



Implications of Municipal Revenue Collection on Service Delivery in South Africa: Challenges and Recommendations

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Received : April 29, 2024

Revised : October 12, 2024

Accepted : October 15, 2024

Online : October 31, 2024

Abstract

In South Africa, citizens have protested against inadequate services provided by municipalities across different provinces. It is argued that most protests were caused by poor service delivery, a lack of community engagement, corruption, mismanagement of public resources, lack of institutional capacity and unqualified personnel. Thus, this study evaluates the difficulties associated with revenue collection and its implications on service delivery. To assess this aim, the study adopted a qualitative research approach. This study reviewed secondary data from different databases. The study keywords were used to search for relevant studies. The study was analyzed using a thematic content approach. Moreover, the study adopted two theoretical frameworks namely; ability to pay and the benefits theory. The key findings of this study include substantial difficulties in revenue collection, which in turn affect the provision of services. Poor service delivery is continuously caused by a lack of sufficient financial resources and ineffective revenue collection mechanisms. This study indicates a significant link between low revenue collection and inadequate service delivery. The recommendations of this study to municipalities include employing qualified officials, creating rebates and discounts for paying consumers, regularly examining critical credit regulations, guaranteeing high-quality service, and boosting revenue collection in light of these findings.

Keywords: *Revenue Collections; Service Delivery; Municipalities; Taxes; Debts; Property Rates*

INTRODUCTION

Service delivery in South Africa has been uneven, with different issues facing different areas due to varied socioeconomic conditions and municipal competence. In 2009, 46% of households did not have universal access to water, sanitation, refuse removal, and electricity. This slow pace and lack of quality service have led to protests characterized by violence, xenophobic attacks, and looting. Dissatisfaction is particularly visible in informal settlements and metropolitan areas, particularly in Western Cape and Gauteng. There is also a large service delivery gap between rural and urban areas, particularly in former homeland areas. Service delivery dissatisfaction is more widespread than that restricted to municipalities or wards with the worst backlogs. The manifestation of dissatisfaction varies, with the "haves" using formal channels or complaining, while the "have nots" protest to illustrate disillusionment (Bohler-Muller et al., 2016). For instance, municipalities' financial sustainability largely depends on their ability to effectively collect revenue from services rendered, property rates, and taxes. Revenue collection performance in many municipalities faces many challenges, including high levels of unpaid services, billing inaccuracies, and difficulty collecting debt from residents and businesses.

South African municipalities are obligated and delegated to carry out the service delivery role in their constituencies (Danisa, 2017). Aleksandrova et al. (2021) indicated that the absence of sufficient funds for the execution of local projects and programs or the solution of local issues is the primary challenge associated with municipalities' financial independence. Governments need consistent financial assistance to continue providing services to their surrounding areas. Chauke and Sebola (2016) indicate that one realm of government is the local government, which is constituent via municipalities and is thus closer to the people. Inhabitants expect that

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municipalities in their areas of authority will provide them with services prescribed by the Constitution of the [Republic of South Africa \(1996\)](#) and other legislation. This expectation is communicated to municipalities by the inhabitants. Locals may challenge their municipalities via service delivery demonstrations on the brink of compelling their municipalities to provide services that would have been promised through the Integrated Development Plan and other avenues ([Chauke & Sebola, 2016](#); [Danisa, 2017](#)). If these legal conditions are not satisfied, locals may confront their municipalities through protests. It is thus the responsibility of municipalities to guarantee that they offer services as requested by the community and as promised to the community ([Chauke & Sebola, 2016](#)). The delivery of these services is necessary for the municipality to maintain its constituents' trust and confidence ([Chauke & Sebola, 2016](#); [Danisa, 2017](#)). However, local inhabitants must ensure that they pay the appropriate rates and taxes for services they receive ([Chauke & Sebola, 2016](#)). This is necessary to guarantee that service provision will continue into the foreseeable future. According to [Chauke and Sebola \(2016\)](#), revenue collection is necessary for the existence and viability of municipalities. It is difficult for local governments to improve the delivery of public services because they do not currently have a thorough understanding of the methods used to offer services or the repercussions that are presented by such approaches ([Danisa, 2017](#); [Maseko et al., 2023](#)). This restricts their capacity to improve the delivery of public services ([Maseko et al., 2023](#)). According to [Maseko et al. \(2023\)](#), most of the public sectors in developing nations do not have appropriate performance metrics for the services being delivered.

Therefore, this study seeks to evaluate revenue collection challenges and how they impact the provision of services in South African municipalities. Reference is made to the theory of the ability to pay and the theory of benefit as they apply to municipalities. Revenue collection is essential for the continued existence and viability of municipalities. The study presents a literature analysis to situate the study within the larger body of theoretical literature concerning the ability to pay theory and the benefit theory.

LITERATURE REVIEW

This section outlines the theoretical framework of the study. The literature review section is dedicated to the theoretical underpinnings, and the issues that were the foundation of the study are discussed. As a result, the theories were the inspiration for the research variables. This investigation is built on not one but two distinct theories: the ability to pay theory and the benefit theory.

Ability to pay theory

Adam Smith is credited as being the first to propose that those in a position to pay more should contribute a greater proportion of their income to demonstrate their support ([Uhr, 1951](#)). An English economist named Arthur Cecil Pigou (1877–1959) is credited with developing a theory that is now regarded as one of the most influential in contemporary public finance ([Uhr, 1951](#)). This theory is known as the ability to pay theory ([Uhr, 1951](#)). The capacity of taxpayers to pay taxes should be considered when determining how much they must pay in taxes. According to this interpretation of the concept, taxes should be increased for people, firms, and corporations with a higher capacity to pay as determined by their income and wealth ([Uhr, 1951](#)). As a result, the concept behind the ability-to-pay taxation system is that everyone should make an equitable sacrifice when paying taxes ([Uhr, 1951](#)). For instance, if one individual's taxable capacity is higher than that of another, the first person should be required to pay a higher amount of taxes than the second person ([Chauke, 2016](#)).

The ability-to-pay principle is a foundational concept underpinning contemporary tax systems and ensures that taxpayers are treated fairly (Koritnik & Podlipnik, 2017). Despite the absence of a constitutional provision that explicitly mandates compliance with this concept, all fiscal legislation and regulations must be formulated according to its principles (Koritnik & Podlipnik, 2017). There must first be genuine and well-founded grounds for deviations from the stated principle for such variations, which must derive from the actual state of affairs (Koritnik & Podlipnik, 2017).

This taxation theory was developed in response to the deficiencies found in the benefit and sacrifice theories of taxes. According to Nyaga et al. (2016), the most widely recognized and popular concept of equity or fairness in taxation is the idea that inhabitants of a country should contribute to government expenditures according to their capacity to pay. This principle dictates that a nation's residents should contribute to government spending according to their ability to pay. According to Bala et al. (2021), it seems rational and fair that taxes should be assessed on the basis of an individual's potential for generating taxable income. The use of the ability to pay theory in this research can assist in guaranteeing that the tax burden is divided equitably among all taxpayers while also ensuring that the required funds are collected to enable the municipality to offer critical services to its citizens. This research was carried out on the collection of taxes by the local municipality. People who can pay taxes based on how much money they make benefit the financial component of municipalities, which in turn may contribute to the municipality's income.

Benefit theory

The benefit principle is a notion that is discussed within the realms of public finance and the idea of taxes. Two Swedish economists, Johan Gustaf Knut Wicksell (1851–1926) and Erik Lindahl (1891–1960), are credited with creating the benefit approach (Uhr, 1951). This method was primarily devised to evaluate the effectiveness of taxes and fiscal policy (Uhr, 1951). The politically exposed willingness to pay for benefits obtained is the foundation for this idea, which states that taxes should be used to pay for expenditure on public goods (Uhr, 1951). According to this principle, the amount of taxes a person must pay should be proportional to the benefit they receive from the state (Uhr, 1951). When someone receives more advantages because of the actions of the state, then that individual ought to contribute a greater amount to the government (Chauke, 2016). As a result, the benefit-received theory of taxes states that individuals and companies should acquire the products and services of the government in fundamentally the same way other commodities are purchased (Chauke, 2016).

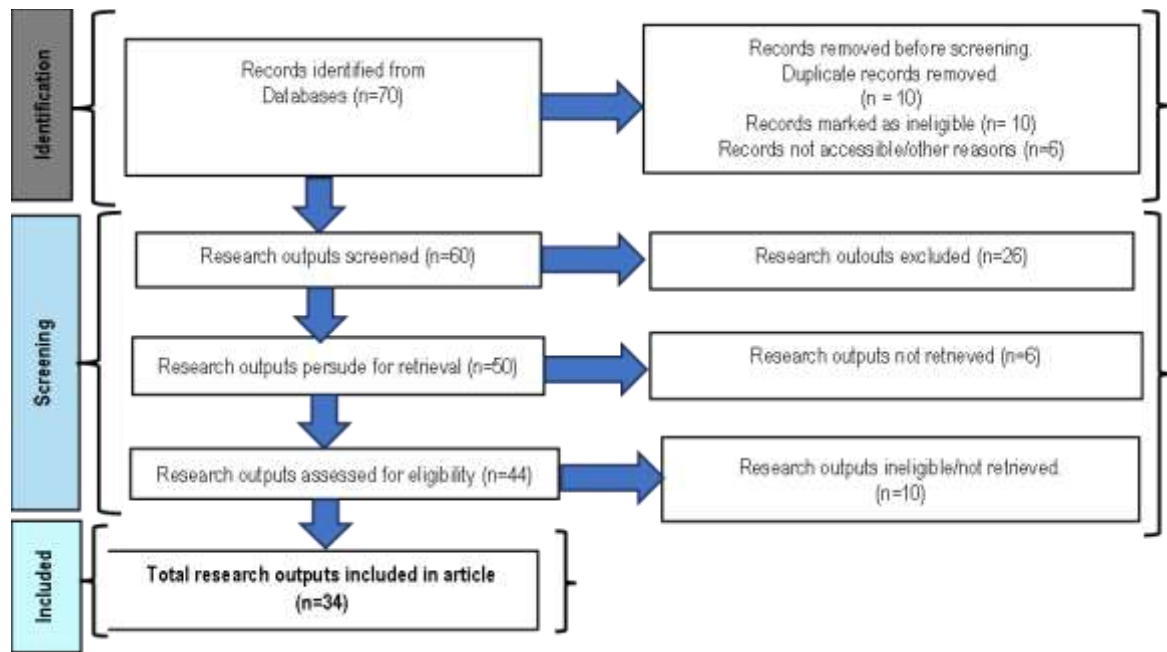
According to Weinzierl (2016), the concept of benefit-based taxation, which basing tax liabilities on how much an individual benefits from the activities of the state, has appealed to tax theorists for centuries. The concept of benefit-based taxation is the idea of basing tax liabilities on how much an individual benefits from the activities of the state (Weinzierl, 2016; Chauke & Sebola, 2019). Among tax theorists, benefit-based taxation has been an increasingly prominent subject of debate (Weinzierl, 2016). Therefore, it should not be surprising that benefit-based thinking has been a rich field for academic research to apply and has exerted a substantial influence on many areas of public policy (Weinzierl, 2016). This is because benefit-based thinking focuses on a situation's positive aspects rather than the negative ones (Weinzierl, 2016). Specifically, the benefit-based concept is the lens often used when looking at local taxes, and it is more generally significant in the theory of public finance for subnational governments, which are responsible for providing a large number of public goods (Weinzierl, 2016; Chauke & Sebola, 2019). In other words, local taxes are reviewed using the benefit-based principle, whereas the benefit-based principle is investigated using local taxation as a lens.

Two economists from the Stockholm School, Wicksell (1896) and (1919), are credited as being the first to establish and develop benefit theory (Plata & Pascual, 2022). According to this strategy, people would be subject to taxation by the state, depending on the value of the benefits they get (Bala et al., 2021). Minh Ha et al. (2022) indicate that a person should pay a larger amount of money to the government in proportion to the advantages he derives from activities undertaken by the government. According to Ojong et al. (2016), this strategy reduces a person's overall tax burden to the smallest extent, consistent with their ability to do so while still reaping the benefits of their participation in public service. According to Ahlborg et al. (2023), the idea is based on the presumption of a relationship in which taxpaying residents and the government exchange products or services. Taxpayers benefit from the supply of social goods by the government in return for a charge that is paid in the form of taxes (Minh Ha et al., 2022). Benefit theory can play a significant role in collecting monetary funds for socioeconomic development. By applying this theory to the formulation of taxation policies, governments can increase income, which can then be spent on services and programs that are of value to society as a whole, such as the expansion of physical infrastructure. This can contribute to the community's socio-economic needs by enhancing the community's overall quality of life, expanding access to opportunities, and fostering economic expansion.

RESEARCH METHOD

This study employed a qualitative research methodology. Qualitative research involves collecting and analyzing non-numerical data (e.g., text, video, or audio) to understand concepts, opinions, or experiences. It can be used to gather in-depth insights into a problem or generate new ideas for research (Bhandari, 2024). A systematic literature review design, as explained by Sundani (2023), was adopted to obtain the existing literature on revenue collection challenges and service delivery in South African municipalities. The PRISMA framework was applied to perform a systematic review analysis. PRISMA is an evidence-based minimum set for reporting in systematic reviews and is used for evaluating randomized trials and identifying relevant evidence. It minimizes bias in the identification, selection, synthesis, and summary of studies. Systematic reviews and meta-analyses present results by combining and analyzing data from different studies on similar research topics, as explained by Sundani (2023:43). In this study, a comprehensive electronic search was conducted using various databases, such as Google, ResearchGate, and Google Scholar. The electronic search was conducted using the study title, abstract, and keyword options. For instance, the keywords "revenue collections", "service delivery", "municipalities", "taxes", "debts", and "property rates" were used to retrieve relevant studies. In this study, several 70 (n=70) research outputs were identified; however, only sixty (n=60) were screened and only 34 (n=34) were cited in this article. In the electronic search, only articles from 2011 to 2024 were sampled. The PRISMA framework in Figure 1 presents the systematic literature review process.

Figure 1 summarizes the systematic literature review process in this study. Again, this study adopted a qualitative research methodology because it benefited heavily from secondary data as a design for collecting relevant data. In this study, to ensure quality, seventy (n=70) studies were identified from the initial review of the total target; however, only forty-four (n=34) were found relevant and cited. From the 70 target samples, duplicate articles were removed for quality assurance. Inclusion in the review was determined by reviewing the abstracts of identified studies. Table 1 lists the inclusion and exclusion criteria. In selecting relevant studies, the author was unbiased to ensure quality and the reliability of the data. In this study, the authors used a thematic content analysis approach to analyze secondary data. The author reviewed the articles from the abovementioned databases. In terms of ethical considerations, there were no ethical considerations for this systematic review because all the articles were freely available in the public domain.



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Figure 1. PRISMA Framework

Methodologically, this study is limited to qualitative research. In supporting the PRISMA framework, Table 1 presents the inclusion and exclusion criteria for this study.

Table 1. Research Article Inclusion and Exclusion Criteria

Criteria	Inclusion	Exclusion
Publication Date	Research outputs published from 2011 to 2024 on revenue collection challenges and service delivery in South African municipalities	Research outputs published before 2011 and those not relevant to the study title.
Type of Articles	Original peer-reviewed journal articles; Peer-reviewed conference proceedings; published thesis, dissertations, and other Internet sources on revenue collection challenges and service delivery focusing on the South African context	Non-peer-reviewed journal articles; conference proceeding papers; commentaries; review books, chapters, and editorial documents were excluded.
Language	Only English-language research outputs were considered.	Other languages.
Relevance of Articles	The first 70 research outputs focused on revenue collection challenges and service delivery.	Research outputs not relevant to the research topic in question.
Sample size of research outputs	The study identified 70 (n=70) research outputs as the target sample, but only 34 (n=34) were included in this study because they were more relevant.	Twenty-six (n=26) articles were excluded because they were deemed irrelevant to the topic and not peer-reviewed.

Compiled by the authors

Table 1 presents the criteria used to explore the inclusion and exclusion of publications in the literature review. In this systematic literature review, the research outputs considered were published from 2011 to 2024, and the publications were written in English. Other languages were not considered because the authors were proficient in them such as Spanish. The relevance of the

research outputs was identified by reading the abstracts after an electronic search of 70 outputs. The next section presents the results and discussion.

FINDINGS AND DISCUSSION

In this study, the following will be covered under this heading: municipal debt position up to 2023, municipal revenue collection responsibility and the municipality's role in providing services to the community.

Municipal Revenue Collections Mechanisms In South Africa

Municipalities operate in an autonomous manner and are responsible for collecting revenues for their sustainability and providing basic services to communities within their jurisdiction. Therefore, it is important to understand the types of revenue collection methods municipalities use to diversify their income streams and to develop strategies to enhance revenue collection efficiency and effectiveness. Revenue collection in South African local municipalities encompasses various types of revenue streams. Here are some common mechanisms used:

Equitable Share, Grants and Transfer

According to the [National Treasury \(1999\)](#), the Constitution laid the foundation for a unitary but decentralized system of intergovernmental relations by providing for three “distinctive, interdependent and interrelated” spheres of government. The Constitution provides for expenditure and tax assignment and intergovernmental transfers. Section 214 of the Constitution stipulates that all revenue raised nationally should be divided equitably between the three spheres. In addition to their equitable share, provincial and local governments receive conditional or unconditional allocations from the national share. Conditional grants were first introduced in the 1998 Budget. The local government's equitable share is the primary source of funding for poor and rural local governments. [Cooperative Governance and Traditional Affairs \(2024\)](#) stated that municipalities receive grants and transfers from higher levels of government, such as provincial and national governments, to support specific projects or services. These funds supplement municipal revenues and may be used for specific purposes. For instance, municipalities may receive conditional grants such as Municipal Infrastructure Grants (MIG). The MIG eradicates municipal infrastructure backlogs in poor communities and ensure the provision of basic services such as water, sanitation, roads, and community lighting. “The Department of Cooperative Governance is responsible for managing and transferring the MIG and provides support to provinces and municipalities on implementing MIG projects”.

Municipal Property Rates

According to the Municipal Property Rate Act (2004), municipal property rates are set, collected, and used locally. National and provincial governments do not have the power to levy rates nor share revenues. Revenue from property rates is spent within a municipality, where the local community has a voice in decisions on how the revenue is spent as part of the Integrated Development Plans and budget processes, in which municipalities invite communities to input before the municipal council adopts the budget. These taxes are levied on the value of property within a municipality's jurisdiction. Property rates are a significant source of revenue for municipalities and are typically based on the municipal valuation of properties ([Republic of South Africa, 2004](#); [Greater Tzaneen Municipality, 2022](#)). The authors of this paper argue that rates are charged based on the market value of your property and the category that your property falls into, as described in the municipality's rates policy.

Water and Electricity Charges

These are service charges based on the provision by the municipality of services to the property. These are 'pay as you go' charges and you are charged more if you consume more. The cost depends on the tariff (or price list) set by the municipality for the provision of these services each year ([Afrisam, 2022](#)).

Sewerage Charges

These are charges that are often thought of as being for the provision of sanitation or sewer services to the property. However, this is incorrect. These are rates (taxes), which are payable regardless of whether the municipality provides these services or not and these charges are for the municipality to run the entire sewer network across the municipality. Sometimes, when there is no sewer connection, the municipality will charge a sewer availability fee instead of a sewer charge ([Afrisam, 2022](#)).

Refuse Charges

These are charges that are often thought of as being for the provision of refuse removal services to a property, but this is incorrect. These charges are for the municipality to provide refuse removal and city cleaning services across the municipality as a whole. These are rates and taxes and are payable regardless of the providing these services or not. Sometimes when there is actual refuse collection at the property, the municipality will charge a city cleaning fee instead of a refuse charge. In some municipalities, if you have a private refuse collection service at the property the municipality will allow you to avoid paying these charges; however, this exemption is upon application to the municipality concerned ([Afrisam, 2022](#)).

Interest

Unpaid charges attract interest at the rate determined by the municipal council and are subject to the laws about interest ([National Treasury, 1999](#); [Afrisam, 2022](#)).

Disconnection/Reconnection Fees

Where the municipality disconnects the electricity/water supply, it is entitled to charge a fee for this in terms of its tariffs ([Afrisam, 2022](#)).

Licenses and Permits

Municipalities collect revenue by issuing licenses and permits for activities such as business operations, building construction, advertising, and car-renewal disc and registration. These fees contribute to municipal coffers and regulate various activities within the municipality ([Greater Tzaneen Municipality, 2022](#)).

Fines and Penalties

Revenue is generated through fines and penalties imposed for violations of municipal bylaws, traffic regulations, and other infringements. This includes fines for parking violations, traffic fines, littering, and non-compliance with municipal regulations.

Sales of Goods and Services

According to the [National Treasury \(1999\)](#), municipalities may generate revenue through the sale of goods (e.g., sales of land or property) and services (e.g., rental of municipal facilities, advertising space, or recreational facilities).

Municipal Debt Position Until 2023

The Constitution of the [Republic of South Africa \(1996\)](#), specifically section 43, focuses on forming a three-tiered system of governance, which includes national, provincial, and local levels. According to [Mdluli \(2021\)](#), most of the South African government's income comes from various rates and taxes. According to figures released by the Treasury in May 2023, as of the end of December 2022, municipalities had a total debt of R305.8 billion ([National Treasury, 2023](#)). This represents a 17% increase from the R261.5 billion owed at the same time in 2021/22 when the figures were considered ([National Treasury, 2023](#)). These figures were included in a report on the revenue and expenditures of local governments for the period starting on July 1, 2022 and ending on December 31, 2022 ([National Treasury, 2023](#)). Debt with a total of R3.4 billion owed by all 257 municipalities in the country was pardoned as a whole or partial payment, with R257 billion of the total debt overdue for more than 90 days ([National Treasury, 2023](#)). The cost of providing water contributed the most to the total amount of money that was due, amounting to R99.6 billion, followed by the cost of delivering electricity of an amount of R39.3 billion, the cost of levying property taxes of R63.4 billion, and the cost of providing wastewater management of an amount of R30 billion ([National Treasury, 2023](#)). Families were expected to owe local governments R217 billion, state organs R23 billion, and companies R61 billion debts ([National Treasury, 2023](#)). It was however emphasized, that to qualify for the relief, several prerequisites would need to be fulfilled. Municipalities are concerned that a tax incentive of R15,000 for houses to install solar panels may cause consumers from the middle class to disconnect from the grid, which will harm the money generated by the municipalities ([National Treasury, 2023](#)). The relief attaches measures, including the installation of prepaid meters, to correct the underlying nonpayment behavior and operational practices in these municipalities to prevent a repeat of a debt build-up over time.

Compared with the other provinces, Gauteng had the highest amount of outstanding debt of R111 billion ([National Treasury, 2023](#)). This was followed by KwaZulu-Natal, which owed R41 billion, and the Eastern Cape, which owed R32 billion ([National Treasury, 2023](#)). The metropolitan regions were in debt of R154 billion, while secondary cities were in debt of R59 billion ([National Treasury, 2023](#)). If consumer debt is anything older than ninety days, then the real amount that is truly collected is predicted to be R49 billion ([National Treasury, 2023](#)). This increase is a significant increase from a previous estimate of R20 billion ([National Treasury, 2023](#)). This is not meant to indicate that the balance ought to be written off by municipalities, and it should not be understood in any way that the National Treasury is implying that the balance ought to be drawn off by municipalities. Neither of these considerations is intended to suggest, in any way, that municipalities should write off the balance. s

Municipal Revenue Collection Responsibility

According to Section 215 of the Constitution, the three levels of government and organizations founded and incorporated by these branches are required to manage their budgets and finances ([Nampewo et al., 2022](#)). This section was included in the Constitution to guarantee that there would never be a conflict of interest between the government and its citizens. Article 216 of the Constitution is the most important piece of financial law in the United States because it assures compliance with treasury control. Additionally, it is the oldest piece of financial legislation still in effect. The fact that this is the case makes it the most important piece of financial law. It says that "the national legislation must establish a national treasury and prescribe measures to ensure transparency and expenditure control in each sphere of government."

To put it another way, the national law should control how much the government spends. By the requirements of the national legislation, a national treasury must also be formed. Because it

ensures conformity with treasury control, this specific provision has the distinction of being the one that is considered to be the most vital. However, although financial management is being conducted, there is no structure to how it is being handled. This is the case even though financial management is being performed. On the other hand, in light of the growth in the number of new professionals working in the financial sector, the overwhelming majority of whom lack the requisite previous competence, the administration of funds must become more structured. This is because the majority of these new professionals lack the necessary prior competence. Established procedures for the collection and distribution of revenue in accordance with the principles of public financial management and administration, Section 195 (1) of the Constitution, which states that there is a National Revenue Fund into which all money received by the national government must be paid, except money that an Act of Parliament reasonably excludes, Section 213 of the Constitution, which states that there is a National Revenue Fund into which all money received by the national government must be paid, and Section 213 of the Constitution, which states that there is according to the provisions of Article 195 (1) of the Constitution, there is a National Revenue Fund into which any money that is received by the national government must be deposited.

According to [Adebayo et al. \(2022\)](#), the money created by the municipality can be split into two different groups based on the origin of the funds. Each group is responsible for its share of the total. These types of monetary transactions are referred to as intergovernmental transfers, and both the state and federal governments are bound to provide them for people who are part of their jurisdictions. On the other hand, the generation of the municipality's local income is entirely the municipality's responsibility, and the money collected for this purpose comes from a variety of taxes and levies ([Adebayo et al., 2022](#)). According to [Kleven et al. \(2020\)](#), most municipal administration funding originates from a mix of internal and external sources. This is the case even when considering the total funding amount. According to [Burchell and Listokin \(2012\)](#), a portion of the resources considered internal originate from land-based sources. The authors have made this finding. The authors conducted an extensive investigation to obtain this information. This category encompasses various expenses and payments, including rates and taxes on real estate and land. On the other hand, others are not reliant on land, for example, taxes on dwellings and other licensing fees. In contrast, abroad sources are mostly supported by intergovernmental transfers, grants, and borrowing ([Pieters, 2015](#)).

[Anyaduba et al. \(2012\)](#) argued that collecting revenues by the state is one of its essential responsibilities on a global scale because it helps the state become financially independent. This argument is supported by the fact that the state collects revenues is one of its most essential jobs. This viewpoint is bolstered by the reality that one of the states' most important responsibilities is to collect taxes and other forms of money. According to [Fanning et al. \(2022\)](#), a predetermined sum of financial resources is accessible to every nation. The nation is obligated to use these resources to fulfill all its social commitments. As a result, taxes are a major means that governments all over the globe may use to collect income to pay for public expenditures ([Dlamini, 2017](#)). According to [Adebayo et al. \(2022\)](#), the two fundamental revenue sources available to any government are the collection of taxes and levies from the residents of the nation itself and the borrowing of money from other countries. These are several avenues that a government can pursue to amass financial resources. According to [Bala et al. \(2021\)](#), every nation has a governmental organization responsible for generating and collecting tax revenues. This job falls on the shoulders of the respective governments. As a direct consequence of the introduction of the coronavirus, the challenges that the country is experiencing economically have become intensively severe ([Mdluli, 2021](#)).

The Role of a Municipal in Providing Services to Communities in Their Jurisdiction

[Chauke \(2016\)](#) indicated that local governments must offer services to communities in a timely and efficient manner, and this requires financial resources. The local government needs access to a certain amount of money to fulfill this responsibility. For this work to be completed, the local government must have access to an adequate amount of funds. Local governments must have access to an acceptable quantity of resources for them to be able to fulfill their job. According to [Dlamini \(2017\)](#), South African communities deal with a growing feeling of unease as a direct result of insufficient income. This is a direct outcome of poor revenue collection. According to [Peyper \(2016\)](#), it may be difficult for local governments to collect income from their constituents successfully. This reality is well acknowledged and comprehended by the general public. This issue has been around for a considerable amount of time. The difficulties that the municipality faces in collecting revenue from its customers have a negative impact not only on its overall financial performance but also on the socio-economic requirements of the community ([Molobela, 2016](#)). This impact is compounded by the fact that municipalities are responsible for meeting these requirements. The fact that this has a detrimental effect on the overall financial performance of municipalities adds insult to injury. The challenges that the administration of the area now faces are a direct outcome of the scenario that has arisen. According to [Mello \(2018\)](#), municipalities are not satisfied with the legal requirements and expectations of the people serviced by South African municipalities. This conclusion is drawn from the fact that municipalities are not meeting these needs and expectations. The situation persists even though it is the municipality's responsibility to fulfill both of these expectations. This continues to be the case even though South African municipalities serve the population. It can be argued that this is the case because many local governments are not particularly effective at collecting taxes owed to them. This is because many local governments are not particularly efficient at collecting taxes owed to them. This situation has arisen because of this.

It has been around for quite some time, and according to the [National Treasury \(2023\)](#), the difficulty of obtaining municipal revenue and collecting such money has been labelled a big national concern. This problem has been defined as a problem affecting the entire country. On a national scale, this topic has been described as posing several difficult challenges. The inability of a municipality to fulfill its commitments to its creditors is frequently the result of a confluence of events, including deficiencies in financial management that have persisted over an extended period in addition to shifting or deteriorating economic circumstances ([National Treasury, 2023](#)). Despite this, inefficient leadership practices within municipalities remain at the core of problems ([National Treasury, 2023](#)).

[Dlamini \(2017\)](#) stated that only a small number of senior staff are in charge of the entire financial operations of the municipality, and the poor economic performance of South Africa has had a considerable impact on both the financial systems and decisions made by the municipality. In addition, the poor economic performance of South Africa has influenced the choices made by municipalities. In addition, the poor economic performance of South Africa has affected the decisions that municipalities have taken because of their performance. In addition, the dismal economic performance of South Africa has had a large effect on the financial operations of the municipality, which in turn has had a significant impact on those activities. These changes have had a considerable impact on those operations. It is a major problem in South African municipalities because inadequate amounts of municipal taxes are being collected; this is a source of concern and anxiety for both the government of South Africa and the people. This is currently a cause for fear and unpredictability in South Africa. The vast majority of the municipality's residents are unable to pay the rates, taxes, penalties, and fees that have been levied on them due to the high

unemployment and poverty rates that are widespread in the area. They are now in this predicament because of their actions. The money that comes from the municipality is quite significant; however, if it is not properly collected, the local municipality will not be able to provide the same level of service to the areas around it, which will have a negative effect on the people who live in those regions. In addition, municipalities lack the fundamental components of modern society, such as infrastructure and circumstances. They do not have access to roads, sources of electricity, or pipes for water delivery and may be used since none of these things are accessible. They also do not have access to the water piped in and may consume it. There are several issues, but one of the most significant is the severe lack of educational infrastructure and facilities. This is only one of the many issues that need to be addressed. This is only one of the numerous difficulties that we must deal with. In addition, [Dlamini \(2017\)](#) and [Mamokhere and Thusi \(2024\)](#) indicated that there has been a rise in the number of people turning to violent conduct during protests that are taking place across the country as a direct result of the deficit of municipal services. The lack of municipal funding is causing these demonstrations. This is happening in locations where new informal settlements have been developed, and the people living in these settlements demand municipal services because the local governments that are supposed to provide these services are either not providing any services at all or just the bare minimum. This is occurring in areas where new informal communities have recently been developed. Research must be conducted on the influence of the accumulation of financial resources on the impact of the obligations placed on the community from a socioeconomic perspective. This is because of the claims mentioned in the preceding paragraphs and the ones that came before it.

[Makwetu \(2017\)](#) indicated that many municipalities do not have enough skilled staff, especially experienced and competent managers, to manage their budgets and revenue collection to meet the community's demands. This is a problem because many municipalities lack the resources necessary to meet their communities' needs. [Peyper \(2016\)](#) believes that the fundamental cause of insufficient revenue collection is a lack of knowledge in the finance sector, weak economy, and inefficient and ineffective institutions, which add support to this view. [Peyper \(2016\)](#) believes the primary cause of insufficient revenue collection is a lack of knowledge in the finance sector. According to [Peyper \(2016\)](#), each of these elements plays a role in the inadequate collection of revenues. According to the [Public Servants Association \(2015\)](#), most municipalities face financial challenges such as bankruptcy and the misuse of financial resources, making it difficult to maintain a standard of living. This makes it difficult for individuals to maintain their standard of living. Because of this, it is more difficult for people to provide for themselves. Because it is impossible to provide a satisfactory response to the requirements of a community that does not have sufficient financial resources, it was recommended that municipalities employ suitably qualified employees with financial expertise and understanding, create rebates and discounts for paying consumers, regularly examine critical credit regulations, guarantee high-quality service, and boost revenue collection in light of the results. This is because it is impossible to respond satisfactorily to the requirements of a community that does not have sufficient financial resources. This is because it is difficult to offer a suitable answer to the requirements of a community that does not have adequate financial resources. If a community does not have sufficient financial resources, it will never be able to fulfill its needs. According to the research findings, the most significant contributor to the provision of less-than-excellent services is difficulty in generating sufficient income.

Legislative Framework Governing Municipal Revenue Collection In South Africa

The legislative framework governing municipal revenue collection in South African municipalities is primarily underpinned by the Municipal Systems Act (MSA) of 2000 and the Municipal Finance Management Act (MFMA) of 2003. These acts serve as the cornerstone for revenue collection processes, ensuring transparency, accountability, and adherence to financial management principles. The MSA establishes a legal foundation for municipal governance and administration, granting municipalities the authority to impose rates, taxes, tariffs, fees, and other charges on services provided. It mandates that municipalities implement systems for accurate billing, collection, and accounting of revenue. Meanwhile, the MFMA governs financial management and budgeting procedures, with a specific focus on revenue management as outlined in Section B. This section of the MFMA delineates requirements for revenue policies, billing systems, debt collection, and financial reporting, setting forth principles and standards for revenue collection, including the formulation of credit control and debt collection policies. Together, these legislative instruments form a comprehensive framework that guides municipalities in effectively managing and collecting revenue to sustainably fund essential services and development initiatives (Tshangana, 2011).

CONCLUSIONS

It can therefore be concluded that the protesters from around the municipalities in the country have gone to the streets in reaction to allegations that local governments provide services that fall below acceptable standards. Most municipalities have been driven to their knees as a direct consequence of problems such as fraud, corruption, abuse of public money, and general inefficiency on the part of local administration and the personnel employed by municipalities. Emanating from the analysis, it is evident that revenue collection is the source and trigger of poor service delivery, and these challenges have a dire impact on service provision. This would need to look at the responses made by South African municipalities when faced with similar challenges. The most significant insights from this study are that municipal governments in South Africa face substantial challenges in collecting revenue, which impacts service delivery.

The relationship between the challenges of collecting taxes and the supply of services was established in this study, and this connection is important. Furthermore, there is a substantial connection between these two. Therefore, if the increase in revenue collection were to increase, such would improve the quality-of-service delivery. Insufficient revenue collection is the primary reason for the lack of service delivery. The study results indicate a significant link between the collection of low revenues and the delivery of services that are below par. This is because it is difficult to offer a suitable answer to the requirements of a community that does not have adequate financial resources. If a community does not have sufficient financial resources, it will never be able to fulfill its needs. In light of these findings, it was suggested that the local government provide rebates and discounts to customers who pay full price; routinely reviews important credit legislation; ensures that customers obtain high-quality service; and increases revenue collection.

The study outcomes indicate that issues in producing adequate revenue are the most important factors that can lead to unsatisfactory service delivery. To enhance revenue collection in South African municipalities, it is recommended to invest in capacity building and training for municipal personnel involved in revenue collection processes, including effective billing systems, debt collection techniques, and financial regulations compliance. Implementing technology solutions, such as digital billing systems and online payment platforms, can streamline processes and improve transparency. Incentivizing compliance through schemes like rebates for timely payments can reduce arrears and increase revenue. Strengthening community engagement and service delivery, particularly in infrastructure, sanitation and healthcare, can improve the

perceived value of municipal services and encourage voluntary compliance with payment obligations.

LIMITATION & FURTHER RESEARCH

The limitation of this study was related to the research methodology adopted by the authors. This study adopted only qualitative research methodology in the form of a systematic literature review. Therefore, future studies will focus on empirical studies in which the authors collect data directly from participants such as municipal officials dealing with revenue collections. Future studies will go beyond using mixed-method research whereby municipal officials and community members are used as a study sample frame. Another limitation observed in this study was geographical demarcation in the selection of relevant literature. The study focused primarily on literature on the South African context. Thus, future studies will also emphasize other countries as a comparative study on revenue collection challenges.

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