

FACULTY OF SOCIAL SCIENCES

DEPARTMENT OF LOCAL GOVERNANCE STUDIES

**REVENUE DECLINE IN URBAN LOCAL AUTHORITIES: A CASE STUDY OF  
GWERU CITY COUNCIL.**

BY

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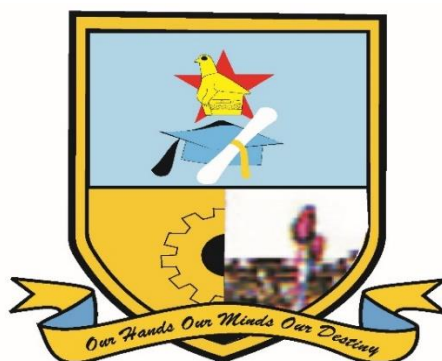
**DISSERTATION SUBMITTED IN PARTIAL FULFILMENT TO THE  
REQUIREMENTS OF THE BACHELOR OF SCIENCE IN LOCAL  
GOVERNANCE STUDIES AT MIDLANDS STATE UNIVERSITY**

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# APPROVAL FORM

Midlands State University



The undersigned strongly certify that they have read and made recommendations to the Midlands State University for acceptance of a research project entitled: **Revenue Decline In Urban Local Authorities: A Case Study of Gweru City Council**. The project was submitted in partial fulfilment of the requirements of the Bachelor of Science Honours Degree in Local Governance Studies.

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## DECLARATION

I Tanya N.T. Moyo (R132252A) do hereby declare that this is my own original work and that it has not been presented for a degree in any other University. All sources that have been used or quoted have been indicated and acknowledged by means of complete references.

.....

Students signature

.....

Date

## **DEDICATION**

I dedicate this piece of work to my,  
hardworking and loving mother,  
Mrs A.M.G. Moyo.

## **ACKNOWLEDGEMENTS**

I would like to take this opportunity to thank the Lord Almighty for seeing me through. I would like to extend my gratitude to my parents who believed and supported me throughout my academic course. I also extend my gratitude to my sister Tamarie and my grandparents for moral support and encouragement. Special mention goes to my friend and colleague Julianos Masimba, I will always cherish the good times. So much gratitude goes to Mrs Rajah, my supervisor, working with you was always a great pleasure. Finally I would like to thank the Chairperson and all the lecturers who taught me from the beginning up to the end of my degree program. May the Lord richly bless you in all your endeavours.

## **ABSTRACT**

The research analysed the sources of revenue and the causes and effects of revenue decline in urban local authorities. The research was prompted by the evident decline in revenue inflows in most of the urban local authorities in Zimbabwe as the traditional sources of revenue have gone dry and this has heavily impacted on their performance. To achieve the objectives of the study, literature sources were reviewed and both secondary and primary sources were employed to obtain data on the subject under study. The study highlighted and analysed the various views of other authors on the sources of revenue for local authorities, and the causes and effects of revenue decline in local authorities. The study also presented empirical evidence and global experiences in terms of revenue collection. The research targeted the population consisting of members of the Caretaker council, Management, Workers committee and Gweru residents and ratepayers association. A sample size of 39 participants was chosen for the study through judgmental and simple random sampling. The findings of the research were presented in the form of tables, pie charts and graphs. Data analysis revealed that Gweru city council was performing poorly in terms of service delivery due to a decline in revenue inflows and identified the causes of revenue decline as attributed to poor billing system, political influence, economic challenges, corruption and resistance of ratepayers in paying bills. The effects of revenue decline were established as the decline in service delivery, garnishing of council accounts, downsizing and late payment of salaries and allowances to its employees thus affecting the performance of the organization as a whole. The study concluded that Gweru city council has a long way to go in getting back its title as the 'city of progress,' by ensuring that there is effective and efficient service delivery and this can only be achieved if there is a sound revenue base to support all its activities. The study recommended that strategies should be put in place to avert corruption, to encourage ratepayers to pay bills and to source other avenues which can boost the revenue base of the local authority.

## **LIST OF ABBREVIATIONS**

GCC	Gweru City Council
GRRA	Gweru Residents and Rate Payers Association
MSU	Midlands State University
LAPF	Local Authorities Pension Fund
NSSA	National Social Security Authority
ZIMRA	Zimbabwe Revenue Authority



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## **CHAPTER I**

### **INTRODUCTION**

#### **1.0 Introduction**

A strong revenue base in local authorities ensures that they carry out their mandate, which is to provide effective and efficient services to the people. According to section (276) of the Constitution, local authorities have the power to levy rates and taxes and generally to raise sufficient revenue for them to carry out their objectives and responsibilities. However the performance of most of the urban local authorities in Zimbabwe has decreased and Gweru City Council is one amongst many which is experiencing a sharp decline in revenue inflow which is a result of the volatile economic conditions prevailing in the country amongst other factors. The research looks at various sources of local government revenue; identifies the causes of revenue decline and the overall effects on local authorities. Also, the study provides possible solutions on how to improve the revenue base of Gweru City Council. This chapter highlights the background of the study, statement of the problem and the objectives and research questions. It also highlights the justification of the study, the delimitations and limitations to the study and possible solutions for revenue enhancement.

#### **1.1 Background to the Study**

Previous studies on Gweru City have focused on broader aspects such as governance issues (Chakaipa; 2010), environment and waste management (Mangizvo; 2013), industrial decline (Dewa; 2013) and on corruption (Sithole; 2013). However the most pressing issue at hand is that the council is dismally failing to provide services to the people, not paying its employees on time and is heavily in debt which is as a result of the decline in revenue inflows. Hence



there is a need to analyse the causes and effects of the decline in revenue inflow at Gweru city council which is affecting the performance of the local authority. The City of Gweru is Zimbabwe's 3rd largest city with an estimated population of 300 000, (Gweru City Council strategic plan 2014-2016), and it was once deemed to be the city of progress as it boasted of natural resources and large industries like shoe making and chrome production which employed the largest population of the city. According to Mutema (2016), the documentary review of the City of Gweru` strategic plan (2014-2016), discloses that due to the current depressed economic environment, the industries are now operating at only 40% of their capacity which has resulted in massive retrenchments, layoffs and unemployment levels of close to 80% of the city's population.

Gweru City Council mobilises revenue from rates on property and land, user fees, fines and penalties, licence fees, central government allocation and income generating projects amongst others. However in the new millennium the performance and operating conditions of many urban local authorities has become increasingly difficult (Wekwete; 2006). There is a continuous decline in revenue inflow due to the biting economic situation which has seen residents and commercial ratepayers failing to service their debts. Gweru City Council is owed \$13 million by industry and commerce dating back to 2009 when the country introduced the multi-currency regime, (The Source; 2013). The Gweru City Council Mayor, Kombayi was quoted in the Southern Eye (2015) saying that, "the city's economy is largely dependent on vending as 80% of the population is unemployed and the industries used to account for 70% of formal employment but now they are operating at 30% of their capacity." He added on to say that, "companies such as Zimbabwe Alloys, Radar Castings, Zimcast, Anchor Yeast and Bata have either closed shop, scaled down operations or are on the verge

of collapse resulting in the failure to pay rates and bills by both companies and residents thereby affecting service delivery.

Mutema (2016), also notes that City of Gweru' economy is now based on the informal sector activities which include vending, flea markets, carpentry, welding, hairdressing and market gardening. Hence such an economic situation results in ratepayers failing to pay for services provided by the local authority, thus compromising the capacity to pay its employees and to provide for efficient and reliable services to its residents. Ever since the government edict of 2013 to cancel ratepayer's debts, Gweru City Council has so far incurred an \$8 million deficit and only managed to collect \$26 million in revenue from its targeted \$34 million (News Day; 2013). According to the Southern Eye, in 2014, the council announced a \$49 million budget for the financial year of 2015 but noted that it had raised \$24 million in 2014, 27% lower than its \$3 million budget as defaults spiked. Income generating projects are not viable as evidenced by how Gweru City Council has failed to convert the Mayoral mansion which has been lying idle since 2004- into a lodge.

Also it failed to manage Go-beer breweries which was shut down in 2014 after it was seen to be reeling under a \$2,6 million deficit. The situation worsened in 2015 as operations at the local authority came to a halt as workers embarked on an industrial action in April for non-payment of salaries and currently they have an 8 month salary backlog. Gweru City Council is grappling with a \$5 million debt in salary arrears and \$750 000 is owed to the workers who were left jobless following the closure of Go-beer breweries. Hence it should be noted that the local authority is cash strapped and is losing millions of dollars every month in potential revenue with collections amounting to \$1,4 million or 35% of what it must raise (News Day; 2016).

## **1.2 Statement of the Problem**

There is a decline in revenue inflows as the traditional sources of revenue have gone dry in most of the urban local authorities in Zimbabwe and this has heavily impacted on their performance. Gweru City Council is failing to provide adequate services to the people as evidenced by poorly maintained roads filled with potholes, erratic water supply as most of the pipes are old and are not being maintained and a poor response in terms of service delivery. There are revenue leakages in the form of corruption and mismanagement of funds meant for service delivery which is causing ratepayers to resist in paying rates since they cannot see what they are paying for hence a decline in revenue collection. Also the decline in revenue is resulting in the late payment of salaries and allowances to its employees and this is affecting the performance of the organization as a whole. Furthermore the city council is heavily in debt as creditors have accumulated as it is failing to remit money to several institutions and companies like NSSA and LAPF who end up garnishing their accounts. Hence there is a need to analyse the causes and effects of the decline in revenue inflow at Gweru City Council which is affecting the performance of the local authority.

## **1.3 Objectives**

- To identify the sources of revenue for local authorities.
- To determine the causes of revenue decline in local authorities.
- To assess the effects of revenue decline at Gweru City Council.
- To come up with the possible solutions to resuscitate the revenue base at Gweru City Council.

## **1.4 Research Questions**

1. What are the main sources of revenue for local authorities?
2. What are the causes of the sharp decline in revenue inflow at Gweru City Council?

3. What are the overall impacts of revenue decline on local authorities?
4. How can local authorities improve on their revenue collection?

## **1.5 Justification**

### **1.5.1 To The Student**

The student will acquire skills and the knowledge on how to analyse and manage local authority operations through interacting with Gweru City Council staff, the residents and other stakeholders. The student will also have an opportunity to develop and contribute possible strategies needed to improve revenue collection at Gweru City Council.

### **1.5.2 To Midlands State University**

The study will be used by other students as a reference material for their studies. The study will assist the department of Local Governance Studies in intergrating current information surrounding governance issues so as to come up with possible solutions to various problems concerning governance.

### **1.5.3 To City Of Gweru**

The findings of this research will assist Gweru City Council Management to come up with the necessary strategies to improve the revenue of the local authority based on challenges and opportunities they face in the collection of revenue. The research will result in creation of financially viable local authority and thus, they will be able to deliver services effectively and efficiently to the people of Gweru and also ensure that the available manpower is well catered for in terms of salaries and allowances so that they can execute their duties and achieve the objectives of the organization.

## **1.6 Definition of Terms**

### **Revenue**

Muller et al (2009), who cited the International Public Sector Accounting Standard (IPSAS), defined revenue as gross inflows of economic benefits or service potential received and receivable by the reporting entity which represents an increase in net assets or equity other than increases relating to contributions from owners.

### **Local Authority**

A local authority is a municipal, council, town council, local board, rural district council or provincial council. Local authorities are administrative bodies that are officially responsible for all the public services in specific geographical areas such as cities, towns, municipalities, counties and boards,(Rural District Councils Act[ Chapter 29.13]).

### **Service delivery**

Service delivery is the provision of basic services by a local authority to the local area or community. There are a number of services provided by a local authority and these include, water supply, sewage disposal, refuse collection, road maintenance and street lighting among other things.

## **1.7 Delimitations**

The area of study entails the inquiry on the council of the city of Gweru hence it is confined to Gweru city council. City of Gweru is the capital of the Midlands province and the respondents shall be drawn from Gweru City Council at the administration offices located at the Town house in the CBD. The municipal area covers 30 000 hectares and has a population

of 300 000, (Gweru City Council strategic plan 2014-2016). The areas in which the city council has influence over shall be considered as well so as to analyse the causes and effects of revenue decline at Gweru City Council.

## **1.8 Limitations**

### **Time**

The time to conduct a thorough study was limited because the semester only stretches for only four months and of the four months the researcher also had some modules to attend to.

### **Permission**

The relevant authorities delayed in granting permission to facilitate my research thereby off setting my research schedule.

### **Information**

The access to some secondary information was restricted due to confidentiality.

### **Unavailability of respondents**

It was difficult to get hold of some respondents as they were busy with their day to day council activities.

## **1.9 Solutions**

- The researcher managed time effectively and utilized weekends and public holidays.
- The researcher utilized the information gathered from the interviews to come up with meaningful findings since some secondary data was restricted.

- The researcher ensured that she arrived early so as to meet the respondents as they reported for work in the morning before they left their offices to attend to other business.

### **1.10 Summary**

In this chapter the researcher introduced the topic under study with regards to revenue decline at Gweru City Council. The chapter highlighted the critical elements that prompted the researcher to conduct such a study through the background of the study. It discussed the statement of the problem, significance of the study, research objectives and questions, definition of terms, limitations and delimitations. The following chapter focuses on the literature of various authors with regards to revenue decline in urban local authorities.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The previous chapter set the basis and the foundation upon which the study is based on so as to ensure clear understanding of the topic under study for the readers. This chapter builds up on the points and views established in the first chapter. Hence this part of the research gives detailed arguments and opinions of various scholars on issues to do with revenue in local authorities. The focus is on the sources of revenue in local authorities, causes or challenges in revenue collection, the effects of revenue decline and the possible solutions to revenue enhancement. This chapter analyses and evaluates the available information so as to come up with a detailed basis on which the research is constructed on.

#### **2.1 Literature review**

According to Cooper (1989), literature review is an integrated research review which examines previous work in the area and identifies the existing relationships among variables which leads to identifying issues that have not been considered. The main purpose of literature review is to assist the researcher in developing an understanding and insight into relevant previous researches and trends. Reviewing the literature critically, will provide the foundation on which ones research is built on, (Saunders et al; 2009). Also by reviewing literature one can expand upon the reason behind selecting a particular research question, thus allowing anybody reading the paper to establish why the researcher is pursuing that particular research topic.



### **2.1.1 Guiding Principles of Local Government Finance**

According to the House of Commons Committee on Housing, Planning, Local Government and Regions (2004), as cited in the Journal of Innovative Research and Development, the following are the guiding principles for any system of local government finances:

- Equity: it must be fair or seen to be fair as between different local authorities, within individual local authorities and in its impact on individuals
- Flexibility: it must be adequate to changing economic and constitutional circumstances
- Simplicity: it must be relatively easy to collect and easy for tax payers to understand as is compatible with equity and accountability
- Transparency: it must provide a visible link to local levels of expenditure and
- Accountability: it must allow for local authorities to raise and spend money, and be seen to be accountable to the people they serve

However the most important question in regards to this is that: are Zimbabwean local authorities taking into consideration these guiding principles in their bid to collect revenue from their communities?

### **2.2 Structure of Local Government Revenue**

Urban local authorities, which encompass city councils, municipalities, town councils and local boards, are governed by Urban Councils Act Chapter (29.15). This Act empowers the urban councils to enact by-laws that allow the authority to raise revenue through various service charges made for any services, amenities or facilities provided by council. According to the United Cities and Local Government (2006), the main sources of revenue for Zimbabwean urban councils are:

- The levying of assessment rates on property,

- Tariffs or fees for service rendered,
- Loans for capital works from central government through the National Housing Fund, General Loan Fund in respect of other infrastructure like water and sewerage reticulation, roads and storm water drainage and,
- Loans from open market after obtaining necessary borrowing powers from the Minister.

Externally derived traditional revenue includes grants and loans from central government and donors as well as overdrafts and short-term loans from banks and building societies (Urban Councils Act Chapter 29.15, Section (290)).

Urban local authorities in Zimbabwe largely depend on traditional methods of raising revenue and these include property tax, license fees and public service fees. However these sources have since declined and are now inefficient in financing council activities.

## **2.3 Sources of Revenue**

### **2.3.1 Loans**

According to the Urban Councils Act, Chapter 29.15 section 290(1), Zimbabwean local authorities can borrow money only for capital expenditure upon full consultation with the residents and approval of the Minister. Zhou et al (2013), asserts that local authority loans are suited for their expenditures and can be paid in small increments from future revenues. He adds on to say that there is a limit to borrowing because the credit worthiness of the local governments is not well established and central government might want to control or guide allocation of local investment.

A strong local government system is needed when acquiring loans as loan allocations are based on the forecast of the capacity of the borrower to pay back, (Elock; 1994). Mabika (2015), states that borrowed money can improve a local authority's capacity to improve service delivery. However in recent observations local authorities cannot borrow, as they do not have the capacity to repay loans since their collections are low.

### **2.3.2 Partnerships**

According to section 223(1) of Urban Councils Act, Chapter 29.15, local authorities can cooperate with the state or any other local authority or person and enter into partnership. As noted by Mabika (2015) such ventures help local authorities bridge cash shortage gaps and enhance service delivery and local authorities can enter into partnerships with private companies like how Zvishavane Town Council partnered with Mimosa, and this has enhanced service delivery in Zvishavane.

### **2.3.3 Investments**

The Urban Councils Act, Chapter 29.15 section 131(1), advises local authorities to invest if they have surplus money through various interest earning instruments with registered financial institutions and treasury bills, municipalities or any statutory body. Investments are an important stream of income and enhance service delivery, but councils cannot invest in riskier investment vehicles, such as quoted and unquoted stocks, without the approval of the Minister responsible for local government and finance,(Coutinho; 2010). However due to the volatile economic situation, local authorities do not have excess cash to invest in and the contribution of investment income is very low thus resulting in the decline of revenues in urban local authorities.

#### **2.3.4 Income generating projects**

According to the Urban Councils Act, Chapter 29.15 section (80), councils are allowed to operate income-generating projects of their choice to raise revenue. Feltoe (2002) states that, councils may raise revenue through engaging in any commercial activity or any projects for the purpose of raising revenue. Councils have set up income generating projects such as beer halls, breweries, farming, and brick moulding among others.

However Coutinho (2010), states that there is abuse of council property and assets by both workers and councilors, as a result the money that is meant for service delivery is used for personal gain. Hence most of these ventures have seriously underperformed and have failed to contribute anything towards council revenue. Most income generating projects such as Go-Beer Breweries in Gweru and Dandaro liquor marketing in Kwekwe have since closed due to the liquidity crisis and mismanagement.

#### **2.3.5 Government grants**

Mabika (2015), states that grants from central government are an important source of finance for implementing projects and services such as education, health and roads. There are two types of grants that is, block grants which are unconditional with no specifications for the use but only accounting for the use and tied grants, which come with terms and conditions. Section 301(1) of the Constitution of Zimbabwe Amendment (No.20) Act 2013, states that, government is supposed to give not less than 5% of national revenues raised in any financial year to provinces and local authorities however the government is not remitting this constitutional provision which would go a long way in improving the revenue base of local authorities.

According to the Zimbabwe Institute (2005), local authorities are struggling to provide services to their constituencies due to the reduction in government grants and own revenue sources. Grants have often caused dependency syndrome in most local authorities and at the same time promoted recklessness in the use of funds as they will be assuming that more grants will be coming. Slack (2009), noted that the introduction of the grant known as the District Assembly Common Fund in Ghana created a dependency syndrome in most local authorities as they over relied upon these grants.

### **2.3.6 User charges**

According to Slack (2009), user fees are the charges per output and they are normally charged for providing services such as water, refuse collection, street lighting, health and education. These come in the form of service fees which include license fees and various small charges levied by local governments for performing specific services, public prices (which include the revenues received by local government from sale of private goods and services) and benefit taxes (that is, service fees), (Zhou et al; 2013).

Cost recovery user charges have a potential of enhancing resource allocation by reducing wasteful usage since users pay from their own resources, (Rondinelli et al. 1993). These charges were mainly developed to finance the operational cost of local authorities and not to finance activities of the organization as a whole. It should be noted that these fees are not used for capital financing, as they are complementary ways for providing local public services.

However, numerous inefficiencies have been noted in the collection and levying of charges related to service provision that has resulted in the inability of councils to sustain provision of

these services. These include the loss of revenue on water provision due to the inability of councils to repair water meters, and the use of estimates of, instead of actual water consumption, (Coutinho ; 2010).

### **2.3.7 Property tax**

According to Coutinho (2010), rates on property and land are the main source of funding for most urban local authorities. Property tax includes industrial land and residential constructions. The Urban Councils Act Chapter 29.15 states that local authorities have the power to charge rates on various types of properties. The property is assessed to determine its worth, upon which it can be taxed, (Foster; 2011). Rothschild (1996), states that the rate charged is collected depending on the value of the property and it is paid semi-annually.

Property tax in Zimbabwean local authorities is collected on the basis that a valuation roll is compiled by council and such a roll is periodically reviewed to not only capture new development but to update the existing roll, (Coutinho; 2010). In terms of section (241) of the Urban Councils Act Chapter 29.15, the valuation board is established, and ensures that the valuation process carried out by council meets prescribed standards.

Moreover Carmichael (2003) adds on to say that property tax is the main essential source of revenue for many local authorities. Zhou et al (2013), states that, in countries that are going through land reforms, the collection of tax from the settled farmers can be interpreted as undermining the land reform initiative, scenarios that may discourage local authorities from enforcing such taxes. He adds on to say that, property ownership in most African countries is not clearly legally defined and hence difficult to identify the actual owners of property and

also central governments are reluctant to contract out tax administration functions to local authorities. However, if property tax is efficiently collected it can improve council revenues.

### **2.3.8 Development levy**

This is a form of household tax charged per individual. Makumbe (1996) defines development levy as a tax imposed by the government for payment by the local people to enhance local development within their area of jurisdiction. Zhou et al (2013) adds on to say that, this source of income is often criticized on the basis that the level of taxation is determined by the national government rather than by local authorities who are really aware of what should be done to develop their localities.

According to Wekwete (1987), most people in Zimbabwe who stay in some localities such as high-density suburbs often resist the payment of development levy because in most cases the development on the ground and the payment is disproportional. Hence this is another contributing factor towards revenue decline in urban local authorities.

### **2.3.9 License fees**

This is another important source of revenue for local authorities which is imposed on motor vehicles, shops, dog licenses and hawkers licenses, among others, (Goldfrank; 2009). According to Helmsing et al (1991), the cost of issuing a license is often far below the actual fee charged like the way in which vehicle fees are used to finance road maintenance is in no way related to the actual use of the road infrastructure. However there are challenges relating to poor enforcement and poor databases to ensure that all those who should pay for licenses actually do so.

## **2.4 Causes of Revenue Decline in Local Authorities**

According to USAID (2006), in an article titled “A Guide to Enhancing Municipal Revenue,” the following reasons for poor debt collection in South African local authorities were cited:

- Lack of political will to enforce credit control measures on indigent households and councillors who influence the operations of officials,
- Lack of skills and capacity to manage the collection of outstanding debt,
- Incorrect interpretation of legislation pertaining to credit control and debt control procedures and,
- Lack of integration and coordination among the financial management, credit control and debt collection systems within local authorities,

Local authorities are failing to provide adequate services to the people as a result of revenue decline which is caused by several factors such as corruption, lack of skilled expertise, the failing economy, poor financial management among others. The United States Agency for International Development (2009), noted that over the past decades many municipalities have become less sustainable as they are confronted by escalating uncollectible consumer debt and service delivery backlogs. The following are causes of decline in revenue in local authorities:

### **2.4.1 Non-payment by ratepayers**

The culture of non-payment of debts by residents and other stakeholders has increased the outstanding debts of local authorities for services rendered to them. According to the United States Agency for International Development (2009), debt collection in poor communities has not been successful because the economic status of the individual debtors.



The Newsday of 17 January 2013 quoted the Kwekwe residents and ratepayers association saying that, “we have not seen any serious efforts by the local authority to deal with allegations of fraud and mismanagement and for us to continue funding such a council will be unfair to our conscience.” Hence, this is one of the causes of revenue decline as it is apparent that ratepayers will mostly be interested in paying their levies and rates due if they are seeing visible council activities in services delivery.

#### **2.4.2 Corruption**

Garner (2004), states that corruption is the act of doing something with intent to gain some advantage, which is inconsistent with official duty and rights of others. This has greatly contributed to the revenue decline in local authorities as funds are being misused and it has destroyed the goodwill between local authorities and the residents resulting in them resisting to pay their dues.

According to Kunaka (2002) corruption leads to low level of infrastructure development as funds earmarked for development purposes can often be diverted towards other things that do not benefit the community. Ultimately corruption has led to poor service delivery. Due to corruption, local authorities have lost millions of dollars, which has an impact on the collection of revenue and budget preparation, (Ruwende; 2014). According to Lubbe et al (2009), at times consultants are appointed at great expense to do the work of corrupt and incompetent persons who are responsible for unacceptable ethical behaviour hence affecting revenue income.

### **2.4.3 Poor economic situation**

According to Ndlovu et al (2005), local authorities are failing to raise sufficient revenue as a result of the failing economy. In 2009 when the Zimbabwean government introduced the multi-currency monetary system the economy stabilized for a while but this dispensation brought with it new challenges for local authorities and other players in the economy.

According to Coutinho (2010), the multi currencies facilitated the rise in the unemployment rate by 80 percent and liquidity shortages thus most ratepayers could not afford the charges that local authorities were demanding. As a result, most local authorities could not collect the monies they billed their customers, hence contributing to revenue decline.

### **2.4.4 Poor financial control systems**

Coutinho (2010), noted that challenges faced by local authorities in raising revenue revolve around the failure to ensure effective financial management systems that results in levying of sub economic tariffs, failure to ensure cost recovery on essential services such as water and sanitation. He added on to point out that there is a failure to recover debts owed in the hyperinflationary era and also poor financial accounting systems. The management of debt is poor as evidenced by huge mismatches between creditors and debtors as a result of the poor management control systems, hence resulting in revenue decline as local authorities fail to account for most of their income.

### **2.4.5 Lack of skilled expertise**

The lack of skilled personnel from both elected and appointed officials has also contributed to the revenue decline in local authorities. According to the USAID (2006), lack of skills and the ability to manage the collection of debt has affected the financial performance of many

local authorities. This has greatly affected the operations in local authorities as poor decisions are made. The absence of critical staff like technical and financial experts is contributing to the unsustainability of local authorities.

Moreover Chakaipa (2010) adds on to say that if the economy is performing poorly and there are high levels of unemployment it leads to brain drain whereby qualified and skilled labor force leave the country in search of better working conditions. This goes on to affect local economic development because local authorities will be left with unskilled personnel with no capacity to develop their council areas. According to Gono (2006), high staff turnover, especially critical professionals such as technical staff and financial experts contributes to revenue decline as staff members remain in acting positions for long periods and are unable to make sound decisions which ultimately affects the formulation and implementation of revenue enhancement strategies.

#### **2.4.6 Political environment**

Politics has a major impact on revenue generation in local authorities. Cohen (2010) asserts that whenever there are different political parties with different political ideologies in the local authority, the chances of reaching common consent is reduced to a minimum. The Ministry of local government has been seen to be intervening into the affairs of local authorities restricting their autonomy hence affecting their revenue collection strategies as is evidenced by the slashing of bills in 2013.

Also, the USAID (2006) noted that the lack of political will by elected politicians to enforce mechanisms such as credit control tools has resulted in local authorities failing to raise revenue. Political interference from politicians prevents officials from collecting service fees

in arrears and there is no political will to effectively discipline councillors and officials of local authorities, (Lubbe et al; 2009). Gono (2006), further highlighted that councillors who are political appointees have tended to lack necessary technical expertise required for prudent policy making. Most of the councillors are into local authorities to pursue their own political self-interests and may not necessarily add any value to the running of the entities thus contributing to the ineffective collection of revenue in local authorities which ultimately leads to revenue decline.

Hence from the causes mentioned above, Gono (2006) substantiates the fact that as a result of the poor economy the revenue base for local authorities has shrunk as traditional sources of revenue including property taxes, charges, grants, fees rates, tariffs and loans from central government have shrunk steadily. He adds on to say that, local authorities have found it difficult to levy economic rates because of the fear of political protests and that the lack of adequate communication especially between local authorities and stakeholders stalls the progress in most cases.

Moreover Mclean et al (2008) also pointed out the factors, which affect the financial performance of local authorities in the submission to the Australian Service Union and noted the following:

- Operational effectiveness
- Market description of services that are provided
- The level of charges that are used to improve the outlay of providing services
- The capacity and compliance of ratepayers and consumers to pay services
- The amounts that local authorities receives from the central government in forms of grants and subsidies

The factors mentioned above show how the operational capacity of an organisation in terms of whether or not it has adequate and qualified staff to ensure that sound policies are formulated and adopted for revenue collection, determine the ability of the organisation to efficiently and effectively collect revenue. Hence this is one among other factors which seem to be affecting revenue collection in Zimbabwean local authorities. It should be noted that the resistance of ratepayers is high and their compliance is low thus contributing to the decline in income for local authorities. Also central government is not supporting local authorities in terms of grants and subsidies and this is contributing to revenue decline.

## **2.5 Strategies to Improve Revenue Generation in Local Authorities**

Adeosun (1991), described the strategy of revenue generation as the bedrock of any local authority. The viability of any local authority depends on the level at which the services are rendered and the quality of those services are inextricably linked with the financial resources available to them. Fjelstad and Semboja (2000) list the following as the ways of improving revenue collection and the revenue base of local authorities:

- Staff training
- Improving billing system
- Leasing of property
- Improving incentives to staff so as to attract, recruit and retain staff
- Income generating projects
- Cost recovery through user charges
- Improvement to remaining revenue bases and
- Abolition of unsatisfactory local tax
- Adequate control systems

The strategies mentioned above should be employed by local authorities so as to improve their income because through improving incentives of employees it motivates them thus boosting their morale and ensures their unwavering effort in revenue collection and it also averts survival corruption. The revenue base of local authorities can be improved through embarking on income generating projects which are supposed to be managed properly. Moreover councils need to improve their billing systems to ensure that statements arrive on time so that ratepayers prioritize on paying council bills. These strategies among others should be employed so as to resuscitate the declining revenue base of local authorities.

Hofer and Schedal (2009) also suggest the following strategies for effective revenue generation:

- Introduction of additional sources of revenue
- Providing an incentive for extra efforts of the revenue generation staffs
- Tapping all available opportunities in the areas
- Periodic raiding by officer of the revenue generation
- Efficient and effective collection of existing taxes
- Taking advantages of business or commercial opportunities in their local areas
- Public enlightenment and campaign that will educate the taxpayer on the importance of prompt payment.

From the strategies mentioned above by the author, it is worthwhile to note that public enlightenment is crucial for taxpayers because if they are involved and consulted in terms of revenue generation and collection, a sense of responsibility can be inculcated within them as they get to know the importance of them paying bills to council so that they can provide services to them. Also local authorities should tap into all the available opportunities in their

area taking advantage of the business and commercial opportunities in their areas so as to improve their revenue base.

## **2.6 Empirical Evidence**

**Effect of Information Systems on Revenue Collection by Local Authorities in Homa Bay County: Kenya; Otieno O.C, Oginda M, Obura J.M, Alia F.O, Ojera P.B And Siringi E.M (2013).**

As cited by Machingauta (2014), the paper studied the weight of information systems on revenue collection in local authorities. The study established that there is a relationship between information systems and equal competence and helpfulness in revenue collection as 97% of the respondents strongly agreed however the complete implementation of the system was disrupted by the council's staff resistance to change.

The researchers used structured cross section survey to collect data where primary data was collected through questionnaires. They concluded that investment in information, communication and technology has a favourable outcome on revenue collection. They also added on to say that the implementation of electronic pay systems for council transactions reinforces efficiency due to timely revenue collection. Hence the researchers majors findings where that there is a strong relationship that exists between revenue collection and information systems and concluded that investment in electronic payment systems for council transactions reinforces efficiency due to timely revenue collection.

**An Evaluation of Local Revenue Collection Performance and Service Delivery in Local Governments: A Case Study of Kaliro District Local Government, Uganda. Tabuza, M. (2013).**

Machingauta (2014) noted that this research study set out to evaluate the local revenue collection performance and service delivery in Kaliro district local government. The findings showed that revenue collection and service delivery go hand in hand. Descriptive, explanatory and associational research designs were used to establish the relationship between the variables. Questionnaires, interviews and observations were used to collect qualitative data while quantitative data was obtained through computation and analysis. A direct link between service delivery and revenue collection was finally unearthed and also indicated that the major failure in local authorities is poor revenue collection.

**The Challenges of Self-Financing in Local Authorities: The Case of Zimbabwe, Zhou G. And Chilunjika A. (2013)**

Zhou and Chilunjika (2013) examined the self-financing efforts in local authorities against a backdrop in transfers from treasury. Results indicated that local authorities' self-financing base was compromised by limited revenue base, failure to devise long range revenue optimizing strategies and political interference and other interlocking factors.

The research concluded that self-financing remains a daunting challenge in both rural and urban councils and contributing factors include increasing demand for service by local residents against revenue generating capacity and many more. The researches major findings were that local authorities are failing to self-finance their operations which was evidently affecting service delivery due to the shrinking revenue base which they have which is owed to the reliance on declining central government financing among other factors and that there



was need for there to be a clear and transparent revenue sharing mechanism between the state and sub-national structures.

**Revenue Generation: Impact on Government Development Effort. A Study of Selected Local Council in Kogi East Senatorial District, Nigeria. Edogbanya, Adejoh and Sule J.G (2013)**

Edogbanya and Sule (2013), mainly focused on the extent to which revenue generation had impacted on the development of local authorities. The research obtained the following results; that there was a substantial association between revenue generated and developmental efforts among local authorities, inadequate revenue to maintain the existing infrastructure, poor service delivery to local areas and lack of basic social amenities to the rural people. The researchers concluded that the spending assignment should match with revenue generating powers in order for local authorities to discharge their functions properly.

**A Review of Revenue Generation in Nigeria Local Government: A Case of Ekiti State. Olatunji O.C, Taiwo O, A and Adewoye J. O (2009)**

Olatunji et al (2009), focus on the review of revenue generation in the Nigerian local government and they found out that half of the respondents said people in the local government area are suffering from uneven distribution of social amenities, while half said they are not encountering such problems. The study identified that there was dishonesty among revenue collection officials such as printing receipts resulting in releasing adverse expected revenues.

In an attempt to give an in depth analysis, the researchers finally place emphasis on the types of revenue generation strategies that are relevant including the amount and associational problems faced by tax collectors.

**Corruption in Zimbabwean Urban Local Authorities: A Case of Gweru City Council Zimbabwe. A Sithole (2013)**

Sithole (2013), identified corruption as a factor that affects service delivery and the study was aimed at analysing corruption in its different forms, anti-corruption measures that have been put in place, challenges faced in the implementation of those strategies and what should be done to improve them. The researcher identifies corruption activities that impact negatively on service delivery, which includes gross mismanagement of council funds, bribing of council workers and misuse of council assets.

The researcher revealed measures, which include internal and external auditing, whistle blowing, punishing offenders and use of code of conduct among other strategies. However the study identified that the strategies have not been fully implemented to make them totally effective.

**The Challenges Facing Local Authorities in Revenue Collection and Utilization, in Western Province. A Case of Kakamega Municipal Council. Kenya. Kerudo O. E. (2012)**

Kerudo (2012) pointed out the extent to which revenue was collected and utilized at council with an opinion to suggest remedial procedures. The study indicated that local authorities are facing problems of raising revenue and highlighted some of the challenges as over employment leading to supervision problems and poor budget formulation. Also, there was

non-payment of rates by residents and administrative problems such as corruption, lack of legal action on revenue collection by local authorities and poor internal revenue generation.

The major findings of the research were that local authorities are facing challenges in revenue collection which leads to poor budget performance. The researcher concluded that non-payment of rates by residents and lack of legal action on revenue collection among others contribute to revenue decline; hence councils should improve on revenue collection.

In all the studies mentioned above it is evident how local authorities in various countries are facing challenges in terms of revenue collection which in turn affects service delivery. Issues to do with corruption, compliance levels and non-payment of ratepayers were highlighted as contributing factors to the decline in revenue in local authorities. Various suggestions were given to improve revenue collection such as expanding internally generated revenue through investing in electronic systems and minimising corruption so as to ensure effective and efficient service delivery.

## **2.7 Lessons from Global Experiences**

### **Ireland**

Zhou et al (2013) noted that the bulk of local government funding in Ireland is from central government in the form of general purpose grant and government grants and subsidies, followed by revenues from commercial rates, although the extent of self-financing varies across the country (Spotlight; 2010). The city councils have more scope to raise revenue from commercial rates and charges. It should be noted that until 2009, Ireland traditionally had no tax on property, scenarios saw the Commission of Taxation (2009) making efforts to widen the revenue base through the introduction of property (domestic and commercial) and other

financing measures such as water and waste charges, planning fees and housing rents as well as replacing the exchequer support which increased revenue generation from local sources and cost recovery for certain services such as domestic water by 2014.

### **United States of America**

Zhou et al (2013), elaborates on how local authorities in America have the power to tax and spend money and they mobilize over 65 percent of their own revenues, the rest is either sourced from state and federal governments. Intergovernmental transfers are in the form of grants (restricted and unrestricted), state sales, income and gasoline tax revenues from states. Decades have also witnessed efforts by voters to restrict revenue-raising actions of local authorities by requiring that all local revenue raising actions (taxes, fees, charges), are approved by two thirds or more of voters (Ibid 2). Major sources of internal revenue include property tax on homes and commercial real estate, sales tax, individual local income tax, and user fees (Berman; 2003). Ancillary revenue sources include locally owned enterprises such as state run alcohol beverage stores, issuance of local bonds, contracting out city services and also through partnerships with other local governments.

### **Bolivia**

Zhou et al (2013) states how municipalities in Bolivia receive guaranteed transfers that include stipulated shares of proceeds from federal taxes on income, industrial production and rural property as well as from state value added tax and state tax on vehicle ownership. There are also intergovernmental fiscal transfer systems (IGFTs), which take the form of general revenue sharing agreements under which local government receives a stipulated share of national fiscal revenue (Nickson; 2011). Local governments also raise own taxes (on vehicles

and real estate) and can apply for funding from national development funds and international cooperation organizations' (Myers et al; 2002).

From the studies mentioned above it is evident that most local authorities in developed countries are performing well in terms of service delivery. This is attributed to their broad revenue base which includes intergovernmental transfers, state sales, and income and gasoline tax revenues from states among others. Also it is worthwhile to note that although local governments exercise fiscal autonomy the central government also supports the local authority in its activities and they also embark in partnerships. Hence local authorities in Zimbabwe should also adopt some of the strategies implemented by developed countries so as to improve their revenue base in order to improve service delivery.

## **2.8 Gaps in Literature**

### **2.8.1 Effects of Revenue Decline**

There has not been much research on the effects of revenue decline and how it has impacted local authorities in terms of their daily operations. Most researchers have focused on the sources of revenue in local authorities, the causes of revenue decline or the challenges in revenue collection and the strategies of improving revenue. The effects or the impact of revenue decline or the failure to effectively collect revenue in local authorities have been overlooked.

Some researchers have looked at the effects of revenue decline in the broader sense and only generalized it to poor service delivery, however there are other effects which should be noted which are being experienced by local authorities and these are seriously hampering operations internally. Revenue decline has affected council budgets as what they would have

budgeted for at the beginning of the year does not match with the revenue they receive during the year hence this affects service delivery.

Revenue decline has resulted in poor infrastructure development, which is owed to the lack of funds to purchase or to maintain infrastructure such as water pipes, and a lot of non-revenue water is being lost. Also, local authorities are failing to remit their statutory obligations to various institutions such as Zimra, NSSA, and LAPF, which has resulted in local authorities having their accounts garnished.

Moreover decline in revenue has resulted in serious salary backlogs, which has seen most local authorities owing their employees over 6 months' worth of salaries and this has ultimately impacted local authorities as is evidenced by high staff turnover leading to the loss of competent staff and in some other cases this has resulted in industrial action which disrupts service delivery. Also decline in revenue has affected local authorities as is seen how this results in the decrease in the city status, which drives away potential investors.

Furthermore researchers did not consider some factors, which are currently affecting revenue collection in local authorities, which are resulting in revenue decline. There is lack of competence as some low level employees are not skilled for their jobs as they are recruited on the basis of political patronage hence this affects their performance in executing duties in relation to revenue collection strategies. For senior officials, some have been in acting positions for a long time hence they lack confidence to implement revenue enhancement strategies and they do not take responsibility in being effective towards service delivery. Also ratepayers are not paying their dues to council as they no longer trust councils as they are not actually seeing what council is doing with their monies in terms of service delivery but at the

same time this is also affecting the capacity of local authorities to provide services to the people.

## **2.9 Summary**

This chapter looked at the views of other researchers regarding revenue in local authorities. The term revenue was defined and the chapter also elaborated on the sources of income for local authorities and the causes and challenges of revenue decline. It also presented empirical evidence and global experiences in terms of revenue collection. The chapter went on to present the gaps in literature in terms of revenue and it was noted that the effects of revenue were not discussed or researched in length. The next chapter looks at the research methodology of how the research was conducted and the methods of data collection which were used.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

The previous chapter explored the different views of several scholars on the topic under study. It highlighted the sources of revenue, and the causes and effects of revenue decline in local authorities. This chapter used the insight obtained from the literature review in the previous chapter which enhanced and guided the research process. The chapter discussed the manner in which the research was conducted and the methods which were employed by the researcher so as to come up with findings which were related to the research objectives. The target population was defined and contents of the research process were discussed together with reliability and validity issues. The specific methods and the field procedure were followed in collecting data so as to answer research questions. The research carried out both desk (secondary research) and field (primary research) to achieve the aims of the dissertation. All in all, this chapter elaborated on the research design, research instruments, data collection procedures, data presentation and analysis plan.

#### **3.1 Research design**

A research design refers to all issues involved in planning and executing a research project from identifying the problems through reporting and publication of results, (Avison; 2005). Burns et al (2003) define a research design as “a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings.” The research design is used to structure the whole research and to show how the major parts of the research, work together to address the research questions. According to Schindler (2003), a



research design is the plan and structure of investigation concerned with obtaining possible answers to the research thus the goal of the research design is to provide results which are credible and resemble reality and are taken to be true and reasonable.

Generally, a research design which minimises bias and maximises the reliability of the data collected and analysed is a good design, (Kothari; 1988). The design involves the use of sampling techniques, sample size population and instruments such as interviews and questionnaires. The study employed both qualitative and quantitative methods. The basis behind using qualitative and quantitative techniques is not generally explanatory only but rather utilized in constructing rich descriptions and explanations of human phenomena (Blance et al; 2006).

### **3.1.1 Qualitative research design**

Qualitative research design is a generic term for investigative methodologies described as ethnographic, naturalistic or participant-observer research, (Longhurst 1997). It focuses on specific situations or people and emphasizes on the importance of looking at variables in the natural setting in which they are found in. According to Walcerz (2001), using qualitative research design brings out the advantages of providing answers to questions raised as it focuses on the affected population as it gathers various surveys.

Also the objective of explorative research is to gather preliminary information that will help define problems and suggest a hypothesis, (Kotler; 2006). The use of a variety of instruments resulted in data triangulation which itself validated the findings of the study by confirming or rectifying data sought through different instruments when investigating issues concerning revenue decline. Qualitative research concentrates on the way groups of people can have

numerous ways of looking at reality and emphasis on experiences, reports or data which cannot be conveyed statistically, (Hancock et al; 2009). The verbal and descriptive data was important as it helped to obtain accurate information on the causes and effects of revenue decline at Gweru City Council.

### **3.1.2 Quantitative research design**

Quantitative research design is used to permit statistics which quantifies the area under study. Quantitative research was important as it helped to present findings clearly and precisely using graphs, tables, frequency tables, histograms and pie charts. According to Given (2008), quantitative research is the systematic empirical investigation of observable phenomena via statistical, mathematical or computation techniques. The researcher employed this design as it yielded an unbiased result that was generalized to a larger population.

### **3.2 Target population**

According to Brink (1996), a population is the entire group of persons or objects that are of interest to the researcher or meets the criteria that the research will explore. The population represents the sampling frame from which the sample is drawn from, (Saunders et al; 2003). A population is a collection of the observation of random variables under study which one is trying to draw conclusions from and it is defined in specific terms to include only those sampling units with characteristics which are relevant to the problem, (Wegner 2000).

The identification of targeted population is important to ensure that it consists of people who have relevant information sought by the researcher, (Lincoln et al 1995). According to the report of the Chamber Secretary on Human Resources of September 2016, Gweru City Council has an establishment 1170 employees. The researcher used the following target

population which included, 12 members of the management team and 12 members of the workers committee who are part of the total establishment and are also responsible for the implementation of revenue enhancement strategies. The researcher also targeted a population of 1000 members of the Gweru residents and ratepayers association out of an estimated population of 300 000 people in Gweru because council communicates its intended revenue collection activities through associations like these. The researcher also included 3 members of the Caretaker Council who are policy makers and influence the behaviour of the ratepayers since they represent the wards. This is shown in the table below:

**Table 3. 1 Target population size**

<b>Class</b>	<b>Population size</b>
Caretaker Council	3
Heads of departments	12
Workers Committee	12
Gweru Residents and Ratepayers Association	1000
Total	1027

### **3.4 Sampling**

Cochran (1997), defines sampling as the process of selecting units from a population of interest to represent the whole population. Compelling reasons for sampling include lower

costs, greater accuracy of results and greater speed of data collection. The importance of a sample is that it is representative, adequate and homogenous. Hence the sample chosen should be representative of the greater population. Kumar (2000), states that sampling is the range of some part of a comprehensive or totality on the foundation of which a conclusion or intervention about the aggregate is made.

According to Rosander (2001), “a sample has many disadvantages over a census or complete enumeration. If it is carefully designed, the sample is not only considerably cheaper but may give results which are just accurate and sometimes more accurate than those of the census. Hence a carefully designed sample may actually be better than a poorly planned and executed census.” Sampling techniques are used to develop an understanding of the issue through confirmation of assumptions and extension of knowledge towards the subject of the research. The researcher used judgemental sampling for the members of the Caretaker Council and Management Team and simple random sampling for the members of the Workers Committee and Gweru Residents and Ratepayers Association.

### **3.4.1 Sample Size**

The sample population of this study consisted of members of the Caretaker Council, Management team, Workers Committee and Gweru Residents and Ratepayers Association thus ensuring a balanced opinion of the topic under study. From a targeted number of 1027 people the population was divided into four strata and in the sample size the researcher considered 2 members of the Caretaker Council, 6 members of the Management team, 6 members of the workers committee and 25 members of the GRRA from the population giving us a total of 39 respondents. The researcher drew this population as it saved time and

data collection was manageable with fewer people being involved thus leading to higher overall accuracy.

### **3.4.2 Judgemental sampling**

According to Cohen (1980), judgemental sampling is the selection of elements to be included in the sample on the basis of personal judgement. This sampling method was used as it is was appropriate for a limited number of experts in the area of study. Saunders (2004), states that judgemental sampling enables the researcher to use own judgement to select cases so as to get answers to the questions and to meet the objectives. Kumar (2000), adds on to say that a researcher purposively selects and leaves out some respondents.

The researcher targeted 2 members of the Caretaker Council who were representative of council as they are policy makers and influence the behaviour of the ratepayers since they represent the wards. The researcher also targeted 6 heads of departments who were representative of management as they are policy implementers and are concerned with implementing revenue enhancement strategies. Hence from these two strata of the targeted population, judgemental sampling was effective as the research targeted officials who were well versed with knowledge and understanding of the area under study.

### **3.4.3 Simple random sampling**

This is a process of selecting and obtaining a sample in such a way that every member of the population has an equal chance of being selected. According to (Kothari 1984) simple random sampling is also known as chance sampling or probability sampling where each and every item in the population has an equal chance of inclusion in the sample and each one of the possible samples, in case of finite universe, has the same probability of being selected.

The researcher approached members of the workers committee, after the works council meeting and used the hat system and assigned numbers on pieces of paper and other pieces of paper were blank, which were picked by them. The questionnaires were given to those who picked the pieces of papers with numbers on them. The same was done for the members of GRRRA as the researcher approached them as they convened their monthly meeting and conducted the hat system whereby those who picked pieces of paper with numbers assigned to them were given the questionnaires to fill in.

**Table 3. 2 Population sample.**

<b>Class</b>	<b>Population size</b>	<b>Sample size</b>	<b>Sampling technique</b>
Caretaker Council	3	2	Judgemental sampling
Heads of departments	12	6	Judgemental sampling
Workers Committee	12	6	Simple random sampling
Gweru Residents and Ratepayers Association	1000	25	Simple random sampling
Total	1027	39	

### **3.5 Data collection instruments**

#### **3.5.1 Primary data**

According to Edmond (1998), primary data is something that originates from first-hand knowledge of the person or item referred to in the research. It is the original raw data collected from a research currently being undertaken. Neiswanger (2009) states that a primary source is a publication in which the data is published by the same authority which gathered and analysed them. The advantage of primary data is that it provides first hand information which is more reliable. Information was obtained by administering structured and unstructured questionnaires which were hand delivered and collected by the researcher.

##### **3.5.1.1 Questionnaires**

Questionnaires are a set of questions which can be answered by targeted respondents of the research through various means that is either face to face interviews or a self-completion of structured or unstructured questions on paper, (Payne et al; 2004). Generally questionnaires consist of three sections namely the administrative section which records such information as the date, name and place of interview for both the interviewer and respondent. The second section describes demographic information about the respondents' gender or age, residential location, marital status, language among other things. The last section focuses on the major issues about the whole study.

According to Annum (2014), there are basically two types of questionnaire which are closed ended and open ended questionnaires. Closed ended questionnaires are answered in short and the answers mostly will be provided requiring just to tick on the appropriate relevant answer according to the respondents view. For the purpose of this research the use of closed questions clarified the meaning of a question to respondents by the availability of answers.

Open-ended questions allowed respondents to provide answers in their own expression and opinions and to make their inputs on the spaces provided on the questionnaires. The researcher chose to use these because they were convenient to use for the members of the GRRRA and the workers committee as they ensured that participants did not disclose their identity and that they had no fear of being victimised or intimidated after providing their views. The researcher constructed questionnaires which were composed of simple and direct questions.

### Merits

- It allowed for the collection of data in large quantities hence it was cheap and time saving
- It allowed for the involvement of a large number people such that it provided a lot of information.
- It allowed for the uniformity of questions making data easy to compare and analyse

### Demerits

- Some officials refused to give information.
- The information was difficult to compile as it involved figures
- Some questionnaires were not returned

### Solutions

- The researcher used Microsoft excel to ensure that the information was calculated accurately in terms of figures
- Information was also gathered from interviews to complement the shortfalls experienced such as the refusal of other officials to give information



### **3.5.1.2 Interviews**

According to Polit et al (1991), an interview is a means of gathering data by interaction between an interviewer and interviewee. They are closely related to questionnaires although interviews are an independent entity. One on one interviews give more information as the interviewed people can elaborate more on issues being asked.

However, in some cases some respondents may be sensitive and emotional hence the researcher conducted structured and semi structured interviews. Face to face interviews were conducted with selected participants from the Caretaker Council and the Management team and this allowed the researcher to get first-hand information, which was not biased. Also this allowed for easy interpretation of some issues through other forms of register, body language and facial expression used by the respondents.

#### **Merits**

- It was a faster and flexible way of collecting information.
- There was room for explanation to clarify some issues.
- The researcher was able to observe non - verbal responses during the interview.
- Additional information, which was equally helpful, was divulged.

#### **Demerits**

- It was time consuming
- It was difficult to get hold of some respondents as they were busy with their day to day council activities

## Solutions

- The researcher managed time effectively and allocated enough time for each interview
- The researcher ensured that she arrived early so as to meet the respondents as they reported for work in the morning before they left their offices to attend to other business

### **3.6 Secondary data**

According to Dennis (1999), secondary data is collected from already existing records that helps the researcher to come up with a historical background for the study. It is also referred to as documentary data which is information of existing records which was previously collected for other purposes. Neiswenger (2009) states that a secondary source is a publication, reporting the data which was gathered by other authorities and for which others are responsible.

Livesey (2006), adds on to say that understanding secondary sources of data includes the researcher using the already available data which had been produced by other researchers. In this research, the researcher used journals, past and current newspapers, reports and council minutes which had necessary information for this research and they were compared so as to come up with ideas, analyses and recommendations. Secondary data was therefore less expensive as it was found in one place either within the organisation from its council minutes and reports, the Midlands State university library or on regularly updated websites.

### **3.7 Pretesting**

After the researcher was done with designing the research instruments, there was need to test them prior to the actual data collection. Kumar (2011) noted that pre-testing is a process that entails preliminary and critical examination of getting to understand aspects in research instrument and the meaning as understood by the respondents. Interviews and questionnaires designed for this research underwent pre-testing and the following was hoped to be achieved:

- Determining if the research will be successful or not and the reasons for it to be successful or not.
- Coming up with estimated time, budget and resources which will be required for the research.
- Determination of the validity, effectiveness and reliability of the study.
- Establishment of research procedure and workability.
- Gathering preliminary information and measuring the proposed analyses techniques of data
- Making adjustments after the identification of ambiguities and irregularities in the research instruments.

The first thing the researcher did was to go through the questions for the interviews and questionnaires with the help of a classmate which allowed the researcher to take note of problematic words or questions. After that the researcher conducted the pre-test and asked for the assistance of the Administrative Officer at Gweru City Council, who was not part of the sample population but had relevant knowledge on the organisation and topic under study. By so doing this helped the researcher to get a better idea of how the sample was going to really react.

### **3.8 Validity**

Validity is concerned with whether the findings are really about what they appear to be. According to Saunders et al (2009), validity is the extent to which data collection methods accurately measure what they were intended to measure. Also, validity can be defined as the extent to which a test measures what it is supposed to measure and also the appropriateness with which inference can be made on the basis of the test results. Hence validity is in terms of how an instrument actually measures the concept in question and whether the concept is being measured accurately. In order to incorporate validity in the study, the researcher ensured that each question was related to the problem and that it was going to achieve the objectives of the study.

### **3.9 Reliability**

Reliability refers to the degree to which data collection methods will yield consistent findings, (Saunders et al; 2009). The reliability of a research instrument is concerned with the extent to which it yields the same results on repeated trials. According to Litwin (1995), reliability is a statistical measure of the reproducibility of the survey' instruments data. Hence reliability refers to stability, consistency, accuracy and dependability of the instrument. To ensure that research instruments were reliable the researcher formulated questions that cover the content of each objective.

### **3.10 Ethical considerations**

This refers to the moral standards that the researcher should consider in all research methods in all stages of the research design. According to Fowler (1984) ethics are a moral set of laws and codes of conduct used in the gathering, examination and publication of researched information. Ethical research standards help to promote the aims of the research which

include truth, knowledge and avoiding errors as they prohibit against misrepresentation of information, fabrication and falsification.

The research should ensure that participants' names or personal details and individual opinions will not be used for any other business but for academic purposes only. Benater (2001) adds on to say that it is vital to include the interests of the whole population and that there should also be consideration of the concepts of rights, autonomy and respect. Hence the research took into account all necessary steps that ensured confidentiality in the collection of information from respondents in the study.

### **3.11 Data Collection Procedures**

The researcher sought permission from the relevant authorities at Gweru City Council. This was done in compliance with research ethics which bids a researcher to seek permission from responsible authority before proceeding with the research. This is done so as not to invoke fear into the participants who will be disclosing the information they have concerning the question under study by the researcher. The researcher kindly introduced herself to the participants as a Local Governance Studies student at the Midlands State University conducting an academic research on the mentioned topic. The researcher clearly explained that the research was merely meant for academic purposes only. To those who wanted to retain anonymity the researcher did not force or use their names without their knowledge as the researcher was obliged to follow research ethics and to uphold the rights of the participants.

### **3.12 Data Presentation and Analysis**

In presenting the data the researcher used tables, graphs and pie charts. These tools are much easier to use as methods of data presentation and they are easy to understand and interpret. Complementing these methods of data presentation is data analysis whereby an explanation is given concerning the data presented.

According to Taylor (2007), gathering data is not an end on itself therefore it must be analyzed and observed to see what data it can present out of it. Densombe (2007), adds on to say that the main format for presenting qualitative data is narrative in nature therefore it needs to be supported by evidence from raw data which can be presented as direct quotes, or paraphrased to support and illustrate themes.

### **3.13 Summary**

This chapter focused on how this research was carried out and described all the activities that were carried out throughout the research process. For the purpose of this study the researcher used both qualitative and quantitative research designs. Qualitative research design ensured flexibility in that it is was descriptive and quantitative research design helped to clearly and precisely present findings through the use of graphs, frequency tables and pie charts. The participants for the study were selected from the Caretaker Council, Management team, Workers committee and Gweru Residents and Ratepayers Association. The researcher employed the use of interviews and questionnaires and ensured that the information was valid and reliable. The next chapter was centred on data presentation and analysis and interpretation of the research.

## **CHAPTER IV**

### **DATA PRESENTATION AND ANALYSIS**

#### **4.0 Introduction**

The previous chapter looked at how this research was carried out and described all the activities that were carried out throughout the research process. This chapter focuses on the analysis and presentation of the raw data that was gathered in the research field at Gweru City Council. The data was collected through interviews and questionnaires and use of documentation. The information obtained from the field was organized, analysed and presented to give results in relation to revenue decline at Gweru City Council. The findings helped to determine whether the objectives of the study were met that is; identifying the main sources of revenue, the causes and impacts of revenue decline, and the possible solutions to enhance revenue. In the illustration of the findings, the results were presented in the form of tables, graphs and charts.

#### **4.1 Data Collection Process**

The questionnaires were administered in Gweru in areas such as the light industry areas where most of the members of the resident and ratepayers association are employed and at the works yard located next to the Kudzanai bus terminus where members of the workers committee are stationed. The interviews for the members of the Caretaker Council and the management team were conducted at the Town house. The following steps were taken by the researcher to collect the data in the field:

1. The researcher sought for permission to carry out the study and permission was granted by the Administrative officer.

2. The researcher handed out questionnaires to members of the GRRA and workers committee.
3. The researcher then went on to conduct interviews at the Town house with members of the Caretaker council and Management team.
4. The researcher collected the questionnaires and then compiled the information that had been obtained from the field from the questionnaires and interviews.

## **4.2 Response Rate**

This gives the researcher the opportunity to assess the relevance of the results from the field so as to come up with the percentages of the respondents who were able to respond. This facilitated the analysis and presentation of data, which was collected. A high response rate indicated the researcher's ability to successfully administer questionnaires and to conduct interviews and thus coming up with meaningful information.

### **4.2.1 Questionnaire Response Rate**

The questionnaires used in this research were self-administered by the researcher and this helped the researcher to get responses faster and the respondents were able to ask for clarification when they were completing them. A total of 26 people were given the questionnaires, that is 6 for the workers committee and only 5 were returned and 25 for the members of GRRA and 20 were returned. Hence from the entire targeted sample not all the respondents participated due to lack of free time as some of them were busy and concentrating on their daily business. The following table illustrates the response rate for the questionnaires:



*Table 4. 1 Questionnaire Response Rate*

<b>Group targeted</b>	<b>Questionnaires administered</b>	<b>Questionnaires returned</b>	<b>Response rate %</b>
Members of Workers committee	6	5	83 %
Members of GRRRA	25	20	80 %

Source: primary data 2016

### **Analysis for Questionnaire Response Rate**

Table 4.1 gives a summary of the response rate for the questionnaires that were handed out to the participants. From the above table one can see that for the members of the workers committee, 6 questionnaires were administered and only 5 were returned to the researcher for compilation thus representing a total response rate of 83%. The other questionnaire was not returned because the respondent had lost it. The response rate for the members of the GRRRA was 80% as 25 questionnaires were administered and only 20 were returned. The other questionnaires were not returned due to the work commitments that the respondents had and thus they failed to fill in and return them. Hence the overall representation of the targeted respondents constitutes:

$$83\% + 80\% / 2 = 86\%$$

According to Punch (2008) cited in Chabata (2016), response rate of 50% is generally a representation of the population and any percentage lower than that proves to be biased and not fully representative of the entire population. The overall response rate of 86% justified the basis of creating conclusions and recommendations for this research.

#### 4.2.2 Interview Response Rate

The researcher used interviews for the study to obtain primary data, which is much faster. Interviews allowed the researcher to get in depth information, as the interviewer was able to ask more questions other than those on the interview guide. A total of 8 people were supposed to be interviewed, that is 2 members of the Caretaker Council and 6 members of the Management team. Hence from the entire targeted sample not all the respondents participated due to lack of free time as some of them were busy attending to meetings. The following table illustrates the response rate for the interviews:

*Table 4. 2 Interview Response Rate*

<b>Grouping</b>	<b>Targeted responses</b>	<b>Actual responses</b>	<b>Response rate %</b>
Members management team	6	5	83%
Members of the caretaker council	2	2	100 %

Source: primary data 2016

#### **Analysis for Interviews Response Rate**

The responses for the interviews were generally high especially with regards to the members of the Caretaker Council. From a targeted number of 2 members of the Caretaker Council the interviewer managed to interview the two members who positively responded to the interview questions thus representing 100% response rate. As for the members of the management team, from a targeted population of 6 people the interviewer managed to

interview 5 people that is the Director of Housing, the Director of Health, the Chamber Secretary and the Acting Director of Finance and the Director of Engineering Services. The interviewer failed to get hold of the Acting Town Clerk, as he was busy attending to council business. The response rate for the management team is 83%. Hence the average response rate for interviews is:

$$100\% + 83\% / 2 = 96\%.$$

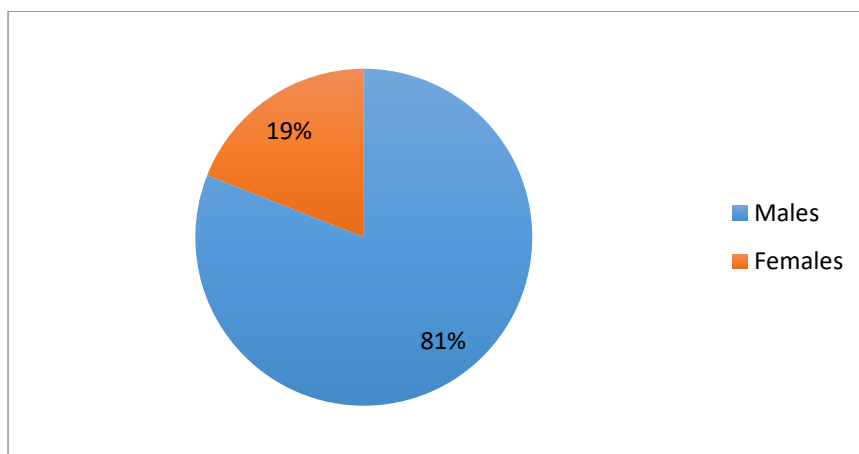
The overall response rate of 96% justified the basis of creating conclusions and recommendations for this research.

### 4.3 Research Findings

#### 4.3.1 Sex Demographics

The research reflected that greatest number of respondents at City of Gweru were males from both interviews and questionnaires and they constituted 81% of the sample population whilst the females constituted 19%.

*Fig 4. 1 Interview response rate*



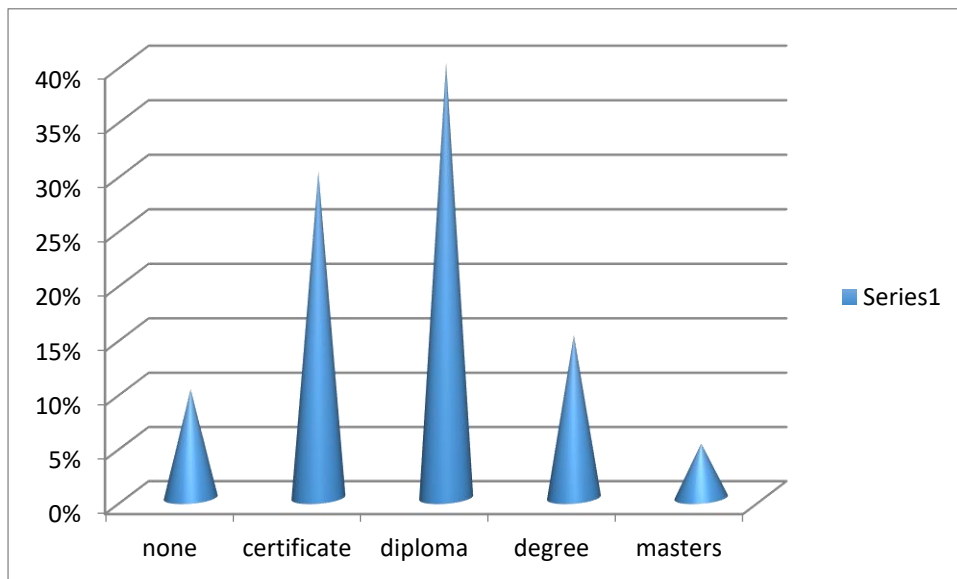
Source: primary data 2016

## Analysis

The information above shows that males are still dominant in the employment industry and many public offices. This is evidenced by how all the heads of departments who were interviewed in the research were only males which shows how males dominantly hold top positions and have a greater influence than women in terms of the day to day running of the local authority hence management is not gender sensitive in terms of representation which affects policy formulation and implementation in relation to revenue generation.

### 4.3.2 Academic Qualification

*Fig 4. 2 Academic Qualification*



*Source: primary data 2016*

## Analysis

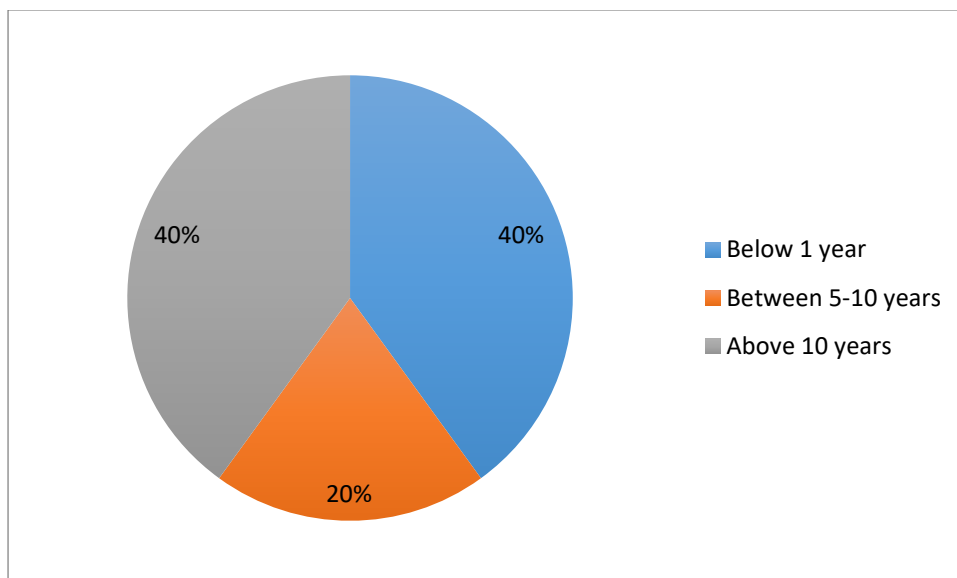
In the study respondents comprise of 10% who do not have any academic qualifications, 30% with certificates, 40% with diplomas, 15% with degrees and 5% with masters. The population

has a high level of education as most of the respondents have diplomas and certificates hence they have an appreciation of the subject. Thus the researcher found useful responses from the respondents in relation to revenue decline at Gweru City Council.

#### 4.3.3 Work Experience for Members of Management

There were 5 members of management who were interviewed and their work experience is illustrated below:

*Fig 4. 3 Work Experience for Members of Management*



Source: primary data 2016.

#### Analysis

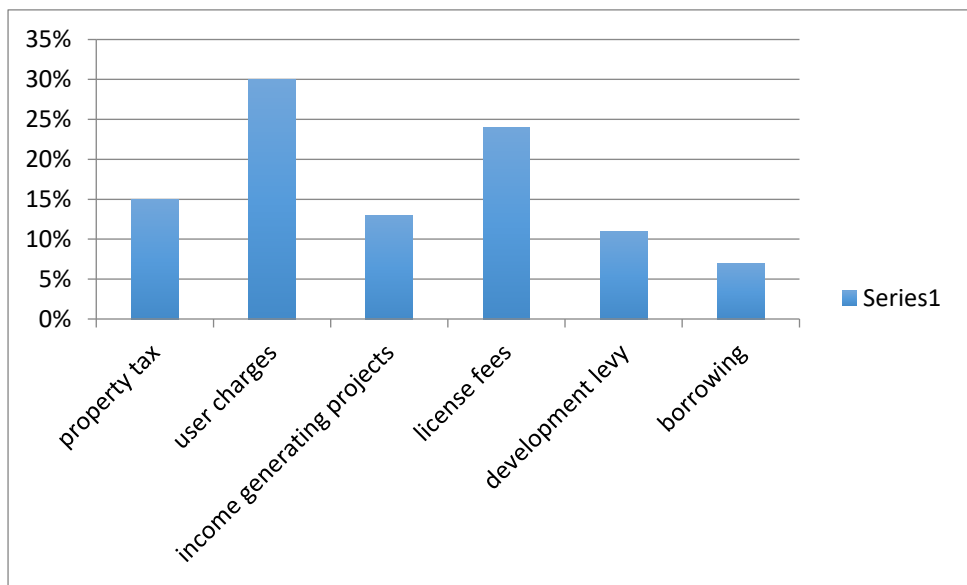
There were two members of Management that is the director of Engineering Services and the Director of Housing and Community services who have been in the organization since April 2016 as they were recently appointed to their positions, which have been vacant for some time. Their work experience constituted to 40% of the total sample and this proved that they have not been with the organization for a long time for them to actually relate to some of the challenges in the organization, which has been contributing, to revenue decline. The

percentage for those between 5- 10 years is 20% and this includes the Director of Health Services who has been recently promoted to that post, as he was part of middle management as Assistant Director of Health Services before. Hence his work experience is sufficient enough for the subject under study. Lastly there were members of management who have been with the organization for over 10 years that is the Chamber Secretary and the Acting Director of Finance and they contributed to 40%. Their work experience is therefore valuable as they are well equipped with the knowledge of the organization and are well versed with the topic under study.

#### 4.4 Sources of Revenue

The information collected from the questionnaires revealed the following sources and their contribution to revenue at Gweru city council: property tax 15%, use charges 30%, income generating projects 13% , license fees 24%, development levy 11% and borrowing 7%. This is illustrated below:

*Figure 4.4 Sources of Revenue*



Source: primary data 2016

## **Analysis**

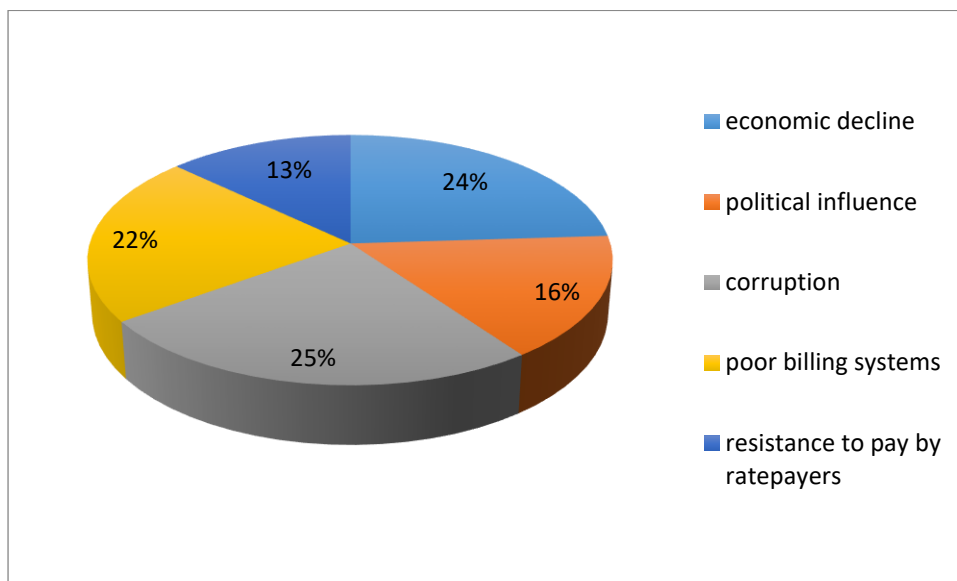
The bar graph above shows that most of the respondents pointed out that user charges were the major source of revenue for Gweru city council and Rondinelli et al (1993) states that user charges have the potential improving revenue as consumers pay for what they use thus reducing wasteful usage in resource allocation. License fees is rated second as income comes in the form of shop licenses from business owners. Property tax is rated third and contributes 15%, and Coutinho (2010) reiterates that property tax if properly managed can be the main source of funding for council activities. Borrowing has a lesser percentage as the government has since stopped giving local authorities grants to subsidize what they receive from its own revenue sources. The percentage for income-generating projects is also as is evidenced by how Go-beer breweries, which was one of the councils, major income-generating project was shut down and Coutinho (2010) states that some of these ventures to generate revenue are underperforming due to abuse of council property and assets by both workers and councillors.

The information also gathered from the interviews substantiates the data from the questionnaires as the respondents from the management team also highlighted user charges as their major source of revenue. They also mentioned fees charged for shop licenses, vending and parking as major sources for the council. They highlighted how they were also receiving revenue from beer levy; plan approval fees although at minimal levels. They mentioned that property tax was one area that could boost their revenue and as Coutinho (2010) emphasizes on the fact that property tax can be a viable source of income for local authorities, however Gweru City Council is not receiving much revenue from that source as people are not finishing up their payment instalments for stands and also there are no up to date records on property ownership due to poor technology.

#### 4.5 Causes of Revenue Decline

The study revealed that the respondents viewed corruption as the major cause of revenue decline as it contributes to 25%, followed by economic decline, which is 24%, poor billing system 22%, political influence 16% and resistance to pay by ratepayers which is 13%. This is illustrated below:

*Fig 4. 4 Causes of Revenue Decline*



Source: primary data 2016

#### Analysis

Corruption constitutes a larger percentage for the causes of revenue decline as highlighted by the workers representatives and the residents association. This is against a background where it has been alleged that there are corrupt activities such mismanagement of funds as is evidenced by how it was alleged that council officials were embarking on unfruitful expenditures such as study tours thus this contributes more as people assume the decline in revenue is owed to mismanagement. Kunaka (2002) supports how corruption leads to revenue decline as funds earmarked for development purposes are often diverted towards other things, which do not benefit the community.



Secondly there is economic decline, which is also affecting local authorities and Ndlovu et al (2005) asserts that local authorities are failing to raise sufficient revenue as a result of the failing economy. This has resulted in the closure of industries leaving a lot of people unemployed and unable to settle their bills, as they do not have disposable income to pay bills to council. It is followed by poor billing systems whereby statements are not given out on time hence people tend to relax in paying bills when they do not receive their statements on time. Also when bills do not arrive on time people end up paying other bills instead of prioritizing on paying what they owe to council Also people do not like the long queues in the revenue halls hence this results in them being reluctant to pay their bills. The research conducted by Otieno et al (2013), concurs with the fact that the absence of electronic payment systems in local authorities affects revenue collection hence there is a need to invest in information systems to improve revenue collection.

Political influence is another contributing factor as a lot of people who are anticipating for the repeat of the 2013 Ministerial directive, whereby the former Minister of Local government Dr Chombo issued a directive for councils to write off debts owed by ratepayers however this left an enormous and crippling debt burden for the local authorities as their revenue inflow was affected thus resulting in revenue decline. The management also substantiated in the interviews how the political situation is also affecting the council's capacity to generate enough revenue to carry out its activities. They elaborated on how party politics is affecting the implementation of sound policies to improve revenue as there is no unity between councillors and management as is shown by how they undermine each other's authority. Cohen (2010) supports this view as he states that whenever there are different political parties with different political ideologies in the local authority, the chances of reaching common

consent is reduced to a minimum. It is also alleged that some councillors tend to drift from their responsibilities as they formulate policies to impress their electorates rather than crafting policies, which contribute to the improvement of revenue inflow and better service delivery.

Lastly there is resistance by the ratepayers, as they now no longer trust council to provide services, as they are not receiving value for their money. The respondents from the Caretaker Council also pointed out that the residents now have mistrust with the local authority in terms of the failure to provide services hence they are now unwilling to pay their bills. They reiterated that people pay their bills when they have confidence and the moment you erode confidence they do not pay. Hence the residents have lost trust with the local authority especially as a result of the alleged charges of mismanagement of funds levelled against the local authority thus contributing to their resistance in paying their bills. This is in line with view of Mclean et al (2008) who pointed out how the financial performance of local authorities is affected by the capacity and compliance of ratepayers and consumers to pay services.

However information gathered from interviews brought to light other factors that are causing revenue decline. The members of the management team reported that there is a dilemma amongst ratepayers due to the introduction of bond notes in the country hence people are not paying their bills but rather holding onto their US dollars for trading purposes. They also explained on how the suspension of councillors has affected revenue collection, as there are only 3 councillors at the moment representing their respective wards. However the other wards are not being represented by anyone and there are no ward development meetings taking place so as to encourage residents to pay their bills. So the residents are not in touch

with their councillors who are supposed to take note of their needs and find ways to ensure adequate service delivery. Gono (2006), also corroborates with this as he states that the lack of adequate communication between local authorities and stakeholders stalls progress in most cases.

Moreover they stated that due to lack of funds to repair and maintain equipment such as water pipes and pumps a lot of non-revenue water is being lost before it gets to the system. Also there are tendencies of illegal water connections and some water meters are non-functional hence where council is supposed to receive revenue through water sales, its actually losing a lot of money thus contributing to revenue decline. They elaborated on how the billing system at Gweru City Council is archaic and slow thus resulting people receiving their statements late making them relax in paying council bills. Lastly, the absence of qualified personnel at key positions has also caused revenue decline, as those on acting capacity are not able to make decisions, which are permanent and could improve the problem of revenue decline. The USAID (2006), substantiates this point by highlighting that, the lack of skills and ability to manage the collection of debt has affected the financial performance of many local authorities. The Caretaker Council went on to add that there was poor governance by management and councillors, which was resulting in the dishonesty by those who handle funds thus contributing to revenue decline.

#### **4.6 Effects of Revenue Decline on Employees**

The table below shows that late salary payment constitutes 33%, inadequate resources 24%, failure to receive benefits 25% and job insecurity 18%.

Fig 4. 5 Effects of Revenue Decline on Employees.



Source: primary data 2016

### Analysis

From the illustration above one can see that employees at Gweru city council are mostly affected by late salary payment. Due to revenue decline there now is a huge salary backlog and employees are not being paid on time hence this is a major factor affecting employees at Gweru City Council. Information gathered from the interviews also revealed that there was a decrease in employee morale as is evidenced by how their performance has decreased, as they are not receiving remuneration on time. Fjelstad (2000), reiterates on how the absence of incentives for staff affects their performance and demotivates them. This even saw employees embarking on an industrial action, which greatly affected the local authority and its effects, could still be felt up until now.

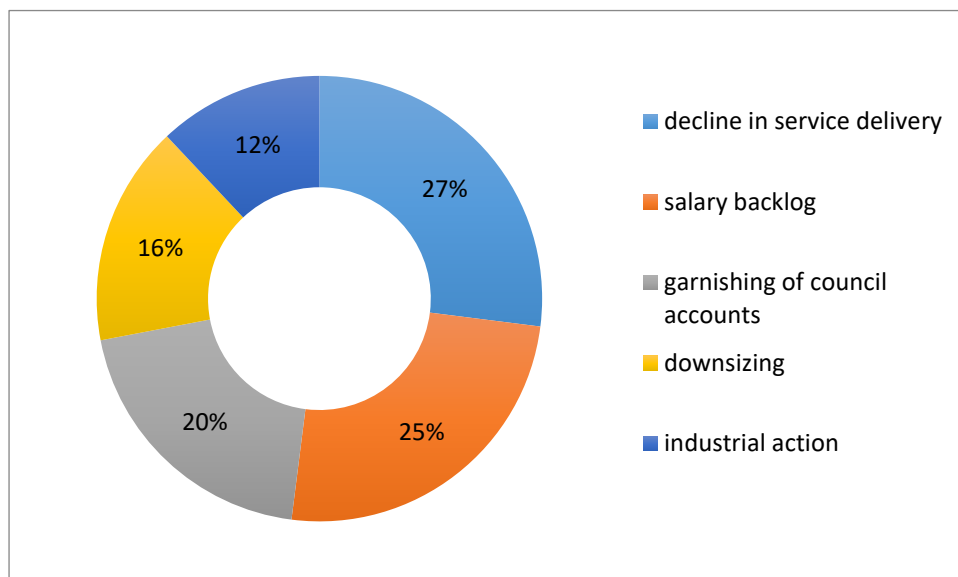
It is then followed by inadequate resources which is as a result of revenue decline as the local authority is failing to purchase equipment and materials such as protective clothing for employees to carry out their duties and this reduces efficiency.

The income they are receiving is not matching with the budgeted expenditure thus affecting the overall budgeting process. Sule et al (2013) highlights how there is a relationship between the revenue generated and the expenditure incurred thus if the income is less local authorities then fail to purchase equipment and materials to use towards service delivery. Employees are also not receiving benefits on time in terms of medical aid and funeral cover, as the local authority is financially incapacitated. Lastly there is job insecurity as most low level employees constitute a larger number of the workforce hence there is fear that management might resort to retrenchment as a way to relieve pressure on the local authority in terms of remuneration.

#### 4.7 Effects of Revenue Decline on the Organization

The effects of revenue decline on the organization constituted the following percentages: decline in service delivery 27%, salary backlog 25%, garnishing of council accounts 20%, downsizing 16% and industrial action 12%. This is illustrated below:

*Fig 4. 6 Effects of Revenue Decline on the Organization*



Source: Primary data 2016

## **Analysis**

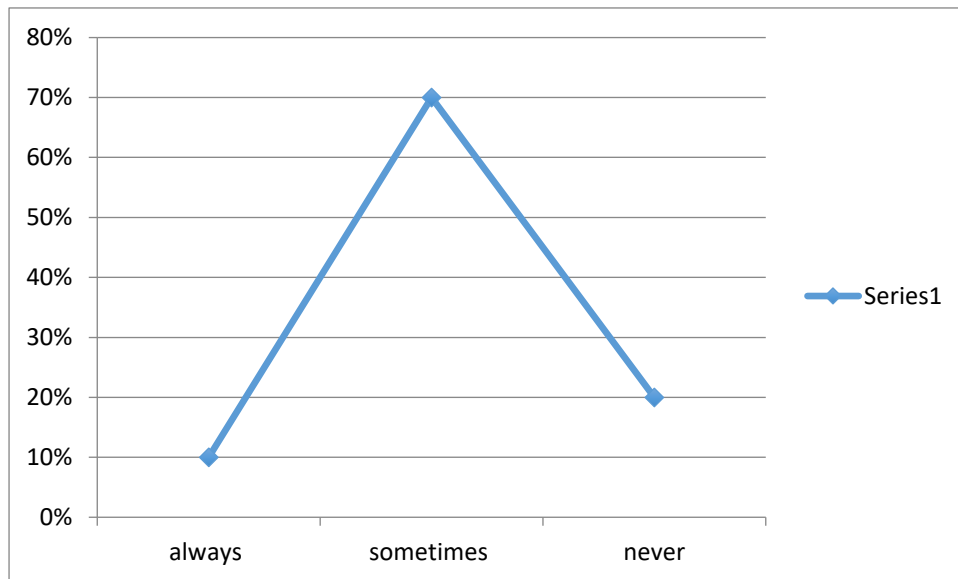
The illustration above shows that the major factor affecting the organization as a result of revenue decline is decline in service delivery. Wekwete (2006) highlights how the performance and operating conditions of many urban local authorities has become increasingly difficult and this is true as it is evidenced by the erratic water supply, pothole riddled roads, inconsistent refuse collection among others. This is closely followed by salary backlog, which constitutes 25% and is evidenced by how employees have gone for over 8 months without receiving their salaries.

Documentary information from the council's monthly reports from the Finance and Manpower Committee revealed that the council is failing to finance recurrent expenditure especially in terms of salary payment, as there is a huge salary backlog and it was highlighted that top management are 8 months behind, middle management are 7 months behind and shop floor employees are 6 months behind on salary payments.

Also revenue decline has resulted in the garnishing of council accounts by institutions such as ZIMRA and NSSA as council is failing to remit its statutory obligations to these institutions. Downsizing has also taken place as a result of revenue decline as the local authority could not manage to continue paying the large workforce. This was done through terminating the contract of employment for contract employees. Lastly the organization was once affected by industrial action, which saw operations at council coming to a halt in 2015, as employees were demanding their salaries. Even up until now the effects of that industrial action can be felt although at a minimal level as there is still mistrust between management and worker representatives.

#### 4.8 Frequency of Payment of Bills by Ratepayers

Fig 4. 7 Frequency of Payment of Bills by Ratepayers



Source: primary data 2016

#### Analysis

From the illustration above one can deduce that only a few people constituting 10% always pay their bills. This is a very small percentage considering a population of about 300 000 in Gweru, (Zimstats 2012), thus it shows that this is the number of people who form the councils revenue backbone. This is followed by, those who sometimes pay their bills and this shows that they are seasonal as they at times pay their bills or don't pay. This could be attributed to the issue of property ownership whereby those who at times pay are actually own the property hence they honour their bill payments and those who at times don't pay might be tenants. Mclean et al (2008), also supports this fact as they point out how revenue collection is affected by the capacity and compliance of ratepayers.

Hence this trend then results in the fluctuation of revenue inflow thus contributing to revenue decline. Lastly there are those who never pay their bills and this is attributed to those who are anticipating for the repeat of the 2013 Ministerial directive, which saw all local authorities

instructed to cancel all domestic debts. Cohen (2010) also substantiates on how politics affects the revenue collection strategies of a local authority hence contributing to the decline in revenue inflow as is evidenced by how ratepayers are unwilling to pay their bills in anticipation of the repeat of slashing of bills by the government.

#### **4.9 Efforts Made By Residents So Far Towards Revenue Enhancement**

The Caretaker Council highlighted that although there are still those who resist paying their bills but there has been vast and unwavering support from the ratepayers evidenced by how the revenue inflows have improved compared to the previous years where revenue had drastically declined. They mentioned that regardless of the economic challenges being faced by everyone Also the residents have been encouraged to come with the little that they have to make payment plans and they have been responsive. This is in line with the strategies highlighted by Hofer (2009), whereby he states that council should conduct public enlightenment and campaigns that will educate and encourage the taxpayer on the importance of prompt payment.

#### **4.10 Policies in Place to Improve Revenue**

The Caretaker Council highlighted several policies, which they are currently implementing so as to improve revenue at the local authority. They mentioned the introduction of the total place concept whereby the council adopts a system whereby people are served in a transparent and efficient manner so as to reduce cases of corruption thus ensuring that there are no revenue leakages and as highlighted by Hofer (2009), for effective revenue generation, transparency and accountability should be ensured. They also stated that they are inculcating a culture of leadership by example, which should start from the top cascading down so that the whole organization is in sync thus castigating corruption.



Furthermore they stated that they have introduced cost cutting measures on areas such as travelling and subsistence, which has been cut to 27%, and also an embargo on unnecessary travelling. Also they mentioned how that they have downsized on contract employees to solve the problem of revenue decline and are now emphasizing on efficiency and effectiveness of permanent workers. Moreover they pointed out how they have improved the collection of revenue through introducing the swiping system in all revenue halls and, which will be convenient enough for clients to pay their bills since there are cash shortages in the country. Fjelstad et al (2000) supports this by saying that improving the billing system can enhance revenue base of local authorities. Lastly they mentioned how they have brought sanity in terms of disciplinary and stability which was once disturbed by the industrial action and they have created confidence among workers as is evidenced by how they are now reporting for work.

#### **4.11 How Gweru City Council Has Gone In Improving Revenue Inflows**

The Caretaker Council mentioned that they have gone a long way in improving revenue as from August 2015 council was receiving 1.1 million in revenue but they have upped the stakes from the proceeding months to 1.7, 1,6 and as of August 2016 they have gone as far as 2.1 million. They concurred that these improvements are owed to the efforts that have been made through the assistance of the workers and management.

#### **4.12 Summary**

This chapter showed how the researcher presented the data collected from the field through graphs, tables and pie charts. The data presented in this chapter was gathered from questionnaires administered to the members of the workers committee and the members of

the GRRA. Also information was gathered through interviews conducted with members of the Caretaker council and management team. The findings pointed out the main sources of revenue, causes of revenue decline and effects of revenue decline at Gweru city council and the possible solutions suggested by the respondents. The following chapter provides a summary for the previous chapters and recommendations, and conclusions for the whole study.

## **CHAPTER V**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

The study focused on revenue decline in urban local authorities in Zimbabwe, with particular attention on Gweru city council. It brought to light the major sources of revenue, and the causes and effects of revenue decline at Gweru city council. In this chapter, a summary of the whole research project is outlined and conclusions and recommendations are drawn from the research findings.

#### **5.1 Summary**

The research was prompted by the evident decline in revenue inflows in most of the urban local authorities in Zimbabwe as the traditional sources of revenue have gone dry and this has heavily impacted on their performance. Chapter 1 of the study introduced the background of the study, statement of the problem, objectives and research questions, which guided the study. The statement of the problem pointed out how Gweru city council is failing to provide adequate services to the people as evidenced by poorly maintained roads filled with potholes, erratic water supply as most of the pipes are old and are not being maintained and a poor response in terms of service delivery. It also highlighted how Gweru city council as an organization was performing poorly as a result of revenue decline. Thus the researcher sought to investigate the sources of revenue, causes and effects of revenue decline and to come up with possible solutions to improve revenue at Gweru city council. The researcher also

provided the justification for the study, delimitations and limitations as well as definition of key terms.

The researcher went on to review literature in chapter 2 which focused on the views of other researchers regarding revenue in local authorities. The term revenue was defined and an elaboration on the sources of income for local authorities and the causes and challenges of revenue decline were given. The sources of revenue for local authorities were established as income earned from property tax, user charges, borrowing, government grants, license fees and development levies.

The researcher identified the following causes of revenue decline; poor billing, non-payment by ratepayers, corruption, political environment, lack of skilled expertise and poor economic conditions. It also presented empirical evidence and global experiences in terms of revenue collection. The chapter went on to present the gaps in literature in terms of revenue and it was noted that the effects of revenue were not discussed or researched in length.

In chapter 3 the researcher focused on how the research was carried out in the field. For the purpose of this study the researcher used both qualitative and quantitative research designs. Qualitative research design ensured flexibility in that it was descriptive and quantitative research design was also helpful to clearly and precisely present findings through the use of graphs, frequency tables and pie charts. For data collection the researcher employed the use of questionnaires and interviews. A sample size of 39 participants was chosen for the study through judgmental and simple random sampling. The respondents chosen included, members of the Caretaker Council, Management team, Workers committee and Gweru

Residents and Ratepayers Association. Pilot tests were carried out beforehand to ensure the reliability of the research instruments and ethical issues were considered to ensure the wilful participation of the respondents.

Chapter 4 showed how the researcher presented the data collected from the field through graphs, tables and pie charts. The data presented in this chapter was gathered from questionnaires administered to the members of the workers committee and the members of the GRRA. Also information was gathered through interviews conducted with members of the Caretaker council and management team. The research was effectively carried out and the findings pointed out the main sources of revenue, causes of revenue decline and effects of revenue decline at Gweru city council highlighted by the respondents. Documentary analysis was also given to show the revenue trends at Gweru city council showing how far the local authority has gone in improving revenue.

## **5.2 Conclusions**

The study focused on revenue decline in urban local authorities in Zimbabwe and Gweru city council was used as a case study. The researcher managed to establish the sources of income for the local authorities that is property tax, user charges, development levy, borrowing, government grants and licensing. It was noted that several scholars highlighted user charges as the major source of income which local authorities are supposed to maximize on to ensure a sustainable source of income as people pay as per usage especially for water.

The researcher established that Gweru city council was performing poorly in terms of service delivery due to a decline in revenue inflows and identified the causes of revenue decline as

attributed to poor billing system, political influence, economic challenges, corruption and resistance of ratepayers in paying bills. It was noted that the economy is performing poorly hence affecting the people's ability to pay bills to councils as most of them have been left unemployed due to the closure of industries. Revenue leakages in the form of corruption and mismanagement of funds meant for service delivery is also causing ratepayers to resist in paying rates since they cannot see what they are paying for hence a decline in revenue collection.

Moreover an interesting factor came to light as it was noted that residents are anticipating a repeat of the Ministerial directive instructing local authorities to write off debts hence contributing to the decrease in revenue inflows at Gweru city council, as people are not paying their bills. Also the fact that there is a poor billing system at the organization is a contributing factor for revenue decline as ratepayers do not receive statements on time hence resulting in them relaxing and not prioritizing on paying council bills

Furthermore the researcher indicated the impacts of revenue decline and revealed the major factor affecting the organization as the decline in service delivery. This is true as it is evidenced by the erratic water supply, pothole riddled roads, inconsistent refuse collection among others. The decline in revenue is also resulting in the late payment of salaries and allowances to its employees and this is affecting the performance of the organization as a whole as there is now decreased employee morale.

The city council is heavily in debt as creditors have accumulated as it is failing to remit money to several institutions and companies like NSSA who end up garnishing their accounts. Lastly the organization was once affected by industrial action, which saw operations at council coming to a halt in 2015, as employees were demanding their salaries.

Even up until now the effects of that industrial action can be felt although at a minimal level as there is still mistrust between management and worker representatives.

From the research findings it can be noted that there are various strategies, which were mentioned, and there are considerable improvements, which can be seen so far at Gweru city council. A revenue enhancement taskforce was set up that consists of individuals from all departments who follow up on debtors and make sure that revenue collection in all areas is maximized. Moreover there is now an improvement in the collection of revenue through the introduction of the swiping system in all revenue halls and this will be convenient enough for clients to pay their bills since there are cash shortages in the country. This are just but a few that were mentioned however Gweru city council has a long way to go in getting back its title as the city of progress by ensuring effective and efficient service delivery and ensuring that its staff is motivated to work towards achieving the organizations vision and mission. Hence this can be only done if the local authority has a sound revenue base.

### **5.3 Recommendations**

The findings from the research call to address the main causes of revenue decline at Gweru city council that include poor billing systems, economic decline, political influence and resistance from ratepayers. The following recommendations should be considered in light of the challenges mentioned above:

#### **Measures to avert corruption**

Corruption should be dealt with, as a lot of revenue is lost as a result. This should be done through implementing stern disciplinary measures for corrupt activities, which cost the organization. There is also the rotation of low-level employees in parking section and meter readers and this ensures that corruption is minimized.

### **Improving the use of ICT**

Council should embrace ICT so as to improve the billing system ensuring that statements arrive on time so that people prioritize paying council bills. This will also ensure that registers are up to date so that revenue can be collected efficiently and effectively in a transparent manner.

### **Entrepreneurship and Donor funds**

Councils should explore other sources of revenue which can improve the revenue base of local authorities such as running income-generating projects effectively on commercial lines especially liquor outlets as this can boost the revenue base of the local authority. Council should also source donor assistance so as to improve service delivery and to cushion the strain, which has been brought about by revenue decline. This is evidenced by how GIZ is already assisting Gweru city council in terms of expertise and equipment for water pumps so as to refurbish the Gwenoro dam to improve water services in the city. Also the local authority is encouraged to promote entrepreneurship by supporting the informal sector, which can contribute more towards revenue through paying of their license fees.

### **Measures to ensure ratepayers pay their bills**

The local authority should come up with measures to follow up on those with arrears and to also give incentives to those who pay their bills as this will encourage other residents to pay their bills. Water disconnections should be done to those who are not paying their bills and inviting those who have large bills to come and make payment plans with council so that they can settle their bills in instalments.



### **Central government assistance**

Central government should give what is due to local authorities in terms of government grants as this is their constitutional obligation as is stated in chapter 17 section 301(3) of the Constitution of Zimbabwe, that ‘not less than five percent of the national revenues raised in any financial year must be allocated to the provinces and local authorities. This will help to boost the revenue base of local authorities thus ensuring that they carry out their mandate; that is service delivery to the people.

### **Appointment of key personnel**

There should be appointment of personnel at key positions as the absence of substantial personnel hampers operations at council as those in acting positions are not able to make sound decisions, which contribute, to the improvement in income at council.

### **5.4 Areas for future research**

More studies should be carried out to explore the various strategies, which local authorities can undertake to improve on revenue generation thus enhancing service provision. Although the local authorities craft various plans and strategies, more emphasis should be placed on the implementation part whereby they concentrate on results rather than inputs so as to effectively and efficiently use the limited resources they have for service delivery thus ensuring ratepayers value for their money.

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## INTRODUCTORY LETTER

My name is Tanya Moyo and I am a student at Midlands State University undertaking a Bsc in Local Governance Studies and I am carrying out a research on, **“Revenue decline in Zimbabwean urban local authorities. A case study of Gweru City Council.”**

I kindly request for your unwavering assistance in answering the questionnaire attached. The information you provide will be greatly appreciated and will be strictly used for academic purposes only. Your responses will be treated with utmost secrecy and confidentiality.

Thank you in advance for taking time to respond to this questionnaire.

Tanya N.T. Moyo : (0712 031 363)

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**APPENDIX A:**

**Interview questions for the Caretaker Council on: *Revenue decline in Zimbabwean urban local authorities: A case study of Gweru City Council.***

Interviewer.....

Job title/position of interviewee.....

Date .....

1. As the caretaker council what is your role here at GCC?
2. In your opinion what are the causes of revenue decline at GCC?
3. How has this affected the performance of GCC in terms of service delivery?
4. How far have you gone in improving revenue collections?
5. How would you rate the cooperation of the stakeholders in supporting council activities financially by payment of bills?
6. As the Caretaker Council are you facing any political and socio-economic challenges regarding revenue collection?
7. As policy makers what policies have you put in place to improve revenue collection?



## APPENDIX B

### **Interview questions for Management on: *Revenue decline in Zimbabwean urban local authorities: A case study of Gweru City Council.***

Interviewer.....

Job title/position of interviewee.....

Date .....

1. How long have you been working in the organization?
2. What are your major sources of revenue?
3. What are the causes of revenue decline in your organization?
4. How has the decline in revenue affected your organization?
5. As policy implementers how far have you gone in implementing policies to improve revenue collection so far?
6. Do you have competent or adequate staff to implement your strategies in terms of improving revenue collection?
7. How is the political situation affecting your revenue collection strategies?
8. What are the measures which you have put in place to overcome these challenges?

## APPENDIX C

### Questionnaire for Workers Committee Representatives on: *Revenue decline in Zimbabwean urban local authorities: A case study of Gweru City Council.*

#### Part A: Personal Information

*(Please tick the appropriate box)*

1. Gender

Female	Male

2. How long have you stayed in Gweru?

0-4yrs	
5-9yrs	
10-14yrs	
15-19yrs	
20 and above	

3. What is your level of your academic qualification?

None	
Certificate	
Diploma	
Degree	
Masters	

4. What are the council main sources of revenue?  
(Rate them)

	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
	<b>strongly agree</b>	<b>agree</b>	<b>maybe</b>	<b>disagree</b>	<b>strongly disagree</b>
Property tax					
User charges					

License fees					
Income generation projects					
Development levies					
Borrowing					

5. In your own opinion what do you think are the major cause of revenue decline?  
(Rate them)

	<b>5 strongly agree</b>	<b>4 agree</b>	<b>3 maybe</b>	<b>2 disagree</b>	<b>1 strongly disagree</b>
Unrealistic budgeting					
Corruption					
Poor billing systems					
Poor financial management control systems					
Economic decline					

6. What challenges are you facing as employees as a result of revenue decline?  
(Rate them)

	<b>5 strongly agree</b>	<b>4 agree</b>	<b>3 maybe</b>	<b>2 disagree</b>	<b>1 strongly disagree</b>
Late salary payment					
Inadequate resources					
Failure to receive benefits					
Job insecurity					

7. How has revenue decline affected the organisation as a whole?  
(Rate each item them)

	<b>5 strongly agree</b>	<b>4 agree</b>	<b>3 maybe</b>	<b>2 disagree</b>	<b>1 strongly disagree</b>
Decline in service delivery					
Salary backlog					

Garnishing of council accounts					
Downsizing					
Labour unrest/ Industrial Action					

8. What strategies do you think can be implemented to improve revenue collection?.....  
.....  
.....  
.....

## APPENDIX D

### Questionnaire for Gweru Residents and Ratepayers Association on: *Revenue decline in Zimbabwean urban local authorities: A case study of Gweru City Council.*

#### Part A: Personal Information

(Please tick the appropriate box)

1. Gender

Female	Male

2. How long have you stayed in Gweru?

0-4yrs	
5-9yrs	
10-14yrs	
15-19yrs	
20 and above	

3. What is your level of your academic qualification?

None	
Certificate	
Diploma	
Degree	
Masters	

4. How often do you pay for the services provided by the city council?

always	Sometimes	Never

5. Are you satisfied by the services offered by the local authority

yes	No

6. In your view what are the causes of revenue decline at GCC

(rate them)

	<b>5 strongly agree</b>	<b>4 agree</b>	<b>3 maybe</b>	<b>2 disagree</b>	<b>1 strongly disagree</b>
Unrealistic budgeting					
Corruption					
Poor billing systems					
Poor financial management control systems					
Economic decline					

7. How has revenue decline affected you as rate payers.....

.....

.....

.....

.....

8. What strategies do you think the local authority should implement to improve revenue base?

.....

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