

**PAYMENT OF RESIDENTIAL PROPERTY RATES IN A SELECTED DISTRICT  
MUNICIPALITY IN SOUTH AFRICA**

**BY**

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**DISSERTATION SUBMITTED IN FULFILMENT OF THE REQUIREMENTS OF THE  
DEGREE MASTER OF COMMERCE IN MANAGEMENT AT THE MAFIKENG  
CAMPUS OF THE NORTH-WEST UNIVERSITY**

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## DECLARATION

I, Enwereji Prince Chukwuneme, declare that this study titled, "*Payment of residential property rates in a selected district municipality in South Africa,*" is my original work. This dissertation has never been submitted for any degree at any other university or otherwise. All materials used in the study have been indicated and acknowledged through various references.

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Signed

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Date

## **APPROVAL FOR SUBMISSION**

This dissertation has been approved for submission by my authority as the candidate's University supervisor.

Dr F.R.K Kadama

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Signed

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Date

## **ACKNOWLEDGEMENTS**

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## **DEDICATION**

This work is dedicated to God who showered me with his grace to complete this study.

## **ABSTRACT**

Payment of property rates has continued to be a prevalent issue among the residential leaseholders in South African municipalities. The purpose of this study was to identify the causes of defaults in the payment of property rates and to proffer solutions to minimise and recover debts. Systems and contingency theories underpinned this study. It adopted a mixed methods approach using both quantitative and qualitative approaches. Exploratory and descriptive research designs were applied to suit the purpose of the study. The population of the study comprised five local municipalities in the district, 185 268 residential leaseholders and 437 municipal workers. Data were collected using questionnaires and semi-structured interviews. Data were analysed using Statistical Package for the Social Science (SPSS) while data collected from the interviews were transcribed, coded and explained.

The study concluded that defaults in payment were as a result of, among others, failure by the municipality to impress upon residents the importance of paying their rates; failure to promote alternative payment options; impunity and irresponsibility of leaseholders; and failures by the municipal managers to communicate with the leaseholders using current electronic media. The study recommended a number of measures which would help to alleviate the debt problem in the municipalities.

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

ATM	Automated Teller Machine
CAMA	Computer Assisted Mass Appraisal
EFT	Electronic Funds Transfer
ESCAP	Economic and Social Commission for Asia and the Pacific
FAQ	Frequent Asked Questions
GB	Gigabyte
GDP	Gross Domestic Product
GIS	Geometric Information System
GST	General Systems Theory
IDP	Independent Development Programme
IT	Information Technology
MPAC	Municipal Property Assessment Corporation
MPRA	Municipal Property Rates Act
MSA	Municipal System Act
N	Population
n	Sampling
NFC	Near Field Communication
OECD	Organisation for Economic Co-operation and Development
R	Rand
SMS	Short Message Service
SPSS	Statistical Package for Social Sciences
USAID	United States Agency for International Development
WAP	Wireless Application Protocol

## **KEY CONCEPTS**

Property rates; Property rates payment practice; Municipalities; Municipal Financial Legislation; Debt management; Municipal administration; Communication; Innovation; Revenue collection options; Property rates payment enhancement and property rates payment enhancement models.

## CHAPTER ONE

### INTRODUCTION AND OVERVIEW OF THE STUDY

#### 1 Introduction

A local municipality is an arm of government that plays a vital role by providing the basic infrastructure and amenities that are needed by residents (Bastida Bastida, Beyaert & Benito, 2013:110). Local municipalities facilitate these functions and services by raising funds through external and internal means. They raise funds by external means through central government funding and by internal means through property rates paid by citizens. According to O'Sullivan and Williams (2013:3), property rates or property tax are monthly payments made by leaseholders to landowners in respect of land used.

Property rates as a means of revenue generation to municipalities should be managed effectively to avoid debt accruals and municipal bankruptcy (Kelly, 2013:2). Municipalities are expected to implement good administrative measures to ensure compliance by the leaseholders as this will enable them to attain a substantial level of economic development and to realise a stable and credible financial position (Mendonca & Machado, 2013:10). In this regard, it is deemed obligatory that the property rates administrative and policy factors be effectively implemented to ensure that the municipal goals be objectified (Kelly, 2013:7). Furthermore, Babawale (2013:228) affirms that the property rates factors such as coverage, evaluation, billing, enforcement, collection and appeals must be improved as the poor implementation of one factor will invariably affect the performance of the entire property rates system.

Municipal debt is regarded as the total amount owed over a given period while deficits are the excess of all expenditures over revenue (Rosen & Gayer, 2010:461). Also, DuBrin (2013:9) defined management as the attainment of organisational goals in an efficient and effective manner by planning, organising, coordinating, directing and leading. These highlights uphold that the local municipalities should adopt sound administrative practices, innovations and effective communication to ensure that debts that may accrue from the payment of property rates be minimised and recovered. This, in turn, will enable the local municipalities to provide adequate services to the indebted residents and to embark on their various economic development programmes.

This chapter presents an overview of property rates payment practice in the selected district, the aims of the study, research questions, research objectives, delimitation of the study and the structure of the dissertation.

### **1.1 Overview of property rates payment practice in the selected district**

This study investigates the property rates payment practice in a selected district municipality in the Northwest Province of South Africa. There are five local municipalities that make up the selected district municipality, and in order to maintain anonymity, these municipalities will be referred to as Municipality A, B, C, D and E. Property rates as noted earlier in this chapter remain a bedrock in raising the needed revenue for the local municipalities in South Africa. According to Kelly (2013:4), local municipalities in developing countries generate 20-80% of their internal revenue through property rates. In this district municipality, property rates are levied on land and buildings of the residential leaseholders in the various local municipalities. Property rates are levied on lands that are captured in the municipal cadastre register while the residents that live on tribal land and other government free areas are exempted from property rates payment.

Manyaka (2014:131-132) and Monkam and Moore (2015:11) affirms that revenue mobilisation is essential to local municipalities. It is, therefore, the duty of the financial managers and the municipal accountants to ensure adequate generation of revenue for the municipalities. With regard to this duty, the financial manager should ensure effective billing and collection of revenue for the services provided and the rates levied on the residents' property. The local municipalities of this district encounter challenges in collecting revenue from the defaulting leaseholders.

Data on property rates payment practice of the five local municipalities were collected to scrutinise the level of payment compliance by the leaseholders. Firstly, the household statistics of the five local municipalities and the summary of five years' income statement of local municipality A were collected. Furthermore, the summary of property rates payment practice in the other four local municipalities were collected. The documents are presented in Tables 1.1-1.3 respectively.

Table 1.1 provides information on the land mass in each local municipality, the population of the residents, and the registered leaseholders in the selected district municipality.

**Table 1.1: Household Statistics of the local municipalities**

<b>Local Municipality</b>	<b>Area in Sq. Km</b>	<b>Population</b>	<b>No. of Leaseholders</b>
<b>Municipality A</b>	3 698 44sq.km	293 180	69 397
<b>Municipality B</b>	6 464 87sq.km	202 187	39 001
<b>Municipality C</b>	7 192 86sq.km	130 617	30 610
<b>Municipality D</b>	4 883 65sq.km	99 101	23 831
<b>Municipality E</b>	5 966 25sq.km	81 892	22 429
<b>Total</b>	28 206 08sq.km	806 977	185 268

Adapted from the Local Government Handbook (2015)

Table 1.2 presents the data on the annual levies, annual collections, annual debts and annual accruals in property rates payment practice of municipality 'A' which were obtained from the financial department of the municipality. According to Table 1.2, it is observable that the annual collections are low compared to the levies charged. This results in escalating debt accruals.

**Table 1.2: Summary of five years property rates Income statement of municipality A**

<b>Year</b>	<b>Levies</b>	<b>Collections</b>	<b>Debts</b>	<b>Yearly Accruals</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2015</b>	346 785 017.60	252 375 117.46	94 409 900.14	891 585 137.77
<b>2014</b>	316 168 981.94	217 219 607.69	98 949 374.25	797 175 237.63
<b>2013</b>	337 633 395.23	198 805 066.39	138 828 328.84	698 225 890.38
<b>2012</b>	307 348 771.66	83 441 392.90	223 907 378.76	559 397 561.54
<b>2011</b>	267 097 167.16	130 675 950.28	136 421 216.88	335 490 182.78
<b>2010</b>	340 307 382.78	141 238 416.88	199 068 965.90	199 068 965.90

Source: Municipality A audit report (2015)

Table 1.3 presents the property rates payment practice by the leaseholders in the remaining four local municipalities. The financial statements from the various local municipalities of the district show the level of outstanding irregularity in payment practice by the leaseholders. Also, it portrays an erratic manner in the collection of property rates in the four municipalities over the period of 2011-2014.

**Table 1.3: Summary of property rates income statement of the other local municipalities in the district (R 000)**

<b>Municipalities</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>
<b>Municipality B</b>	64 617	37 144	131 661	50 095
<b>Municipality C</b>	19 591	23 926	18 408	17 693
<b>Municipality D</b>	10 884	12 160	5 268	8 720
<b>Municipality E</b>	62 067	9 739	3 107	7 824

Adapted from the Local Government Handbook (2015)

## **1.2 Problem statement**

Tables 1.2 and 1.3 indicate that the payment of property rates in the local municipalities of the district has, for the period 2010-2015 been erratic and deteriorated to such an extent that accruals amount to over eight hundred million rand, it is apparent that no measures have been put in place to halt the escalating debt accrual of the property rates in the district, it is deemed necessary to conduct a study that will provide solutions to arrest the deteriorating situation in payment practices in the district.

## **1.3 Aim of the study**

The aim of this study was to identify the causes of defaults in the payment of property rates and to proffer solutions to minimize and recover debts.

## **1.4 Research questions**

The primary research question the study addressed is, "What are the reasons for non-payment of rates by the leaseholders in the district?"

The secondary research questions were:

1. What is the best practice in property rate debt management?
2. What needs to be done to minimise defaults in payment of property rates in the district municipality?
3. What measures are required to recover the outstanding debt?

## **1.5 Research objectives**

The objectives of this study were, to:

1. Identify the causes of payment defaults in property rates by leaseholders.
2. Establish the best property rates payment practice
3. Recommend measures to minimize defaults and to recover outstanding debts in the district municipality.

## **1.6 Delimitation of the study**

This study was delimited to the five local municipalities of the selected district. The participants of this study were the residential leaseholders in the various local

municipalities and the employees of the local municipalities in the district. The study was confined to matters related to the payment of residential property rates in the district. The study area was deemed to be a microcosm of similar local municipalities elsewhere in South Africa.

## **1.7 Structure of dissertation**

### Chapter 1: Introduction

The chapter provides a general overview of the study, including an introduction to and background of the study, the problem statement, the research question, research objectives and the delimitation of the study.

### Chapter 2: Theoretical foundation and literature review

The study reviewed systems theory, contingency theory, public debt management, the review of property rates legislations and payment practice in South Africa and best practices in property rates debt management. Other topics such as communication and innovation were also explained.

### Chapter 3: Research method

This chapter addresses the research design and method that was used in this study. The research paradigm, research methods, population, sampling methods, data collection techniques, and data analysis were explained. This session also explained validity, reliability and ethical considerations.

### Chapter 4: Presentation of findings

This chapter presents the empirical findings as obtained in the survey with the leaseholders and the interviews with the municipal managers.

### Chapter 5: Recommendations and concluding remarks

This chapter presents the explanation of the research results, as well as the recommendations and concluding remarks.

## **1.8 Summary**

Chapter one provides an introduction of the study, overview of property rates payment practice in the selected district municipality, aims of the study, problem statement, research questions and the objectives of the study. Other topics that was explored

include the delimitation of the study and the structure of the dissertation. The next chapter presents the literature review and the theoretical foundations.

## CHAPTER TWO

### THEORETICAL FOUNDATION AND LITERATURE REVIEW

#### 2 Introduction

This chapter presents the theoretical foundation and the literature review of the study. In the theoretical foundation, the systems theory and the contingency theory are explored to examine the interrelationship that exist between the property rates administrators of the local municipalities to communicate with the external environment in enhancing payment compliance. Other theories that will be explored include economic deterrence theory, fiscal exchange theory, comparative treatment theory, social influence theory and the United Agency for International Development (USAID) taxpayers' behavioural theories.

The literature review of this study will also discuss communication, innovation, revenue collection options and revenue enhancement models. Kelly's property rates model, Boone and Roberts simplified debt collection model and the information technology (IT) tax administrative model will be examined and its effect in some countries. Property rates payment practices in other countries such as Canada, Organisation for Economic Community and Development Countries (OECD), Francophone African countries, and South Africa will be reviewed. With regards to the recurrent property rates debt in the district municipality, the conclusion of this chapter will thrive to find out the reasons for default in payment, suggest reform options to enhance debt recovery, and the best practices in property rates payment that will serve as lessons to the local municipalities in South Africa.

#### 2.1 Theoretical foundations

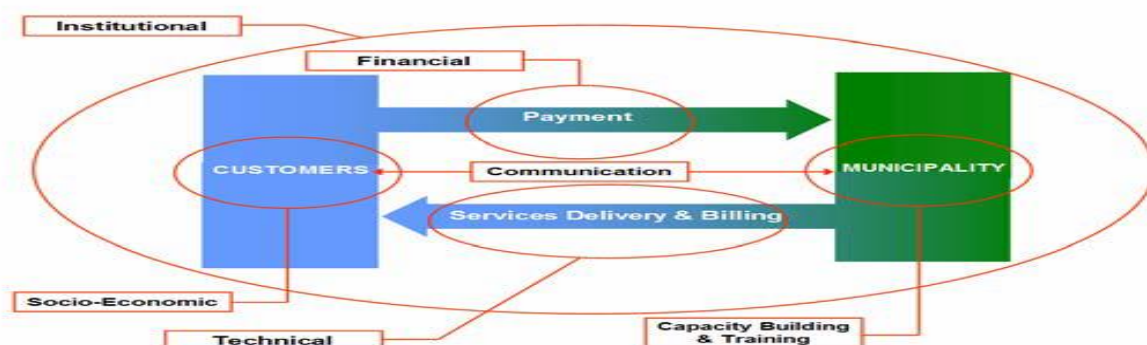
Systems theory and contingency theory were examined to seek solutions to the problem under investigation.

##### 2.1.1 Systems theory

A system is viewed as a unit consisting of several interacting parts that function as an entity in a dynamic state of equilibrium (Hellriegel *et al.*, 2008:64; Lussier, 2009:42). In this regard, the organisation is regarded as a structure with several units that work together or interrelate with each other within their internal and external environments to achieve their set objectives (Mele *et al.*, 2010:130). The organisation is considered

as an entity that interacts with the external environment thereby converting input to output and receive feedback from the external environment; therefore, this theory advocates the need to understand the environment, social relationship dynamics, individual lifestyles and perceptions; and individual conditions before making decisions (Hellriegel *et al.*, 2009:64; Mele *et al.*, 2010:126).

System theorists consider an organisation to be subdivided into different sections or departments to ensure that each department functions differently and effectively through the interrelationship with other departments (Mele *et al.*, 2010:126). It is assumed that the inability of one section or department to perform effectively will invariably affect the performance of the entire organisation. Furthermore, systems theorists emphasise the need for the different departments to have extensive knowledge of their visions, developmental programmes including quality development, knowledge of their environment, management of their relationships with the external environment, adapting to the existing conditions and courage in handling difficult times (Mele *et al.*, 2010:131). In an organisation, the manager needs to plan effectively to ensure that the whole system functions and this will be possible through interpretations of feedback and business circumstances to find a suitable balance in resolving problems, also through adjustments on implementation of policies, redefining the organisational structure to promote a suitable performance (Mele *et al.*, 2010:131). Figure 2.1 presents a revenue enhancement model showing how the components of the system interrelate and work together to achieve a unified objective.



**Figure 2.1: Revenue Enhancement Model**

Source: USAID (2005:3).

In this study, the municipality is assumed to be the system while the several departments such as the finance, communication, information system and others are regarded as the sub-system; the residents constitute the external environment. The revenue enhancement model, illustrated in Figure 2.1, portrays that there should be effective communication between the municipality and the residents to enhance effective payment and efficient service delivery. The model depicts the importance of capacity building in the municipalities for continued developmental goals; technical improvement in the service delivery category for greater output through the use of information technology; consideration of socio-economic conditions of the customers for making proper decisions and the financial mobilisations which should be handled by competent financial institutions (USAID, 2005:3)

There is the need therefore for the financial managers of the local municipalities to adopt the objects and approaches of the systems theory and revenue enhancement model to ensure that the management of property rates will be a success. The objects of this theory involve effective communication and co-operation between the municipality and the leaseholders; efficient service delivery to ensure that the municipalities will provide the deserved services to the residents (USAID, 2005:7).

The adoption of this theory will enable the municipal financial workers to interact with the leaseholders thereby establishing the best method in handling property rates matters which include the collection of cadastre information, property evaluation, property rates billing, the collection of property rates, enforcement of property rates payment and the appeal processes. Furthermore, the theory emphasises the need for the organisations to engage in developmental programmes in their capacity building projects; technical improvements to handle the property rates matters competently; considering the socio-economic situations of the leaseholders to ensure cooperation and rates compliance, as well as the financial matters which should be handled efficiently by competent financial intermediaries.

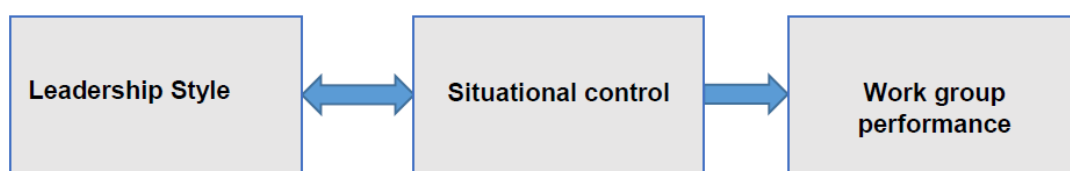
### 2.1.2 Contingency theory

Contingency or situation theory as propounded by Fred Fredler stressed the significance of using diverse approaches by management to resolve issues that may arise in an organisation ((Sauser, Reilly, & Shenhar, 2009:666). Flynn, Huo and Zhao (2009:59) posit that managers should use different approaches to address different

situations. The contingency concept, therefore, implies that organisations should interact continuously with the external environment thereby receiving feedbacks and also developing adaptive features to overcome challenges that may arise as circumstances change. Hellriegel *et al.* (2008:67) affirm that the contingency theory suggests that management should make their decisions based on the present need of the surrounding environment. In this regard, it is important to note that differing situations may require different problem resolving mechanisms. Organisations need to scan the external environment in order to identify suitable problem resolving mechanisms to apply.

Local municipalities need to adopt contingency approach in the administration of property rates. Management needs to communicate adequately with leaseholders to articulate their needs thereby identifying opinions and matters arising in the payment of property rates and devising strategies to resolve them in order to enhance effective rates compliance. The contingency model of leadership reveals that the leader's behaviour should be directive, supportive, participative, and achievement oriented to ensure that the set goals will be actualised and to ensure performance. The model further depicts that management should combine the leadership styles which include task motivated and relationship motivated styles with situation controlling capacities to ensure effective work performance or output.

From the prescripts of the contingency theory, one notes that the managers of the local municipalities should be flexible in making decisions and should be able to use diverse methods to combine talents and all environmental factors to solve problems that they may encounter in the administration of property rates. Furthermore, the administrators should lead, support and direct leaseholders in all circumstances to achieve desired objectives. Figure 2.2 presents the contingency model of leadership.



**Figure 2.2: Contingency Model**

Source: Schmutz (2012)

### 2.1.3 Review of taxpayers' behavioural theories

In property rates administration, there are some factors that influence the residential leaseholders' attitude to paying their rates. This should be addressed by the property rates administrators to ascertain the leaseholders' reasons for payment compliance. In the view of Fjeldstad (2012:8), the taxpayers' decisions to comply with payment of rates reflects the following taxpayers behavioural theories; economic deterrence, fiscal exchange, social influences and equity theories.

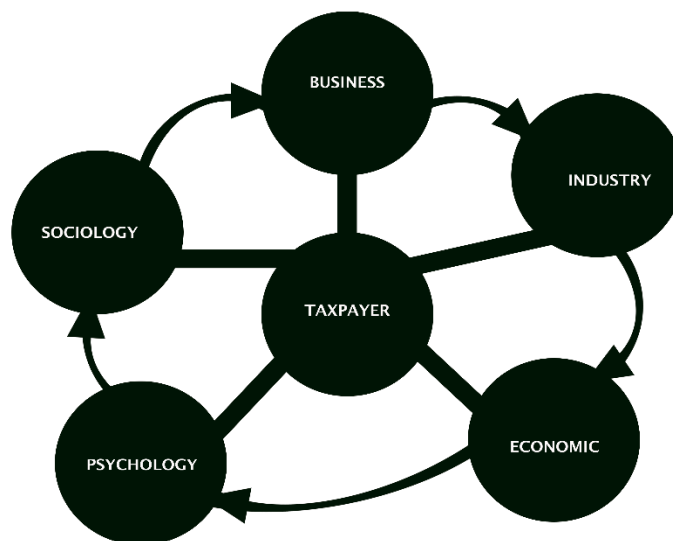
Economic deterrence model was propounded by Allingham and Sandimo in 1972. It analyses the relationship between tax and risk taking (Fjeldstad, 2012:8). This model states that taxpayers make regular payments believing that the consequent penalty when caught in the process of avoiding payment, will bring an extra cost. This, therefore, enhances consistent and adequate payments by the leaseholders. In property rates administration in the local municipalities, the strategies for enforcement should be based on the economic deterrent theory to ensure that legal actions will be taken against the defaulting leaseholders.

The fiscal exchange theory suggests that taxpayers get the motivation of paying more rates on the evidence of adequate service provision by the government (Fjeldstad, 2012:9). This cultural relationship between the residents and the government has its own underlying merits and demerits. The local municipalities will be able to provide the desired services needed by the residents if the leaseholders pay their rates while the residents will not receive adequate service provision in the case of consistent defaults. Nevertheless, this theory was positioned as a relation building approach to encourage mutual relationships and accountability between the residents and the local municipalities.

Equity theory is based on the principle of fairness and equity which states that the taxpayers will be willing and ready to pay taxes if the government is impartial in the provision of service to the residents of the local municipalities (Fjeldstad, 2012:11). It is assumed that the leaseholders will be demotivated to pay rates if the government is partial in the provision of service to the residents. This theory promotes equity in the provision of services by the provincial and the local municipalities which are based on good governance and fairness.

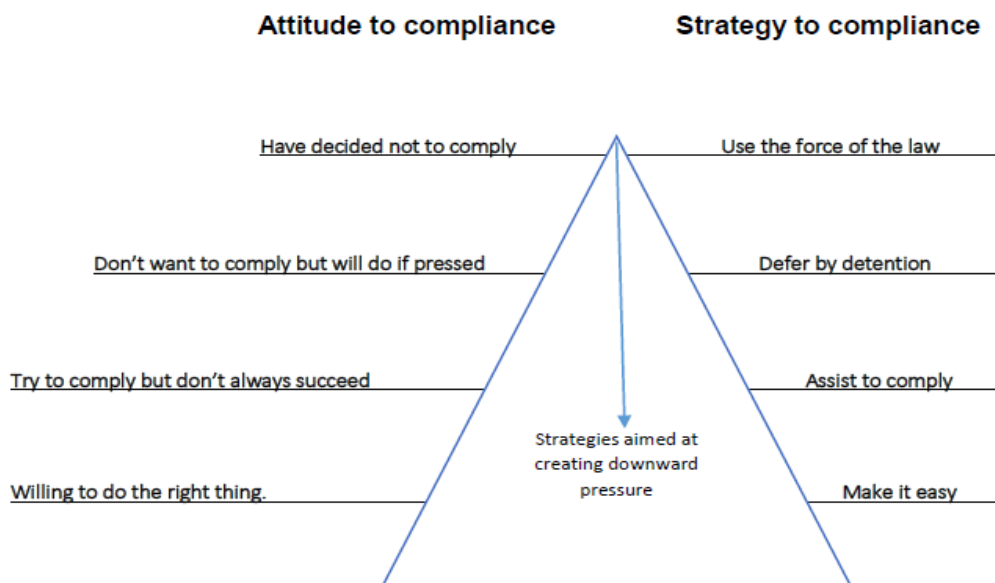
The social influence model postulates that human beings are influenced by the social interactions of the neighbourhood and their environment (Fjelstad, 2012:11). Furthermore, this theory stresses that the behaviour of a particular taxpayer is influenced by the social interactions with other taxpayers. Leaseholders will be discouraged from making further payments on the discovery that other leaseholders have been avoiding rates payment without social sanction. In this regard, the implementation of legal actions on defaulting leaseholders may influence the payment compliance of the leaseholders.

There are other factors that underpin the taxpayers' compliance to rates payment as shown in Figure 2.3. Taxpayers' behaviour is influenced by their social environment, business environment, industrial environment, sociology and psychological issues (USAID, 2013:12). These factors affect the leaseholders' choice to rates compliance. Figure 2.3 presents the factors that influence taxpayers' behaviour to property tax compliance while Figure 2.4 presents attitude to compliance and compliance strategy.



**Figure 2.3: Factors that Influence taxpayers' behaviour to tax compliance**

Source: USAID (2013)



**Figure 2.4: Attitude to compliance and compliance strategy**

Source: USAID (2013)

The prescripts of the model as presented in Figure 2.4 portray that the factors that affect the behaviour of the taxpayers to pay taxes are regarded as negative factors, it is, therefore, the duty of the administrators to monitor the level of leaseholders' attitude to compliance and develop competent strategies to ensure effective payment. In making choices for compliance strategies, the administrator should facilitate voluntary compliance, monitor compliance and enforce compliance.

- Facilitating voluntary compliance: The property rates administrator is required to facilitate voluntary compliance to the leaseholders that are willing to comply by providing all the necessary enhancements for payments, communication and education (USAID, 2013:11). Enhancements for payment include electronic payments and bank transfers while communication and education should be facilitated through e-mails, short message services, reminders and television.
- Monitoring compliance: A different strategy should be applied to leaseholders that endeavour to comply but do not always succeed (USAID, 2013:12). The property rates administrators should strictly monitor compliance and embark on audit practice to detect defaults.

- Enforcing payment compliance: Enforcement should be applied to leaseholders that will comply only when pressed and those that have decided not to comply (USAID, 2013:12). The property rates administrators should apply enforcement by implementing the content of law and surcharges to the defaulting leaseholders.

The taxpayers' behavioural theories and models as presented in Figure 2.3 and Figure 2.4 emphasises the need for the local municipalities to understand the factors that influence the leaseholders' choice to payment compliance. The discovery of the negative and positive factors that affect payment compliance will enable the administrators to formulate possible measures to facilitate payment. Hence, the strategic formulation should be focused on the behaviour and attitude of leaseholders towards acceptance and payment of rates.

## **2.2 Literature review**

The literature of this study explains public debt management, the importance of communication, the need for innovation, revenue collection options and payment enhancement models, the effect of the application of information technology in property rates administration in other countries, and property rates payment in other countries.

## **2.3 Public debt management**

Johansson (2010:1204) affirms that the existence of high debts in developing countries has inhibited the level of growth and development, therefore, governments of these developing countries are expected to manage their balance sheets to reduce the frequency of high debt and its associated costs. Melecky (2012:219) outlined the duty of public debt administrators as making decisions and formulating strategies to raise the needed funds for the government to achieve its developmental objectives.

Public debt management refers to the measures which administrators adopt to raise the needed funds at the lowest possible cost and risk to meet the set obligations of the government (ESCAP, 2006:10-13). The public debt administrators are required to guide debt collections, debt control and debt recovery to provide the necessary services needed by the residents. These obligations can be achieved through policy

and standardisation process, debt book analysis, profiling of debtors and indigent support (Bashe, 2013:2).

In policy standardisation, the administrators promote standards to enhance good policy regulations and competitiveness. It also involves policy implementation to ensure that residents abide by the current rules and regulations. Policy standardisation promotes the end to end business processes to ensure that the measures taken by the public sectors are carefully selected to achieve greater performances and process efficiency (Blind, 2013:6).

Debt book analysis refers to the process of analysing the public debt book to ascertain the recoverable and irrecoverable debts (Bashe, 2013:2). In this category, the administrators analyse the most frequent defaulters, the debt pattern, and formulate effective measures at recovering the old and current debts.

Profiling of debtors involves an innovative approach to managing the debtors' records. In this process, the database of the debtors is identified, categorised and segmented or grouped into clusters according to earnings and default (Ferraris *et al.*, 2013:2-6). The debt administrators are expected to make strategies at communicating with the debtors and device strategies at recovering the debts (Ferraris *et al.*, 2013:5). The use of machine profiling minimises human roles and thereby makes reasonable decisions from the analysed data. Machine profiling can be divided into automated and non-automated profiling. In automated profiling, the debtors are detected through a computerised programme software that aids in making decisions while non-automated profiling involves the human-machine controlled programmes to detect debtors (Ferraris *et al.*, 2013:4-5).

Indigent support refers to the aids given to the government debtors that are unable to pay for government services or property rates over a given period of time. The administrators are required to map out the target of debt recovery amongst the indigent debtors. In this category, the blanket or the target approach can be used (Bashe, 2013:2). The blanket approach refers to the strategy used by the public debt administrator to cover all indigent debtors while target approach refers to the approach to cover a specified area.

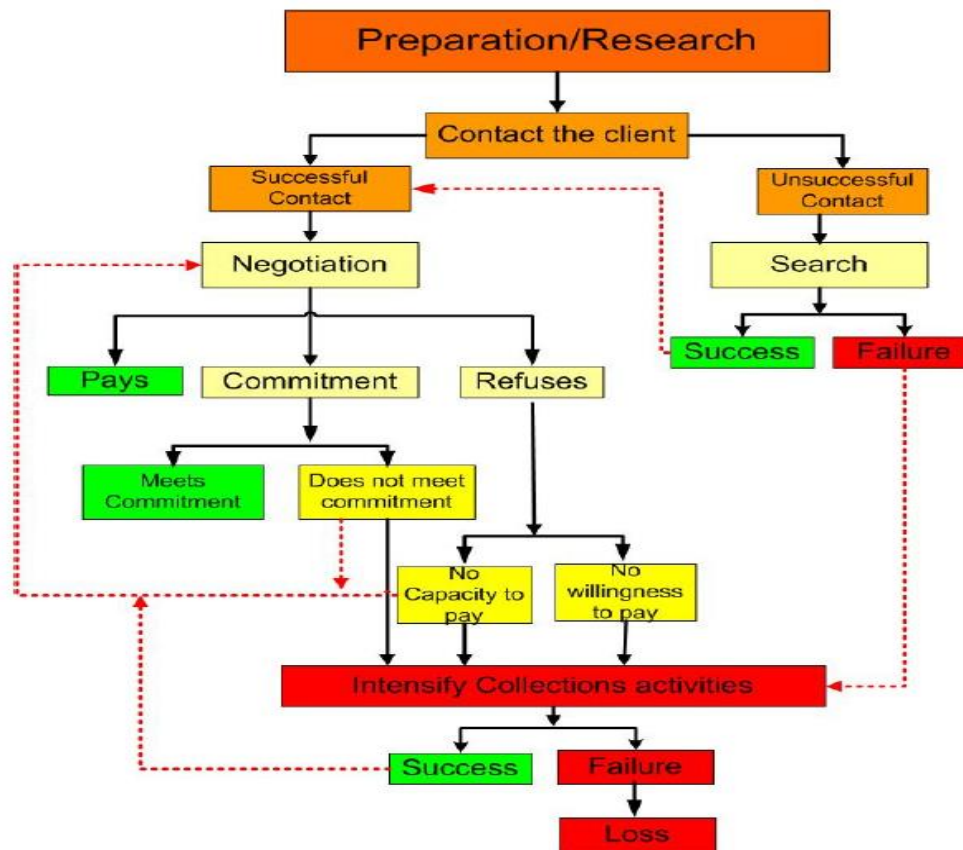
### 2.3.1 Effective debt collection techniques

The practice of debt management involves the ability of debt administrators to use diverse measures to recover the outstanding debts from the residents. In executing this duty, the administrator is required to determine the customer psychology, adopt effective communication measures; be involved in escalation procedures, detect early warning signals, deal with difficult debtors and monitor customer goodwill (Ghee, 2007:1). It is deemed necessary to carefully implement these strategies to ensure that customer relationships are maintained (Scarlet, 2009:54).

- In determining the psychology of the customers, the debt administrators are required to find out the attitude and consciousness of the debtors towards payment. In most cases, some debtors may be willing to pay but default due to some circumstances surrounding them. In this regard, the administrators should communicate adequately with the debtors using various communication media to know the reasons for payment default (Ghee, 2007:1).
- Escalation procedures involve the various measures taken by the debt administrators to recover debts to limit losses. In this category, innovative solutions, revenue protection mechanisms, and legislative precedents are implemented to ensure that debts are collected from debtors (Rowley, 2013:2).
- The debt administrators are required to detect early warning signals of default and initiate the right measures to counter defaults. Also, administrators should deal with difficult debtors by implementing legal actions on the defaulters. Above all, there should be a maintenance of goodwill between the debt administrators and the debtors (Ghee, 2007:1).

### 2.3.2 Delinquent accounts

In precise terms, delinquent accounts refer to accounts that are not paid by the predetermined due dates or at the end of the grace period (Ulzheimer, 2015:3). In the recovery of delinquent accounts, there are some options available to recover the outstanding debts. These may include debt selling, engaging attorneys, and using the existing debt collection policies. According to Wittlinger, Carranza and Mori (2008:3), debt collection measures are strategies stipulated to collect debts from clients appropriately and timeously. Wittlinger *et al.* (2008:3) conceived a debt collection process to enhance debt collection. Figure 2.5 presents the debt collection model.



**Figure 2.5: Debt collection process**

Source: Wittlinger *et al.* (2008)

According to the prescripts of the model, Wittlinger *et al.* (2008:3) posit that organisations should:

- Identify the client, the situation of the clients, the loan conditions, delinquent period, and other necessary information surrounding the debtor.
- Contact and interrogate the client, identifying the location of the client and the previous actions taken to recover the debt.
- Assess the client to understand why the account is delinquent and to understand the capability of the client.
- Suggest alternatives to payment options to clear the debt.
- Suggest payment commitments after negotiating with the clients.
- Ensure payment commitments by the client
- Monitor payment commitment and ensure that the client maintains consistency in the payment of debts.
- Record the collection of debts by the client to establish a payment database.

- Organisations should have a follow-up on client's situation and the ability to be paying at the stipulated time.
- Suggest other outright options which may include identifying the debt terms and adequate legal actions to recover the debts.
- Consider loss that may occur when the client is unable to pay the debts and when all possible measures has been made to recover debts are unsuccessful.

### 2.3.3 Debt selling

Debt selling involves the arrangement made by the creditor to sell the outstanding debts to the third party otherwise known as a collecting agent. Stifler and Parrish (2014:4) opine that debt buying remains one of the most recent outstanding changes in the collection of debts. Debt selling remains an option available for organisations to recover the debts accruing to their accounts. George (2014:1) stated that the debts accruing to the South African municipalities' accounts have been outstanding and have never been known since the history of municipalities from 1994. The reasons for the accrued debts may be attributed to inability or refusal to pay, unemployment, improper billing, inadequate service delivery and poor credit control (George, 2014:1).

In distressed situations where the organisation urgently needs financial assistance, debts can be sold to a third party in order to enable the organisation meet up with the financial obligations (Tuite, 2010:59). The advantages of debt selling as noted by Tuite (2010:59) include immediate re-strengthening of the organisational account and enabling the organisation to carry out its financial obligations as budgeted. According to Tuite (2010:62), the organisations selling their debts must ensure that the following conditions are to be met by the debt collecting agents:

- Verify the debts buyers' experience in handling debts
- Confirm the debt buyers' service accounts
- Determine details and value of the debt
- Must be ready to provide necessary information to aid in the recovery of debt
- Ensure that the debt buyer is ready to abide by the contents of the debt buying agreement
- Must evaluate the outright cash flow requirement and the time frame
- Determine and state clearly if the account can be repurchased

- Determine if the debt buyer will be available at the desired locations and at all times.

#### 2.3.4 Engaging an attorney

In recovering the municipal debt from the residents, the municipalities are authorised by law to prosecute or take legal proceedings against the defaulters. This is sustained by Sections 109 and 112 of the Municipal Systems Act (Act 32 of 2000) which state that the municipality should prosecute residents that breach the municipal byelaws. Furthermore, the municipalities should conduct adequate enforcement by imposing fines against the defaulters to recover debts as enshrined by Sections 113 of the MSA (Act 32 of 2000). In the case of failure to comply with the payment of fines as imposed by the municipality, it is deemed necessary to engage an attorney who should follow the due process of law to collect the imposed fines and debts.

#### 2.3.5 Property rates rebates in South African municipalities

In South Africa, property rates administrators' award rebates to the indigent residents that are not capable of paying their monthly rates (de Lille, 2015:2). Rates rebates are reductions in the leaseholders' monthly rates. According to Berg (2014:2), the residents who fall under the rebates region are qualified to apply for rebates to the local municipalities. Berg (2014:2) asserts that residents who are included in the municipal rebates include indigent households, child-headed households, medically boarded persons, aged pensioners, disabled, welfare organisations, public benefit organisations, protected areas of the government, public schools, vacant and unimproved stands, and the municipalities. It is apparent that an application for rebates must be made to the municipality which is subject to approval. Furthermore, Berg (2014:2), outlined the average monthly earnings and the due rebates in the City of Johannesburg as follows:

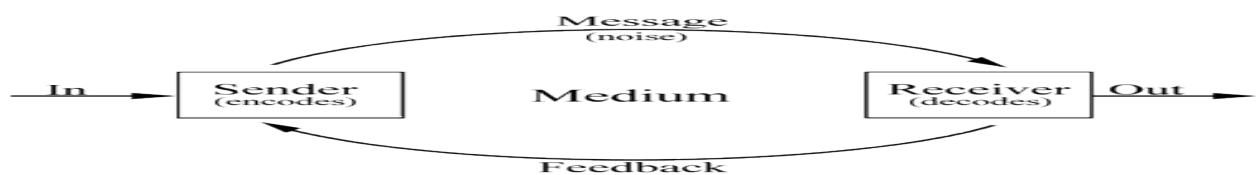
- R0.00 to R2 520 (2 x State pensions when amended) – 100% rebate on assessment rates
- R2 520 to R4 900 – 85% rebate on assessment rates
- R4 900 to R6 400 – 70% rebate on assessment rates
- R6 400 to R7 900 – 55% rebate on assessment rates
- R7 900 to R11 900 – 40% rebate on assessment rates

## 2.4 Communication

Communication is derived from a Latin word *communis* which depicts that there should be common understanding resulting from the information sent by the sender to the receiver for communication to be complete (Lunenburg, 2010:1-2). USAID (2005:7) and Sauer (2014:435-453) aver that communication is the process of passing the right message to the target persons using the right channels at the right time while Wallace and Roberson (2009:32), Valentzas and Broni (2011:117) and Wells (2011:3) maintain that communication refers to the procedures involved in passing of information from the sender to the receiver and from receiver to the sender through a designated medium.

The communication model presented in Figure 2.6 describes how the sender creates messages and encodes it to the receiver through a medium. The sender considers any impediments that will tend to distort the information encoded to the receiver (noise) before making choice of the channel. Furthermore, the receiver decodes the message and sends the feedback to the sender thereby making the communication process to be complete. The communication model further depicts that organisations should send the right message to the right persons, in the right manner and at the right time (USAID, 2005:7).

According to the prescripts of this model, the organisations should make the right choice for the channels to be used in sending messages to the residents so that it will be persuasive, timely, as well as serving the designated purpose. The organisations should also ensure that feedback is collected from the customers to consider further actions to take. This, in turn, makes communication to be a continuous process as organisations respond to the feedback from the target audience. Figure 2.6 presents the communication model.



**Figure 2.6: Communication model**

Adapted from Lunenburg (2010)

According to the revenue enhancement model (see Figure 2.1), it is evident that communication links the municipalities and the customers. The local municipalities should constantly inform residents to pay for the municipal services and rates through the right channel and at the right time. In municipal communication, there should be underlying policies and procedures that underpin the practice and process of communication between the municipality and the residents. In the municipal external communication, the municipalities should interpret the responses that are received from the residents, maintain courtesy and friendliness, resolve a sufficient difference in opinions, react to conservative criticisms and ensure relative partnership with the residents.

In designing a good communication strategy, USAID (2005:7-8) maintains that the following factors are needed:

- Comprehensive policies: The organisations should maintain sound policies to ensure that messages will be acceptable to the customers.
- Trustworthiness of the information must be well established.
- Proven moralities: Organisations should send information that is known and acceptable, also understandable to the customers.
- Tactical forecasting: the organisations must forecast and determine the population of the customers and the best acceptable means of encoding the messages to the residents.
- Good use of communication measures is advisable to be used by the organisations to ensure maximum penetration or coverage.
- Organisational communication can be implemented through the use of local languages to achieve a wider acceptance.
- Organisational communication must be simple and sound to promote comprehensibility.

The following explanation on the communication process is based on the studies of Cabanero-Verzosa (2003:13-17).

The process of communication planning and implementation strategies are to be handled effectively to ensure that messages are accepted by the target market. In this regard, the implementation of communication programmes involves assessment,

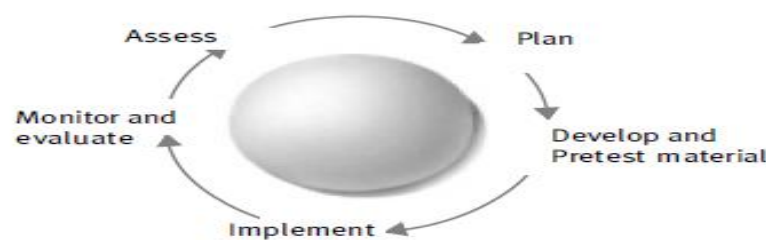
planning, developing and pretesting of materials; implementation, monitoring and evaluation stages.

In the assessment stage, the need for communication is determined and the selection of the organisations' locus of communication is selected. The locus for communication involves the choice of the message to be sent, the type of people to be reached and the type of communication channel to be adopted. In this stage, adequate comparisons are done on diverse strategies to be adopted in sending messages to ensure that the organisations are consistent to achieve their objectives.

Planning stage involves where the organisation works with the information obtained in the assessment stage to initiate ideas to commence with development. The nature of the message, the choice of channels, and message concepts are considered in this stage. Developing and pre-test material stage is characterised by developing messages that will be acceptable to the target market. The organisation considers messages that will be easily understood by customers and the choice of the channel that is most effective.

In the implementation stage, messages are sent to the customers through chosen channels while monitoring and evaluation stage involves the monitoring of the responses from the customers on changes in attitudes, beliefs, and understandings. These factors are resolved at this stage to ensure that organisations maintain a good relationship with the customers.

Figure 2.7 presents the planning and implementation process showing how organisations assess, plan, develop and pre-test material, implement, monitor and evaluate the process of communication.



**Figure 2.7: Communication planning and implementation process**

Source: Cabanero-Verzosa (2003)

#### 2.4.1 Methods of communication

Valentzas and Broni (2011:120) highlighted the various forms of external communication to include the use of letters, fax, direct mail, the internet, video, telephone, adverts, and websites while forms of internal communication include team briefings, notices, reports, memos, face to face and e-mails. In this study, communication methods such as the electronic media, print media, and seminars are examined.

##### 2.4.1.1 Electronic media

These refer to the media that use electronics in order for the receiver to get the content. In South Africa, the use of mobile phones and other telecommunication networks have increased over years (Hutton, 2011:1). According to Hassan (2012:1), electronic media has enabled the instant sending and receiving of messages by the stakeholders of communication. Table 2.1 presents the usage of electronic media in South Africa by the residents.

**Table 2.1: Users of electronic media in South Africa**

<b>Device</b>	<b>Population in millions</b>
<b>Mobile phone</b>	29
<b>Radio</b>	28
<b>Television</b>	27
<b>Internet</b>	4
<b>Computer</b>	6
<b>DSTV/MNET</b>	5.5
<b>Landline telephone</b>	5

Adapted from Hutton (2011)

Table 2.2 presents the level of communication in the district and the percentage of leaseholders that use home television.

**Table 2.2: Residential television users in the selected district (%)**

<b>Code No. and Municipality</b>	<b>Leaseholders with television</b>
<b>DC38: District Municipality</b>	67.9
<b>NW383: Municipality A</b>	71.9
<b>NW384: Municipality B</b>	67.8
<b>NW385: Municipality C</b>	65.2
<b>NW382: Municipality D</b>	65.1
<b>NW381: Municipality E</b>	62.2

Adapted from Statistics South Africa (Census 2011).

The electronic media that was examined in this study include television, radio, YouTube, electronic billboards, desktops, social media, and the internet.

Television is used to present infomercials and advert to the public (USAID, 2005:8-9; Bird *et al.*, 2014:309; de Mooij, 2014:233;). In infomercials presentation, the sender pays the service provider depending on the time of the presentation. Most infomercials are presented during the night or during non-office hours to ensure that majority of the residents are captured. This type of presentation has a longer duration than adverts due to the fact that it can be presented late at night. Adverts are also presented to the public through television. Adverts are short commercial messages which are sent to persuade or to market organisations' product to the public (Gerber *et al.*, 2014:1). This type of presentation is shorter than infomercials but more expensive than infomercials due to the fact that they are slotted during news presentations to capture a wider audience. Infomercials and adverts combine sound, signs and motion; captures a large number of people and does not have education barrier due to the fact that messages can be sent through local languages (Familusi & Owoeye, 2014:7-10).

Radio advertisements are designed to enlighten the target market about a particular product through radio (Egan, 2007:437; de Mooij, 2014:236; Fielding & Plooy-Cilliers, 2014:309). Familusi and Owoeye (2014:7-10) posit that radio advertisements are

timely delivered, cheap, and gain access to many residents, while Meade (2012:2) maintains that radio is good to disseminate simple messages and slogans. It is advisable that the organisations should consider using this medium to pass the necessary information to the customers. The application of this medium of communication will help to educate and remind the residents about the payment of services.

YouTube refers to a search engine where audio-visual adverts are placed on the internet to inform and educate the target market. Sauer (2014:445) maintains that YouTube is the largest audio-visual search engine in the world. Furthermore, Sauer (2014:445) avers that YouTube is widely accepted because of the audio-visual or visual messages it conveys. YouTube helps to place updates on the internet thereby helping to disperse urgent information to the public (Baruah, 2012:4-5).

The use of social media supports in disseminating information between people on the same electronic platform (de Mooij, 2014:248-253). The dissemination of information through social network includes the use of Facebook and Tweeter. Updates, advertisements and other necessary information can be dispersed through the social networks. Baruah (2012:4-5), Familusi and Owoeye (2014:7-10) posit that the choice to disseminate information through social networks reduces cost and can gain a wider coverage. The tweeter is regarded as a short message service of the internet which does not exceed 140 characters while Facebook advertisements are widely used by over 1 billion users in the world (Sauer, 2014:444). With regard to the wide usage of the aforementioned social media, it is advisable that the property rates administrators should adopt and place their adverts and other necessary information consistently on Facebook and Tweeter platforms. This medium informs adequately and enables the parties involved to interact freely.

Electronic mail (e-mail) involves the process of sending single and bulk messages through the internet (Bothma *et al.*, 2008:392; Sauer, 2014:453). In sending messages through electronic means, e-mails serve as the best option because of its instantaneous ability to deliver messages. USAID (2013:37-40) asserts that responses recorded in emailed reminders in El Salvador in 2009 amount to 2 685 as compared to 917 responses obtained in 2008. This medium serves as one of the most used

means of sending emails in the present generation therefore, the organisations should encourage the residents to open e-mail accounts to encourage interactions with them.

The desktops and laptops are used to disseminate SMS, bulk SMS, and reminders to the various receivers through mobile applications (Fielding & Plooy-Cilliers, 2014:323). Call reminders refer to the means by which organisations remind the target market through call centres or short message services (SMS) to pay bills, outstanding debts, and outstanding matters. Call centres are cheap and have the capacity of covering a large group of people instantaneously. According to USAID (2013:37-40), the application of automated call centres in only one month in El Salvador saved \$215 000 in operating expenses. On a personal investigation, South African bulk SMS costs 25cents-30cents per SMS while bulk letter postage costs 3.80 Rand- 4.00 Rand per mail. Evidently, it is possible that organisations can save R3.55 in communicating to each customer. As indicated in Table 1.1, the total number of leaseholders in the district is 185 268, the local municipalities could save the sum of R657 701.40 per month in communicating with the leaseholders.

Electronic billboards and manual billboards are outdoor board kept by organisations in strategic and high traffic places to display their adverts. This serves as a standing reminder to notify and to inform the target persons (Bird *et al.*, 2012:383). Electronic billboards are computer-controlled digital billboards that capture the attention of a large group of residents because of the pictorial displays it conveys. Manual billboards are not computer controlled but manually placed. The availability of billboards and posters in every strategic position in the local municipalities helps to remind and educate the residents. Ann, Young, Man, and Yap (2012:4) posits that billboards are cheap with low maintenance cost, captures attention due to size, available all the time, and help in awareness creation. Persuasive messages should be placed on billboards and kept in strategic places to help in disseminating information to the residents.

The internet serves as a medium by which messages can be transferred from person to person. This involves the development of websites which help to disseminate vital information to the target persons (Bothma *et al.*, 2008:400; de Mooij, 2014:246-247). In the web development, it is vital that organisations display vital information that will educate, inform and direct customers. Comparing Cape town municipal website and that of Ngaka Modiri Molema website, it is observable the former displays some vital

information regarding the service provisions of the municipality, communication links and payment options while the latter does not display most information that informs the residents adequately. In the development of municipal and organisational websites, it should be transparent by conveying all the queries including finance, job opportunities, service provisions, payment for services and present contact information of the municipality. Warner (2011:10) affirms that the internet encourages direct response, direct interaction, direct tracking, and promotes efficiency. In property rates administration, it is necessary to have an e-rates portal which serves as the municipal property rates website where the leaseholders can assess necessary information regarding the payment of property rates.

#### 2.4.1.2 Print media

This refers to other media that uses physically printed materials. In this study, flyers, pamphlets, magazines, inserts, newspapers and community theatres will be reviewed.

Newspapers and magazines serve as a means of dispersing information. They function as national dailies or periodicals that convey matters of international, national, provincial and the municipal interest (Bird *et al.*, 2012:384). Warner (2011:4) assert that newspapers are credible and portable; contain visual photographs, catches a mass audience, and can be stored for a long period of time. Inserts are flyers that are inserted in the newspapers and magazines. Inserts, newspapers, and magazines are frequently used by residents, therefore, the choice for this media will help to sensitise and educate residents on significant matters.

Flyers are short written messages which are meant to be distributed to a wide range of population for education and information purposes (USAID, 2005:9; Bird *et al.*, 2012:383). Flyers are inexpensive to produce, easy to distribute to the target persons, and can deliver simple messages (Ann *et al.*, 2012:4). It is advisable to design flyers with a good comic. Comics are regarded as a method of passing information using captivating images and texts. The visual images are designed in such a way to catch the attention of the receivers. USAID (2005:8) asserts that comics are cheap to produce while expressing messages through good comics and with a simple language helps to ease communication.

Property rates workshops are organised forums where administrators educate the leaseholders on matters related to the payment of property rates (USAID, 2005:9).

The availability of workshops assists in having physical contacts with the audience, knowing their views, educating them and answering the frequently asked questions (FAQ) (Meade, 2012:7). Workshops should be organised on regular intervals to educate the residents to pay for municipal services, also, elucidate on the frequently asked questions (FAQ).

Community theatres should be used to disseminate information to the residents. This involves the use of drama and other cultural performances to convey information to the target market (Inyang, 2016:149). This medium helps to cover the audience that might not be willing to read newspapers and magazines. The display of various educative drama in the community theatres will help to disseminate useful information to the residents. Inyang (2016:153) outlined the advantages of using community theatres to communicate to the residents as follows:

- An active means of communicating relevant facts
- An innovative means of engaging the residents emotionally
- A good means of educating the residents
- A powerful way of sensitisation.

Despite the various advantages derived from using community theatres to communicate with the residents, its usage is minimal due to the inability to gain the needed political support by the social actors and difficulty to secure government funding (Inyang, 2016:155).

## **2.5 Innovation**

Innovation is regarded as the process of transformation, application of better solutions of doing things, or creation of new things (Atkinson, 2013:3-4). In the view of Montgomery and Perry (2011:1), innovation can be sub-divided into two, namely breakthrough and sustaining innovation. In the breakthrough aspect of innovation, new services, products and new ways of doing things are invented while incremental improvements on services and products are applied to change the former ways of doing things in a sustaining innovation. Stowe and Grider (2014:2-3) maintain that the greatest task of a manager is to see and understand the challenging problems clearly and the ability to resolve them efficiently.

Horth and Bunchner (2014:1-2) aver that planning to the next level remains an outstanding challenge to managers, therefore, it is obligatory that the environment should be scanned and new ideologies introduced to get things done in the most appropriate way. This, in turn, implies that managers must think in a different way, find multiple possibilities to resolve outstanding issues hindering productivity and success of the organisation (Horth & Bunchner, 2014:5).

Innovation helps in the provision of value, development of new products and deployment of new products. Montgomery and Perry (2011:1) further maintain that innovation encourages good leadership and new skills to meet up with the demands of the public. Also, Horth and Bunchner (2014:3-4) assert that innovation is adequately and consistently needed in organisations for a move towards getting the best for the interest of the public.

The prescripts of innovation imply that municipal managers in the district should be creative to promote and implement effective and efficient measures in the administration of property rates. These factors include the measures adopted in communicating with the leaseholders such as using post offices as a means of sending bills to the leaseholders. Managers should consider using electronic mails or short message services to inform leaseholders about the need to pay their rates. The implementation of breakthrough innovation and sustaining innovation by municipal managers in the administration of property rates will help to create awareness to the leaseholders thereby inducing them to pay rates.

## **2.6 Introduction to revenue collection options and payment enhancement models**

In property rates administration, revenue collection is deemed essential to the local municipalities to enable them to discharge their service provision obligations to residents. In this study, types of bank accounts in South Africa and several revenue collection options are examined to explore their availability and relevance. Also, payment enhancement models such as Kelly's property rates model, Boone and Roberts simplified debt collection model, and information technology (IT) debt collection model are examined.

### 2.6.1 Types of bank accounts available in South Africa.

In South Africa, there are many types of bank accounts that are available in the various banks. These include savings, transaction/cheque and transmission account (Loxton, 2014:1-2). The discussion on types of bank account is based on the studies of Loxton (2014:1-2).

A savings account gives a customer access to deposit and withdraw money from his account with low interest. In this type of account, customers earn interest depending on the volume of savings and the customer is issued with debit cards which can be used at available ATM machines. In this category, customers can use payment options such as electronic funds transfers, debit orders, shopping outlets, automated teller machine (ATM), direct bank deposits, mobile transfers, and stop orders.

A transaction or Cheque account gives the customer access to withdraw money for daily banking transactions with the use of a chequebook. It is also known as the demand deposit account or the cheque account. The customers are usually issued with a cheque book which enables the customer to withdraw money on demand, also, the customers can receive overdrafts instead of interests. Customers can use payment options such as electronic funds transfers, debit orders, shopping outlets, automated teller machine (ATM), direct bank deposits, mobile transfers, and stop orders.

A transmission account is an old type of bank account that almost functions like a savings account. In this category, the customer is not always issued with a passbook or a chequebook but withdraws and deposits on demand. The features of this account include minimum cash withdrawal charge and free account enquiry charges. Transmission account allows customers to use payment options such as electronic funds transfer, debit orders, bank deposits, mobile transfers, stop orders, post offices and shopping outlets.

### 2.6.2 Revenue collection options

This entails the available methods which the municipalities adopt in the collection of payments on municipal services from the residents. Efficient and effective methods of payment are required to be established in the local municipalities to ensure that residents comply with the payment of services to minimise debts. The payment options that are deemed proficient which and are discussed in this study include electronic funds transfers (EFT), debit orders, mobile payments, shopping payments, direct bank

deposits, post offices and reminders. Various payment options including telephone banking, internet banking, direct bank debit, mailed check, agent payment and the tax office payment have been widely adopted by many countries in Asia and have been successfully implemented (Araki, 2013:3-8). Koskosas (2011:54-56) outlined the advantages of internet banking to include customers' convenience, easy transferring of funds, and efficient services. The local municipalities should promote them in the payment of municipal services to ease payments which will assist in debt recovery.

The use of electronic funds transfers involves the transfer of funds from one bank account to other bank accounts without handling physical money. It can also refer to any transfer of funds originated through the electronic terminal which includes the use of ATM cards. Araki (2014:3) posits that the introduction of electronic tax payment serves as an option to alleviate the risk of carrying cash to banks, post offices and tax offices. This method of funds transfer saves time, reduces administration cost, eliminates intensive labour involved in handling cash payment and reduces corruption amongst the rates administrators (Araki, 2013:3).

Automated teller machines (ATM) are electronic banking outlets that enable customers to deposit and withdraw money and issue account balance report of a customer without the intervention of a cash officer. The introduction of this method of payment has helped to halt the incessant robbery and the risk of carrying cash from place to place (Mumin *et al.*, 2014:138-142). ATM transactions are very fast, safe, and can be done in multiple locations. Electronic funds transfers should be adopted by the local municipalities to ensure that residents do not encounter difficulties in making payments.

Other current means of paying rates and taxes include the payway machine which is standing machines or handheld machines that are customised to receive rates and taxes from the residents. Payway machines function like ATM machines but it is only designed for payment of rates and taxes. This method of payment is introduced in Uganda and it is gaining a wide acceptance (Tugumisirize, 2016:2). This is viewed as one of the most convenient means of property rates payment option as leaseholders can walk to the nearest payway machine, make payment and collect payment receipts (Tugumisirize, 2016:2).

A debit order and stop order also serve as payment options in South Africa. A debit order is a payment option which serves as an order or instruction from a leaseholder authorising the bank to pay bills from particular account to a municipality's accounts in settlement of each monthly property rates bill. In making arrangements for debit orders, it should be noted that municipality makes all the necessary arrangements for the payment once authorisation document has been signed by the leaseholder. Stop order is an order from a customer to a bank to pay a stipulated or fixed amount to a customer or third party on a regular basis usually at an agreed period of time. Debit orders and stop orders increase cash flows, eliminate cash risks, encourage better budget planning and automate debtor process (Jones, 2012:1). Considering these advantages, debit orders should be adopted to minimise debts.

Mobile payment involves the transfer of funds made under financial regulations by customers through mobile devices (Hoofnagle, Urbant & Li, 2012:2). Mobile phones and other mobile devices are currently used to transfer funds to an electronic funds transfer platforms and its usage is increasing due to its convenience and safety (Hoofnagle *et al.*, 2012:2). There are several types of mobile payment which include SMS payments, NFC payments and WAP payments. SMS or cell payment includes the conventional method of payment from persons to persons through mobile phones. Near field communications (NFC) use radio frequencies identification to communicate with each other (Hayasha, 2012:38). This enables the exchange of data between devices in the close vicinity. Wireless application protocol (WAP) serves as a standard to access information that is sent over a wireless network (Hayasha, 2012:38). The main aim of this application is to gain access to the internet from a mobile device (WAP browser). Mobile payments serve as an electronic wallet, assure payment security and reduce the cost of the transaction (Hoofnagle *et al.*, 2012:3).

Direct deposit involves the arrangement whereby leaseholders pay property rates through direct deposits to the bank. In this transaction, a teller or receipt of payment is issued to the payee which serves as an evidence of payment. According to Lang (2013:1), direct deposits encourage easy payment of cash and save the transaction cost. This method of payment is time-consuming as customers and residents' queue in the bank to pay their debts and utility charges. There is also bank charges involved in the payment of debts and utility services through banks.

Payments through the shops, post offices and municipal counters also serve as payment options to the residents. Some national and multi-national shops provide services such as the transfer of funds from one bank account to another. They also charge extra fees for the provision of such services. In South Africa, shops such as Shoprite and Pick 'n' Pay provide such services. Payments can also be made through post offices. In South Africa, the municipalities can make arrangements with the leaseholders to pay their rates through post offices to save time. Although post offices serve as a good payment option, they remain unreliable due to incessant strike actions by the post workers. Furthermore, counter payment remains the oldest form of property rates payment which involves the payment of rates through the municipality revenue collection office. Though it is easy to make payment through this medium but it is somewhat risky in taking cash to the municipal office. Araki (2013:7) posits that civilisation has shifted the adoption of manual payment options by taxpayers to the electronic payment options. Organisations and municipalities in South Africa are expected to introduce payment options that will ease payment by the customers and residents. This invariably will reduce payment defaults and increase payment compliance as residents and customers can make payments from office and respective homes,

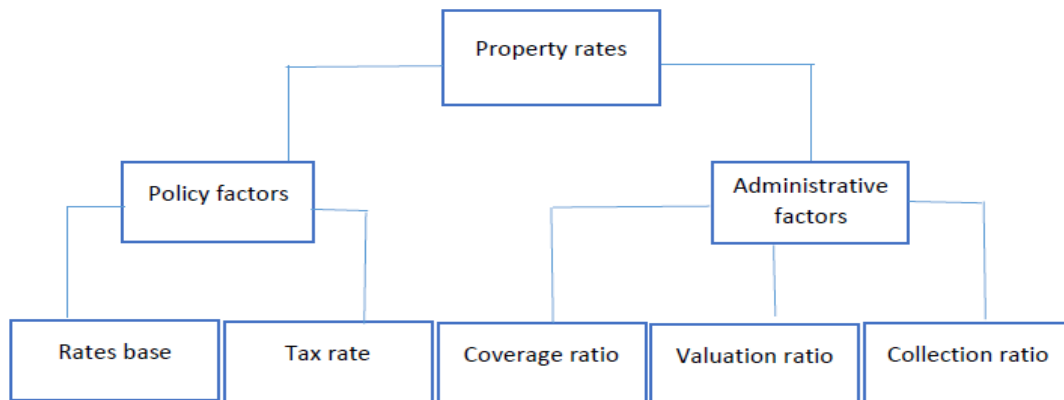
### 2.6.3 Property rates payment enhancement models

Property rates payment enhancement models were developed to improve the property rates administration procedures and to ensure adequate communication and cooperation between the municipality and the residents. These revenue collection enhancement models were developed to alleviate the recurrent defaults in the payment of taxes which may be applied in property rates. In this study, Kelly's property rates model, Boone and Robert's simplified debt collection model and the Information Technology Tax Administrative model are examined to explore the possible measures which the local municipalities of the district may adopt to minimise the recurrent property rates debts accruing to the municipal account.

#### 2.6.3.1 Kelly's property rates model

According to Kelly (2013:5), there are some factors in property rates administration that enhance effective property rates mobilisation. These factors were also identified by Babawale (2013:227) and Monkam (2010:4) as determinants of effective property rates yield. These factors are property rates policy and administrative factors. Figure

2.8 presents a framework of property rates model showing the policy and the administrative factors.



**Figure 2.8: Kelly’s Property Rates Model**

Adapted from Kelly (2013)

Policy factors are political and legal factors that inwardly influence leaseholders to pay rates consistently. These factors are the internal legal precedents that are instituted by the local and provincial governments to guide the payment of property rates. The policy factors as highlighted by Kelly (2013:6-13) are rates base and tax rates. The rates base is the regulations made by the government to determine what should be levied and the basis for billing (Slack & Bird, 2015:7). The base for property rates billing can include land only, land and building or building only. In Jamaica, Kenya and Bermuda only land is taxed; Ghana, Mozambique and Tanzania tax buildings only; Nigeria, Namibia, Zimbabwe tax land and buildings while South African municipalities practice a mixed tax base (Babawale, 2013:229).

The rates base includes the use of mixed valuations, improvements and the site valuations (Monkam, 2010:9-10; Slack & Bird, 2015:8). A site valuation includes the levy on land only, improvements include the levy on land and buildings while market valuation includes the valuation of the building based on its market worth (Monkam, 2010:4; Kelly, 2013:17-19). The Municipal Property Rates Act (Act No. 6 of 2004) states that the property rates in South African municipalities should be calculated based on the current market worth of the property. The market worth of the property

denotes the acceptable market price of the property when the forces of demand and supply are brought together.

The property tax rate is regarded as the amount levied on each property (Kelly, 2013:6). In South Africa, it is the duty of the Municipal governments to determine the rates at which the properties will be levied (Hoj, Lewis & Worgotter, 2015:121). Also, the provincial governments can make the tax rates uniform, progressive or regressive. In South African municipalities, the rates ratio is determined by the municipalities and monitored by provincial governments.

The property rates administrative factors are the revenue mobilisation measures implemented by the municipality financial managers and property rates administrators to ensure adequate collection of property rates. These factors as highlighted by Kelly (2010:6) are coverage ratio, valuation ratio and collection ratio.

Coverage ratio measures the efficiency of the total coverage and rates registration information over a period of time (Kelly, 2013:7). The objective of this ratio is to have a wide-range coverage on leaseholders' properties in the local municipalities to raise adequate revenue. The property rates administrators are expected to collect and update regularly the appropriate information on the totality of leaseholders' properties in the district for accountability purposes. Monkam (2010:5-6) confirms that coverage ratio may be improved by using enhancements like aerial photographs, geographical information systems, field surveys, manual methods and other data collected from utility companies. Furthermore, Kelly (2013:6) asserts that coverage ratio can be calculated using Equation 1 below;

$$\text{Coverage ratio} = \frac{\text{Rateable Property in the Cadastre Register}}{\text{Rateable Property in the Municipality}} \quad [1]$$

The acceptable value of the coverage ratio should be 1 which denotes that rateable property in the cadastre register equates to rateable property in the municipality. In some cases, where values less than 0.5 is obtained, it indicates that the property rates administrators did not conduct effective coverage and hence, need to implement effective measures to enhance effective and acceptable coverage.

The valuation ratio process precedes the rates base identification process by providing the proof or evidence of the worth of the property and the tax rates that will be credited to the property (Monkam, 2010:6). An annual valuation is needed by the property rates

administrators to ensure maximum rates mobilisation from the leaseholders and to measure the accuracy of the administrators' level of accuracy. The Municipal Property Rates Act (Act No 6 of 2004) prescribes how to levy rates to different categories of properties which allow leaseholders to participate in the determination of property rates. Kelly (2013:6) states that valuation ratio is calculated using Equation 2 below:

$$\text{Valuation ratio} = \frac{\text{Financial Value on Valuation Rolls}}{\text{Market Value on Valuation Rolls}} \quad [2]$$

It should be noted that the acceptable value of valuation ratio should be 1 which implies that financial value on valuation rolls equates to market value on valuation rolls. Values less than 0.5 are not acceptable because it signifies that the property rates administrators are unable to conduct adequate valuation. Administrators are required, therefore, to formulate measures at conducting effective valuation.

Property rates collection ratio measures the level of efficiency and effectiveness of the total bills collected (Kelly, 2013:7). A high collection ratio is characterised by an effective combination of effective judicial precedents, enforcements and customer care management (Monkam, 2010:5; Babawale, 2013:228; Kelly, 2013:6). Collection ratio enables the property rates administrators to analyse the level of improvement in the collection of rates from the leaseholders over a stated period of time. Other necessary factors that contribute to a high collection ratio include involving the leaseholders in the decision-making process, sending out bills adequately; accountability of the municipality on the collected property rates and the adequate provision of services by the municipality (Monkam, 2010:8). Kelly (2013:6) states that collection ratio is calculated using Equation 3 below;

$$\text{Collection ratio} = \frac{\text{Annual Rates Collected}}{\text{Total Rates Liability}} \quad [3]$$

The acceptable value of collection ratio should be 1 which signifies that annual rates collected are equal to total rates liability. Values less than 0.5 are not acceptable because it signifies that the property rates administrators did not collect adequate revenue and need to implement adequate measures to recover debts.

Kelly (2013:6-7), asserts that policy and administrative factors in the payment of property rates should be handled effectively by the property rates administrators to ensure competency. In support of this, Babawale (2013:228) opines that there is a

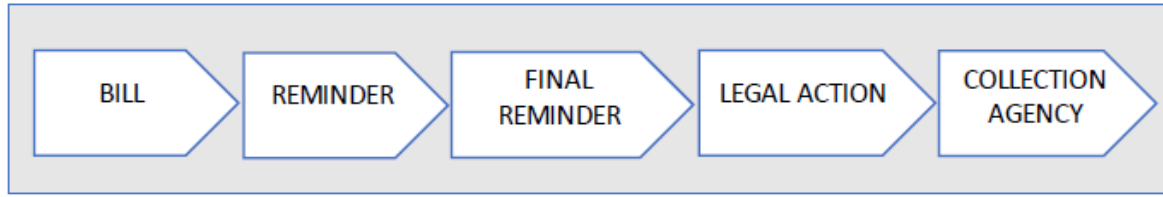
need to improve the property rates process; as poor performance of one of the variables can affect the total performance of the whole process. Administrative factors such as billing, collection, enforcement, evaluation coverage and appeals must be handled competently (Babawale, 2013:228). Furthermore, Kelly (2013:7), suggests that municipal financial managers should collect adequate cadastre information, appoint competent assessors to conduct property evaluation, and provide effective customer care strategies to induce the leaseholders to make payments consistently.

#### 2.6.3.2 Boone and Roberts simplified debt collection process.

Debt collection in local municipalities is very vital because of the service provision obligation to the residents. Boone and Roberts (2005:1) opine that the municipal debts may be collected using the simplified debt collection process. According to the prescripts of the simplified debt collection model as presented in Figure 2.9, the process of debt collection involves billing, reminder, final reminder and the involvement of the collection agency.

In this regard, the municipality property rates agency is required to evaluate and calculate bills effectively (Boone & Roberts, 2005:2). The second process involves sending out bills adequately and timely through proper communication channels such as mobile phones, postal agencies and e-mails. The third process involves sending out another reminder which will serve as the final reminder before a legal action will be taken on the defaulters. The fourth process involves taking legal actions on payment default through the assistance of government law enforcement agencies. Finally, the rates are collected by collection agencies through several payment options.

This method of debt collection process should be adopted by municipalities and organisations to ensure that the debts will be minimised. The property rates administrators are expected to calculate the bills effectively and send them to the residential leaseholders through an appropriate communication channel to ensure that all the relevant information needed to effect payment are communicated. Furthermore, this process advocates the implementation of legal action on default on payment by the government agencies and ensures that the property rates are collected by the agencies through the payment options that are provided by the municipality. Figure 2.9 presents Boone and Roberts simplified debt collection model.

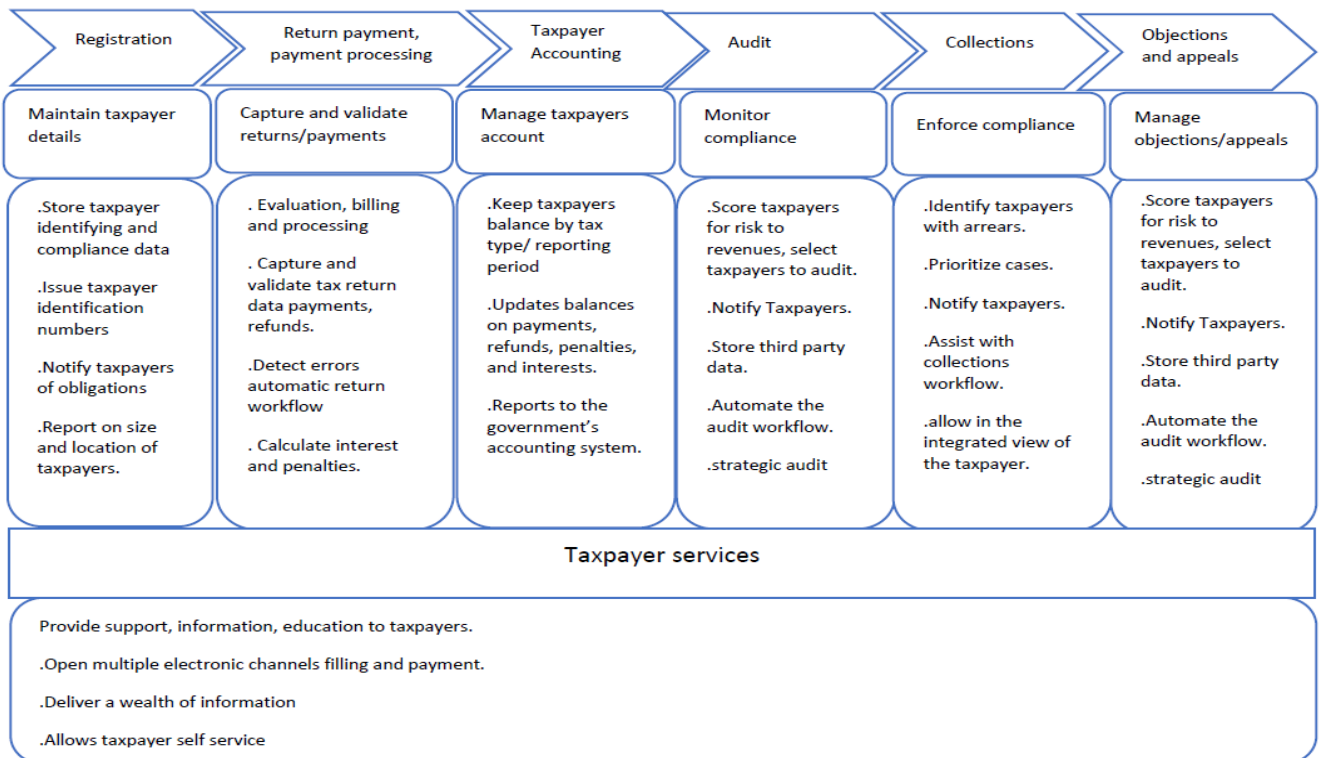


**Figure 2.9: Simplified Debt Collection Process**

Source: Boone and Roberts (2005:2)

2.6.3.3 Information Technology (IT) tax administrative model

Information technology involves the application of computer systems and telecommunication equipment to store, retrieve, transmit and compute data collected from surveys for the purpose of business or future use. Information technology has contributed positively in enhancing the payment of property rates by providing several electronic enhancements by which information is exchanged by leaseholders and property rates administrators (USAID, 2013:12). Figure 2.10 presents the IT support to tax administrative function with the core tax system.



**Figure 2.10: IT support to tax administration function with the core tax system**

Source: USAID (2013:14)

The effective application of the IT support to tax administration model as presented in Figure 2.10 enhanced the collection of debts accruing to municipalities in Georgia, Costa Rica, El Salvador, Bosnia and Herzegovina (USAID, 2013:37-48). According to the prescripts of this model, there are six main variables that should be managed effectively by the property rates administrators to minimise debts (USAID, 2013:14). These variables include rates registration, payment processing, accounting, auditing, collections and appeal processes

Registration of leaseholders' property involves capturing of leaseholders' property information, issuance of identity cards, reporting the size and location of the property, storing leaseholders' database and ascertaining the total number of property in the municipality to enable the property rates administrators make forecasts on the future revenue (Akingbade *et al.*, 2011:325; USAID, 2013:14).

The IT system ascertains that automated identity numbers are issued to the leaseholders. The leaseholders' property rates information is attached to the automated identity number which reduces the chances of multiple registrations and enhances the flow of information between the financial employees to monitor non-compliance. IT systems provide the e-tax/rates systems which provide online registration and necessary information regarding property rates matters which reduces the rate of appeals; provides opportunities for inquiries for the nature of discounts and appeals; self-service options, payment education and encourages communication between the leaseholders and property rates administrators (USAID, 2013:18). The local municipalities would benefit by adopting the registration options of this model to ensure that the residential leaseholders are electronically registered and the availability of adequate communication channels to exchange information between the leaseholders and the municipalities.

Payment processing comprises the capturing of return data, detection of errors, calculation of liabilities, interests, and penalties (USAID, 2013:14). This process forms the major part of property rates administration that involves evaluation and billing of the leaseholders' property. Evaluation of property involves the process of assessing the worth of leaseholders' property to determine the percentage of rates liability that will be attributed to the property (Kelly, 2013:17). This model suggests that leaseholders' paper data should be authenticated to electronic documents to facilitate

payment (USAID, 2013:15). The IT system upholds that the property rates administrators should gather, keep, evaluate and attribute charges to the leaseholders' property electronically. Also, it must be done in an equitable way to be in accordance with the legislations of property law to ensure leaseholders' compliance.

After proper valuation and revaluation have been made on each property, it is the duty of the property rates administrator to ensure that the bills are attributed and distributed electronically to the appropriate leaseholders (USAID, 2013:15). The billing process is not complete if the bills are not distributed electronically to the prospective leaseholders (USAID, 2013:15). Supporting this view, Blore, Devas and Slater (2004:87) and Monkam (2010:10) affirm that the distribution of bills through a convenient means should be adopted by property rates administrators to inform leaseholders on payment matters. The local municipalities should consider implementing automated means such as e-mails, property rates e-portal, mobile phones to send bills to the leaseholders on time and in the most convenient way to inform them as at when their debts are due for payment (USAID, 2013:7). The property rates billing should be fair and reasonable and be backed up with the necessary legislative precedents, also, billing should be reviewed on every amendment that is done on policies and communicated to the leaseholders as required by law (Fourie *et al.*, 2011:226).

In the aspect of leaseholders accounting, the IT support to tax administration model asserts that the records of the leaseholders' property, liability, payment, penalties, outstanding balance and balances on overdue interest, and or subsequent reports to the government are automatically updated and recorded in a formal accounting procedures for reconciliation and reporting (USAID, 2013:15). Constant comparisons and examination of errors should be carried out by the municipal accountants on the issues that may arise in the leaseholders' payment database so that follow-up action may be taken (USAID, 2013:15; Devas *et al.*, 2008:46). This principle recommends that the local municipalities should keep proper documentation of leaseholders' record and send the leaseholders statement of account appropriately.

After the accounting process, the municipalities are expected to embark on the auditing process which is a process of evaluating the performance of the financial effectiveness of a local municipality, also, it examines the progress of the financial

report with proper compliance to the judicial precedents and to provide detailed financial reports on the findings (USAID, 2013:16). Devas *et al.* (2004:105) aver that auditing helps to reveal fraud and incompetence of the management; progress, threat, and other sensitive information as contained in the financial report. Furthermore, USAID (2013:16) posits that auditing of accounts should entail proper monitoring of compliance, implementation of automated audit flow and assist with strategic audit reviews to ensure that debts are minimised

Property rates collections and enforcements involve the process of collecting the outstanding payments due from the leaseholders (USAID, 2013:16). The property rates collection is a very important aspect of property rates administration as it is deemed a sensitive procedure (Monkam, 2010:10). The IT system requires property rates administrators to implement automated and modernised payment options that are necessary to make payments easier which include, electronic transfers, bank payments, debit orders, complimentary payment (payment of rates together with other utility bills), and through other acceptable means.

Enforcement helps in facilitating payment by notifying the leaseholders about the penalty consequent to default in payment (Monkam, 2010:10). The municipalities may decide to prosecute, seize and sell leaseholders' property, or implement surcharges for evasion and avoidance reasons (Devas *et al.*, 2008:44). The IT system recommends the implementation of automated reminders to delinquent leaseholders and provision of automated call centre to ensure that the leaseholders are reminded to pay their outstanding debts (USAID, 2013:17). Furthermore, the IT property rates collection involves the automated enforcement, identification of leaseholders with arrears, prioritising cases and the implementation of information technology workflow to promote payment compliance (USAID, 2013:17)

Objection and appeal processes arise as a result of a misconception of facts or errors in the billing and evaluation of leaseholders' property. In the IT appeal process, the taxpayer is expected to complain to the municipality through electronic means indicating grievances on billing and evaluation which will be re-examined by the property rates administrator (USAID, 2013:17). According to Municipal Property Rates Act, section 50(1) and (c), the leaseholder is allowed to make an objection for improper evaluation or unnecessary omissions from the valuation and payment rolls. Local

municipalities are expected to manage appeals and objection processes by using the IT electronic means to track success report, provide leaseholders records and history of payments to settle disputes so that the residential leaseholders will be obliged to make payments consistently (USAID, 2013:17).

Property rates customer care management educates leaseholders on the issues related to property rates payment and the consequences of avoidance and evasion. The customer care management is responsible for reaching the public to ensure proper dissemination of information about changes that may arise in the payment of property rates. Municipal Systems Act, (Act 32 of 2000) (Section 95), states that the duty of the property rates administrator is to disseminate all the necessary information concerning assessment, valuation and billing of leaseholders' property.

## **2.7 A review of the effect of the application of IT models in other countries**

The effective application of IT support to tax administration function with the core tax system has contributed to the advancement of property rates system in Georgia, Costa Rica, El Salvador and Bosnia and Herzegovina (USAID, 2013:37-48). The advancement of tax system involves the improvement of communication channels and rates collection procedures which result in outstanding rates compliance (*see Sections 2.6*). Hence, a brief summary of the results obtained in the international countries highlighted to further explore the possible measures to be adopted by the local municipalities of the district to collect and minimise the outstanding debts. The cases obtained in these countries are based on the studies of USAID (2013:37-48).

Georgia is an eastern European country that experienced particular setbacks in the collection of property rates. During 2000-2005, the tax administration experienced the inability of the taxpayers to lodge complaints conveniently, multiple websites that offer contradictory information, obsolete and malfunctioning technology, inadequate workflow management, weak collections, inadequate infrastructure and lack of competent human resource.

The effective application of the IT tax model from 2005-2009 resulted in 121% increase in taxpayers' registration. In the rates compliance, 133% was collected from 2005-2008. Georgia rose from 112th position to 11th position amongst the countries using USAID business survey guide. Payment of rates climbed from 160th position to 64th position in the world in 2010. Furthermore, \$100 million was recovered annually while

only \$13 million was spent annually on the project or administration costs (USAID, 2013:47).

Costa Rica is another country in central North America that started the reformation of tax policies using the USAID IT tax model in 1998. In their quest for advancement, they abandoned the available old technology and embraced the full IT systems in 2006. The full IT systems were aimed at increasing tax collections and to minimise debts and ensure that the corruption practices and tax evasion will be eliminated.

The results as obtained in the application of the full USAID IT tax model were witnessed in the reduction of administration costs, reduction in leaseholders' complaints, a decline in administration errors, elimination in prolonged time in collecting and analysing data and general success in tax collection.

Bosnia and Herzegovina implemented the USAID tax model in 2001 with the target to advance the poor condition of tax facilities and poor communication channels. Other outstanding challenges include poor maintenance of archives, corruption in tax administration, evidence of low collections, and high rate of tax evasion.

The results obtained in the implementation of this model recorded almost 300% increase in the registration from 30 107 in 2001 to 87 766 in 2004. Revenue collection increased from 37.9% to 47.5% in 2001-2006. Effective compliance was recorded from 2002-2004 and \$59 was collected. Furthermore, effective audits were recorded which increased collection by reducing tax evasion through the electronic communication channels provided. Bosnia and Herzegovina invested \$12.76 million within the period of five years from the proceeds of the tax.

El Salvador is a northern American country that started addressing matters related to registration and return data processing in 1990 but later developed web-based taxpayer services and audit management in 2004. These reform options were introduced to support the locally available technology to meet up with the taxpayers' needs, improve revenue and data management, improve commercial platforms for a transaction, and overhaul the entire tax systems in the country.

The results obtained in the effective application of the IT tax model include competency in data management which increased with 50% faster by increasing the available storage from 3GB to 75GB. There was an increase in database maintenance

and increased 30%-40% savings in database maintenance operations. In the aspect of revenue, 300 audits conducted in the first six months of 2010 revealed that \$100 million was recovered compared to \$50 million recovered in 2009 financial year. In 2009, 2 685 responses were recorded in emailed reminders as compared to 917 recorded in 2008. In the aspect of communication, call centres saved \$215 000 per month. The general application of this model enhanced the tax revenue as a percentage of GDP of the country to rise from 11.1% in 2001 to 14% in 2011.

## **2.8 Review of property rates payment practice in South Africa and other countries**

The review of property rates payment practice and guidelines in South Africa; Francophone African countries, Canada, and Organisation for Economic Co-operation and Development countries is reviewed to guide the study to understand the methods of advancements and measures to be implemented to achieve success in payment compliance and good property rates administration.

### **2.8.1 Review of property rates payment guidelines and payment practice in South Africa**

As shown in chapter one, property rates remain a major means by which the local municipalities in South Africa raise revenue to finance the municipal needs. This, in turn, requires the municipal administrators to adopt a fair and transparent property rates system to achieve rates compliance (Khumalo, 2012:1-10). In the administration of property rates system in South Africa, the Municipal Property Rates Act (Act 6 of 2004) outlined the procedures and the necessary framework that are meant to guide the municipalities in the administration of property rates. The prescripts of the MPRA includes:

- Section 4 demands that community participation should be involved in which administrators must send necessary information at least 30 days to the residents in order to send their comments before adopting policies.
- Section 5 requires the review of property rates policies which should be made, also Section 6 posits that byelaws should be made to guide the municipality on property rates administration.
- Section 8 (2) postulates that rateable properties include the residential, industrial, commercial and business premises.

- Section 11 states that rates levied on properties must be in rand and at its market value. Market value refers to the amount a willing seller is ready to exchange the property to a willing buyer.
- Section 15 states that the municipality may offer rebates to the indigent residents on the amount of the rates payable to the property
- Section 24 states that rates levied on leaseholders by the municipality must be paid as at when due.
- Section 27 specifies that the municipality must state in clear terms to the residents the amounts due for payment, the date which the amount is payable, how the amount is calculated, the market worth of the valued property, the discount terms (if applicable) and the amount due for additional rates.
- Section 45 (2) (a) posits that a competent assessor should assess the property through physical inspection, computer assisted mass appraisal (CAMA), aerial photography, geographical information system (GIS) or other techniques to obtain a reliable evaluation.
- Section 50 states that residents can lodge complaints on objections to valuations and billings to the municipality.

### 2.8.2 Debt collection policy and process in South African Municipalities

Debt collection refers to the implementation of municipal functions aimed at collecting unpaid income of the municipality owed by residents otherwise known as debtors. In South Africa, debts which include revenues, rates, taxes, service levies, rentals and any other medium of revenue are expected to be collected on time, effectively, and efficiently. This forms the major objective of revenue collection policy in South African municipalities. The Municipal Systems Act (Act 32 of 2000) enshrines the local municipalities the powers to carry out the financial obligations of the municipality through the imposition of fees for services, imposing surcharges on fees, rates on properties, levies, licences, to the extent authorised by the by the legislation. In Chapter 9, Sections 95, 96, 97, 98, 99, and 100 of the Municipal Systems Act makes provision for the municipal customer care and municipal debt collection; observance to the content of the policy, municipal bylaws to support the policies, supervisions and implementations by the local authorities.

Consequent to this, the local municipalities are required to compile the bills, send reminders or demand for payment from the residents as prescribed by Section 6 (2) (c), (e) and (f) of the Local Municipal Systems Act. After reminders have been sent to the residents, the municipality' make arrangements for settlement of bills which entails the provision of payment options to the residents such as banks, and other financial intermediaries. In default cases, the enforcement mechanisms are instituted which include an in-house collection and external debt collection. An in-house collection includes the institution of units that will deal with the collection of debts that are less than 90 days while external debt collection entails the collection of municipal accounts outstanding for over 90 days by other debt collection agencies for the municipality.

Sections 96 of the Municipal Systems Act specifies that the municipalities must collect all revenues from all sources payable to it, and for this purpose, the municipalities are required to implement the credit control policies and mechanisms as stipulated in Sections 97 of MSA. Subsequently, the MSA requires the following guidelines to be maintained by the local municipalities:

- Sections 99 and 100 provide that the municipalities should monitor the implementation and enforcement of the credit control and debt collection policies.
- Sections 104 (1), (f) and (j) make provision for termination and restriction of municipal services by debtors, seizure of property, attachment of rates payable to the property, other extensions of liability to the members of the debtor; service connections and disconnections
- Sections 104 (1) and (k) make provision to combat theft, unauthorised consumption, connection and re-connection of municipal services.
- Sections 109 and 112 indicate that the municipality is liable to prosecute residents that contravene a municipal byelaw or regulation that is administered by the municipality or other legislations as observed in sections 22 (8) (b) of the National Prosecuting Authority Act of 1998.

In the quest to enforce payment compliance by the local municipalities, a bye-law is established to guide rates collection from the residential leaseholders. The rates bye-laws are supported by the contents of Section 3 of MPRA (No. 6 of 2004), Section 229 of the Constitution of South Africa (No. 108 of 1996) and Section 4 (1) (c) of the

Municipal System Act (No.32 of 2000). The rates bye-laws as compiled from the various local municipalities state that:

- The municipality shall levy rates to all categories of land users which include residential, business or commercial, industrial, mining, agricultural purposes, multiple use properties, and any other properties as may be determined by the minister.
- That ratings of the property shall be done based on the nature of the property e.g. agricultural properties or the promotion of social and economic development.
- That the municipality shall register and maintain the list of properties in the valuation roll or any supplementary valuation.
- The municipality shall levy rates and state clearly the amount due for payment, the date when the amount is payable, how the amount is calculated; the market worth of the property, and the possible rebates or exemptions.
- That the municipality may increase rates annually during the process of budget due to costs of subsidised services.
- The municipality shall correct errors or omissions made during the compilation of bills.
- The municipality shall give a notification of the approved rates to the residents at least 30 days before the implementation of such.
- That rates payers shall pay rates adequately in one instalment (annually), or monthly just before the seventh day of the month.
- That the municipality shall agree with the defaulters to make deductions from the salaries in the payment of debts.
- That the municipality shall terminate or restrict the municipal services such as water pressure and electricity of the defaulters.
- That the municipality shall notify the owing residents to pay the debts within a stipulated period before litigation.
- That the municipality shall withhold the revenue or rates clearance certificate until the accumulated arrears are paid in full.
- That the municipality shall refute the registration of new customers for services on the particular property.

- That the municipality shall list the defaulters' name with the credit bureau and may be handed to a debt collector or attorney.
- The municipality shall consider community participation during the formulation, adoption and implementation of such rates policy.

The review of the afore-stated legislation is required to guide the property rates payment practice in the local municipalities in South Africa. Despite the measures and legislations implemented by the property rates administrators and the government to improve property rates in South Africa, the trend has been going through gradual process in terms of acceptance and reformation (Powell, May & Ntliziywana, 2010:5). In several municipalities of South Africa, there have been cases of uprisings and a non-payment of property rates because the municipal property rates administrators have been unable to effect efficient and active administration (Powell *et al.*, 2010:5). According to Powell *et al.* (2010:5), the Moqhaka, Ngwethe, Tswaing, Madibeng and the Nokengtsa Taemane municipalities highlighted the following reasons for defaults in the payment of property rates by leaseholders' as:

- Poor service delivery by the municipalities.
- Poor governance and maladministration from the government and the property rates workers
- Evidence of high-level corruption in billing and collection of property rates by the property rates administrators
- The property rates are high.
- Lack of communication between the property rates administrators and the leaseholders which prevent the leaseholders to contribute in the decision-making process.
- Partial treatment of leaseholders during appeal processes.

Katz *et al.* (1998:34) disclosed a summary of the specific problems as identified in different provinces of South Africa in the implementation of property rates as follows:

- Not all the land in different municipalities in South Africa has been properly surveyed.
- The costs of property assessment and the provision of property valuation rolls are expensive.
- Due to the poor survey of land, there is resistance in property assessment.

- The property rates administration is ineffective due to inexperienced and inadequately skilled staff.

Research conducted by Bellamy (2008:3), Toulmin (2008:28-32), Binswanger-Mkhize (2009:161-175), Sikor and Lund (2010:1-5), and Lund (2011:7-14), posit the following as reasons for the slow development of property rates that inhibits the residential leaseholders' inability to pay their property rates in South Africa and Africa in general:

- Land rights and citizenship which gave birth to the belief that land is a free gift of nature and should not be paid for.
- Inability to institute a general property rates legislation.
- Tribal issues which encourage a non-payment attitude.

Kanyane (2011:935) and Manyaka (2014:134) support the opinions of Katz *et al.* (1998:34) and Powell *et al.* (2010:5) by concluding that factors that limit the effectiveness of property rates payment include the inefficiency of the property rates administrators, poor ethics of the workers, inexperienced and unskilled property rates administrators' while Babawale (2013:231) stresses that the administrative cost of property rates is a high constraint to rates development. Monkam (2010:3) opines that the recording facilities should be upgraded to enhance delivery of bills while the municipality should thrive to reform their credit policies and payment options which should be able to enhance payments from the leaseholders.

### 2.8.3 The best practice in property rates payment

The best practice in property rates payment practice is obtained from the payment practices in Canada and the Organisation for Economic Co-operation and Development (OECD) countries. According to Prakash (2013:2), the property tax revenue as a percentage of total tax revenues in Canada (2008-2010) is 11.8% while the OECD countries have relatively maintained a stable good administrative rates system.

According to Jennings *et al.* (2011:27), the success of property rates payment practice resulted from the effective collection of cadaster information and proper evaluation conducted by the Municipal Property Assessment Corporation (MPAC). Cassady (2010:1-5) avers that the introduction of property rates in Canada followed a uniform rates base or *ad valorem* which was fair and levied on the market price of the property.

Ad valorem or market value of a property refers to the financial worth of a property for which it will be exchanged when a willing seller and buyer are brought together. Assessment is regulated by the government to ensure the effectiveness of property rates payment (Cassady, 2010:3-6). The Canadian government adopted strategic procedures in the property rates administration which made Canada become one of the best countries in property rates administration. The strategic procedures include adopting grounded legislation, efficient valuation stream, effective data collection, development of assessment methods, preparation of assessment rolls, and proper dissemination of the assessment notices to the leaseholders through electronic means (Cassady, 2010:7-9). Furthermore, to maintain the level of rates compliance, the Canadian government ensured a uniformed assessment in all the municipalities, improved outdated systems, reduced the costs incurred in the administration of property rates which increased debts collection and reduced appeal cases (Nitikin *et al.*, 2011:1-9).

In the Organisation for Economic Co-operation and Development countries, Almy (2001:92) affirmed that they made use of electronic automation to collect information related to the leaseholders' properties. Effective coverage is done using Geometric Information System (GIS) and the computerisation of cadastre information using competent database (Almy, 2001:92). In the evaluation of property in OECD countries, registered assessors handle property evaluation matters while it is a pre-requisite that the property rates administrators must be professional and registered assessors with additional skills in statistical analysis.

In property rates payment, the administrators ensure that the leaseholders are notified adequately on the due dates for payment and the debts payable; ensure leaseholders payment convenience by promoting payment enhancements such as EFT, debit order, stop order, ATM, and mobile transfers to minimise defaults while timely payment is encouraged (Almy, 2001:107). Leaseholders therefore pay their bills through check, banks and any of the aforementioned payment options. Attractive discounts are offered to early and consistent payment while the government use their property laws to enforce payments. Legal action is taken against the defaulters, on the delinquency period of 1-3 with confiscation of property, a sale of property, freezing of bank account and removal of the property and in some cases imprisonment (Almy, 2001:108). There is evidence of strict management of the property laws and property administration by

the government. According to Almy (2001:107-115), the administrative measures in property rates in developed countries enhanced rate compliance, minimised debts and contributed to the economic development of nations (Almy, 2001:108).

The measures implemented by these countries that contributed to increase in the collection of property rates include the observance of underlying legislations, provision of payment enhancements, composite payments, provision of discounts, effective communication and adequate enforcement (Almy, 2001:106-115). Payment enhancements entail all the payment options that are provided for payment of rates which include bank payment, electronic funds transfers, debit orders and cheque payments; composite payment encompasses the arrangement made by the municipality to issue property rates bills together with other utility bills; provision of discounts entails rewarding early payment with discounts so that others will be attracted to make early payments while enforcement requires the ability of the government to implement legal actions against defaults on payment.

In summary, the factors that contribute to the best practice in property rates management in Canada and OECD countries include effective administration, policy implementation, accounting procedures and effective communication.

## **2.9 Summary**

The theoretical background of this study reveals the importance of the interrelationship between the leaseholders and the municipal property rates administrators to enhance rates compliance. Furthermore, this review examined the different administrative strategies that are aimed at developing an efficient property rates system and how they are applied in both international and national levels. Also, the review suggested that the administrative and accounting procedures, communication and information technology procedures, and policy procedures should be improved to encourage consistent payment of property rates in the district. This will serve as a lesson to assist the property rates administrators to develop and upgrade the level of property rates administration in the district which will assist to minimise recurrent debts that accrue to the local municipalities.

The following chapter explains the research design and methodology used for the purpose of this study.

## **CHAPTER THREE**

### **RESEARCH METHOD**

#### **3 Introduction**

This chapter explains the research methods adopted in the collection of data from the respondents to achieve the objectives of this study. The research approach, and research design, population of the study, sampling techniques, data collection techniques, data analysis, and the ethical issues that guide the process of research are discussed.

#### **3.1 Research approach**

In social research, the philosophical assumptions, design and methods contribute to the research approach (Creswell, 2014:17). There are several research approaches such as qualitative method, quantitative method and mixed methods of research (Creswell, 2014:12). For the purpose of this study, mixed methods research approach was adopted. A mixed methods research can be defined in its simplest form as the procedure of collecting, analysing and mixing both quantitative and qualitative data in the research process with a single study in order to have an extensive understanding of the phenomenon under study (Creswell in Maree, 2010: 263). It strengthened the content of the research findings by comparing and discussing both results obtained from the survey of the leaseholders and the interviews with the financial managers. For the sake of clarity on the attributes of the mixed methods approach, the quantitative and qualitative approaches are presented in sections 3.1.1 and 3.1.2.

##### **3.1.1 Quantitative research approach**

Quantitative research is viewed by Edmonds and Kennedy (2012:24) as the systematic steps of scientific research while utilising quantitative principles. Creswell (2013:34) avers that quantitative research enables the researcher to test theories by examining the relationship among variables, measured using detailed instruments and analysing the data using statistical procedures. This method helped the researcher to make statistical inferences on the data captured from the residential leaseholders regarding their perceptions on property rates and payment practices.

### 3.1.2 Qualitative research approach

According to Bryman and Bell (2015:391), qualitative research refers to the collection of non-numerical data using designs such as participant observation, phenomenology, or case study to interpret results in a narrative or descriptive accounts. The choice of this approach assisted the researcher to acquire a thorough understanding of the phenomenon under investigation. It also enabled the researcher to interact with the municipal managers through interviews, thereby gaining extensive information regarding the method in administration of the payment of property rates in the district.

## **3.2 Research design**

A research design is a method of collecting data in the process of conducting a research (Creswell, 2014:11). Kumar (2011:94), Bhattacharjee (2012:37) and Gray (2014:128) maintain that a design in research involves the process of collecting data, instrument developing, sample selection and data analysis so that the answers to the research questions will be answered. Creswell (2009:3) posits research design as plans and procedures of research that help in making decisions from wide assumptions to detailed methods of data collection and analysis while Punch (2009:112) argues that research design situates the researcher in the empirical world and links the research questions to data. These ideas are the strategies to follow, the conceptual framework, data collection procedure and data analysis. The study adopted an exploratory and descriptive research design.

### 3.2.1 Exploratory research design

According to Baxter and Jack (2008:548), an exploratory research is viewed as an inquiry into a problem which provides new insights to the researcher. An exploratory research is conducted where there is little or no information about a problem and the researcher may use different methods such as interviews, group discussions and surveys to gain information from the respondents (Labaree, 2013:6). It incorporates multiple aspects which are explored in order to understand the research problem under investigation. Due to the lack of information regarding defaults in payment of property rates in the district, an exploratory design was adopted to provide answers and solutions to the study focus.

### 3.2.2 Descriptive research design

A descriptive research design is used to describe an intervention or phenomenon and the real-life context in which it occurred (Baxter & Jack, 2008:548). It also provides an accurate and valid representation of factors that are relevant to the research questions. Descriptive research is used to gain information regarding the current status of the problem and to describe "what exists" with respect to variables or conditions in a situation (Salkind & Rasmussen, 2007:251-254). The choice of this research design helped the researcher to give a vivid assessment of objective one thereby providing a good description from the assessment. It also enabled the correlation of the dependent variables with the independent variables.

### 3.3 Population of the study

A population refers to a group to which the researcher wants to generalize the results. O'Leary (2010:162) defines population as the total group that the researcher is interested in learning more about. A population is a term to describe the total quantity of case which is the subject of a study that consists of objects, people, and events (Bhattacharjee, 2012:66). Kumar (2011:194) affirms that population (N) is a set from which the subset called sample (n) is drawn for analysis and decisions. The population of this study was selected from three distinct categories, namely:

- The local municipalities of the district municipality
- The residential leaseholders of the district municipality
- The financial workers of the same district.

Table 3.1 presents the population statistics of this study.

**Table 3.1: The population categories in the study**

<b>Local Municipalities</b>	<b>Leaseholders</b>	<b>Financial workers</b>
Municipality A	69 397	195
Municipality B	39 001	65
Municipality C	30 610	56
Municipality D	22 429	69
Municipality E	23 831	52
<b>5 Municipalities</b>	<b>185 268</b>	<b>437</b>

Source: Residents data collected from IDP 2014 and municipal workers collected from municipal handbook.

### **3.4 Sample Selection**

In order to know the behaviour of the entire population, subsets called samples which are similar within the population are examined (Gray, 2014:146). Bhattacharjee (2012:66) maintains that sampling should be done in a way that the outcome of the study will represent the true characteristics of the entire population. Sampling is done in order to study the characteristics of the larger group and to minimise the expenses, save time and avoid the inconveniences of scheduling appointments with the whole population (Gray, 2014:146).

In this study, a non-probability and probability methods of sampling were adopted. Bhattacharjee (2012:70), affirms that a non-probability sampling selection involves a method where the opportunities of selecting respondents cannot be adequately determined because of the non-randomness or convenience in selection while Gray (2014:145) avers that a non-probability sampling method does not involve chance selection but a personal judgment of the researcher. The non-probability sampling methods used in this study were purposive sampling and convenience sampling methods.

Convenience sampling involves the selection of respondents based on convenience and accessibility (Maree, 2010:177). This method of sampling enhances access to respondents which ensures that data could be collected in the quickest possible time. Convenience sampling selection saves time and reduces cost.

Furthermore, a random probability sampling method was adopted which is viewed by Latham (2007:3) as a random selection of each unit in the population. Williams (2015:1) asserts that proportional sampling method ensures that the size of each stratum is proportionate to its size in the population. The leaseholders in each municipality were uniformly selected through proportional sampling method.

The samples of this study were selected from the local municipalities, the residential leaseholders and the municipal workers.

### 3.1.1 Sampling for local Municipalities

Three local municipalities from district municipality were selected out of the five local municipalities (A, B, C, D, E) for this study using convenience sampling method. The municipalities selected are Municipality A, Municipality B and Municipality C.

The researcher selected these three municipalities for the following reasons:

- The three municipalities selected have the highest number of leaseholders.
- Municipality D and Municipality E are located in the rural areas
- The financial capacity of the researcher was limited and could not cover the five local municipalities.

### 3.1.2 Sampling for residential leaseholders

The residential leaseholders of the three selected local municipalities were selected using random sampling method. The sample size of the residential leaseholders was determined by using Research Advisor's (2006) sample size calculator by following 95% confidence interval and 0.05 degree of accuracy/margin of error (see sample size guide as Appendix B). According to Table 3.1, the total population of the leaseholders is 185 268, using the research advisors sample size guide, the sample for the residential leaseholders is 383.

Furthermore, proportional composition was taken into consideration to compute the sample size for each local municipality based on the sample fraction.

$$\text{Sampling fraction} = \frac{n}{N} = \frac{383}{139008} = 0.002755237$$

Sample size = population of the municipality X sample fraction

Table 3.2 presents the sample size for the residential leaseholders in the three selected local municipalities using the proportional sampling fraction.

**Table 3.2: Sample size and sample fraction of leaseholders in the three local municipalities**

<b>Local municipalities</b>	<b>Population</b>	<b>Sample</b>
Municipality A	69 397	191
Municipality B	39 001	108
Municipality C	30 610	84
<b>Total</b>	<b>383</b>	<b>383</b>

### 3.1.3 Sampling for municipal financial managers.

The three financial managers of municipality A, B and C were selected from the municipal workers using purposive sampling method. A purposive method of sampling involves the selection of respondents in a research process based on exposure, experience, nature of roles and duties (Relmer & Ryzin, 2011:156). The municipal financial managers were selected due to their vast knowledge and expertise experience in handling property rates administrative tasks. Purposive sampling method enhances originality, validity of data collection and ensures that the data collected will be a true representation of the population (Relmer & Ryzin, 2011:156).

## 3.5 Data Collection Method

Data collection method refers to the procedure by which data are collected from the respondents (Gray, 2011:352). In this study, semi-structured interviews and self-administered questionnaires were applied to collect data from the respondents.

### 3.5.1 Self-administered questionnaires

According to Gray (2011:352), a questionnaire is an instrument that is used to collect information in an empirical research. A questionnaire is a list of questions that

represents the researcher's inquisition into the study (Bastic & Matalon, 2007:82). According to Bastic and Matalon (2007:82) and Maree (2010:157), questionnaires have the following advantages:

- Questionnaires save cost
- They are easy to administer
- They are convenient to administer, thereby saving time and other arrangements involved in other methods of data collection.
- Questionnaires are easy to answer
- Questionnaires are easy to code and to analyse

In this study, self-administered questionnaires were constructed in English and administered to the residents of the three selected districts. Closed-ended questions were used as a means of data collection procedure; it was designed to obtain facts, opinions and feelings from the residents on payment of property rates practice in the district municipality. Also, some necessary ethical concepts were included in the questionnaire to educate the respondents about the research process (see Appendix C). The researcher randomly self-administered 500 questionnaires within two months to the respective leaseholders in the three selected local municipalities. This was possible through the help of close friends, relatives, association members, church members and close allies. The questionnaires were collected back from the respondents within the same time frame (two months).

### 3.5.2 Semi-structured interviews and observed ethical concepts

An interview refers to a means of data collection where an interviewer collects facts, feelings, opinions, motives, behaviours and beliefs by asking series of questions to the interviewee (Leedy & Omrod, 2010:148). In a semi-structured interview, the interviewer uses an interview guide to maintain the flow of the interview which helps to get new ideas and in-depth findings to the phenomenon under study (Whiting, 2007:36; Leedy & Omrod, 2010:188).

In this category, three financial managers from the three selected local municipalities were interviewed. The researcher contacted the financial managers and they accepted to be interviewed. Afterwards, an agreement was made for the date and time of the interview. See Table 3.3 for a breakdown of the interview schedule:

**Table 3.3: Interview schedule for the financial managers**

<b>Date of the interview</b>	<b>Time</b>	<b>Local Municipality</b>
16-06-2016	8:00-9:00 am	Municipality A
17-06-2016	10:00-11 am	Municipality B
21-06-2016	10:00-11 am	Municipality C

The researcher made use of open-ended questions as a means of data collection, also, follow up questions were asked in order to get more detailed facts and opinions from the managers. According to Maree (2010:92) and Creswell (2014:191), the following are the advantages of using a semi-structured interview in a study:

- Semi-structured interviews are most appropriate when the participants cannot be directly observed.
- It provides a detailed and historical information of the phenomenon under study by having a direct contact or conversation with the participant.
- The researcher guides and controls the flow of questions, responses and make amendments where necessary.

A copy of the interview guide is attached as an appendix (see Appendix D). After the dates of the interviews have been agreed by the researcher and the participants, the following protocols which serve as the ethical considerations were observed by the researcher during the interview process:

- The Interviewer introduced himself and thanked the participants for the opportunity they provided to be interviewed, also requested their co-operation to make the study successful.
- An assurance was made by the researcher to ensure the confidentiality and or anonymity of the respondents' and participants' responses.
- The researcher briefed the participants and respondents that participation is voluntary in the process of research, it was assured that respondents can quit on request.
- The participants' life and interest were assured to be protected.

- The researcher avoided the use of wrong information by the respondents with regard to the amount of monthly rates paid to the municipality, confusing reports such as the inability to provide services to the leaseholders whereas all the basic services are available in all the areas where property rates are paid, and attempts to conceal findings from the various respondents in the three local municipalities.
- The interviewer addressed the participants on the nature of the study, aims of the study and the type of responses needed.
- The participants were requested to give their best opinion on the interview questions and the follow-up questions as well.
- The interview questions were harmonised, clarified and the participants were motivated by the interviewer to give more concise responses.
- The interviewer recorded the answers with field notes to avoid misconception of facts which increased the accuracy of data collection.
- The interviewer ensured that there was effective communication as the interview was conducted in good and simple English language understandable by the respondents.
- The interviewer ensured that the duration of the interview was less than 20 minutes to eliminate boredom by the participants.
- Lastly, the interviewer thanked the participants for their cooperation, kindness, and their thoughtful responses.

### **3.6 Data analysis**

Data analysis is a process of interpreting data that were collected from the respondents to produce a statistical summary that will be meaningful and reasonable (Bastick & Matalon, 2007:138). The data collected through semi-structured interviews and questionnaires in this study were analysed in relation to the objective of the study.

Statistical package for social sciences (SPSS) was used to organise the numerical data that was obtained from the questionnaires. The responses were coded into numeric values for proper statistical analysis using statistical package for social sciences (SPSS). The statistical analysis obtained in this section include descriptive statistics, correlation analysis, chi-square test of independence and one-way analysis of variance. Descriptive statistics helped to summarise the set of data associated to

the population in the study; the correlation analysis assisted in explaining if there is relationship existing between two or more variables in the study; chi-square test of independence measured the relationship between two different variables while the analysis of variance helped in testing or comparing the average responses of more than two populations in the study.

Data collected through semi-structured interviews were transcribed from the field notes. The data were coded into themes and categories and the major strategies to be applied to minimise payment defaults by the leaseholders were identified. Afterwards, the discussion of those factors was made by the researcher.

### **3.7 Reliability and validity**

Validity refers to the degree of an instruments' ability to measure what it is supposed to measure (Bastic & Matalon, 2007:121; Maree, 2010:216 & Kumar, 2011:178). The instrument that is meant for data collection is supposed to be of a good standard and dependable to be able to measure the opinions of the respondents competently. In this study, content validity was ensured by formulating questionnaires and the interview guides from the prescripts of the literature review and other experiences gathered from several municipalities that fall under the same situation. The questionnaires were formulated using simple English language, while questions were easy to understand. The researcher also maintained validity by ensuring that the questionnaires were distributed only to the residential leaseholders while the financial managers were interviewed for clarity purposes.

Reliability refers to the degree of consistency of an instrument (Maree, 2010:215). Furthermore, reliability measures the dependability, stableness, honesty and accuracy of a measuring instrument (Bastic & Matalon, 2007:118; Kumar, 2007:178; Maree, 2010:216 & Gratton & Jones, 2011:92). Reliability ensures that the process of data collection is done in an accurate way to ensure that relevant data were duly attributed to the research questions. Reliability is important to quantitative researchers because it is a basis for validity, clarity and measures whether or not a study obtains the same results each time (Susanne, 2012:2). The researcher in this study ensured reliability by employing a pilot test as a source of pre-test (also known as stability) by administering questionnaires to one group of individuals, after which the same instrument was administered to the entire sample. In the quest to maintain reliability,

10 questions were taken for a pilot study to ensure that the questions were clear, simple and easily understood by the respondents. It was discovered that the questions took less than twenty minutes to be completed.

In maintaining internal reliability, each question in the questionnaire was measured using Cronbach's alpha to test the degree of reliability of data. The values of Cronbach's alpha range from 0 to +1. Pallant (2011:85-87) avers that values above 0.8 are preferred while values above 0.7 are acceptable. According to Table 3.4, all questions are close to 1 above 0.7, suggesting that the items in the scale have relatively high internal consistency. Table 3.4 presents the Cronbach's alpha measurement.

**Table -3.4: Cronbach's Alpha test**

<b>Dimension</b>	<b>Cronbach's Alpha (<math>\alpha</math>)</b>	<b>No. of Items</b>	<b>Variables</b>
Reasons for reluctance to pay your account	0.831	12	Q12-Q23
Views on accounts payment	0.788	9	Q24-Q32
Views on awareness	0.899	10	Q33-Q42

Also, objectivity is used through the methodology of measurements, data collection, and data analysis through which reliability and validity are established (Susanne, 2012:2). Objectivity was attained by creating an appropriate distance between the researcher and respondents in order to reduce bias. The objective researcher in this study was distant so that the researcher could not be influenced by the respondents, and did not influence the study in any way.

### **3.7 Summary**

This chapter explained the choice of the researcher in selecting the method and design for this study. The mixed method approach was used in the study which enhanced extensive findings by adopting quantitative and qualitative approaches. The semi-

structured interviews were used to collect data from the municipal financial managers while the questionnaires were used to collect data from the leaseholders. The statistical package for social sciences was used as a data analysis technique to effect clarity in the presentation phase while qualitative data was coded, categorised and explained. The subsequent chapter presents the findings of this study.

## CHAPTER FOUR

### PRESENTATION OF FINDINGS

#### 4 Introduction

This chapter presents the empirical findings of the study following the order of inquiry in the research instruments. The results are graphically illustrated in charts, figures, tables and also in narrative format. Results from the survey with leaseholders are presented in Section 4.1-4.5 followed by results from interviews with financial managers in Section 4.6.

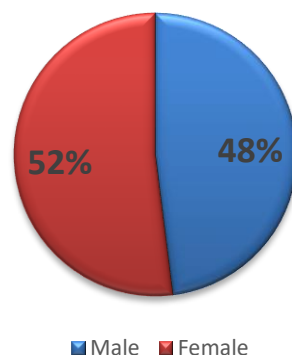
#### 4.1 Results from survey of leaseholders

The researcher distributed 500 questionnaires with a target of 383 respondents. Out of the 500, 313 valid responses were received giving a response rate of 82% while 187 questionnaires were incorrectly completed and as such, were not used in the analysis.

Based on Serame (2011:32) who avers that a valid and reliable conclusion can be drawn by a researcher if a 70% response rate is obtained from the distribution of questionnaires, with a response rate of 82%, one can infer that the study collected enough data to arrive at valid and reliable conclusions.

##### 4.1.1 Biographic data

The respondents were asked to indicate their gender, their responses are shown in Figure 4.1.

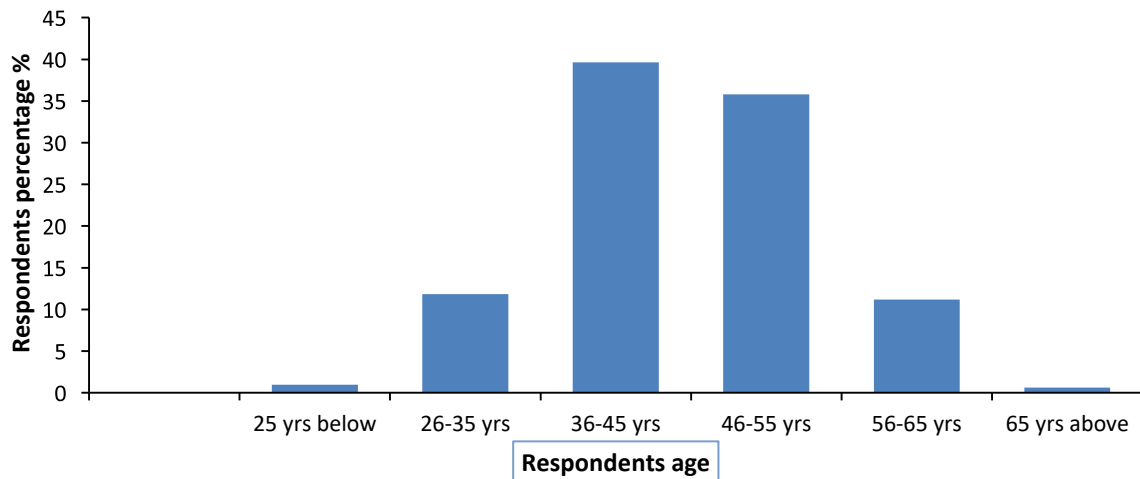


**Figure 4.1: Respondents' gender**

Figure 4.1 portrays that the majority of the respondents were females.

#### 4.1.2 Age of the respondents

Respondents were asked to indicate their age. Their responses indicated in the categories illustrated in Figure 4.2.

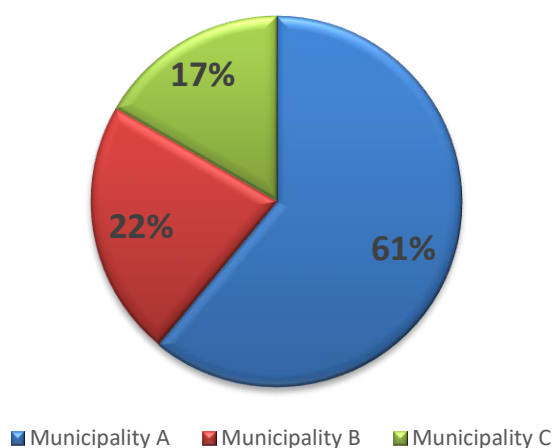


**Figure 4.2: Age groups of respondents**

The majority of respondents (75%) ranged between 36 and 55 years of age while the mean age was 45 years with a standard deviation of 9 years.

#### 4.1.3 The local municipality where the property is located

Results showing the local municipality of residence are illustrated in Figure 4.3.

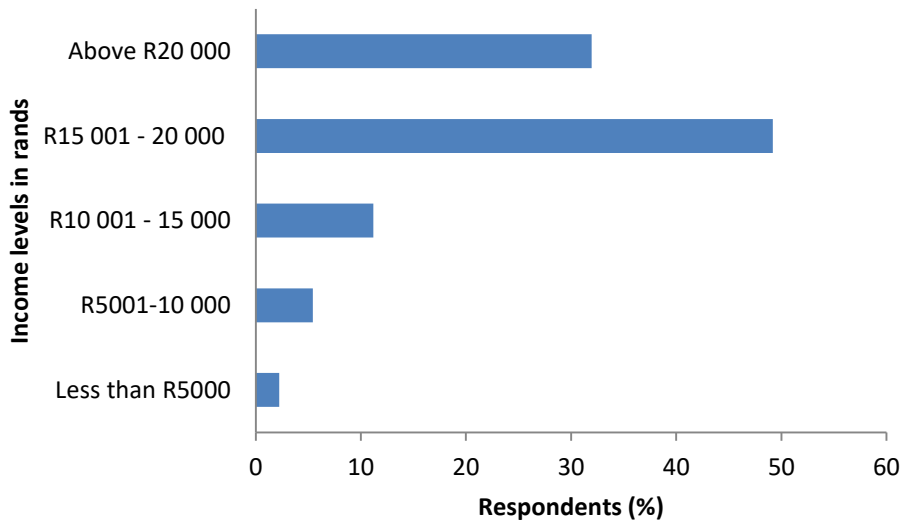


**Figure 4.3: Local municipality of residence**

The majority of the respondents were from Municipality A while Municipality C had the least number of participants.

#### 4.1.4 The respondents' income level

Results indicating the income levels of respondents are presented in Figure 4.4.

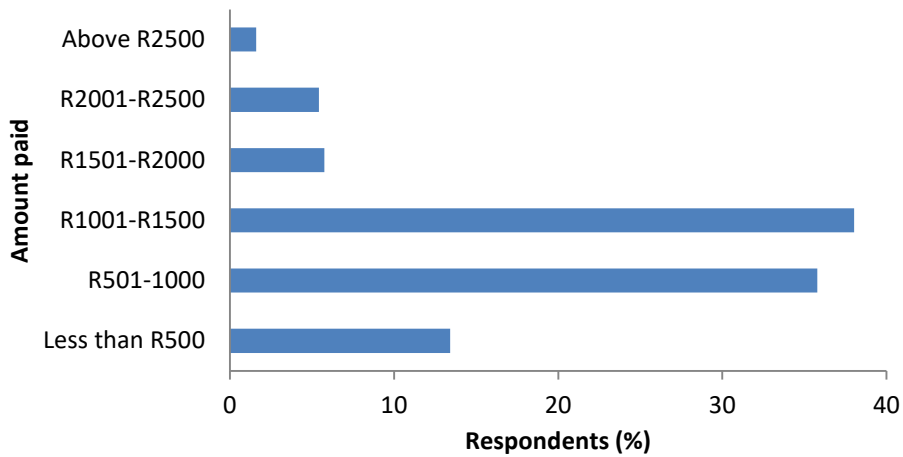


**Figure 4.4: The income levels of respondents**

The majority of respondents earned a monthly income of R15 001 and above. The median income of the respondents was R18 166.08. This means that 50% of the residents earned less than R18 166.08 per month while 50% earn above the same amount per month.

#### 4.1.5 Property rates amount

Respondents were asked to indicate the monthly amount charged for rates on their properties. Their responses are illustrated in Figure 4.5.

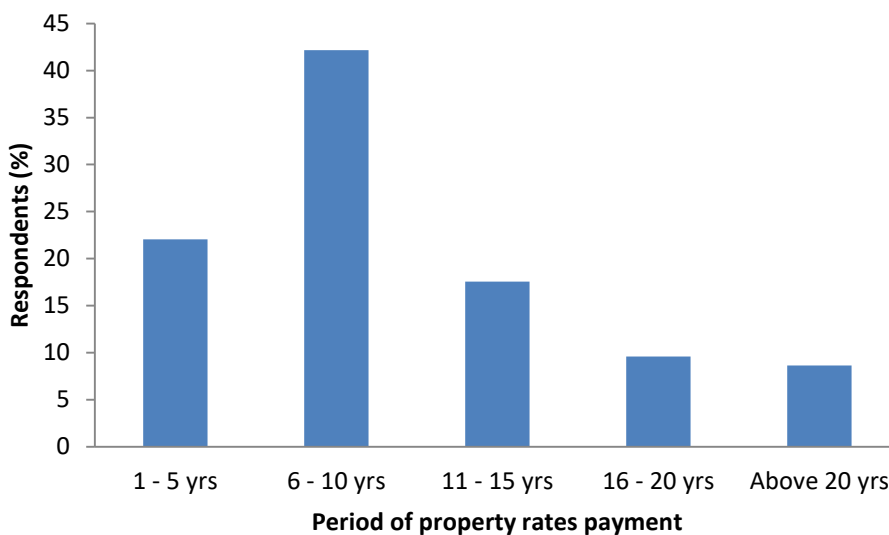


**Figure 4.5: Monthly rates charged on property**

The results show that the majority of residents paid between R1001 and R1500 as property rates to the municipality.

#### 4.1.6 Respondents' duration of property rates payment

Respondents were asked to indicate the period in years over which they had been paying for rates. Their responses are captured in Figure 4.6.

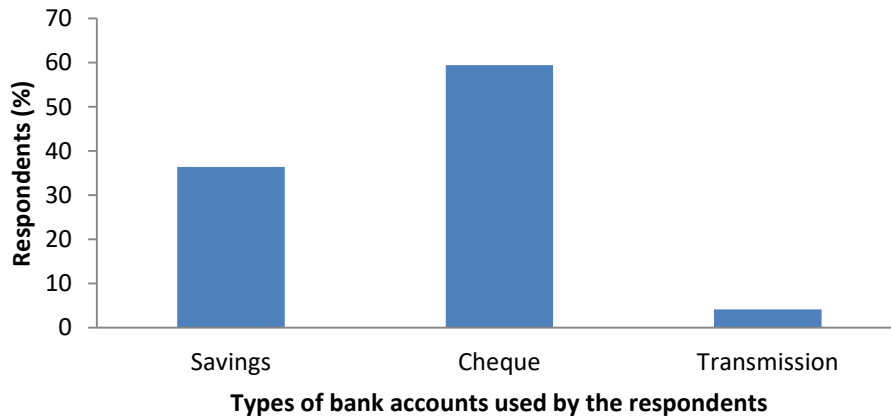


**Figure 4.6: Duration of account payment**

The majority of respondents had been paying rates for periods ranging between one and 10 years.

#### 4.1.7 Respondents' bank account type

Respondents were asked to indicate the type of bank account they mostly used. Their responses are illustrated in Figure 4.7.



**Figure 4.7: Types of respondents' accounts**

All respondents had bank accounts the majority of which were cheque accounts.

#### 4.1.8 Respondents method of receiving bills

Respondents were asked to indicate the method by which they received their municipal bills. Their responses are captured in Table 4.1.

**Table 4.1: Method of receiving municipal bills**

Method	Frequency	Relative frequency
Personal residential address	286	91
Personal Postal address	18	6
My e-mail address	1	0.3
Work postal address	3	1
Mobile phone	0	0
Shop address	1	0.3
Church postal address	1	0.3

Never receive property rates account	3	1
<b>Total</b>	313	100

The majority of respondents (97%) received their bills through postal services while only 0.3% indicated that they receive their bills electronically.

#### 4.1.9 Respondents' preferred method of receiving bills

Respondents were asked to indicate their preferred method of receiving bills. Their responses are given in Table 4.2.

**Table 4.2: Preferred method of receiving municipal account**

<b>Method</b>	<b>Frequency</b>	<b>Relative frequency</b>
Personal residential address	41	13
Personal Postal address	14	4
E-mail	143	47
Work postal address	7	2
Mobile phones	107	34
Shop address	1	0.3
Church postal address	0	0
<b>Total</b>	313	100

The majority (81%) indicated that they preferred to receive their bills electronically.

#### 4.1.10 Respondents' methods of payment

Respondents were asked to state the method by which they paid their bills. Their responses are given in Table 4.3.

**Table 4.3: Method of account payment**

<b>Method</b>	<b>Frequency</b>	<b>Relative frequency</b>
Municipality offices	142	45
Post office	71	23
Internet banking	5	2
Shopping outlets e.g. Shoprite	44	14
Automated teller machines (ATM)	4	1
Bank deposits	28	9
Mobile money transfers	3	1
Debit orders	9	3
Stop orders	7	2
<b>Total</b>	<b>313</b>	<b>100</b>

The methods of payment used by the majority of respondents (91%) required them to travel from their homes or places of work to the points of payment.

#### 4.1.11 Respondents' preferred methods of payment

Respondents were asked to state their preferred method for paying bills. Their responses are presented in Table 4.4.

**Table 4.4: Preferred method of account payment**

<b>Item</b>	<b>Frequency</b>	<b>Relative frequency</b>
Municipality offices	26	9
Post office	4	1
Internet banking	49	15
Shopping outlets e.g. Shoprite	1	1
Automated teller machines (ATM)	32	11
Bank deposits	40	12
Mobile money transfers	78	25
Debit orders	55	18
Stop orders	28	8
<b>Total</b>	<b>313</b>	<b>100</b>

The preferred method of payment of bills for the majority (77%) involved some form of electronic funds transfers (EFT).

#### **4.2 Reasons for reluctance to pay bills**

This Section addressed research question 1 as leaseholders were asked some questions related to reasons for payment default. In this category, their responses why they do not regularly pay their bills are outlined in Table 4.5.

**Table 4.5: Reasons for reluctance to pay account**

<b>Responses</b>	<b>SA (%)</b>	<b>A (%)</b>	<b>D (%)</b>	<b>SD (%)</b>
I am unemployed	1	2	50	47
I acquired property for which I cannot afford to pay the rates	1	10	48	41
I have many other financial commitments	7	45	21	27
I disagree with the amount charged on my property	6	48	27	19
I notice that many residents do not pay their accounts and nothing is done to make them pay	4	46	37	13
The municipality does not provide good and adequate services for us	39	50	7	4
I am aware that there is nothing the municipality can do to force me to pay	5	23	64	8
I know of other people who have properties but have never paid for rates	7	53	32	8
The municipal authorities are corrupt	38	54	6	2
I am discouraged by politicians	36	59	3	2
Some people are favourably treated and receive lesser bills	8	40	44	8
There is no proper channel to settle disputes with management	9	24	44	23

The responses obtained did not portray any particular inclination. However, it clearly emerged that unemployment was not a major reason for failure to pay bills.

### 4.3 Measures to minimise payment default

This Section addressed research question 3 as respondents were asked to state their views on a variety of issue related to their municipal accounts. The findings are summarised in Table 4.6.

**Table 4.6: View on issues related to municipal accounts**

Responses	SA (%)	A (%)	D (%)	SD (%)
The contents of my property rates agreement with the municipality were fully explained to me before I signed the agreement	2	14	70	14
At the beginning of my contract, I was made aware of the amount that I would be paying on monthly basis	3	16	63	18
At the beginning of my contract I was made aware that my property will be re-evaluated every year	3	14	63	20
I regularly check my post office box for mails and accounts	4	26	48	22
I receive my municipality account on time every month	2	23	54	21
I am satisfied with the amount charged for rates on my property	3	34	49	14
I do not understand why my rates payment keeps on increasing every year	11	76	9	4
I am willing to arrange with the municipality for a way to settle the outstanding amount on my account	14	83	2	1

I am aware of the measures that may be taken by the municipality to recover the outstanding debt	18	71	7	4
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The majority of respondents disagreed with the views expressed in Table 4.6 especially matters related to policy implementation.

#### 4.4 Measures to recover outstanding debts

This section addressed research question 4 as respondents were asked to indicate the method by which the municipality communicate with them on the need to pay their bills. Their responses are outlined in Table 4.7.

**Table 4.7: Method of communication**

Response	SA (%)	A (%)	D (%)	SD (%)
Radio adverts	14	36	20	30
Television programmes and adverts	13	36	19	32
Billboards	2	4	47	47
Flyers	1	5	44	50
Social media	1	4	45	50
Reminders by SMS	5	11	39	45
Reminders by e-mail	2	3	45	50
Inserts in newspapers	4	10	38	48
Newspapers	7	29	25	39
Drama in community theatres	1	2	35	62

The majority of respondents were of the view that their municipalities did not communicate with them through most of the methods outlined in Table 4.7.

## 4.5 Statistical analysis of the study

The study addressed various statistical analyses such as reliability analysis, correlation analysis, chi-square test of independence and analysis of variance (one-way ANOVA)

### 4.5.1 Reliability of the measuring instrument

Reliability of a measuring instrument is the ability of the instrument to repeatedly evoke similar responses or scores each time it is used (Pallant, 2011:85). Reliability can be measured by estimating correlation coefficients. In this study, Cronbach's alpha ( $\alpha$ ) reliability coefficient was applied to measure reliability of the questionnaire. The results are outlined in Table 4.8.

**Table 4.8: Reliability analysis of the questionnaire**

<b>Variables</b>	<b>Cronbach's Alpha (<math>\alpha</math>)</b>	<b>Number of Items</b>
Reasons for reluctance to pay your account	0.715	12
Views on accounts and payment	0.623	9
Views on awareness	0.896	10

The numerical value of Cronbach's alpha ( $\alpha$ ) reliability coefficient ranges from 0 to 1. A high value (close to 1) indicates a good internal consistency of the items in the scale (Kimberlin & Winstertein, 2008:2277). The Cronbach's alpha coefficients in Table 4.8 are close to 1, this suggests that the variables assessed (views on accounts payment, views on awareness and reasons for reluctance to pay your account) have relatively high internal consistency.

### 4.5.2 Spearman's rank correlation analyses (Test of significance)

This test is concerned with the relationships between two ranked variables (X and Y). It measures strength and direction of linear relationships between two variables which are always between +1 and -1. The relationship is statistically significant if the p-value is less than 0.05 level of significance (Mukaka, 2012:2).

According to Mukaka (2012:2), the coefficient of Spearman's rank correlation is given by the equation:

$$r = 1 - \frac{6 \sum D^2}{N(N^2 - 1)} \quad [1]$$

Where:

D = differences of ranks of corresponding values of X and Y

N = number of paired values in the data

$$-1 \leq r \leq 1$$

SPSS 23 software package was applied to compute Spearman's rank correlation analyses to determine whether relationships existed between the variables discussed below.

#### 4.5.2.1 Correlation analysis between age group and views on residents' ability to pay

The results obtained in this Section are presented in Table 4.9.

**Table 4.9: Correlation between age group and views of residents on the affordability to pay rent**

View assessed	Correlation coefficient (r)	p-value
I do not pay my rates because I acquired property for which I cannot afford to pay the rates	-0.122	0.031

The p-value of 0.031 obtained is less than 0.05 level of significance. This implies that the correlation between age group and affordability to pay rates is significant. The correlation coefficient (r = -0.122) indicates that there is a negative correlation; which implies that older residents tend to agree with the view expressed in Table 4.5 and vice versa.

4.5.3.2 Correlation analyses between income levels and matters related to rates payment

The results obtained in this Section are presented in Table 4.10.

**Table 4.10: Correlation between income level and matters related to rates payment**

<b>Views</b>	<b>Correlation Coefficient (r)</b>	<b>p-value</b>
At the beginning of my contract, I was made aware of the amount that I would be paying on monthly basis	0.118	0.038
I am willing to arrange with the municipality for a way to settle the outstanding amount on my account	-0.126	0.025
I am aware of the measures that may be taken by the municipality to recover the outstanding debt	-0.126	0.026
I do not pay my rates because I know of other people who have properties but have never paid for rates	-0.113	0.045
I do not pay my rates because the municipal authorities are corrupt	-0.249	0.000
I do not pay my rates because the municipality does not provide good and adequate services for us	-0.269	0.000
I do not pay my rates because I am discouraged by politicians	-0.227	0.000
The municipality makes me aware of the need to pay and be up to date to make rates payment through reminders by SMS	0.151	0.007
The municipality makes me aware of the need to pay and be up to date to make rates payment through inserts in newspapers	0.128	0.023

The municipality makes me aware of the need to pay and be up to date to make rates payment through newspapers	0.155	0.006
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All p-values computed are less than the 0.05 level of significance implying that there is a significant correlation between income levels and views expressed in Table 4.10. Positive correlation coefficients indicate that residents in higher income levels tend to disagree with the listed items whereas residents in lower income levels tend to agree.

#### 4.5.3.3 Correlation analyses between amounts paid in rates and matters related to accounts payment

The results obtained in this Section are presented in Table 4.11.

**Table 4.11: Correlation between amounts paid in rates and views of residents on matters related to accounts payment**

<b>Views assessed</b>	<b>Correlation coefficient (r)</b>	<b>p-value</b>
At the beginning of my contract, I was made aware of the amount that I would be paying on monthly basis	0.218	0.000
At the beginning of my contract I was made aware that my property will be re-evaluated every year	0.168	0.003
I regularly check my post office box for mails and accounts	0.157	0.005
I do not pay my rates because the municipality does not provide good and adequate services for us	-0.166	0.003
I am aware that there is nothing the municipality can do to force me to pay	-0.161	0.004
I do not pay my rates because the municipal authorities are corrupt	-0.203	0.000
I do not pay my rates because I am discouraged by politicians	-0.149	0.008

I do not pay my rates because some people are favourably treated and receive lesser bills	-0.200	0.000
I do not pay my rates because there is no proper channel to settle disputes with management	-0.155	0.006
The municipality makes me aware of the need to pay and be up to date to make rates payment through billboards	0.112	0.047
The municipality makes me aware of the need to pay and be up to date to make rates payment through flyers	0.140	0.013
The municipality makes me aware of the need to pay and be up to date to make rates payment through reminders by SMS	0.238	0.000
The municipality makes me aware of the need to pay and be up to date to make rates payment through reminders by email	0.142	0.012
The municipality makes me aware of the need to pay and be up to date to make rates payment through inserts in newspapers	0.167	0.003
The municipality makes me aware of the need to pay and be up to date to make rates payment through newspapers	0.156	0.006

All p-value obtained are below the 0.05 level of significance; this implies that the correlations between amounts paid and views on items listed in Table 4.11 are significant. Positive correlation coefficients indicate that residents who pay higher amounts tend to disagree with the listed items whereas residents who pay lower amounts tend to agree.

#### 4.5.3.4 Correlation analyses between duration over which residents have been paying rates and matters related to accounts payment

The results obtained in this Section are presented in Table 4.12.

**Table 4.12: Correlations between duration of rates payment period and views of residents on matters related to rates payment**

<b>Views</b>	<b>Correlation coefficient (r)</b>	<b>p-value</b>
The content of my property rates agreement by the municipality was fully explained to me before I signed the agreement	0.117	0.039
I do not pay my rates because the municipality does not provide good and adequate services for us	0.119	0.035
I do not pay my rates because the municipal authorities are corrupt	0.178	0.002
I do not pay my rates because I am discouraged by politicians	0.128	0.024

All p-values obtained are less than the 0.05 level of significance; this implies that there is significant correlation between the duration over which payments have been made and the views on matters related to rates payments. Positive correlations imply that residents who have been paying rates for a long time tend to disagree with the listed items and vice versa.

#### 4.5.3 Chi - square test of independence

The chi-squared test was applied to test the independence of association between specific categorical variables. It measures the extent to which observed frequencies differ from the expected. There is a significant relationship between the two categories if the probability value (p-value) is less than or equal to a 0.05 level of significance. If the difference is small, the null hypothesis ( $H_0$ ) is accepted and the alternative hypothesis ( $H_a$ ) is rejected.

The following hypotheses were adopted.

$H_0$ : There is no association between gender and awareness of contract details.

H<sub>a</sub>: There is an association between gender and awareness of contract details.

SPSS 23 software package was used to perform a chi-square test of independence on whether there was no association between gender and awareness of contract details. The observed frequencies, chi-square statistics and the p-values with 3 degrees of freedom are shown in Table 4.13.

**Table 4.13: Cross-tabulation of views of residents on awareness of contract details**

	<b>At the beginning of my contract I was made aware that my property will be periodically re-evaluated</b>				
<b>Gender</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>Total</b>
<b>Male</b>	3	20	88	40	151
<b>Female</b>	6	24	109	23	162
<b>Total</b>	9	44	197	63	313
	P-value = 0.05 chi-square statistic = 7.813 def. = 3				

A p-value of 0.05 level of significance was obtained. This implies that the views of residents are statistically independent on their gender. Therefore the H<sub>0</sub> is accepted.

#### 4.5.4 Analysis of Variance (one-way ANOVA) Test

The purpose of the ANOVA test is to test the equality of means across multiple groups. Samples are selected randomly from the groups and the means of the groups' responses are assumed to be equal. The groups' responses are also assumed to be normally distributed.

The hypotheses adopted for this test were as follows.

H<sub>0</sub>: There is no significant difference in the residents' opinions about the payment of property rates.

H<sub>a</sub>: There is a significant difference in the residents' opinions about the payment of property rates

Minitab and SPSS 23 software packages were used to perform ANOVA tests for the data in Table 4.14

**Table 4.14: One-Way Analysis of Variance**

	Local municipality						P-Value
	A		B		C		
	$\bar{X}$	S	$\bar{X}$	S	$\bar{X}$	S	
1. Contents of agreement were fully explained to me before I signed the agreement	3.06	0.65	2.81	0.43	2.85	0.61	0.005
2. At the beginning I was made aware that my property would be periodically re-evaluated	3.08	0.64	2.94	0.61	2.79	0.82	0.014
3. I am satisfied with the amount charged for rates on my property	2.76	0.78	2.87	0.61	2.48	0.72	0.013
4. I do not pay because I am unemployed	3.43	0.59	3.24	0.55	3.63	0.63	0.002
5. I do not pay because I acquired property for which I cannot afford to pay the rates	3.28	0.69	3.20	0.58	3.52	0.64	0.023
6. I do not pay because the municipality does not provide adequate services for us	1.64	0.78	1.79	0.47	2.15	0.80	0.000
7. Do not pay because I am aware that there is nothing the municipality can do to force me to pay	2.61	0.72	3.00	0.24	2.94	0.67	0.000
8. I do not pay because I know of other people who have properties but have never paid for rates	2.26	0.76	2.67	0.72	2.50	0.64	0.000
9. I do not pay because the municipal authorities are corrupt	1.54	0.70	1.99	0.32	2.04	0.63	0.000

10. I do not pay because I am discouraged by politicians	1.60	0.66	1.93	0.39	1.88	0.61	0.000
11. I do not pay because some people are favourably treated and receive lesser bills	2.29	0.71	2.87	0.59	2.88	0.76	0.000
12. I do not pay rates because there is no proper channel to settle disputes with management	2.47	0.81	3.31	0.60	3.35	1.01	0.000
13. The municipality makes me aware of the need to pay through billboards	3.48	0.64	3.21	0.59	3.33	0.68	0.008
14. The municipality makes me aware of the need to pay through reminders by SMS	3.44	0.70	3.01	0.86	2.86	0.97	0.000
15 The municipality makes me aware of the need to pay through reminders by email	3.56	0.54	3.29	0.66	3.15	0.85	0.000
16. The municipality makes me aware of the need to pay through inserts in newspapers	3.52	0.66	3.17	0.70	2.69	1.02	0.000
17. The municipality makes me aware of the need to pay through newspaper adverts	3.25	0.93	2.51	0.83	2.48	0.98	0.000

All the p-values obtained were less than 0.05 level of significance. This implies that there is a significant difference between the mean values among the three local municipalities. The null hypothesis is therefore rejected and the alternative is accepted. There is no consensus among respondents on the issues listed in Table 4.14.

#### **4.6 Results from the interview with the financial managers**

This section presents the findings from the interviews conducted with the financial managers of the three municipalities. A response rate of 100% was achieved since all managers were interviewed. The researcher followed a systematic procedure in analysing the data as outlined by Creswell (2009:185) by capturing the participants' responses through field notes, organising the data, reading through all data, coding the data into themes and categories, interrelating of themes and discussing the findings.

Creswell (2014:200) opines that qualitative research discussion may be the researcher’s personal understanding derived from participants’ views and history or comparisons between findings, literature review and theories. In this study, the categories of findings were further interrogated by comparing the participants’ views with theories and literature reviewed.

#### 4.6.1 Coding of data into themes and categories

Coding of data refers to the process by which the researcher studies the transcribed data and categorises it into meaningful units and sub-units (Maree, 2010:105). The data collected from the semi-structured interviews were transcribed and themes and categories were generated. Table 4.15 presents the themes and categories of findings obtained in the semi-structured interviews.

**Table 4.15: Themes and categories of findings**

Themes	Categories of findings
Factors that lead to non-payment	<ul style="list-style-type: none"> <li>• Lack of communication between counsellors and residents</li> <li>• Communication gap between the municipality and residents</li> <li>• Political interference</li> <li>• Entitlement mentality</li> </ul>
What needs to be done to minimise defaults in payment of property rates in the district municipality?	<ul style="list-style-type: none"> <li>• Effective bye-laws</li> <li>• Adequate law enforcement capacity</li> <li>• Improved payment options</li> <li>• Debt selling</li> <li>• Effective customer care</li> </ul>
What needs to be done to recover debts	<ul style="list-style-type: none"> <li>• Effective communication</li> <li>• Innovation</li> </ul>

## **4.7 Summary**

This chapter presented empirical findings of the study. The empirical studies focused on the quantitative and qualitative studies. The quantitative study provides the presentation of findings such as biographic information of the leaseholders; presentation of findings as obtained in views on payment, views on awareness and views on reluctance to pay accounts. The qualitative study provided the coding of semi-structured interviews into themes and categories while the central ideas were identified and discussed.

## **CHAPTER FIVE**

### **RECOMMENDATIONS AND CONCLUDING REMARKS**

#### **5. Introduction**

This chapter discusses the results as presented in chapter four, provides the conclusion and recommendations of the study. The results obtained from the survey of leaseholders and the semi-structured interviews were triangulated and related to the literature review to address the four research questions of this study as stipulated by the research design this study. The research questions of this study are:

- What are the reasons for payment defaults in property rates by the leaseholders in the district municipality?
- What is the best practice in property rate debt management?
- What needs to be done to minimise defaults in payment of property rates in the district municipality?
- What measures are required to recover the outstanding debt?

#### **5.1 Reasons for defaults in payment of accounts**

On the analysis of the literature review and responses in Tables 4.5, 4.9 and from the interviews, the following become evident:

- Leaseholders have the wherewithal to pay rates but opt not to do so under the guise of poor service delivery by municipalities
- Default in payments is further compounded by the leaseholders' claim that the municipalities do not interpret the municipal legislations to them; awareness that municipalities do not have effective bye-laws and capacity to enforce payments, and to punish defaulters.
- There is political jockeying within municipality structures, often politicians influence residents not to pay their bills as a way of discrediting the incumbents for selfish gains.
- There is a feeling of ownership mentality where the leaseholder believe that land is a free gift of nature and should not be paid for.
- Leaseholders indicates that they default due to the various financial commitment they have.

- Whereas the cadaster is well maintained, the continued reliance on a slow and unreliable postal system for the delivery of bills negatively impacts on the communication between residents and municipalities; hence poor payments.

The correlation analysis in Tables 4.9, 4.10, 4.11 and 4.12, the chi square test of independence in Section 4.5.3, and the Analysis of Variance (ANOVA) in Section 4.5.4 indicate that there was no consensus among the respondents on the views interrogated. It also emerged from interviews that, in all areas where property rates were collected, there was well established infrastructure for water and sewage reticulation, street lighting, storm water drainage and waste removal. Further, that none of the municipalities had experienced service delivery protests in the areas where property rates are charged. In view of the above, one can conclude that:

- There were no justifiable reasons for non-payment of rates
- Defaults in payment of rates could be attributed to acts of irresponsibility and impunity on the part of the leaseholders.

In the survey, as indicated in Figure 4.5, the majority of the leaseholders responded that they pay between R1001 and R1500 monthly towards rates. However, based on the evidence adduced from the municipality bills from the three different residential areas (see Appendices A1, A2, & A3) and corroborated with findings from interviews, this finding was found to be false. An analysis of the municipal bills reveals that they are consolidation of several items including arrears and interest charged on arrears. In such instances, residents from the same neighbourhood with similar properties are likely to be billed differently due to varying arrears. Under the circumstances, feelings of corruption, favouritism and resentment begin to fester among residents ultimately leading to defaults in payment. One can therefore conclude that:

- Whereas the current amounts charged for rates are low, bills charged are high due to arrears and interest charged.
- Continued inclusion of arrears and interest in bills serves to exacerbate defaults in the payment of rates.

## **5.2 The best practice in property rates debt management.**

In Sections 2.1-2.8, it was deduced that proper administration, effective policy implementation, good application of accounting procedures and effective

communication are necessary to maintain efficient property rates management system. In this Section, the best practice from the literature review is compared with the actual practice to evaluate the performance in the municipalities.

Measures required to maintain good property rates administrative system include:

- Compilation of concise cadastre information of property and updated register of personal details of the leaseholder.
- Valuation of the properties to be conducted by competent and qualified assessors.
- Promotion of different options for payment of accounts such as Electronic Funds Transfer (EFT), debit orders, stop orders, mobile payments and mailed checks.
- Ensure collection of debts from defaulters and delinquent account owners using legal actions as prescribed by the underlying legislations of the municipalities.
- Provision of discounts on prompt payment.

In the identification of property, the majority of the leaseholders in the survey (92%) indicated that they receive bills through personal residential addresses, this indicates that the local municipalities have maintained good records. In this respect, they comply with the best practice.

With regard to valuation of the property, findings from the interviews indicate that the local municipalities outsource the services of private assessors to evaluate properties. This procedure involves a competitive tender process where the profiles of the independent assessors are verified before selecting the most appropriate assessors. In so doing, the municipalities comply with the best practice.

The majority of the respondents indicated that they pay their bills through counter payment at their various municipalities (see Table 4.3). Long and inconveniencing queues are bound to occur when many residents converge at few points to pay bills. Given that many respondents indicated their willingness to adopt other payment options in the survey (see Table 4.4), one can conclude that municipalities have not actively promoted alternative payment options to the residents. By failing to do so, they do not comply with the best practice.

In policy procedures with regard to debt collection and enforcement, it was established from document analysis (see Section 2.8) that the best practice in property rates payment practice requires the following:

- Municipalities should enter into agreements to pay arrears with the debtors.
- In case of disputes, leaseholders should continue paying their accounts until disputes are settled.
- Municipalities should disconnect services whenever users of services fail to make payment on due dates and fail to comply with agreed arrangements.
- Municipalities should, with the consent of the debtor enter into agreements with the debtors employers to deduct payments from their salaries.
- Send the defaulters name to the credit bureau
- As a last result, municipalities should attach debtors' movable or immovable property.

In the interviews with the financial managers, it was deduced that:

- Municipalities have not come up with workable payment arrangements with debtors.
- One of the municipal managers indicated that they engage in door to door payment awareness campaigns which have been ineffective.
- Municipalities have not considered making arrangements with the employers of the debtors to deduct debts from their salaries.
- Municipal services are disconnected only after clients have delayed payments for long period of time.
- The municipalities send defaulters names to the credit bureau only when their debts accumulate to an unbearable extent.
- The municipalities never attach debtors' movable and immovable property.
- The municipalities do not prosecute the defaulters adequately.

The findings in this category and the debt accruals in Tables 1.2-1.3 indicate that the managers do not comply with the best practice in debt collection which result to debt accrual. With this, one can infer that the inability of the municipalities to implement effective policies and measures in debt collection result in property rates debt accruals.

Furthermore, the document analysis in Section 2.8.1 indicate that the municipalities must state in clear terms to the residents the amounts due for payment, the date which the amount is payable, how the amount is calculated, the market worth of the valued property, the discount terms and the amount due for additional rates. In table 4.6, the majority of the leaseholders disagreed that the contents of the municipal agreement were not explained to them (70%), not aware of the rates amount (63%), not aware of yearly re-evaluation of property (63%) and not aware of procedure of rates increment. The majority of the leaseholders also indicated that they are willing to arrange with the municipalities to pay the outstanding debts (83%) while agreed that they are aware of the measures that may be taken by the municipalities to recover debt (71%). These show that the leaseholders may comply in the rates payment if effective measures to collect debt can be implemented. With these findings, it can be deduced that municipalities do not comply with the best practice in policy implementation.

In the aspect of communication, the systems theory (see Section 2.1) posit that organisations should understand and interact with their external environment to achieve a holistic consensus while the revenue enhancement model expressed the need to embark on effective communication to enhance payment and service delivery. It was also deduced in Sections 2.4 that the following methods of communication enhance transfer of information to targeted audiences:

- Electronic mails
- Short message service
- Television adverts and infomercials
- Newspaper adverts
- Insert in newspapers
- Bill boards
- Drama in community theatres
- Radio adverts
- Flyers

In the survey, the majority of the respondents (Table 4.2) preferred to receive their bills through e-mails and mobile phones, while they receive their bills through personal residential addresses. In the interviews, the managers indicated that they are yet to consider sending bills through mobile phones and e-mails. The survey study revealed

that the municipalities have not considered communicating with the leaseholders with all the communication options listed in Table 4.7. Furthermore, the municipal managers indicated in the interviews that they are yet to consider using emails and short message services (SMS) to communicate with the leaseholders. The findings in this section indicate that the municipalities have been using post offices to communicate with the leaseholders which seem to be ineffective because of the incessant strike action by postal workers and the delay in the delivery of the mails to the target market. The contingency model of leadership (see Section 2.1.2) suggests that management should make decisions based on the present need of the surrounding environment while Section 2.5 expressed the need for managers to be creative to resolve issues facing the organisations. In this regard, the finding in this section indicates that the local municipalities do not comply with the best practice in communicating with the leaseholders. It can be deduced therefore, that:

- Default in payment is triggered by the inability of the municipalities to communicate adequately with the leaseholders.

### **5.3 Recommendations on how to minimise and recover debts**

The recommendations on how to minimise and recover debts in the payment of property rates in the selected district municipality are as follows:

- The municipalities should actively educate the leaseholders on the importance of paying their rates through various communication media such as emails, short message service (SMS), newspaper adverts, inserts in newspapers, television adverts, infomercials, billboards, flyers, social media, drama in community theatres and the internet
- They should consider engaging the services of non-governmental organisations to drive the message forward
- The customer care section should actively convey important information to the residents timeously and consistently such as reminding the leaseholders to pay their bills; reminding them on the amount they are owing; educating them on the payment options available; giving them the municipality contact details, and giving the leaseholders general information on property rates payment

- The current websites of the local municipalities are not interactive therefore, they should consider upgrading their websites to an interactive level where all the information needed by the residents could be accessed
- The existing rates bye-laws of the local municipalities do not specify the penalties payable by the leaseholders in the case of payment default therefore, they should amend their bye-laws and consider to restrict the municipal services of the defaulters such as reducing the water supply after two weeks of default and terminate it after one month of default; send the list of defaulters to the credit bureau two months after default and prosecute defaulters
- The municipalities should make arrangements with the debtors' employers to deduct debts from their salaries before debts accrue to an unmanageable level. Since the municipalities lack the capacity to enforce payment, they should outsource enforcement to agents who will deal with payment defaulters, identify and apprehend defaulters that reinstate municipal services illegally
- Due to the level of debt accruals, the municipalities should consider outsourcing debt collection or debt selling to other agents so that they will start with a new sheet in the collection of rates. Out of the two, debt selling is more effective considering the fact that the local municipalities will be able to recover certain amount of debts instantly
- Finally, the municipalities should promote effective payment options such as EFT, debit orders, stop orders, mobile transfers and stop orders to ease the payment of bills. Online payments should be promoted on the municipality websites so that leaseholders can make payments from diverse locations

#### **5.4 Recommendations for further study**

This study focused on residential property rates payment. The findings suggest that much need to be done to achieve rates compliance in the district. Other studies need to be conducted in rates paying areas such as the industrial and the business premises. In broader terms, a research should be conducted in the area of non-payment of general municipal services by residents in the province. This will assist in finding reasons for reluctance to pay municipal accounts and the measures required to alleviate the worsening situation in the province.

## **5.5 Limitations of the study**

The limitations of this study include:

- Lack of articles and scholarly texts on property rates in South Africa which hindered the ability of the researcher to provide a broader view of property rates payment practice in South African municipalities.
- Failure of municipal managers to honour appointments resulted in re-scheduling of interviews which was time wasting and have financial implications.
- Lack of access to property rates financial statements of the local municipalities which delayed the progress of the study.

## **5.6 Conclusion**

This study on payment of residential property rates in a selected district municipality was aimed at finding the causes of payment defaults in the payment of property rates and recommending measures to minimize and recover the consequent debt accruals. In chapter one, the overview of the property rates payment in the district municipality was presented. Other topics presented include the problem statement, research questions; research objectives, delimitation of the study and the structure of the dissertation.

Chapter two of the study focused on the theoretical background of the literature review. The systems and the contingency theory formed the fundamental theories that underpinned this study. The systems theory advocates the need for group cohesion and collaboration while the contingency theory recommends the use of diverse approaches to different situations in organisations. In the literature review, debt management techniques, payment enhancement measures, communication, innovation, reviews of legislations and payment practices by other countries were explored to find solutions to the problem under investigation.

In chapter three, the research methods were explained. The mixed methods study was adopted which enhanced the use of both quantitative and qualitative study. The exploratory and descriptive designs were adopted to suit the purpose of the study. The population of the study were clearly stated, samples chosen accordingly, while data was collected through questionnaires and semi-structured interviews.

Chapter four presented data collected through questionnaires and semi-structured interviews. The descriptive statistics, reliability analysis, Spearman's correlation analysis, chi-square test of independence, and one-way analysis of variance was presented to find answers to the research questions. In the interview phase, data collected were coded and categorised while the central ideas were discussed.

Chapter five presents the recommendations and the concluding remarks. According to the discussions obtained from the study, it revealed that the leaseholders have no tangible reasons to default in the payment of property rates as the municipalities provide equitable services to all the units where property rates are levied. The study revealed that the municipal financial managers lack the capacity to enforce payment and the inability to innovate new measures in the aspect of communication and payment facilitation options. The researcher concludes that the default in the payment of property rates is triggered by the actions of both leaseholders and the municipal financial managers. Nevertheless, the situation can be salvaged if the recommendations as provided in the study are implemented in the various local municipalities. Furthermore, the study recommends that another research should be conducted to find the reasons for default in the payment of municipal services in South Africa and the measures to recover consequent debts.

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**APPENDIX A1 PROPERTY RATES BILL**

Account No.	0000022263
Erf. No.	0030490000785700000000000000
VAT No.	
Deposit	
Statement Date	20/12/2012

<b>ASSESSMENT RATES:</b>	Valuation	540000
--------------------------	-----------	--------

Meter	Previous Reading	Present Reading	Consumption	Reading Date

Consumer Services	VALUE	VAT	Amount
20121123 IBALANCE BF	7946.13	0.00	7946.13
20121130 I000018 RECEIPT 010046	-525.00	0.00	-525.00
ISUB-TOTAL ***	7421.13	0.00	7421.13
20121218 IINTEREST : CONSUMER S	11.94	0.00	11.94
20121218 IINTEREST : ASSESSMENT	35.71	0.00	35.71
20121219 ISEWER DOMESTIC	55.00	7.70	62.70
20121219 IRATES RESIDENTIAL	238.50	0.00	238.50
20121219 IVA-VALUE-EXCLUSION	-6.62	0.00	-6.62
ITOTAL LEVIES ***	334.53	7.70	342.23
<b>Total Payable</b>			<b>7763.36</b>

The Total Amount is due for payment on or before  
**15/01/2013**

Aged Analysis	30 days	60 days	90 days	120 days
Consumer Services	343.78	343.32	341.59	6392.44

Acc. No. 0308 525 95



>>>>> 9 1175 0000 0222 637

Post Office



015 000022263

**APPENDIX A2 PROPERTY RATES BILL**

Account No.	0000030830
Erf. No.	03046-000001333-000000-0000
VAT No.	
Deposit	898.00
Statement Date	22 SEP 2016

<b>ASSESSMENT RATES:</b>	Valuation	160,000.00
--------------------------	-----------	------------

Meter	Previous Reading	Present Reading	Consumption	Reading Date
147	2564	2584	20	01/09/2016

Consumer Services		Unit	Tariff	Amount
22/09/2016	OPENING BALANCE			6,557.34
22/09/2016	RATES	160000	.007183	95.77
22/09/2016	REFUSE REMOVAL	1	169	169.00
22/09/2016	BASIC SEWERAGE	408	86	86.00
22/09/2016	WATER	20	7.95	159.00
19/09/2016	INTEREST			53.00
VAT				57.96
<b>The Total Amount is due for payment on or before 15/10/2016</b>				<b>7,178.07</b>
<b>Total Payable</b>				<b>7,178.07</b>

Aged Analysis	30 days	60 days	90 days	120 days
Consumer Services	495.23	6,062.11	0.00	0.00

Acc. No. 0308 525 95



>>>>>>91 1750 0000 3083 03

Post Office  
 MAIL ORDER SERVICE



**APPENDIX A3 PROPERTY RATES BILL**

Account No.	0000013509
Erf. No.	03043-000000664-000000-0000
VAT No.	
Deposit	0.00
Statement Date	22 SEP 2016

**ASSESSMENT RATES:** Valuation 410,000.00

Meter	Previous Reading	Present Reading	Consumption	Reading Date
670	11867	11887	20	02/09/2016

Consumer Services		Unit	Tariff	Amount
22/09/2016	OPENING BALANCE RATES	410000	.007183	14,737.00
22/09/2016	REFUSE REMOVAL	1	169	245.42
22/09/2016	BASIC SEWERAGE	584	86	169.00
22/09/2016	WATER	20	7.95	86.00
19/09/2016	INTEREST			159.00
				108.73
VAT				57.96
<b>The Total Amount is due for payment on or before 15/10/2016</b>				<b>Total Payable 15,563.11</b>

Aged Analysis	30 days	60 days	90 days	120 days
Consumer Services	828.10	902.51	917.59	12,088.80

Acc. No. 0308 525 95



>>>>>91 1750 0000 1350 94 Post Office



0131 00000000

**APPENDIX B      SAMPLE SIZE CALCULATOR**

Required Sample Size <sup>†</sup>								
Population Size	Confidence = 95%				Confidence = 99%			
	Margin of Error				Margin of Error			
	5.0%	3.5%	2.5%	1.0%	5.0%	3.5%	2.5%	1.0%
10	10	10	10	10	10	10	10	10
20	19	20	20	20	19	20	20	20
30	28	29	29	30	29	29	30	30
50	44	47	48	50	47	48	49	50
75	63	69	72	74	67	71	73	75
100	80	89	94	99	87	93	96	99
150	108	126	137	148	122	135	142	149
200	132	160	177	196	154	174	186	198
250	152	190	215	244	182	211	229	246
300	169	217	251	291	207	246	270	295
400	196	265	318	384	250	309	348	391
500	217	306	377	475	285	365	421	485
600	234	340	432	565	315	416	490	579
700	248	370	481	653	341	462	554	672
800	260	396	526	739	363	503	615	763
1,000	278	440	606	906	399	575	727	943
1,200	291	474	674	1067	427	636	827	1119
1,500	306	515	759	1297	460	712	959	1376
2,000	322	563	869	1655	498	808	1141	1785
2,500	333	597	952	1984	524	879	1288	2173
3,500	346	641	1068	2565	558	977	1510	2890
5,000	357	678	1176	3288	586	1066	1734	3842
7,500	365	710	1275	4211	610	1147	1960	5165
10,000	370	727	1332	4899	622	1193	2098	6239
25,000	378	760	1448	6939	646	1285	2399	9972
50,000	381	772	1491	8056	655	1318	2520	12455
75,000	382	776	1506	8514	658	1330	2563	13583
100,000	383	778	1513	8762	659	1336	2585	14227
250,000	384	782	1527	9248	662	1347	2626	15555
500,000	384	783	1532	9423	663	1350	2640	16055
1,000,000	384	783	1534	9512	663	1352	2647	16317
2,500,000	384	784	1536	9567	663	1353	2651	16478
10,000,000	384	784	1536	9594	663	1354	2653	16560
100,000,000	384	784	1537	9603	663	1354	2654	16584
300,000,000	384	784	1537	9603	663	1354	2654	16586

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## APPENDIX C QUESTIONNAIRE FOR THE LEASEHOLDERS



NORTH-WEST UNIVERSITY  
YUNIBESITI YA BOKONE-BOPHIRIMA  
NOORDWES-UNIVERSITEIT

Dear Participant,

My name is Enwereji Prince, a Master of Commerce student of the North-West University, Mafikeng campus. I am conducting a research study on the payment of property rates in your municipality. I wish to invite you to participate in the study by completing the attached questionnaire. The questionnaire will require approximately 15 to 20 minutes to be completed.

Should you agree to take part in the study, please note that your participation will be voluntary and you may withdraw as and when you wish. I would also like to assure you that your identity will be kept secret and your responses will not be used against you.

Thank you for your assistance.

Yours sincerely,

Enwereji Prince

e-mail: [prince.enwereji@yahoo.com](mailto:prince.enwereji@yahoo.com)

Cell: 0619703177

### Section 1

Please answer the questions below or select the response with which you agree with by crossing (X) the relevant box after each question / statement.

Example:

	Yes	No
I live in Mahikeng	X	

Biographic data

1. Please indicate your gender

Male	Female

2. Please indicate your current age group in years

25 or less	26-35	36-45	46-55	56-65	Above 66

3. Please indicate the local municipality where you reside

Mahikeng	Ditsobotla	Ramotshere Moiloa

4. Indicate your income level in rands.

Less than 5000	R5001-10 000	R10 001 - 15 000	R15 001 - 20 000	Above 20 000

5. Please indicate the amount you pay to the municipality on property rates per month

Less than R500	R501-1000	R1001- R1500	R1501- R2000	R2001- R2500	Above R2500

6. How long have you been paying your rates account?

1-5 years	6-10 years	11-15 years	16-20 years	Above 20 years

7. What type of bank accounts do you have?

Savings	Transaction/cheque	Transmission	Other

8. I receive my municipal account through.....

Personal residential address	
Personal Postal address	
My e-mail address	
Work postal address	
Mobile phone	
Shop address	
Church postal address	
Never receive property rates account	

9. I prefer to receive my municipal account through.....

Personal residential address	
Personal Postal address	
E-mail	
Work postal address	
Mobile phones	
Shop address	
Church postal address	

10. I pay my municipal account through.....

Municipality offices	
Post office	
Electronic funds transfer	
Shopping outlets e.g. Shoprite	
Automated teller machines (ATM)	

Bank deposits	
Mobile money transfers	
Debit orders	
Stop orders	

11. I would prefer to pay my municipal account through...

Municipality offices	
Post office	
Electronic funds transfer	
Shopping outlets e.g. Shoprite	
Automated teller machines (ATM)	
Bank deposits	
Mobile money transfers	
Debit orders	
Stop orders	

## Section 2

Please indicate your level of agreement with the following statements by marking your response with an 'X'. (Mark all responses in questions 1, 2, and 3).

### 1) Reasons for reluctance to pay your account

I do not pay my rates because.....

Responses	Strongly agree	Agree	Disagree	Strongly disagree
I am unemployed				
I acquired property for which I cannot afford to pay the rates				
I have many other financial commitments				

I disagree with the amount charged to my property				
I notice that many residents do not pay their accounts and nothing is done to make them pay				
The municipality does not provide good and adequate services for us				
I am aware that there is nothing the municipality can do to force me to pay				
I know of other people who have properties but have never paid for rates				
The municipal authorities are corrupt				
I am discouraged by politicians				
Some people are favourably treated and receive lesser bills				
There is no proper channel to settle disputes with management				

**2) Views on accounts and payment.**

Responses	Strongly agree	Agree	Disagree	Strongly disagree
The content of my property rates agreement by the municipality was fully explained to me before I signed the agreement				
At the beginning of my contract, I was made aware of the amount that I would be paying on monthly basis				
At the beginning of my contract I was made aware that my property will be regularly re-evaluated.				

I regularly check my post office box for mail and accounts.				
I receive my municipality account on time every month				
I am satisfied with the amount charged for rates on my property.				
I do not understand why my account keeps on increasing every now and then				
I am willing to arrange with the municipality for a way to settle the outstanding amount on my account				
I am aware of the measures that may be taken by the municipality to recover the outstanding debt.				

### 3) Views on awareness

The municipality makes me aware of the need to pay and be up to date to make rates payment through....

Response	Strongly agree	Agree	Disagree	Strongly disagree
Radio adverts				
Television programmes and adverts				
Billboards				
Fliers				
Social media				
Reminders by SMS				
Reminders by e-mail				
Inserts in newspapers				
Newspapers				
Drama in community theatres				

## **APPENDIX D      INTERVIEW QUESTIONS FOR THE MUNICIPAL FINANCIAL WORKERS**

### **Interview Questions**

#### **Research Question 1**

##### **Reasons for reluctance to pay rates**

- 1) According to the five-year financial statement collected from your municipality, it was deduced that the payment of accounts by the leaseholders have been deteriorating, in your opinion, what are the causes of non-payment of property rates?
- 2) What measures have you put in place to make them pay?
- 3) What other measures have you undertaken to educate the leaseholders on the advantages of paying their rates consistently to the municipality?

##### **Law Enforcement**

- 1) What are the current bye laws that regulate the payment of municipal accounts by the leaseholders?
- 2) Have you been able to amend it according to the current economic situation?
- 3) Do you abide with the contents of the bye laws?
- 4) If yes, how many court cases have you had with the defaulters?
- 5) How many defaulters were prosecuted?
- 6) How many defaulters were convicted?
- 7) How many defaulters were penalised?
- 8) How many defaulters paid their penalties?

#### **Research Question 3**

##### **Views on accounts payment**

- 1) According to the five-year financial statement collected from your municipality, the payment of accounts by the leaseholders have been deteriorating, what are the mechanisms in place to minimize debts?

- 2) What are the challenges encountered in recovering the delinquent account?
- 3) Do you think that debt selling is an option to recover the delinquent account?
- 4) What bye-laws do you use to enforce collection?
- 5) What can you say about your capacity to enforce collection?
- 6) Are the assessors in this municipality insourced or outsourced?
- 7) What is the minimum qualification of the assessors?
- 8) What is the computer programme used in compiling the bills?
- 9) What measures have you put in place to address leaseholder's disputes?

#### **Research Question 4**

##### **Views on awareness**

- 1) What methods do you apply to communicate with the leaseholders?
- 2) What methods have you been able to put in place to sensitise the leaseholders?
- 3) How do you send reminders to the leaseholders to pay their bills?
- 4) Do you have an interacting web sites?

## APPENDIX E ETHICS CERTIFICATE



NORTH-WEST UNIVERSITY  
YUNIBESITHI YA BOKONE-BOPHIRIMA  
NOORDWES-UNIVERSITEIT

Private Bag X8001, Potchefstroom,  
South Africa, 2520

Tel: (018) 299-4900

Faks: (018) 299-4910

Web: <http://www.nwu.ac.za>

**Institutional Research Ethics Regulatory Committee**

Tel: +27 18 299 4849

Email: [Ethics@nwu.ac.za](mailto:Ethics@nwu.ac.za)

2016-05-12

### ETHICS APPROVAL CERTIFICATE OF PROJECT

Based on approval by the **Human Sciences Research Ethics Committee (HSREC)** on **06/05/2016**, the North-West University Institutional Research Ethics Regulatory Committee (NWU-IRERC) hereby **approves** your project as indicated below. This implies that the NWU-IRERC grants its permission that, provided the special conditions specified below are met and pending any other authorisation that may be necessary, the project may be initiated, using the ethics number below.

<b>Project title:</b> Payment of property rates by residential leaseholders in Ngaka Modiri Molema District																															
<b>Project Leader/Supervisor:</b> Dr FR Kadama																															
<b>Student:</b> OC Enwereji																															
<b>Ethics number:</b>	<table border="1"><tr><td>N</td><td>W</td><td>U</td><td>-</td><td>0</td><td>0</td><td>2</td><td>0</td><td>7</td><td>-</td><td>1</td><td>6</td><td>-</td><td>A</td><td>9</td></tr><tr><td colspan="3">Institution</td><td colspan="5">Project Number</td><td colspan="2">Year</td><td colspan="5">Status</td></tr></table> <p><small>Status: S = Submission; R = Re-Submission; P = Provisional Authorisation; A = Authorisation</small></p>	N	W	U	-	0	0	2	0	7	-	1	6	-	A	9	Institution			Project Number					Year		Status				
N	W	U	-	0	0	2	0	7	-	1	6	-	A	9																	
Institution			Project Number					Year		Status																					
<b>Application Type:</b> N/A																															
<b>Commencement date:</b> 2016-04-18	<b>Expiry date:</b> 2019-04-18																														
<b>Risk:</b>	N/A																														

#### Special conditions of the approval (if applicable):

- Translation of the informed consent document to the languages applicable to the study participants should be submitted to the HRREC (if applicable).
- Any research at governmental or private institutions, permission must still be obtained from relevant authorities and provided to the HRREC. Ethics approval is required BEFORE approval can be obtained from these authorities.

#### General conditions:

While this ethics approval is subject to all declarations, undertakings and agreements incorporated and signed in the application form, please note the following:

- The project leader (principle investigator) must report in the prescribed format to the NWU-IRERC via HRREC:
  - annually (or as otherwise requested) on the progress of the project, and upon completion of the project
  - without any delay in case of any adverse event (or any matter that interrupts sound ethical principles) during the course of the project.
  - Annually a number of projects may be randomly selected for an external audit.
- The approval applies strictly to the protocol as stipulated in the application form. Would any changes to the protocol be deemed necessary during the course of the project, the project leader must apply for approval of these changes at the HRREC. Would there be deviated from the project protocol without the necessary approval of such changes, the ethics approval is immediately and automatically forfeited.
- The date of approval indicates the first date that the project may be started. Would the project have to continue after the expiry date, a new application must be made to the NWU-IRERC via HRREC and new approval received before or on the expiry date.
- In the interest of ethical responsibility the NWU-IRERC and HRREC retains the right to:
  - request access to any information or data at any time during the course or after completion of the project;
  - to ask further questions, seek additional information, require further modification or monitor the conduct of your research or the informed consent process.
  - withdraw or postpone approval if:
    - any unethical principles or practices of the project are revealed or suspected,
    - it becomes apparent that any relevant information was withheld from the HRREC or that information has been false or misrepresented,
    - the required annual report and reporting of adverse events was not done timely and accurately,
    - new institutional rules, national legislation or international conventions deem it necessary.
- HRREC can be contacted for further information via [Estie.Emtoch@nwu.ac.za](mailto:Estie.Emtoch@nwu.ac.za) or 018 289 2873.

The IRERC would like to remain at your service as scientist and researcher, and wishes you well with your project. Please do not hesitate to contact the IRERC or HRREC for any further enquiries or requests for assistance.

Yours sincerely

**Prof LA  
Du Plessis**

Digitally signed by Prof LA Du Plessis  
DN: cn=Prof LA Du Plessis, o=North-West University, ou=Campus Rector, email=Linda.DuPlessis@nwu.ac.za, c=ZA  
Date: 2016.05.13 08:48:01 +02'00'

Prof Linda du Plessis

Chair NWU Institutional Research Ethics Regulatory Committee (IRERC)

APPENDIX F LANGUAGE CERTIFICATE

6632 Sethemi Street  
Unit 14  
MMABATHO  
2735

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11<sup>th</sup> Nov 2016

**CERTIFICATE OF LANGUAGE EDITING**

TITLE OF DISSERTATION

Payment of residential property rates in a selected District Municipality in South Africa

SUBMITTED BY

Enwereji Prince Chukwuneme  
(Student No: 25738437)

FOR THE DEGREE OF

Master of Commerce  
(Management)

IN THE

Faculty of Commerce and Administration  
North - West University  
Mafikeng Campus

Has been edited for language by:

Prof. S.A. Awudetsey



Prof. S.A. Awudetsey  
0722371390



