

Exploring Revenue Collection Impediments in South African Rural Municipalities

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With the deadly Coronavirus pandemic adversely affecting the functioning of local governments globally, South Africa has not been spared from socio-economic ills. Ensuring pockets of excellence through revenue collection has become a nightmare in the South African local government. A key cash injection exercise, revenue collection enables rural municipalities to render quality basic services to needy communities. Revenue collection needs to be proportionate with the service delivered to stimulate the community culture of paying rates, which is essential for avoiding consumer debts that strain municipal finances. This article draws from a constructivist paradigm that utilises expansive literature and analyses various government documents and peer-reviewed articles on revenue collection and management in local government. Through the qualitative content analysis technique, the article reveals that rural municipalities in South Africa are encountering various revenue collection challenges that have a negative bearing on rural public service delivery. The results indicate that rural municipalities are ill-equipped to effectively collect revenue due to a skills deficit and lack of commitment, poor performance management, ineffective and inappropriate revenue enhancement strategies and lack of execution of plans. The article recommends that rural municipalities develop revenue enhancement strategies to implement policies focusing on indigenous credit control policies. Key employment generation plans are fundamental to enable citizens to obtain income for paying municipal rates.

Key words: *Revenue Collection, Public Service Delivery, Sustainable Rural Livelihoods, Poverty and Inequalities.*

Introduction

With the deadly COVID-19 pandemic adversely affecting the functioning of local governments globally, South Africa has not been spared from economic woes. Just recently, South African President Cyril Ramaphosa likened COVID-19 to the Great Depression (Mahlakoana, 2020). The South African Revenue Authority (SARS) has admitted to a decline in revenue due to global and local economic weaknesses compounded by the COVID-19 pandemic (SARS, 2020). As economic activities decline, Ensor (2020) confirms that municipalities in South Africa are in financial distress resulting from uncollected revenue. In its presentation to parliament's select committee on appropriations on the 2020/21 Division of Revenue Bill, South African Local Government Association (SALGA) affirmed the strain on local municipalities due to COVID-19. Large metropolitan municipalities in South Africa have lost 30 percent of their monthly revenue (Ensor, 2020). As confirmed by SARS (2020), revenue such as that from Pay As You Earn (PAYE) drastically declined due to sluggish employment and wage growth. The weak economy in the recent past has led to poor tax revenue collection in the quarrying, mining and manufacturing sectors (SARS, 2020).

The downgrading of the economy into junk status by the rating agency Moody could not aid the collection of revenue in the country in the preceding few months, as many people employed across various sectors either lost their jobs or could not earn any income to be able to pay municipal rates (SARS, 2020). Bearing in mind the current state of revenue collection impediments nationally, rural municipalities in South Africa are the hardest hit as existing socio-economic inequalities act as barriers for effective revenue collection.

To relieve the financial distress of municipalities in South Africa, Khomotso Letsatsi, the SALGA Municipal Finance Chief, announced the release of R5billion relief funding to stimulate service provision in both urban and rural municipalities during the Coronavirus pandemic. As rural municipalities seek to ensure excellence in public service delivery, numerous impediments are encountered in terms of revenue collection. Several rural municipalities in South Africa experience widespread non-compliance as residents face challenges in paying municipal rates (Marutlulle, 2017). This is attributed to poverty and inequalities in communities, the culture of entitlement and mistrust of local government (Fjeldstad, 2004). Many rural municipalities in South Africa depend on user charges such as electricity and water to obtain their revenue. Failure by rural residents to pay municipal rates creates an adverse impact on the capacity of rural municipalities to render services effectively. In addition, inefficient revenue collection strategies impact negatively on the revenue base of rural municipalities (Rao & Apparao, 2014).

Section 152 of the Constitution of South Africa (1996) calls on the municipalities to adopt excellent financial management systems within their financial capacity. Despite the

prevalence of this constitutional provision, rural municipalities are the most affected as non-compliance has worsened, and this is often blamed on the historical injustices perpetrated by the apartheid system. Although many years have passed since the end of apartheid, critics argue that spatially, a segregated form of development is still rampant as rural municipalities are underfunded to mitigate the socio-economic disparities of the past, which triggers violent service delivery protests (Fjeldstad & Heggstad, 2012; Kanyane, 2011; Nengwekhulu, 2009). For Mazibuko and Fourie (2013), rural residents are incapable of paying municipal rates due to poverty, high unemployment and the repetitive culture of entitlement.

Although the national sphere in South Africa provides financial resources (equitable share) to local municipalities, the funds are not enough to meet the increased demand for basic services in rural communities (Fjeldstad & Heggstad, 2012). I argue that a gap exists in terms of research on poor revenue collection and its effects on rural public service delivery, taking into consideration the socio-economic disparities in most rural communities in South Africa. Drawing from the Distributive Justice Theory, this article explores various revenue collection impediments being encountered by rural municipalities in the provision of public goods and services in South Africa. The article advocates for the establishment of an economically conducive environment in local government that facilitates job creation, innovation and sustainability. Creating an enabling environment in local municipalities can help emancipate rural residents and encourage them to pay municipal rates. This article seeks to respond to the following questions: What is the state of revenue collection in rural municipalities in South Africa? Is non-compliance the cause of poor revenue collection or poverty and inequalities? How effective are the revenue collection strategies for effective service delivery in rural municipalities?

The remainder of this article is broken down into six sections. The first section provides a discussion of the research methodology and is followed by theoretical and conceptual expositions. The third section critically examines the impediments of revenue collection in rural municipalities. The fourth section analyses the effectiveness of municipal revenue collection sources while the fifth section provides a discussion of the statutory and regulatory frameworks guiding municipal revenue collection in South Africa. The last section provides a conclusion.

Research Methodology

The article draws from a constructivist paradigm that utilises expansive literature and analyses various government documents and peer-reviewed articles on revenue collection and management in local government. Documents were employed because they are unobtrusive and therefore reduce possible bias through interaction, and promote deeper conceptual and contextual assessment (Babbie, 2013). The qualitative content analysis technique was

therefore employed for analysing data from government documents, policy reviews and journal articles.

Theoretical and Conceptual Expositions

Published in 1971, the Distributive Justice Theory assumes that everyone pays a fair share of tax without being over or under-priced. It emanated from Rawls' (1971, 1999) conception of justice as fairness, which shapes the outcome in resource allocation and distribution (Feld & Frey, 2006). As Besley and Persson (2007) posit, the distributive justice theory integrates equity, equality through rules that define fairness, conceptual distinctions underpinning three rules that describe the tax systems from a distributive fairness viewpoint. Rawlsian justice assumes three rules of justice, namely equal basic liberties that need to be secured, fair equality of opportunities, and economic inequalities that should be addressed to assist marginalised groups (Rawls, 1999). This article adopts the Distributive Justice Theory to explain the lack of compliance in revenue collection among rural municipalities. In South Africa, variance in compliance with revenue collection is evident, although justice on user charges is fair (Devos, 2007). The analyses of the Distributive Justice Theory on revenue collection in local government led to a discussion on the various impediments confronting rural municipalities in South Africa. Four main impediments were identified as deterrents for revenue collection, and these are discussed at length in the following sections.

Although revenue collection is constitutionally mandated in South Africa, municipalities are expected to find alternative fundraising strategies to stimulate their revenue bases. Zivanai (2014) argues that sound revenue collection systems are essential for effective management of local municipalities. This is based on the notion that South Africa's local governments face a plethora of problems that include insufficient tax collection systems where vast amounts of tax are not raised from consumers every year, resulting in a significant municipal income deficit. Ramaphela (2008) believes that local municipalities must create sustainable revenue collection sources to sustain service provision in communities. Chiunye and Chikosha (2015) concur that the financial viability of local municipalities is critical for effective community service delivery. Without stable revenue reserves, rural municipalities are at the verge of collapse, as service delivery protests symbolise the state of distress and incapability to effectively deal with service delivery matters (Nsingo, 2014; Morutu, 2017). Judging by this discussion, innovative revenue collection strategies should be implemented to supplement municipal cash flows towards community service delivery.

The entire reliance on provincial and national funding creates a dependency syndrome for rural municipalities and ultimately discourage innovativeness. According to Denhere (2012), rural municipalities should have their financial autonomy, which enables flexibility and thinking outside the box, instead of relying on government-defined parameters. Navigating

away from legislated government enables rural municipalities to become innovators who develop their own entrepreneurial strategies to generate their own revenue, instead of relying only on taxes and service charges. Nevertheless, some scholars claim that by properly executing legislated strategies of revenue collection, such as metered services, debt and credit management, accurate billing and fixing faulty meters, revenue collection can be improved in local municipalities (Rakabe, 2011). The argument is couched in the belief that when rural municipalities effectively render services, citizens overwhelmingly respond by paying for the services they use. Considering the huge numbers of unemployed people in rural municipalities, implementing these revenue enhancement strategies can be costly and may not yield an increase in rate paying by consumers.

The socio-economic divide linked to non-payment of services is a growing problem in South African rural municipalities. This culture of non-payment seems involuntary due to prevailing poverty and unemployment. Fjedlstad and Heggstad (2012) acknowledge the huge variance between the rich and poor communities which harms revenue collection. The reluctance to pay for user charges can be attributed to negative perceptions citizens have of the local municipalities that serve them. Furthermore, the lack of accountability and transparency of how rural municipalities operate triggers non-payment of user charges, which results in poor service delivery (Kanyane, 2011). To desist from the culture of non-payment, Kibassa (2011) confirms that citizens willingly pay for services provided when they have the right safety nets, are employed, and are supported by stakeholders with financial resources to spearhead their entrepreneurial ventures. It can be deduced from this discussion that upholding accountability in revenue collection helps rural municipalities to earn public trust in rural public service delivery.

The prevalence of corruption in rural municipalities in South Africa harms municipal revenue collection and, ultimately, rural service delivery. Siddle (2012) affirms that rural municipalities are incapacitated by bureaucratic corruption that causes shortage of resources to effectively render services. Corruption affects the success of various local economic development projects that are meant to sustain the livelihoods of people residing in rural communities. As Kanyane (2011) posits, corruption in rural municipalities leads to increased loss of revenue as projects undertaken by municipalities are abandoned due to mismanagement of funds. Nengeze (2018), in a study conducted in the Harare municipality in Zimbabwe, found that corruption was rife, due to the manual recording of municipal transactions, which gives room for manipulation and falsification of transactions. Similarly, in South African local municipalities, evidence reviewed shows that mismanagement of municipal funds is rampant – quotes on tenders are falsified, leading to many rural municipalities losing a lot of revenue meant for community development (Olken & Pande, 2012). Based on these arguments, therefore, poor revenue collection in rural municipalities is triggered by corruption and funds embezzlement. These twin ‘evils’ in local government

procurement systems adversely affect municipal budgets and community service delivery. The irregularities often encountered in rural municipalities lead to huge unauthorised expenditure and loss of rural livelihoods due to lack of funding to stimulate development projects (DPSA, 2015; Olken & Pande, 2012).

Revenue Collection Sources for Municipalities in South Africa

Rural municipalities in South Africa, acquire their finances from a range of sources, which include financial transfers from national and provincial spheres of government, and locally generated revenues that include debt finance (Schreiner & Hassamn, 2011). Nonetheless, local municipalities have the autonomy to collect revenue outside the legally mandated sources of obtaining revenue (Moeti, Khalo, Mafunisa, Nsingo & Makondo, 2007).

The Municipal Property Rates Act (2004) governs the levying of property rates. Local municipalities and metros have the flexibility of raising revenue through property rates although there is a need to adopt property rate policies. The rationale for the collection of property rates is to finance socio-economic services, which include street lighting, storm water systems, municipal roads and refuse collection. However, consumption of these services is non-exclusive, which means they cannot be limited to certain consumers since they are funded by general taxpayers residing in a demarcated municipality.

Service charges and administration costs are levied per unit of outputs and are categorised into three forms, namely service fees, public rates and administrative charges. As Schreiner and Hasan (2011) hold, user fees constitute a fundamental part of municipal revenues in low-income countries. The pricing of user fees is usually with a public policy that determines the financial sustainability of rural services. However, local government is expected to exercise its flexibility to offer services that meet the needs of the people. The services include electricity, water, sanitation and the hiring of municipal facilities. Section 74(2) of the Municipal Systems Act (2000) calls for a municipal council to adopt and execute a tariff policy on levying of fees for municipal services. In rural municipalities, user charges are the main revenue collection source used to render public goods and services to communities.

The Municipal Fiscal Powers and Work Act (2007) in South Africa controls local surcharges, city taxes and other property rates. The Finance Minister, through issuing regulations in line with the Act, approves municipal tax. Drawing from the act, municipalities are obliged to seek approval for all existing municipal taxes. This framework allows the Minister of Finance to suggest norms and standards for municipal surcharges. Given this framework, local municipalities seem to exercise less autonomy, although there is room for them to execute revenue collection in line with the services they provide to communities. In addition, municipalities obtain their revenue from donors, the private sector and the business

community. The grants encompass equitable share allocation which is unconditional and available to all municipalities (Slack, 2009).

Statutory and Regulatory Frameworks for Revenue Collection in South Africa

Section 152(1) of the South African Constitution (1996) provides that local municipalities be entitled to a fair share of the revenue generated by central or the national government. This share is distributed to local government to meet its constitutional task of providing basic services to communities. Such transfers are affected in terms of the Division for Revenue Act (DORA) act that is reviewed every year. The role of DORA as a legislative imperative is key to rural municipalities in terms of raising revenue for service delivery.

The Municipal Finance Management Act (MFMA) 56 of (2003) establishes a basis for effective local government financial management. The act spells out the norms and standards that local government should follow to achieve good financial management. It regulates municipal financial management, establishes requirements for the efficient and effective management of local municipalities and their entities' revenues, assets and liabilities. It further stipulates the responsibilities of local government in determining a governance framework for municipal entities and establishes a municipal borrowing framework. These legislative prescripts help local governments in South Africa to be able to raise revenue for rendering basic service delivery to communities in their area jurisdictions.

Overcoming Revenue Collection Impediments in Rural Municipalities

One way of stimulating revenue collection at the local government level in South Africa is to increase stakeholder support and networking where rural municipalities can fundraise towards development projects. The national sphere of government in South Africa needs to play a pivotal role in financially supporting rural municipalities as a way of curbing rural-urban migration that exerts pressure on resources, especially in host urban municipalities. Masipa (2018) concurs, saying that to address socio-economic disparities in communities, the government of South Africa should adopt a multipronged policy instrument that ensures economic growth, regenerates employment and reduces poverty and inequalities. The review of peer-reviewed articles shows that revising the revenue allocation strategies in rural municipalities is key to determining the amount of revenue needed to address and spearhead rural service delivery. The analysis of expansive literature revealed that adequately financing rural municipalities helps to increase employment opportunities where entrepreneurship is a grey area for sustaining rural livelihoods. The analysis of the Budget Review developed by National Treasury (2020:9) indicates that local government is underfunded. For instance, in the year 2019/20, the equitable share for local government was R505.6 billion (8.5%), compared to provincial and national spheres which had R612.8 billion (41.5%) and

R739.5billion (50.1%), respectively. These statistics indicate the huge difference between equitable share allocations, which has a detrimental effect on rural municipalities that depend on this transfer to provide services. Considering this huge revenue variance, creating alternative funding strategies in rural municipalities is crucial to curb the dependence syndrome. In that sense, supporting rural entrepreneurs assists rural municipalities to increase revenue collection, as rural residents can then pay municipal bills using income generated from locally initiated projects.

Improving revenue collection in rural municipalities in South Africa can be realised using advanced technological innovations that are essential for increasing cash flow (Shinde & Kulkarni, 2015). However, the desire to maintain the status quo negatively affects rural municipalities, as new technologies ushered in through the Fourth Industrial Revolution tend to discomfort public officials who prefer traditional approaches to service delivery (Symmonds, 2015). For Nguyen et al. (2013), adopting digital innovations that include autonomous and intelligent systems and real-time technologies such as on-site billing and pre-paid metering can be fundamental for enhancing municipal revenue. In a study by Kim, Lee, Spector and DeMeester (2013), it is revealed that the use of modern technology could help increase revenue collection. Using technology in rural municipalities in South Africa can help stimulate municipal revenue, which is useful for effective service delivery in communities. Oke, Walumbwa and Myers (2013) concur that strategising the use of innovative technology increases innovation outcomes, which translates to revenue growth. The analysis of the Auditor-General's Report (2018) indicates that some rural municipalities in South Africa do not have a capacity to collect revenue, which results in the loss of millions of rand in uncollected revenues. A study by Gambe (2015) reveals that inadequate and poorly trained staff and administrative inefficiency triggers non-payment of municipal rates. Tshitshonga (2014) criticises the growing cadre deployment, as politically motivated appointments in rural municipalities lead to poor performance management. The shortage of skills in rural municipalities requires regular training of officials in line with legal frameworks for collecting taxes. Such skill emancipation programmes can lead to effective rural service delivery. This is supported by Harawa et al. (2016), who argue that addressing issues related to non-payment of municipal rates can lead to improved revenue collection in local municipalities. Pozzoli et al. (2014) state that local government authorities have been cautioned to strategise their revenue collection plans using efficient revenue collection models that enable rural citizens to pay rates to enhance service delivery and sustain the municipalities financially. The lack of effective revenue collection plans is of concern to many rural municipalities in South Africa. Apart from these challenges, caution needs to be exercised by the national government, as rescue-funding packages may trigger massive corruption and financial embezzlement due to lack of accountability and transparency. It is arguable that to increase revenue collection, the skills base of rural municipalities should be

strengthened, which will help to effectively recover outstanding municipal bills to improve rural service delivery.

Rakabe (2011) argues that the revenue enhancement concept emanates from the theory of fiscal stress dating back to the late 1970s and 1980s. The aim was to address the fiscal stress being encountered by municipalities. Findings from a study conducted by Kanyane (2011) show that municipal consumer debt and revenue planning are critical challenges in municipalities in South Africa. Rural municipalities are failing to collect revenue effectively due to the lack of employment and poverty that result in non-payment for services rendered. Proper planning is therefore crucial to enhancing revenue management. A study conducted by Sabreairline (2011) indicates that revenue planning relies more on market forecasting that is clear, precise and convenient for customer-oriented schedule offerings, as well as competitive prices. Executing effective revenue planning strategies requires rural municipalities in South Africa to adopt critical approaches that enhance financial management. In many cases, the financial performance, in turn, grants municipalities the capacity to render services to the relevant citizens. Enhancing proper revenue collection plans is fundamental to enabling rural municipalities to improve the implementation of local economic development of their communities.

A study by Oke et al. (2013) notes that local government authorities need to become innovative to generate revenue. The review of studies by Salter, Mohr and Sengupta, 2014 and Zatta and Kolisch, 2014, reveals that lack of innovativeness in revenue collection triggers a low revenue base in rural municipalities in South Africa. Despite Section 195(1) of the Constitution of South Africa giving provisions for the creation of an innovative and conducive platform for steering local economic development, municipalities still fail (Sing, 2003). Local government is expected to harness stakeholders and communities to develop and implement projects that can stimulate rural livelihoods, create employment and generate household income. To realise this, and for promoting such a drive that stimulates the economic status of people towards their ability to pay municipal bills, citizen participation is important. A study by Sandvik et al. (2014) establishes a positive relationship between innovative revenue collection strategies and improved service provision. The researcher argues that empowering citizens with innovative projects can increase their willingness to comply with municipal by-laws to pay rates and other user charges such as electricity and water. Promoting social and technological innovations through funding can motivate residents in rural municipalities to pay municipal rates.

Supporting viable development projects of communities and individuals is a huge step towards increasing municipal revenue. Therefore, the local government must link communities with stakeholders who may want tap into their development projects, identify and promote talent and innovative rural residents by giving them the necessary support to

generate employment and increase household income. Such gestures instil community confidence in local municipalities, which may enhance their willingness to pay municipal rates. Local municipalities need to enhance their billing and revenue collection strategies by implementing electronic payment systems (Abubakar, 2016). Although technological divide may be a constraint, technology can help improve revenue collection in municipalities (Zatta & Kolisch, 2014).

The sustainability of rural municipalities in public service delivery is dependent on the revenue that municipalities manage to collect in each financial year. The National Treasury (2020) notes that financial distress in local government is triggered by impediments encountered in revenue management. For instance, revenue collection declined in the first quarter of 2016/17 when 65 municipalities collected over 95 percent of their bills, although in 2018/19 only 52 municipalities effectively collected revenue. Such weak revenue collection adversely affects the sustainability of services in rural municipalities (National Treasury, 2020). James and James (2016) found that revenue must be predicted, instead of being anticipated overtime or at some point in time. However, Tax Advisers (2016) argues that recognising revenue upon satisfying a performance obligation is fundamental for local municipalities. Such a strategy ensures that local municipalities reflect on a revenue plan that can be used to meet municipal targets, with specific reference to good financial management. Local government needs to keep abreast of the irregularities that may occur in revenue collection, which may or may not reflect on the municipal financial statement. As Martin and Van Linden (2015) observe, obtaining such information helps rural municipalities to acquire accurate information that is not falsified and can be presented in the financial statement. Van der Waldt et al. (2014) indicate that local municipalities need to have strong plans to collect revenue and debt effectively since this is central to their sustainability in service provision. Abraham et al. (2016) conclude that rural municipalities need to adapt to changes in the technological environment where information communication systems (ICTs) and internal controls address irregularities in financial reporting. It is evident from the foregoing analysis that having a good revenue plan is essential for increased rural service delivery in South African municipalities.

The availability of good public infrastructure (water and sanitation, entertainment facilities, education and health facilities, social development infrastructures) is advantageous for rural municipalities in attracting investment (Srinivasu & Rao, 2013). However, many rural municipalities in South Africa are still encountering difficulties in establishing good public infrastructure due to a low revenue base. Nagesso et al. (2018) argue that for rural municipalities to be able to collect revenue there is need for good infrastructure, which includes road networks and telecommunications, among others. The National Treasury (2020) concurs: well-run municipalities must invest in their infrastructure through borrowing against future revenues to be generated by that infrastructure. Bourdon and Latruffe (2014)

affirm that access to public infrastructure is a strategic driver for sustained socio-cultural-economic and political development for people residing in rural areas. In their study, Wang and Li (2017) found that rural municipalities need to establish good infrastructure to promote the expansion of markets, attract foreign direct investments and enable the participation of rural people in employment creation programmes. Drawing comparisons from a study conducted in Japan, Shibuya, Sancho and Senate (2014) conclude that local authorities find it difficult to collect revenue in water-scarce communities that have poor public infrastructure and this triggers excessive resistance from residents. Nagesso et al. (2018) argue that the development of rural infrastructure is fundamental for enlarging services, with greater access to factors of production and productivity. Revenue collection in communities where rural municipalities offer quality services might not be a challenge.

The analyses of budget review by the National Treasury (2020) reveals that governance and financial management challenges affect both rural and urban municipalities in South Africa. The adoption of unfunded budgets, for instance, is rampant across all types of municipalities. Many smaller municipalities in rural areas have little capacity to raise their own revenue as they rely more on transfers from the national sphere. It has been noted from this review that the redistributive nature of revenue implies that on a per household basis, transfers to rural municipalities are more than twice as large in contrast to metropolitan municipalities (National Treasury, 2020). This information provided the researcher with a practical lens to see that rural municipalities require extensive funding, as their problems are many and their capacity to substitute an equitable share are next to none. The plight of rural municipalities is exacerbated by poor governance, unauthorised expenditure and a lack of proper financial reporting. These work against rural municipalities, as many are not able to qualify for other grants from the national government. As the distributive theory suggests, the equitable share of revenue should be exercised, although this may not be the case given the prevailing dynamics between rural and urban metros in South Africa.

Conclusion

This article explores the impediments to revenue collection at the local government level in South Africa and its resultant effects on rural public service delivery. Guided by the Distributive Justice Theory, the article concludes that rural municipalities in South Africa could not effectively collect revenue due to several factors. An analysis of Auditor General's Annual Reports (2019) and peer-reviewed articles reveals that insufficient financial support from the national sphere of government and non-compliance fuelled by the culture of non-payment, poor planning and revenue enhancement strategies, shortages of skills and lack of commitment were some of the impediments to revenue collection. Although rural municipalities understood the socio-economic inequalities in communities, the recovering of municipal revenue has been a challenge. The culture of non-payment of municipal rates



seems involuntary, as many rural residents struggle to put food on their tables. The researcher argues that in order to stimulate their revenue collection strategies, rural municipalities need to let go of the dependence syndrome and harness their capacities to create alternative development projects to stimulate their finances.

The reliance on the national sphere of government has derailed service provision in several rural municipalities, which results in mistrust between communities and the officials who serve those rural municipalities. Despite the fiscal framework allowing local government to receive funds in the form of equitable transfers, conditional and unconditional grants, the transfers received from provincial and national governments are not enough to sustain and enable rural municipalities to render services and goods to communities. This article concludes that in order to develop revenue enhancement strategies, rural municipalities in South Africa must implement strategic policies focusing on indigenous credit control policies. Other key employment generation plans are fundamental to enable citizens to obtain income to be able to pay municipal rates. In terms of funding for municipalities, the government of South Africa needs to develop a comprehensive and effective revenue enhancement model that takes into consideration the diversities between rural and urban municipalities. Such a model needs to be articulated in a manner in which rural municipalities receive adequate funding to implement development projects and at the same time sustain their revenue base. The model can include giving discounts to consumers who settle their bills early. Such a strategy may trigger quick payment, as consumers prefer the discount deals. This is innovative and has potential to increase municipal revenue. The use of mobile money services is also fundamental for revenue collection, as rural community members who have access to the internet can pay for services online. This is very convenient for service delivery.

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