Debt Management: Payment of Residential Property Rates in a Selected District Municipality in South Africa

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ABSTRACT

Payment of residential property rates continues to be a contentious issue among the leaseholders in South Africa. The study investigates the payment practices on residential properties in one municipality. The purpose of the study was to identify the causes of defaults in payment of rates and to proffer solutions to minimise defaults and to recover debts. Systems and contingency theories underpinned the study. A mixed method approach involving both qualitative and quantitative data was applied. The population comprised of five local municipalities, 185 268 residential leaseholders and 437 municipal workers. Data were collected using questionnaires and semi-structured interviews. Survey data were analysed using Statistical Package for the Social Science while data collected from the interviews were transcribed, coded and discussed. The study concluded that defaults in payment were, inter alia, caused by failure of municipalities to impress upon residents the importance of paying rates and to promote alternative payment options.

Keywords: Debt Management, Communication, Municipal Financial Administration
JEL Classifications: D83, H63

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 et al., 2013. p. 110). In South Africa, local municipalities execute these functions by raising funds from both external and internal sources. Externally raised funds are obtained from the central government funding, bank loans, and donations. Externally raised funds are mainly used for capital budget financing. Internally, local municipalities raise funds through collection of property rates, service charges and fines. According to Kelly (2013. p. 4), local municipalities in developing countries generate 20-80% of their internal revenue through property rates.

The term rates is used to describe the property taxes that municipalities levy on fixed properties (commercial and residential). According to O'Sullivan and Williams (2013. p. 3), property rates or property tax are monthly payments made by leaseholders to landowners in respect of land used. Rates collection as a means of revenue generation to municipalities should

be managed effectively to avoid debt accruals and municipal bankruptcy (Kelly, 2013. p. 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 and Machado, 2013. p. 10). Powell et al. (2010. p. 3) aver that non-payment of property rates negatively affects the economic development motive of local municipalities. In this regard, it is deemed obligatory that the property rates administrative and policy factors be effectively implemented to ensure that the municipal goals are attained. (Kelly, 2013. p. 7). Furthermore, Babawale (2013. p. 228) affirms that 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.

1.1. Background to the Study

Ngaka Modiri Molema District (NMMD) is one of the four district municipalities that comprise the North-West province of

South Africa. It is composed of five local municipalities namely Ditsobotla, Mahikeng, Ramotshere Moiloa, Ratlou and Tswaing. In NMMD, rates are levied on land and buildings of residential leaseholders whose properties are captured in the municipal cadastre register. Fixed properties that are located on tribal land and other government free areas are exempted from property rates payment.

The local municipalities in NMMD encounter various challenges in collecting rates from leaseholders. For purposes of anonymity in this paper, the five local municipalities are referred by alphabetical codes A, B, C, D and E which are allocated in random order.

Data on rates payment practices in the five local municipalities, presented in Tables 1 and 2 were analysed by the researchers to assess the level of compliance by leaseholders.

An analysis of the data in Table 1 reveals that in the period 2010-2015, the annual collection rates were 42%, 48%, 27%, 59%, 68% and 78%. It is quite clear that rates collections were erratic and way below acceptable levels. This resulted in debt accruals escalating by 22%.

An analysis of Table 2 reveals a lack of consistency in the collection of rates in the four local municipalities. For instance in financial year 2012/2013, collections in Local municipality B increased by 162% and in the next year dropped by 72%.

1.2. Problem Statement

Tables 1 and 2 portray an unacceptable situation which deteriorated to the extent that accruals amounted to over eight hundred million rand in one municipality in 2015. It is apparent that there were no effective measures in place to halt the escalating debt accruals. If the situation is left unchecked, local municipalities in NMMD will soon run out of funds to finance their operational budgets which in turn will lead to riotous service delivery protests. It was therefore, deemed necessary to conduct a study that would provide solutions to arrest the deteriorating payment practices in NMMD.

1.3. Aim and Objectives of the Study

The aim of the study was to identify the causes of defaults in payment of rates and to proffer solutions to minimise defaults and to recover outstanding debts. In order to pursue this aim, the following objectives were adopted:

- Identify the causes of payment defaults in property rates by leaseholders.
- Recommend measures to minimize defaults and to recover outstanding debts in the district municipality.

2. THEORETICAL FOUNDATION AND LITERATURE REVIEW

2.1. Theoretical Foundation

The study was underpinned by two management theories namely; the systems theory and the contingency theory. The systems theory, propounded in the 1960s by biologist Ludwig von Bertalanffy, has dominated management thinking since the 1970s. A system is viewed as a unit of several interacting parts that function as an entity in a dynamic state of equilibrium (Hellriegel et al., 2008. p. 64; Lussier, 2009. p. 42). A system can be either closed or open. An open system is affected by both its external and internal environments whereas a closed system is only affected by its internal environment. Organisations are considered as open systems (Kadama, 2007. p. 36).

A municipality is a body with several units that interrelate with each other within their internal and external environments to achieve their set objectives (Mele et al., 2010. p. 130). It converts input to output and receives feedback from the external environment. The systems theory advocates the need for managers to understand the environment in which their organisations operate, the social dynamics and perceptions of their clients and employees before making decisions (Hellriegel et al., 2009. p. 64; Mele et al., 2010. p. 126).

The contingency theory originated with the work of Joan Woodward who argued that technologies directly determine differences in organisational attributes such as span of control, centralisation of authority, and the formalisation of rules and procedures. The contingency concept prescribes that organisations should interact continuously with the external environment thereby receiving feedback and also developing adaptive features to overcome challenges that may arise as circumstances change (Hellriegel et al., 2008. p. 67 and Sauser et al., 2009. p. 666). This implies that problems solving mechanisms should not be static; organisations need to scan their internal and external environments in order to identify and adapt suitable problem resolving mechanisms.

2.2. Literature Review

USAID (2005. p. 2) notes that by 2005, many South Africa municipalities had become less sustainable as they were confronted with escalating uncollectible consumer debt and service delivery backlogs. Extending services to poor areas resulted in increased billing and non-payment and increased operational costs. USAID (2005. p. 2) avers that municipalities need to improve on revenue collection in order to turn around the declining situation and become sustainable. The researchers contend that sustainability is feasible if municipalities re-engineer their business model

Table 1: Summary of rates collections in rands in local municipality A

Year	Levies	Collections	Debts	Yearly accruals
2015	346 785 017.60	252 375 117.46	94 409 900.14	891 585 137.77
2014	316 168 981.94	217 219 607.69	98 949 374.25	797 175 237.63
2013	337 633 395.23	198 805 066.39	138 828 328.84	698 225 890.38
2012	307 348 771.66	83 441392.90	223 907378.76	559 397561.54
2011	267 097 167.16	130 675 950.28	136 421 216.88	335 490 182.78
2010	340 307 382.78	141 238 416.88	199 068 965.90	199 068 965.90

Source: Municipality A audit report 2015

by identifying all factors that affect their revenue generation capacity, credit management and recovery of outstanding debt. However, municipalities have to tread cautiously for the reason that debt collection in poor communities may not yield much while aggressive debt collection in such communities evokes unwelcome political repercussions.

USAID (2005. p. 2) identifies four factors that are crucial for municipal sustainability, these are communication strategy; provision of metered services; accurate billing and revenue collection. The various role players in municipal revenue management are captured in the revenue enhancement model suggested by USAID (2005. p. 2) presented in Figure 1.

The customers shown in Figure 1 are of diverse political affiliations and socio-economic status. Therefore, as discussed in Section 2.1, municipal managers need to be versatile when solving customers' problems while, at the same time, not compromising the principle of equity.

2.2.1. Public debt management
Public debt management refers to the measures which administrators adopt to raise funds at the lowest possible cost and risk to meet the set obligations of the government (ESCAP, 2006. p. 10). Administrators are required to oversee debt collections, debt control and debt recovery to provide necessary services to residents. These obligations can be achieved through a policy standardisation process, debt book analysis, profiling of debtors and indigent support (Bashe, 2013. p. 2).
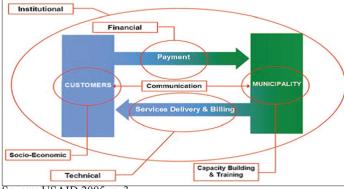
In policy standardisation, the administrators promote standards to enhance good policy regulations and competitiveness. It also involves policy implementation to ensure that residents abide by the current rules and regulations. Policy standardisation promotes

Table 2: Summary rates collections in rands ('000) in four local municipalities

Municipality	2014/2015	2013/2014	2012/2013	2011/2012
B	64 617	37 144	131 661	50 095
C	19 591	23 926	18 408	17 693
D	10 884	12 160	5 268	8 720
E	62 067	9 739	3 107	7 824

Adapted from the municipal handbook 2015

Figure 1: Revenue enhancement model

Source: USAID 2005. p. 3

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. p. 6).

Debt book analysis refers to the process of analysing the public debt book to determine recoverable and irrecoverable debts (Bashe, 2013. p. 2). Administrators identify the most frequent defaulters, the debt pattern, and formulate effective measures to recover old and current debts. Profiling of debtors involves compiling a database of the debtors which is then categorised according to the earning potential of defaulters (Ferraris et al., 2013. p. 2-6). The debt administrators are expected to craft strategies to communicate with debtors and devise mechanisms to recover debts (Ferraris et al., 2013. p. 5).

Indigent support refers to the aid 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. p. 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.

2.2.2. Debt collection techniques
The practice of debt management requires debt administrators to use diverse measures to recover outstanding debts from the residents. Administrators need to evaluate 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. p. 1). It is deemed necessary to carefully implement these strategies to ensure that good customer relationship is maintained (Scarlet, 2009. p. 54).

In determining the psychology of the customers, the debt administrators are required to establish the attitude debtors towards payment. In most cases, some debtors may be willing to pay but default due to 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. p. 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. p. 2). Delinquent accounts refer to accounts that are not paid by the predetermined due dates or at the end of the grace period (Ulzheimer, 2016. p. 3). Options available to recover the outstanding debts include debt selling, engaging attorneys and auctions.

2.2.3. Communication
Cognisant of the increasing popularity of communication through electronic media, the study interested itself in the commonly used electronic communication methods that included adverts on radio and television, billboards, electronic mail, infomercials, short message services (SMS) and social media platforms.

Advertisements are designed to enlighten target markets about a particular product or service (Egan, 2007. p. 437; de Mooij, 2014.

p. 236; Fielding and Plooy-Cilliers, 2014. p. 309). Familusi and Owoeye (2014. p. 7-10) posit that radio advertisements are timely delivered, cheap, and gain access to many residents, while Meade (2012. p. 2) maintains that radio is good to disseminate simple messages and slogans. Infomercials and adverts convey messages to large audiences. They combine sound and motion and can be presented in a variety of languages (Familusi and Owoeye, 2014. p. 7-10).

Electronic mail (e-mail) involves sending messages through the internet (Bothma et al., 2008. p. 392; Sauer, 2014. p. 453). E-mails, as a means of communication with large and dispersed audiences, have a competitive edge because they are instantaneous and can be accessed on mobile devices such as smart phones and tablets. They are environmentally friendly because they reduce the need to print on paper. USAID (2013. p. 37-40) reports that payment reminders through e-mails have yielded good results in El Salvador.

The researchers observe that corporates in South Africa are increasingly using mobile phone technology to communicate payment reminders to defaulters through calls and SMS. Call centres are cheap and have the capacity of covering a large group of people instantaneously. According to USAID (2013. p. 37), through automated call centres as applied in the public organisations, in 1 month $215 000 was saved in El Salvador particularly in the operating expenses. The researchers have established that in South Africa, by using bulk SMS rather than the land mail, organisations can save up R3.55 per communication with clients. Given that there are 185 268 residential leaseholders in NMMD (IDP, 2014. p. 12), the district stands to save more than R650 000 per month by using bulk SMS rather than land mail.

Electronic billboards and manual billboards are outdoor boards placed in strategic and high traffic places to display adverts. They serves to convey messages to the public and to target audiences (Ann et al., 2012. p. 4). Electronic billboards are computer-controlled digital billboards that capture the attention of a large audience because of the dynamic pictorial displays depicted. Manual billboards are static but nevertheless captivating. The availability and use of billboards and posters by local municipalities helps to remind and educate the residents of their obligations. Ann et al. (2012. p. 4) posits that billboards are cheap with low maintenance cost; capture attention due to size; available all the time; and help in creation of awareness.

Websites help to disseminate vital information to the target persons (Bothma et al., 2008. p. 400; de Mooij, 2014. p. 246-247). In the web development, it is vital that organisations display vital information that will educate, inform and direct customers. Comparing Cape town municipality website to that of NMMD, it is observable the former displays vital information regarding service provisions, communication links, access to individual account and online payment of bills and fines while the latter's website is not interactive. Warner (2011. p. 10) affirms that the websites should encourage direct response, direct interaction and direct tracking in order to promote 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.

3. RESEARCH METHOD

A mixed methods research was adopted for the study. This approach integrated both qualitative and quantitative data which enabled the researchers to extensively understand the phenomenon under study.

3.1. Population of the Study
The population of this study was selected from three distinct categories. Category I was comprised of the five local municipalities in NMMD while Categories II and III were comprised of residential leaseholders in the district and employees in the local municipalities respectively. The statistics for each population category are presented in Table 3.

3.2. Sample Selection
Different sampling techniques were applied to select participants for each population category. In Category I, purposive sampling was applied to select three local municipalities A, B and C to the study for the reason that they had the highest numbers of leaseholders.

Participants in Category II were selected through random sampling. The Research Advisor's (2006) sample size calculator was applied to determine the sample size for Category II. At 95% confidence interval, the sample size for Category II was computed to be 383.

Furthermore, a proportional composition was applied to compute the sample size for each local municipality based on the sample fraction. The sample fraction was computed using Equation 1.

$$\text{Sample fraction} = \frac{\text{Sample size}}{\text{Total number of units}} = \frac{383}{139\ 008} = 002755$$

(1)

Equation 2 was applied to compute the expected number of participants in the selected local municipalities.

Expected number = Population of local municipality×Sample fraction   (2)

The expected numbers of participants in the selected municipalities is presented in Table 4.

Participants in Category II were selected through purposive sampling; while in Category III, one financial manager from each of the three participating local municipalities was selected to the

Table 3: Number of units in each of the population categories

Category I	Category II	Category III
A	69 397	195
B	39 001	65
C	30 610	56
D	22 429	69
E	23 831	52
Total	185 268	437

Source: Municipal handbook 2013

study. Financial managers were targeted because of their vast knowledge and experience in property rates administrative tasks.

3.3. Data Collection

Data were collected through a survey involving residential leaseholders and semi-structured interviews with financial managers in selected local municipalities.

A questionnaire comprised of close-ended questions constructed in simple English was randomly distributed to residential leaseholders in the selected local municipalities. With the help of 20 trained research assistants, 500 questionnaires were distributed to participants in the study. Participants were recruited to the survey from their places of work, at church and in their homes. Upon recruitment, arrangements were made with individual participants on how completed questionnaires would be received by the researchers. The researchers took it upon themselves to contact participants through e-mails and SMS to remind them of submission time and to arrange time of collection of completed forms. A total of 313 duly completed questionnaires were received within a period 2 months.

Data from financial managers were collected through semi-structured interviews that followed a standardised interview guide comprised of open-ended questions with provision for follow-up questions. Appointments for interviews were telephonically arranged at the convenience of participating managers. Interviews were in English and were conducted within the premises of participant local municipalities. Responses were captured in writing as the interviews progressed. On the average, interviews lasted for 30 min.

3.4. Data Analysis

Survey data were coded into numeric values for statistical analysis using statistical package for social sciences (SPSS). Data were analysed to obtain descriptive statistics, correlation analysis, chi-square test of independence and one-way analysis of variance.

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.

4. FINDINGS OF THE STUDY

This section presents the findings survey with residential leaseholders and interviews with municipal financial managers. Section 4.1 presents the demographic variables in Table 5 while Section 4.2 presents the main research findings in Tables 6-14.

Table 4: Expected numbers of participants in selected municipalities

Local municipalities	Population	Participants
A	69 397	191
B	39 001	108
C	30 610	84
Total	139 008	383

4.1. Demographic Variables

The study sought to obtain demographic information related to income levels, amount paid in rates and period over which participants had been paying rates. The results are presented in Table 5.

The results indicate that the majority of the respondents earned R10 000 and above while 84% paid <R1501 in rates. The majority of respondents (88%) had had been registered as rates payers for more than 6 years.

4.2. Method of Receiving and Payment of Bills

Respondents were asked to indicate the current method by which they received their municipal bills. Their responses are captured in Tables 6.

Remarkably, the majority (99%) of the respondents indicated that they received municipal bills. An analysis of the results indicates that the majority of respondents (97%) received their bills through postal services while only 0.3% received their bills electronically. It is clearly evident that the municipalities have not actively embraced the paradigm shift from slow mail to digital communication.

As a follow-up, respondents were asked to indicate their preference for receiving bills. Their responses are captured in Table 7.

The majority (81%) indicated that they preferred to receive their bills electronically. A comparison of results in Tables 6 and 7 indicates that the respondents would like to change the existing billing system. Clearly municipalities would not encounter insurmountable barriers to change if they opted to adopt electronic billing systems.

The study also investigated the methods by which residents paid their municipal bills. Their responses are captured in Tables 8.

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. Methods such as debit orders, stop orders, internet banking and mobile money banking which residents could use to pay from the comfort of their homes or work places were not fully embraced. As follow-up, residents were asked to indicate their preferred method of payment of bill. Their responses are captured in Table 9.

The preferred method of payment of bills for the majority (77%) involved some form of electronic funds transfers (EFT). A comparison of results in Tables 8 and 9 indicates that the respondents would like to change the method of payment of bills. Clearly municipalities would not encounter insurmountable barriers to change if they opted to adopt EFT as their choice of payment method.

4.3. Reasons for Reluctance to Pay Bills

Leaseholders were asked why they defaulted in payment of bills. Their responses are outlined in Table 10.

The responses mainly attributed the poor payment practices to political influence, lack of trust in the municipality authorities and poor service delivery. Few of the respondents alluded to unemployment and poverty as reasons for non-payment.

Table 5: Personal income and rates payment in rands

Variable	Respondents	Frequency (%)
Income level	<R5000	7 (3)
	R5001-10 000	17 (5)
	R10 001-15 000	35 (11)
	R15 001-20 000	154 (49)
	Above R20 000	100 (32)
Rates paid	<R500	42 (13)
	R501-1000	112 (36)
	R1001-R1500	119 (38)
	R1501-R2000	18 (6)
	R2001-R2500	17 (5)
	Above R2500	5 (2)
Period of payment	1-5 years	69 (22)
	6-10 years	132 (42)
	11-15 years	55 (18)
	16-20 years	30 (10)
	Above 20 years	27 (8)

Table 6: Current method of receiving municipal bills

Method	Frequency	Relative frequency
Personal residential address	286	91
Personal Postal address	18	6
E-mail address	1	0.3
Work postal address	3	1
Mobile phone	0	0
Shop address	1	0.4
Church postal address	1	0.3
Never receive bills	3	1
Total	313	100

Table 7: Preferred method of receiving municipal account

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

The study probed to establish any extenuating circumstances that could have led to reluctance to pay on part of the leaseholders. The findings are summarised in Table 11.

Responses from the majority of respondents (84%) suggest that conveyancers did fully explain the rights and obligations associated with the agreements of the leaseholders. It is for this reason that results show that 63% of respondents disputed the rates charged for their properties.

The findings that 75% of respondents did not receive their bills on time suggest that municipalities were not using efficient channels to deliver bills to consumers. Results indicate that 89% of the respondents were aware of the drastic consequences they could encounter but nevertheless continued to default. A probable explanation for this observation is that leaseholders were secure in the comfort zone that municipalities lacked both willingness and resources to enforce drastic action against them.

Table 8: Current method of account payment

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

ATM: Automated teller machines

Table 9: Preferred method of account payment

Method	Frequency	Relative frequency
Municipality offices	26	9
Post office	4	1
Internet banking	49	15
Shopping outlets e.g., Shoprite	1	1
ATM	32	11
Bank deposits	40	12
Mobile money transfers	78	25
Debit orders	55	18
Stop orders	28	8
Total	313	100

ATM: Automated teller machines

The study sought to assess the extent to which municipalities endeavoured to communicate the need for residents to pay for goods and services consumed. Respondents were provided with list of possible communication media and were asked to indicate the extent to which their municipalities utilised the media to raise awareness. Their responses are outlined in Table 12.

The majority of respondents were of the view that their municipalities did not communicate with them through most of the methods outlined in Table 13.

4.4. Findings from the Interviews with the Municipal Managers

Table 13 presents the themes and categories of findings obtained in the semi-structured interviews.

4.5. Inferential Statistical Analyses of Findings

An analysis was conducted to determine the correlation between various views related to payment of rates and amount paid in rates. The findings are outlined in Table 14.

All P-value obtained were below the 0.05 level of significance; this implies that the correlations between amounts paid and views assessed in Table 14 were 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.

Analysis of variance (one-way ANOVA test) was conducted to determine whether the means of the population groups from local municipalities A, B and C were equal.

Table 10: Reasons for reluctance to pay account

Responses	Strongly agree (%)	Agree (%)	Disagree (%)	Strongly disagree (%)
Unemployed	1	2	50	47
Cannot afford rates	1	10	48	41
Financially overstretched	7	45	21	27
Incorrect billing	6	48	27	19
Poor services	39	50	7	4
Municipality cannot do anything	5	23	64	8
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
Lack of disputes resolution mechanisms	9	24	44	23

Table 11: View on issues related to municipal accounts

Responses	Strongly agree (%)	Agree (%)	Disagree (%)	Strongly disagree (%)
The contents of my lease offer were explained to me before I signed the agreement	2	14	70	14
I am agreeable 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 receive my municipality account on time every month	2	23	54	21
I am aware of measures that may be taken to recover debt	18	71	7	4
I am willing to arrange to settle the outstanding amount	14	83	2	1

Table 12: Extent to which communication channel is applied to raise awareness

Channel is fully utilised	Strongly agree (%)	Agree (%)	Disagree (%)	Strongly disagree (%)
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
SMS	5	11	39	45
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

SMS: Short message services

4.5.1. Analysis of variance (one-way ANOVA test)

The purpose of the ANOVA test is to test the equality of means across multiple groups. The study complied with the requirements that the samples in the different groups were randomly selected the means of the groups' responses were assumed to be equal. The groups' responses were also assumed to be normally distributed. The hypotheses adopted for this test were as follows.

H_o: There is no significant difference in the residents' opinions about the payment of property rates.

H_a: There is a significant difference in the residents' opinions about the payment of property rates

Minitab and SPSS 23 Software packages were applied to perform ANOVA tests for the data in Table 15.

All the P-values obtained were <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 14.

5. DISCUSSION OF RESULTS

On the analysis of the responses in Tables 9 and 14 and from the interviews, the following are deduced:
- 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 leaseholders believe that land is a free gift of nature and should not be paid for.
- Leaseholders indicate that they default due to the various financial commitments they have.
- Whereas the cadaster is well maintained, the continued reliance on a slow and unreliable postal system for the delivery

Table 13: Themes and categories of findings

Themes	Findings
Factors that lead to non-payment	Lack of communication between counsellors and residents
	Communication gap between the municipality and residents
	Political interference
	Entitlement mentality
What needs to be done to minimise defaults in payment of property rates in the district municipality?	Effective bye-laws
	Adequate law enforcement capacity
What needs to be done to recover debts	Effective communication

Table 14: Correlation between amounts paid in rates and views of residents on matters related to accounts payment

Views assessed	Correlation coefficient (r)	P
On the onset, I was made aware of my monthly payments	0.218	0.000
I was made aware that my payments would be reviewed annually	0.168	0.003
I regularly check my post office box for mail and accounts	0.157	0.005
I do not pay rates because due to poor services	−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 rates because 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 there is no proper channel to settle disputes with management	−0.155	0.006
The municipality makes me aware of the need to pay rates through billboards	0.112	0.047
The municipality makes me aware of the need to pay rates through flyers	0.140	0.013
The municipality makes me aware of the need to pay rates through reminders by SMS	0.238	0.000
The municipality makes me aware of the need to pay rates through reminders by email	0.142	0.012
The municipality makes me aware of the need to pay rates through inserts in newspapers	0.167	0.003
The municipality makes me aware of the need to pay rates through newspapers adverts	0.156	0.006

SMS: Short message services

Table 15: One-way analysis of variance

Views assessed	Local municipality						P
	A		B		C		
	Ẋ	S	Ẋ	S	Ẋ	S	
Agreement was fully explained to me before I signed	3.06	0.65	2.81	0.43	2.85	0.61	0.005
I was made aware that payments would be reviewed annually	3.08	0.64	2.94	0.61	2.79	0.82	0.014
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
I do not pay because I am unemployed	3.43	0.59	3.24	0.55	3.63	0.63	0.002
I do not pay because I cannot afford to pay the rates	3.28	0.69	3.20	0.58	3.52	0.64	0.023
I do not pay due to poor services	1.64	0.78	1.79	0.47	2.15	0.80	0.000
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
I do not pay because the municipal authorities are corrupt	1.54	0.70	1.99	0.32	2.04	0.63	0.000
I do not pay because I am discouraged by politicians	1.60	0.66	1.93	0.39	1.88	0.61	0.000
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
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
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
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
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
The municipality makes me aware of the need to pay through newspapers adverts	3.25	0.93	2.51	0.83	2.48	0.98	0.000

SMS: Short message services

of bills negatively impacts on the communication between residents and municipalities; hence poor payments.

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 Tables 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 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 on payment default.
- Continued inclusion of arrears and interest in bills serves to exacerbate defaults in the payment of rates.

Given that many respondents indicated their willingness to adopt other payment options in the survey (Table 8), one can conclude that municipalities have not actively promoted alternative payment options to the residents. 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 a 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 and 2 indicate that the managers lack the capacity to implement effective debt collection strategies which result to continuous 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.

In the aspect of communication, the systems theory 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. Baruah (2012. p. 4-5), Familusi and Owoeye (2014. p. 7-10) and de Mooij (2014. p. 233) opined that the following methods of communication enhance transfer of information to targeted audiences: Electronic mails, SMS, 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 6) 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 11. Furthermore, the municipal managers indicated in the interviews that they are yet to consider using emails and 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. In this regard, the finding in this section indicates that the local municipalities do not communicate adequately 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.

6. RECOMMENDATIONS FOR THE STUDY

The municipalities should actively educate the leaseholders on the importance of paying their rates through various communication media such as emails, 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 2 weeks of default and terminate it after 1 month of default; send the list of defaulters to the credit bureau 2 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 a 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.

7. 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.

8. CONCLUSION

The discussions obtained from the study 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.

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