was used in this study.

Accordingly, in this study to determine the reliability and validity of the quantitative data, descriptive statistical techniques and factor analysis were conducted. The factor analysis was used to reduce the large data set into groups of variables. Remler *et al.* (2015) suggested that there are two main factor analysis techniques such as Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA). In addition to the factor analysis used, Cronbach's Alpha, Kaiser-Meyer-Olkin Test of Sampling Adequacy (KMO) and Bartlett's Test of Sphericity and Kuder-Richardson 20 were utilised.

4.10 LIMITATIONS OF THE STUDY

The research study covered the municipal officials, households and organisations interacting with municipalities during the qualitative phase. In the quantitative phase, information was obtained from households and municipal officials.

Some of the senior managers of municipalities did not participate in the quantitative phase of the study. This limited a full overview in terms of the picture of revenue management and working capital in municipalities in South Africa since the senior managers are the key drivers of the implementation of credit control and debt collection policy.

4.11 ETHICAL CONSIDERATIONS

Remler *et al.* (2015) and Howitt and Cramer (2014) regard the ethical issues applicable to research surveys as the respondent's right to be informed about the research, the use of deception is unacceptable in research, the need to be honest in collecting data and compliance will be prescribed regulations and also ensuring the safety of researcher as well as those of participants. The official procedures set by the North-West University's Ethical Clearance Committee were adhered to. Permission was obtained from the Ethics Review Committee of the North-West University before the researcher could embark on the process of data collection. The copy of the ethical clearance certificate is included in this study. The research participants were informed of the nature of the study and be afforded an opportunity of choosing to participate or not to participate. They were also informed of the right to withdraw at any stage. Letters were written to different participants and the municipalities, private audit firms and oversight institutions and this was granted permission to conduct this research study.

In support of the above, Saunders *et al.* (2012), Howitt and Cramer (2014) & Leedy *et al.* (2011) suggest that the study should adhere to ethical principles and standards such as the respect for others – the rights of all persons should be recognised and respected; each aspect of research project should reflect the integrity and objectivity of the researcher; the participants should have the right to privacy and they should be protected from harm. The other ethical considerations applicable to this study are briefly discussed in the following subsections:

4.11.1 The Participation as a Person

The study respected the independence of the participants. Participants received equal treatment and their uniqueness was taken into account (McMillan and Schumacher, 2001:198). Even in the interviews, the uniqueness and independence were taken into account.

4.11.2 The Ethic of Justice, Fairness and Objectivity

According to McMillan and Schumacher (2001:422), a sense of caring and fairness needs to be effected into the researcher's negotiations and this usually promotes fairness. In this study, during interviews the ethic of justice, fairness and objectivity were fully considered when dealing with sensitive issues like the roles and responsibilities of managers in the implementation of credit control and debt collection policy on collecting outstanding consumer debts to communities and customers of the municipalities in South Africa.

4.11.3 Competence

Babbie (1994:148) states that the study must adhere to the highest possible standards research. This was achieved through good interpersonal skills and research methods of the researcher who was accountable and acted in a responsible manner.

4.11.4 Integrity

Macmillan and Schumacher (2001:196) mention that the opinion of the researcher needs to be honest and fair about his /her limitations, competence, belief system, values and needs. In this study, the level of knowledge of municipal revenue and working capital on the side of participants were taken into account. That is the reason in this study; the mixed approaches that are quantitative and qualitative approaches were used to cater for beliefs, values and needs of the participants.

4.11.5 Communication

Communication should be clear in terms of full disclosure of the purpose of the research (McMillan and Schumacher, 2001:422). This implies that at times certain information should not be divulged when dealing with sensitive issues acquired through the questionnaires and the interviews with regard to roles and responsibilities of managers on debtor management practices of the municipal institutions, COGTA, SALGA and IMFO.

4.11.6 Voluntary Participation

Babbie (1994:449) states that no one should be forced to participate in a survey. McMillan and Schumacher (2001:422) concur with Babbie (1994:449) through emphasizing that the informed consent must be secured and a participant has a choice about whether to participate or not in the research project. In this study, in the questionnaire, it was clarified that the participants were not forced to participate in the survey. In the interview sessions, the participants were informed that their participation is voluntary. They deal effectively with accountability, transparency, roles and responsibilities of managers on debtor management practice in order to improve revenue management and working capital in dealing with ever-escalating uncollectible debts within municipalities in South Africa.

4.12 CHAPTER SUMMARY

This chapter explained how the research questions and objectives were addressed and the objectives and research questions were reiterated in this chapter. The various research designs and methodologies were discussed and weighted in terms of their advantages and their rationale thereof. The rationale for the preferred research design and methodology for this chapter was discussed in detail.

Chapter four clearly reflected the research design and the methodology on investigating the causes of failure of current credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African municipalities. Chapter five of this study details the presentation of the qualitative findings. Chapter six outlines the quantitative data analysis and interpretation of results, whereas chapter seven offers framework for improving the management of municipal revenue and working capital.

CHAPTER 5: QUALITATIVE DATA ANALYSIS AND INTERPRETATION OF RESULTS

5.1 INTRODUCTION

Chapter four focuses on the describing and explaining in depth the process, purpose and rationale of the mixed methods research design. The mixed methods were applied in order to promote a better understanding of research problem as reflected in Chapter 1. Furthermore, the mixed methods design were applied in this study to acquire more insight into the causes of failure of credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African Municipalities. In this chapter, the data from the qualitative aspect is presented, analysed and interpreted through themes and sub-themes on a framework for enhancing the management of municipal revenue and working capital in South Africa.

5.2 PRESENTATION, DISCUSSION AND INTERPRETATION OF FINDINGS

The targeted municipalities and organisations interacting with municipalities were contacted to request permission to conduct interviews. The letters sent out outlined the purpose of the study and the appropriate persons for interviews that were the finance managers and managers of organisations interacting with municipalities.

The schedule with questions was used during interview sessions for all the respondents. The schedule was designed in accordance with the research objectives seeking firstly to obtain the schedule of questions intended to establish whether the selected households, municipalities and organisations interacting with municipalities are familiar with the factors that influence revenue collection and working capital in municipalities. The last part of schedule of questions afforded the respondents an opportunity to make comments and suggestions for municipality with regard to improvement of management of municipal revenue and working capital.

Thirty (30) interviews were conducted with the households, municipal officials and organisations interacting with municipalities. The qualitative analysis was conducted by categorising respondent's responses into themes where each theme is aligned to each objective. The study had two research objectives, which are to:

- identify the causes of failure of current credit and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African Municipalities; and
- Develop a framework that can be used to improve the management of municipal revenue and working capital.

5.2.1 Sample data

The interviews conducted in accordance with research objectives are depicted in **Tables 5.1** and **5.2** as follows:

Table 5.1: Number of interviews conducted for group 1: municipalities

Targeted Population	Participants targeted	Participants interviewed
1.Ekurhuleni Metropolitan Municipality	4	4
2.eThekweni Metropolitan Municipality	2	2
3.uMgungundlovu District Municipality	4	4
4.Lesedi Local Municipality	2	2
5.Mafikeng Local Municipality	3	3
Total	15	15

Table 5.2: Number of interviews conducted for the groups 2 and 3

Targeted Population	Participants targeted	Participants interviewed
1. Households (Group 2)	13	13
2. Organisations interacting with municipalities (Group 3)	2	2
Total	15	15

Tables 5.1 and 5.2 above show the total number of 30 interviews that were targeted and reached as planned.

5.2.2 Main results of the study

This subsection concentrates on the analysis of qualitative data as a process of deriving sense from research participants' views, opinions, themes, categories and regular similarities (Creswell, 2013). Creswell (2013:44) further states that data analysis is both inductive and deductive and creates themes.

5.2.2.1 Process of data analysis

The process of qualitative data analysis comprised the following procedures:

- **Recording of data**

The interviews were recorded using a Dictaphone and later transcribed. Transcripts were analysed through thematic analysis, a qualitative method used for 'identifying, analysing and reporting patterns (themes) with data' (Braun and Clarke, 2006). The thematic analysis was chosen because is widely used to analyse interviews and can produce insightful analysis that answer specific research questions (Braun and Clarke, 2006). The notes taken served as further backup and provided the context to the interviews.

In the analysis of focus group and in depth interviews, a coding framework was developed. The collected data from interviews were analysed through a three-stage procedure proposed by Creswell *et al.* (2007) involving data preparation for analysis, reading all data and reducing the data into themes. This subsection is structured in main and sub-themes, which emanated from in depth and focus group interviews.

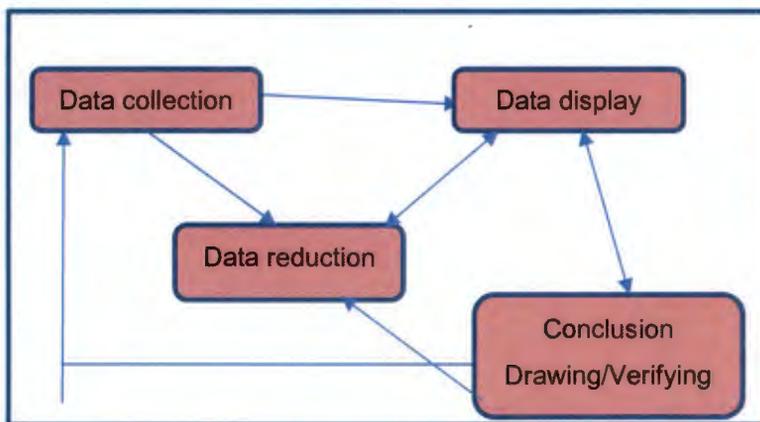
- **Data preparation by reading through all data**

The first stage was to familiarise with data collected (transcribed text and field notes) from the in depth and focus group interviews. The audio recordings of the interviews of 30 respondents were listened repeatedly for accurate translation and transcription. The interviews for households especially the respondents that were interviewed in IsiZulu, siSwati and IsiXhosa translated into English by the researcher. Most of the translated transcriptions were executed immediately after the interviews.

- **Thematic process and analysis**

According to Hatch (2002), Creswell (2003) and Bryman *et al.* (2015), thematic analysis is appropriate for situations such as the data interpretation, deductive and inductive approaches. Miles and Huberman (1994) added that thematic analysis consists of three stages, which are data reduction, data display and data conclusion verifying as illustrated in following **Figure 5.1**.

Figure 5.1: Thematic analysis process



Source: Miles and Huberman (1994)

In this study, taking into account what has been highlighted by Miles and Huberman (1994), Hatch (2002), Creswell (2003) and Bryman *et al.* (2015), the transcribed text was arranged in themes and categories and through further analysis, the sub themes and subcategories were identified by means of connections, relationships and trends.

The themes are categorised in accordance with three type of groups that were purposely put in place. The purpose of using these groups intended to gain insight with regard to the factors that contribute to the escalation of debts in South African municipalities. The presentation of identified themes are grouped in accordance with research objectives 1 and 2 of the research study as reflected in 5.2.2.2 up to 5.2.2.7 below. The thematic analysis of three groups are outlined in following subsections.

5.2.2.2 The presentation of findings for group 1: municipalities

The results of qualitative responses in group 1 comprised the senior management level that were the head of budgeting and management accounting – respondent 1, head of revenue management – respondent 2 and chief financial officer- respondent 3 as well as other financial managers. The thematic analysis of group 1 are categorised into research objectives one and two.

This subsection is divided into three parts: Part I presents the main themes identified and sub-themes of the findings in accordance with research objectives. Part II presents the narrative text of the findings for research objective one. Part III offers discussion and interpretation of findings for research objective one.

Part I: The tabulation of group 1 in accordance with research objective 1

Miles and Huberman (1994) and Halldorson (2009) highlighted that when data is collected, the researchers should tabulate it by means of Microsoft word prior to preparing and organising the content of data. In this study, the suggestion mentioned above was utilised and data was read at least twice in order to make connections between the participants thoughts, ideas and data collected through observations. Thereafter the data collected was highlighted and then broken down into smaller themes (Ryan and Bernard, 2003). The themes in this study are illustrated in **Tables 5.3 and 5.4.**

In light of the above, the group one themes were identified during thematic analysis. The themes were categorised into internal and external factors influencing failure of current control. The findings of group one are presented in **Tables 5.3** and **5.4** in this subsection. Firstly, the presentation of these findings focused on research objective 1 outlined below:

Research Objective 1: The causes of failure of credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting monies due to the South Africa municipalities. The themes are summarised into internal and external factors are follows:

(i) External factors influencing failure of current credit control

Theme 1: Abuse of political powers to influence voters disturbs effective credit control

Theme 2: Challenges like poverty, unemployment and lack of infrastructure

Theme 3: Non-payment of municipal accounts

Theme 4: Role of Eskom as a threat to credit control

(ii) Internal factors influencing failure of current credit control

Theme 5: Accounts are handed over for legal action

Theme 6: Policy not fully exercised

Theme 7: Non-payment of accounts affects payment of staff in future.

Theme 8: Supply chain procurement process-compliance issues

Theme 9: Revenue constraints of local municipality

Theme 10: Introduction of the ICT system expensive

The second phase of thematic analysis is data display, whereby data is organised and compressed in the figures, tables, graphs, charts, maps of categories, narrative text and quotations (Yin, 2010; Miles and Huberman, 1994). Gibbs (2002) added that data display through tables, figures and theme maps provides opportunities to get a comprehensive understanding of the data. Subsequently, the above-stated themes are tabulated in detailed by means of **Table 5.3** and **Table 5.4** as depicted below:

Table 5.3: Thematic Analysis of research objective 1 for the municipalities (in depth interviews)

Level			
1	2	3	Theme: Causes of failure of credit control
			(A) Environment: External causes of failure (Ekurhuleni Metro)
Theme 1:			Theme 1: Abuse of political powers to influence voters disturbs effective credit control
1.000			The challenge is that there is an abuse of politician powers to disturb the effective and efficient implementation of credit control and debt collection policy.
	1.1		Action taken against non-payers of municipal accounts require politicians to give not to assist the consumers to abuse political powers for not paying their accounts
	1.2		The by-laws are not implemented due to political influence when the municipality is intent on cutting services like electricity and water.
	1.3		Politicians will request the municipality to relax control measures on credit control and debt collection policy in order for them to get voters for their political parties in the next elections.
	1.4		Lack of power to enforce payment due to political influence; corruption and embezzlement of funds by officials; Political pressure to relax on revenue collection.
Theme 2:			Challenges like poverty, unemployment, and lack of infrastructure
Theme 3:			Theme 3: Non-payment of municipal accounts

	3.1		People lack discipline in South Africa and they are unwilling to pay their municipal accounts.
	3.2		People are abusing unemployment and get away from paying their accounts.
	3.3		There is illegal connection of electricity this causes the debt accumulation in municipality
Theme 4:			Theme 4: Role of Eskom as a threat to credit control
	4.1		Households, especially in those areas that are supplied by Eskom with electricity, owe you a huge debt.
	4.2		Areas supplied by Eskom make difficult for municipality to collect revenue of the services that were rendered to the customers.
	4.3		The people receiving electricity direct from Eskom, make it difficult to cut electricity from them even if these people are not paying their accounts.
	4.4		Faulty meters
	4.5		Customers who are at Ekurhuleni supplied areas, it's easy to collect debts from those but there are those that are Eskom supplied and it's very difficult to collect from them.
Theme 5:			Legal issues
	5.1		Municipality opted to legal action only to find the legal action is so costly and is a lengthy process; this impacts negatively on the implementation of the policy.
			(A) <u>Environment: External causes of failure (Mafikeng local municipality)</u>
Theme 1:			Theme 1: Abuse of political powers disturbs effective credit control

1.000			At this stage, it has only been affected by politicians' interference during the voting period when the politicians will request the municipality to relax control measures on credit control and debt collection policy in order for them to get voters for their political parties in the next elections.
	1.5		Other councillors will tell the households that they must not pay their accounts and the outstanding debts.
	1.6		According to the participants, the households are threatening the politicians that if the municipality cuts out the electricity they will not vote for their political parties then the politicians will instruct the municipal official to relax the control on credit control and debt collection policy. Thus, they will discourage the people from paying their accounts.
			<u>Failure of current credit control and debt collection: Internal causes (Ekurhuleni Metro and Mafikeng Local municipality)</u>
Theme 4:			Theme 4: Role of Eskom as a threat to credit control
	4.6		It can happen because of the lack of discipline, for people who are supplied by Eskom are not paying their monthly municipal accounts
Theme 5:			Theme 5: Legal issues
	5.2		Once their accounts are handed over for legal actions the municipality will stop charging interest since it will cause more burden to consumers to pay the accounts.
Theme 6			Theme 6: Policy not fully exercised
	6.2		Applied policy to its fullest, but there are instances where it is not fully exercised.

	6.3		When needs be, they do not apply the policy fully due to a family being declared as indigents.
Theme 7:			Theme 7: Non-payment of accounts can affect the payment of staff in future.
	7.1		This can result in liquidity problems; therefore, the municipality may run short of working capital to run day-to-day business.
	7.2		The municipality is understaffed because when the staff resigned they are not replaced due to insufficient budget(Mafeking)
	7.3		Money was intended for a particular course and only to find that that course is not relevant for that particular year.
	7.4		Policy is not fully implemented because of the shortage of staff to cut the services to all 5000 households that owe the municipality.(Mafeking)
	7.5		The municipality did not have adequate personnel to implement credit control and debt collection policy and staff that will deal with the disconnection of services (Mafeking)
	7.6		The municipality at the present moment is heavily dependent on human capital to cut services to the defaulters in order for them to settle their outstanding debts.(Mafeking)
	7.7		The Mafeking municipality has implemented incentives to revenue officials to working overtime to cut the services to customers that are owing municipality
		7.7.1	Municipality was questioned by the organised labour unions and insisting that other people should get these incentives.(Mafeking)
		7.7.2	Eventually the municipality stopped these incentives, because there was a resistance to implement these incentive(Mafeking)

Theme 8:			Theme 8: Supply chain processes that they need to comply with before using money (Procurement process-compliance issues.)
Theme 9:			Theme 9: The revenue received for Mafeking is not a huge as metropolitan municipalities.
	9.1		The municipality does not have electricity license, that limit them in terms of revenue base(Mafeking)
	9.2		The municipality is using the little they have to provide the services to households, government and businesses.(Mafeking)
Theme 10:			Theme 10: Introduction of ICT system (Mafeking)
	10.1		ICT system is too expensive considering the budget constraints the municipality is faced with(Mafeking)

Table 5.4: Thematic Analysis of research objective 1 for the municipalities (focus group interviews)

Level			
1	2	3	Theme
			A) Responses from uMgungundlovu District Municipality –Financial Managers(Pietermaritzburg)
			External factors
1.			Poverty
	1.1		Unemployment
	1.2		Customers cannot to pay their municipal accounts.
	1.3		The majority of people are rural customers that are not working

2.			Political influence
	2.1		The politicians are influencing the households by saying that they must not pay their accounts and the debts will be written off by the municipality.
3.			Actions of consumers
	3.1		If the services are cut, there will be industrial actions from unions against the municipality
	3.2		Illegal connection of electricity therefore it defeats the control measures of the policy
	3.3		Vandalism of infrastructure of the municipalities.
	3.4		Violence from the public when restricted or disconnection of water and electricity
			Internal factors
4.			Lack of internal department communication
5.			The by-laws are not fully implemented
			B) Responses from Mafikeng Local Municipality
			External factors
2.			Political influence
	2.1		The municipality is subjected to political interference in terms of implementation of a credit control and debt collection policy.
	2.2		The politicians are influencing the households by saying that they must not pay their accounts and the debts will be written off by the municipality. Public are influenced not to pay accounts.

	2.3		Politicians will instruct the administration staff that they must not cut services to defaulters because the households will not vote for them in the next elections.
	2.4		Officials forced to reconnect the services without the settling of accounts by households.
	2.5		There is no 100% buy of politicians in the implementation of policy.
	2.6		Government departments owe a lot of money to municipality.
	2.7		Government do not know their properties and it make it difficult for municipality to charge property rates.
3.			Actions of consumers
	3.2		The customers are engaged in illegal connection of electricity therefore it defeats the control measures of the policy.
	3.5		Households are not honest about their levels of income and others are not willing to pay for the services.
			Internal factors
6.			Resource constraining factors
	6.1		The resources in municipality are constraining factors in terms of the implementation of a policy,
		6.1.1	No money to fill the vacant posts.
		6.1.2	Municipal is understaffed –people have resigned and not replaced due to shortage of budget of municipality is depleted.
		6.1.3	Management instructed the HR personnel that they must not appoint(staff) due to certain reasons.

		6.1.4	Municipality is understaffed because when people resign from the organisation, they are never replaced and many people are in acting positions.
		6.1.5	The level of accountability on the side of acting people is comprised because that are not sure whether they are going to be appointed or not
		6.1.6	Many officials are acting in their positions and this has compromised the accountability of officials on the implementation of policy.
7.			Policy implementation
	7.1		Municipal manager would say go and implement a policy against the debtors, but the councillors will be against the decisions of cutting services from the defaulters.
	7.2		By-laws are not fully implemented hence the policy is not fully implemented.
	7.4		Policy is review every year through appointing attorney to review it. Councils are not familiar with a content of a policy.
	7.5		It is highlighted that not all managers are involved in the policy review.
	7.6		The mayor and municipal councils should be drivers in the implementation of policy, but are not familiar with the content of the policy.
			Mayor and councillors push the implementation of policy to finance
8.			Fraud and corruption
	8.1		Elements of fraud and corruption have a negative impact in the implementation of a policy.

	8.2	Employees of the municipality have received bribes from households to reconnect the services without settling their accounts.
	8.3	There are no proper follow-ups on people in debt
		Ekurhuleni metropolitan municipality
		External factors
1.		Poverty
	1.1	The majority of people are rural customers not working and regarded as indigents; Other customers cannot pay their municipal accounts.
	1.2	Unemployment
	1.3	Economic downturn
	1.4	No credit measures can be put in place that are supplied by Eskom with electricity.
2		Political influence
	2.1	The politicians are influencing the households by saying that they must not pay their accounts and the debts will be written off by the municipality.
3		Actions of consumers
	3.1	Violence when restrictions/disconnections services are implemented;
	3.2	The by-laws are not fully implemented

			eThekweni Metropolitan Municipality
			External factors
1			Poverty
			Poverty and unemployment; economic downturn in South Africa will cause many employers to close their businesses and this has impacted negatively on employment opportunities of households
			Actions of consumers
			Policy is fully implemented but there are households that cannot pay their accounts due to economic downfall and unemployment
			Internal factors
			Collection of revenue is a problem for most of the municipalities and others are experiencing a liquidity problem, thus are declared technically insolvent
			Lesedi Local Municipality
			External factors
1.			Poverty
	1.1		Unemployment
	1.4		Economic downturn
		1.4.1	The majority of people are rural customers and are not working. They are regarded as the indigents.

2.			Political influence
	2.1		Political structure is acting in opposite directions to what the municipalities plan, influencing the households and businesses from paying their accounts.
	2.2		This other hindrance is an unwillingness to implement a policy whereas according to municipal systems act, 2000, they are supposed to play a major role to influence households and businesses to pay their accounts.
	2.3		There are two structures government and administration that are responsible to implement a policy
	2.4		The participants are threatened by the other party to implement policy, because, according to them, this structure is always making empty promises during election period, which contradict the control measures of a policy.
	2.5		The "other structure" will inform the households that their debts will be written off by the municipality, in return, the households will be influence not to pay accounts. Thus, they discourage the people from paying their accounts.
3.			Actions of consumers
	3.2		Meters are tampered with, therefore the municipalities cannot collect the revenue projected in fiscal budgets as expected
		3.2.1	People who cannot to pay their bills tamper with the meters, and those who can afford to pay want to pay cheaper bills.
		3.2.2	The participants pointed out that there is a high probability that the employees of the municipality assist people who tamper with the meters because the meters are always locked and the keys are with the municipal employees.

			Internal factors
9.			Control of expenditure
	9.1		Municipality will enter into contracts (for two or three years) that have overcommitted it; to double the price of goods and services procured.
	9.2		The challenge that they have is the control of expenditure during procurement of goods and services,
	9.3		Prices are inflated that resulted in overspending on the part of municipality.
	9.4		This means that the budget of municipality will be depleted through overcommitted type of contracts.
	9.5		The municipality is subjected to incorrect contract management emanated from procurement processes.
	9.6		The municipality is not in compliance with supply chain management procedures and regulations
10.			Corporate governance
	10.1		All municipalities should be run like businesses and adhere to good corporate governance
	10.2		New buildings are not known to municipalities, that is, are not in the property journals of the municipality
	10.3		by-laws are not fully implemented
	10.4		Faulty meter readings
	10.5		Incorrect billing

Part II: The narrative findings of group 1 for research objective 1

The themes of group one were also presented in the narrative text and maps of categories as suggested by Yin (2010). The **Tables 5.3 and 5.4** are illustrated below in the narrative texts in terms of the responses of the participants of the in depth and focus group interviews.

Category 1: Source of revenue in the municipality

All three respondents indicated that the municipal revenue is collected through assessment of rates and taxes; services charges; charges of water and electricity; waste management; sanitation; provision of waste removal; rental of council facilities; providing ambulance services; traffic fines; charges of graves; and tenders.

The three respondents including the focus group from both municipalities indicated that municipality is not fully utilising revenue sources within its jurisdiction due to lack of property collection, non-payment of municipal accounts, people not paying their accounts. This differs with responses of respondent 3 who indicated that, given little they will always make sure that the services are delivered to the households, commercial business and government.

“There are situations where budget is not fully used. Reasons being (a) supply chain processes that they need to comply with before using money (Procurement process-compliance issues. (b) Money was intended for a particular course and only to find that that course is not relevant for that particular year. The by-laws are not implemented due to political influence when the municipality intends to cut services like electricity and water. The municipality is understaffed because when the staff resigned they are not replaced due to insufficient budget” (Respondent 2).

“No, given little will always make sure that the services are delivered to the households, commercial business and government” (Respondent 3).

“The by-laws are not fully implemented” (Respondent 4).

All respondents indicated that credit control and debt collection policy is not fully implemented in the organisation.

“No. Policy is not fully implemented, but there are instances where it is not fully exercised. Over and above being the revenue department, there are still municipality that is people oriented. When needs be, they do not apply the policy fully due to a family being declared as indigents. Challenges like poverty, infrastructure, and faulty meters. There are people who falsely declared as indigents, as when this is picked up, the benefits are taken from those people. Customers who are at Ekurhuleni supplied areas, it is easy to collect debts from those but there are those that are Eskom supplied and it’s very difficult to collect from them. Water is only disconnected in Businesses as tool of credit control” Respondent 1 and 4

“Partially implemented”. Respondent 3

Respondent 4 (Focus group) indicated the reason for not fully implementing the credit control and debt collection policy as

“Due to economic downfall; political influence; unemployment; violence when restrictions/disconnections services are implemented; poverty the households are subjected to. The majority of people are rural customers that [are] not working and regarded as indigents; other customers cannot [afford] to pay their municipal accounts. The politicians are influencing the households by saying that they must not pay their accounts and the debts will be written off by the municipality”. (Respondent 4).

All the respondents agreed that there are causes of failure in the implementation of credit and debt collection policy. Causes highlighted are: demographic challenges, poverty, unemployment, lack of infrastructure, faulty meters, areas supplied by Eskom as constraining the organisation in the implementation of credit control and debt collection policy in collection of revenue, illegal connection of electricity; people not paying their accounts; people in South Africa generally lacking in prioritising paying their accounts, political influence, corruption and misappropriation of funds and adequate personnel, lack of internal departmental communication was strongly heightened by the focus group.

They also added that customers are engaged in illegal connection of electricity and vandalism of infrastructure of the municipalities, political interference, resources (understaffed) and customers dishonesty are the causes of failure of current credit control and debt collection policy in terms of collecting all monies due to municipality and municipality receiving bribes. Faulty meter readings, incorrect billing, tempered meters , and an increasing number of residents who outright ignore to pay their bills and those who can afford but want to pay cheaper bills are other causes of failure.

Respondent's statements reveal a lot more of these challenges:

"Some of the people are unemployed resulting in non-payment of rates and taxes. People are abusing unemployment and get away with paying their accounts. Municipality opted for legal action only to find the legal action is so costly and is a lengthy process, this impact negatively on the implementation of the policy". Respondent 1.

"Lack of power to enforce payment due to political influence; corruption and embezzlement of funds by officials; political pressure to relax on revenue collection." Respondent 2

"The municipality did not have adequate personnel to implement credit control and debt collection policy and staff that will deal with the disconnection of services if the people are unwilling to pay their municipal accounts". (Respondent 3)

Political interference: According to the participants the mayor and municipal councils are drivers in the implementation of policy, but are not familiar with the content of the policy. As the result, they push the implementation of policy to finance. The politicians will inform the households that their debts will be written off by the municipality; in return, the households will be influenced by politicians not to pay accounts. Thus, they will discourage the people from paying their accounts. Politicians will instruct the administration staff that they must not cut services to defaulters because the households will not vote for them in the next elections. They force officials to reconnect the services without the settling of accounts by households. There is no 100% buy of politicians in the implementation of policy.

Resources: The municipality is understaffed - people have resigned and not replaced due to shortage of budget of municipality [which] is depleted.

Customers honesty: households are not honest about their levels of income and other is not willing to pay for the services". (Respondent 4)

Respondents indicated that politicians contribute to poor implementation of credit control and debt collection policy. This political interference is mostly seen during the voting period when politicians request the municipality to relax control measures on credit control and debt collection policy in order for them to get votes for their political parties in the next elections

“The households are threatening the politicians that if the municipality is cutting the electricity they won’t vote for their political parties then the politicians will instruct the municipal official to relax the control on credit control and debt collection policy. Thus, they will discourage the people from paying their accounts. The participants suggested that if the tight controls are enforced to all people most people will be encouraged to pay their accounts”. Respondent 1

“Action taken against non-payers of municipal accounts requires politicians to give assistance not to assist the consumers to abuse political powers for not paying their accounts.” Respondent 1

However one of the respondents indicated that “at this stage, it has only been affected by politician interference during the voting period when the politicians will request the municipality to relax control measures on credit control and debt collection policy in order for them to get voters for their political parties in the next elections”. Respondent 2

Respondents’ responses show that the municipality is unable to meet the stated target estimation of collection rates.

“In 2015/16 financial year the target was 93% and the actual achievement was 91% whereas in the financial year of 2016/17, the municipality was sitting at 93 % versus the target of 94%. There is high probability of meeting this target since there three months that left to conclude the financial year in question”. Respondent 1

This is contrary to what respondent 3 indicated.

“In the financial year of 2016/17, the municipality has target rate of 85% and they are sitting at 92% and they are left with three months to round off the financial year”
Respondents 3

Respondents indicated that the municipality does experience an escalation in outstanding debts. Both respondents agree that if escalations and outstanding debt is not properly controlled the municipality will experience the liquidity problem in future:

“About R160 million is owed to municipality by consumers. If it is not effectively controlled the municipality in future can move towards liquidity problem” Respondent 1

“If it is not property controlled the municipality will experience the liquidity problem in future”. Respondent 2

Household consumers owe municipalities a huge debt more than other types of consumers. Other types of consumers who owe the municipality are commercial businesses and government departments:

“Households especially in those areas that are supplied by Eskom with electricity”
Respondent 1, Budget and management

“1.Residents-Households, 2.commercial businesses, 3.Government departments”
Respondent 2, Revenue management.

All the three respondents indicated that they do charge interest on overdue accounts.

“Municipality charge interest on the consumers that are not paying their accounts, but once their accounts are handed over for legal action the municipality will stop charging the interest since it will cause more burden to consumers to pay the accounts” Respondent 1

All the three respondents indicated that the accounting system does automatically accrue the interest.

“The municipality has an accounting system that automatically accrues the interest as the internal control system to tighten the control measures of the policy” Respondent 1

Results confirm that the organisation does prepare monthly management reports for cash, debtors and creditors.

The results show that respondents agree that there is such possibility that due to a financial situation might, at some point, be unable to render services which is supported by the focus group's views that the expenditure is greater than income in the cash flow statement of the municipality. This differs from the other two senior officials' responses where they indicated that they did not see a situation where the municipality would not be able to render services to its customers and payment of staff would not be affected. An ever-increasing debt by the municipality was highlighted as a challenge. Fear of senior management by the focus group resulted in non-responses to some of the questions.

"The participants said that is the trend of non-payment of municipal accounts is increasing and the municipality will experience the liquidity problem in future". Respondent 1

"I do not see a situation where the municipality won't be able to render services to its customers". Respondent 2 and 3

"Two years to come the municipality will be running in deficit and will experience a liquidity problem and will be declared technically insolvent if the escalating and outstanding debts are not recovered from the defaulters". Respondent 4

"The municipality are experiencing ever increasing debts". Respondent 4

Respondent 1 and 4 indicated that staff payment may be affected in future if it happens that due to a financial situation the municipality is unable to render services although this is contrary to respondent 2 and 3 who indicated that since the municipality is able to render all the service, staff payment will not be affected.

"the municipality will be technically insolvent and this will affect the payment of staff in future if the control measures of credit control and debt collection policy are not adhered to them". Respondent 1 and 4

All the three respondents at senior management level indicated that there are twenty customer service centre in all nine Ekurhuleni towns represented for Ekurhuleni Metropolitan Municipality that are intended to deal with issues of the customers with regard the their municipality.

"Yes, in all nine Ekurhuleni towns" Respondent 2

Part III: Discussion and interpretation of group 1 findings for research objective 1

The third step of thematic analysis process in accordance with Miles and Huberman (1994) involved data drawing and conclusions. This step could assist the researchers to draw conclusions having displayed data in a variety of ways. The suggestions were adopted in this section of the research study included categorising or establishing categories of information that goes together, and identifying interrelations among factors and variables. The causes of failure of current credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African Municipalities was adapted to the **7-S Framework** of management of municipal revenue and working capital as reflected in chapter 3 of this research study. The causes adapted to **7-S Framework** are referred in this section as the internal causes of failure of credit control and debt collection policy. They are depicted by **Figures 5.2-5.5** below.

On the other hand, the additional causes that affect the management of municipal revenue and working capital are adapted to **PESTLE analysis and 7-S Framework**- A framework to guide and evaluate organisational development to achieve vision and produce desired performance results was illustrated in chapter 3 of this study. The causes modified to the PESTLE analysis and 7-S Framework are known as the external causes of failure of credit control and debt collection policy in this research study. They are depicted by **Figures 5.6-5.12** below.

This subsection of the research study is divided into two phases that are:

Phase 1: The discussion and interpretation of findings, which are referred as the internal causes of failure of credit control and debt collection policy.

Phase 2: The discussion and interpretation of findings, which are termed as the external causes of failure of credit control and debt collection policy.

Both phases of this subsection were organised according to the research objectives that are briefly discussed and analysed as follows:

Research Objective 1: The causes of failure of credit control and debt collection policy

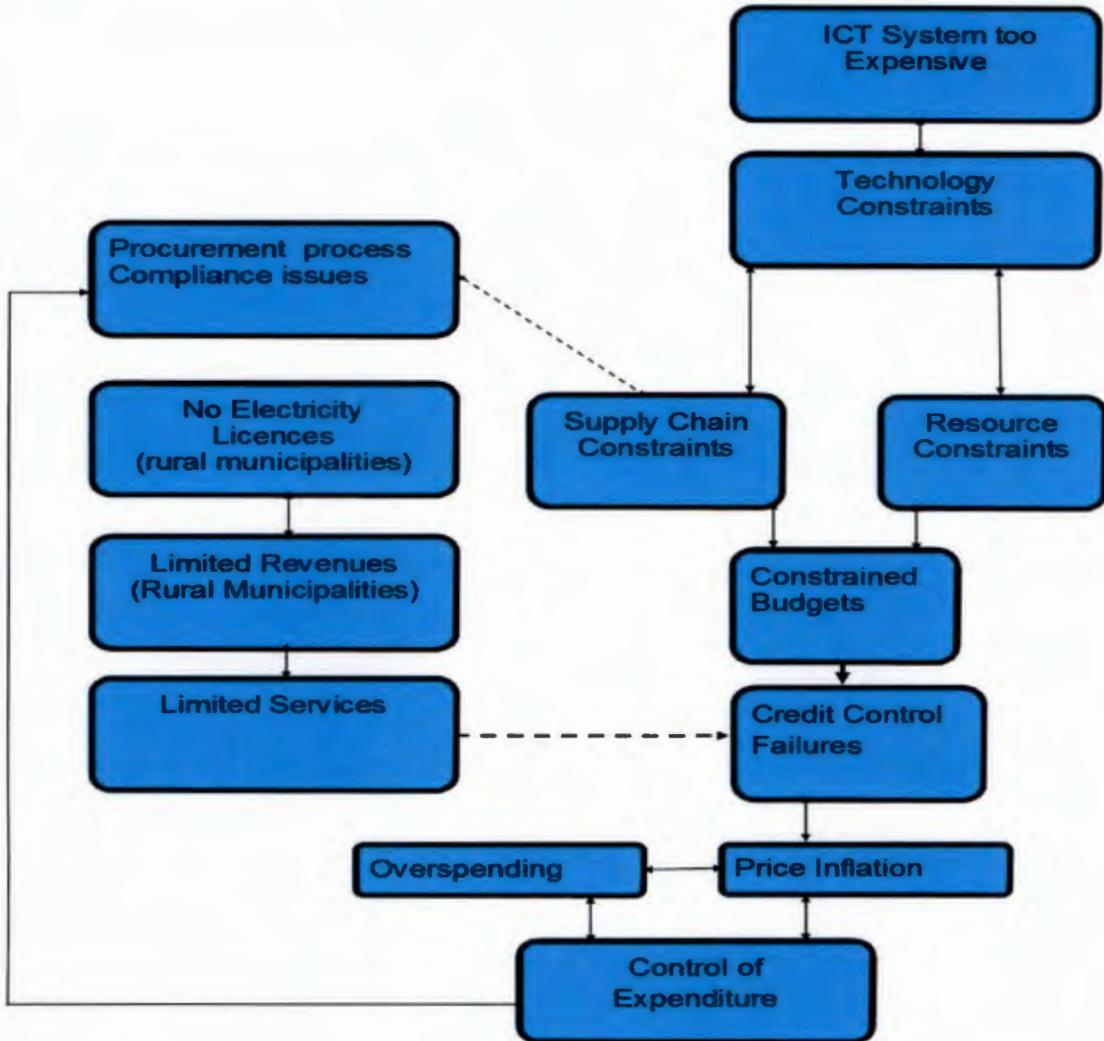
This sub-section section depicted the internal causes of failure of credit control and debt collection policy that were modified to municipal value analysis. The internal causes are linked to the main themes and sub-themes that were highlighted to the tabular formats and narrative text illustrated in three case studies above. The internal causes of failure of credit control and debt collection emerged from three case studies stipulated above are summarised as follows:

- **Systems constraints**
- **Management style constraints**
- **Staff and skills constraints**
- **Role of unions constraints**

The above-stated constraints are briefly discussed as follows:

Phase 1: Internal causes of failure of credit control and debt collection policy

Figure 5.2: Systems constraints associated with failure of debt control



Source: Own source (2017)

Figure 5.2 depicted the systems constraints associated with failure of debt control.

Figure 5.2 depicts that the systems constraints are initiated by resource constraints. This is associated with constrained technology availability, constrained budgets. There are procurement compliance constraints. The resource constraints ultimately produce limited service delivery. Inability to control expenditure is also a constraint.

Otieno *et al.* (2013:32), in the study conducted in Homa Bay Municipal Council by revealed that over 85% of the respondents were of the view that adoption of ICT had enhanced tighter control.

The study conducted in Kenya revealed that investment in Information and Communications Technology (ICT) is very important to Local Authorities because the computerised Information Systems has a positive effect on revenue collection, enhancing management integrity and provision of clear records among other factors (Otien *et al.*, 2013:32). This implies that ICT system in the municipalities will have an influence in the collection of revenue.

In terms of **Figure 5.2**, it was highlighted that ICT system is too expensive due to budget constraints. Therefore, the municipality is subjected to technology constraints. Consequently, the municipality could not put in place ICT system to improve the collection of revenue through collecting all monies that due to municipality. This emanated from the budget constraints the municipality is subjected to them. According to chapter 2 of the Municipal Budget Reporting and Regulations (2009), the main aim of Budget Steering Committee is to ensure that:

- There is a proper alignment between the policy and the service delivery priorities set out in the municipality's Integrated Development Plan (IDP) and budget, taking into account the need to protect the financial sustainability of the municipality;
- The municipality's revenue and tariff setting strategies ensure that the cash resources required to deliver services are available,
- The process undertaken to compile the budget complies with legislation and good budget practices; and
- The various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

In light of the above, it justifies that the committee was supposed to ensure that there was a budget set aside to cater for, the installation of ICT system to enhance the municipal collection revenue. The ICT system should be linked direct to control of expenditure during the supply chain process because Pauw *et al.* (2009:233) state, "*every government organisation should be investigating opportunities for it to meet procurement obligations through e-procurement*".

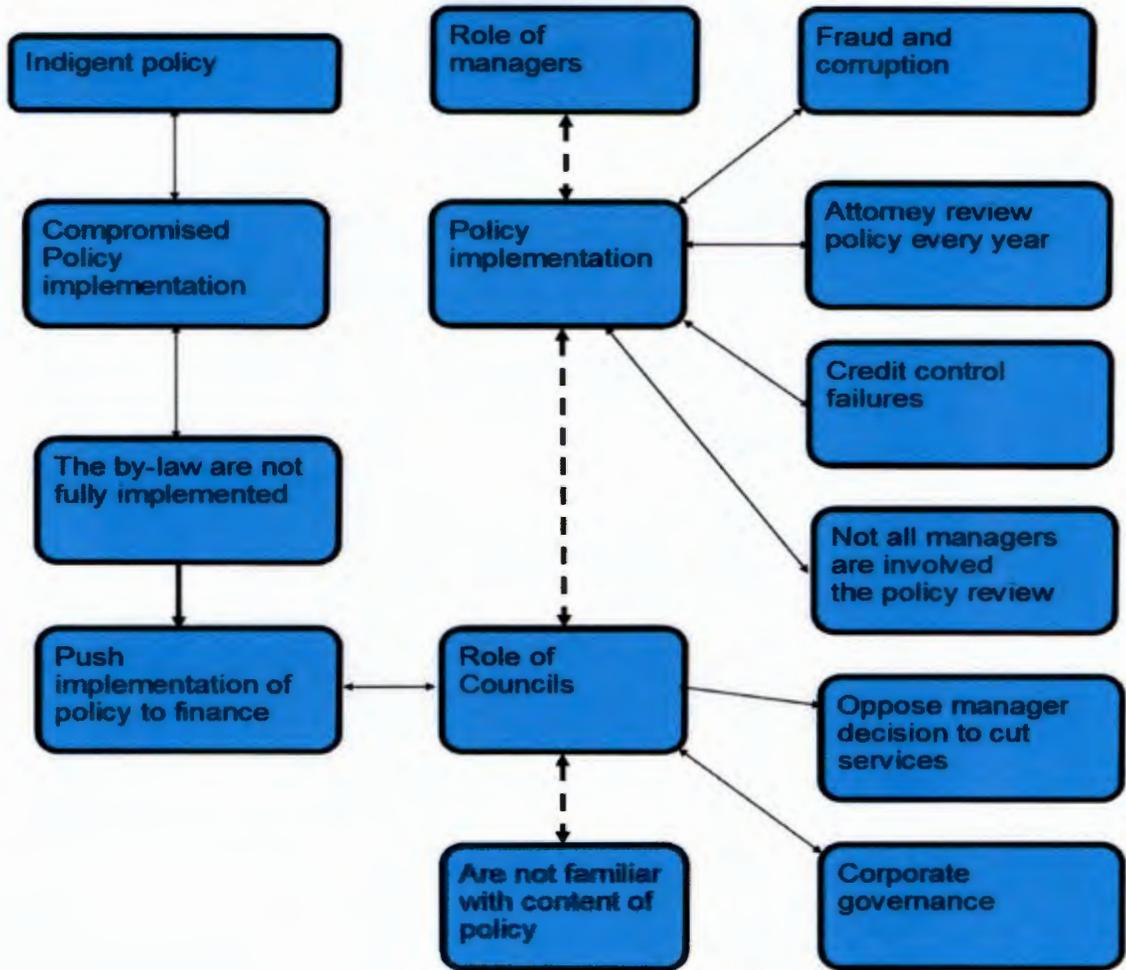
According to Pauw *et al.* (2009:233) e-procurement is referred as a use of the internet in purchasing goods and services. This implies that the municipalities should use e-procurement in order get an access to a number of suppliers listed on the internet. This will afford an opportunity for municipality to make comparisons of products and their prices in order to prevent the price inflation. In addition, the municipalities should establish the contract management unit in order to manage all contracts organised by the municipality.

This will assist the municipality to enter into contractual agreement with the preferred bidder before the commencement of the contract. The contract between the municipalities contained the contractual terms of conditions where both parties should adhere to during the contractual period as per supply chain process (Van der Waldt *et al.*, 2007).

Price adjustment is permitted only if it was catered for in the contract. The non-contract adjustment of prices is not allowed (Van der Waldt *et al.*, 2007). Thus, the municipalities through the signed the contracts between them and preferred bidders (supplies) should not be subjected to supply chain constraints.

Hence, without procurement process compliance such as both parties adhering to the signed contract, the municipalities may find themselves in budget constraints and may be subjected to price inflation and overcharged by preferred bidders if the contract is more than one year. Thus, in light of the above, discussion, it may be concluded that systems constraints in the form of supply chains constraints, budget constraints, technology constraints are associated with failure of debt control in the municipalities.

Figure 5.3: Management style constraints leading to failure of debt control



Source: Own source (2017)

Figure 5.3 outlines the management style constraints leading to failure of debt control, whereby management constraints are initiated by constraints on Corporate Governance. According to Barlow, Large and Le Roux (2007:25-26) corporate governance is the system by which organisations are directed and controlled. In the case of municipalities, politicians (municipal councillors) and administrators-municipal officials, whereby both parties should participate in good corporate governance of the municipalities, direct the municipalities (Thornhill *et al.*, 2014).

Figure 5.3 indicates that municipal manager would instruct the financial managers to implement a credit control and debt collection policy against the debtors, but the councillors will be against the decisions of cutting services from the defaulters (Lubbe and Rossouw, 2008).

This implies that accounting officer and councillors are acting in contrary with good corporate governance. Lacoma (1999:1) pointed out that corporate governance helps an organisation to improve overall performance. It may be deduced that when councillors are against the municipal managers in terms of implementation of credit control and debt collection policy are in contrary with corporate governance. Therefore, the councillors are not enhancing the performance of collecting municipal revenue and this proves that the by-laws are not fully implemented; hence, the policy is not fully implemented. According to **Figure 5.3**, the policy is review every year through appointing attorney to review it because the councils are not familiar with a content of a policy.

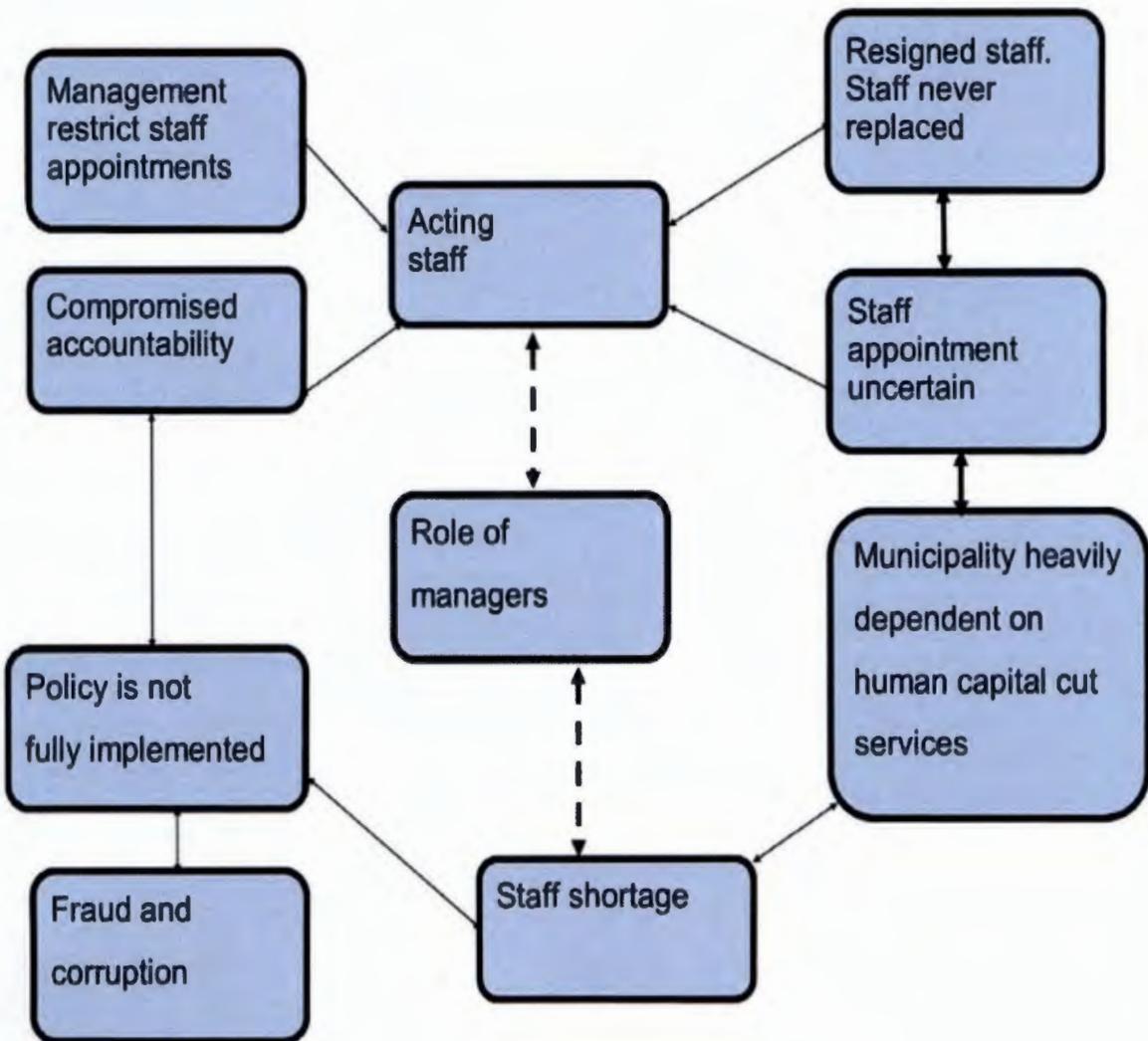
In contrast with this, Thornhill *et al.* (2014:113) pointed out that the duties of the municipal mayor are to:

- provide general political guidance over the fiscal and financial affairs of the municipality and
- monitor ,and to the extent provided for in the MFMA, oversee the exercise of the responsibilities assigned in terms of the act to the accounting officer and chief financial officer, but may not interfere in the exercise of these responsibilities

This implies that the municipal councils should be drivers in the implementation of policy, but are not familiar with the content of the policy. Thus, the implementation of a credit control and debt collection policy is pushed to the finance department of the municipalities. Consequently, policy implementation is associated with lack of involvement of managers in policy reviews.

All these as the results justify in compromised policy implementation and by laws not implemented in the municipalities. Hence, it may be deduced that the municipalities will experience the escalations and uncollectable debts. The other factor that disturb the implementation of credit control and debt collection policy is fraud and corruption by municipal officials that have received bribes from households to reconnect the services without settling their accounts. This resulted in no proper follow-ups on people that are in debts. It can be concluded that the management style constraints has an impact in a failure of debt control in the municipalities.

Figure 5.4: Staff and skills constraints associated with failure of debt control



Source: Own source (2017)

According to **Figure 5.4**, the municipalities are subjected the resource constraining factors in terms of implementing the credit control and debt collection policy. It emanated from the fact that the municipality was understaffed whereby people resigned due to fact that other companies with more incentives appointed them. They were not replaced because there was budget constraints within the municipality. The management instructed the municipal human resource staff that the vacancies should not appoint the staff due to certain reasons. Many officials were acting on the critical senior management positions such as chief financial officer; this has compromised the accountability of officials on the implementation of a credit control and debt collection policy in the municipality.

In light of above situation whereby people from the municipality resigned and secure other jobs in other departments, Zimmerman pointed out that the challenges the government is subject to, that government could not afford to retain skilled staff as more lucrative opportunities existed in the private sector (City Press, 2012:4). This may be the cause why the staff that were occupying the critical positions left the municipality for more attractive job opportunities.

In addition with regard to the staff that were resigned and not replaced, Gono (2006) pointed out that challenges faced most local authorities collecting revenue are high staff turnover with reference to critical professional such as the technical staff and financial experts; staff members remaining in acting positions for long period; lack of incentives to attract and retain qualified staff and low staff morale.

Therefore, in taking into account what Gono (2006) has highlighted above, leads us to believe that the critical positions that were not filled due the so-called budget constraints contributed immensely on the bottlenecks of the collection of revenue within the municipality.

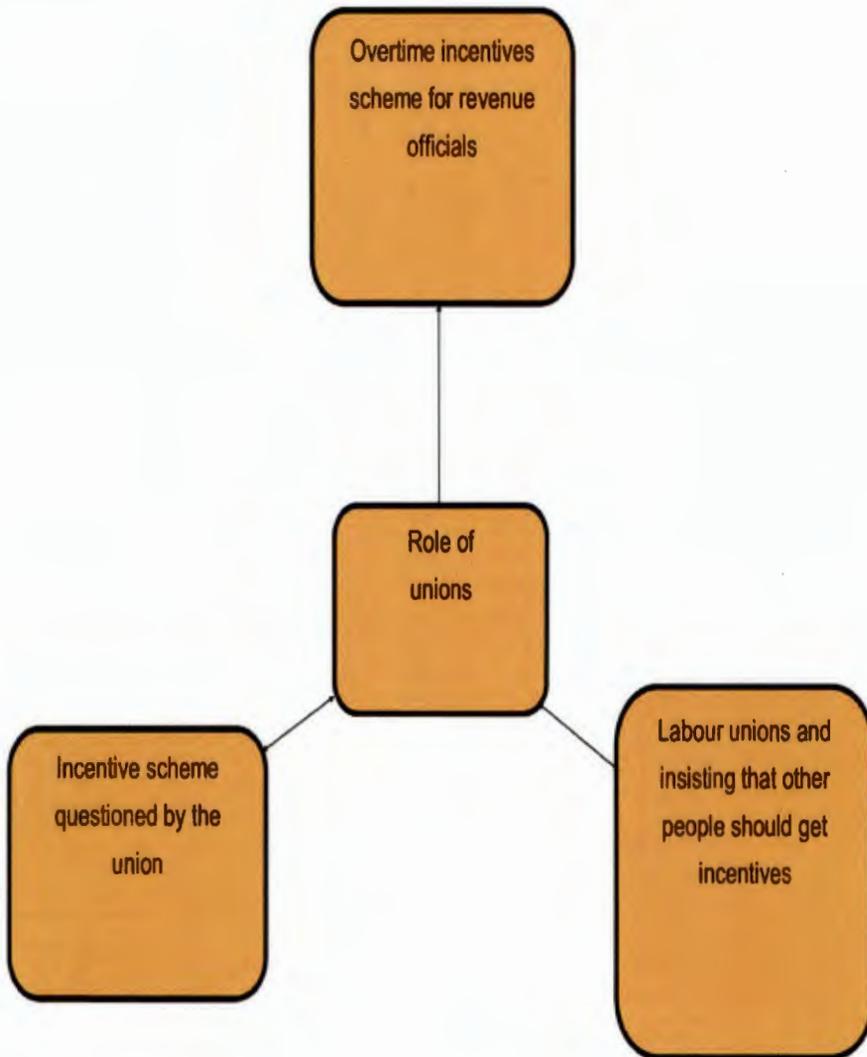
In terms of the budget constraints, the Budget Steering Committee must ensure that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources; there is a proper alignment between the policy and the service delivery priorities set out in the municipality's Integrated Development Plan (IDP) and budget, taking into account the need to protect the financial sustainability of the municipality and the process undertaken to compile the budget complies with legislation and good budget practices (chapter 2 of the Municipal Budget Reporting and Regulations, 2009). Hence, it may be deduced that the municipality did not adhere to the primary aim of chapter 2 of the Municipal Budget Reporting and Regulations, 2009.

According to Lindberg (2009:12), the business accountability is regarded as an inspiration for enhancing accountability in other spheres whereby the executives account for producing profit or services for the customers and communities in the case of the municipalities in South Africa. Business accountability intends to promote local democracy and improve the quality of service delivery.

Based on the acting senior managers in the municipality that lacked the level of accountability due to the fact that there were operating in acting capacity created the compromised business accountability in terms of revenue collection. Thus, it can be concluded that staff and skills constraints are associated with acting managers, staff shortages and role of unions.

Acting managers are subject to compromised accountability, uncertain appointments and lack of replaced staff. These aspects are associated with staff shortages. This implies that staff and skills constraints are associated with failure of debt control in the municipality.

Figure 5.5: Role of unions constraints associated with failure of debt control



Source: Own Source (2017)

As highlighted in **Figure 5.4** that the role of unions in the municipality as part of staff and skills constraints associated with failure of debt control; the unions in terms of **Figure 5.5** have played a role in opposing municipal manager efforts to introduce overtime incentive schemes by assisted that other people should get these incentives even if they are not part of revenue collection team.

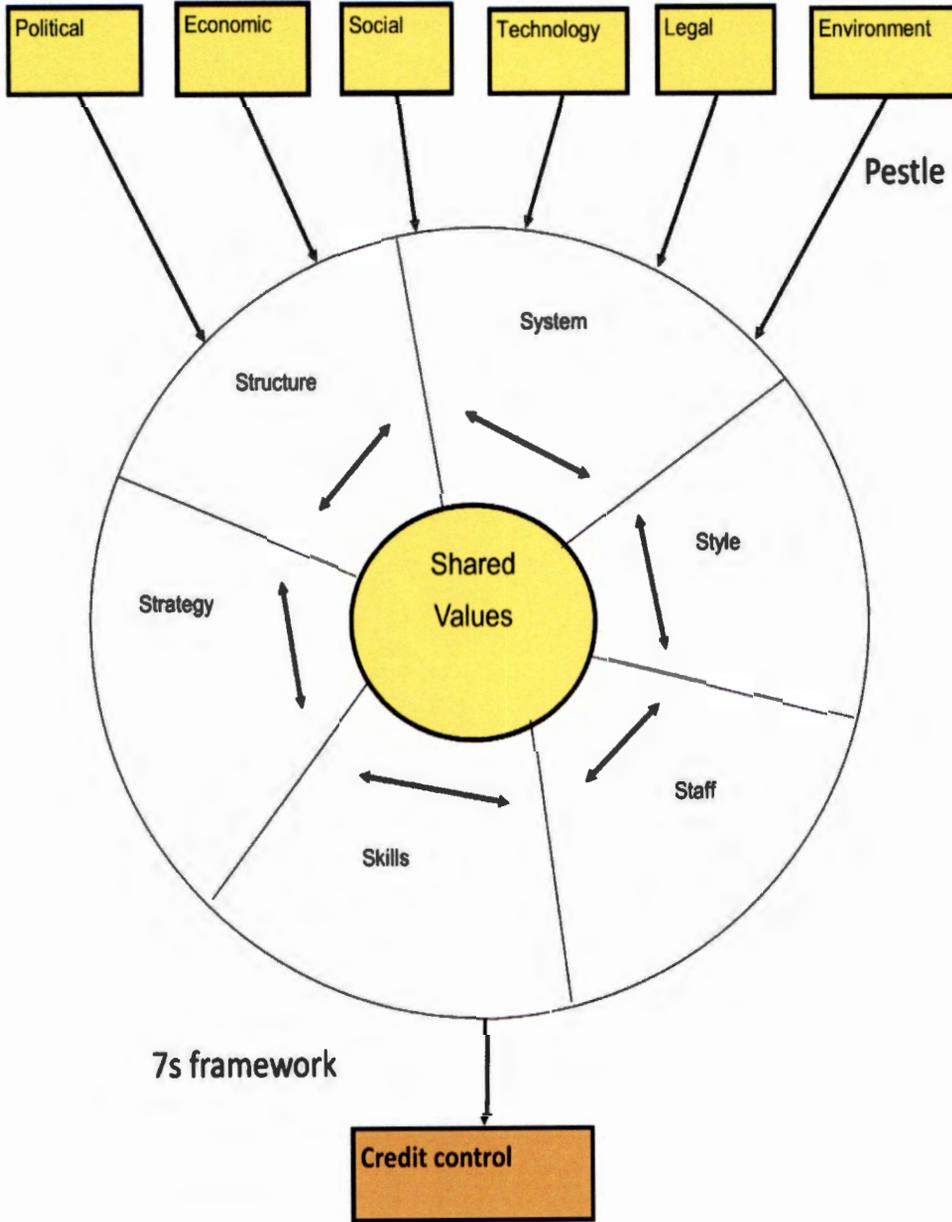
According to Du Toit, Bosch, Woolfrey, Godfrey, Cooper, Giles, Bosch and Rossouw (2006:181), in light of the above state that Labour Relations Act pointed out that:

“trade union is regarded as an association of employees whose principal purpose is to regulate relations between employees and employers, including and employers’ organisations”. In taking into cognisance of the role played by the unions and what have being highlighted by Toit *et al.*(2006) with regard to the overtime incentive scheme to revenue officials, it may be it may be deduced that the labour unions and the management did not regulate the relations in terms of revenue officials overtime incentive scheme.

This emanated from the fact the labour organised union within the municipality questioned the criterion used to give revenue official these incentives and insisted that other employees outside finance department should be entitled to this scheme. In conclusion, it can be deduced that the outcome of acting managers, staff shortages and conflict of management and unions with regard to overtime incentives contributed in the lack of credit control and debt collection policy in the municipality.

Phase 2: External causes of failure of credit control and debt collection policy This subsection presents the Pestle Analysis and 7 S Framework and external causes such as the abuse of political power, economic causes of non-payment failures, social actions of consumers, technical causes of debt control failures, legal causes of failures of debt control, environmental causes of failures of debt control. This subsection is briefly discussed as follows:

Figure 5.6: Pestle Analysis and 7 S Framework



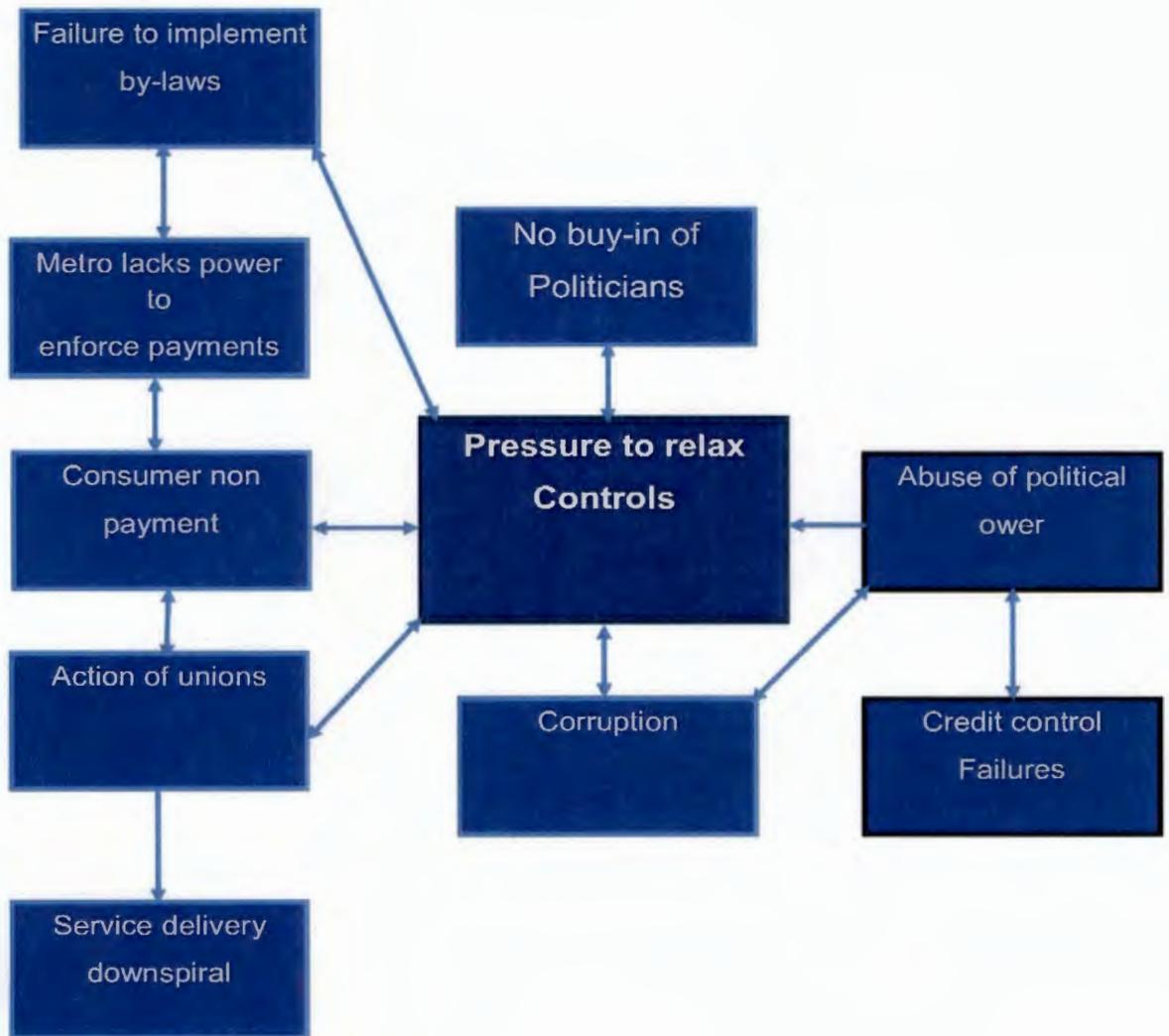
Source: Own Source (2017)

Figure 5.6 was adapted from Pestle Analysis and 7 S Framework and the external causes that impact negative were identified through the utilisation of these models. Tom Peters and Robert Waterman developed the McKinsey 7S Framework early in 1980s. The 7 S framework/model has been utilised by over 70 large organisations such as McKinsey as a diagnostic tool. When applied to an organisation it can be a most effective tool to identify and target those areas that need special attention and focus. It is critical to gain better alignment between the 7 S's in order for an organisation to be more effectively in executing its mission and vision (Ravafar, 2015 ; Pothiyadath and Wesley , 2014 ; Hanafizadeh and Ravasan, 2013).The 7 S 's are Structure , Strategy, Skills ,Staff, Style, Systems and Shared values.

The Pestle Analysis is a tool use to identify the external factors that may affect the operations of the organisations. The organisations have no control over, but the implications need to be understood by the organisation (Thompson, Strickland and Gamble, 2008).The Pestle Analysis and 7S Framework were used as the diagnostic tools to identify the external factors that influence negative on the implementation of credit control and debt collection policy in the South African Municipalities.

Therefore, the analysis of the qualitative management through these tools revealed the external factors being associated with consumer propensity to pay their debts. These are political, economic, social, technological and environmental. These factors are clearly related to the ability of the Metros to meet their financial obligations. The 7S Framework dimensions can be identified in the responses of the management relating to the internal financial functioning of the municipalities and credit control failures. The external factors identified as depicted in **Figures 5.7 to 5.11** below:

Figure 5.7: Abuse of political power



Source: Own Source (2017)

According **Figure 5.7**, the abuse of political power is one of the causes impacted on the failure of credit control and debt collection policy and municipal systems act, 2000 in terms of collecting monies due to the South Africa municipalities. This was evident on the statements made by the respondents that is reflected below:

Respondent's statements are evident:

"Some of the people are unemployed that resulting in non-payment of rates and taxes. People are abusing unemployment and get away with paying their accounts. Municipality opted to legal action only to find the legal action is so costly and is a lengthy process, this impact negatively of the implementation of the policy". Respondent 1.

"Lack of power to enforce payment due to political influence; corruption and embezzlement of funds by officials; political pressure to relax on revenue collection". Respondent 2

"The municipality did not have adequate personnel to implement credit control and debt collection policy and staff that will deal with the disconnection of services if the people are unwilling to pay their municipal accounts". Respondent 3

"Political interference: *According to the participants the mayor and municipal councils are drivers in the implementation of policy, but are not familiar with the content of the policy. As the result, they push the implementation of policy to finance. The politicians will inform the households that their debts will be written off by the municipality; in return, the households will be influenced by politicians not to pay accounts. Thus, they will discourage the people from paying their accounts. Politicians will instruct the administration staff that they must not cut services to defaulters because the households will not vote for them in the next elections. They force officials to reconnect the services without the settling of accounts by households. There is no 100% buy of politicians in the implementation of policy.*

Customers honesty: *households are not honesty about their levels of income and other is not willing to pay for the services." Respondent 4*

In contrary with the above participants' responses, Van der Waldt *et al.* (2007:62-63) point out the executive mayor/mayor or executive committee is responsible for policy and outcomes and the municipal and senior managers are responsible for implementation and outcomes.

It is further stated that the "executive mayor (which is regarded as politician) must monitor and oversee the exercise of the responsibilities of the municipal manager and chief financial officer, without interference" (Van der Waldt et al., 2007).

In addition, of what was highlighted by Van der Waldt *et al et al.* (2007), Thornhill *et al.* (2014) concur by mentioning that the municipal manager is the accounting officer in terms of MFMA. This implies that the municipal managers is sole responsible for the effectiveness of administration.

Thornhill *et al.* (2014) pointed out that the municipal manager must perform the duties such as manage the revenue and ensure that all funds due are collected. The municipal manger should develop a system of delegation to enhance administrative and operational efficiency and provide check and balances. It is further suggested that, a municipal manger may not delegate financial or other responsibility to a political structure (Thornhill *et al.*, 2014).

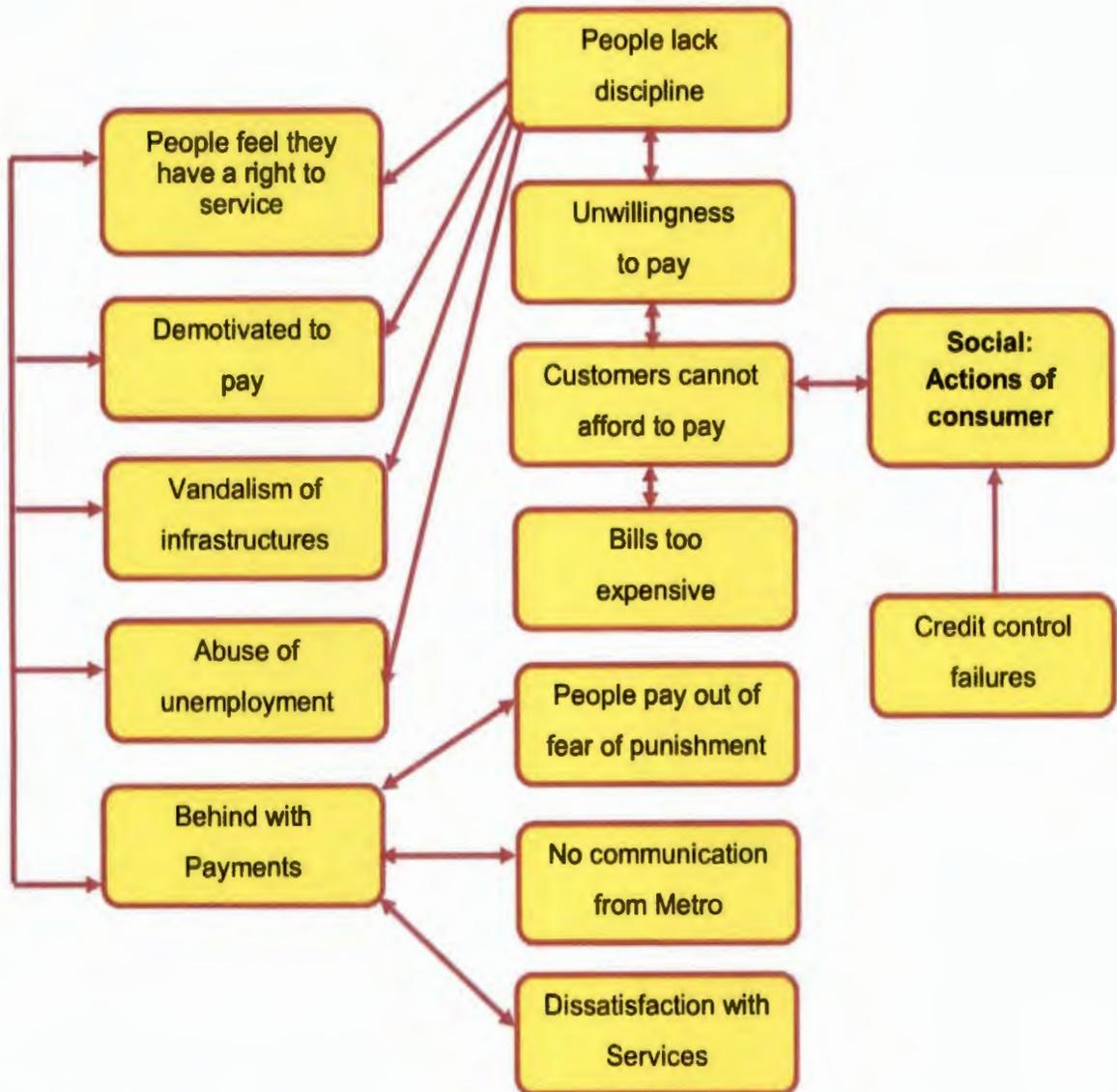
In taking into account the participants statements and suggestions by Thornhill *et al.* (2014) and Venter *et al.*, 2007, it may be deduced that there was a political interference and the politicians did not adhere to their responsibilities to oversee the responsibilities of municipal managers and chief financial officers. This was evident when they instructed the administrators to relax pressure in collection revenues due to municipality and there was is no 100% buy of politicians in the implementation of credit control and debt collection.

This implies that the municipal manager, chief financial and municipal officials lacked power to enforced the compliance of credit control and debt collection policy to the consumers in terms of collecting all money for municipality in accordance with Municipal Systems Acts, 2000 due to political interference. Thus, the by-laws within the municipality was not implemented due to political interference.

According Fjestad and Semboja (2000), corruption is very high in many local authorities and is a major challenge in revenue collection. Garaiza (2014) concurs with Fjestad *et al.* (2000) in this study by stating that seven Chipinge Town Council officials and Gokwe Town Secretary were found guilty of corruption. The Minister of Local Government in Zimbabwe fired them all. It was also pointed out that the common type of corruption is embezzlement of revenues by collectors and administrators (Garaiza, 2014).Therefore, it can be concluded that corruption is one of the elements that impact negative in municipal collection revenues since it happened in South African municipality and Zimbabwean Local Authorities according to the findings of studies conducted.

In **Figure 5.7**, it was highlighted that participants did not manage to pay their municipal accounts due to poverty and unemployment. Garaiza (2014) in his study concurred by stating that factors influencing the financial performance of local authorities include the ability and willingness of ratepayers and user to pay for services. This resulted in the service delivery down spiral.

Figure 5.8: Social actions of consumers



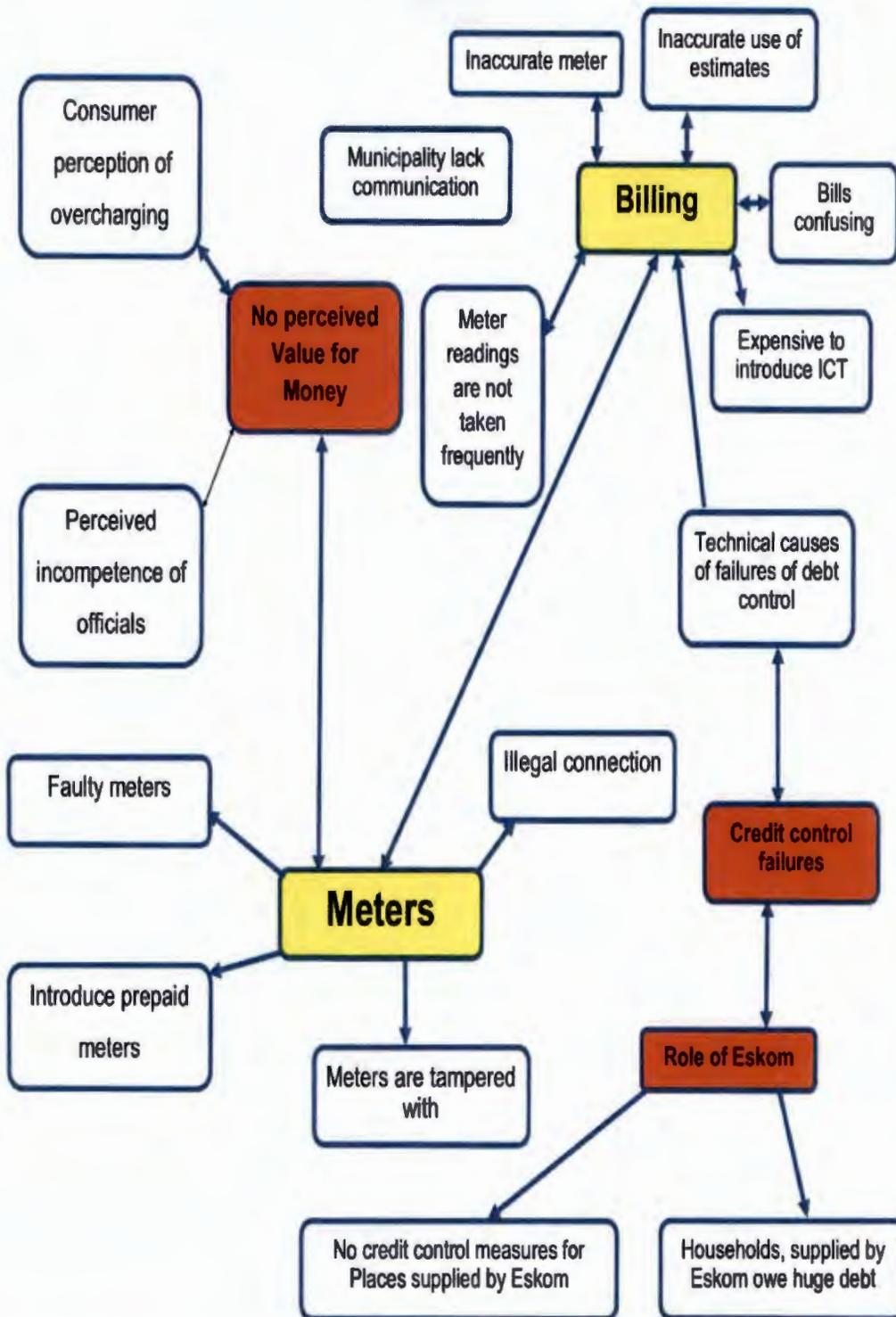
Source: Own Source (2017)

Figure 5.8 reflects the social actions of consumers whereby the economic and social pressures are associated with consumers lack discipline and unwillingness to pay. The customers cannot afford to pay and claim their bills are too expensive. These factors are associated with people feeling that they have a right to services. They are demotivated to pay and vandalism of infrastructures and abuse of unemployment. Consumers ultimately lag behind with payments.

They claimed this is associated with fear of punishment, communication lack and dissatisfaction with services. All of this is associated with credit control failures. In light of the above, Peters (2011:162) suggested that the reasons for non-payment centred on that the households cannot afford to pay, unhappy with services and other do not want to pay.

Botes and Pesler (2001) added that the non-payment amongst households occur in both poor and non-poor areas and literacy rates are regarded as main drivers of misunderstanding the municipal accounts and this has increased an unwillingness to pay. This implies that some of the consumers lacked discipline and were behind with their payments, demotivated to pay their accounts, abused of unemployment as a scapegoat for not paying their accounts and people felt they have a right to services without paying for them.

Figure 5.9: Technical causes of debt control failures



Source: Own Source (2017)

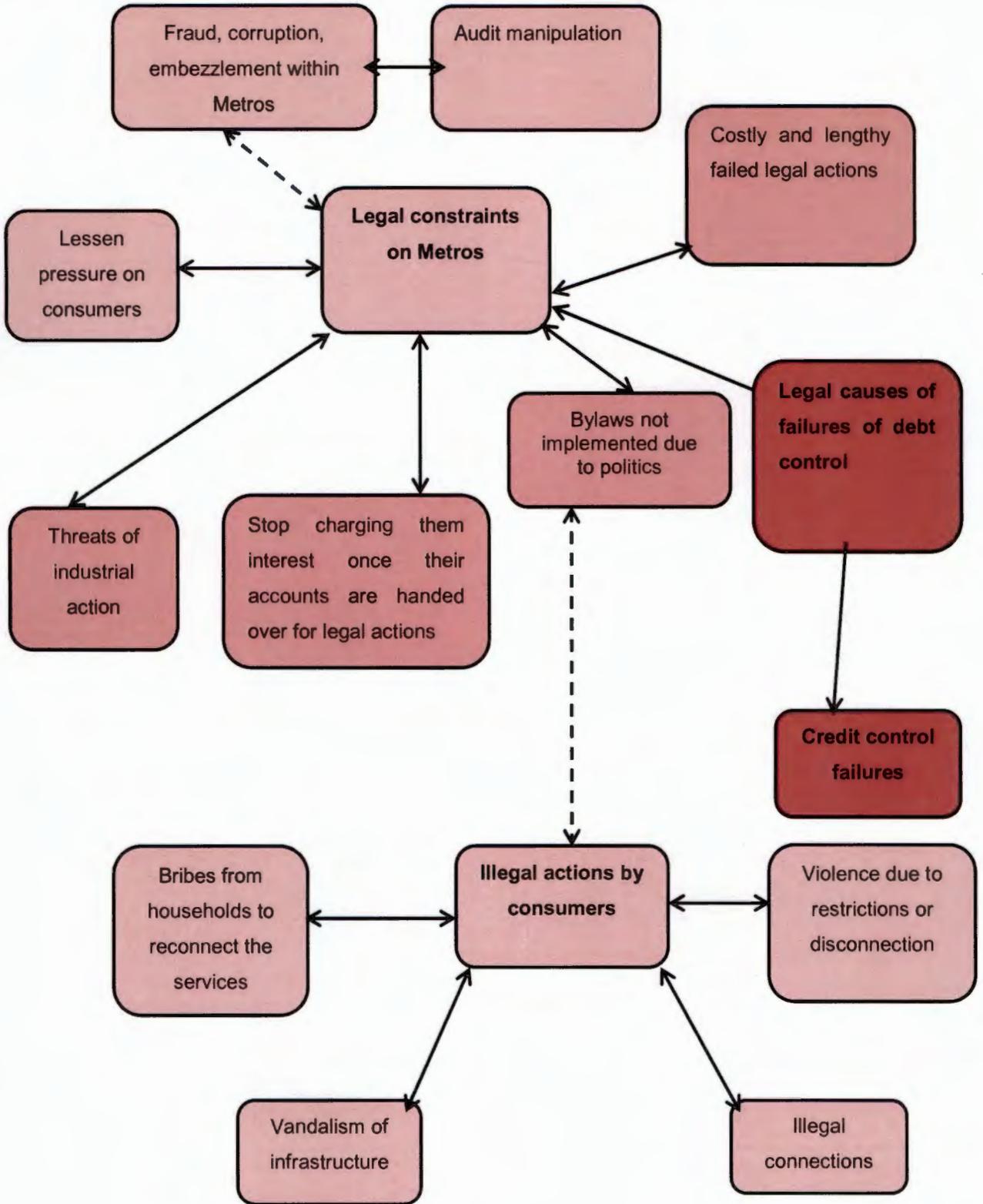
Figure 5.9 illustrates that the technical causes of failures of debt control were associated with faulty billing. This was associated with five factors such as the inaccurate use of estimates, inaccurate meter readings, meter readings were not taken, and expensive ICT system and bills confusing. The consumers also perceived that there was no value for money for paying their municipal accounts. These were associated with three factors, which were consumer perception of overcharging, municipality lack of communication and perceived incompetence of officials

The meter issues were associated with four factors such as the faulty meters, prepaid meters, meters are tampered with and illegal connections. In addition to this, there is no control measures for places supplied by Eskom. Thus, the households, supplied by Eskom owe huge debt. Billing, meter issues and value for money are associated. All these issues associate with credit control failures.

Financial and Fiscal Commission (FFC) (2011:162) concurs with the above findings by stating that the reasons of non-payment of households were metering system is irregular, no metering system, no billing system in place, meter is broken, people cannot afford to pay their bills, unhappy with services rendered by municipalities and others do not want to pay their bills. FFC (2011) highlights that the lack of metering system seems to be a key driver of non-payment. Another factor is the lack of billing system and affordability issues emerged very strongly, which could be the result of the slow down in the economy of South Africa.

Hence, it may be deduced that the municipal officials lacked communication with regard the billing system and consumers believed that they are overcharged and the municipal officials are perceived as incompetence officials.

Figure 5.10: Legal causes of failures of debt control



Source: Own Source (2017)

Figure 5.10 outlines legal causes of failures of debt control which were associated with legal constraints on municipality (fraud, corruption, embezzlement within metros, lessen pressure on consumers, threats of industrial action, stop charging them interest once their accounts are handed over for legal actions, bylaws not implemented due to politics, audit manipulation).

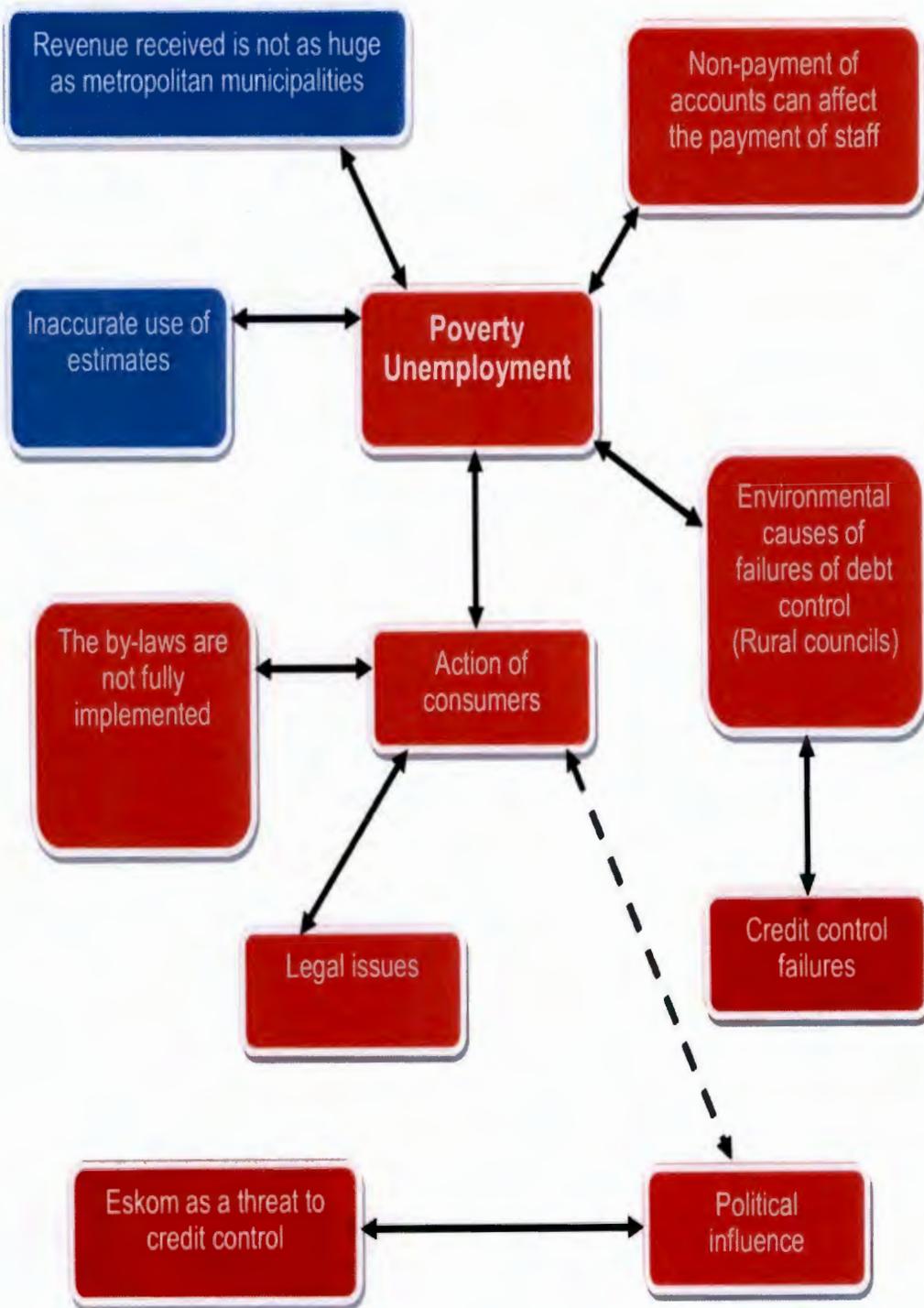
According to **Figure 5.10**, the municipalities experienced the illegal actions by consumers such as the bribes from households to reconnect the services, vandalism of infrastructure, illegal connections, and violence due to restrictions or disconnection.

The study conducted by the Onias, Manyani, Hove, Mabhunnu and Muza (2014:31) highlights that corruption and embezzlement of funds by municipality staff were also been suggested as constraining the local authority from collecting revenue,

This was evident, when some of the senior municipality staff faced criminal charges between 2009 and 2012 emanating from allegations from corruption and some were even convicted. The corruption emanated from collusion between ratepayers and unscrupulous municipality staff (Onias *et al.*, 2014). The findings of Onias *et al.* (2014) are regarded as the legal constraints on municipality.

In addition of the above, Section 64 of the MFMA (RSA,2000a) provides for legal action if no payments are made within a specified period after services are restricted or terminated. This implies that the account of such consumer should be handed over to attorneys, with legal expenses payable by the defaulting account holder. Once the account is handed over for legal actions, the municipality stop charging them interest once their accounts are handed over for legal actions (RSA, 2000a).

Figure 5.11: Environmental causes of failures of debt control



Source: Own Source (2017)

Figure 5.11: presents the environmental causes of failures of debt control, which revealed that environment has negative impact of non-payment of municipal revenue collection. This means that non-payment of accounts can affect the payment of staff in the municipalities. Onias *et al.* (2014) points out that most of the participants noticed that direct relationship between politics and revenue collection. The findings revealed that the councillors were always caught in between the dilemma of protecting their interest of the electorate and efficient service delivery to the same electorate. Consequently, there is always a misunderstanding between officials and the councillors when it comes to the enforcement of revenue payments. This implies that there is political interference with regard to the municipal revenue collection.

5.2.2.3 The presentation of group 1: municipalities for research objective 2

This subsection is divided into two parts: Part I presents the main themes identified and sub-themes of the findings in accordance with research objective 2

Part II presents the narrative text of the findings, offer discussion and interpretation of findings for research objective 2.

Part I: The tabulation of municipalities in line with research objective 2

- **Research objective 2:** To develop a framework that can be used to improve the management of municipal revenue and working capital.

The identified themes during thematic analysis in this group 1 in depth interviews of senior managers and focus group interviews of other financial managers of the municipalities in terms of above stipulated research objective 2 are illustrated in **Tables 5.5 and 5.6** below.

Table 5.5: Thematic Analysis of research objective 2 for the municipalities (in depth interviews)

Level			Main theme: Strategy for improving revenue management and enhancement
			<u>Ekurhuleni Metro</u>
1	2	3	Theme
Theme 1:			Short term strategy
	1.0		Send a reminder letter
	1.1		The municipality should practice good corporate governance when dealing with credit control
	1.2		Written off their debts
	1.3		Indigent management programme
	1.4		Siyakhokha siyathuthuka outreach programme-for rates and taxes
	1.5		Finance open days
	1.6		Service disconnection to the defaulters
	1.7		The municipality should take legal action against defaulters
	1.8		There should be effective dedicated municipal courts to deal with municipal criminal cases escalating of debts.
Theme 2:			Medium term strategy

2.1		National and Provincial Government should intervene in the process of debt collection in the local government sphere through engaging with municipalities, households, businesses and government departments that are owing the municipalities
2.2		Legal action is costly and this is a length process
2.3		Courts are attending very little cases of outstanding debts and escalating debts
2.4		Indigent management policy where they will be advised to apply in order to benefit from the indigent grants
2.5		The municipality should ensure effective enforcement of adequate control mechanisms despite the political pressure to relax on revenue collection.
2.6		Attachment of property of non-payers to their accounts-that is to sell their properties in order to recover outstanding debts.
2.7		Attachment of property of defaulters to their municipal accounts - people will start to take payment of their accounts very serious because they will be afraid that they may lose their houses
2.8		Sell their properties to pay their debts
2.9		<p>Municipal accounts must be linked to other departments such as motor licensing, home affairs and tollgates. When the people wish to access services for motor licensing, home affairs and tollgates they must first settle their municipal account before they can access these services.</p> <p>The people especially those who like to travel they must not allow to go to abroad without settling their municipal debts.</p>
2.10		Exploring installation of smart meters. Introducing Smart Metering ICT system in order to cut services from defaulters while they are the office. The system will be able to cut all the services of the households, businesses and government departments that owe municipalities without physical cutting of electricity and water by a huge team of

		<p>revenue management officials.</p> <p>This will ensure 100% compliance of credit control and debt collection policy to those that owe municipality. The respondent highlighted that the municipality obtained clean audit outcomes in financial years 2012/13; 2013/14; and 2014/15 as well as qualified audit outcome in financial year 2015/16.</p>
	2.11	Revenue enhancement: create a few fully-fledged revenue management team-team will be identifying new revenue enhancement plan.
	2.12	Exploring parking fees and charges in towns like Germiston, Kempton Park and Bedford view.
	2.13	Provide incentive payment scheme to those who are owing municipality with an aim of encouraging to settle their accounts in order to enhance collection levels
	2.14	Conversion of meters into pre-paid meters in order to help municipality to limit to exposure of outstanding debts
	2.15	The municipality is engaging with National Treasury and Eskom to try and enforce compliance to people that are supplied electricity by Eskom
	2.16	Rolling out prepaid meters
Theme 3:		Long term strategy
	3.0	At local level, there is an economic development unit.
	3.1	The participants suggested that the government should set a good example to the citizens of South Africa by providing clean administration; this can motivate them also to pay their accounts especially those customers who are paying accounts even if they can afford to pay their bills.

	3.2		The national government must put more emphasis on debt collection on the political side to influence voters or communities to see paying for services provided by municipalities as the priority for local economic development.
	3.3		The municipalities must be allowed to institute the garnishee order to the employers of the debtors in order to force them to pay their debts.
	3.4		The provincial government is running a number of essential services (schools and hospitals) and they cannot exactly switch off electricity or water so in such cases they have agreement with provincial government officials for payment.
			Chief financial officer (Mafikeng)
Theme 1.			<u>Short term Strategies-Revenue collection</u>
	1.1		The municipality embark on payment incentive scheme to those customers who have settled their outstanding debts with a discount of 50% on their outstanding debts. This scheme is intended to encourage the customers to settle their outstanding debts.
	1.2		Restrictions of services to those who can afford to pay their bills, but are not paying their bills.
	1.3		Those who cannot afford to pay their bills must be encourage to apply for indigent grants.
	1.4		The municipality has implemented incentives to revenue officials to working overtime to cut the services to customers that are owing municipality.
	1.5		The municipality should appoint the qualified staff to enforce the control measures of credit control and debt collection policy.
	1.6		Reduce the labour turnover so that there will be more human capital.

Theme 2.		<u>Medium term revenue collection</u>
	2.1	The municipality will introduce the ICT system (smart metering) that should be operated in the office to assist the municipality to deal effectively with control measures on revenue collection in order to curb the challenges of escalating and outstanding debts in our organisation.
	2.2	But, this ICT system is too expensive considering the budget constraints the municipality is faced with.
	2.3	Pre-paid services for water that will assist them to know exactly how much are they are going to pay in a month for water.
		Smart metering ICT system will assist the municipality to collect revenue between 95% and 100% collection rate, which will ensure that there is money available to render services within the municipality. This implies that the municipality will have the working capital to run day-to-day business of the municipality.
Theme 3:		The municipality must get more human capital to cut the services to the households, businesses and government that owe municipality.
Theme 4.		<u>Long Term-Revenue collection:</u>
		Getting electricity license as a tool to enforce compliance of credit control and debt collection policy in terms of revenue collection. The municipality should get electricity license and getting electricity license will double their budget Revenue enhancement The municipality should have new development investment on the infrastructure. More properties should be developed in order to charge more property rates. Municipality should invest in spatial planning in order to increase its revenue base.

Table 5.6: Thematic Analysis of research objective 2 for the municipalities (focus group interviews)

Level			A framework that can be used to improve the management of municipal revenue and working capital
			<u>uMgungundlovu District Municipality(Pietermaritzburg)</u>
1	2	3	Theme
1.			Control systems
	1.1		The municipality has introduced the monthly interdepartmental meetings whereby the officials share ideas in terms of responsibilities of each department with regard to putting in place effective revenue collection and revenue enhancement strategies.
	1.2		The municipalities implemented the customer awareness sessions with the purpose of create awareness to households and business the reasons why they should pay the municipal services
2.			Strategies
	2.1		Short term
		2.1.1	Outsourcing debt collection to agents to collect outstanding debts on behalf of the municipality
		2.1.2	Continue with restriction and disconnection of services to the individuals who are not prepared to pay their accounts.
		2.1.3	The households from rural areas must be declared as indigents and their debts must be written off
		2.1.4	The customers must be given debt relief and some customers should be given early payment discount for being up to date with their accounts.

		2.1.5	The municipality should review the indigence policy and categorise all rural customers as indigents.
	2.2		Medium term
		2.2.1	Tender for service providers to disconnect /restrict services for people who are not paying their municipal accounts
		2.2.2	The municipality must form a committee within each area and this council must be given a responsibility to collect debts
		2.2.3	The municipality will introduce ICT system called Smart metering
	2.3		Long term
		2.3.1	Educate customers about the importance of paying municipal accounts
		2.3.2	The municipality should introduce the prepaid water meters
			Mafikeng Local Municipality- Financial Managers
1.			Control systems
	1.1		Monthly interdepartmental meetings with COGTA whereby they will verify the owners of government buildings so that they will be able to charge them the property rates.
	1.2		Cut the services from the defaulters in order to pay their debts.
	1.3		Attached the property of defaulters to the debts with the purpose of selling them and recover the municipality outstanding money.

2.			Strategies
	2.1		Short term
		2.1.1	Send notices through SMS and letters to defaulters to remind them to pay their accounts.
	2.2		Medium term
		2.2.1	The call centres to call people to inform them about the status of accounts and make payment arrangement to settle their accounts.
		2.2.2	Outsourcing debt collection to agents to collect outstanding debts on behalf of the municipality.
	2.3		Long term
		2.3.1	Fix faulty meters.
		2.3.2	Implement accurate billing system,
		2.3.3	Implement correct meter reading system.
		2.3.4	Educate customers about the importance of paying municipal accounts.
		2.3.5	Encouraging good corporate governance to employees that are receiving bribes to reconnect electricity for households without settling their accounts
		2.3.6	End politicians influencing households to not pay their accounts.

			Ekurhuleni metropolitan municipality Executive manager and Senior accountant
1.			Control systems
	1.1		Consolidation of municipal accounts-water, sewage and sanitation electricity and properties in one account – if a household owes sewage he/she has to pay sewage in order have an access to other services. All stakeholders participate in a policy review and this promotes the buying in and when it comes to
	1.2		Service disconnection to the defaulters
	1.3		Legal action against defaulters
	1.4		Send a reminder letter
	1.5		Summon them to court
	1.6		Written off of their debts
	1.7		Attachment of property of defaulters to their municipal accounts and sold their properties to pay their debts-people will start to take pay their accounts because they will be afraid that they may lose their houses.
	1.8		The customers who cannot afford to pay their account must be assisted through indigent grants
	1.9		There is the health interdepartmental relationship with municipality whereby they assist each other to effective implement a credit control and debt collection policy including the mayor and municipal council-(The administration, politicians and sister departments have joined forces to implement a policy)

2.			Strategy
	2.1		Short term:
		2.1.1	The households from rural areas must be declared as indigents and their debts must be written
	2.2		Medium term:
		2.2.1	Introduce smart metering system-ICT system for electricity-meter readings are done on line, disconnections of services are done on the office.
		2.2.2	The joint review of policy with all the stakeholders to create an awareness of the content of the policy in order for them experience collective implementation of a policy.
		2.2.3	Benchmarking with on metropolitan with regard to good practices on the implementation of policy and take all their successes, adapt in their municipal environment and thereafter implement for collection of revenue from their customers.
		2.2.4	Create an awareness of the content of the policy
			Lesedi Local Municipality - Financial Managers
1.			Internal control systems
	1.1		Send a reminder letter
	1.2		Written off of their debts
	1.3		Service disconnection to the defaulters

	1.4		Attachment of property of defaulters to their municipal accounts and sold their properties to pay their debts-people will start to take pay their accounts because they will be afraid that they may lose their houses.
	1.5		The municipality has introduced the mass indigent registrations to assist households to get grants to access basic services.
	1.6		The municipalities implemented the customer awareness sessions with the purpose of create awareness to households and business the reasons why they should pay their accounts.
	1.7		The municipality has fixed the faulty meters
	1.8		Appointed company to continue assess the meters in order to ensure that are not tampered with.
	1.9		Consolidation of municipal accounts-water, sewage and sanitation electricity and properties in one account – if a household owes sewage he/she has to pay sewage in order have an access to other services.
	1.10		Legal action against defaulters
	1.11		Summon them to court
2.			Strategy
			Revenue enhancement
			Short term- introduce a turnaround strategy that will influence thinking of consumers to not embarking of tampering with meters
			100% buying of “other structure” to have a buy in in the implementation of a policy.

			Other structure can have referred as the politicians, because the participants pointed out that they always make promises during /towards local government and national elections.
			Accurate billing
			Fixing faultier meters

Part II: the narrative text of the findings, discussion and interpretation of findings for research objective 2

The participants of in depth and focus group interviews made the suggestions with regard to improvement of municipal revenue and working capital as follows:

Category 1: Overcoming constraints (causes of failure) and payments recovery

Two respondents 1 and 2 emphasized that legal action is the solution although worried about the lengthy process as a procedures/strategies to recover payments if residents and commercial businesses are in default. Consumers who cannot afford should apply indigent grants while municipality and politicians should practice good corporate governance when dealing with credit control and debt collection policy. Municipality should ensure effective enforcement of adequate control mechanisms. Service disconnection to the defaulters should be enforced. Attachment of property of defaulters to their municipal accounts was mentioned as a good strategy to recover payments if residents and commercial businesses are in default. Respondent 3 indicated that the municipality should introduce the ICT system (smart metering) to recover debts from defaulters.

“The municipality should take legal action that is so costly and this is a length process” Remainder letter to customers for a period of 30 days. Summon them to court and courts are attending very little cases of outstanding debts and escalating debts”. Respondent 1, Budget and management

“Some of the consumers that are not employed and subjected to poverty will be exposed to indigent management policy where they will be advised to apply in order to benefit from the indigent grants”. Respondent 1

“The municipality and politicians should practice good corporate governance when dealing with credit control and debt collection policy even when the times of voting period arrive.

The politicians should not influence the municipal officials to relax the control measures of the policy. The municipality should ensure effective enforcement of adequate control mechanisms despite the political pressure to relax on revenue collection". Respondent 1

"Attachment of property of defaulters to their municipal accounts and sold their properties to pay their debts-people will start to take payment of their accounts very serious because they will be afraid that they may lose their houses". Respondent 1

"Attachment of property of non-payers to their accounts-that is to sell their properties in order to recover outstanding debts". Respondent 1

Respondent 1 suggested that the government should set a good example to the citizen of South Africa by providing clean administration; this can motivate them also to pay their accounts especially those customers who are paying accounts even if they can afford to pay their bills. Another suggestion was that the municipal accounts must be linked of other departments such as departments that are dealing with motor licensing, home affairs and tollgates. When the people wish to access services for motor licensing, home affairs and tollgates they must first settle their municipal account before they can access these services.

"People especially those who like to travel they must not allow to go to abroad without settling their municipal debts". Respondent 1

"Municipalities must be allowed to institute the garnishee order to the employers of the debtors in order to force them to pay their debts "Respondent 1, Budgeting and management.

On the other hand respondent 2 indicated that

"at local level there is an economic development unit. The provincial government is running a number of essential services (schools and hospitals) and they cannot exactly switch off electricity or water so in such cases they have agreement with provincial government officials for payment. The municipality should appoint on the vacancy posts through employing qualified staff and reducing the labour turnover so that there will be more human capital to enforce the control measures of credit control and debt collection policy". Respondent 2

Respondent 3 in line with the other two responses: *"Introducing smart metering system (ICT system) to recover debts from defaulters. Service disconnection to the defaulters.*

Legal action against defaulters; Send a remainder letter; Summon them to court; Written off of their debts; Attachment of property of defaulters to their municipal accounts and sold their properties to pay their debts-people will start to take pay their accounts because they will be afraid that they may lose their houses; The customers who cannot afford to pay their account must be assisted through indigent grants” Respondent 3

The focus group were of the opinion that the “the municipality has introduced the monthly interdepartmental meetings whereby the officials are sharing ideas in terms of responsibilities of each department with regard to putting in place effective revenue collection and revenue enhancement strategies. The municipalities implemented the customer awareness sessions with the purpose of create awareness to households and business the reasons why they should pay the municipal services” Respondent 4

In addition the “municipality has consolidation the municipal accounts-water, sewage ad sanitation electricity and properties in one account – if a household owes sewage he/she has to pay sewage in order have an access to other services”. Respondent 4

The municipality has introduced the mass indigent registrations to assist households to get grants to access basis services. The municipalities implemented the customer awareness sessions with the purpose of create awareness to households and business the reasons why they should pay their accounts. The municipality has fixed the faultier meters appointed company to continue assess the meters in order to ensure that they are not tempered. Respondent 4

Pauw *et al.* (2009) support respondents 1 and 2 by pointing out that most of procedures that are undertaken are in accordance with legislative and good business practices such as disconnecting services in terms of rates and the final step is handing over of the debtor to an attorney. The procedures to be followed in in detained are outlined by Pauw *et al.* (2009) in the following stages:

- I. Reminder letter followed by stronger letter and then a “blue letter” and final demand letter if there is no response
- II. Telephone call that if often putting pressure on a debtor and to negotiate an acceptable payment arrangement
- III. Withholding of further services or restricting services or terminating services
- IV. Debt collecting agency that is acting on behalf of municipality to pursue the debtors to settle their debts. However, the municipality should pay the debt-collecting agency for collecting the debts on their behalf.

- V. Legal action-handing over the debtor to a lawyer but this is costly because the legal process requires the issuing of court judgement to the debtors or even personal assets attached.

In addition, USAID (2005) in line with respondents above with regard to indigent grants pointed out that it is important that indigent management be implemented in parallel with debt collection and with credit control programmes. The people receiving indigent grant services are not subjected to termination of services. However, are supposed get the basic level of services and not be subjected to collection of outstanding debts.

It was cited that the politicians should exercise good governance in the municipalities. Botha, Band, Engelbrecht and Eijbergen (2015:26) argue that good governance is a contested concept, but it is referred as aspiring towards participation, rule of law, transparency, responsive, equity, effectiveness and efficiency, accountability and strategic vision in the exercise of political, economic, and administrative authority.

Therefore, it can be deduced that politicians did not exercise good governance when instructed municipal officials to relax the control measures of the policy during the times of voting period. The municipality should ensure effective enforcement of adequate control mechanisms despite the political pressure to relax on revenue collection. London (2015) in support of good governance suggests that success collection operations are using data and technology to drive revenue collection at reduced costs and this has demonstrated significant increases in revenues without increases staff. Hence, this justifies that the municipalities can introduce smart metering system in order to enhance the management of municipal revenue.

Three respondents showed that constraints strategies are applied in order to enforce the compliance with credit control and debt collection policy. These strategies are used to recover the outstanding monies that are due to the municipality. That is, to recover the debts of municipalities so that the municipality cannot experience liquidity problem and to be declared technically insolvency in future.

“The municipalities use the above strategies in order to force the compliance with credit control and debt collection policy. Respondent 1, 2 and 3

The respondents provided the following as short, medium and long municipality strategies in improving the management of municipal revenue and working capital.

Short term strategy: Respondent 1 indicated that the short term strategy should centre around putting in place an effective dedicated municipal courts to deal with municipal cases such as illegal businesses; stealing of cables and, meters, municipal property issues, outstanding and escalating of debts. Respondent 2 support the Siyakhokha siyathuthuka outreach programme-for rates and taxes, indigent management programme. Moreover, rolling out prepared meters while respondent 3 insist on the introduction of payment discount of 50% for those who are failing to pay their bills as the means to encourage them to pay bills and restrictions of services to those who can afford to pay their bills, but are not paying their bills.

“there should be effective dedicated municipal courts to deal with municipal cases such as illegal businesses; stealing of cables and, meters, municipal property issues, outstanding and escalating of debts”. Respondent 1

“Siyakhokha siyathuthuka outreach programme-for rates and taxes. Indigent management programme. Rolling out prepared meters” Respondent 2

“Municipality should introduce payment discount of 50% for those who are failing to pay their bills as the means to encourage them to pay bills.

Restrictions of services to those who can afford to pay their bills, but are not paying their bills”. Respondent 3

Medium term strategy: both respondents indicated that the strategy should revolve around debt and revenue collection in the local government sphere through engaging with municipalities, households, businesses and government departments that are owing the municipalities and exploring installation of smart meters.

“National and Provincial Government should intervene in the process of debt collection in the local government sphere through engaging with municipalities, households, businesses and government departments that owe the municipalities”. Respondent 1

“Revenue collection-exploring installation of smart meters” Respondent 2

Long-term strategy: Long-term strategy for both respondents is centred around payment of services and revenue enhancement.

“the national government must put more emphasis on debt collection on the political site to influence voters or communities to see paying of services provided by municipalities as the priority for local economic development”. Respondent 1

“Revenue enhancement: create a few fully fleshed revenue management team-team will be identifying new revenue enhancement plan. Exploring parking fees and charges in towns like Germiston, Kempton Park and Bedfordview” Respondent 2

Future strategies according to the focus group were also in line with other three responses.

“Tender for service providers to disconnect /restrict services for people who are not paying their municipal accounts. Outsourcing debt collection to agents to collect outstanding debts on behalf of the municipality. Educate customers about the importance of paying municipal accounts. Purchase debt park system. Continue with restriction and disconnection of services to the individuals who are not prepared to pay their accounts.

The households from rural areas must be declared as indigents and their debts must be written off. The municipality must form a committee within each area and this council must be given a responsibility to collect debts. The customers must be given debt relief and some customers should be given early payment discount for being up to date with their accounts. The municipality should review the indigence policy and categorised all rural customers as indigents and introduce the prepared water meters”. Respondent 4

“Accurate billing, Fixing faultier meters and Minimise incorrect reading of meters”,
Respondent 4

5.2.2.4 The presentation of group 2 findings for research objective 1

The presentation of findings for group two also adopted the thematic analysis process involved three link stages, which are data reduction, data display and data conclusion-drawing /verifying (Miles & Huberman,1994 ; Ibrahim , 2012).

Miles and Huberman (1994), Gibbs (2002) and Yin (2010) in light of the above pointed out that these stages of thematic analysis process focus on visualising the data through using different display techniques including the quotations, narrative text ,figures, tabulating differences and similarities and clarifying the relationship involving its associated complexity of data. The presentation of findings of this subsection are grouped in two parts, which are:

- Part I presents the main themes identified and sub- themes of the findings in accordance with research objective 1.
- Part II presents the narrative text of the findings, discussion and interpretation of findings for research objective 1

Part I: The tabulation of group 2: households in line with research objective 1

The data was collection from the households of Ekurhuleni and Lesedi and the thematic analysis was clustered as per the collection of data.

Table 5.7 Thematic Analysis of research objective 1 for the Ekurhuleni Households (in depth interviews)

Level			Theme
1	2	3	
1.			Poor service delivery. Service delivery on the side of municipality,
	1.1		Use of estimates
		1.1.1	Lack of integrity. No integrity on the billing system,
		1.1.2	Readings infrequent. Because the meter readings are not taken on frequently basis.
		1.1.3	Estimates. Accounts based on estimates. The municipality is basing their accounts on estimates.
		1.1.4	Arrangements. Arrangements of paying their outstanding balance due to escalation of their accounts on monthly basis
		1.1.5	ICT system. Municipality should introduce the ICT system that will assist them to take meter readings prior to the compilation of monthly bills.
		1.1.6	Prepaid system. Correct billing, put prepaid system for water, reducing the charges for water, sewage, electricity and waste removal.
	1.2		Incorrect billing

		1.2.1	Incorrect billing. They are not willing to pay the accounts because they believed that they are subjected to incorrect billing
		1.2.2	No feedback. No proper feedback given to customers with regard to, too expensive monthly bills.
		1.2.3	Prior compilation of accounts. The municipality should take meter reading prior to the compilation of monthly account so that the bills are informed by the meter readings.
		1.2.4	Bills confusing. Bills that are sent to them are confusing and there is no clear explanation why their bills are too expensive.
	1.3		No motivation to pay
		1.3.1	Accurate billing. Accurate billing should be done in order to be motivated to pay bills each month.
		1.3.2	Discuss community needs. No meetings that are held in their areas to discuss community needs
		1.3.3	Demotivated. Demotivated to pay their accounts,
		1.3.4	Dissatisfaction. That led to dissatisfaction on billing systems,
		1.3.5	Afraid not to pay. They are afraid to be in arrears because the municipality will cut services like water and electricity if their accounts are not up to date.
		1.3.6	No discussion of key needs. Incorrect billing, faultier meters, meter readings,
		1.3.7	Bills expensive. It is (not) affordable to pay accounts because the bills are too expensive as compared to the services that are provided by the municipality.

	1.4		Incompetence of officials
		1.4.1	Incompetence of officials. Incompetence of municipal officials and municipal councils to attend their complaints,

Table 5.8: Thematic Analysis of research objective 1 for the Lesedi Households (in depth interviews)

Level			Theme
1	2	3	
1.			Incorrect billing
	1.1		Incorrect billing. Participants are subjected to incorrect billing.
	1.2		Overcharging. Monthly bills should be reduced since some us are working during the day and only arrive at night but only to find that their bills amount to R800.00 every month.
2.			Delayed feedback from municipality
	2.1		Indigent policy.
	2.2		Consumers aware of indigent management policy and they have applied
	2.3		Awaiting the feedback from the municipality on their indigent applications.
3.			Value for money.
	3.1		According to the respondents(P1-P4), there is no value for money on the services they are paying from the

			municipality due to the fact that the Bills-rates are too expensive
	3.2		Meter readings are not taken frequently, accounts are too expensive and the charges of rates and taxes are ever increasing on monthly basis.
4.			Inaccurate meter readings
	4.1		Inaccurate meter readings. The municipality should take meter reading prior to the compilation of monthly account so that the bills are informed by the meter readings.
	4.2		Faulty meter readings
	4.3		Faulty meter readings. Installation of new meter reading-replace faulty meter readings.
	4.4		Eskom usage. They suggested that they should allowed buying electricity from Eskom because municipality is overcharging the households.
5.			Use of estimates
	5.1		Use of estimates. The municipality should not use the estimates to compile the municipal account because it will lead to incorrect billing.
	5.2		Flat rate system
			Apply flat rate. Apply flat rate system of between R200- and R300 per month.
6.			Meetings required
	6.1		Meetings required. no meetings whereby they will discuss their needs,

7.			Alternative payment arrangements
	7.1		Alternative payment arrangements. Arrangements of paying their outstanding balance due to escalation of their accounts on monthly basis.
8.			Negative conflicts
	8.1		Negative conflicts. Through negative conflicts with regard to municipal accounts, many households are no longer interested to attend ward meetings.
9.			Fear of punishment
	9.1		Fear of punishment. Two participants (P3 and P4) indicated that they can afford to pay because they are afraid that they will cut the services like water and electricity.
	9.2		Fear of punishment
			Fear of punishment. The remaining participant said that she is afraid to disclose the money is owed to municipality but she highlighted she owing a lot of money and did not know how that debts will be paid to the municipality
10.			Unemployment
	10.1		Unemployment. The other two (P1 and P2) pointed out they cannot afford to pay their bills because they are unemployed.
	10.2		Unaffordability to pay municipal accounts. One participant (P1) who is self-employed indicated that her business is not doing well because business is located to areas where most people are unemployed, hence, they cannot support her business.

	10.3		Poverty , economic downfall
11.			Behind with payments
	11.1		Behind with payments. All participants indicated that they are not up to date with the payments of their accounts.

Part II: The narrative text of the findings, discussion and interpretation of findings for research objective 1

Category 1: Value for money

Respondents on both municipalities indicated that there is no value for money on the services they are paying from the municipality due to expensive bills on rates.

“The municipality is seldom taking meter reading; hence subjected to incorrect billing”.

Chetty (2015) with regard to above response indicates that the poor billing within the local government is happening in local municipality and even well-resourced municipality such City of Johannesburg. According to World Bank (2008), it is imperative for municipalities achieve and maintain accurate billing and effective collection processes. It is suggested that this will be achieved through ensuring accurate customer databases, effective and regular metering of service consumption, adequate staff capacity and appropriate facilities for payments.

In terms of the study conducted by Statistics South Africa (2011 a), the possible factors that contributes to reasons for household non-payments include poor and irregular metering. It may be deduced that if the customers are experiencing incorrect billing and seldom-taking meter reading, therefore may not value of money for paying the services from the municipalities.

Category 2: Improvement

Majority of participants from both municipalities indicated that municipality should take meter reading prior to the compilation of monthly account so that the bills are informed by the meter readings and prevent using estimates to compile my municipal account. The respondents pointed out it was going to be cheaper to buy electricity from Eskom because municipality is overcharging the households. The respondents also made the following comments:

“The Municipality should introduce the ICT system that will assist them to take meter readings prior to the compilation of monthly bills. The municipality should collect the rubbish bins frequently since they are causing health hazards to the households .The municipalities should put prepaid system for water, reducing the charges for water, sewage, electricity and waste removal”.

In light of the above, London (2015) points out that the government departments should embark on the future of the government debt collections best practices that include ICT system as one of the best tool to improve the collection of revenues. Therefore, it was appropriate for the participants to suggest that the municipality should introduce the ICT to assist them to the meter. In addition to what was suggested by London (2015). Adeyemi (2013) highlights that there is a lack of capacity in local government to fulfil the desires of their communities. This challenge of lack of service delivery was evident in the comment made by the participants when they pointed out that:

“The municipality should collect the rubbish bins frequently since they are causing health hazards to the households”.

Fourie *et al.* (2011) cited this in relation of participant response on meter reading, that is, *“it is the reading of meters that determines what the consumer will ultimately pay”*. This implies that it is utmost important for this function to be performed in a transparent manner ensure no suspicious or ill fillings. Thus, the municipality should have meter reading timetables.

Fourie *et al.* (2011) cited the estimated readings are allowed, but, it was be specified in municipal by-laws. This implies that the consumers will be aware of the possible bases of the calculation of the estimated readings. Hence, the municipality is supposed to take meter readings prior to the issuing of monthly municipal account. However, the municipality is permitted to use estimated readings in accordance with municipal by-laws.

Category 3: Key community / business needs

The participants indicated that frequent meetings to address incorrect billing, meter reading, removal of waste, arrangements of paying their outstanding balance due to escalation of their accounts between municipalities and consumers is a need. According to Van der Waldt *et al.* (2007:37) indicate that ward committees are supposed to improve communication between municipal council and local communities. This will assist to identify community needs and fine-tune the municipal programmes in order to cater for the local circumstances. This implies that the community will participate in the governance of the local municipality

Hence, in analysing the response of the participants, it may be presumed that the ward committees did not organise the ward meeting, that is, why the participants pointed out that there is a need for ward meetings to discuss matter in relation to municipal accounts.

Category 5: Affordability

Majority of participants from both municipalities indicated they cannot afford to pay because they are afraid that they will cut the services like water and electricity while six participants cannot afford to pay their bills because of being unemployed. Majority of participants from both municipalities indicated they could not afford to pay because they are afraid that they will cut the services. The participants further suggested that Unemployment is the reason why majority of household cannot pay their municipal bills. These responses suggest that they cannot afford to meet and rise the central question of affordability since municipal consumers are unable to pay for the delivery of services (Mine, 2004).

In light of the above, McPhail (1993) highlights that trends in affordability indicators denotes what can be termed a more ex-post approach. McPhail (1993) suggests, "Incorporating assessments of affordability and willingness to pay at the planning stage of a public good such as water or electricity, especially if the intention is to recover costs".

This implies that information from an affordability assessment can give us insight into potential service usage patterns and, thus, the tariff to be levied in order to maximise cost recovery.

Category 6: Payments of municipal account

It was pointed out that the majority (eight) of participants are not up to date compared to five that are up to date. In relation to this comment, Peters (2011) the consumers are unable to pay their account because their income level is unable to pay for the delivery of services.

Category 7: Causes of not paying your municipal account

Majority of participants from both municipalities indicated that unemployment resulting into unaffordable to pay municipal accounts. The participants highlighted the following as causes for not paying their accounts:

"Poverty is the cause for the majority of respondents to the inability to pay accounts, Incorrect billing, meter readings are not taken frequently, accounts are too expensive and the charges of rates and taxes are ever increasing on monthly basis".

This response is in contrary with Peters (2011) when he argues that non-payment appears to be the inability to pay due to poverty the consumers are subjected to, in terms of meeting the terms and conditions of delivery of services.

5.2.2.5 The presentation of group 2: households' findings for research objective 2

This subsection is divided into two parts, which are:

Part 1: The tabulation of group 2 themes (households) for research objective 2

Part II: The narrative text findings, discussion and interpretation of results for objective 2

The two parts of this sub-section are briefly outlined as follows:

Part 1: The tabulation of group 2: households in line with research objective 2

The identified themes for the households are tabulated as follows:

Table 5.9: Thematic Analysis of research objective 2 for the Ekurhuleni Households (in depth interviews)

Level			Theme
1	2	3	
1.			Inconsistent strategy for defaulters
	1.1		Households not aware of methods. The households are not aware that are methods employed by municipality to assist those people who cannot afford to pay their bills
	1.2		Inconsistent strategy. The participants pointed out that the municipality is using inconsistency strategy to allow defaulters to update the accounts.
2.			Penalties for non-payment
	2.1		Reduce their bills. Reduce bills up to certain amount. Investigate

		why they are not paying their accounts.
	2.2	Use flat rate billing system
	2.3	Bills should be written off
	2.4	Make payment arrangements for them to settle the accounts.
	2.5	Reduce their bills. Reduce bills up to certain amount. Investigate why they are not paying their accounts.
	2.6	Cut services. They mentioned that the municipality simple cut electricity and water and penalised them for not paying their accounts.
	2.7	Tighten control measures. Tighten control measures that will force them to pay their accounts.
	2.8	Blacklist people. Blacklist those people who are not paying their accounts.
	2.9	Attach property. Attach property to their accounts if they are not settling their accounts sell their houses to pay their debts.
3.		Motivate to pay
	3.1	Accurate meter readings. Correct billing and accurate meter readings.
	3.2	Good service delivery. Provide good service delivery, continuous communication between community and municipality with regard to billing system.
	3.3	Improve infrastructure. Improve communities' place of interest such as the community hall, library, and infrastructure so that they can see that the municipality uses their money effective.
	3.4	Maintenance of infrastructure. Drainage and sewage should be maintained; waste removal should be removed every week.

	3.5		Link accounts. Link municipal account with households' accounts in order to promote easy payment of accounts
	3.6		ICT system. Introduce ICT system for paying municipal accounts
	3.7		Hold regular meetings. The ward councils must provide support in their areas through holding regular meetings in order bring clarifications on issues with regard to municipal accounts.

Table 5.10: Thematic Analysis of research objective 2 for the Lesedi Households (in depth interviews)

Level			Theme
1	2	3	
1.			Improve service delivery
	1.2		Correct billing and correct meter reading
	1.3		Municipality provide excellent service delivery so that we can be motivated to pay municipal accounts.
2.			Apply payment methods.
	2.1		There are no methods that are put by municipality
	2.2		Apply flat rate. Apply flat rate system of payment.
	2.3		Make alternative payment arrangements. They never been contacted to arrange for their outstanding debts.
	2.4		Apply grants for elderly and needy. Elders and needy people should be given grants for payment of their accounts.

3.			Motivate customers.
	3.1		Motivate customers. Ever increasing accounts demotivated us to pay our bills.
	3.2		Motivate customers. The participants suggested that these people are not paying their accounts because they do not see the need to pay their accounts.
	3.3		Indigent grants. Aware of indigent grant and she has applied, but awaiting the feedback from the municipality.
	3.4		Investigate reasons for non-payment. Respondents pointed out that the municipality to investigate why they are not paying their accounts.
4.			Disconnect services.
	4.1		Disconnect services. The municipality should cut services like water and electricity and reconnect services when their accounts are up to date.
5.			Take legal action.
	5.1		They suggested that they must be put in jail in order to see the seriousness of paying municipal accounts.

Part II: The discussion and interpretation of findings of group 2 in line with research objective 2

Category 8: Methods to assist in payment of municipal account

The participants suggested that the Indigent grants must be implemented and cut electricity and water as strategy for not paying their accounts. All Participants indicated that for households not paying their municipal account they should cut their services like water and electricity and reconnect services when their accounts are up to date. The participants also pointed out that these people are not paying their accounts because they do not see the needs of paying their accounts.

It was also suggested that they must be put in jail in order to see the seriousness of paying municipal accounts. Tighten control measures that will force them to pay their accounts; blacklist those people who are not paying their accounts, attached property to their accounts if they are settling their accounts sell the houses to pay their debts.

There must be tariff policy and the principle dealing with service delivery to poor households and the municipality must maintain the register for the indigents. This implies that this municipality has not implement indigent policy because the participants were suggesting that this grant should be implemented.

Pauw *et al.* (2002) and Fourie *et al.* (2011) argue that the consumers who are not paying their accounts should be subjected to legal actions to force them to pay their outstanding debts. The legal actions such as cut or restrict their services like water and electricity and reconnect services, attached property to their accounts. This implies that the municipality will be applying tight control measures.

Category 9: unaffordability

The participants suggested that the municipality should investigate why they are not paying their accounts. Elders and needy people should be given grants for payment of their accounts. Reduce their bills up to certain amount, use flat rate billing system, their bills should be written off, and make payment arrangements for them to settle the accounts. In light of the above, Fourie *et al.* (2011), the municipality should take meter readings prior to the compilation of municipal account. However, the estimated readings are allowed to calculate municipally account statement provide there was for access to take meter readings. The calculate is supported to be done in accordance with approved by-laws

Category 10: Up to data municipal account

Majority of participants indicated that municipality should provide correct billing and accurate meter readings. Municipality should provide good service delivery, continuous communication between community and municipality with regard to billing system, improve communities place of interest such as the community hall, library, infrastructure so that they can see that their money is used effective by the municipality.

Drainage and sewage should be maintained; waste removal should be removed every week. Link municipal account with households' accounts in order to promote easy payment of accounts-introduce ICT system for paying municipal accounts. The ward councils must provide support in their areas through holding regular meetings in order to bring clarifications on issues with regard to municipal accounts.

Category 10: Motivation to stay up to date with your municipal account

Majority of participants indicated that municipality should provide correct billing and accurate meter readings. Municipality should provide good service delivery, continuous communication between community and municipality with regard to billing system, improve communities place of interest such as the community hall, library, infrastructure so that they can see that their money is used effectively by the municipality.

Drainage and sewage should be maintained; waste removal should be removed every week. Link municipal account with households' accounts in order to promote easy payment of accounts-introduce ICT system for paying municipal accounts. The ward councils must provide support in their areas through holding regular meetings in order to bring clarifications on issues with regard to municipal accounts.

5.2.2.6 The presentation of group 3 findings for research objective 1

This group refers to the organisations that are interacting with the municipalities. The groups three followed the three stages of thematic analysis process as pointed out in **numbers 5.2.2.1, 5.2.2.2 and 5.2.2.3** above. In support of thematic analysis process, Bazeley (2009) argues that themes make a comprehensive meaning when are linked to an explanatory model; describe compare and relate-simple three-step formula when reporting the findings.

In this study, this case was adopted and the themes were identified in an inductive bottom up way (Braun and Clarke, 2006). In addition, Thomas (2003) highlighted that the main purpose of the inductive approach is to permit research findings to surface from the frequent, dominant or significant themes inherent in raw data without the restraints imposed by structured methodologies.

Accordingly, Thomas (2003) pointed out that inductive approach in this study shorten extensive raw data into a summary format; create clear links between the research objectives and the summary of findings emanated from the raw data; and cultivate a model or theory about the fundamental structure of experiences or processes that are noticeable in the raw data. That was a case in this study in terms of the benefits of inductive approach as reflected in **Tables 5.11 and 5.12**. The findings in this section is presented into two phases numbered in Part I and Part II, which are presented as follows:

Part I: The tabulation of group 3 in terms of research objective 1

Table 5.11: Thematic Analysis of research objective 1 for organisations interacting with municipalities (in depth interviews)

Level			Theme: Causes of failure of credit control
.1	2	3	
1.			Municipal officials competencies
	1.1		Misunderstanding of the relevant policies
		1.1.1	Not enough knowledge of who indigents are and thus billing to households that never pay any way.
		1.1.2	Inability to treat different debtors/households in unique ways to afford them to pay for services.
	1.2		Incorrect billing of consumers
		1.2.1	The municipality is seldom taking meter reading
		1.2.2	The municipality should improve communication when it will cut water and electricity since it affects negative on (consumer).

	1.3		Bins collections
			The municipality should collect the rubbish bins frequently since they are causing health hazards.
2.			Debt collection performance
	2.1		Government debt
		2.1.1	There is large government debt, but the respondent believed that this is due to inadequate processes on the part of government.
		2.1.2	The middle to lower groups owe the majority of the debt (which consequently is at risk of not being collected).
	2.2		Incorrect charging / billing
		2.2.1	Some of the services are undercharged for, for example water. It is difficult to calculate the true cost of a kilolitre of water, so simple (oversimplified) costing methods are applied.
		2.2.2	The municipality is seldom taking meter reading; hence, consumers are subjected to incorrect billing.
		2.2.3	Non- payment due to incorrect billing resulting in drastic increases in municipal accounts, hence the municipal accounts are too expensive.
		2.2.4	Incorrect billing, meter reading, removal of waste, and arrangements of paying their outstanding balance due to escalation of their accounts on monthly basis.
		2.2.5	Increased billing thus the accounts drastically increase which makes it difficult to pay the municipal accounts.

	2.3		Audit manipulation
		2.3.1	Municipalities are not meeting their target estimation collection rates
		2.3.2	The lack of ability to collect cash has a direct effect on service provision.
		2.3.3	Audit manipulation. Municipalities that managed the process well delivered poor services (and maybe received a poor performance audit) but got a clean bill of health when it came to the financial audit.
		2.2.3	Internal control systems suggested that many municipalities received (positive) audit outcomes because they managed the process well and prepared specifically for the audit.
3.			Consumer attitudes
	3.1		Government policies
		3.1.1	Our countries' policies and constitution also affect (on payments) this, as there are certain rights people have to services.
		3.1.2	There is a risk that service delivery will spiral out of control as the rich can't afford to subsidise the poor to that extent and forever.
		3.1.3	Some consumers are paying too much for services as they are subsidising the poor.
	3.2		Lack of services
		3.2.1	Lack of services provided does play a role in (consumers) attitudes
		3.2.2	Households do not believe they need to pay, as there is a sense of entitlement.
		3.2.3	There is also unwillingness to pay and there needs to be more education as to why households should pay.

		3.2.4	According to the respondent, there is no value for money on the services (consumer) is paying from the municipality because the bills-rates are too expensive.
	3.3		Accurate billing
		3.3.1	Accurate billing should be done in order for (consumer) to be motivated to pay bills each month.
		3.3.2	The municipality is seldom taking meter readings; hence, consumers are subjected to incorrect billing.
		3.3.3	The municipality should take meter readings prior to the compilation of monthly accounts so that the bills are informed by the meter readings.
		3.3.4	The municipality should not use estimates to compile municipal accounts because it will lead to incorrect billing.
		3.3.5	Root causes for not paying acct are incorrect billing; top high bills; municipality is using monthly estimates to compile (consumer) bills, which making too expensive for (consumer) to pay bills. Hence (Consumer) sitting in debts with regard to municipal account.
4.			Staff resources and attitudes
	4.1		Staff resources
		4.1.1	Some smaller municipalities do not have adequate internal control as their staff numbers do not accommodate for this.
		4.1.2	There are not enough practical staff/ human capital as part of internal control system
	4.2		Staff attitudes
		4.2.1	Many staff are also “putting out fires” and do not have time to proactively manage revenue and debt.

		4.2.2	There are too many staff just following processes too slowly and not enough out of the box thinkers.
		4.2.3	According to (consumer)participant, there are no meetings (with staff) whereby they are supposed to discuss their needs
		4.2.4	Incorrect billing because no meter reading taken in certain months and municipality is using estimates to compile the monthly accounts.

Part II: The narrative text, discussion and interpretation of group 3 findings for research objective 1

The companies indicated that the municipalities have not fully implemented the credit control and debt collection policy.

“There is misunderstanding of the municipal officials of the relevant policies, and the inability to treat different debtors/households in unique ways to afford them to pay for services. Not enough knowledge of who indigents are and thus billing to households that never pay any way. Our countries policies and Constitution also affect this, as there are certain rights people have to services. There is also unwillingness to pay due to this and there needs to be more education as to why households should pay” Company 1

Companies think that municipalities are experiencing the escalating and outstanding debts due to the services that are rendered to the communities.

“The lack of ability to collect cash has a direct effect on service provision. There is a risk that service delivery will spiral out of control as the rich can’t afford to subsidise the poor to that extent and forever” Company 1

Companies agree that they do foresee the circumstances whereby the municipalities can experience financial situation where they might, at some stage be unable to render services.

“There are already been some examples of this where the province has had to bail out municipalities which were declared as technical insolvency and subjected to liquidity problems”. Company 1

Companies agree that there are internal controls however are not adequately utilised. In addition, audit is process based and not service orientated exuberating into poor service delivery with no audit finding.

“Some smaller municipalities don’t have adequate internal control as their staff numbers do not accommodate for this. Human capital is part of internal control system that there are not enough practical staff. There are too many staff just following processes too slowly and not enough out of the box thinkers. Many staff are also “putting out fires” and do not have time to proactively manage revenue and debt” Company 1

“Many municipalities received audit outcomes because they managed the process well and prepared specifically for the audit. These municipalities delivered poor services (and maybe received a poor performance audit) but got a clean bill of health when it came to the financial audit” Company 1.

According to respondent from company 2, municipality should instil meetings whereby the businesses are supposed to discuss their business needs such as incorrect billing, meter reading, removal of waste, and arrangements of paying their outstanding balance due to escalation of their accounts on monthly basis.

The respondent in terms of other side of internal control systems suggested that many municipalities received audit outcomes because they managed the process well and prepared specifically for the audit. Municipalities delivers poor services (and maybe received a poor performance audit) but got a clean bill of health when it came to the financial audit.

Companies are of the opinion that the municipalities are not meeting their target estimation collection rates.

Contrary to the municipality officials, companies believe that a bigger portion of debt owed to municipalities comes from government, however indicated that this is due to inadequate processes on the part of government.

“The middle to lower groups owe the majority of the debt (which is at risk of not being collected)”.

Companies agree that the communities’ payments of services are worth the services rendered by the municipalities.

“The respondent thinks that some of the services are undercharged for, for example water. It is difficult to calculate the true cost of a kilolitre of water, so simple costing methods are applied. But generally, the consumers are getting good value for the services they pay for. However, some are paying too much for services as they are subsidising the poor. But, generally the response of the respondent for this question is yes” Company 1.

This is contrary to company 2 where the respondent indicated that there is no value for money on the services received from the municipality and that the services are expensive.

“due to incorrect billing and drastically increases in municipal accounts, hence the municipal accounts are too expensive”. Municipality using monthly estimates to compile bills, Company 1

This may be deduced that these participants are serviced by same municipality as participant is benefiting from indigent grant as cited by Fourie *et al.* (2011) and participant 2 may be subjected to situation that municipality is using monthly estimates, but the participant access the information how the estimated readings were calculated through consulting the approved by-laws of the municipality (Fourie *et al.*, 2011).

5.2.2.7 The presentation of group 3 findings for research objective 2

This subsection also comprises two parts, which are Part I and Part II

Part I: The tabulation of group 3 in terms of research objective 2

Research Objective 2: A framework for enhancing the management of municipal revenue and working capital

The themes of group 3 for research objective 2 are depicted in **Table 5.12** below.

Table 5.12: Thematic Analysis of research objective 2 for organisations interacting with municipalities (in depth interviews)

Level			Theme: Strategy
1	2	3	
1.			Short term strategy
	1.1		Implement policies. The respondent indicated that the policies are in place, therefore, now there is a need for action.
	1.2		Develop capacity. There are many revenue enhancement and debt collection strategies, but not enough capacity to implement them.
	1.3		Cleanse data. The data continuously (not only once off), used external data sources to validate this.
	1.4		Debt counselling for lower income households
	1.5		Educating consumers. Make arrangements for them to pay, whilst at the same time educating them on their monthly budgets.
2.			Intermediate strategy
	2.1		Dedicated team. Put a dedicated team in place (in addition to the normal staff).
	2.2		Some municipalities cut electricity and some cut/limit water supply.
3.			Long term strategy
	3.1		Make changes permanent
			Changes permanent. Make these changes a permanent part of the municipality as the revenue enhanced will be more than pay for the extra resources.

	3.2		Need innovative action.
		3.2.1	The respondent pointed out that “if you think same thing every year, you will get the same result.... And that is not working at the moment”.
		3.2.2	Try new methods. The respondent suggested that the municipalities are not trying different methods to enhance revenue to collect cash.
	3.3		Accurate billing
		3.3.1	Put revenue teams in place. It is also suggested that the municipalities should put revenue teams in place that focus on ensuring that households are billed for services accurately.
		3.3.2	Address inaccurate billing. Many are under billed as tariffs and rates are incorrectly applied.
		3.3.3	Include all properties. There are some properties, which are not included in the billing system.
		3.3.4	Link accounts. The municipality should cut services like water and electricity, they should link their account to government departments like motor licensing, and tollgate fees so that they can be forced to pay their accounts.
		3.3.5	Expensive bills. First a person like me is not paying the account as expected due to too expensive bills
		3.3.6	Indigents' policy. It may be due to unemployment or some of them are pensioners and they cannot afford to pay their account.
		3.3.7	Ensure correct billing. Correct billing and correct meter reading and the municipality should provide good services with regard to waste
		3.3.8	Customer dissatisfaction. Dissatisfaction leads to non-payment of accounts.

Part II: The narrative text, discussion and interpretation of group 3 findings for research objective 2

Company indicated that the policies are in place only needed for action. Respondent in company 2 is in support and indicated that the municipality should take meter reading prior to the compilation of monthly account so that the bills are informed by the meter readings. Moreover, collect the rubbish bins frequently since they are causing health hazards and consumers are not interested to come to my businesses, improve communication when it will cut water and electricity since it affects negative on the business. In addition, municipality should make payment arrangement.

This was in line with Fourie *et al.* (2011) who highlighted that the municipalities should take meter readings prior to the compilation of the municipal accounts. On the other hand, Fourie *et al.* (2011) furthermore argued that the municipalities have the authority to base the municipal monthly accounts on the estimated readings if there is a proof that it was impossible to them to take meter readings of that particular month.

Category 10: Recommendations on interacting with municipality

Respondent recommended change in revenue enhancement and debt collection strategies.

"There are many revenue enhancement and debt collection strategies, but not enough capacity to implement them. The municipalities are not trying different methods to enhance revenue to collect cash. "If you think same thing every year, you will get the same result... And that is not working at the moment". Company 1

Educating households on their monthly budgets for ability to pay their debt.

"Some municipalities cut electricity and some cut/limit water supply. However, there is not much that can be done to the lower income households other that debt counselling and making arrangements for them to pay, whilst at the same time educating them on their monthly budgets" Company 1.

Put revenue teams in place that focus on ensuring that households are billed for services accurately.

"Many are not and that is why are they don't pay. Many are under billed as tariffs and rates are incorrectly applied. There are some properties which are not included in the billing system."

Short-term strategy: The participants commented that the municipalities should clean the data continuously (not only once off), use external data sources to validate this data.

Intermediate strategy: The participants suggested that the municipalities should put a dedicated team in place (in addition to the normal staff).

Long-term strategy: It was suggested a dedicated team in municipalities should be a permanent part of the municipality as the revenue enhanced will be more than pay for the extra resources. The municipality should cut services like water and electricity and should link their account to government departments like motor licensing and tollgate fees so that they can be forced to pay their accounts.

5.3 CHAPTER SUMMARY

In this chapter, the findings of the study were presented. These findings were based of the in depth interviews that were collected from the senior managers of the municipalities .The other in depth interviews were conducted from the households and the organisations that are interacting with the municipalities, The focus group interviews were also conducted from the other financial managers of the municipalities. The findings for three type of groups that were group 1: municipalities, group 2: households and group 3: organisations interacting with municipalities in both interviews were main divided into two parts, which are Part I and Part II.

Part I represented the identified themes and Part II represented the discussion and interpretation of findings. The identified themes were used to compile the structured questionnaires to be used for quantitative phase of the study. The next chapter will present the quantitative data analysis and interpretation of results.

CHAPTER 6: QUANTITATIVE DATA ANALYSIS AND INTERPRETATION OF RESULTS

6.1 INTRODUCTION

Chapter five focused on the qualitative data analysis whereby three types of groups were analysed and interpreted in accordance with the research objectives as outlined in 1.5.2 of chapter one. The three groups of the qualitative phase were group 1: municipalities, group 2: households and group 3: organisations interacting with the municipalities. This chapter presents the quantitative findings of the research on a framework for enhancing the management of municipal revenue and working capital in South Africa.

The purpose of this study was to design the framework for improving the management of municipal revenue and working capital because of the uncollectable consumer debts that are experienced by most of the South African municipalities over the past ten years. The following research questions informed this study:

- I. What are the causes of failure of current credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African Municipalities?
- II. What framework can be used to improve the management of municipal revenue and working capital in South Africa?

The above-mentioned questions were investigated using the structured questionnaires, which were designed with the identified themes from the qualitative phase of chapter 5 for this study. The researcher designed the questionnaire in accordance with the above-stated research questions with an attempt firstly to establish the profile of the respondents with regard to age, gender, race, highest qualification, professional qualification, current position in organisation and work experience.

Secondly, the questionnaire tried to establish whether the municipal officials and households are familiar with factors that affect the implementation of current credit control and debt collection policy (revenue collection) within municipalities. Thirdly, Section C of the questionnaire tested whether the municipal officials and households have the strategies in place to improve the management of municipal revenue and working capital.

Lastly, the questionnaire attempted to find out where the respondents had any comments or suggestions with regard to causes of failure of current credit control and debt collection and other strategies they did not mention with regard to improving the management of revenue and working capital in the municipalities. The research findings that this chapter reports are based on analysis of the following; structured questionnaires completed by the municipal officials and households.

The administration of completed questionnaires by the municipalities and households are depicted in **Table 6.1** as follows:

Table 6.1: Administration of completed questionnaires for quantitative phase

Type of participant	Questionnaires distributed	Questionnaires returned	Questionnaires not returned	Frequency percentage
Municipalities	300	242	58	80.67%
Households	300	300	None	100%

Table 6.1 indicates that 80.67% of municipal respondents returned the questionnaires and 19.33 % municipal respondents who did not returned the questionnaires. Accordingly, most municipal managers and chief financial officers did not returned the questionnaires. According Fourie *et al.* (2011) and Pauw *et al.* (2002), the municipal managers and chief financial officers are strategic officials that are expected to implement credit control and debt collection policy. On the other hand, 100% of households returned the questionnaires. The presentation, discussion and interpretation of findings are outlined in the following section; **number 6.2** below:

6.2 PRESENTATION, DISCUSSION AND INTERPRETATION OF FINDINGS

The municipalities were contacted with the purpose of requesting a permission to conduct interviews. Thereafter, the letters requesting to conduct the interviews were sent to the institutions. The letters sent out outlined the purpose of the study and the appropriate persons for quantitative phase of this study. The letter requested a permission to conduct research project indicated requirements as motivating the respondents to cooperate by describing the project; it stated why respondents have to be selected; and it emphasised the benefits to the respondents to participate in the study (Tustin *et al.*, 2005:187).

The accounting officers gave the researcher the names of contact persons to assist in the completion of the structured questionnaires and the contact persons arranged the completion of questionnaire sessions on behalf of the researcher. The researcher in terms of the completion of questionnaires for the households requested the assistance from churches to complete the questionnaires. The permission were granted by the churches and the questionnaires were completed. The presentation of the main findings of the quantitative phase of this study were categorised into two parts.

The presentation, discussion and interpretation of findings as depicted above comprised: Part I outlines the presentation, discussion and interpretation of findings for municipalities. Part II illustrates the presentation, discussion and interpretation of findings for municipalities. Part I and Part II of this subsection are briefly discussed as follows:

Part I: the presentation, discussion and interpretation of findings for municipalities

6.2.1 Demographic data for municipality: Section A of Questionnaire

Respondents were asked to show the following attributes:

- Age
- Gender
- Highest qualification
- Current position in organisation
- Work experience in their municipalities

The purpose of including this information on respondents is to investigate certain trends and behaviours in their municipalities. The analysis of municipal demographic is presented in **Figures 6.1 to 6.5** and **Chart 6.1**. The **Figures 6.1-6.5** and **Chart 6.1** are presented and interpreted as follows:

Figure 6.1: Worker profile –Age

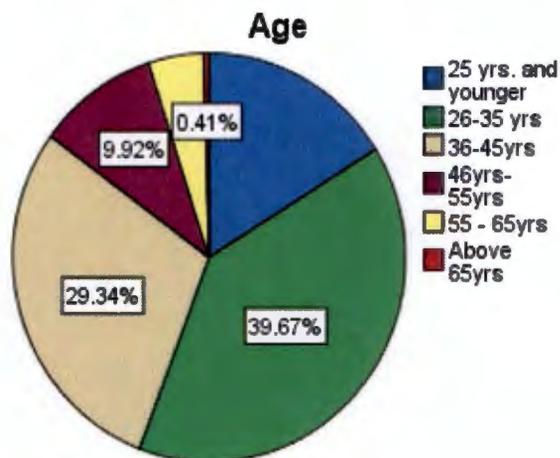
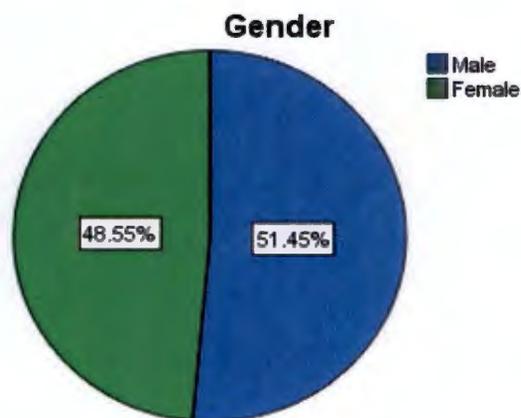


Figure 6.1 indicates that most of the staff in the municipal institutions falls between 36-45 years and 26-36 years, which represents 69, 01% of the research study. This is an indication that the municipality can invest in this personnel in order to improve the outstanding debts the municipalities are experiencing as pointed out in the problem statement of chapter 1 of this study.

Figure 6.2: Worker profile -Gender



The gender distribution in **Figure 6.2** shows the gender profile of sample was 48, 55 % to 51,45 % ,males to females, respectively. The gap in the sample indicates that there may be a gender balance in the appointment in different positions in the municipalities. This implies that the municipalities are operating within the recommendations of the constitutional framework (RSA, 1996).

Figure 6.3: Worker profile-Race

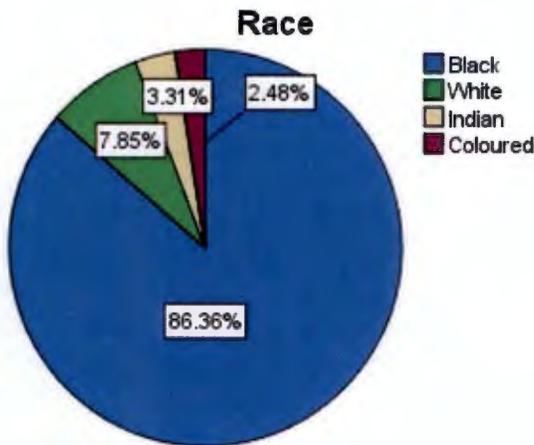


Figure 6.3 describes that 86, 36% of the African are dominating in the rural municipalities because most of the respondents are from local and district municipalities. This implies that the rural municipalities are finding it difficult to attract other population group. This supports the study of COGTA (2009), which indicated that it is difficult for municipalities to attract personnel outside of the urban areas.

Figure 6.4: Highest Qualification

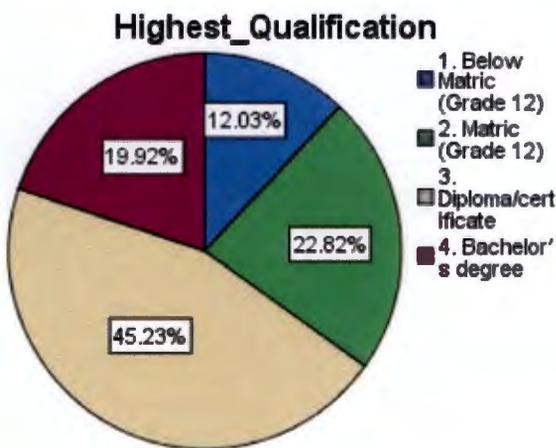


Figure 6.4 indicates that most of the respondents did not have the Bachelor's degree, which is 80, 08% without Bachelor's degree. It may be deduced that there is a shortage of skills in the municipalities. This can worsen the situation in terms of assisting the municipalities to deal with the loss of revenues as indicated by SALGA (2015) that the total stocked owed to municipalities continued to increase and was close to R100 billion in 2013/14 financial year.

Chart 6.1: Worker profile-current position in your organisation

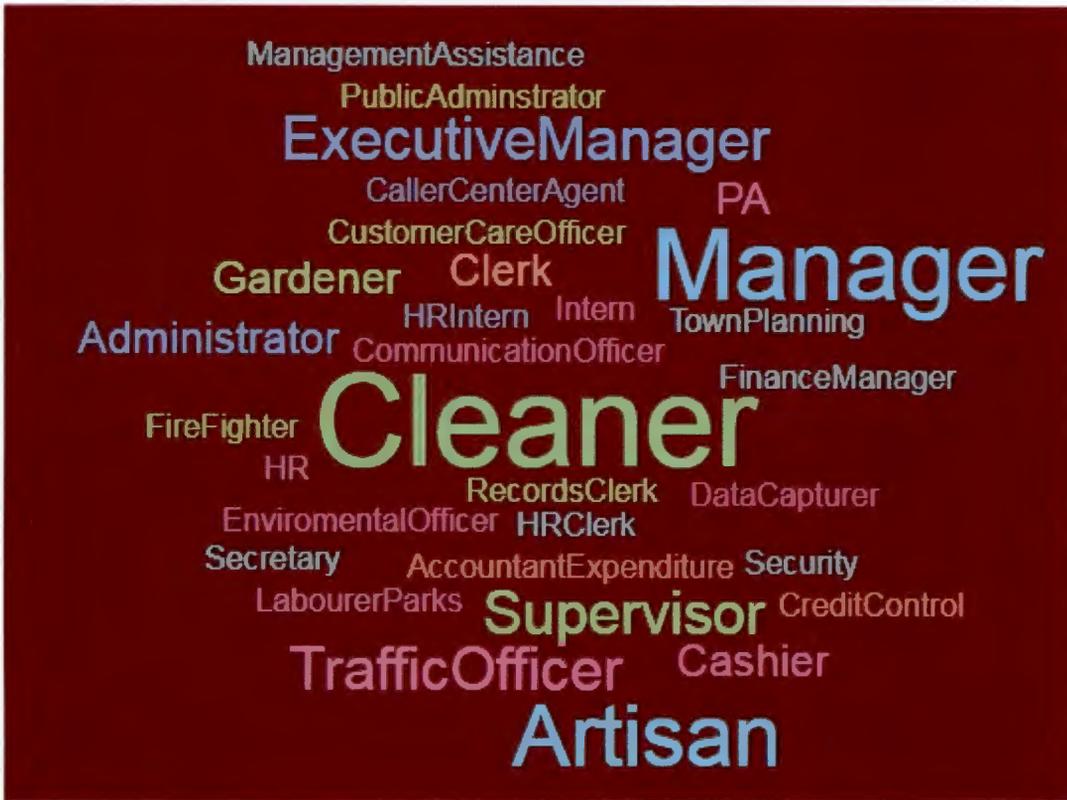


Chart 6.1 indicates that different divisions of the municipalities are aware that the implementation of credit control and debt collection policy is the joint effort in the municipalities. This implies that the awareness of policy implementation has been cascaded to most of municipal officials. This is supported by Fourie *et al.* (2011) recommendations that says, “*the debt collection strategy should identify, develop and address strategic imperatives with regard to the powers, functions and responsibilities of stakeholders*”.

This implies that the imperatives include developing and implementing credit control and debt collection policy, political and administrative support in order to implement a policy.

Figure 6.5: Worker profile-work experience

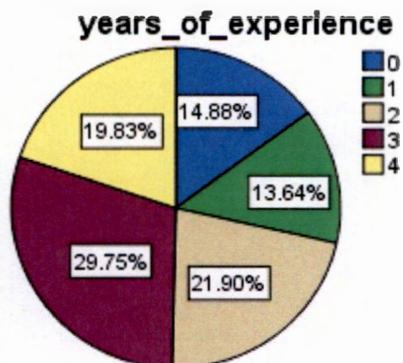


Figure 6.5 indicates that only 19, 83% had working experience of more than 10 years. This means that the municipality had 80, 17% of the respondents that have working experience of less than 10 years. It may be deduced that the employees in the municipalities are not staying a lot of time; it is difficult to attract and retain their employees. Thus, it can be concluded that there is a high probability that they do not have retention strategy. COGTA (2009) concurs with this, by alluding that it is difficult for municipalities to attract qualified and experienced technical and management professionals. The seriousness of the skills scarcity is deepened by the decline of municipal professional associations and poor linkages between government and tertiary education sectors. This may impact on the policy implementation since there is an indication of staff turnover in municipality, which can be regarded as skills drainage in the municipalities.

6.2.2 Main results of the study for municipalities

This section depicts the main findings of the study, whereby the main results will be organised according to the research objectives, which are briefly discussed and analysed as follows:

Research Objective 1: The causes of failure of current credit control and debt collection policy

The segmentation of respondents of Section B of questionnaire is divided into two phases.

Phase 1 represents the segmentation of respondents by sources of revenue collection (B1)

Phase 2 denotes the segmentation of respondents by sources of revenue collection (B2)

The phases of this subsection are briefly presented and discussed as follows:

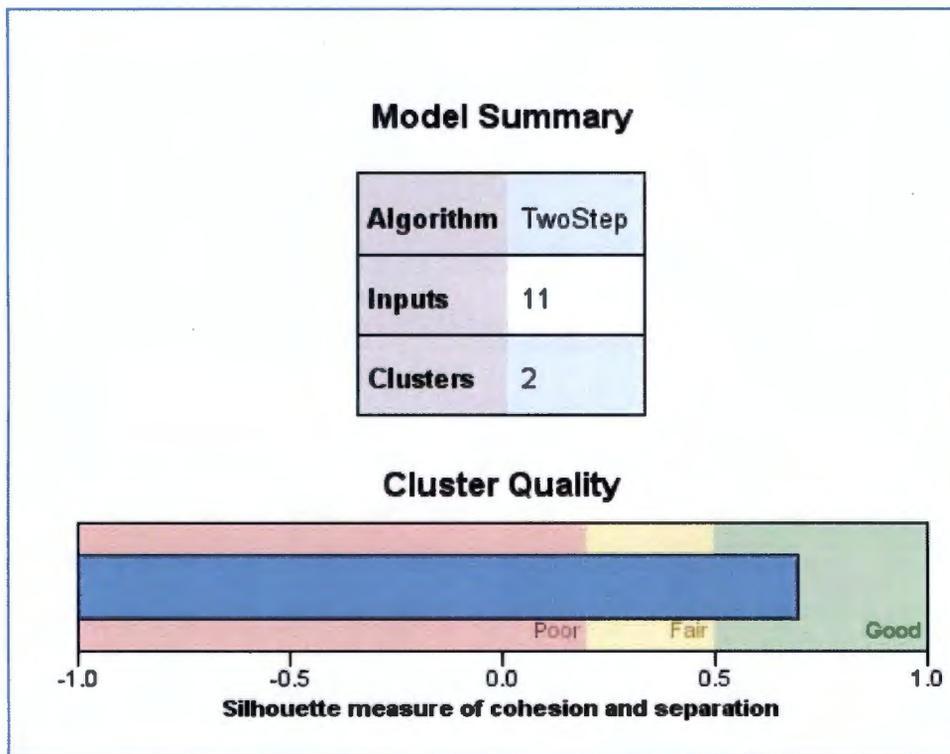
PHASE 1: SEGMENTATION OF RESPONDENTS BY SOURCES OF REVENUE COLLECTION (B1)

Table 6.2: Reliability Test using KR-20 (Kudar-Richardson 20)

Reliability Statistics	
KR-20	N of Items
.920	11

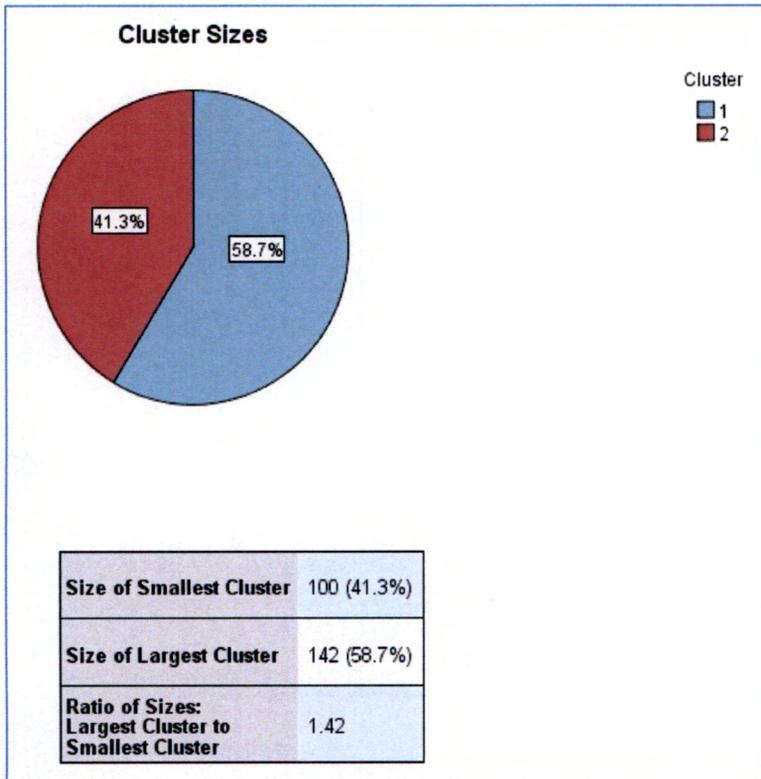
The KR-20 is more than 0.9 which implies excellent reliability (Biddle, 2006) of the 11 dichotomous variables of sources of revenue collection.

Figure 6.6: Two-Stage Cluster Analysis Results: Sources of Revenue (B1)



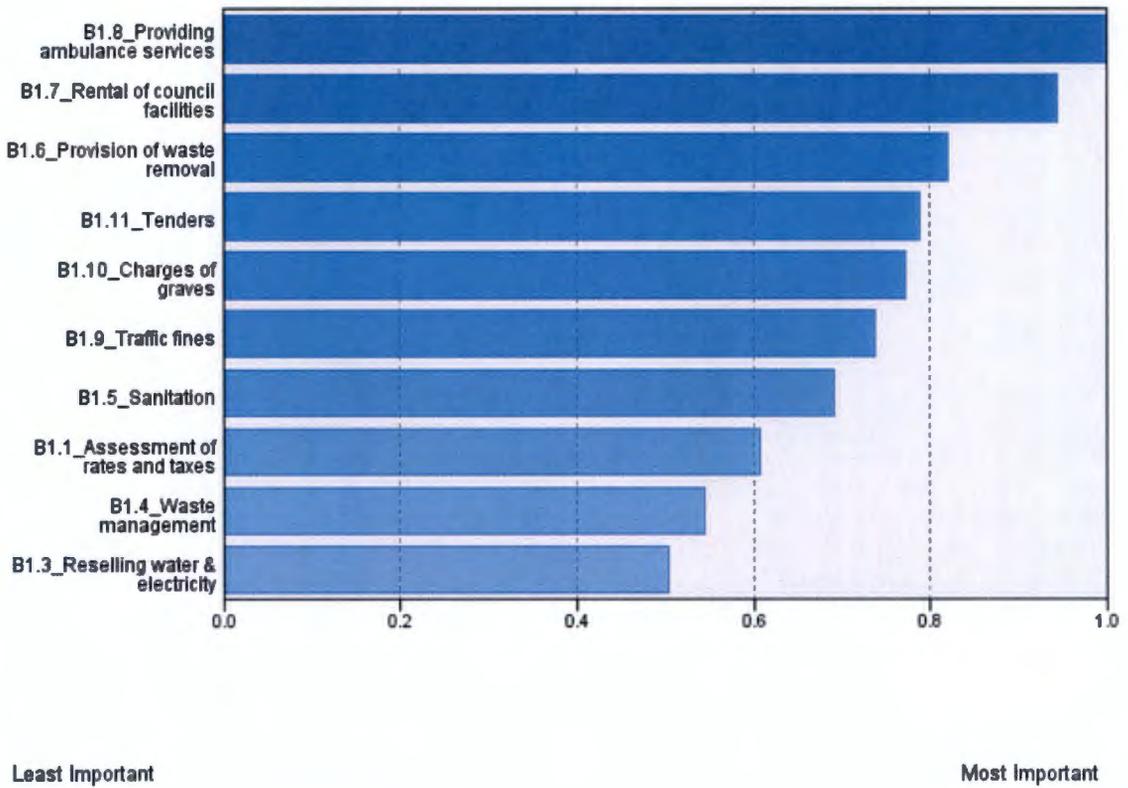
There were two clusters derived for the 11 items and the cluster quality was “good”. The two clusters are illustrated in the following figures.

Figure 6.7: Clusters Sizes of B1



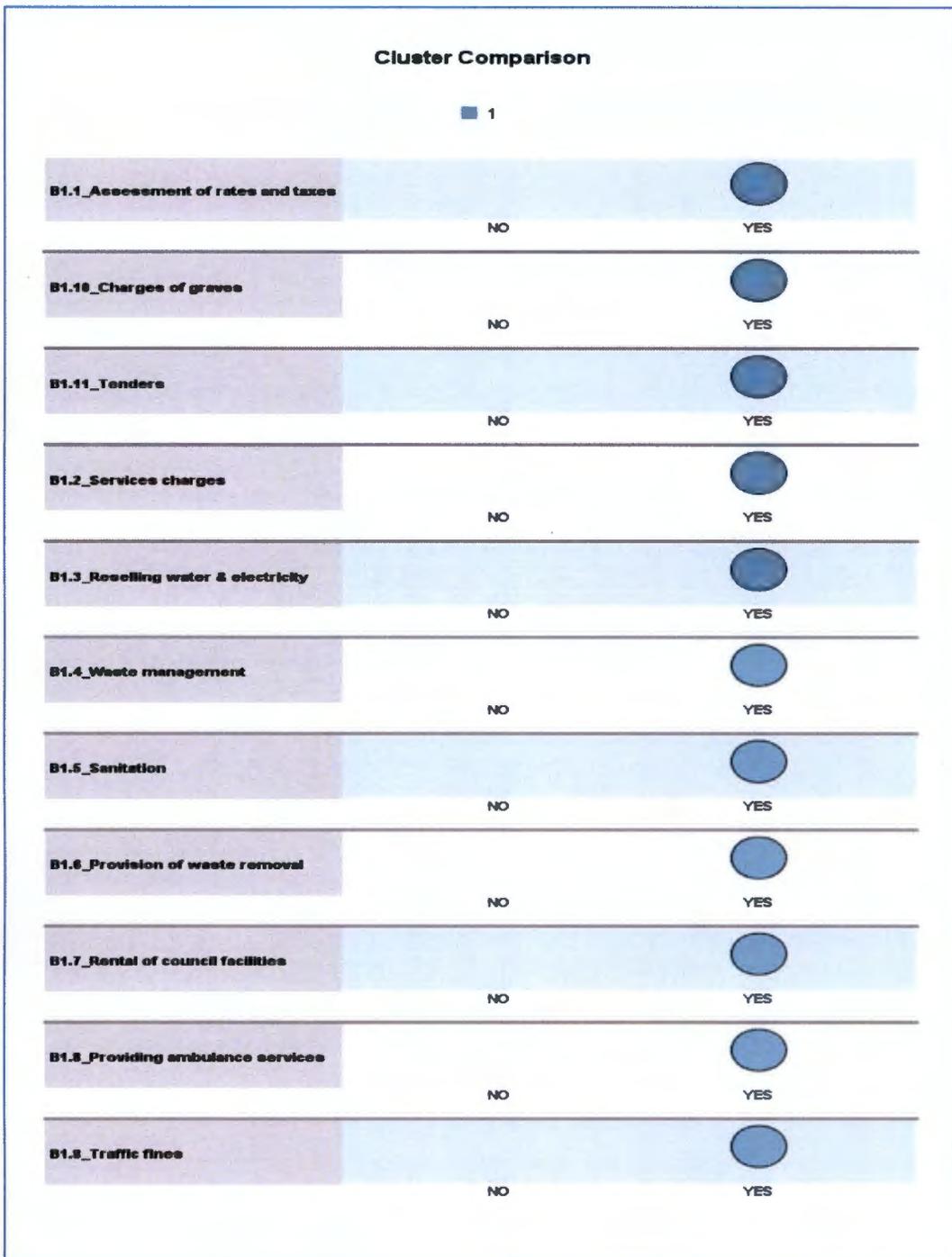
According to **Figure 6.7**, the majority of the respondents belong to Cluster 1 (58.7%) whereas the rest belong to Cluster 2 (41.3%)

Predictor Importance



The clusters were described by the variables listed in the Predictor Importance chart. The interpretation each cluster was therefore only based on these important variables.

Figure 6.8: Cluster 1 comparison for source of revenue (Source of revenue B1)

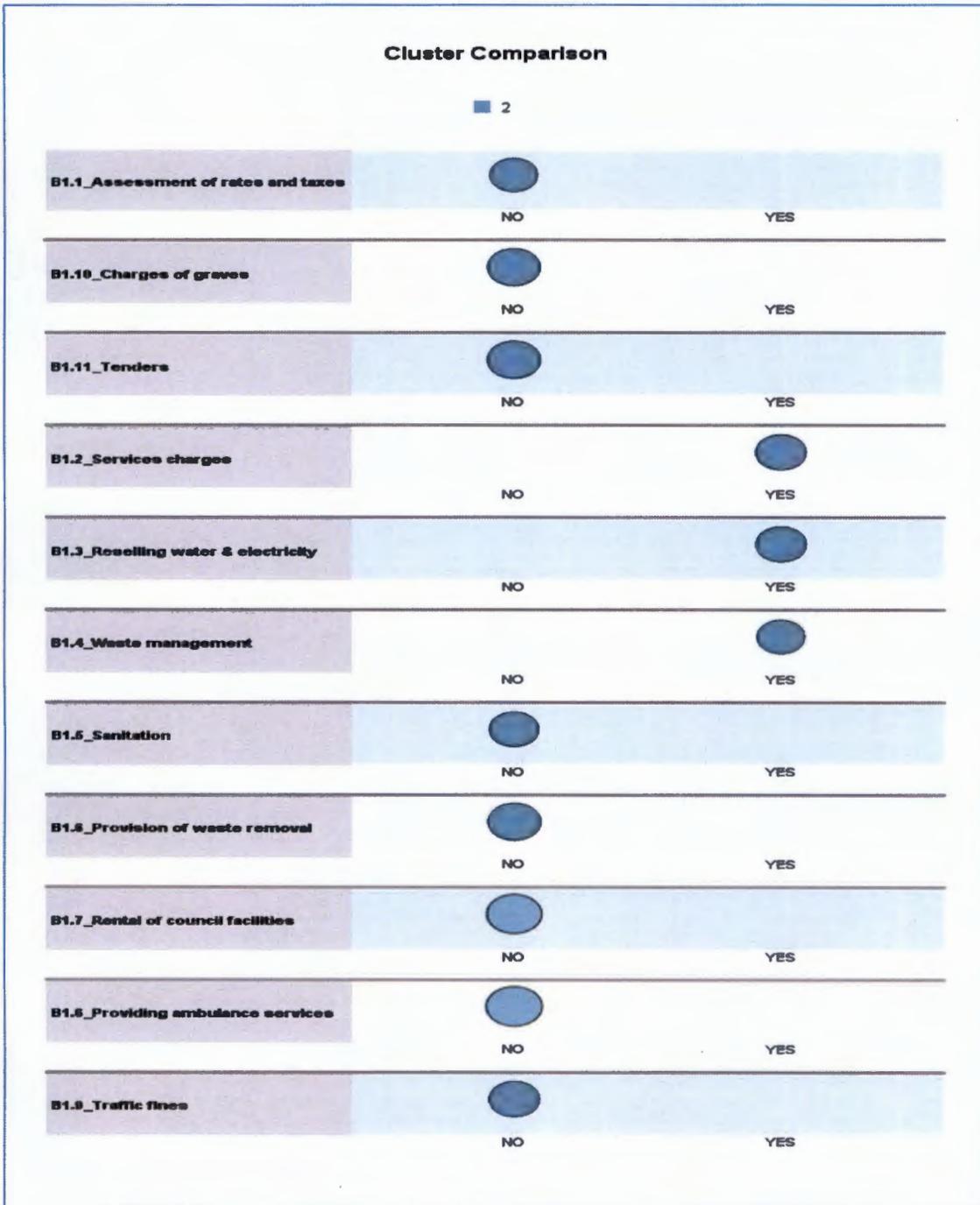


Respondents in Cluster 1 (58.7%) selected all the proposed items as sources of revenue for their municipalities. The findings of Cluster 1 is in line with the National Treasury (2012:6-11), which points out that the sources of municipal revenue are property rates and trading services. Therefore, the sources revenue in Cluster 1 are referred as the property rates and trading services.

Municipalities generate revenue through trading services and property rates, which required the municipalities to ensure that the properties are correctly charged for property rates and for all municipal services rendered to the property (National Treasury, 2012:6; Mosha, 2004).

In light of the above, the Cluster 2 comparison was depicted as follows:

Figure 6.9: Cluster 2 comparison for source of revenue



Respondents in Cluster 2 (41.3%) were of the perception that only the following were the sources of revenue for their municipalities: services charges, charges imposed on water and reselling electricity and waste management.

The biographical information as reflected in **Figures 6.1-6.5** above were compared with two clusters. The discussion of the comparison is presented as follows:

Table 6.3 (a):The relationship between biographical information and cluster membership (Sources of revenue B1)

	Value	Conclusion
Age	3.23	Insignificant (p-value >0.05)
Gender	0.411	Insignificant (p-value >0.05)
Race	5.687	Insignificant (p-value >0.05)
Highest Qualification	36.209**	Cluster membership is significantly associated with Highest Education Level (p-value <0.01)
Years of experience	7.821	Insignificant (p-value >0.05)

Table 6.3 (b): The relationship between biographical information and cluster membership (Sources of revenue B1)

Highest Qualification * Two-step Cluster Number					
			Two-step Cluster Number		Total
			1	2	
highest Qualification	1.	Below Matric (Grade 12)	13.8%	86.2%	100.0%
	2.	Matric (Grade 12)	69.1%	30.9%	100.0%
	3.	Diploma/certificate	70.6%	29.4%	100.0%
	4.	Bachelor's degree	45.8%	54.2%	100.0%
Total			58.5%	41.5%	100.0%

Respondents with the highest chance of belonging to Cluster 2 are those whose qualifications are below matric (grade 12) with an 86.2 % chance of believing that only services charges, water charges & reselling electricity and waste management are the sources of revenue for their municipalities. Respondents with the highest chance of believing that all the suggested items are sources of revenue for their municipalities is those with a Diploma/certificate (70.6%). This implies that the level of education had an impact in understanding the finance related matters. This is supported (COGTA, 2009) who cited that it is difficult for municipalities to attract and retain skills personnel due to the fact they are absorbed by private companies .Hence, it can be deduced that the municipalities are subjected to the shortage of skills as alluded by (COGTA, 2009).

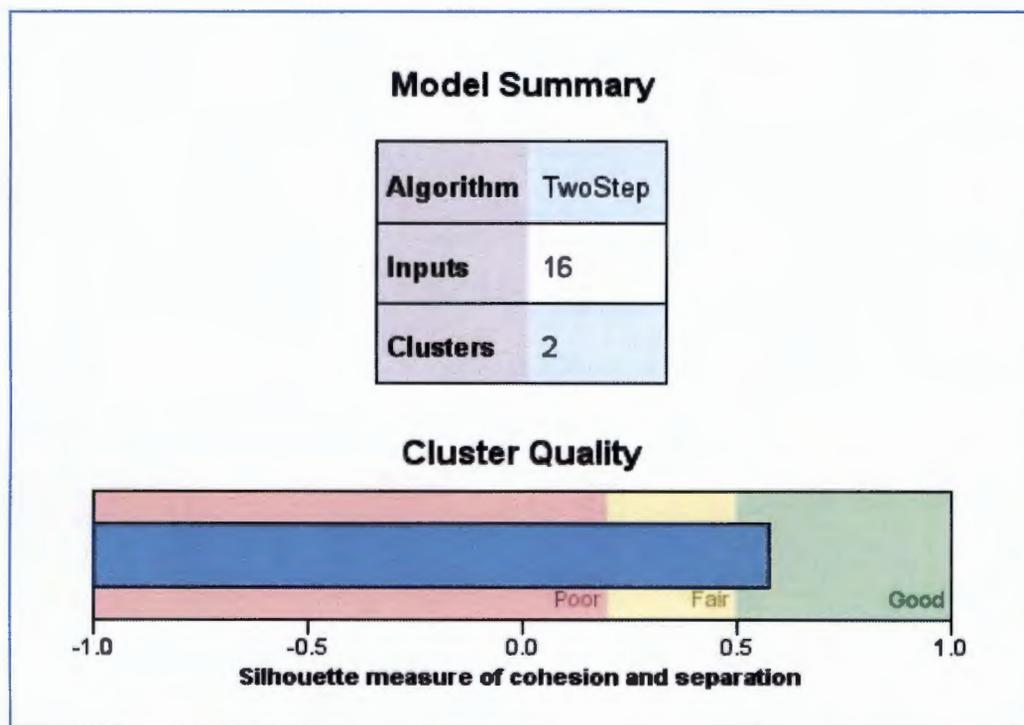
PHASE 2: SEGMENTATION OF RESPONDENTS BY SOURCES OF REVENUE COLLECTION (B2)

Table 6.4: Two-Stage Cluster Analysis Results: Revenue Collection (B2)

Reliability Statistics	
KR-20	N of Items
.848	16

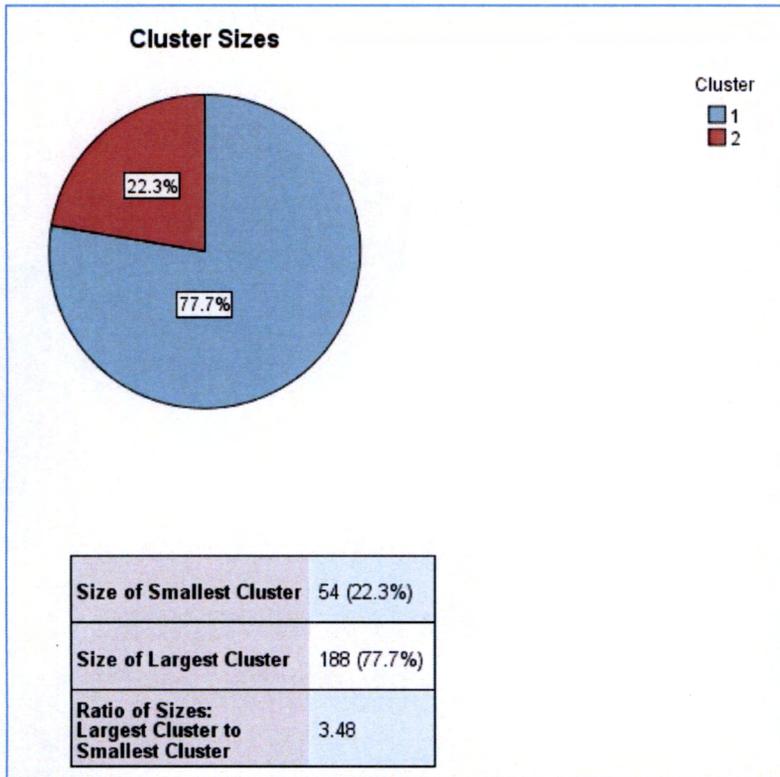
The KR-20 is more than 0.9 which implies excellent reliability (Biddle, 2006) of the 11 dichotomous variables of sources of revenue collection.

Figure 6.10: Two-Stage Cluster Analysis Results: Sources of Revenue (B2)



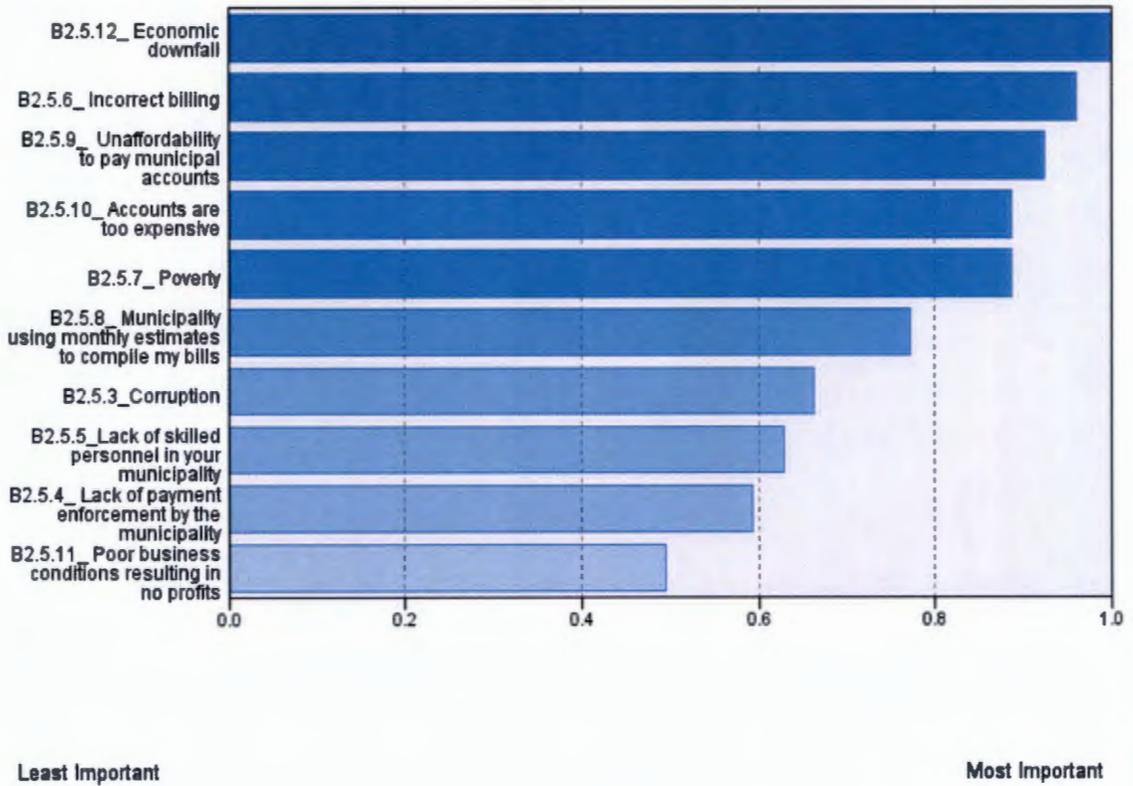
There were two clusters derived for the 16 items and the cluster quality was “good

Figure 6.11 Cluster Sizes of B2



Most of the respondents belong to Cluster 1 (77.7%) and the rest belong to Cluster 2 (22.3%).

Predictor Importance



The clusters are described by the variables listed in the Predictor Importance chart. Interpretation each cluster is therefore only based on these important variables.

Figure 6.12: Cluster 1 comparison for source of revenue (B2)

Cluster Comparison		
	■ 1	
B2.5.12_Economic downfall	<input checked="" type="radio"/>	NO
B2.5.6_Incorrect billing	<input checked="" type="radio"/>	NO
B2.5.9_Unaffordability to pay municipal accounts	<input checked="" type="radio"/>	NO
B2.5.10_Accounts are too expensive	<input checked="" type="radio"/>	NO
B2.5.7_Poverty	<input checked="" type="radio"/>	NO
B2.5.8_Municipality using monthly estimates to compile my bills	<input checked="" type="radio"/>	NO
B2.5.3_Corruption	<input checked="" type="radio"/>	NO
B2.5.5_Lack of skilled personnel in your municipality	<input checked="" type="radio"/>	NO
B2.5.4_Lack of payment enforcement by the municipality	<input checked="" type="radio"/>	NO
B2.5.11_Poor business conditions resulting in no profits	<input checked="" type="radio"/>	NO

Cluster 1 comprises individuals who believe that failure of the credit control and debt collection policy in the municipality is due to all the reasons in the chart above.

There was a correlation between Cluster 1 comparison of municipalities and Cluster 1 comparison of the households. This means that the findings of Cluster 1 comparison of municipalities were confirmed by the results of Cluster 1 comparison of households. This implies that the discussion that were made in Cluster 1 of households are also valid and relevant in Cluster 1 of municipalities.

Hence, both municipalities and households confirmed that credit control and debt collection policy is implemented in the municipalities, but there are factors that affect the implementation of a policy negatively. The factors are unemployment, political interference, corruption, lack of payment enforcement by municipality, lack of skilled personnel in municipality, incorrect billing, poverty, municipality using estimates to compile bills, unaffordability to pay municipal accounts , accounts are too expensive and economic downfall. Consequently, this correlation may be regarded as the risk that can hurt the municipalities in collecting all monies due to them, outstanding and escalating debts. This may be a positive indicator of what has been highlighted by Dharamlall & Moodley (2013). Dharamlall and Moodley (2013) pointed out that in some of the municipalities expenditure growth exceeds revenue growth.

Figure 6.13: Cluster 2 comparison for source of revenue (B2)

Cluster Comparison		
	■ 2	
B2.5.12_ Economic downfall	<input type="radio"/>	<input checked="" type="radio"/>
	YES	NO
B2.5.6_ Incorrect billing	<input type="radio"/>	<input checked="" type="radio"/>
	YES	NO
B2.5.9_ Unaffordability to pay municipal accounts	<input type="radio"/>	<input checked="" type="radio"/>
	YES	NO
B2.5.10_ Accounts are too expensive	<input type="radio"/>	<input checked="" type="radio"/>
	YES	NO
B2.5.7_ Poverty	<input type="radio"/>	<input checked="" type="radio"/>
	YES	NO
B2.5.8_ Municipality using monthly estimates to compile my bills	<input checked="" type="radio"/>	<input type="radio"/>
	YES	NO
B2.5.3_ Corruption	<input checked="" type="radio"/>	<input type="radio"/>
	YES	NO
B2.5.5_ Lack of skilled personnel in your municipality	<input checked="" type="radio"/>	<input type="radio"/>
	YES	NO
B2.5.4_ Lack of payment enforcement by the municipality	<input checked="" type="radio"/>	<input type="radio"/>
	YES	NO
B2.5.11_ Poor business conditions resulting in no profits	<input checked="" type="radio"/>	<input type="radio"/>
	YES	NO

Cluster 2 comprises individuals who believed that failure of the credit control and debt collection policy in the municipality was due to the reasons the following reasons: Municipality using monthly estimates to compile my bills, Corruption, Lack of skilled personnel in your municipality, Lack of payment enforcement by the municipality, and Poor business conditions resulting in no profits. These cluster findings were also similar with Cluster 2 comparison of the households.

This confirmed that the results are likely to be valid and suggest that municipalities lacked internal control systems. The participants of this Cluster did not believe that economic down fall, incorrect billing, unaffordability, accounts are too expensive and poverty are the causes of the credit control and debt collection policy. This means that a failure of a policy is subjected to internal causes that emanated from the municipality. Fjestad and Semboja (2000) in line with the findings of this Cluster, highlights that the inadequate controls is one of the reasons that affect negatively in collection of revenue. It may be deduced that these participants are able to pay their accounts but can be discouraged by the lack of human constraints.

In conclusion, the findings of Cluster 1 comparison and Cluster 2 comparison of both municipality in quantitative phase confirmed the findings of qualitative phase in chapter 5 of this research.

The biographical information as reflected in **Figures 6.1-6.5** above were compared with two clusters. The discussion of the comparison is presented as follows:

Table 6.5 (a):The relationship between biographical information and cluster membership (Revenue Collection: B2)

	Value	Conclusion
Age	6.046	Insignificant (p-value >0.05)
Gender	1.368	Insignificant (p-value >0.05)
Race	0.657	Insignificant (p-value >0.05)
Highest Qualification	6.497	Insignificant (p-value >0.05)
Years of experience	11.347	Cluster membership is significantly associated with years of experience (p-value <0.05)

Table 6.5(b) : The relationship between biographical information and cluster membership (Revenue Collection: B2)

Years of experience * Two-step Cluster Number				
		Two-step Cluster Number		Total
		1	2	
Years of experience	0	94.4%	5.6%	100.0%
	1	81.8%	18.2%	100.0%
	2	66.0%	34.0%	100.0%
	3	73.6%	26.4%	100.0%
	4	81.2%	18.8%	100.0%
Total		77.7%	22.3%	100.0%

The chance of belonging to Cluster 1 was the highest for respondents with 0 years of experience (94.4%) and that of belonging to Cluster 2 was highest for those with 2 years of experience (34.0%).

Research Objective 2: Improvement in the management of municipal revenue and working capital

Table 6.6: Cronbach's Alpha

Reliability Statistics	
Cronbach's Alpha	N of Items
.931	27

The KR-20 is more than 0.9 which implies excellent reliability (Biddle, 2006) of the 27 dichotomous variables of sources of revenue collection.

Table 6.7: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.896
Bartlett's Test of Sphericity	Approx. Chi-Square	3280.252
	Df	351
	Sig.	.000

The KMO is greater than 0.7, indicating that the sample is adequate and a significant Bartlett's test ($p < 0.05$) indicate that the correlation matrix is factorable (Leech *et al.*, 2014).

Total Variance Explained			
Component	Initial Eigenvalues		Cumulative %
	Total	% of Variance	
1	9.751	36.115	36.115
2	2.491	9.224	45.34
3	1.697	6.286	51.626
4	1.294	4.794	56.42
5	1.09	4.037	60.457

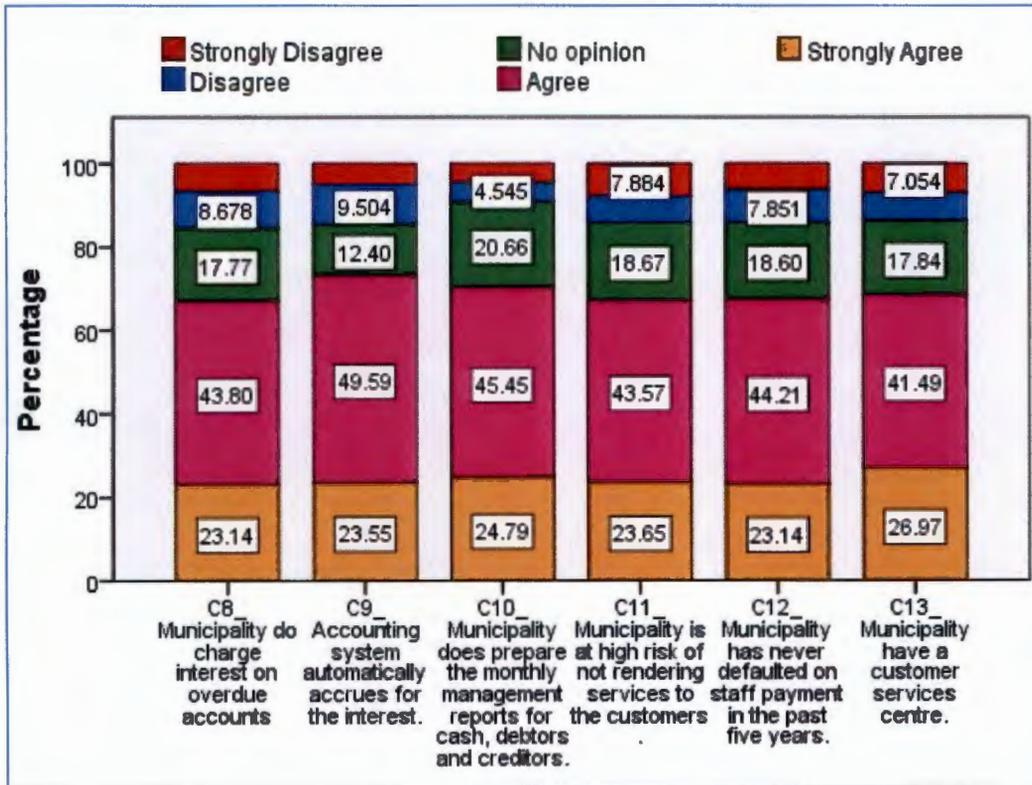
Using the Kaiser's rule of eigenvalues greater than 1 (see the column labelled "Total"), five factors should be extracted (Leech *et al.*, 2014). Factors extracted¹ are presented next.

¹Rotated with Equamax

	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
FACTOR 1 (Alpha=0.878)		
C8_ Municipality do charge interest on overdue accounts	0.738	0.848
C9_ Accounting system automatically accrues for the interest.	0.741	0.848
C10_ Municipality does prepare the monthly management reports for cash, debtors and creditors.	0.725	0.852
C11_ Municipality is at high risk of not rendering services to the customers.	0.666	0.861
C12_ Municipality has never defaulted on staff payment in the past five years.	0.676	0.859
C13_ Municipality have a customer services centre.	0.579	0.876
FACTOR 2 (Alpha=0.834)		
C15.1_ Municipality should introduce the monthly interdepartmental meetings whereby the officials are sharing ideas in terms of responsibilities of each department with regard to putting in place effective revenue collection and revenue enhancement strategy	0.517	0.825
C15.2_ Consolidating the municipal accounts-water, sewage ad sanitation electricity and properties in one account – if a household owes sewage he/she has to pay sewage in order have access to other services.	0.629	0.802
C15.3_ Dedicated municipal courts to deal with municipal cases.	0.581	0.813
C15.4_ Rolling out installation of smart meters.	0.659	0.797
C15.5_ Restrictions of services to those who can afford to pay their bills.	0.626	0.803
C15.6_ A dedicated revenue enhancement team for revenue recovery.	0.64	0.8

FACTOR 3 (Alpha=0.855)		
C1_The households are threatening politicians that if the municipality is cutting the electricity they won't vote for their political parties.	0.591	0.841
C2_Politicians instruct the municipal officials to relax the control on credit control and debt collection policy.	0.713	0.817
C3_Municipality has been able to meet the stated targets on the past financial year and the year before.	0.694	0.822
C4_Municipality is controlling escalations and outstanding debt properly.	0.624	0.834
C5_Municipality is more likely to experience liquidity/insolvency in short to medium term	0.61	0.837
C6_Municipality is more likely to experience liquidity/insolvency in medium to long term.	0.63	0.833
FACTOR 4 (Alpha=0.762)		
C7.1_Residents-Households.	0.566	0.711
C7.2_Commercial business	0.676	0.592
C7.3_Government departments	0.544	0.737
FACTOR 5 (Alpha=0.796)		
C14.1_Taking legal action against consumers in order to enforce payment of services rendered.	0.513	0.774
C14.2 (Both municipality and politicians) practicing good corporate governance when dealing with credit control and debt collection policy even when the times of voting period arrive.	0.593	0.755
C14.3_Advising consumers that are not employed and subjected to poverty to apply for the indigent grants.	0.598	0.754
C14.4_Attachment of property of defaulters to their municipal accounts and sells their properties to pay their debts.	0.565	0.761
C14.5_People must not be allowed to travel abroad without settling their municipal debts.	0.502	0.776
C14.6_Being allowed to institute the garnishee order to the employers of the debtors in order to force them to pay their debts.	0.532	0.769

Figure 6.14: Responses from factor 1: (C): Municipalities



The majority of the respondents were more in agreement (Agree to Strongly Agree) with the items of Factor 1 compared to those in disagreement (Disagree to Strongly Disagree). According to interest charged on the over debtors most participants were in agreement, this implies that were in line Treasury Regulations 11.5 which says interest has to be charged on debts outstanding. It is highlighted in credit control and debt collection policy that a policy should provide for realistic targets that are consistent with interest on arrears (Pauw *et al.*, 2002; Pauw *et al.*, 2009; Fourie *et al.*, 2011).

In terms of terms of the internal control, it is the best practice for the system to automatically accrue for interest and this could prevent loss of income being raised, the interest used differing from debtor to debtor, method of calculation not consistent, and incorrect calculations of interest by incompetent staff and or human error.

According to factor 1, the respondents (Agree to Strongly Agree) indicated that the monthly management reports prepared for cash, debtors are prepared on monthly basis.

This is in accordance with National Treasury regulations that these reports to be issued to Treasury Department before the second week of the new month for proceeding month.

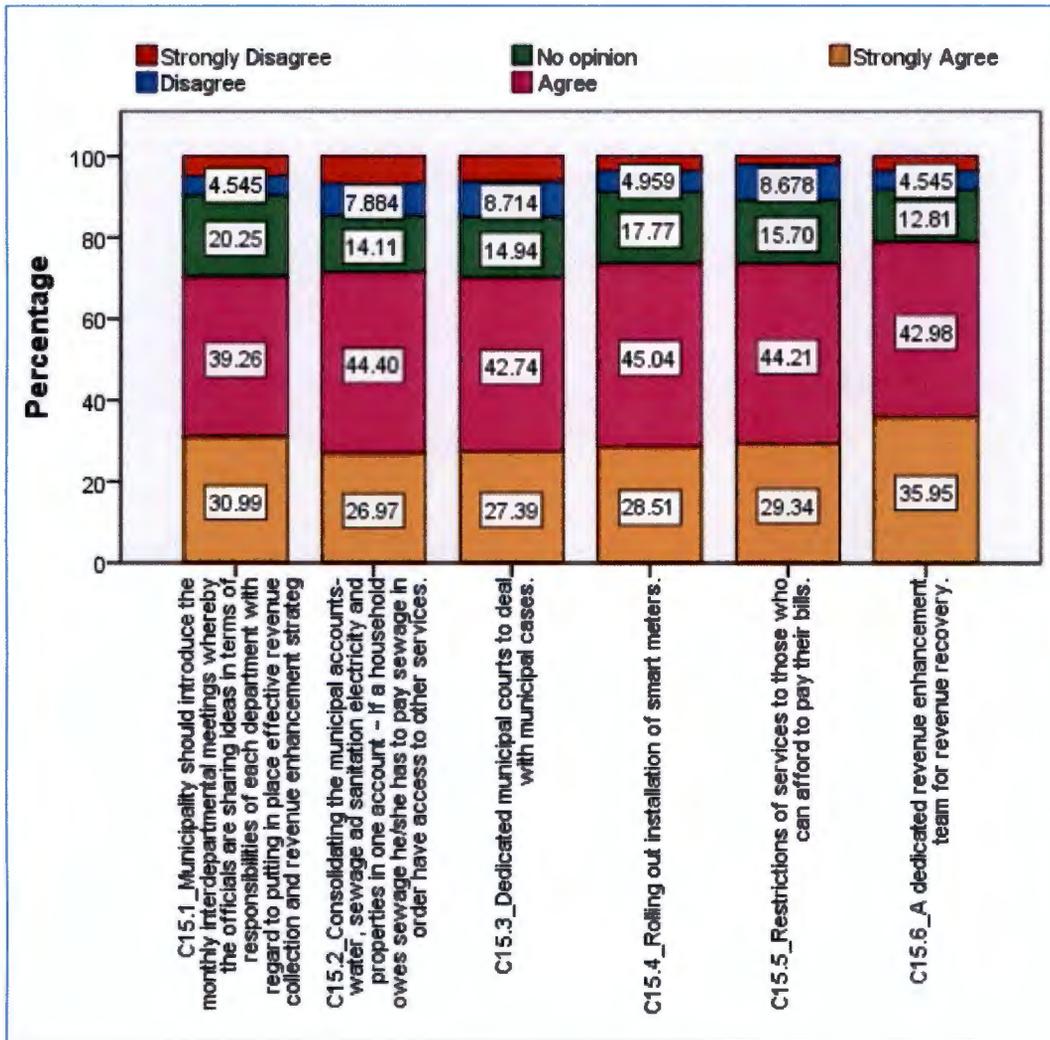
Hence, these reports are filled in the prescribed formats; these reports could assist the organisation to see how the credit control and debt collection policy is implemented in the municipality. It was also cited that the municipalities are at risk of not rendering services to customers.

This implies that the municipality are likely in future to experience liquidity problem where their expenditure can exceed income. However, these municipalities had not reached the stage of not paying their staff. Consequently, this concurs with the study of Dharamlall and Moodley (2013:1) that revealed the municipalities targeted for study had net liability problem and were indirectly declared technical insolvency.

The municipalities participated in this study were discovered that had the customer service centres. This implies that there were in accordance Batho Pele principles and customer care policy. Fourie *et al.* (2011) assert that is the responsibility of municipal managers to put sound customer care policy in place.

The establishment of call centres in municipalities is line with this policy to deal with matters such as arranging payment to settle the outstanding debts. However, some participants were in disagreement with the above-discussed items. It may be deduced that the municipalities are subjected financial risks.

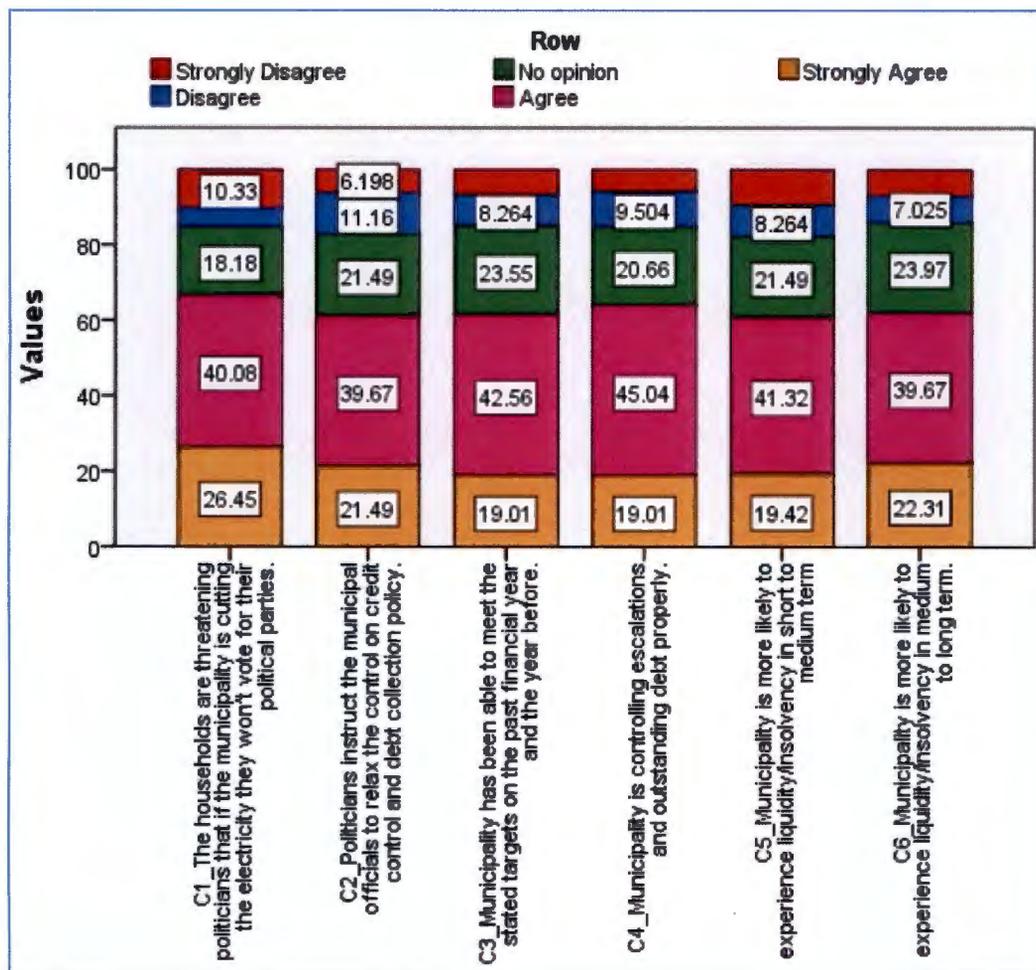
Figure 6.15: Responses from factor 2: (C): Municipalities



The majority of the respondents were more in agreement (Agree to Strongly Agree) with the items of Factor 2 compared to those in disagreement (Disagree to Strongly Disagree). The findings C.15.3 and C.15.5 were categorised as the stages of debt collection as cited by Fourie *et al.* (2011) and Pauw *et al.* (2002).

The finding C.15.3 states there should be dedicated municipal courts to deal with municipal cases. Currently, there are no courts that are dealing with municipal cases. According to Pauw *et al.* (2002) when the debtors have gone beyond the terms that are set, the credit controller has to embark on the stages that are cited in factor 4 of the households.

Figure 6.16: Responses from factor 3: (C): Municipalities



The majority of the respondents were more in agreement (Agree to Strongly Agree) with the items of Factor 3 compared to those in disagreement (Disagree to Strongly Disagree). The findings of C1 and C2 of factor 3 indicates that politicians acted in contrary with good corporate governance since are supposed to oversee the implementation of credit control and debt collection policy. Politicians instructed the municipal officials to relax internal control measures to enforce the compliance of credit control and debt collection policy. Thornhill *et al.* (2014:113) pointed out that municipal mayor are to:

- provide general political guidance over the fiscal and financial affairs of the municipality and
- monitor ,and to the extent provided for in the MFMA, oversee the exercise of the responsibilities assigned in terms of the act to the accounting officer and chief financial officer, but may not interfere in the exercise of these responsibilities.

In terms of responses in **C1** and **C2**, it may be deduced that there is political interference that affected negatively on the implementation of credit control and debt collection policy. The C1 and C2 findings confirmed the findings of qualitative phase as reflected in **Figure 5.3** of Chapter 6 (**Figure 5.3: Management style constraints leading to failure of debt control**).

This implies that **C1** and **C2** depicted that the municipalities were subjected to management style constraints leading to failure of debt control. Therefore, it can be concluded that there was a conflict of interest between the politicians and administration of the municipalities. Hence, the roles of councils and managers are questionable in terms of policy implementation. Thus, there was a compromised in the implementation of the policy and the by-laws were not fully implemented.

The responses of **C5** and **C6** suggested that there are high probabilities for the municipalities to experience liquidity problem in short term and long term. This is an indicator that the municipalities can experience a situation whereby expenditure growth exceeds revenue growth. It was also revealed that some municipalities were indirectly declared technical insolvency due to the fact that were subjected to net liability position (Dharamlall & Moodley, 2013:1).

This finding confirmed the responses that highlighted by the senior managers of municipalities during the in depth interviews and other financial managers during the focus group interviews: They had fear that the municipalities in future would be declared technically insolvency:

"Fear of senior management by the focus group resulted in non-responses to some of the questions.

"The participants suggested that is the trend of non-payment of municipal accounts is increasing and the municipality will experience the liquidity problem in future". Respondent 1

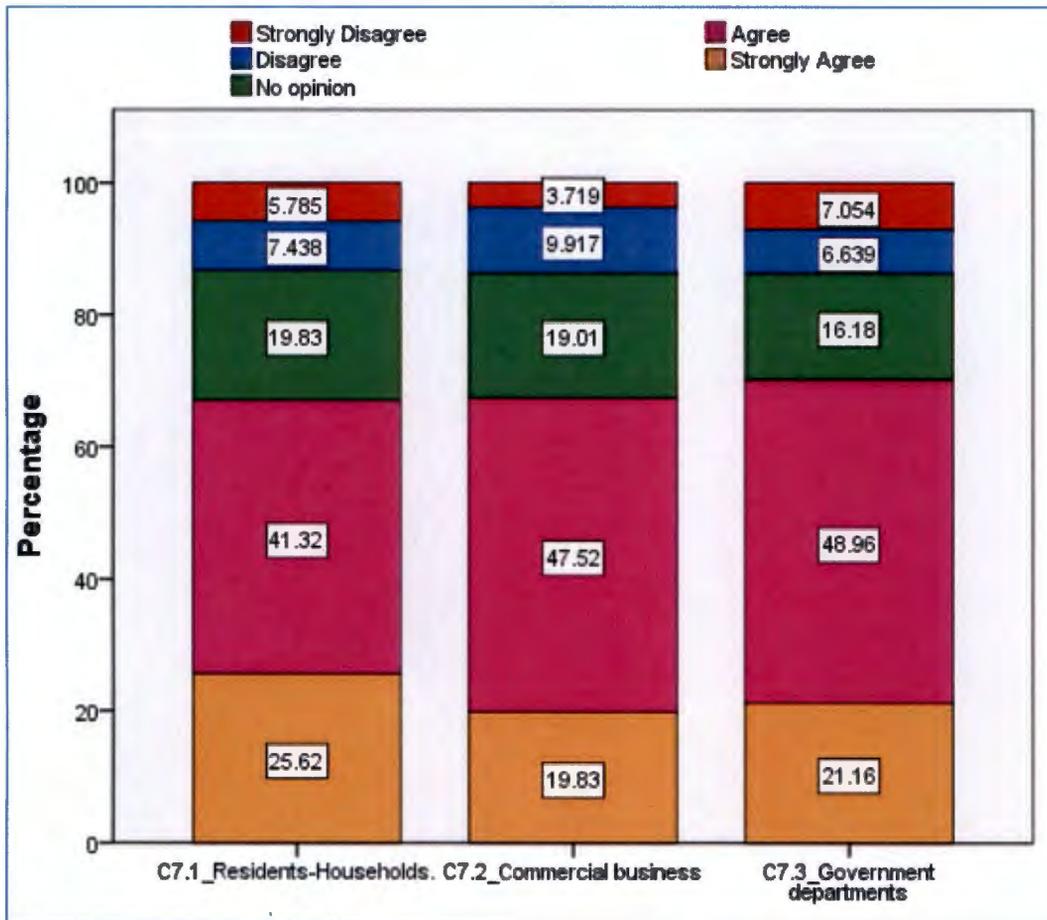
"I do not see a situation where the municipality won't be able to render services to its customers" Respondent 2 and 3

"Two years to come the municipality will be running in deficit and will experience the liquidity problem and will be declared technically insolvency if the escalating and outstanding debts are not recovered from the defaulters". Respondent 4

"that the municipality are experiencing ever increasing debts", Respondent 4

Hence, in light of the above, it is unlikely for the municipality have met the stated targets on the past financial year and the year before. It could be deduced that municipalities are subjected to outstanding debts. Thus, they are in control of the escalating debts. This implies that the municipalities in short term and long term are likely to find themselves in net liability positions.

Figure 6.17: Responses from factor 4: (C): Municipalities

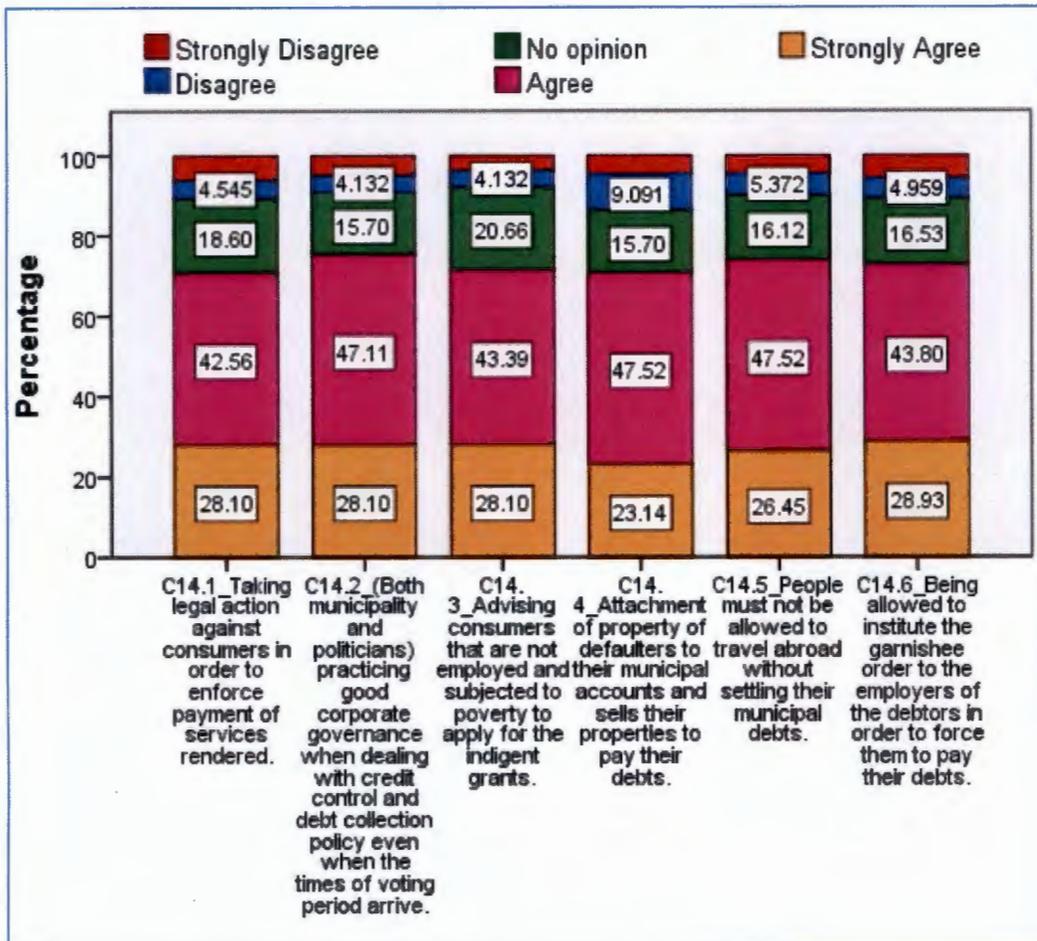


The majority of the respondents were more in agreement (Agree to Strongly Agree) with the items of Factor 4 compared to those in disagreement (Disagree to Strongly Disagree).

Tulloch (2017) concurs with the finding by asserting that the consumers that owe municipality are the households, commercial businesses and government departments. This may suggest that the municipalities are subject to municipal consumer debt (Peters, 2011:2). Municipal consumer debt is defined as the non-payment by households, government and businesses on property rates and charges of water, electricity, sanitation and other municipal services (Financial and Fiscal Commission, 2011:45). Hence, it can be concluded that the households, government and government departments owe the municipalities huge debts.

This was in line with the finding of chapter 6 for qualitative phase, whereby it was highlighted that the first consumers that owe huge debt were households, followed by businesses and the last one were government departments.

Figure 6.18: Responses from factor 5: (C): Municipalities



The majority of the respondents agreed (Agree to Strongly Agree) with the items of Factor 5 compared to those in disagreement (Disagree to Strongly Disagree). The findings of factors 5 are categorised into groups, which are

- **Grant management policy**

Most of participants as reflected in factors agreed that consumers that are not employed and subjected to poverty should apply for indigent grants. SALGA (2015:5) points out in line with finding by asserting that many municipal customers are indigents and therefore cannot afford to pay for services and this has to be integral into financial planning and strategy development of the municipalities in South Africa.

Therefore, it is the duty of the municipalities to ascertain customers that cannot afford to pay and declare them as indigents. USAID (2005) supports that the inclusion of needy persons in payment of municipal accounts by stating that indigent management must be implemented in parallel with debt management collection and with control programmes.

The persons receiving an indigent grant services such as the elders and needy persons as reflected as finding for factor 5 are not subjected to cut-off of services. They are only receiving basic services are not subjected to collection of outstanding debts USAID (2005).

- **Measures to maintain credit control**

Fourie *et al.* (2011) and Pauw *et al.* (2002) cited that the municipalities should put in place measures to maintain credit control. It is further stated that:

“In order to maintain credit control and improve debt collection, the system should reflect the following characteristics, in terms of section 101,102,103 and 104 of the Municipal Systems Act, 2000: access to property, consolidation of accounts, agreements with employers.”

According to finding in factor 5, the respondents in line with Fourie *et al.* (2011) and Pauw *et al.* (2002) stated that the municipalities should make payment arrangements for settle of the accounts. This implies that the respondents are willing to participate in contribution in payment of municipal accounts.

On the other hand, Pauw *et al.* (2002) suggest that the stages in debt collection should adhered to in order for municipality to monitor outstanding debts.

The finding of respondents suggested that the municipalities should put measures for payment of outstanding balance. In relation with this, Pauw *et al.* (2002) cited that the municipalities could put in place the stages of debt collection such as the:

- i. Issue the reminder letter to defaulters;
- ii. Phone the defaulters and make arrangements to pay outstanding balance;
- iii. Withholding of further services like restriction of water and cut-off electricity services;
- iv. Hire debt collection agencies to collect outstanding debts on behalf of the municipalities, but taking into account charges to be levied to municipalities; and
- v. Legal action through hand over the account to attorneys, but it is too costly for municipalities.

Therefore, the findings **C14.1**; **C14.4** ; **C14.4** ;**C14.5** and **C.14.6** in terms of paragraph (i) ,(ii),(iii) and (iv) are regarded as the measures to maintain credit control .However, the respondents from the municipalities made amendments by adding other controls such as the:

- **C.14.5** :people must not be allowed to travel abroad without settling their municipal debts
- **C14.6**: being allowed to institute the garnishee order to the employers of debtors in order to force them to pay their debts.

This imply that the respondents suggested the amendments on Municipal Systems Act, 2000 in terms adding **C.14.5** and **C 14.6** as part of the measures to maintain credit control.

- **Political interference versus good corporate governance**

The finding in **C14.1** for Factor 5 suggest that the municipalities have experienced cooperation with politicians when the municipal officials were in the process of implementing credit control and debt collection policy. This finding was in contrary with findings of qualitative phase that was referred as the management style constraints leading to failure of debt control as reflected **Figure 5.3** of chapter 6.The households suggested there is a compromised in the implementation of a policy, whereas the municipal officials alluded to the fact they received support from the politicians.

The senior managers and other financial managers that were interviewed had a view that there is a political interference when implementing a policy. This had an impact on good corporate governance in policy implementation. This was supported with their responses during interviews:

“Political interference is mostly seen during the voting period when the politicians request the municipality to relax control measures on credit control and debt collection policy in order for them to get voters for their political parties in the next elections”

“The households are threatening the politicians that if the municipality is cutting the electricity they won't vote for their political parties then the politicians will instruct the municipal official to relax the control on credit control and debt collection policy. Thus, they will discourage the people from paying their accounts. The participants suggested that if the tight controls are enforced to all people most people will be encouraged to pay their accounts”. Respondent 1-Interviews

“Action taken against non-payers of municipal accounts requires politicians to give assistance not to assist the consumers to abuse political powers for not paying their accounts”. Respondent 1: interviews

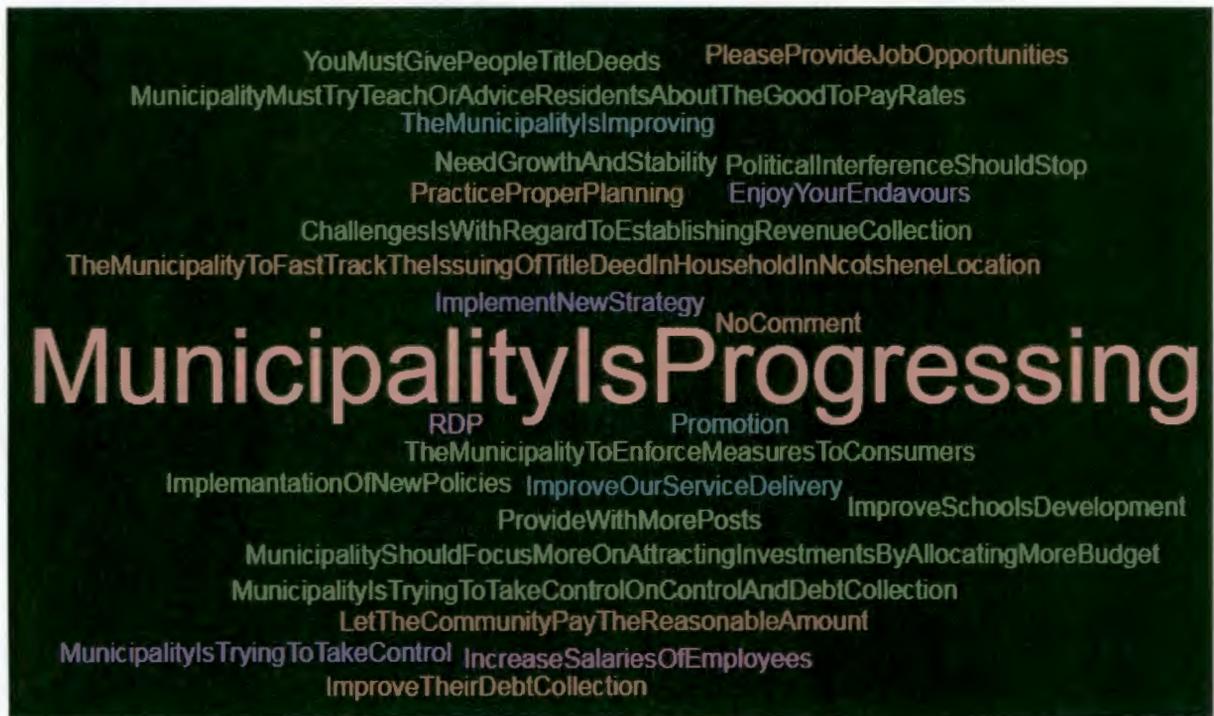
However one of the respondents indicated that “at this stage, it has only been affected by politician interference during the voting period when the politicians will request the municipality to relax control measures on credit control and debt collection policy in order for them to get voters for their political parties in the next elections”. Respondent 2: interviews

In light of the above, it may be deduced that political interference versus good corporate governance will be a challenge on implementation of current credit control and debt collection policy in municipalities.

In support of good corporate governance, Pauw *et al.* (2002) and Thornhill *et al.* (2014) argued that politicians should play an oversight role in policy implementation. The municipal managers and chief financial officers should implement credit control and debt collection policy in municipalities.

The respondents also commented in Section D of the questionnaire and their responses are reflected in **Chart 6.2** below:

Chart 6. 2: Households comments on implementation of current credit control and debt collection policy



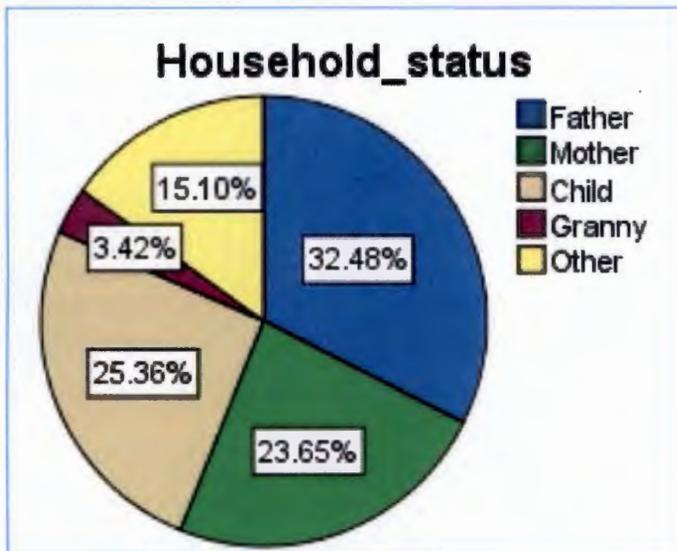
Most of the participants stated that the municipalities are at the developmental stage in terms of service delivery as stated in **Chart 6.2** above .The participants highlighted the causes of failure of current credit and debt collection such as the political interference on policy implementation.

The participants also highlighted the strategies to improve revenue base in the municipalities such municipality should focus more on attracting investors to improve the municipalities revenue base.

Part II: The presentation, discussion and interpretation of findings for households

6.2.3 Demographic data for households: Section A of the questionnaire

Figure 6.19: Household status



The distribution of household status in **Figure 6.19** indicates ratios of 32, 48% (father) to 76.52 % mother, child, other and granny). This may imply that there is an indication of unemployment rate and poverty since most of the respondents are from rural municipalities.

Figure 6.20: Household profile - Age

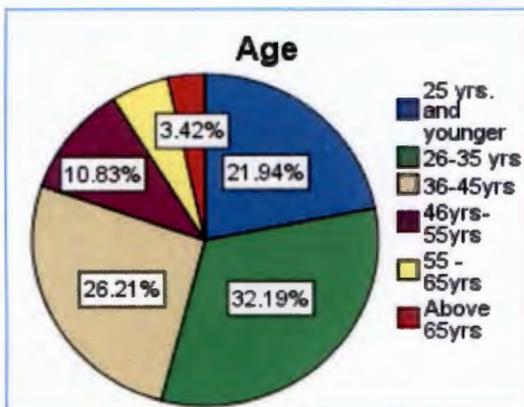
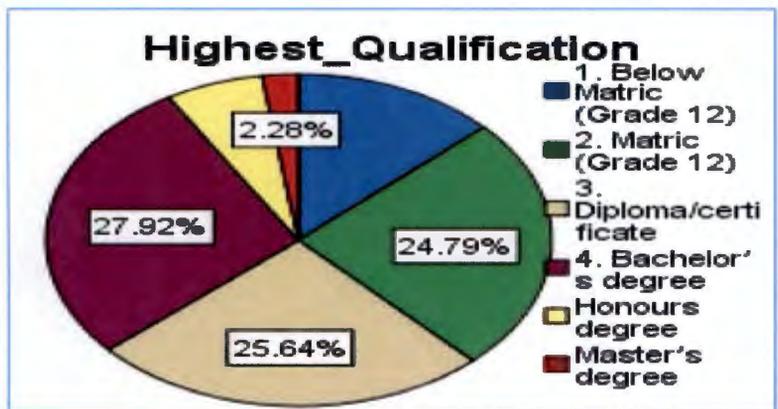


Figure 6.20 shows that the majority of respondents fall between the ages of 25-55 years, which is 96,58%. This implies that the ward councillors have the opportunity to organise meetings with people in their areas to deal with the community needs in relation with paying of services delivered to them.

Figure 6.21: Household Profile –Highest Qualification



The distribution of highest qualification in **Figure 6.21** indicates there may be a shortage of knowledge and skills in our communities due to indications of low level of education. Most of the respondents fall at the category between below grade 12 and Diploma/Certificate.

This may implies that some of them are not well familiar with role to play on policy implementation. It may be deduced that are unemployed and unable to pay their bills. This can be attested in **Figures 6.22** and **5.23** below.

Figure 6.22: Household Profile – Gender

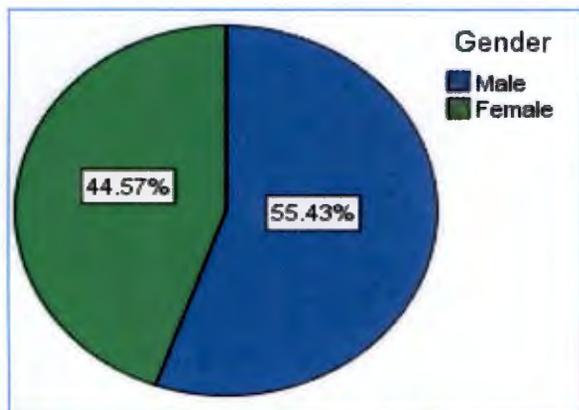


Figure 6.22 represents the balance gender representiitvity in the research study, which may assist in getting different opinions in the study in terms of causes of failure of implementation of a policy.

Figure 6.23: Household Profile –Race

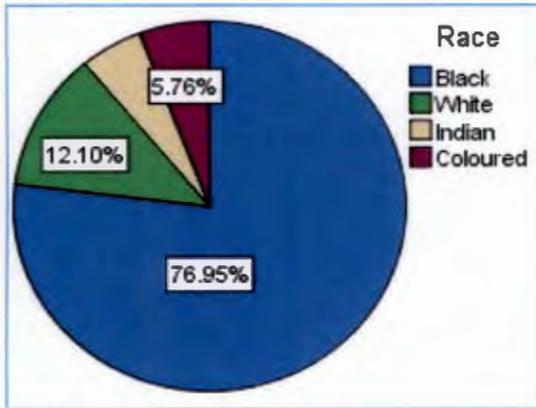
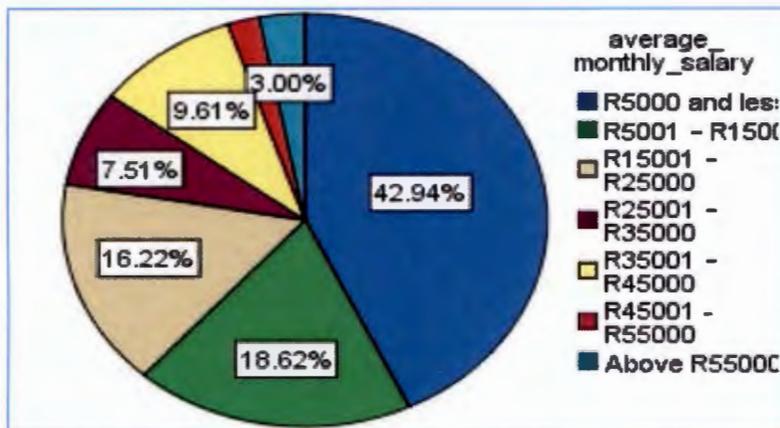


Figure 6.23 indicates that different population groups participated in the study and it may be deduced that different views may be gathered in this study because they subjected to different economic environments.

Figure 6.24: Household Profile-Average Monthly Salary



The distribution of household average monthly salary in **Figure 6.24** depicts that most of respondents fall between less than R5000 and R15001. This implies that affordability to pay municipal accounts may be a challenge. This may pose a challenge to collect revenues from the households due the affordability to pay their accounts.

The Hornby Shire council (2007) cited that if the municipality is subjected in this situation it could not generate its revenue because the community does not have the ability to pay.

Figure 6.25: Household Profile – Employment Status

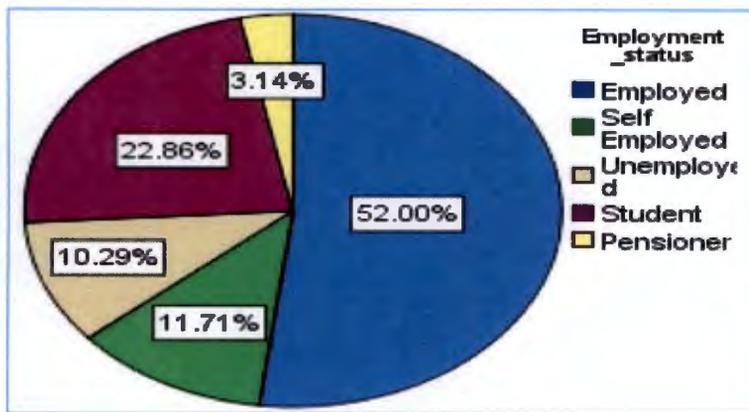


Figure 6.25 depicts that 52, 00% of participants are employed and 46% are unemployed. This indicator reveals that the households are subject to economic downfall. It may be deduced that some of the household cannot afford to pay their bills.

Research Objective 1: The causes of failure of current credit control and debt collection policy

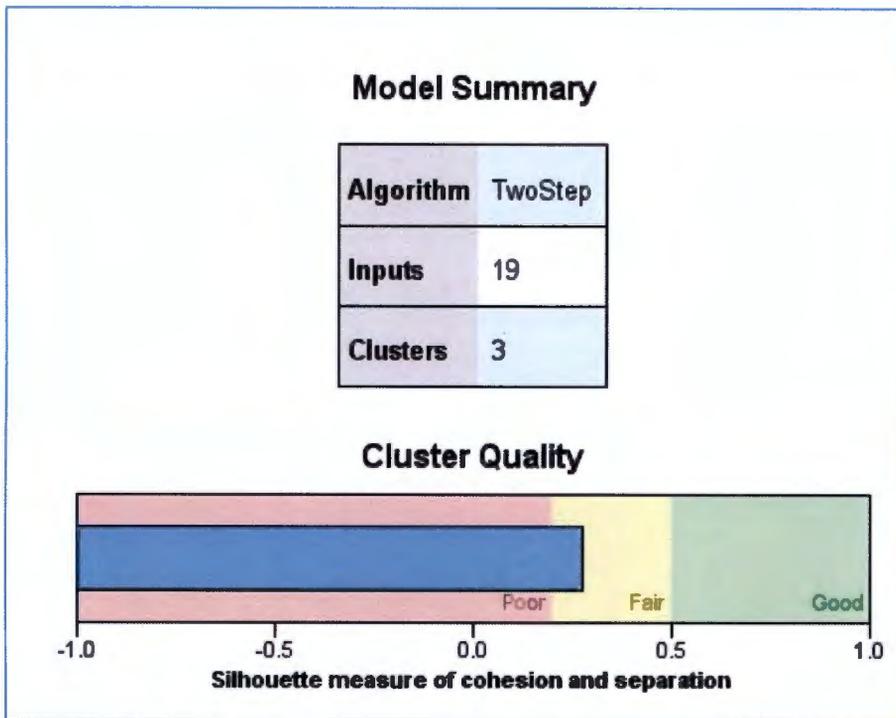
The segmentation of respondents by revenue collection in **Section B** of the questionnaire, which addresses research objective 1, is depicted as follows:

Table 6. 8: Reliability Test using KR-20 (Kudar-Richardson 20)

Reliability Statistics	
KR-20	N of Items
.799	20

The KR-20 is very close to 0.8, which implies good reliability (Biddle, 2006) of the 20 dichotomous variables of revenue collection.

Figure 6.26: Two-Stage Cluster Analysis Results



The two-stage cluster analysis results stipulated above indicated that three clusters derived for the 19 items and the cluster quality is “fair”, which are depicted in **Figure 6.27** below.

Figure 6.27: Three Clusters of 19 items

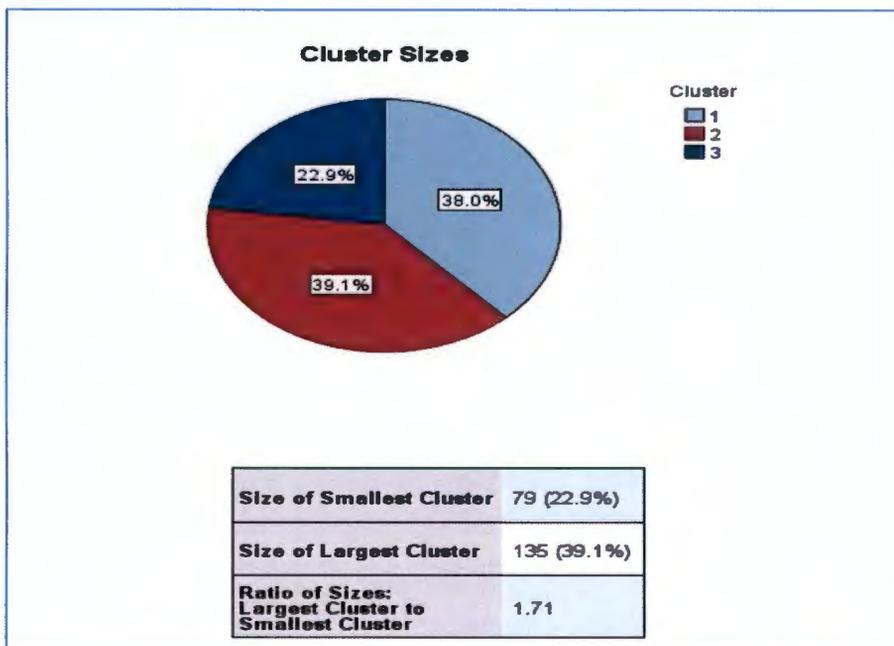
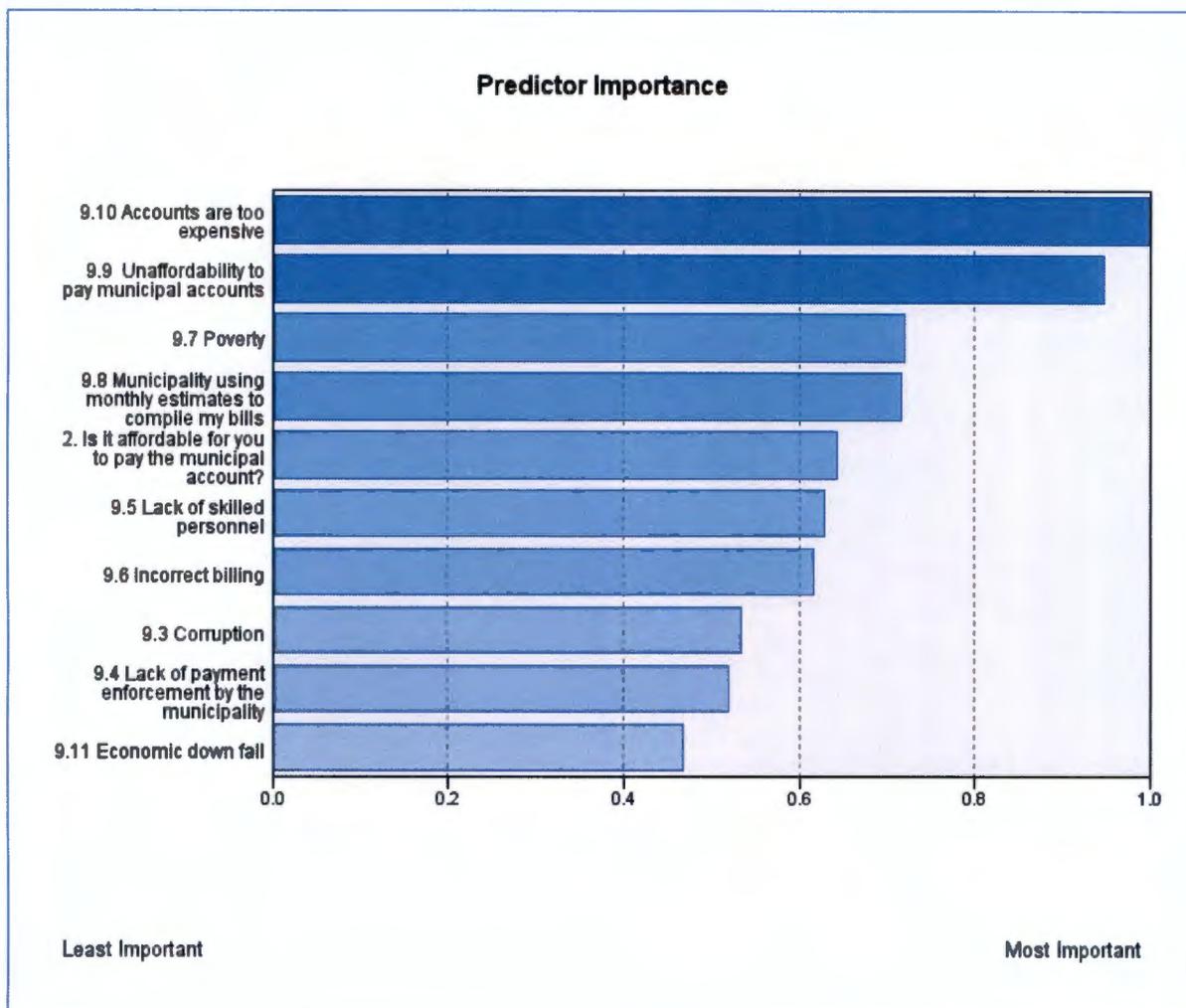
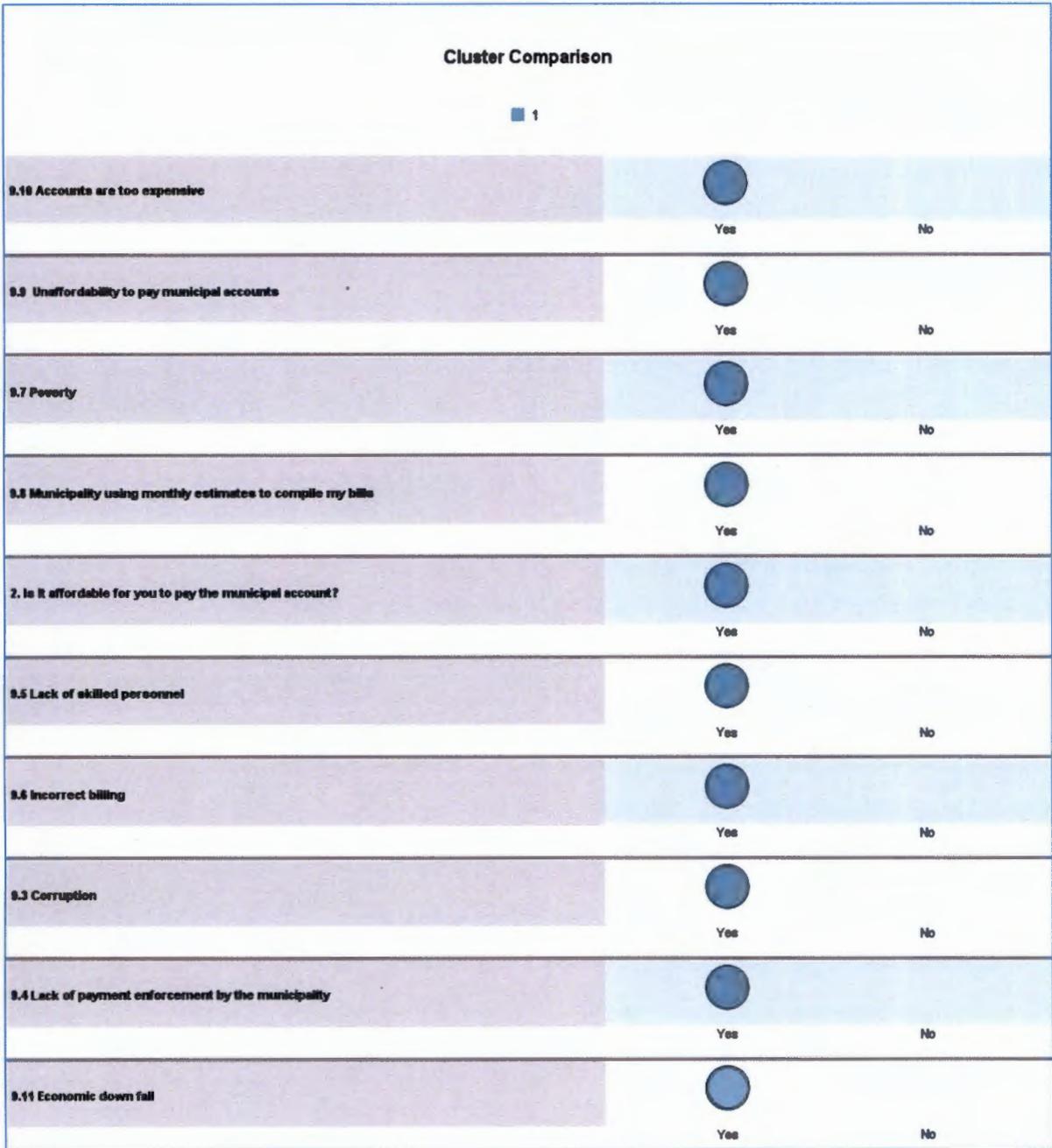


Figure 6.27 shows that most of the respondents belong to cluster 2 (39.1%), followed by those belong to cluster 1 (38.0%) and a relatively few belong to cluster 3 (22.9%).



The clusters are described by the variables listed in the predictor Importance chart. Interpretation each cluster is therefore only based on these important variables.

Figure 6.28: Cluster1 Comparison (B)



Cluster 1 comprises individuals who believe that failure of the credit control and debt collection policy in the municipality is due to the reasons in the chart above. These respondents agreed that it is affordable for them to pay the municipality account.

In light of the Peters (2011:162) who states that the reasons for non-payment of water between 2004 and 2008 centred around metering system that is irregular; no metering system; no billing system in place; meter is broken; households cannot afford to pay, unhappy with services and other do not want to pay.

In addition, Agrawal (2008) points out poor billing could cause revenue inadequacy, poor cost recovery and poor services, which impact negative on municipalities and households as well as other consumers benefiting from municipal services. This implies that the municipalities were subjected to incorrect billing, which is also applicable to this study, whereby the respondents indicated that incorrect billing was eminent in their municipalities. The incorrect billing could lead to accounts to be expensive since the households are likely to receive incorrect municipal accounts, poor delivery of services. Agrawal (2008) further stated that incorrect billing could lead to inaccurate. This implies that the municipality lacked skilled personnel and payment enforcement when they are subjected to incorrect billing.

Booyesen (2001) also concurs with cluster 1 comparison by stating that inability to pay for services is the result of poverty. Fourie *et al.* (2011) stated that estimated reading are acceptable to compile bills provide are in line with approved by-laws of municipalities. This implies that municipalities need to be transparent in utilising monthly estimates to compile bills of the customers so that customers will accept the usage of estimated readings. The respondents in this cluster irrespective of the stated reasons for failure of strongly believed is affordable to pay their accounts in spite of economic downfall that it was cited as one of the reasons for failure of a policy implementation.

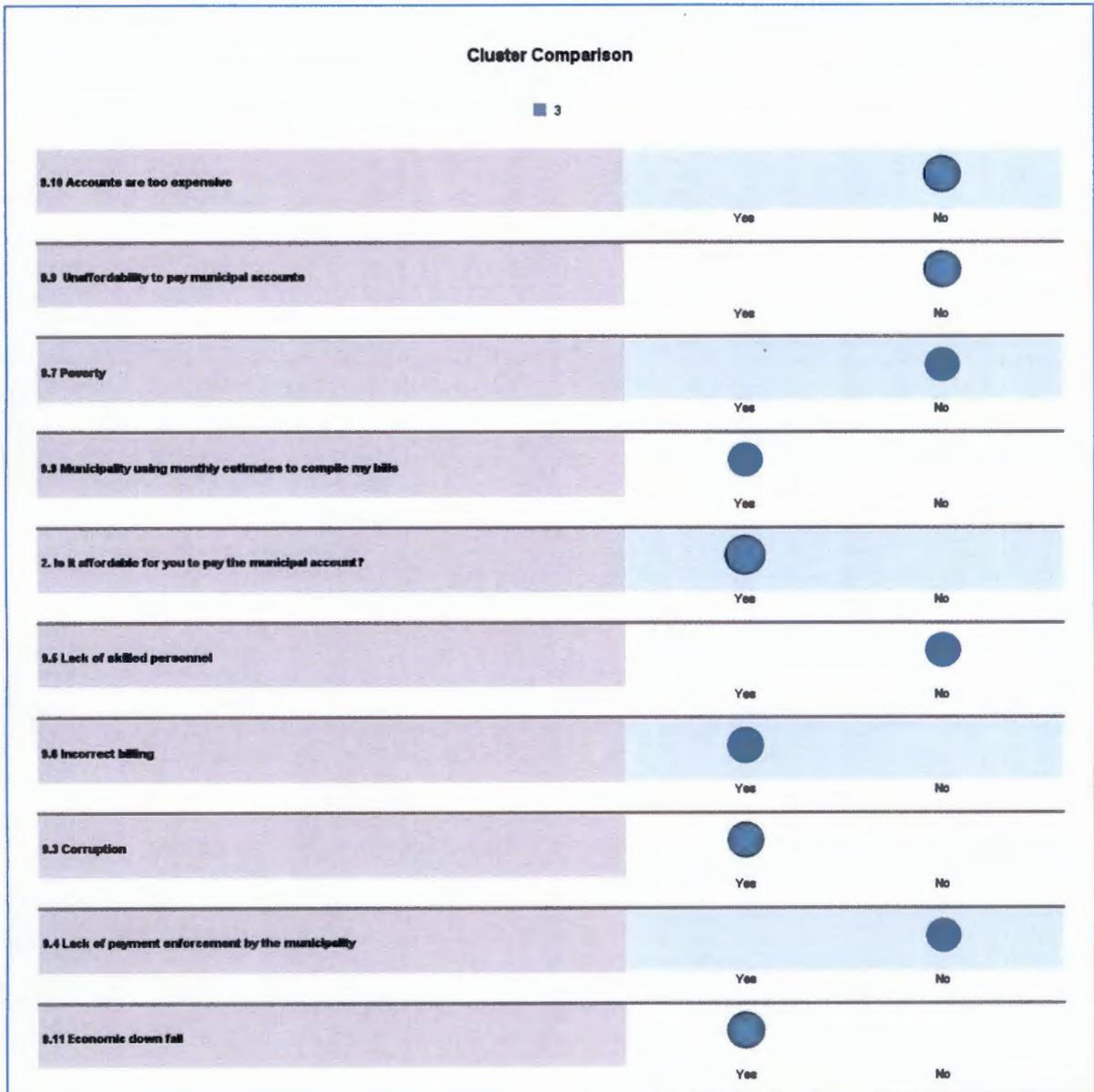
Figure 6.29: Cluster 2 Comparison (B)



Cluster 2 is similar to cluster 1 except that the respondents indicated that the municipal account is not affordable. Burger (2001:24) cited that an increase in poverty diminishes the ability of people to pay for services by organisations such municipalities. Hence, the increase of poverty promotes financial distress in the municipalities. Burger (2001:4) points out that non – payment is the main issue of inability to pay the municipal accounts. This means inability to pay instead of culture of non-payment, is at the source of payment crisis. Thus, the respondents in cluster 2 as compared to those in cluster 1 are most likely to unable to pay their municipal accounts.

Therefore, unaffordability is regarded as a contributing factor in terms of households paying for essential services such as the water and electricity.

Figure 6.30: Cluster 3 Comparison (B)



Cluster 3 is quite different from cluster 1 and cluster 2. It comprise individuals who believe that failure of the credit control and debt collection policy in the municipality is **not** due to the following reasons: that accounts are too expensive, unaffordability to pay municipal accounts, poverty, lack of skilled personnel and lack of payment enforcement by the municipality. The respondents believe that other reasons in the chart above are true. They also indicated that they could afford to pay their municipal bills. This implies that these respondents believe that the reasons for current failure of current credit and debt collection policy are:

- **Municipality using monthly estimates to compile bills;** as cited by Fourie *et al.* (2011) if municipal officials are unable to gather information during meter readings due to sound reasons. However, it should be in accordance with signed by-laws by municipal councils. It means that the process is well known by public since the by-laws are accessible to the households and all customers of municipalities.

- **Incorrect billing**

Agrawal (2008:4) cited that poor billing and collection practices create financial distress to municipalities. The municipalities could be hurt in the form of revenue inadequacy, poor cost recovery and poor services. The municipality today, according to Agrawal (2008:4) are unable to accurately bill for every unit of water produced.

This could be in a form of lack of incentives to bill, inadequate customer records, and unwillingness for defaulters to pay their accounts due to dissatisfaction of services rendered to them as well as incorrect bills received by them. This implies that the municipalities in this study may experience the factors, which cited as the root causes for incorrect billing. Thus, it suggests that incorrect billing is one of the causes of failure of credit control and debt collection policy.

- **Corruption**

According to Pauw *et al.* (2002:333), corruption flourishes where the institutions of governance are weak, a government policy regulatory regime provide scope it and oversight institutions are marginalised.

Corruption can be in a form of kickbacks, bribery, patronage, unofficial cheque payments, theft of assets or embezzlement, diversion of revenue and extortion (Pauw *et al.*, 2002).

In support of the above, Pauw *et al.* (2002) and Garaiza (2014) in their study discovered that corruption and embezzlement of funds by ratepayers are constraining the local authority from collecting by seventy-eight percent of the respondents. Hence, it was cited in cluster 3 that corruption is one of factors that constrained on the implementation of a policy.

- **Economic down fall**

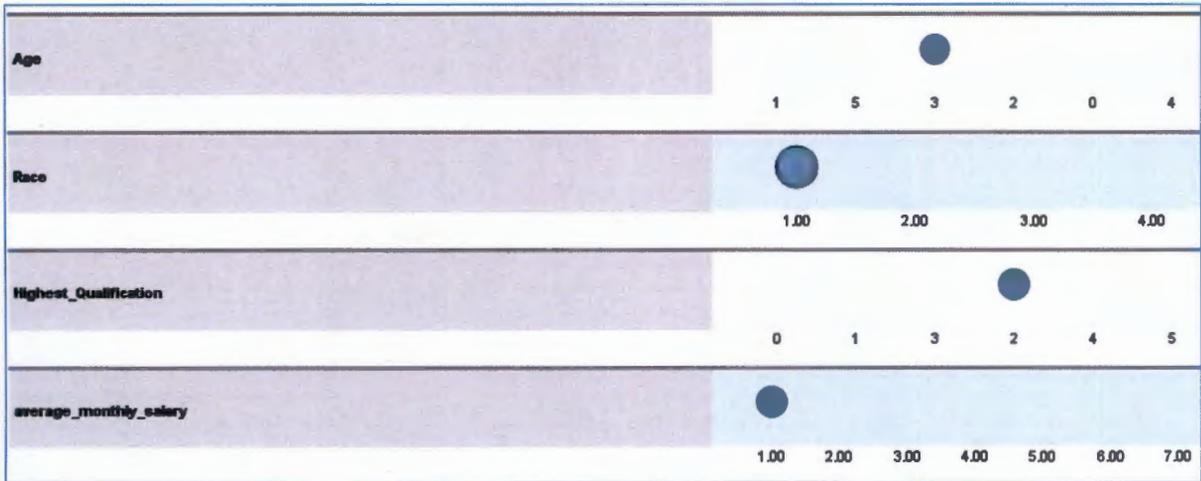
According to **Figure 6.24** above, it was discovered that 52, 00% of participants are employed and 46% are unemployed. This indicator reveals that the households are subject to economic downfall. It may be deduced that some of the households cannot afford to pay their bills. There was also a correlation with the findings of **Figure 6.25**, which revealed that most of participants were between less than R5000 and R150001. This infers that affordability to pay municipal accounts may be a challenge.

This may pose a challenge to collect revenues from the households due the affordability to pay their accounts. Consequently, the municipalities confronted with affordability could not generate their revenue base. **Figures 6.24** and **6.25** reveal that the participants were subjected to unemployment and economic down fall, which could affect paying their municipal accounts.

Table 6.9: The relationship between biographical information and cluster membership

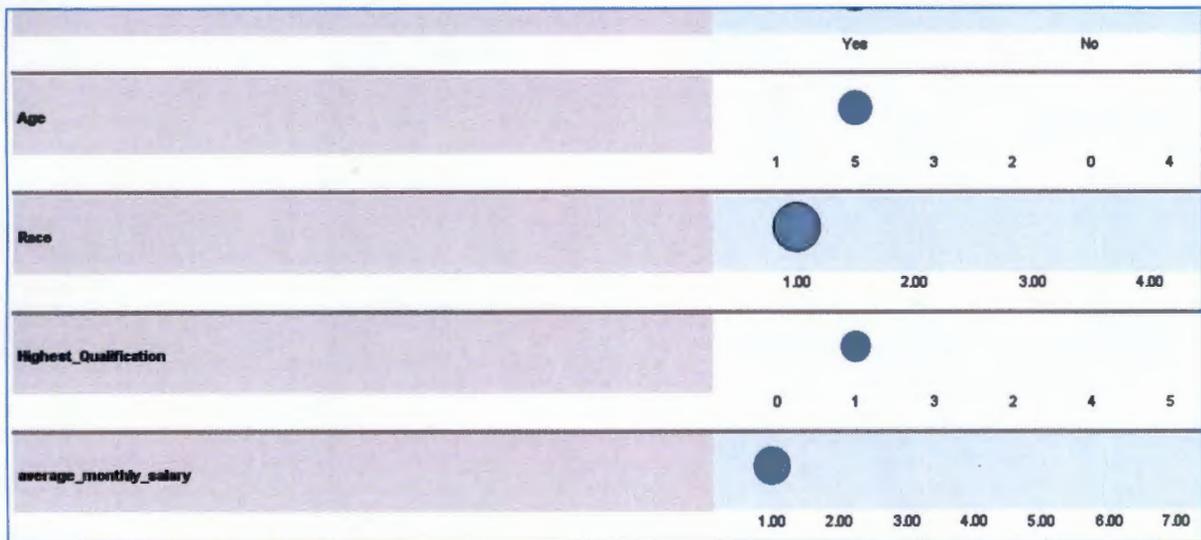
Association between Cluster Membership and:	Value	Df
Household status	14.227	Insignificant (p-value >0.05)
Age	22.085*	Cluster membership is significantly associated with Household Status (p-value <0.05)
Gender	0.783	Insignificant (p-value >0.05)
Race	14.568*	Cluster membership is significantly associated with Race (p-value <0.05)
Highest Qualification	17.033	Insignificant (p-value >0.05)
Employment status	25.749**	Cluster membership is significantly associated with Employment Status (p-value <0.01)
average monthly salary	22.524*	Cluster membership is significantly associated with Average Monthly Salary (p-value <0.05)

Figure 6.31: Description of Cluster 1 by significant biographical variables



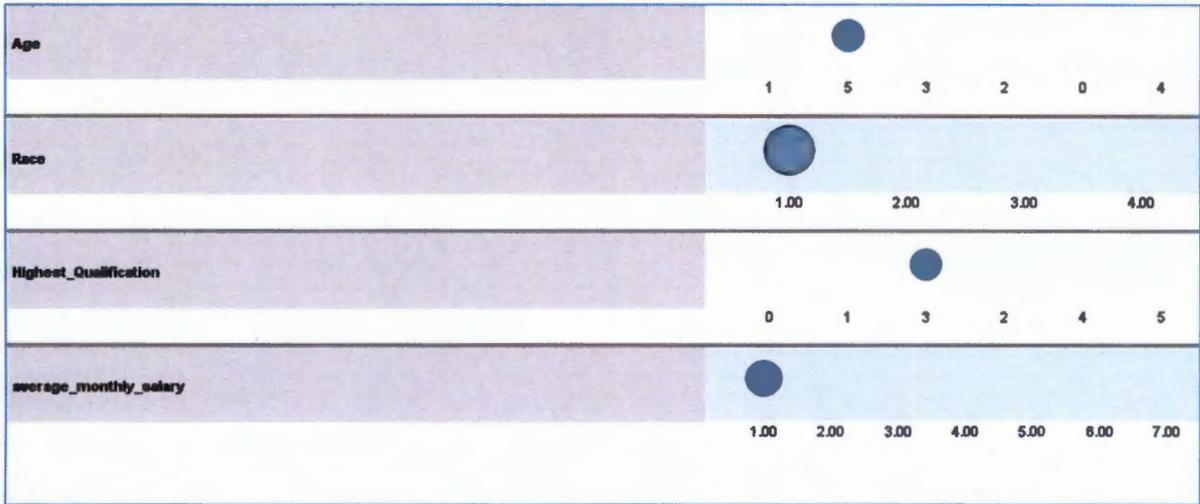
Cluster 1 comprised respondents in the ages 46yrs-55yrs (Coded as 3), they are Blacks (coded 1) and in possession of a Diploma/certificate (Coded as 3) with an average income salary of R5000 and less (Coded as 1).

Figure 6.32: Description of Cluster 2 by significant biographical variables



Cluster 1 comprised respondents in the ages above 65yrs (Coded as 5), they are Blacks (coded 1) and in possession of a Matric (Grade 12) (Coded as 1) with an average income salary of R5000 and less (Coded as 1).

Figure 6.33: Description of Cluster 3 by significant biographical variables



Cluster 1 comprised respondents in the ages above 65yrs (Coded as 5), they are Blacks (coded 1) and in possession of a Bachelor's degree (Coded as 3) with an average income salary of R5000 and less (Coded as 1).

Research Objective 2: Improvement in the management of municipal revenue and working capital

Table 6.10: Reliability Test

Reliability Statistics	
Cronbach's Alpha	N of Items
.708	30

The Cronbach's Alpha is in the range 0.7 to 0.79 which implies adequate reliability (Biddle, 2006) of the 30 items.

Communalities		
	Initial	Extraction
Municipalities have not fully implemented the credit control and debt collection policy.	1.000	.263
Municipalities are at risk of experiencing financial situation where they might, at some stage be unable to render services.	1.000	.178
Consolidate the municipal accounts-water, sewage and sanitation electricity and properties in one account will assist in managing the municipal account better.	1.000	.258

The variables with communalities less than 0.3 are excluded from the analysis because they do not contribute towards the factor solution (Leech *et al.*, 2014).

Table 6.11: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.799
Bartlett's Test of Sphericity	Approx. Chi-Square	2894.383
	Df	300
	Sig.	.000

The KMO is greater than 0.7, indicating that the sample is adequate and a significant Bartlett's test ($p < 0.05$) indicate that the correlation matrix is factorable (Leech *et al.*, 2014).

Total Variance Explained			
Component	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
1	5.278	21.114	21.114
2	3.018	12.074	33.188
3	2.020	8.080	41.268
4	1.909	7.635	48.902
5	1.366	5.466	54.368

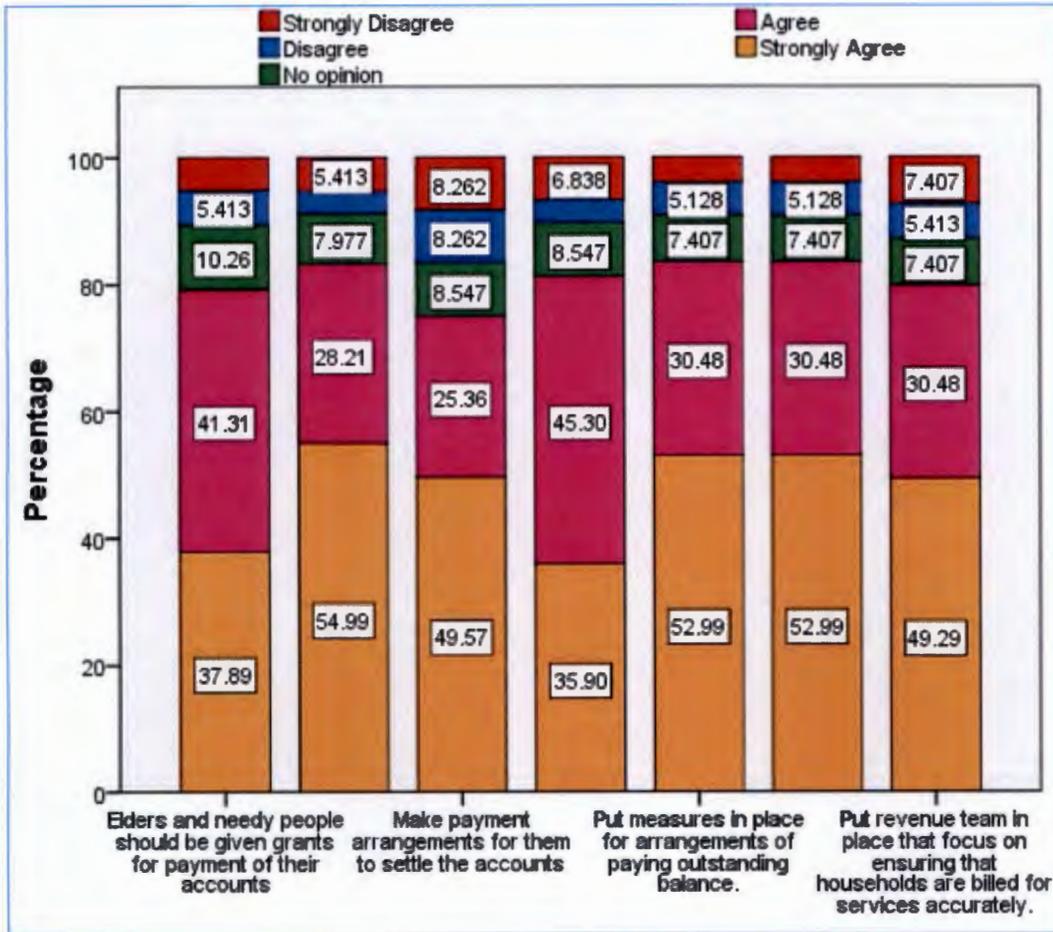
Using the Kaiser's rule of eigenvalues greater than 1 (see the column labelled "Total"), five factors should be extracted (Leech *et al.*, 2014). Factors extracted² are presented next.

	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
FACTOR 1 (Alpha=0.831)		
Municipality should educate and provide awareness to households on their monthly budgets for ability to pay their debt.	.396	.836
Rolling out installation of smart meters.	.543	.815
Municipality should deliver good services, continuous communication between community and municipality with regard to billing system, improve communities place of interest such as the community hall, library, infrastructure so that they can see that their money is used effective by the municipality.	.611	.803
Municipality should do regular maintenance on drainage and sewage; waste removal should be removed every week.	.611	.804
Introduce ICT system for paying municipal accounts.	.661	.794
Ward councils must provide support to their areas through holding regular meetings in order to bring clarifications on issues with regard to municipal accounts.	.722	.785
Advising consumers that are not employed and subjected to poverty to apply for the indigent grants.	.538	.816

²Rotated with Equamax

FACTOR 2 (Alpha=0.798)		
Municipalities are able to treat different debtors/households in unique ways to afford me to pay for services.	0.49	0.789
As resident I am satisfied by the services provided by our municipality and that there is value for money on the services I am paying for.	0.64	0.74
Municipality is providing excellent service delivery to residence.	0.653	0.737
Municipalities interact regularly to discuss accounts and services they are rendering to their customers.	0.565	0.764
Payments of service is worth the services rendered by the municipalities.	0.559	0.766
FACTOR 3 (Alpha=0.723)		
Elders and needy people should be given grants for payment of their accounts	0.443	0.689
Municipality should take meter reading prior to the compilation of monthly account so that the bills are informed by the meter readings and prevent using estimates to compile my municipal account.	0.444	0.688
Make payment arrangements for them to settle the accounts.	0.475	0.68
Municipality should take meter reading prior to the compilation of monthly account so that the bills are informed by the meter readings.	0.467	0.682
Put measures in place for arrangements of paying outstanding balance.	0.451	0.687
Put revenue team in place that focus on ensuring that households are billed for services accurately.	0.462	0.683
FACTOR 4 (Alpha=0.703)		
Hand over their accounts for legal action to sorted by the court	0.459	0.659
Cut services like water and electricity and should link accounts to government departments like motor licensing and tollgate fees to enforce account payments.	0.415	0.684
Attachment of property of defaulters to their municipal accounts and sells their properties to pay their debts.	0.578	0.585
People must not be allowed to travel abroad without settling their municipal debts.	0.509	0.626
FACTOR 5 (Alpha=0.783)		
Reduce their bills up to certain amount	0.657	0.668
Use flat rate billing system to charge the bills to improve payment	0.608	0.722
Their bills should be written off	0.601	0.729

Figure 6.34: Responses from factor 1: (C): Households



The majority of the respondents were more in agreement (Agree to Strongly Agree) with the items of Factor 1 compared to those in disagreement (Disagree to Strongly Disagree).

The USAID (2005) points out that the municipalities must make sure that elders and needy people are given grants for payment of their accounts through following accurate process for indigent grant management. This in line with above factor 1 in terms of integrating them in receiving basic services in municipalities such as water and electricity. Elderly and needy people once they become indigents are not subject to cut off electricity and restrictions even subjected to collection of outstanding debts of water or outstanding debts

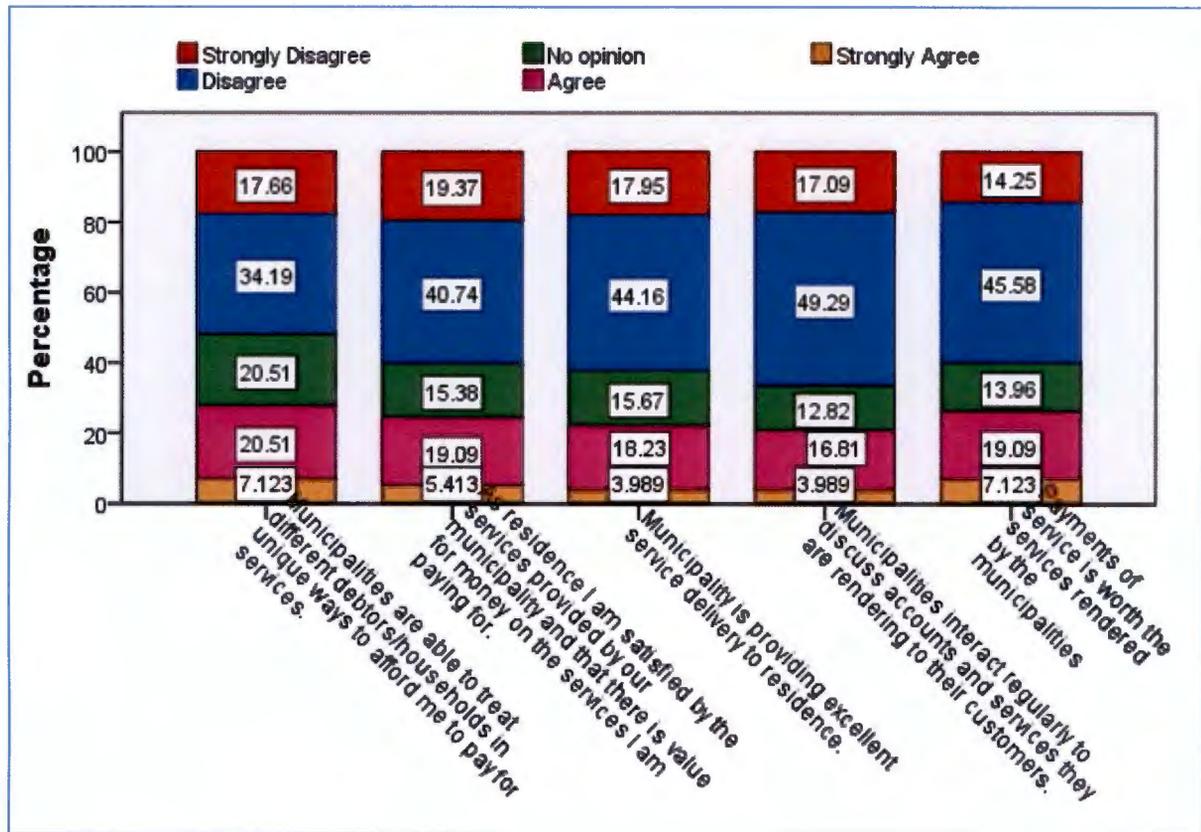
Pauw *et al.* (2002) cited that the municipalities should have credit controller to monitor outstanding debts and when the situation go beyond the specified payment terms.

The necessary procedures should be followed to recovery or settle outstanding debts. In case of the findings of the study, the municipality should:

- send a remainder letter, make
- phone call to make arrangement to settle the account
- cut electricity or restricts water if customers not responding to arrangements
- Hire debt collection agencies to collect debts of behalf of municipality
- If the situation is not resolved, hand over the case to lawyer or even attached the asset of debtor (Pauw *et al.*, 2002; Pauw *et al.*, 2009).

In Factor 1 findings, there was an indication that there is inadequate personnel to deal with revenue matters in finance departments in municipalities. Azelama, Oviasasuyi and Aliimi (2004) concur with this finding through highlighting that the problems are the lack of required technical professional staff and poor link between tax payment and provision of communal services.

Figure 6.35: Responses from factor 2: (C): Households



The majority of the respondents were more in disagreement (disagree to strongly disagree) with the items of Factor 2 compared to those in agreement (agree to strongly agree). This implies the participants are dissatisfied about the service delivery.

According to Batho Pele White Paper (RSA, 1997e) there are eight Batho Pele principles, specifically transparency, consultation, value for money, service standards, access, courtesy, information, redress, openness. The municipalities must adhere to these principles in view of providing service delivery to their customers and households. The Batho Pele principles are integral part of any municipality who is performance oriented and interested to invest of public participation in order to improve provision of excellent service delivery. In terms of the responses of factor 2 the respondents were dissatisfied with the services provided by their municipalities.

This implies that the municipalities did not uphold to principles of Batho Pele on the responses of factor 2. The findings of respondents were discussed and interpreted in accordance of principles as follows:

(a) No value of money on services provided by municipality

The respondents pointed out that they are unsatisfied by the services that are provided by the municipalities. They did not see the value of money in terms of paying the services that are provided to them by municipalities. It may be deduced that the municipalities did not comply with the principle of value for money. When the municipalities are supposed to be economical, effective and efficient and try to provide the services at their utmost best. This may mean in context of implementation of credit control and debt collection policy, the households accounts were too expensive as compared to the services provided by the municipalities to them.

(b) Poor service delivery and service standards

The findings of factor 2 revealed that the participants believed that services provided to them are not excellent. This implies the municipality did uphold to service standards in providing service delivery to the households. The municipal officials and municipal councillors were supposed to liaise with the households with regard to the level of quality of services offered by the municipalities. This was going to give households the quality assurance about the municipalities' service delivery.

(c) No openness and transparency with regard to their accounts

The respondents alluded that the municipalities are not interacting regularly to discuss their municipal account. The municipalities did not comply with the principles of consultation, access and information. This infers that the municipalities were supposed to address matters that are important in compiling municipal accounts such as the estimated readings and meter readings. This is may be justified by the findings in factor 3 where most respondents agreed that the municipalities should take meter readings prior to compilation of monthly accounts in order for bills to be informed by the meter readings.

(d) No courtesy given to them in terms of accounts

The respondents revealed that the municipalities were not able to treat different debtors in unique in order to pay their accounts. The municipalities did not uphold to principle of courtesy. The municipality was supposed to be helpful and treat them with dignity and respect in assisting them to pay their accounts.

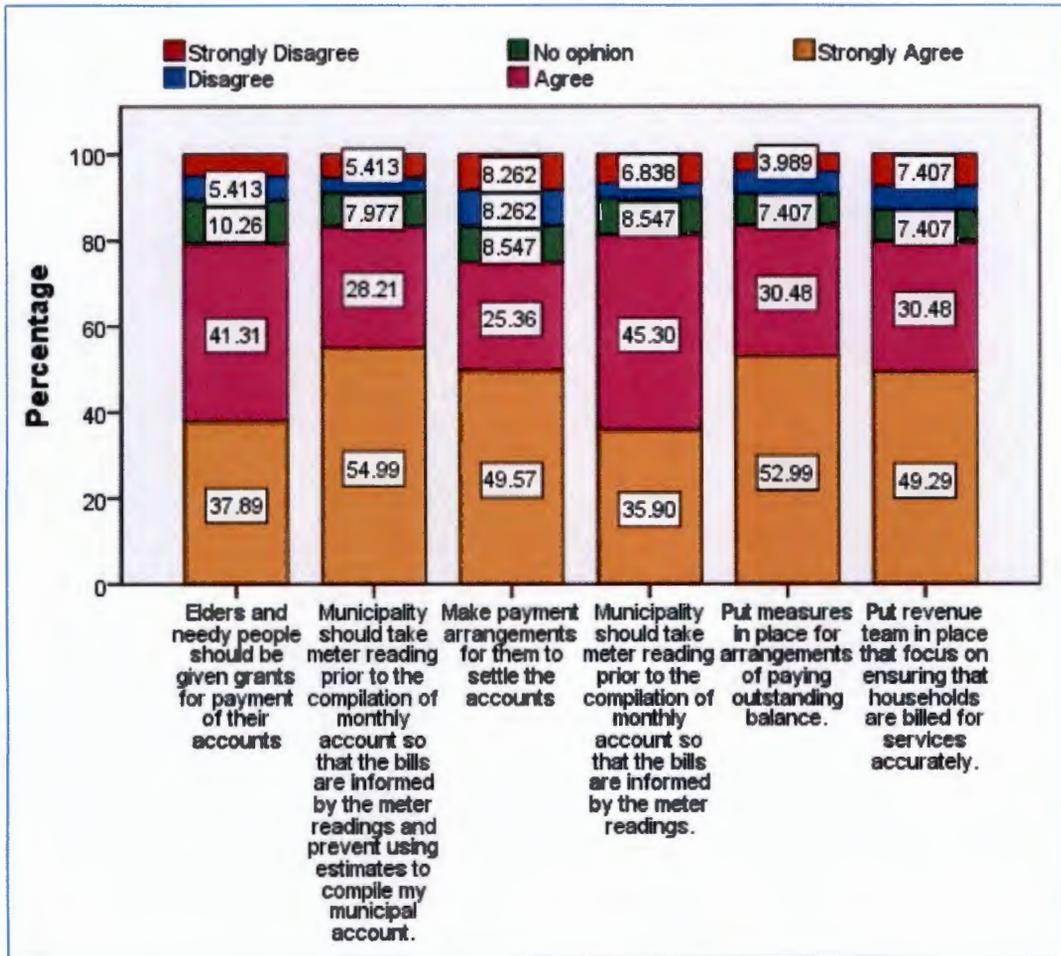
It was also noted in findings of factors that some of the respondents cited that they did not have opinions with regard to implementation of Batho Pele principles in the municipalities. The municipalities were not investing this early warning signal in excellent service delivery since all stakeholders of municipalities should be familiar with the principles and application of them in their municipalities.

The non-adherence to Batho Pele principles as cited above can hurt the municipalities because it can create resistance for the payment of accounts by householders and other stakeholders. This current situation in municipalities with regard to non-compliance to Batho Pele principles may lead us to believe that the municipalities are providing poor service delivery.

In light of the above COGTA (2009:10-11) highlights that the community experience frustration over poor service delivery and poor political governance. It was suggested that the citizens lacked confidence and trust in the system. This resulted in the alienation of citizens from local government including protests.

Hence, it can be concluded that the municipalities' officials should invest in Batho Pele principles in view of dealing with escalations and outstanding debts and collecting all monies due to them on services provided to households, businesses, government departments and other customers.

Figure 6.36: Responses from factor 3: (C): Households



The majority of the respondents were more in agreement (Agree to Strongly Agree) with the items of Factor 3 compared to those in disagreement (Disagree to Strongly Disagree). According to findings of factor 3 the respondents agreed that the municipalities should put control measures in the municipalities in the implementation of credit and debt control policy. The control measures of administration of debtors that are suggested by the respondents are grant management policy, legal action on defaulters, debtor management cycle. The control measures are briefly discussed as follows:

- **Grant management policy**

Most of participants as reflected in factors agreed that elders and needy people should be given grants for payment of their accounts. SALGA (2015:5) points out in line with finding by asserting that many municipal customers are indigent and therefore cannot afford to pay for services and this has to be integral into financial planning and strategy development of the municipalities in South Africa.

Therefore, it is the duty of the municipalities to ascertain customers that cannot afford to pay and declare them as indigents. USAID (2005) supports that the inclusion of needy persons in payment of municipal accounts by stating that indigent management must be implemented in parallel with debt management collection and with control programmes.

The persons receiving an indigent grant services such as the elders and needy persons as reflected as finding for factor 3 are not subjected to cut-off of services. They are only receiving basic services are not subjected to collection of outstanding debts USAID (2005).

- **Debtor management**

The respondents also cited that the municipalities should take meter prior to monthly accounts compilation. Fourie *et al.* (2011) concur with this finding by asserting that the municipalities must take meter readings in order to determine what the consumers will eventually pay. It was pointed out that when reading cannot be obtained the municipalities can use estimated readings, which are calculated based on previous consumption pattern. The estimated readings should be in accordance with by-laws approved by municipal council on readings.

- **Billing system**

The respondents suggested that must be the dedicated revenue personnel in place to deal with billing system in the municipalities. This had an implication that they were subject to incorrect billing system and there was a shortage of staff in finance department in municipalities. This finding was supposed by COGTA (2009) that stated that municipalities are subject to challenges of attract and retain skilled, experienced and qualified technical and management professionals. In addition, USAID (2005) highlights that accurate billing processes are part of effective revenue enhancement strategy. Therefore, municipalities must put in place a dedicated revenue team in order to ensure correct billing can contribute in improving management of revenue and working capital.

- **Measures to maintain credit control**

Fourie *et al.* (2011) and Pauw *et al.* (2002) cited that the municipalities should put in place measures to maintain credit control. It is further stated that:

“In order to maintain credit control and improve debt collection, the system should reflect the following characteristics, in terms of section 101,102,103 and 104 of the Municipal Systems Act, 2000: access to property, consolidation of accounts, agreements with employers.”

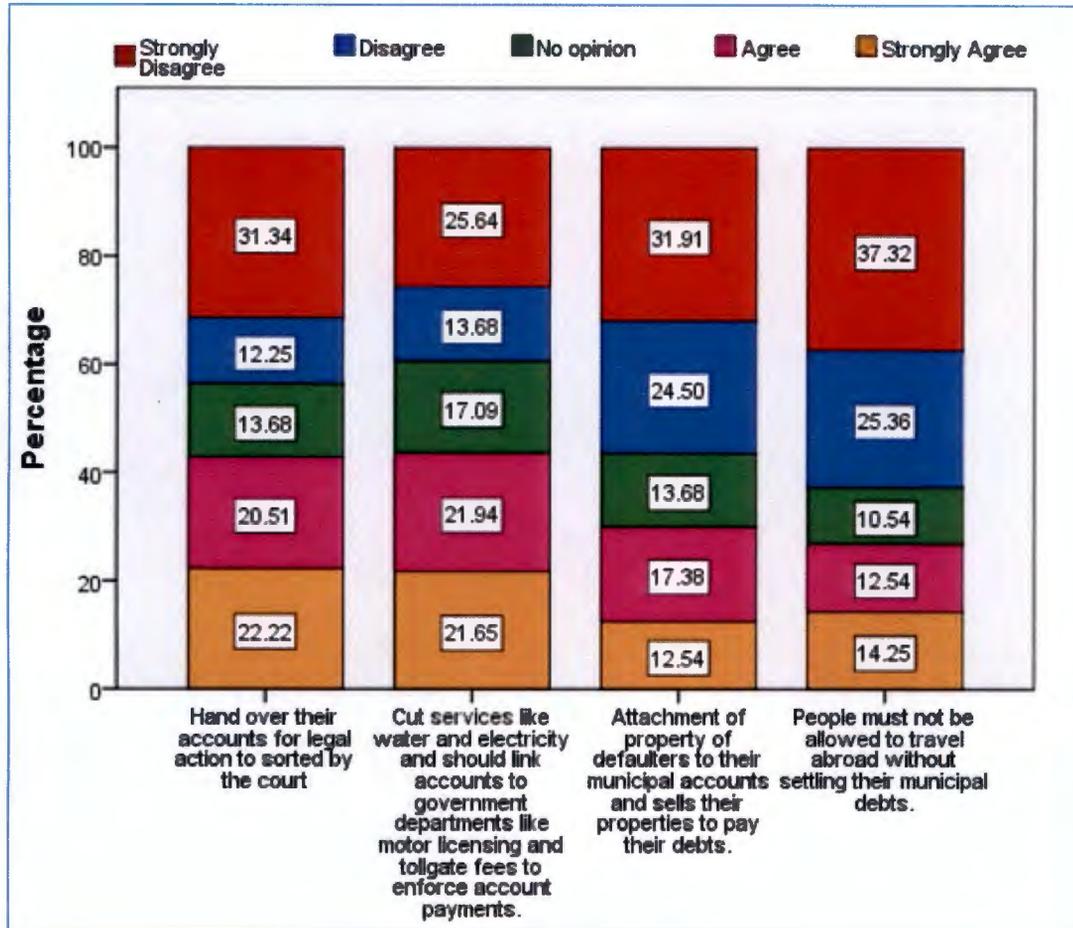
According to finding in factor 3, the respondents in line with Fourie *et al.* (2011) and Pauw *et al.* (2002) stated that the municipalities should make payment arrangements for settle of the accounts. This implies that the respondents are willing to participate in contribution in payment of municipal accounts. On the other hand, Pauw *et al.* (2002) suggest that the stages in debt collection should adhered to in order for municipality to monitor outstanding debts.

The finding of respondents suggested that the municipalities should put measures for payment of outstanding balance. In relation with this, Pauw *et al.* (2002) cited that the municipalities could put in place the stages of debt collection such as the:

- (i) Issue the reminder letter to defaulters;
- (ii) Phone the defaulters and arrange to pay outstanding balance;
- (iii) Withholding of further services like restriction of water and cut-off electricity services;
- (iv) Hire debt collection agencies to collect outstanding debts on behalf of the municipalities, but taking into account charges to be levied to municipalities; and
- (v) Legal action through hand over the account to attorneys, but it is too costly for municipalities.

Subsequently, it can be concluded that the findings Factor 3 for households with regard to grant management policy and measures to maintain credit control confirmed the findings of factors 5 with regard these control measures. In both factors amendments were suggested, which have the impact on Municipal Systems Act, 2000 and credit control and debt collection policy.

Figure 6.37: Responses from factor 4: (C): Households



According to factor 4, for the first two questions, that is, “Hand over their accounts for legal action to sorted by the court” and “cut services like water and electricity”, the respondents’ perceptions were almost equally divided between those who were in agreement (Agree to Strongly Agree) and those who were in disagreement (Disagree to Strongly Disagree).

However, the majority of the respondents were in disagreement (disagree to strongly disagree) with the last two questions of Factor 4, namely, “Attachment property of defaulters...” and “People must not allowed to travel abroad...”

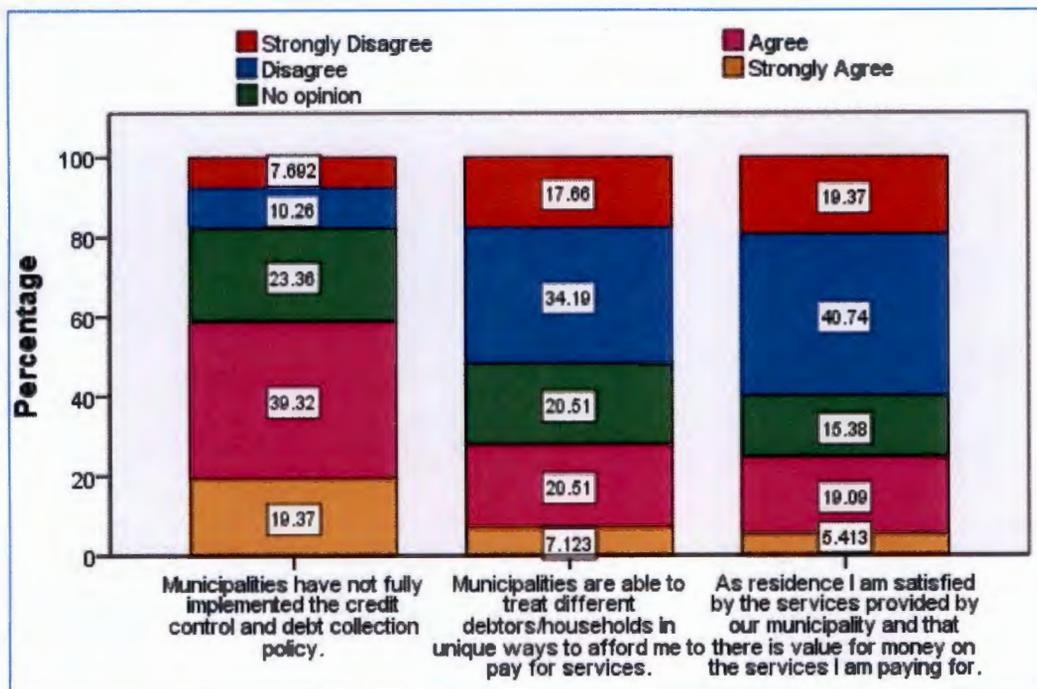
The factor 4 responses pointed out the municipalities should put the measures to maintain credit control in order to deal with outstanding and escalating debts the municipalities are experiencing. As highlighted in factor 3 above in terms stages of debt collection, these stages were applicable in first two questions.

The respondents in terms of paragraph (iii) above that this internal control measure should be strengthened by amending it by adding that the defaulters must be linked to other government departments such as the licensing and tollgate fees to enforce accounts payment. On the other hand, the participants in accordance with paragraph (v) above concurred with this internal control measure to control the outstanding debts in the municipalities.

It was noted that the respondents made amendments in paragraph (iii) above, but with the inclusion of indigents because they are catered for, in terms of indigent management policy (Fourie *et al.*, 2011; USAID, 2005). These suggested amendments imply an amendment of Municipal Systems Act, 2000 in terms of paragraph (iii) above.

The other two responses where the respondents cited that they disagree and strongly disagreed with them are not part of paragraphs (i), (ii), (iii) and (v). The respondents according to factor 4 did not want to include them as part of internal control measures in enforcing the compliance of payment of municipal accounts.

Figure 6.38: Responses from factor 5: (C): Households



The majority of the respondents were in agreement (agree to strongly agree) with the item "Municipalities have not fully implemented the credit control and debt collection policy..." and were in disagreement (disagree to strongly disagree) with the other two items.

The other two items, where the respondents were in disagreement with them (disagree to strongly disagree) are in accordance with Batho Pele White Paper (RSA, 1997e) including eight Batho Pele principles, specifically transparency, consultation, value for money, service standards, access, courtesy, information, redress, openness. The municipalities must uphold with these principles in view of providing service delivery to their customers and households.

The response "*municipalities are able to treat different debtors in unique ways to afford me to pay for service*" is similar to finding in paragraph (c) of factor 2 above.

On the hand, the response "As resident I am satisfied by the services provided by our municipality and that there is value for money on the services I am paying for" is the same as finding in paragraph (a) of factor 2 above.

This implies that there was a correlation in the responses, discussion and interpretation of the factor 4 items, which the respondents were in disagreement with them and those in paragraph (a) and paragraph (c) in factor 2.

The other item where the respondents were in agreement in factor 5 concurred with research problem statement in chapter 1, which says:

"The municipalities have adopted and implemented policy on credit control and debt collection in accordance with Municipal Systems Act, 2000. However, in return, the municipalities are still experiencing uncollectable consumer debts and some were subjected to net liability position. This implies that the municipalities in South Africa are subject to poor revenue management and working capital management that will impact negatively on the day to day operations of the municipalities to provide services to their customers and communities".

This implies that the municipalities are still experiencing this challenge as pointed in research problem of this study in chapter 1.

The respondents commented on Section D of the questionnaire as depicted in **Chart 6.3** as indicated below:

Chart 6. 3: Municipality comments on credit control and debt collection policy



Most of the people indicated that the municipality needs to deliver the services to the communities. This implies that the municipalities are not providing the services in accordance with Batho Pele principles as outlined in Tables above. In terms of **Chart 6.3**, the participants are dissatisfied about the services that are provided by the municipalities to them in relations to the money that is paid for the services. There was the correlation between two charts of section of both municipal officials and the households. The correlation is that the municipalities should provide excellent service delivery to internal and external stakeholders.

6.3 CHAPTER SUMMARY

This chapter focussed on quantitative data analysis where the findings were presented, discussed and interpreted. It was revealed that the municipalities are still experiencing the outstanding and escalation debts in both findings of municipalities and the households. It was evident from both municipality sector and households that service delivery was still a major challenge that municipalities need to address in near future. The discussion and interpretation of findings were in accordance with research objectives of the study. Chapter 7 will focus on a framework for enhancing the management of municipal revenue and working capital in South Africa. Chapter 8 will present the recommendations and conclusions of the research study

CHAPTER 7: FRAMEWORK TO ENHANCE THE MANAGEMENT OF MUNICIPAL REVENUE AND WORKING CAPITAL

7.1 INTRODUCTION

Chapter six of this study presented the findings of the quantitative phase results whereby the themes used to compile the questionnaire. The questionnaires were used to collect data from municipalities and households. Chapters two and three of this study dealt with the literature review of the study, which focussed on management of municipal revenue and working capital, benchmarking on regional and global experiences and theoretical framework.

Section 96 and 97 of Municipal Systems Act (MSA), 2000 (RSA, 2000a) provides for the collection responsibility of municipalities and state that the municipality should adopt, maintain and implement a credit and debt collection policy.

According to Section A of the MSA (RSA, 2000a), a municipality should collect all monies due to it and this policy must be consistent with its rates and tariff policies. Section 96 of the MSA (RSA, 2000a) necessitates municipalities to implement credit control and debt collection policy and approved by-laws in support of the fees and levies charged by the municipalities for the services provided.

Fourie *et al.* (2011) highlight that the municipal council through adopting a credit policy and debt collection policy acknowledges its constitutional onuses to develop the local economy and provide acceptable services to citizens. In addition, Fourie *et al.* (2011) point out that all municipalities in South Africa are subjected to the critical risks of their inability to collect revenue due to them for services provided to communities. This implies the municipalities should invest in dealing with financial risks emanate from inability to collect revenue. Thus, the subsection below will discuss briefly how this study will deal with financial risks of inability to collect revenues due to municipalities in **number 1.3** of chapter 1 and findings as stipulated in chapters 6 and 7 of this study.

7.2 FRAMEWORK TO ENHANCE THE MANAGEMENT OF MUNICIPAL REVENUE AND WORKING CAPITAL

The main purpose of this study is to design the framework for enhancing the management of municipal revenue and working capital due to the uncollectable consumer debts that are experienced by most of the South African municipalities over the past ten year. A framework to improve the management of municipal revenue and working capital was developed based on the literature review as pointed out in **Figure 7.1**. below.

A framework to enhance the management of municipal revenue and working intended to address the research question of the study, which is as follows:

- *What framework can be used to improve the management of municipal revenue and working capital in South Africa?*

This research question was explored in chapter 6 with three groups, which were the municipalities, households and organisations interacting with municipalities through in depth interviews and focus group interviews. The research question stated above was further investigated using the structured questionnaires, which were completed by the municipalities and the households. Both qualitative data analysis interpretation in chapter 6 and quantitative data analysis in chapter 7 depicted that general the revenue in the municipalities in terms of findings in this study are hindered by number of things such as the abuse of political power, ineffective implementation of credit control and debt collection policy and practices of revenue collection.

However, despite of the revenue collection challenges cited in chapters 6 and 7 respectively, it continues to be utmost importance for the municipalities to explore various ways and means to enhance the management of municipal revenue and working capital.

Subsequently, the inadequacies on implementation of credit control and debt collection policy and internal controls have compromised the management of municipal revenue and working capital. The findings in chapters 6 and 7 have indicated that there was a strong correlation between implementation of credit control and debt collection policy, internal controls and service delivery.

Thus, the development of a framework for improving the management of municipal revenue and working capital due to the uncollectable consumer debts is in accordance with the following research objective:

Research Objective 2: A framework for enhancing the management of municipal revenue and working capital

A framework emphasis on the maximising revenue in the South African municipalities. In addition, Fourie *et al.* (2011) argue that the municipalities should adopt a holistic approach to implement debt collection and credit control within municipalities. Municipalities are advised to operate like all businesses taking into cognisance on implementation policy by considering unique external and internal environments (Fourie *et al.*, 2011).

This study has dealt with the different causes of failure of current credit control and debt collection policy, which were termed as the internal causes associated with failure of debt control and external causes associated with credit control failures.

A holistic approach for municipality in dealing with escalating and uncollectable consumer debts is critical to ensure that the municipalities are financial sustainable.

The holistic approach was to develop a framework for enhancing the management of municipal revenue and working capital. A framework was developed based on the **literature review** of chapters 2 and 3 as well as the **empirical findings** for chapters 6 and 7.

7.2.1 Findings from the literature review

Finding 1:

According to the study conducted by Mazibuko and Fourie (2013:141-152) , it was deduced that the municipalities were subjected to poor revenue collection and it affected them negatively on the working capital within municipalities. There was no mention of a framework to improve the management of municipal revenue and working capital.

This was supported by SALGA (2015) that revealed the municipalities are subjected to challenges of uncollectible consumer debt and this has a negative influence on the revenue management and the net asset position of the South African municipalities. This implies that some of the municipalities are confronted with situation whereby expenditure growth exceeds the revenue growth. Thus, it suggests that the some of the municipalities are faced with budget constraints.

Fourie *et al.* (2011) in light of the above highlights that municipality need to adopt and implement integrated development plan (IDP).The IDP must link, integrate and coordinate plans and align the resources and capability of the municipality with the implementation of the plan. IDP must have a financial plan, which must include a budget projection for at least the next three years.

Finding 2

According to Section 64(1) of the Municipal Finance Management Act (2003), the municipal manager as an accounting officer of a municipality is responsible for revenue management but these responsibilities can be delegated to Chief Financial Officer. Akudugu (2012) and Pauw *et al.* (2009) concurred with this finding through adding that effective financial accountability in municipalities depends on ensuring that the revenues are appropriated legally.

The roles and responsibilities of administrative and political functions with regard to financial management in terms of revenue management and working capital are clarified to all the people that are involved on credit control and debt collection in the municipalities.

7.2.2 Findings from primary research-empirical findings

The findings of empirical findings are categorized in accordance with research objectives 1 and 2 below.

Research Objective 1: The causes of failure of current credit and debt collection policy in terms of collecting all monies due to the South African Municipalities.

According to **Figures 5.2- 5.5** of qualitative phase and the quantitative phase of the research study the below findings were identified.

Finding 3

According to **Figure 5.2**, the municipalities experienced the resource constraints, which were categorised into constrained budgets, supply chain constraints, technology constraints and inability to control expenditure due inflated price of good and services during the process of supply chain management. This implies that there no effective and efficient contract management that were signed between the municipalities and the services on the contracts that were more than one year.

The finding was supported by **Figure 5.10**, which revealed that the households were involved in illegal connection of meters to access electricity without paying for it. There were faulty meters and the households tempered the meters in order to pay less money on the services, which are provided by the municipalities.

In **Figure 5.10** the billing system that was used by the municipalities, according to the respondents, the billing system was inaccurate and incorrect due to incorrect meter readings taken by the municipalities.

The cluster 1 comparison under revenue collection (B2) and cluster 2 comparisons under revenue collection (B2) confirmed the above findings in **Figures 5.2** and **5.10**.

Both clusters 1 and 2 comparisons were more in agreement that the municipalities were subjected to lack of payment enforcement such as ICT related systems. This finding, in terms of **Figure 5.2** is termed as the **systems constraints associated with failure of debt control**.

Finding 4

Figure 5.3 revealed that poor corporate governance initiated the management constraints within municipalities. This emanated when the public officials were in the process of collection revenues. The municipal councils interfered through instructing municipal officials to relax compliance of collecting monies due to municipalities and enforcing compliance on households and organisations interacting with municipalities to pay their outstanding debts. Therefore, the managers did not manage to fully implement by- laws. Thus, the implementation of credit control and debt collection policy was compromised.

Figure 5.7 reinforced the finding that indicated there was an abuse of political power in municipalities. The politicians told the households that their debts would be written off. This resulted to the non-payment of municipal accounts by the households. The politicians also forced the municipal officials to reconnect the services for households without the settlement of their municipal accounts. This finding is denoted in **Figure 5.3** as **management style constraints leading to failure of debt control**.

Finding 5

Most of the respondents in **Figure 5.4** highlighted that the municipalities were understaffed due to personnel who resigned and other companies with more lucrative incentives appointed them. The resigned employees were not replaced because there was budget constraints within the municipality. The management instructed the municipal human resource staff that should not appoint staff on vacancies due to certain reasons. Many officials were acting on the critical senior management positions.

The cluster 1 comparison under revenue collection (B2) and cluster 2 comparison under revenue collection (B2) confirmed the above finding in **Figures 5.4**.

Both clusters 1 and 2 comparisons were more in agreement that the municipalities were subjected to lack of skilled personnel in municipalities such as attracting and retaining skilled personnel.

This finding, according to **Figure 5.4**, the municipalities were confronted with staff and skills constraints associated with failure of debt control.

Finding 6

Figure 5.5 depicted that the municipalities experienced the negative conflict with organised labour unions who insisted that all municipal officials should get incentive schemes for working overtime even if there are not involved in revenue collection as revenue team.

This finding was supported in **Figure 5.7**, whereby by the unions abuse the political power to influence the senior management of municipality to ceased giving the municipal officials the overtime incentives for collecting the outstanding debts from households. These human resource constraints in accordance with **Figure 5.5** were termed as the **role of unions constraints associated with failure of debt control**

Research Objective 2: A framework can be used to improve the management of municipal revenue and working capital in South Africa

Finding 7

Most of the respondents in qualitative phase of the study agreed that the municipalities should enforce the payment of monies due to municipalities. The respondents also settled on the opinion that the municipalities must compel the households to pay their outstanding debts. The respondents suggested that the municipalities attached property of defaulters to their accounts and municipality should make use of consolidated accounts to enforce the payment of municipal accounts.

This finding was confirmed by factors 2 and 5 whereby most of the respondents in C15.2; C 15.3; C14.1; C14.4; C14.5 and C14.5 agreed the municipalities lacked internal credit control and debt control measures to collection revenues from the households.

Finding 8

Most of the respondents in qualitative phase with their suggestions implied that there is lack of involvement by the Provincial and National Government to intervene in the challenges of debt control and revenue collection by municipalities.

7.2.3 Conclusions

As highlighted in Chapter 1, the aim of study research questions and research objectives pointed out in **numbers 1.4** and **1.5** respectively was an attempt to satisfy or address the aim of the study, research questions and objectives through the semi-structured questions for in depth and focus group interviews as well as structured questionnaires.

The conclusions in this subsection are categorised in accordance with the research objectives.

Research Objective 1: The causes of failure of current credit and debt collection policy in terms of collecting all monies due to the South African Municipalities

The conclusions that can be drawn with regard to **Finding 3** was that the municipalities were subjected to systems constraints associated with failure of debt control.

However, the municipalities tried to implement systems reflected from factor 2 such as charging interest on overdue accounts (C8); putting in place accounting system automatic accrues for the interest (C9); prepare the monthly management reports for cash debtors and creditors (C10) and put in place the customer services centres (C13) to deal revenue collection and controlling outstanding debts from households.

Notwithstanding, an approved credit control and debt collection policy by municipal councils, the municipal officials partially implemented a policy due to the political interference that was instituted by the municipal councils during political voting **elections**.

The interference of politicians in revenue collection has resulted to poor corporate governance in the municipalities as stipulated in **Finding 4**. Thus, the households took that advantage to threaten the politicians that they would not vote for them if the politicians are not instructing the municipalities to relax credit control and debt control measures. Additionally, non-payment of debts, outstanding and escalating debts was the fact that municipalities did not appoint in time on the vacant posts as outlined in **Finding 5**.

Lastly, the organized labour unions were also the human resources constraints that prevented the collection of revenue, outstanding and escalating debts from the households in terms of **Finding 6**. This was due to the miscommunication between the municipality and organized labour unions with regard to implement overtime incentive scheme for revenue management officials.

Research Objective 2: A framework can be used to improve the management of municipal revenue and working capital in South Africa

Most of the respondents as reflected in **Finding 7** agreed that the municipalities should apply the compliance measures as the credit control measures and debt control measures in order to improve the management of municipal revenue and working capital. In addition, the Provincial and National Government has not intervene in the municipal debt and revenue collection by municipalities as indicated in **Finding 8**.

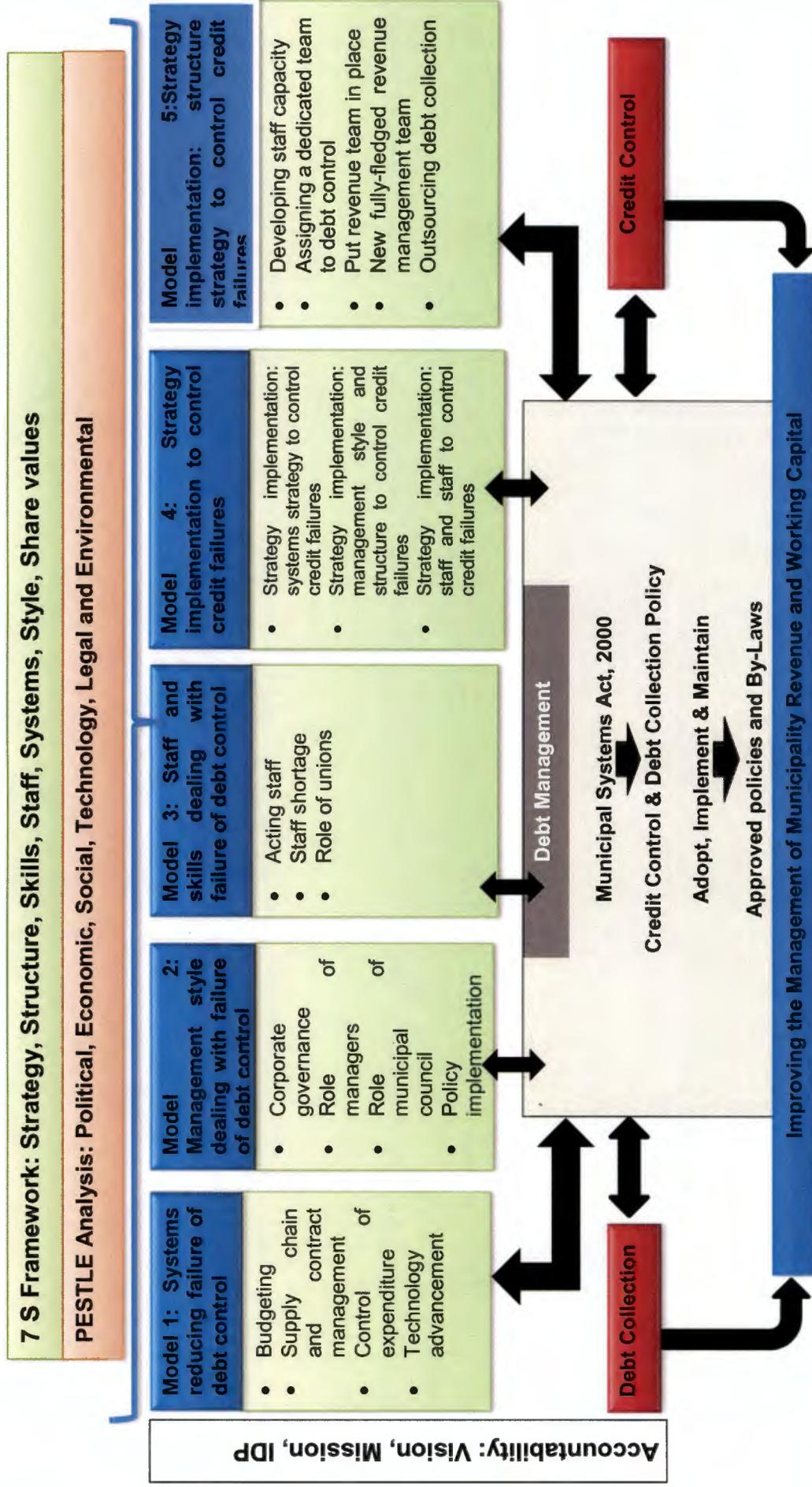
Based on the above, the municipalities are still experiencing uncollectable debts, outstanding debts and escalating debts despite the implementation of credit control and debt collection policy in terms of collecting all monies due to the South African municipalities.

7.3 RECOMMENDATIONS

In light of the above-stated findings of this study, the recommendations to address the findings are suggested in form of a framework as depicted in **Figure 7.1**. A framework was adapted from 7S Framework and Pestle Analysis as discussed in chapters 3, 5 and 6. In order for the municipalities to address the research problem as reflected in Chapter 1 in terms of number **1.3** above, a literature survey was undertaken as fundamental upon which empirical research could be based on. The findings with regard to literature review are combined and categorised into one item for the purpose of recommendations: namely accountability.

A framework in this study is termed as 5-stage model for reducing lack of debt control. A framework is presented (in **Figure 7.1**) and discussed below:

7.1: A Framework for enhancing the management of municipal revenue and working capital



Source: Researcher own analysis (2017)

7.3.1 Five stage model for reducing lack of debt control

The five stage model for reducing lack of debt control comprised the systems reducing failure of debt control , management style dealing with failure of debt control, strategy implementation to control credit failures, strategy implementation: structure strategy to control credit failures and strategy implementation: structure strategy to control credit failures will be discussed in the following subsections.

7.3.1.1 Systems reducing failure of debt control

Alignment of IDP and Budget

According to Section 25(1) of Municipal Systems Act (MSA), 2000 there must be alignment between municipal budget and integrated development plan (IDP) Section 25 of MSA, specifies; how the municipalities should adopt IDP.

Section 25 of MSA states that every council should, within a prescribed period after the commence of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality. The plan must:

- Link ,integrate and coordinate plans and take into cognisance proposals for the development of the municipality;
- Align resources and capacity of the municipality within the implementation of the plan;
- Comply with the requirements of chapter 5 of the MSA,2000; and
- Is compatible with national and provincial development plans requirements.

The sound integrated development plan (IDP) is fundamental for putting in place a good financial plan. In terms of Section 26 of MSA, a financial plan must include a budget projection for at least for the next three years.

Fourie *et al.* (2011) suggest that the financial plan reflected in the municipal IDP must include the following:

- Include the budget projection as required by Section 26(h) of the MSA
- Indicate the financial resources that are available for capital developments and operational expenses
- Include a financial strategy that defines sound financial management and expenditure control

- Ways and means of increasing revenues and external funding for the municipality and
- Its development priorities and objectives ,which address revenue raising strategies, asset management strategies, financial management strategies, capital financing strategies, operating financing strategies and strategies that will enhance cost effectiveness.

In light of the above, the municipal finance management act with special reference to Section 17(3) highlights that when the annual budget is tabled in the municipal council, it must be accompanied by:

- Measurable performance objectives for revenue for each source (for expenditure)
- For each vote in the budget, taking into cognisance the municipality IDP.
- Any proposed amendments to the IDP following the annual review of the plan in terms of Section 34 of the MSA.

This implies that the municipalities must ensure that the IDP and municipal budget are aligned in order to deal with budget constraints highlighted in **Figure 5.2**. These constraints were termed as the systems constraints associated with failure of debt control. Budget constraints were some of the constraints that fall on this category. Based on **Finding 3** that reflected the systems constraints associated with failure of debt control, the municipalities have an urgent need to have a sound alignment of IDP and municipal budget in order to curb the budget constraints that were identified during the process of supply chain management within municipalities.

In view of this as depicted in **Finding 3** as outlined in **Figure 5.2**, with regard to budget constraints, the municipal officials and politicians should be provided training and development programmes that will expose them to alignment of IDP and budget, where they will acquire strategies of how to prevent budget constraints in the process of supply chain management.

Supply chain and contract management

The municipalities after the alignment of IDP and budget must develop a procurement plan that will depict all the projects that will undergo the process of procurement process. The procurement should allocate a budget for each project as per approved financial plan in the integrated development plan (IDP).

In order for the municipalities to implement the procurement plan in accordance with their approved supply chain management policy. The municipal manager must implement supply chain management policy.

The municipal councils in any of municipality are not permitted to sit in bid committee, evaluation committee, approving tenders, quotations, contracts or other bids. The municipal councils should not even become the observers in the supply chain management related meetings (Fourie *et al.*, 2011; Pauw *et al.*, 2002).

They must comply with the procedures of supply chain management in terms competitive bids (tenders) process in order to actual implement the municipalities procurement plans for a financial year. This will ensure that there is no supply chain constraints within municipalities. The policy must provide procedures that municipalities should adhere to them such as:

- The compilation of bidding documentation for a competitive bid process
- The public invitation of bids
- Evaluation of bids
- The award of contracts
- The administration of contracts
- Proper record keeping

In addition, the municipalities should establish the contract management unit in order to manage all contracts organised by the municipalities. This will assist the municipality to enter into contractual agreement with the preferred bidders before the commencement of the contract. The contract between the municipalities contained the contractual terms of conditions where both parties should adhere to during the contractual period as per supply chain process (Van der Waldt *et al.*, 2007). Price adjustment is permitted only if it was catered for the approved contracts. The non-contract adjustment of prices is not allowed (Van der Waldt *et al.*, 2007).

Thus, the municipalities through the signed contracts between them and preferred bidders (supplies) will prevent the municipalities to be subjected to supply chain constraints.

Control of expenditure and technology advancement

This implies that the procurement plan as per financial with all projects of that particular and the sound implementation of competitive bids process will ensure that the municipalities are in control of their expenditure. Thus, the ICT system linked direct to control of expenditure during the supply chain process because e-procurement will assist the municipalities get an access to a number of suppliers listed on the internet. This will afford an opportunity for municipality to make comparisons of products and their prices in order to prevent the price inflation.

Hence, with procurement process compliance such as both parties adhering to the signed contract, the municipalities may find themselves in operating in accordance with approved budget and may not be subjected to price inflation and overcharged by preferred bidders if the contract is more than one year. Thus, in light of the above discussion, it may be concluded that **systems reducing failure of debt control** as cited above will curb supply chain constraints, budget constraints, technology constraints that are associated with failure of debt control in the municipalities as depicted **Finding 3** as well as **Figure 5.2**.

Therefore, it is recommended for the municipalities to adhere to the proposed systems to reduce failure of debt control in order to prevent non-payment of municipal accounts and controlling outstanding and escalating debts within municipalities.

7.1.1.2 Management style dealing with failure of debt control

Corporate governance

According to Hendriks *et al.* (2012, 104-107) corporate governance puts the super-ordinate goal of business success within the context of sound shareholder-stakeholder relations and honest business behaviour. The purpose of corporate governance is to match business behaviour and management conduct with the corporate intentions, mission and objectives of the business.

Therefore, corporate governance is the way an organisation is directed and governed. Thus, corporate governance is the foundation of good business.

In light of the above, according to address **Finding 4**, corporate was the fundamental for improving the management of municipal revenue and debt management.

The role and responsibilities of mayors, municipal councils and municipal managers

The MSA (RSA, 2000a) necessitates municipal councils to oversee municipal finances in such a manner that permit them to ensure that the mandate to the people they serve can be realised.

The mayor, according to Section 52 of the MFMA (RSA, 2003) and Thornhill *et al.* (2014) entail:

- Providing general political guidance over fiscal and financial affairs of the municipalities
- Providing oversight of the responsibilities assigned in terms of MFMA to the accounting officer and chief financial officer but not to hinder the execution of their responsibilities.

On the other hand, the municipal managers as accounting officers in terms of the MFMA (RSA, 2003) must ensure that the municipality implements a system of internal controls in respect of debtors and revenue.

This implies that the politicians should approve a policy and play an oversight role on implementation of credit control and debt collection policy. The managers such as the chief financial officers and municipal managers must implement credit control and debt collection policy into the latter.

In view of this, the municipalities through the above discussion should ceased **Finding 4** reflected above, and **Figure 5.3**: management style constraints leading to failure of debt control. Therefore, it is recommended for the managers to be involved in credit control and debt collection policy review.

The municipalities must adhere to Section 95(a) and (e) of the MSA (2000a) and take appropriate steps to ensure the consumption of services of users is measured through accurate and metering systems in order for households to receive accurate accounts. This implies that there would be more effective and reliable implementation of a policy and by-laws by the managers. Hence, it may be concluded that the municipal councils should not push the implementation of policy to finance department. The councils should not oppose the managers' decisions to cut or restrict services since they are supposed to account as the oversight structure to ensure a policy is implemented.

7.2.1.3 Staff and skills dealing with failure of debt control

Acting staff and replacing resigned staff

The municipalities in terms of **Finding 5** and **Figure 5.4** should ensure that they appoint on the vacant posts when the employees resigned in order to deal with the acting staff that has been discovered that they lack accountability in terms of the implementation of credit control and debt collection policy. The municipality should provide the lucrative incentive to retain the skilled personnel with special reference to financial departments within the municipalities. It is recommended that the municipalities should develop the succession plan to ensure that their employees are motivated to stay in their organisations. This will prevent the staff turnover in the municipalities.

The appointment of staff on the vacant positions that emanated from the staff resigned will enhance the collection of revenue and control the escalating and outstanding debts since the collection of revenue the Municipalities heavily dependent on human capital to cut or restricts services (Fourie *et al.*, 2011; Thornhill *et al.*, 2014; Pauw *et al.*, 2002).

This implies that the management should not restrict the appointments of staff in order to curb the staff and skills constraints associated with failure of debt control. According to Thornhill *et al.* (2014), the municipal manager is responsible for the administration of the municipalities. These responsibilities of administration of debt can be delegated to chief financial officer. Every senior including officials who do not occupy senior positions, but who are entrusted with financial responsibilities must ensure effective financial management within municipalities.

Accordingly, in light of the above, the staff and managers are accountable for the implementation of a policy; this ensures the proper implementation of a policy and the by-laws that gave effect to the implementation of credit control and debt collection policy. The organised unions as the representative of the employees of unions should participate in the implementation of a policy since they regulate relations between employees and employers (Du Toit *et al.*, 2006).

This implies that the communication process between organised labour unions should improve in order to promote 100% buy in between senior management and employees of municipalities to enhance the management of municipal revenue and working capital. Hence, it can be concluded that the municipalities with above stated recommendations in this subsection will able to deal with **Findings 5 and 6** as well as **Figures 5.4 and 5.6**.

Finding 8

Most of the respondents in qualitative phase with their suggestions implied that there is lack involvement by the Provincial and National Government to intervene in the challenges of debt and revenue collection by municipalities.

7.2.2.4 Strategy implementation to control credit failures

The strategy implementation to control credit failures are categorised into three phases, which are briefly discussed as follows:

I. Strategy implementation: systems strategy to control credit failures

The municipalities should introduce smart meters to control debt in order to cut or restrict services from the defaulters. The municipalities should install the smart meters in order to be able to cut or restrict the services while the revenue management team is in the office. This implies that the municipalities should invest in ICT in order to improve the collection of revenue and debt management in order to deal with **Finding 1** as reflected above and **Figure 5.7**.

The smart meters will total discourage the municipalities to use the estimated bills to compile the accounts of the households. The municipalities should also use pre-paid meters that will allow the households to pay before they utilise the services provided by the municipalities.

The pre-paid meters for water and electricity will force the households to use water and electricity in accordance with their budget. On the other hand, the pre-paid meter will reduce the chances of households to owe municipalities. This implies that the prepaid meters will control the outstanding and escalating debts within the municipalities. Hence, it is concluded that municipalities to improve the management of revenue and working capital should implement smart meters and pre-paid meters.

II. Strategy implementation: management style and structure to control credit failures

There are four management strategy identified to control debt, which are:

o Indigent management policy

Indigent policy is associated with encouraging indigents to apply for and register as indigents. The municipality is supposed to adopt an indigent policy to ensure that indigents have access to basic services like water and electricity. Municipality should use own discretion in compiling the standards to identify indigents. The municipalities can apply the following standards to identify the indigents:

- South African citizen with valid identification and if not South African citizen, the applicant should provide proof of refugee status.
- Applicant should provide proof that they cannot afford to pay the services
- The combined monthly income of the applicant should not be higher than the municipal indigent policy
- Child –headed households should be regarded as indigent

- **Payment incentive schemes**

The municipalities should engage with organised labour unions and provide the overtime incentives to pay officials to collect outstanding and escalating debts from the households through cutting electricity services and restricting water services. When the defaulters have settle their accounts, the municipal officials should reconnect the services.

- **Legal steps and improved service delivery**

The effective credit control and debt collection are the key to ensure financial and sustainable financial in the municipalities. The effective implementation depends heavily on the capability of the municipality, which involve competent and experienced officials tasked with enforcement, appropriate systems and procedures and political support. Section 96 of MSA (RSA) assigns all municipalities to collect and manage municipal revenue. According to Chetty (2015; Fourie *et al.*, 2011; Pauw *et al.*, 2002; Pauw *et al.*, 2009), the municipal officials in finance department should be aware of their roles and apply the following in revenue collection and debt management.

- **Step 1**

The detail information of customers in arrears must be taken out daily from the financial system and imported into credit management system.

- **Step 2**

All transactions regarding to these accounts must be transferred from the billing system to the credit control system on a daily basis. This is executed to ensure that the arrangements can be monitored and that paid up accounts are removed.

- **Step 3**

The financial systems must be updated with data feedback for instance an information on municipal costs, arrangements, indigents, summonses and account handed over to attorneys.

- **Step 4**

The municipality should the flowing legal actions to deal with defaulters:

- Cut electricity ;
- Restrict water ;
- Pre-paid meter blocks;
- Summonses; and
- Judgements

The municipal officials should conduct follow-up visit on legal action that has been taken and if there is illegal connection, which has be done by customers. The municipalities should immediate terminate or restrict the services; report the matter to South African Police Services(SAPS) ; no reconnection or reinstatement until all arrears , interest , charges for charges for reconnections are reinstatements and penalties are paid in full (Fourie *et al.*, 2011).

The proposed changes by the respondents included dedicated courts and accounts to key services. This implies that there were the policy proposals made by respondents that will affect Municipal Systems Act, 2000 in terms of implementing credit control and debt collection policy in the municipalities. Thus, the implementation of these measures will ensure that the municipalities have the working capital to render services to their customers.

- **New development investments**

The new development investments is referred as the development of revenue enhancement strategies that the municipalities should put in place to improve their municipal revenue and working capital. This implies that the municipalities are investing in revenue growth in order to offset the expenditure growth. The municipality should consider the following new development investments:

- **Billboard Advertisements:** the municipalities should establish billboard infrastructure whereby the municipality should enter into fixed-term contracts with the members of the business community. The municipality charges such businesses a certain fee for the use of these facilities for advertising purposes (Respondent 4; focus group interview).

USAID (2005) suggested the revenue enhancement strategies that are briefly discussed as follows:

Provision of metered services

The provision of metered services will focus on the efficient delivery of services to customers and meeting customer expectations and the provision of metered services will reduce the wastage of water and electricity. The technical efficiency of provision of metered services comprise of demand management and meter management (USAID, 2005). Demand management focuses on the technical losses incurred in the network through leakages. Meter management is regarded as the supply loses incurred through the service meter and includes illegal connections and faulty meters (USAID, 2005:13-16).

Accurate billing

This is a critical element of the municipal revenue management business model and due to poor billing and revenue collection municipalities are becoming increasingly dependent on intergovernmental funding to balance their budget. If the customer information and billing are incorrect, the municipality has no basis to effectively collect revenue. Therefore, the key billing programme to ensure correct billing process entails accurate billing, customer information auditing and data cleaning (USAID, 2005). This implies that correct billing ensures satisfied customers.

In conclusion, the above stated recommendations will address **Finding 7** as depicted above.

III. Strategy implementation: staff and staff to control credit failures

The municipalities should implement effective communication strategy for successful debt collection enhancement. This should involve all stakeholders. The communication strategy within the municipalities should entail establishing call centres to make arrangements to settle accounts of the defaulters. The municipalities should educate the consumers about the importance of paying their accounts and inform them how the municipalities use these monies in improving service delivery.

The municipalities should conduct interdepartmental meetings with COGTA in order to establish ways and means to improve revenue collection and Government should engage with defaulters on behalf of the municipalities to pay their accounts. Thus, these actions will enhance the debt collection in the municipalities. These actions are recommendations to the municipalities to address **Finding 8** above.

7.3.1.5 Strategy implementation: structure strategy to control credit failures

The innovation action was regarded as the core to successful structure debt control strategy. This may include developing staff capacity; assigning a dedicated team to debt control; put revenue teams in place; appointing qualified staff; having a new fully-fledged revenue management team; outsourcing debt collection to collect outstanding and escalating debts on behalf of the municipalities. The municipalities should use these recommendations to address **Finding 6** above. Thus, the implementation of these measures will ensure that there is money to render services by the municipalities.

Debt management implementation

A framework for enhancing the management of municipal revenue and working capital is directed to politicians, households, businesses, government departments and other stakeholders that are dealing with municipalities. The debt management implementation heavily depends on the role player to play pivotal role. This requires all the business units within the municipalities, politicians, residents, businesses and oversight departments at provincial and national to participate in revenue collection and debt management. The municipality need to invest in local economic development in order to promote investment in the jurisdiction of municipalities. The municipalities need also to invest in infrastructure. In most of municipalities' jurisdiction, there is high rate of unemployment of youth, then, if the municipalities embark on investment, it will afford the municipality to boost economic growth, increase employment and reduce poverty. It will curb the situation that were experienced by some of the municipality, where the expenditure growth exceeded revenue growth.

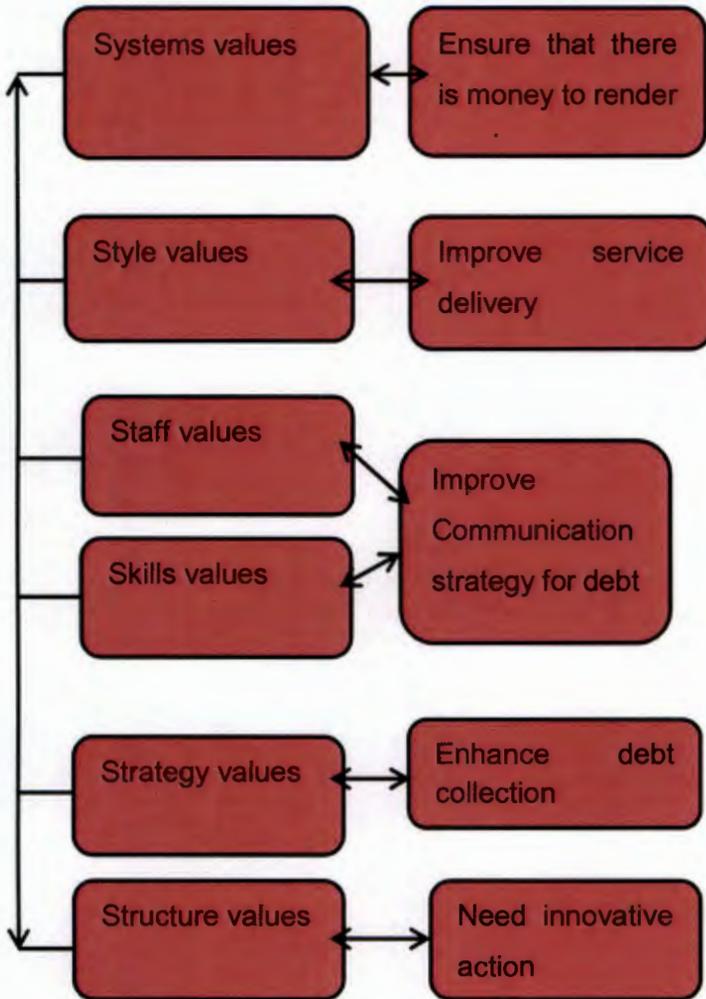
The municipality with the alignment of IDP and budget must invest in technology development by putting smart meters to assist them in debt control and improving their billing, revenue collection strategies and processes. The provincial and national monitoring departments must support municipalities in revenue collection and debt management in order to acquire and sustain their financial viability .The municipal council must play a critical role in liaising with households to see the need of paying municipal services and ensure that the indigent management policy successfully implemented in the municipalities.

The municipal councils must have regular meetings with households and other stakeholders to address the matters that are related to municipal accounts and delivery of services to households. This will create a buy in of households to support the municipalities in revenue collection and debt management.

Figure 7.1 portrays the integrated holistic framework that require all departments and politicians within that municipality and householders as well as other stakeholders to work in collaboration in revenue collection and debt management.

This implies that the parties concerned in this regard should have common shared values in terms of revenue collection and debt collection in the municipalities. As part of debt management implementation, the municipalities and all other key stakeholders in debt management implementation must have the common shared values as outlined in **Figure 7.2**.

Figure 7.2: Shares values model



Source: Own Source (2017)

The shared values (within municipalities) underlie the entities reason for existence. The shared values model contains six parts: Style values; Staff values; Skills values; Strategy values; Structure values. The following are the key values, which appear to emerge from the data analysis of qualitative and quantitative phases, which are recommended as part of a framework for improving the management of municipal revenue and working capital during the stage of implementation of debt management as illustrated in **Figure 7.1** above. **Figure 7.2** is briefly discussed as follows:

1. **Systems values:** The municipalities must ensure that there is money to render services through putting sound IDP and municipal budget that are aligned and supported with procurement plan and sound supply chain management policy. All parties involved should comply with policy and procedures in order to improve the management of revenue collection and working within municipalities,
2. **Style values:** The management style in the municipalities must promote good corporate governance whereby all key stakeholders are playing their roles and responsibilities in implementing credit and debt collection policy to improve service delivery. The style values in the municipalities should indicate how leaders and employees as well as politicians behave internally and externally for instance the politicians must not act in contrary with municipality in collection of revenues and debt management. Politicians are not supposed to instruct municipal officials to relax pressure in revenue collection and influence them not to pay their accounts. Both politicians and municipalities must enforce compliance in revenue collection and debt control. This must affect culture on non-payment of municipal accounts and the municipalities should breed a new culture of payment of municipal accounts.
3. **Staff and Skills values:** The municipalities must improve communication strategy for debt payment. The sound communication was basic to build sound relationship between municipality and its community where it services. It will be through communication whereby the communities will understand the municipalities' expectations with regard to revenue collection and debt management. The two way process of communication should promote the estimated revenue collection targets as per municipalities' expectations and residents' expectations such as good service delivery provided by municipalities. The municipal councils must have core competencies since it was cited that they were not familiar with content of credit control and debt collection policy.

This implies that qualified staff is one of the most valuable resources of every organisation. The ability to implement credit control and debt collection policy is largely dependent on its ability to recruit, select, place, appraise and develop appropriate employees.

The municipal councils and municipal officials should be provided with training programmes on revenue management and debt management. This is intended for the municipalities' officials and councils to effectively execute against the values, goals and strategies for revenue collection and debt management.

4. **Strategy values:** The municipalities would enhance debt collection through adhering the stages of debt collection and the political structure within the municipality is enforcing the compliance of stages of compliance such as:

- Issue reminder letter to defaulters;
- Phone the defaulters and make arrangements to pay outstanding balance;
- Withholding of further services like restriction of water and cut-off electricity services;
- Hire debt collection agencies to collect outstanding debts on behalf of the municipalities, but taking into account charges to be levied to municipalities; and
- Legal action through hand over the account to attorneys, but it is too costly for municipalities.

The debt of collection stages excluded the indigents because are catered for at the indigent management policy. The municipal councils must expose households on debt collection stages. They must enforce compliance even though the political voting period is approaching. The households would be willing and disciplined to pay their accounts.

5. **Structure values:** The municipalities should design their structures in an innovative manner so that it facilitate the corporate vision, goals and strategies such as the revenue collection and debt management strategies.

Hence, it is critical important for the municipalities to possess skilled, experienced and professional senior and executive managers in order to successfully implement the control measures of revenue collection and debt management control measures. On the other hand, the politicians must not interfere with the revenue collection and debt management. It requires the politicians to play an oversight role and ensure that the credit control and debt collection policy is approved together with the by-laws to effect the implementation of a policy.

This implies that the municipalities should adhere to the following **Table 7.1** in order to implement credit control and debt collection policy with intention of improving the management of municipal revenue and working capital.

Table 7.1: Financial governance framework

	Responsible for	Oversight over	Accountable to
Council	Approving policy and budgets	Mayor	Community
Mayor	Policy, budgets, outcomes, management of /oversight over municipal manager	Municipal manager	Council, public
Municipal manager	Outputs and implementation	Administration	Mayor, council, public
Chief financial officer	Outputs	Financial management	Municipal manager

Source: Fourie *et al.* (2011:10).

Table 7.1 reflects the roles and responsibilities the politicians and municipalities must play to ensure the municipalities are able to improve the status quo with regard to revenue collection and debt management.

Therefore, it is recommended that the municipalities should comply with **Table 7.1** above in order to ensure the status of financial sustainability and viability. This will curb for municipalities to be declared technically insolvency.

7.4 CHAPTER SUMMARY

The purpose of the chapter was to develop a framework to enhance the management to aid the municipalities in South Africa since most of them were subjected to outstanding and escalating debts despite the implementation of current credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African Municipalities. Out of the findings from the chapters 6 and 7 of this research, a framework for enhancing the management of municipal revenue and working capital has been suggested. This chapter discussed the recommendations to address the internal causes of failure of credit control and debt collection policy and external causes of failure of credit control and debt collection policy as per **Figure 7.1** above.

The integrated five-stage model for reducing lack of debt control requires a collective effort for all politicians, municipalities, households and other key stakeholders to implement credit control and debt collection policy.

Thus, the municipalities and other stakeholders should executive the holistic approach as illustrated in **Figure 7.1** and adopt the common shared values in **Figure 7.2** in order to quality assure the improvement of the management of municipal revenue and working capital. Chapter 8 as the final chapter proffers the other conclusions and recommendations of this study.

CHAPTER 8: CONCLUSIONS AND RECOMMENDATIONS

8.1 INTRODUCTION

The study investigated the causes of failure of current credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African municipalities and thereafter, developed a framework to improve the management of municipal revenue and working capital in South Africa.

The aim of the study was achieved through collecting primary and secondary data. The information in qualitative phase was analysed by means of thematic analysis whereas in the quantitative data was synthesised through SPSS. The primary data in qualitative phase was collected through conducting in depth interviews and focus group interviews. The primary data in quantitative phase was collected by structured questionnaire. The in depth and focus group interviews were conducted with municipalities, households and organisations interacting with municipalities. On the other hand, the questionnaires were administered to municipalities and households. The data in chapters 6 and 7 was analysed and interpreted. In this chapter, important findings and recommendations are made, emanating from the literature review and the primary research and the scope for further research is mapped. From the findings of the study, the conclusions are made in order to establish the extent to which the aim of research, research questions and objectives of the study were achieved.

8.2 REVIEW OF THE CHAPTERS

The purpose of the study was to develop a framework for enhancing the management of municipal revenue and working capital in South Africa. The study investigated the causes of failure of current credit control and debt collection policy and municipal systems act, 2000 in terms of collecting all monies due to the South African municipalities. The study was divided into eight chapters.

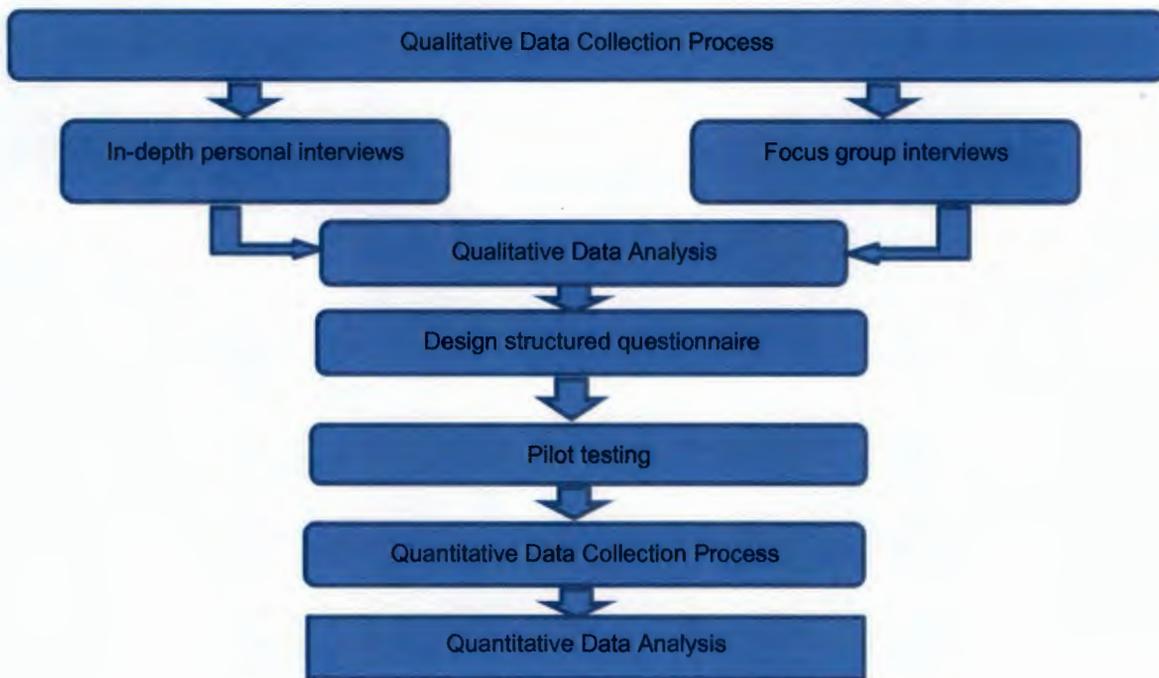
Chapter 1 provided the outline of the study in the introduction mapped the purpose of Municipal Systems Act, 2000 and the main objectives of credit control and collection policy in the local sphere of government. The chapter further reflected the background of the study, problem statement, research questions, research objectives, scope, significance and the summary of the scope of the study.

Chapter 2 focused on the legislative mandates of local government for management of municipal revenue and working capital, municipal structure for management of municipal revenue and working capital, the strategies to improve municipal revenue and working capital, debt management in the municipalities, debt profile of South African municipalities, the future of government debt collection and the conceptual framework of the variables attenuating the management of municipal revenue and working capital.

Chapter 3 outlined the theoretical framework appropriate for this study, which included theory of non-payment, theory of accountability, transaction cost theory, institutional theory, framework for corporate governance, pestle analysis and 7-s framework.

Chapter 4 illustrated research methodology of the study, whereby mixed research methods was utilised as reflected below.

Figure 8.1: Exploratory sequential data collection and analysis methods



Adapted from Saunders *et al.* (2012), Creswell (2009) & Creswell *et al.* (2007)

Chapter 5 dwelt on the qualitative phase of the study where three different groups were interviewed through in depth and focus group interviews.

The data obtained from different groups that are municipalities, households and organisations interacting with municipalities were analysed and interpreted regarding:

- the causes of failure of current credit control and debt collection policy and Municipal System Act, 2000 in terms of collecting all monies due to the South African Municipalities, and
- the strategies that could be used to improve the management of municipal revenue and working capital in South Africa.

Chapter 6 focused on the quantitative phase of the study where two different groups completed the structured questionnaires. The data was obtained from the municipalities and households and this was analysed and interpreted regarding:

- the causes of failure of current credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African Municipalities, and
- the strategies that could be used to improve the management of municipal revenue and working capital in South Africa.

Chapter 7 delineated the main purpose of the study in developing the framework for improving the management of municipal revenue and working capital in South Africa. The framework developed indicated the five-stage model for reducing lack of debt control, comprising the following:

- the systems reducing failure of debt control
- management style dealing with failure of debt control,
- strategy implementation to control credit failures,
- strategy implementation: structure strategy to control credit failures,
- and strategy implementation: structure strategy to control credit failures.

Chapter 8 concludes the analysis and offers the conclusions and recommendations of this research study. The study highlights pertinent issues regarding the causes of failure of current credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African Municipalities. Based on the analysis made, it is apparent that pertinent strategic issues need a policy change, such as credit control, capacity building corporate governance and standardisation of systems.

8.3 FINDINGS FROM THE STUDY

This subsection evaluates the findings and analysis. The findings presented in this section are from the literature review; the data collected from in depth interviews, focus group interviews and structured questionnaires.

8.3.1 Findings from the literature review

Finding 1

The legislative mandates such as the Constitution of South Africa, 1996 (Act of 108 1996), Municipal Finance Management Act (MFMA), 56 of 2003, Municipal Property Rates Act, 6 of 2004, Municipal Systems Act (MSA), 2000 were put in place to ensure that the municipalities provide services in an effective, efficient and economic manner to households, businesses and government departments (Fourie *et al.*, 2011; Pauw, *et al.*, 2009; USAID, 2005; Manyaka, 2014).

The municipalities have implemented the credit control and debt collection policy such that current credit control and debt collection policy is in accordance with the Municipal Systems Act, 2000 for collecting all monies due to the South African Municipalities. In turn, the municipalities still experience uncollectable consumer debts, outstanding and escalating debts, despite the implementation of the credit and debt collection policy (USAID, 2005, Manyaka, 2014).

Finding 2

The municipalities have the structures such as the political structure including municipal mayor, councillors and administration structure including municipal managers and other executive managers. The political structure is expected to play an oversight role in the implementation of credit control and debt collection policy (Fourie *et al.*, 2011; Craythorne, 2006).

On the other hand, the administrative structure is supposed to implement the credit control and debt collection policy to the latter. Both structures have an obligation to work in collaboration in ensuring that policy is approved and implemented to collect revenues due to municipalities and to control the outstanding and escalating debts within the jurisdictions of the municipalities (Fourie *et al.*, 2011; Craythorne, 2006).

In light of the above, it was identified that some of the municipalities have been declared technically insolvent because they were unable to collect revenues. Thus, the expenditure growth exceeded revenue growth (Dharamlall & Moodley, 2013:1; Thornhill, 2006). This implies that these municipalities were subjected to net liability positions.

Finding 3

The municipalities are expected to generate money by raising taxes, levies, rates and service charges for services provided to the local community within their jurisdictions and municipalities are highly recommended to utilise intergovernmental transfers. However, it was revealed that the municipalities' resources are insufficient to provide services required by the local community, thus the needs of communities remain unsatisfied (Pauw *et al.*, 2009:254).

Finding 4

The municipalities are unable to implement credit control and debt collection policy because they confronted with leadership challenges coupled with political interference. There is also evidence of lack of finance and skilled human resources, thereby complicating proper planning, and commitment to tasks. The political interference is more evident in municipalities when a councillor interferes on the role and responsibility of municipal managers (Madumo, 2012:89).

Finding 5

The municipalities have experienced the uncollectable, outstanding and escalating debts from households, businesses and government departments over the past 10 years. This non-payment of municipal consumer debts emanated from inability or unwillingness to pay for local services (SALGA, 2015; Mazibuko & Fourie, 2013:141).

Finding 6

The municipalities should regard ICT investment as one tight control measures to collect revenues and manage outstanding and escalating debts in the municipality. The system strengthens financial control and this has led to an improvement of management integrity in the municipal organisations (Otieno *et.al*, 2013; Githinji, Mwaniki, Kirwa and Mutongwa, 2014).

8.3.2 Findings from the primary research

The findings below are based on the questions for in depth interviews and focus group interviews as reflected in **Annexures A, B and C**. The other findings are based on the responses of Section A; Section B; Section B; Section D of the structured questionnaires as depicted in **Annexures E. and D**.

The questionnaire consisted of four sections (A to D) with focus on confirming the causes of failure of credit control and debt collection policy including sources revenue, revenue collection and strategies to improve the management of municipal revenue and working capital.

The purpose of the questionnaire was to confirm the causes of failure of policy as identified by the households, municipalities and organisations interacting with municipalities.

In order to reduce the failure of credit control and debt collection policy which has led to outstanding, escalating and uncollectable debts from households, businesses and government departments, which has occurred for the past 10 years, tighter measures are required.

In resolving this problem, the following questions were derived from the problem statement:

- What are the causes of failure of current credit control and debt collection policy and Municipal Systems Act, 2000 in terms of collecting all monies due to the South African Municipalities?
- What framework could be used to improve the management of municipal revenue and working capital in South Africa?

In terms of addressing the above stated questions, the following research objectives were investigated:

- To identify the causes of failure of current credit control and debt collection policy and Municipal System Act, 2000 in terms of collecting all monies due to the South African Municipalities.
- To develop a framework that can be used to improve the management of municipal revenue and working capital in South Africa.

The main findings of the study are categorised in accordance with the research objectives as outlined above.

The findings from primary research are divided into two parts, namely:

Part 1: Findings of the qualitative phase of the study

Part 1I: Findings of the quantitative phase of the study

Part 1: Findings of the qualitative phase of the study

The qualitative phase of the study comprised three types of groups, namely:

Group 1: Municipalities

Group 2: Households

Group 3: Organisations interacting with municipalities

Findings according to research objective 1 are depicted in subsection below:

Research objective 1: To identify the causes of failure of current credit control and debt collection policy and Municipal System Act, 2000 in terms of collecting all monies due to the South African Municipalities.

The findings of research objective 1 are adapted to 7-S framework and PESTLE Analysis.

7-S Framework are depicted by **Tables 8.1-8.9**, which are internal causes of failure in current credit control and debt collection policy.

PESTLE Analysis are represented by **Findings 7**, which are external causes of failure of current credit control and debt collection policy.

Finding 1

Table 8.1: Systems constraints associated with failure of debt control

Findings: Group 1- Municipalities
Systems constraints associated with failure of debt control were: <ul style="list-style-type: none">• Resources constraints:<ul style="list-style-type: none">○ Constrained budgets○ Supply chain budgets○ Technology constraints○ Control of expenditure

Table 8.1 shows that the municipalities are faced with systems constraints associated with failure of debt, which include resources constraints, constrained budgets, supply chain budgets, technology constraints and control of expenditure. These constraints made it impossible for municipalities to collect revenues due to them. The systems constraints as stated in **Table 8.1** compromised the internal control systems of collecting revenue and control debt management in the municipalities. As the outcome, the municipalities are subject to uncollectable, outstanding and escalating debts.

Table 8.2: Management style constraints leading to failure of debt control

Findings: Group 1- Municipalities
<p>Management style constraints leading to failure of debt control revealed were:</p> <ul style="list-style-type: none">• Poor corporate governance• Policy implementation review<ul style="list-style-type: none">○ Some of the managers are not involved in policy review○ Improve the effectiveness of the attorney in policy review every year• Role of managers<ul style="list-style-type: none">○ Deal with compromised policy implementation• Role of councils<ul style="list-style-type: none">○ Councils are not familiar with content of a policy○ Councils pushed the implementation policy to only finance○ Councils opposed managers decision to implement a policy-cut services

Table 8.2 shows that the municipalities are faced with poor corporate governance since the roles of managers are compromised due to political interference which constrained them to execute their roles as the administrators. Politicians instruct the administrators not to cut services for households because they would not vote for them in political elections (Barlow, Large and Le Roux, 2007; Lacoma, 1999).

The municipal officials were also involved in fraud and corruption by taking bribes from defaulters in order for them to have water and electricity without settling their accounts. The politicians interfered with managers and instructed them to relax the compliance procedures to households in terms of cutting or restricting services while they are in arrears. Councils were not familiar with the content of policy, which could make it difficult to oversee the implementation by administrative structures of the municipality (Lindberg, 2009:12; City Press, 2012:2; Thornhill *et al.*, 2014).

Table 8.3: Staff and skills constraints associated with failure of debt control

Findings: Group 1:Municipalities
Staff and skills constraints associated with failure of debt control revealed were:
<ul style="list-style-type: none">• Acting staff due to:<ul style="list-style-type: none">○ Management restricted staff appointments○ Resigned staff not replaced○ Staff and managers are not accountable to acting capacity○ Staff shortage compromised proper implementation of policies• Role of unions regarding:<ul style="list-style-type: none">○ Overtime incentives scheme for revenue officials○ Labour unions insisting that all people should get incentives○ Incentives scheme questioned by the unions

Figure 8.3 depicts that the municipalities did not appoint personnel in the critical positions. Posts were vacant for a long time and this comprised the accountability on the management side to collect revenues due to municipalities. The management instructed the municipal managers not to appoint for critical positions and the posts remained vacant for long time (Lindberg, 2009). The unions opposed municipalities offering incentives to municipal officials in order collect revenues due to municipality. Thus, the shortage of staff and manpower compromised policy implementation needs and human capital power to cut or restrict services for defaulters since ICT was expensive to be installed to municipalities due to budget constraints (Lindberg, 2009:12; Du Toit *et al.*, 2006).

The findings in **Figure 8.1- 8.3** were identified and used to develop a framework intended to improve the management of municipal revenue and working capital in South Africa. This in-depth discussion in findings is reflected in chapters 5 and 7 of this study.

The other findings that were not identified in the dislodging of a framework are reflected in the following tables:

Finding 2:

Table 8.4: Culture of non –payment of municipal services

Findings: Group 1:Municipalities

Culture of non –payment of municipal services:

- Vandalism of infrastructure of the municipality
- Non-payments of accounts can affect the payment of staff in future; liquidity problem
- People who falsely declared as indigents
- Households owed huge debts followed by businesses and government departments

In **Figure 8.4**, there was the culture of non-payment of services of municipal services in such a way other customers have falsely declared as indigents instead of paying for the services to municipalities. If the municipalities cut or restrict services, they opted to industrial action to threaten municipalities to refrain from cutting or restricting services even if they owed huge debts. Others had opted to vandalise municipal infrastructure as an act of counteracting the cutting or restricting of services by municipalities. Thus, some municipalities have indirectly declared technically insolvency.

Finding 3

Table 8.5: Lack of infrastructure

Findings: Group 1:Municipalities

Lack of infrastructure

Figure 8.5 revealed that the municipalities lacked infrastructure, do not have capacity to create jobs and spur economic growth within their jurisdictions.

Finding 4

Table 8.6: No value of money for paying municipal services

Findings: Group 2 - Households

No value of money for paying municipal services:

- No meetings organised by ward committees
- Due to incorrect billing
- Inaccurate meter reading

Figure 8.6 conveys evidence that municipalities do not comply with customer management system that aims to create a positive and reciprocal relationship between the municipality and their customers (Fourie *et al.*, 2011; Craythorne, 2006).

The lack of customer management system caused by ward committees who did not hold meetings with households in relation to incorrect billing and inaccurate meter readings were cited by households and organisations interacting with municipalities.

Finding 5

Table 8.7: Staff attitude

Findings: Group 3: Organisations interacting with municipalities

- Lack services due to staff attitudes
- No time to proactively manage revenue and debt
- Staff are following processes too slowly
- Certain monthly municipalities using estimates due staff attitudes

Figure 8.7 shows that municipal staff had negative attitudes towards providing acceptable customer care management to households, implying that the municipalities lacked sound customer management system.

Finding 6

Table 8.8: Unwillingness to pay

Findings: Group 3- Organisations interacting with municipalities:

unwillingness to pay:

- Misunderstanding of municipal officials with regard to relevant policies
- More education on households on municipal revenue and debt management
- Shortage of skilled staff and staff in general in local municipality

Table 8.8 indicates that municipal officials are short of skills with regard to revenue collection and debt management. On the other hand, the customers need more education to understand the mandatory need to pay their accounts.

Finding 7

This finding is extracted from **Figures 5.7 - 5.12** of this study.

Figure 5.7 revealed the abuse of political power, where politicians instructed the municipal officials to relax the pressure to control revenue collection and debt management. Municipal officials bribed households to give them money so that they would not cut off services. These consequently result in credit control failures in municipalities, a fact that is endorsed by Venter *et al.*, 2007; Thornhill *et al.*, 2014).

Figure 5.8 shows the economic causes of non-payment failures such as poverty. The poverty of households emanated from low education and lack of purchasing power of households. They regard service charges as too expensive and most of them are indigents (Peters, 2011).

Figure 5.9 reflects the social actions of consumers where economic and social pressures are associated with consumers' lack of discipline and their unwillingness to pay. The customers cannot afford to pay and they claim that their bills are too expensive. These factors are associated with people feeling that they have a right to services. They are demotivated to pay and vandalism of infrastructure is rife in service delivery protests. Consumers ultimately lag behind with payments (Peters, 2011:162).

Figure 5.10 depicts the technical causes of debt control failures that are caused by incorrect billing through estimated meter reading, faulty meters and inaccurate meter readings. These technical causes had led to non-payment of municipal accounts (Financial and Fiscal Commission, 2011).

Figure 5.11 depicted the legal causes of failures of debt control.

The households are engaged in illegal actions by consumers such as the illegal connections of electricity, vandalising of infrastructure, bribes from households to reconnect the services, violence due to restrictions or disconnection. The municipalities have taken legal action concerning illegal actions of consumers (Onias *et al.*, 2014:31).

Figure 5.12 shows poverty, unemployment and political influence and how they have affected the non-payment of accounts. Thus, the environmental context has apparently caused the failures of debt control.

Research objective 2

To develop a framework that could be used to improve the management of municipal revenue and working capital in South Africa.

Finding 8

This finding is applicable to all types of the group. It revealed that municipalities should enforce debt collection stages to collect revenues and control outstanding debts. Pauw *et al.* (2009) suggests the stages below:

- VI. Reminder letter followed by stronger letter and then a “blue letter” and final demand letter if there is no response
- VII. Telephone call that if often putting pressure on a debtor and to negotiate an acceptable payment arrangement
- VIII. Withholding of further services or restricting services or terminating services
- IX. Debt collecting agency that is acting on behalf of municipality to pursue the debtors to settle their debts. However, the municipality should pay the debt-collecting agency for collecting the debts on their behalf.
- X. Legal action handing over the debtor to a lawyer but this is costly because the legal process requires the issuing of court judgement to the debtors or even personal assets attached.

Part 11: Findings of the quantitative phase of the study

The quantitative phase of the study comprised of two types of groups, namely:

Group 1: Municipalities

Group 2: Households

8.3.3 Findings in accordance with demographic data

Group 1: municipalities

Finding 9

This finding is extracted from **Figures 7.1 -7.4** of the study.

Figure 7.1 revealed that municipalities could invest in their staff through providing training in revenue collection and debt management since their age group is between 26 and 36 years, which amounted 60, 01% of the respondents. The municipalities should provide training programmes in addressing the research problem escalating, outstanding and uncollectable debts (Dharamlall & Moodley, 2013; SAID, 2005).

Figure 7.2 indicated the gender profile ratio was 48, 55 %: 51,45 % from males to females, respectively in terms of gender balance in the municipalities.

Figure 7.3 revealed that most of the municipalities in South Africa are in rural areas since 86,36% of participants dominate local municipalities. In South Africa, there are 257 municipalities and 205 municipalities from local municipalities, meaning that 80,08% of municipalities are from local municipalities (Local Government Handbook, 2017).

The local municipalities are not characterised by high population density, intense movement of people, goods and services, many business districts and a centre of economic activity with a complex and diverse economy (Fourie *et al.*, 2011:5; 2011; Madumo, 2012:85-86; Local Government Handbook, 2017). This implies that these residents are subject to poverty, unemployment, economic down fall.

Figure 7.4 depicted that most of the respondents did not have Bachelor's degree, which is 80, 08%. In terms of competence, requirements for employees this was identified as a challenge in revenue collection and debt management skills within the municipalities. The 80.08 % of participants without Bachelor's degree, implies that there is a shortage of skills and the municipalities are unable to attract and retain skilled employees (Gono, 2006).

8.3.4 Findings according to the research objectives

Objective 1: The causes of failure current credit control and debt collection policy

Finding 10

Table 8.9: Sources of revenue (B1) cluster 1

<p>Findings: Group 1 – Municipalities</p> <p>Sources of revenue</p> <ul style="list-style-type: none">• Cluster 1 comparison 57% selected all proposed items of sources of revenue in municipalities
--

Table 8.9 depicted that all proposed items as listed in cluster 1 comparison of chapter 6 are the sources of revenue. The findings of Cluster 1 is in line with the National Treasury (2012:6-11), which points out that the sources of municipal revenue are property rates and trading services.

Finding 11

Table 8.10: Sources of revenue (B1) cluster 2

<p>Findings: Group 1 Municipalities</p> <ul style="list-style-type: none">• Cluster 2 comparison 41.3 % sources of revenue in the municipalities
--

Table 8.10 indicated that respondents in Cluster 2 (41.3%) were of the perception that only the following were the sources of revenue for their municipalities: services charges, reselling water, electricity, and waste management.

Finding 12

Table 8.11: Sources of revenue (B1)

<p>Findings: Group 1 Municipalities:</p> <ul style="list-style-type: none">• Highest qualification cluster membership is significantly associated with Highest Education level (p-value <0.01)<ul style="list-style-type: none">○ Below grade 12○ Diploma /certificate
--

Table 8.11 indicated the relationship between information and cluster membership.

Respondents with the highest chance of belonging to Cluster 2 are those whose qualifications are below matric (grade 12) with an 86.2 % chance of believing that only services charges, Reselling water & electricity and Waste management are the sources of revenue for their municipalities. Respondents with the highest chance of believing that all the suggested items are sources of revenue for their municipalities is those with a Diploma/certificate (70.6%).

Finding 13

Table 8.12: Causes of failure of credit control and debt collection policy (B2) cluster 1

Findings: Group 1 Municipalities:

- All listed factors in cluster 1 comparison are the causes of policy failure in municipalities

Table 8.12 depicted that all economic downfall, incorrect billing, unaffordability to pay municipal account, accounts are too expensive, poverty, municipality using monthly estimates to compile the bills, corruption, lack of skilled personnel in municipality, lack of payment by the municipality, and poor business conditions resulting in no profits are the causes of the failure of credit control and debt collection in the municipalities.

Finding 14

Table 8.13: Causes of failure of credit control and debt collection policy (B2) cluster 2

Findings: Group 1 Municipalities:

Some factors in cluster 2 comparison are the causes of policy failure in municipalities

Table 8.13 depicted that municipality using monthly estimates to compile the bills, corruption, lack of skilled personnel in municipality, lack of payment by the municipality, and poor business conditions resulting in no profits are the causes of the failure of credit control and debt collection in the municipalities.

Research objective 2: To develop a framework that can be used to improve the management of municipal revenue and working capital in South Africa.

Finding 15

Table 8.14: Factor 1 analysis: municipalities

Findings: Group 1 Municipalities:

- Internal controls
- Liquidity problem
- Sound customer management system

Table 8.14 in terms of factor analysis shows that the majority were in agreement that there were internal controls in the municipalities as reflected by C8, C9 and C 10. **Table 8.14** revealed that municipalities were subjected to the liquidity positions as indicated in C11.

Lastly, **Table 8.14** depicted municipalities have implemented sound customer management system as stipulated in C13 factor analysis of chapter 6 of this study.

Finding 16

Table 8.15: Factor 2 analysis: municipalities

Findings: Group 1 Municipalities:

- Stages of debt collection
- Credit control measures
- Strategies to improve revenue collection and control debt management
- Sound customer management system

Table 8.15 depicted that majority of respondents were agreement that municipalities should adhere to stages of debt collection as reflected in C15.3 and C15.15.5. **Table 8.15** depicted that municipalities should put credit control measures such as that reflected in C15.2. **Table 8.15** revealed that municipalities implemented strategies to improve revenue collection and control debt management as indicated in C15.4 and C15.6. In **Table 8.15**, it was discovered that municipalities applied the sound customer management system within municipalities as stipulated in C15.1.

Finding 17

Table 8.16: Factor 3 analysis: municipalities

Findings: Group 1 Municipalities:

- Poor corporate governance versus political interference
- Liquidity problem
- Strategies to improve revenue collection and control debt management

Table 8.16 depicted that municipalities experienced poor corporate governance as in C1 and C2 of factor 3 analysis. The politicians instructed municipal officials to relax internal control measures to collect revenues. The liquidity problems are reflected by C5 and C6 in factor 3 analysis; this implies that the municipalities were faced with liquidity problems.

Finding 18

Table 8.17: Factor 4 analysis: municipalities

Findings: Group 1 Municipalities:

- Consumers that owe municipality huge debt

Table 8.17 depicted that residents, commercials and government departments owe the municipalities as reflected in C7.1, C7.2 and C7.3 of factor analysis 4.

Finding 19

Table 8.18: Factor 5 analysis: municipalities

Findings: Group 1 Municipalities:

- Grant management policy
- Measures to control credit control
- Good corporate governance

Table 8.18 depicted that municipalities are implementing grant management policy as depicted in C14.3. **Table 8.18** indicated that the municipalities adhered to measures to control credit control as stipulated in C14.1, C14.4, 14.5 and C14.6. **Table 8.18** showed that municipalities have applied good corporate governance as depicted in C 14.1.

8.3.5 Findings in accordance with demographic data for group 2: households

Finding 20

This finding is extracted from **Figures 7.8 -7-14** of chapter 6 of this study

Figure 7.8 indicates ratios of 32, 48 %(father) to 76.52 %(mother, child, other and granny). This implies that there is high unemployment rate and poverty rate since most of the respondents are from rural municipalities.

Figure 7.9 shows that the majority of respondents fall between the ages of 25-55 years, which is 96,58%. This implies that the ward councillors have the opportunity to organise meeting with people in their areas to deal with the community needs in relation with paying of services delivered to them.

The distribution of highest qualification in **Figure 7.10** indicated that there might be a shortage of knowledge and skills in our communities due to indications of low level of education. Most of the respondents fall at the category between below grade 12 and Diploma/Certificate. This may implies that some of them are not well familiar with role to play on policy implementation.

Figure 7.11 represents the balance gender cases in the research study, which may assist in getting different opinions in terms of causes of failure of implementation of a policy.

Figure 7.12 indicates that different population groups participated in the study and it may be deduced that different views were gathered in this study because they are subjected to different economic environments.

Figure 7.13 depicts that most of respondents fall between less than R5000 and R15001. This implies that affordability to pay municipal accounts may be a challenge. This may pose a challenge to collect revenues from the households as affordability to pay their accounts is constrained by income. The Hornby Shire council (2007) cited that if the municipality is in this situation it could not generate its revenue because the community does not have the ability to pay.

Figure 7.14 depicts that 52, 00% of participants are employed and 46% are unemployed. This indicator reveals that the households are subject to economic downfall. It may be deduced that some of the household cannot afford to pay their bills.

8.3.6 Findings in accordance with research objectives for group 2: households

Research objective 1: To identify the causes of failure of current credit control and debt collection policy and Municipal System Act, 2000 in terms of collecting all monies due to the South African Municipalities.

Finding 21

Table 8.19: Revenue collection (B1): households

<p>Findings: Group 2:Households</p> <p>Revenue collection</p> <ul style="list-style-type: none">• Cluster 1 comparison; all causes of failure of policy listed in cluster 1 comparison-affordable for them to pay their accounts
--

Table 8.19 in terms of cluster 1 comparison indicated that the causes listed in this cluster are the causes of failure of credit control and debt collection policy in the municipalities. The households can afford to pay their accounts.

Finding 22

Table 8.20: Revenue collection (B1): households

Findings: Group 2:Households

Revenue collection

- Cluster 2 comparison; all causes of failure of policy listed in cluster 1 comparison-affordable for them to pay their accounts

Table 8.20 in terms of cluster 3 comparison indicated that the causes listed in this cluster are the causes of failure of credit control and debt collection policy in the municipalities. The households cannot afford to pay their account.

Finding 23

Table 8.21: Revenue collection (B1): households

Findings: Group 2:Households

Revenue collection

- Cluster 3 comparison is different from cluster 1 and cluster 2

Table 8.21 in terms of cluster 3 comparison indicated that failure of the credit control and debt collection policy in the municipality is not due to the following reasons: that accounts are too expensive, unaffordability to pay municipal accounts, poverty, lack of skilled personnel and lack of payment enforcement by the municipality.

Finding 23

Table 8.22: Factor 1 analysis: households

Findings: Group 2:Households

- Grant management policy
- Measures to control credit control
- Debt collection states

Table 8.22 depicted that municipalities should implement grant management policy, measures to control credit control and debt collection stages as indicated in factor 1 analysis.

Finding 24

Table 8.23: Factor 2 analysis: households

Findings: Group 2:households

- Batho Pele Principles
- Sound customer management system

Table 8.23 showed that the municipalities factor 2 analysis indicate that there is need for municipalities to adhered to Batho Pele principles and also put in place sound customer management system to create a good relationship with households in order to pay their municipal accounts (Fourie *et al.*, 2011; Batho Pele White Paper (RSA, 1997e).

Finding 25

Table 8.24: Factor 3 analysis: households

Findings: Group 2:households

- Grant management policy
- Debtor management
- Billing system
- Measures to control credit control

Table 8.24 revealed that the municipality participants agree that municipalities should put the control measures in place such as the grant management policy, debtor management and billing system to collect revenues due to municipalities (SALGA, 2005:5; Fourie *et al.*, 2011; COGTA, 2009).

Finding 26

Table 8.25: Factor 4 analysis: households

Findings: Group 2:households

- Debt collection stages

Table 8.25 indicated that the municipalities should put measures such as debt collection stages to maintain credit control in the municipalities in order to deal with outstanding and escalating debts the municipalities are experiencing (Fourie, *et al.*, 2011; USAID, 2005).

Finding 27

Table 8.26: Factor 5 analysis: households

Findings: Group 2:households

- Batho Pele Principles
- Sound customer management system
- Credit control and debt control measures

The municipalities in terms of factor 5 analysis did not adhere Batho Pele principles and sound customer management system since majority of respondents were in disagreement with two items as reflected in factor 5 analysis.

On the other hand, the municipalities were in control of consumer debts since the respondents reflected that disagree that the municipalities have not fully implemented the credit control and debt collection policy.

8.3.7 Conclusions

As highlighted in chapter 1, the aim of the study, the research questions and research objectives is an attempt to provide answers to the research questions through semi-structured questions in qualitative phase and quantitative questionnaires in **Sections B, C, and D**. The conclusions in this section are categorised in accordance with the findings from literature review and research objectives.

8.3.7.1 Conclusions of the findings for literature review

The legislative mandates that are applicable to the local government sphere are meant to assist the political structure and municipal administration effectively, efficiently and economically to implement credit control and debt collection policy as per Municipal Systems Act, 2000. The Municipal Systems Act, 2000 is there to give both structures and space for the municipalities to implement a policy.

On the other hand, the households, businesses and government departments benefit from the revenue and debt management. In support of these control system the businesses, households and government department must pay for the services provided by municipalities as per legislative mandates.

In conclusion, the political structure and administration structure of the municipalities are both responsibly for effective implementation of control systems for management of municipal and departments are critical key stakeholders for municipalities to realized effective application of Municipal Systems Act, 2000 in terms of the main objectives of credit control and debt collection policy. This conclusion intended to address **Findings 2 and 3**.

The municipalities receive intergovernmental transfers through annual Division of Revenue Act. However, municipal resources are insufficient and the leadership challenges such as the political interference, lack of skilled human resources and finance worsen the situation in municipalities with regard to revenue collection and debt management.

Thus, municipalities are confronted with the non-payment of municipal consumer debts. Hence, the collaborative effort of political structures, administrative structures in support of businesses, government departments and households are critical in attending to **Findings 4, 5 and 6**.

8.3.7.2 Conclusions for the findings of primary research (empirical findings)

Chapter one of this study highlighted the aim of the study, the research questions, and objectives through semi -structured questions used in qualitative phase and structured questionnaires used in quantitative phase of the study.

In qualitative, three types of groups were used, namely Group 1: municipalities; Group 2: households and Group 3: organisations interacting with municipalities.

On the hand, in quantitative phase, two types of groups were utilised, namely; Group 1: municipalities and Group 2: households.

Objective 1: To identify the causes of failure of current credit control and debt collection policy and Municipal System Act, 2000 in terms of collecting all monies due to the South African Municipalities.

Part 1: Findings of the qualitative phase of the study

Finding 1

The constraints highlighted in **Tables 8.1-8.3** were discovered as the contributor factors, in non-implementation of credit control and debt collection in the municipalities. The constraints involve the systems, financial and human factors including leadership that are critical in the collection of municipal revenue and debt management in the municipalities.

The good corporate governance structures and governance are also critical in the management of municipal revenue and working capital (Otien *et al.*, 2013:32; Pauw *et al.*, 2009; Van der Waldt *et al.*, 2007). These conclusions intend to address **Finding 1**.

Findings 2 and 3

The municipalities are experiencing the non-payment of municipal accounts and this impacted negatively on municipal working capital. It resulted in a liquidity problem and municipal consumers resisted to pay their accounts. When the services were restricted or cut, they opted to industrial action through vandalising municipal infrastructure. The infrastructure is very important factor of the economic growth and job creation in the jurisdictions of the municipalities. In conclusion, infrastructure is critical in addressing the challenges of the culture of non-payment of municipal accounts (Pauw *et al.*, 2002; Thornhill *et al.*, 2014, Fourie *et al.*, 2011).

Findings 4, 5 and 6

The municipalities did not adhere to the Batho Pele principles and the sound customer management system and the households did not see the value of their monies in terms of paying their accounts. This emanated from the staff attitudes who did not take proactive actions to assist the households on issues of incorrect billing, inaccurate meter readings. In certain months, the municipal staff were reluctant to take meter readings and they opted to use estimated meter readings. This worsens the situation, as there were no ward meetings to discuss households' complaints concerning the municipal accounts. Thus, the households were unwilling to pay their accounts.

Finding 7

The municipalities are subject to external factors that impact on the implementation of the credit control and debt collection policy. The external factors are the political, economic, social, technical, legal and environmental causes, which affected negatively on the implementation of current credit control and debt collection policy in the municipalities. Thus, these factors contributed immensely in the failures of debt control in the municipalities.

However, some of municipalities did not have control over these factors, but they need to be aware of them in order to manage their systems in an appropriate manner. These external causes of failure of credit control and debt collection policy were discussed in detail in chapter 5 of this study.

Finding 8

The municipalities were faced with escalating and outstanding debts and are supposed to enforce compliance with credit control and debt collection policy such as following the debt collection stages.

In conclusion, the municipalities should take into account that it is critical work in collaboration of all stakeholders if they wish them to pay their accounts.

Part 1I: Findings of the quantitative phase of the study

Finding 9

The demographic data in the municipalities revealed that there is shortage of skilled staff in the municipalities and most are in the deep rural areas. The households in those areas are unable to pay their accounts. It is instructive that the proper management of indigent management policy should be factored into the budgeting for revenue from such constrained municipalities.

Findings 10, 11, 12, 13 and 14

These findings were in accordance with research objective 1 of the study.

Objective 1: The causes of failure current credit control and debt collection policy

The municipal officials in cluster 2 comparison whose qualifications are below grade 12 believed that only services charges, reselling of electricity and water charges and waste management are the sources of revenues.

On the other hand, the municipal officials with Diploma/certificate believed that all resources listed in cluster 1 comparison are sources of revenue in municipalities. The levels of experience and education are critical in financial management. Those municipal officials in cluster 1 comparison are more qualified and less experienced as compared to those in cluster 2 , but a higher education level suggests a more informed understanding of municipal revenue management.

In conclusion, the level of education assists municipal officials with knowledge of the management of municipal revenue and working capital. It helps them in the implementation of credit control and debt collection policy. Hence, it can be deduced that there is a shortage of finance skills and understanding of revenue management and debt management in the municipalities.

Findings 15, 16.17,18

Research objective 2: To develop a framework that can be used to improve the management of municipal revenue and working capital in South Africa.

The municipal internal controls are critical in the collection of revenues and controlling outstanding and escalating debts in the municipalities. When the internal controls are not effectively implemented, the municipalities are unable to collect monies due to them and they could experience outstanding debts. If the situation worsens, some of the municipalities would experience liquidity problem in future.

This emanated from the fact that the consumers owe municipality huge debts. Hence, the administrative structure and political structure are critical in collection of revenue and debt management.

In relation to collection of revenue and outstanding debts, municipalities need to consider putting in place sound customer management systems that promote buy in of customers in terms of the implementation of debt collection stages for revenue collection and debt management. The municipalities, in order supplement and complement the effective revenue collection and debt management, could implement strategies to improve the revenue collection and control debt management. The strategies could involve the grant management policy and strengthen their corporate governance structures to manage the revenue collection and debt management in appropriate manner. The good corporate governance should advocate credit control measures such as taking legal action against consumers to enforce payment of services rendered.

Finding 19

The findings 19 represents group 2; the households.

The demographic data for group 2: households indicated that most of households are between 25 and 55 years, and then the ward committee meetings could be crucial in creating an education awareness on revenue collection, and attend to their issues in relation to municipal accounts.

The municipal officials could create a platform to implement the credit management to assist households due to poverty and unemployment rates they are subject to them.

Findings 20, 21 and 22

The households in cluster 1 and cluster 2 comparison both believed that the causes of failure of credit control and debt collection policy listed in both clusters. The households in both clusters 1 and 2 are dissatisfied with services provided by municipalities. However, cluster 2 should be exposed to grant management policy. The households in cluster 3 can afford to pay their accounts but they have cited that municipalities are involved in corruption, using estimated readings that are often incorrect when compiling their accounts.

In conclusion, the municipalities in three clusters should consider putting in place sound customer management system to restore the trust between themselves and the customers. Secondly, they advocated publicising the households in cluster 2 because they revealed that they cannot afford to pay their accounts.

Lastly, the municipalities need to improve the corporate governance system since it was pointed out that the municipalities are involved in corruption practices when it comes to payment of municipal accounts.

Findings 23, 24, 25, 26 and 27

The above findings are based from Section C of the households structured questionnaire. The conclusions of the findings group together because they are interdependent to each other in effective implementation of credit control and debt collection policy in the municipalities. The households are subjected to poverty and unemployment rates. The elderly and needy people cannot pay the accounts according to the findings 23 and 25. The municipalities should provide grand management policy implementation to those households.

The municipalities are advised to assess the households that should be regarded as indigents. To those households who are in debts, the municipalities have the stages that are provided in accordance with the Municipal Systems Act, 2000. In support of the implementation of stages of debt such as the:

- Hiring debt collection agencies to collect outstanding debts on behalf of the municipalities and
- (v) Legal action through hand over the account to attorneys, but it is too costly for the municipalities.

In conclusion, the municipalities in applying the measures to control credit failures but also ensure that the municipalities adhere to the correct billing system. This billing system is integrated with Batho Pele principles and sound customer management system.

8.4 RECOMMENDATIONS

In light of the above stated findings of the study, the recommendations are suggested and briefly discussed. In order for the municipalities to realise the aim of the study as reflected in Chapter one, qualitative and quantitative phases were undertaken as fundamental upon for empirical results.

8.4.1 Five stage model for reducing lack of debt control

Finding 1 depicted that the municipalities are confronted with constraints such as the systems constraints associated with failure of debt control, management style constraints associated with failure of debt control, staff and skills constraints associated with failure of debt control and role of unions constraints associated with failure of debt control. The municipalities have the urgent need to acquire comprehensive knowledge to curb the constraints mentioned above in order to reduce debts levels. The five-stage model for reducing lack of debt control involve:

- **Systems reducing failure of debt control**
- **Management style dealing with failure of debt control**
- **Strategy implementation: structure strategy to control credit failures**
- **Staff and skills dealing with failure of debt control**
- **Strategy implementation to control credit failures**

The five-stage model is proposed to assist the municipalities to collect monies due to them in accordance with the Municipal System Act, 2000. The five-stage model for reducing lack of debt control represented the main purpose of the study, which says:

“The purpose of this study is to design the framework for enhancing the management of municipal revenue and working capital due to the uncollectable consumer debts that had experienced by most of the South African municipalities over the past ten years”.

The purpose above is in line with the research problem summarized below:

“The municipalities have adopted and implemented policy on credit control and debt collection in accordance with Municipal Systems Act, 2000. However, in return, the municipalities are still experiencing uncollectable consumer debts and some were subjected to net liability position. This implies that the municipalities in South Africa are subject to poor revenue management and working capital management that will impact negatively on the day to day operations of the municipalities to provide services to their customers and communities”.

Consequently, the five-stage model for reducing lack of debt control intended to address the main research objective of the study reflected below:

Research Objective 2

To develop a framework that can be used to improve the management of municipal revenue and working capital in South Africa

In light of the above, the five-stage model for reducing lack of debt control intends to address research objective 2. Thus, a framework was designed for enhancing the management of municipal revenue and working capital in South Africa. A framework for enhancing the management of municipal revenue and working capital is depicted in **Figure 8.1** of **Chapter 7** of this study.

8.4.2 Effective recruitment drive

The findings of the literature review indicated that the municipalities lacked skilled human resources and financial staff and the demographic data in quantitative phase (Finding 9) depicted that the municipalities’ officials did not have enough skills and most of them are in the rural areas. These officials are unable to deal with issues in relation to manage revenue management. In the light of the above, the municipalities need to put effective recruitment drive that would ensure that they attract skills personnel and are able to retain their staff with attractive package.

8.4.3 Training and development of municipal officials on revenue management

Based on **Finding 1** of qualitative phase, the municipalities should provide training and development programmes and short courses to their staff with special reference to the financial staff since it is revealed that their staff are not coping to deal in an amicable way to manage the revenue management matters. Otieno *et al.*(2013:32) concurred with this finding by stating that the constraints in municipalities involve the systems, financial and human factors including leadership that are critical in the collection of municipal revenue and debt management in the municipalities.

8.4.4 Culture of non - payment versus infrastructure

Most of the findings indicated that the municipalities are experiencing the escalating debts due to the culture on non-payment of municipal accounts. This emanated to the causes of clusters 1 and 2 comparisons of municipalities and findings 2 and 3 of qualitative phase.

The municipalities experienced the non-payment municipal accounts and this impacted negatively to municipal working capital. It resulted to liquidity problem and municipal consumers resisted to pay their accounts. When the services were restricted or cut, they opted to industrial actions through vandalising municipal infrastructure. The infrastructure is very important of the economic growth and job creation in the jurisdictions of the municipalities. In conclusion, infrastructure is critical in addressing the challenges of the culture of non-payment of municipal accounts (Pauw *et al.*, 2002; Thornhill *et al.*, 2014, Fourie *et al.*, 2011; Lubbe *et al.*, 2008).

This implies that the investment in the infrastructure would assist the municipalities generate their own revenues to offset the outstanding debts that they are experiencing due to non - payment of municipal accounts.

8.4.5 Good corporate governance structures

Based on the above-mentioned strategies that need to be employed in order to curb the non-payment of municipal accounts, it is therefore important to provide suitable governance structures, which are viable to restore good business ethics in the municipalities. In Findings 20, 21 and 22 of quantitative phase and in Finding 7, where it was revealed that the politicians are interfering with the implementation of policy.

The politicians told the municipal officials to relax the control measures of revenue collection. The political structure should embark on oversight of policy implementation and administration structure on the implementation of the policy (Fourie *et al.*, 2011; Pauw *et al.*, 2002; Thornhill *et al.*, 2014).

The municipalities should form governance structures such as the risk management committees to conduct financial risk assessment on revenue management, train the officials to develop their own assessment plans and develop the risk management plan with special reference to revenue collection and debt management. This is emanated from the fact that the debts in municipalities are escalating as it is reflected in this research study (Fourie *et al.*, 2011).

The leadership of municipalities should take accountability of revenue collection and also be trained on examples of good corporate governance such as the timely and accurate communication, shareholder protection and board independence so that they contribute meaningfully to the strategic management of municipalities in revenue collection and debt management.

This was also emphasised by Scott (2012:11) who pointed out the separation responsibilities between councillors, non-councillors, and officials for good governance and are in line with modern practices of effective public management. Executive councillors are made responsible for oversight and outcomes whereas the municipal managers are responsible for the implementation and outputs.

This can be tabulated as follows:

Table 8.27 :The financial Governance Framework			
Official	Responsible to	Oversight to	Accountable to
Council	Approving policy and budgets	Mayor	Community
Mayor	Policy,budgets,outcome management of /oversight over municipal manager	Municipal manager	Council, public
Chief Financial Officer	Outcomes	Financial management	Municipal manager

Source: Scott (2012:11)

Based on **Table 8.27**, it is therefore vital for each individual to perform his or her responsibilities for the purpose of good governance of improving the management of municipal revenue and working capital. Hence, this indicates that everyone in municipalities should take full accountability and ownership of the municipality.

8.4.6 Sound customer management system and grant management policy

Findings 23-26 revealed that the households are dissatisfied about the services of municipalities in terms of revenue management. Then the municipalities need to put in place the sound customer management system in order to create relationship with households, businesses and government departments to see the need of paying their accounts. To those, who cannot afford to pay their accounts the municipalities should introduce them to grant management policy in order to get access to basic services such as water and electricity (Craythorne, 2006; Fourie *et al.*, 2011).

- **Amendments of measures to maintain credit control**

Fourie *et al.* (2011) and Pauw *et al.* (2002) cited that the municipalities should put in place measures to maintain credit control. It is further stated that:

“In order to maintain credit control and improve debt collection, the system should reflect the following characteristics, in terms of section 101, 102, 103 and 104 of the Municipal Systems Act, 2000: access to property, consolidation of accounts, agreements with employers.”

According to finding in factor 5, the respondents in line with Fourie *et al.* (2011) and Pauw *et al.* (2002) stated that the municipalities should make payment arrangements for settle of the accounts. This implies that the respondents are willing to participate in contribution in payment of municipal accounts.

On the other hand, Pauw *et al.* (2002) suggest that the stages in debt collection should be adhered to in order for municipality to monitor outstanding debts.

The finding of respondents suggested that the municipalities should put measures for payment of outstanding balance. In relation with this, Pauw *et al.* (2002) cited that the municipalities could put in place the stages of debt collection such as the:

- vi. Issue reminder letters to defaulters;
- vii. Phone the defaulters and make arrangements to pay outstanding balance;
- viii. Withholding of further services like restriction of water and cut-off electricity services;

- ix. Hire debt collection agencies to collect outstanding debts on behalf of the municipalities, but taking into account charges to be levied to municipalities; and
- x. Legal action through hand over the account to attorneys, but it is too costly for municipalities.

Therefore, the findings **C14.1**; **C14.4** ; **C14.4** ;**C14.5** and **C.14.6** in terms of paragraph (i) ,(ii),(iii) and (iv) are regarded as the measures to maintain credit control. However, the respondents from the municipalities made amendments by adding other controls such as the:

- **C.14.5** :people must not be allowed to travel abroad without settling their municipal debts
- **C14.6**: being allowed to institute the garnishee order to the employers of debtors in order to force them to pay their debts.

This imply that the respondents suggested the amendments on Municipal Systems Act, 2000 in terms adding **C.14.5** and **C 14.6** as part of the measures to maintain credit control.

Hence, it is recommended for amendment measures to maintain credit control in order to strengthen the revenue collection and debt management.

8.5 SCOPE FOR FURTHER RESEARCH

Based on the findings it has been established that the municipalities are subject to:

- Systems reducing failure of debt control
- Management style dealing with failure of debt control
- Strategy implementation: structure strategy to control credit failures
- Staff and skills dealing with failure of debt control
- Strategy implementation to control credit failures
- Poor good corporate governance
- Poor sound customer management systems
- Poor implementation of grant management policy

In the light of the above, the municipalities are subjected to escalating and outstanding debts. This implies that the municipalities are confronted with high financial risks.

Based on the above, the scope of further research entails "A model for improving the management of municipal revenue and working capital".

The alternative further scope of study can include the element of risk management. The scope of further research be “A risk-based model for the management of municipal revenue and working capital”. This study should also be a longitudinal study.

The further scope of the study should be a continuation of this study, but take a designed framework in **Figure 7.1** and test on the ground through longitudinal study. Then, the scope becomes “A model for enhancing the management of municipal revenue and working capital in South Africa”.

8.6 CHAPTER SUMMARY

The chapters 5 and 6 discussed the findings of the study obtained in qualitative and quantitative phases. Chapter 7 focused on a framework for enhancing the management of municipal revenue and working capital. The last chapter, chapter 8, focussed on the conclusions and recommendations of findings. In conclusion, it is highly recommended for the municipalities’ administration to implement a framework in collaboration with the political structures in support of businesses, households, government departments and other relevant key stakeholders of municipalities.

This conclusion emanates from the fact that in the municipalities there is a situation of ever increasing financial risks. If the municipalities were private businesses and profit oriented organisations, then they would be regarded as insolvent, and would have to close their businesses.

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Annexure A: Face to face interview of municipal senior managers

A FRAMEWORK FOR ENHANCING THE MANAGEMENT OF MUNICIPAL REVENUE AND WORKING CAPITAL IN SOUTH AFRICA

1. What are the sources of revenue in your municipality?
2. If someone says your municipality is not fully utilising revenue sources within its jurisdiction, what is your response?
3. Do you have the credit control and debt collection policy?
4. Was the policy approved by the council?
5. According to your practical experience in this organisation, do you think the credit control and debt collection policy is fully implemented in your organisation?
6. In your own opinion, what is constraining your organisation in the implementation of credit control and debt collection policy in collection of revenue?
7. How best can this municipality overcome these constraints?
8. It is true that politicians are contributing to poor implementation of credit control and debt collection policy and if yes, how?
9. Are you meeting your target estimation of collection rates?
10. Is your municipality experiencing the escalating and outstanding debts due to the services that are rendered to the communities?
11. If there are, which type of consumers owes you a huge debt?
12. What procedures/strategies do you take to recover payments if residents and commercial businesses are in default?
13. Why did your municipal use the strategies named above (in number 12)?
14. Is there no any political interference to the entire process?
15. Did your organisation charge interest on overdue accounts?
16. Does the accounting system automatically accrue for the interest?

17. Did your organisation prepare the monthly management reports for cash, debtors and creditors?

18. Do you envisage a financial situation where you might, at some point be unable to render services?

19. If yes, in number 18, will this affect the payment of staff?

20. Do you have a customer services centre?

21. What are the future strategies (short term, intermediate term and long term) set by your organisation to help in revenue collection and enhancement to ensure good working capital?

Thank you for taking time to talk to me!

Annexure B: Face to face interview for organisations interacting with municipalities

A FRAMEWORK FOR ENHANCING THE MANAGEMENT OF MUNICIPAL REVENUE AND WORKING CAPITAL IN SOUTH AFRICA

1. In your observations, do you think the municipalities have fully implemented the credit control and debt collection policy?
2. According to your observations, are the municipalities experiencing the escalating and outstanding debts due to the services that are rendered to the communities?
- 3 What policy changes can you suggest to improve the effectiveness of credit control and debt collection policy?
3. Do you foresee the circumstances whereby the municipalities can experience financial situation where they might, at some stage be unable to render services?
- 4 According to your interactions with municipalities, are the internal control systems of management of revenue management and working capital effective in the municipalities.
5. In your opinion, are the majority of the municipalities meeting their targeted estimation collection rates?
6. In your observations, which section of the consumers owes the municipalities a large debt?
7. In your observations, are the communities' payments of services worth the services rendered by the municipalities?
8. According to your practical experience interacting with the municipalities, what are your recommendations you can suggest with regard to the improvement of current management of municipal revenue and working capital in the municipalities?

Thank you very much for participating in this face-to-face interview.

A FRAMEWORK FOR ENHANCING THE MANAGEMENT OF MUNICIPAL REVENUE AND WORKING CAPITAL IN SOUTH AFRICA

A. Introductory question

1. What do you think about the topic that has brought us here today?

B. Guiding questions

2. What are the sources of revenue in your municipality?

3. If someone says your municipality is not fully utilising revenue sources within its jurisdiction, what is your response?

4. Do you have the credit control and debt collection policy?

5. Was the policy approved by the council?

6. According to your experience in this organisation, do you think the credit control and debt collection policy is fully implemented by your organisation?

7. What are the causes of failure of current credit control and debt collection policy in terms of collecting all monies due to your municipality?

8. What are the internal control systems that are put in place to deal with the causes of failure of current credit control and debt collection policy in your municipality?

9. Do you envisage a financial situation where you might, at some point be unable to render services?

10. If yes, in number 9, will this affect the payment of staff?

11. What are the future strategies (short term, intermediate term and long term) set by your organisation to help in revenue enhancement and collection to ensure good working capital?

C. Concluding question

12. Is there anything else you would like to say about why the municipalities have failed or succeeded in implementing a credit control and debt collection policy?

D. Conclusion

- Thank you for participating. This has been a very successful discussion
- Your opinions will be a valuable asset to the study
- I hope you have found the discussion interesting
- I would like to remind you that any comments featuring in this report will be anonymous
- Lastly, I would like to take this opportunity to thank you for devoting your time to talk to me!!!

Cell. Number: 073 36 49 116; Email address:sabelo.mpungose@gmail.com

Annexure D: The Municipality Survey Questionnaire

Please answer the following questions as openly and honestly as possible. All answers will be treated in the strictest confidence. It will take no longer than 20 minutes to complete.

SECTION A: Demographic data

This section is about your personal details. Please answer the following questions by completing within blocks provided or mark with 'x' in an appropriate answer.

1. Age (Please indicate your answer by making a cross 'x' in the appropriate block)

1. 25 yrs. and younger	2. 26-35 yrs.	3. 36-45yrs	4. 46yrs-55yrs
5. 55 - 65yrs	6. Above 65yrs		

2. Gender

Male	Female
------	--------

3. Race

Black	White	Indian
Coloured		

4. Highest Qualification

Below Matric (Grade 12)	
Matric (Grade 12)	
Diploma/certificate	
Bachelor's degree	

Honours degree	
Master's degree	
Doctoral degree	

5. Professional Qualification

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6. Current position in your organisation: _____

7. Indicate years of experience working in the municipality

Less than 2 years		2. 2-5		3 .6-10		4. More than 10 years	
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SECTION B: Revenue collection

1. Please cross the appropriate box regarding how the municipal revenue is collected within your municipality. (You can tick more than one)

Sources of revenue	Make a selection
Assessment of rates and taxes	
Services charges	
Reselling water & electricity	
Waste management	
Sanitation	
Provision of waste removal	

Rental of council facilities	
Providing ambulance services	
Traffic fines	
Charges of graves	
Tenders	

2. Please cross the appropriate box

	1. Yes	2. No
1. Does your municipality fully utilise the revenue sources within its jurisdiction?		
2. Is there a credit control and debt collection policy within your municipality?		
3. Is the policy approved by the council?		
4. Is the credit control and debt collection policy fully implemented in your organisation?		
5. State if the causes of failure of the credit control and debt collection policy are the following:		
5.1 Unemployment		
5.2 Political interference		
5.3 Corruption		
5.4 Lack of payment enforcement by the municipality		
5.5 Lack of skilled personnel in your municipality		
5.6 Incorrect billing		
5.7 Poverty		
5.8 Municipality using monthly estimates to compile my bills		
5.9 Unaffordability to pay municipal accounts		
5.10 Accounts are too expensive		
5.11 Poor business conditions resulting in no profits		
5.12 Economic downfall		

Section C:

Please indicate if: Strongly Disagree =1, Disagree=2, No Opinion = 3, Agree = 4 or Strongly Agree = 5 in the following statements by crossing at the appropriate box improvement in the management of municipal revenue and working capital. If you are not sure, uncertain, or have no opinion, please select “No Opinion = 3.”

		1=Strongly Disagree	2=Disagree	3=No Opinion	4=Agree	5=Strongly Agree
1	The households are threatening politicians that if the municipality is cutting the electricity they won't vote for their political parties.					
2	Politicians instruct the municipal officials to relax the control on credit control and debt collection policy.					
3	Municipality has been able to meet the stated targets on the past financial year and the year before.					
4	Municipality is controlling escalations and outstanding debt properly.					
5	Municipality is more likely to experience liquidity/insolvency in short to medium term					
6	Municipality is more likely to experience liquidity/insolvency in medium to long term.					
7.	Consumers that owe municipality a huge debt are:					
7.1	Residents-Households.					
7.2	Commercial business					

		1=Strongly Disagree	2=Disagree	3=No Opinion	4=Agree	5=Strongly Agree
7.3	Government departments					
8	Municipality do charge interest on overdue accounts					
9	Accounting system automatically accrues for the interest.					
10	Municipality does prepare the monthly management reports for cash, debtors and creditors.					
11	Municipality is at high risk of not rendering services to the customers.					
12	Municipality has never defaulted on staff payment in the past five years.					
13	Municipality have a customer services centre.					
14	Municipality can overcome constraints (causes of failure) and payments recovery by:					
14.1	Taking legal action against consumers in order to enforce payment of services rendered.					
14.2	(Both municipality and politicians) practicing good corporate governance when dealing with credit control and debt collection policy even when the times of voting period arrive.					

		1=Strongly Disagree	2=Disagree	3=No Opinion	4=Agree	5=Strongly Agree
14.3	Advising consumers that are not employed and subjected to poverty to apply for the indigent grants.					
14.4	Attachment of property of defaulters to their municipal accounts and sells their properties to pay their debts.					
14.5	People must not be allowed to travel abroad without settling their municipal debts.					
14.6	Being allowed to institute the garnishee order to the employers of the debtors in order to force them to pay their debts.					
15	Future strategy should include:					
15.1	Municipality should introduce the monthly interdepartmental meetings whereby the officials are sharing ideas in terms of responsibilities of each department with regard to putting in place effective revenue collection and revenue enhancement strategies					
15.2	Consolidating the municipal accounts-water, sewage ad sanitation electricity and properties in one account – if a household owes sewage he/she has to pay sewage in order have access to other services.					
15.3	Dedicated municipal courts to deal with municipal cases.					
15.4	Rolling out installation of smart meters.					

		1=Strongly Disagree	2=Disagree	3=No Opinion	4=Agree	5=Strongly Agree
15.5	Restrictions of services to those who can afford to pay their bills.					
15.6	A dedicated revenue enhancement team for revenue recovery.					

Section D: Please provide any comment or suggestion

This is the end of the questionnaire. Thank you for your time. Kindly submit your completed questionnaire. Sabelo Mpungose

Annexure E: The Household Survey Questionnaire

THE HOUSEHOLD SURVEY QUESTIONNAIRE

Please answer the following questions as openly and honestly as possible. All answers will be treated in the strictest confidence. It will take no longer than 20 minutes to complete.

SECTION A: Demographic data

This section is about your personal details. Please answer the following questions by completing within blocks provided or mark with 'x' in an appropriate answer.

1. Household status. Are you the household owner? If yes indicate if :

Father		Mother	
Child		Granny	
Other			

2. Age

1. 25 yrs. and younger	2. 26-35 yrs.	3. 36-45yrs	4. 46yrs-55yrs
5. 55 - 65yrs	6. Above 65yrs		

3. Gender

Male		Female	
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4. Race

Black		White		Indian	
Coloured					

5. Highest Qualification

Below Matric(Grade 12)	
Matric (Grade 12)	
Diploma/certificate	
Bachelor's degree	
Honours degree	
Master's degree	
Doctoral degree	

6. Employment status

Employed		Self employed	
Unemployed		Student	
Pensioner			

7. What is your average monthly salary range per month (South African rand)?

1. R5000 and less		R5001 – R15000		R15001 – R25000	
R25001 – R35000		R35001 – R45000		R45001 - R55000	
Above R55000					

SECTION B: Revenue collection

1. Please cross the appropriate box

	1. Yes	2. No
1. Is your municipal account up to date?		
2. Is it affordable for you to pay the municipal account?		
3. Do you think the municipality has a credit control and debt collection policy?		
4. Do you think the credit control and debt collection policy fully implemented by the municipality?		
5. Are you aware of the indigent grants?		
6. Is the municipality removing waste every week?		
7. Does municipality do maintenance on Drainage and sewage regularly		
8. Do you receive water every day?		
9. State if the causes of failure of the credit control and debt collection policy in the municipality is due the following reasons:		
9.1 Unemployment		
9.2 Political interference		
9.3 Corruption		
9.4 Lack of payment enforcement by the municipality		
9.5 Lack of skilled personnel		
9.6 Incorrect billing		

9.7 Poverty		
9.8 Municipality using monthly estimates to compile my bills		
9.9 Unaffordability to pay municipal accounts		
9.10 Accounts are too expensive		
9.11 Economic down fall		
9.12 No meetings that are held in my area to discuss community needs in terms of municipal accounts		

Section C:

Please indicate if: Strongly Disagree =1, Disagree=2, No Opinion = 3, Agree = 4 or Strongly Agree = 5 in the following statements by crossing at the appropriate box improvement in the management of municipal revenue and working capital. If you are not sure, uncertain, or have no opinion, please select "No Opinion = 3."

		1=Strongly disagree	2=disagree	3=No Opinion	4=Agree	5=Strongly Agree
1.	Municipalities have not fully implemented the credit control and debt collection policy.					
2.	Municipalities are able to treat different debtors/households in unique ways to afford me to pay for services.					
3.	As residence I am satisfied by the services provided by our municipality and that there is value for money on the services I am paying for.					

		1=Strongly disagree	2=disagree	3=No Opinion	4=Agree	5=Strongly Adree
4.	Municipalities are at risk of experiencing financial situation where they might, at some stage be unable to render services.					
5.	Municipality is providing excellent service delivery to residence.					
6.	Municipalities interact regularly to discuss accounts and services they are rendering to their customers.					
7.	Payments of service is worth the services rendered by the municipalities					
8.	Elders and needy people should be given grants for payment of their accounts					
9.	Municipality should take meter reading prior to the compilation of monthly account so that the bills are informed by the meter readings and prevent using estimates to compile my municipal account.					
10.	For people who are not paying their account, must the municipality:					
10.1	Reduce their bills up to certain amount					
10.2	Use flat rate billing system to charge the bills to improve payment					
10.3	Their bills should be written off					
10.4	Make payment arrangements for them to settle the accounts					

		1=Strongly disagree	2=disagree	3=No Opinion	4=Agree	5=Strongly Agree
10.5	Hand over their accounts for legal action to sorted by the court					
11.	Future strategy for the municipality to motivate payment of accounts should involve:					
11.1	Municipality should take meter reading prior to the compilation of monthly account so that the bills are informed by the meter readings.					
11.2	Put measures in place for arrangements of paying outstanding balance.					
11.3	Municipality should educate and provide awareness to households on their monthly budgets for ability to pay their debt.					
11.4	Put revenue team in place that focus on ensuring that households are billed for services accurately.					
11.5	Cut services like water and electricity and should link accounts to government departments like motor licensing and tollgate fees to enforce account payments.					
11.6	Consolidate the municipal accounts-water, sewage and sanitation electricity and properties in one account will assist in managing the municipal account better.					
11.7	Rolling out installation of smart meters.					
11.8	Municipality should deliver good services, continuous communication between community and municipality with regard to billing system,					

		1=Strongly disagree	2=disagree	3=No Opinion	4=Agree	5=Strongly Agree
	improve communities place of interest such as the community hall, library, infrastructure so that they can see that their money is used effective by the municipality.					
11.9	Municipality should do regular maintenance on drainage and sewage; waste removal should be removed every week.					
11.10	Introduce ICT system for paying municipal accounts.					
11.11	Ward councils must provide support to their areas through holding regular meetings in order to bring clarifications on issues with regard to municipal accounts					
11.12	Advising consumers that are not employed and subjected to poverty to apply for the indigent grants.					
11.13	Attachment of property of defaulters to their municipal accounts and sells their properties to pay their debts.					
11.14	People must not be allowed to travel abroad without settling their municipal debts.					

Section D: Please provide any comment or suggestion for the municipality

This is the end of the questionnaire. Thank you for your time. Kindly submit your completed questionnaire. Sabelo Mpungose

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