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Association between municipal credit management, responsiveness and service delivery

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Background: Municipalities have come under fire for providing inferior services, which has sparked protests across the nation. Fraud, corruption, misappropriation of public funds and general incompetence on the part of municipal managers and their staff have been the problems that have crippled most municipalities.

Aim: To investigate the association between the municipal credit management policy, responsiveness and service delivery, within a Sedibeng district municipality.

Methods: This study applied quantitative analysis. The primary data were collected from residents through a self-administered questionnaire. Statistical Package for the Social Sciences (SPSS) (Version 28) was applied to perform the descriptive analysis and correlational analysis.

Results: Key findings of this study revealed a significant positive correlation between credit management and service provision. The relationship between the credit management policy, responsiveness to credit management and service delivery is substantial. Therefore, the quality of service delivery increases with improved credit management.

Conclusion: The study showed that there is a significant connection between credit management, credit management responsiveness and service delivery.

Contribution: Based on the findings, it was advised that the municipality should implement rebates and discounts for paying customers, constantly review crucial credit policies and ensure the provision of high-quality services. The study concluded that there is an association between credit management, responsiveness and service delivery.

Keywords: credit management policy; relationship; municipality; service delivery; municipal finance; Sedibeng district municipality.

Introduction

To improve public service delivery, local governments currently lack a thorough understanding of the methods used to deliver services, together with the implications posed by such methods. Most developing nations' public sectors lack appropriate performance metrics for the services offered. One neighbourhood, according to Campbell and Drewes (2019:99), accused the municipality of lacking sound economic foundations and ceasing to issue invoices. Other interviewees corroborated these allegations by affirming that the municipality was unable to raise money, which was caused by a lack of integral structures and insufficient human resource capacity (Campbell & Drewes 2019:99). As part of their responsibility to promote local development within their respective jurisdictions, local government bodies are expected to generate enough income to provide infrastructure and public services. Local governments receive funding from a variety of sources, including property, income, sales and excise taxes, user fees, intergovernmental transfers, operating revenues from borrowing, fees assessed to developers and public–private partnerships (PPP) (Brown, Ofosuhene & Akenten 2019:2).

According to Madumo (2017:33), service delivery is the result of various budgetary policies and initiatives taken by the government. Madumo (2017) adds that the phrase 'providing services' refers to the collective goods and services that the government offers or is required to offer to its citizens under the terms of public policies and laws. According to Mokaeane, Moloi and Oksiutycz-Munyawiri (2017:382), South Africa's local governments have come under fire for providing inferior services, which has sparked protests across the nation, particularly in previously underserved communities. Fraud, corruption, misappropriation of public funds and general incompetence on the part of municipal managers and their staff have been the problems that have crippled the most municipalities. The Auditor General (2022:4) says that sadly, this is the lived

reality of most citizens in the country. Local government is characterised by accountability and service delivery failures, poor governance, weak institutional capacity and instability. Low levels of trust and public frustration at the lack of service delivery and financial mismanagement are high. The frustration finds expression in a number of ways, from service delivery protests to citizens opting out of public services in favour of providing their own services or using private services. Citizens have also resorted to litigating against municipalities for failure to deliver services. Businesses are moving out of municipal areas with poor service delivery, resulting in increased unemployment and a loss of municipal revenue in those areas. People using public services without paying in the hopes that someone else will foot the bill is the main problem. For instance, it can be challenging to relate the advantages of a streetlight to a particular user. As a result, it is challenging to charge for personal use of these items, leading to a 'free-riding' problem. Even though these services are paid for, free-riding makes it challenging to keep such services available. Considering this, one could contend that everyone who utilises these goods and services has a stake in paying taxes to the government (Mgaguli 2021).

In this research article, two different research questions are answered:

- Does a relationship exist between credit management, responsiveness and service delivery of the municipality?
- Does the provision of customer service depend on one's comprehension of and adherence to the credit management policy?

The next phases of this study are the literature review, methodology, results, recommendations and lastly, the conclusion of the study.

Literature review

According to Wang (2018:544), accounts receivables are debts that a business is entitled to collect because a good or service has been rendered as part of routine business operations. According to Nwude and Agbo (2018:6650), accounts receivable is a crucial part of working capital. By increasing overall sales, which in turn increases fund recycling and income generation, effective receivables management enables one to expand the scope of business operations (Nwude & Agbo 2018:6650). An account ageing plan, according to Obura, Kabiru and Ocharo (2019:21), consists of the client accounts that make up the overall balance of account receivables, which is typically set up at the end of each month. The account receivables are listed at that time. Finding the root of potential cash flow issues can be performed with the aid of an analysis of the recipients of one's account's ageing schedule. According to the financial management principle, current assets must be greater than current liabilities. Therefore, managing account receivables as current assets is essential for the success of organisations (Richard & Kabala 2020:55).

The credit management policy of an organisation refers to various methods for collecting debts once they are past due, according to Maseko (2018:69) and Fujo and Ali (2016:448). Credit management involves creating formal, lawful policies and procedures that will guarantee that credit is given to the proper authorities, to the proper person and to productive or commercially and technically viable enterprises. Furthermore, such policies and procedures will ensure that credit is given for the proper size, that credit is recoverable and that there is an adequate management flow of credit management (Asafo-Adjei 2015). Given major account investment by most major companies, credit management policy decisions and practices have significant implications for corporate value (Khan 2019:16). Therefore, a management policy seeks to encourage effective financial management practices and appropriate control of the organisation's accounts receivable (Maseko 2018:70).

Masuku and Jili (2019) note that financial irregularities, corruption and poor administration frequently affect the provision of services in South Africa. The violent service protests are a result of the local government's extreme inefficiency and incompetence. According to Ndevu and Muller (2017:13), local government is the government's closest area of influence and plays a significant social role in providing the neighbourhood with essential services. According to Kolisang (2019:47), extending services to the poor and jobless is a key component of many communities' strategies for reducing poverty. To meet its challenges, the government must increase the effectiveness of the bureaucracy by forging strong intergovernmental relationships. To achieve a society free from hunger, unemployment and poverty, this process entails restoring officials within the three spheres of government and across departments.

According to Majikijela (2007:12), service delivery should be planned around end users' needs rather than departmental bureaucracies or delivery institutions' convenience. This principle states that if municipalities were to provide services to their constituencies, those services should be focused on the needs of local people, not on the needs of municipal officials, because the government of South Africa encourages citizen participation in all its activities, especially in local government (municipality). This implies that the difficulties that municipalities face locally should be reflected in the services they offer.

Municipalities are required by the White Paper on Local Government (1998) to make sure that all citizens, regardless of race or sexual orientation, have access to basic services. Council members should work to ensure that all citizens have access to basic services through their roles in governance by making sure that imbalances are correctly identified and addressed. The wards' current infrastructure can be upgraded or new infrastructure can be built. The councillors' resolutions to increase the availability of basic services frequently lack the funding in terms of the capital budget for the municipality. Municipalities are assisted by the municipal infrastructure grant (MIG) in financing extensive low-income household

connection infrastructure. Municipal infrastructure grant increases service accessibility for underserved communities (Kolisang 2019:48).

According to Solomons (2016:63), local governments must ensure sustainable service delivery, which entails providing services in a way that allows customers to afford services and suppliers to keep supplying such services within their capabilities. According to the White Paper on Local Government (1998), municipal services can be made more affordable by:

- choosing the appropriate service levels
- choosing tariffs that strike a balance between the economic viability of continued service provision and the ability of the poor to access services
- subsidies for the poor and the wealthy, as well as for residential and commercial uses.

Aspects such as fit for purpose, punctuality, convenience, safety, continuity and responsiveness to service consumers are among those that make up service quality, according to the White Paper on Local Government (1998). It also calls for a polite and professional connection between customers and service providers. To deliver high-quality services, management must be quality-focused and customer happiness is the driving force behind the quality, claims Kolisang (2019:49). In view of the violent service delivery protests in other municipalities, council members should pay close attention to the quality of the services offered to their wards.

Accountability is based on a relationship where one party is accountable for the actions of the other. To provide high-quality care and, at the very least, abide by the terms of an explicit or implicit set of commitments to the patient or student, a doctor or teacher must feel obligated in the context of service delivery (Rabie et al. 2017:8–9). Municipal councils oversee making sure that high-quality, reasonably priced and easily accessible services are provided, according to the White Paper on Local Government (1998). According to sections 152 and 153 of the constitution, local government regulates municipal planning and the process of development in municipalities (1996). The objectives of municipal integrated development planning (IDP) are clearly stated in the constitutional mandate to link its management, budgeting and planning functions to its goals:

- Prioritising community needs, promoting social and economic development, a safe and healthy environment, assuring long-term service delivery, encouraging community involvement and promoting social and economic development.

The IDP processes must be used to coordinate all service delivery sectors form the foundation of South Africa's democratic local government system (Mathebula, Nkuna & Sebola 2016:71). The IDP, which is reviewed yearly, reflects council's vision for the long-term growth of the municipality with a focus on crucial developmental issues and internal transformation requirements. The main thrust of the plan, however, will continue to be the nation's strategic priority for some time. It is a 5-year strategic tool for addressing and evaluating the District Municipal Area's service delivery level (Sedibeng District Municipality 2019).

Financial performance, social performance and environmental results are the three pillars of sustainable development, which incorporate sustainability as a strategy to gain a competitive edge in the market (Ozbekler & Ozturkoglu 2020:1505). The continued provision of services is contingent on sustainable financing and organisation, according to the White Paper on Local Government (1998). Input costs, output quality and value, all play a role in how valuable the public sector is. In order to guarantee universal access and long-term basic services, this principle calls for the best use of public resources (Kolisang 2019:48). To give citizens the best value for their money, according to Solomons (2016:27–28), the provision of public services must be carried out economically and effectively. As a result of the current resource shortage, there is an increasing demand for services. Consequently, municipalities should intensify service delivery levels using cost-effective delivery methods.

According to the White Paper on Local Government (1998), the creation of jobs and the nature of competition in business should neither have an impact on service costs that subsidise domestic users nor should it have an impact on trade and industry growth and competitiveness. Greater transparency is required to make sure that investors are fully aware of the costs associated with doing business locally. Local democracy, according to Diedericks and Seitlholo (2018:2), is a political system in which the eligible citizens of a state are actively involved – not only in choosing the individuals who will represent them in government but also in actively influencing how the government formulates its policy. Lemanski (2017:2) points out that the IDPs flagship is a component of a process whereby the city and its inhabitants come together to agree on the priority areas of the city for the 5-year budget. Lemanski (2017:3) goes on to describe the creation of a neighbourhood ward committee plan in 2000 to provide localised space for citizens and the State (via councillors) to discuss issues relevant to their local region and to which sub-councils and municipal institutions can be channelled.

The various policy difficulties that local governments face when allocating funds for debt service and management are highlighted by Tivavone (2018:18). Politicising development, for instance, is a problem where personal interests take precedence: a circumstance that in South Africa has ruined many rural communities. Reddy (2016:2) claims that politicians and technocrats make up the organisational structure of municipalities, with politicians in the council making the final choices about resource allocation. Nevertheless, voters choose and elect politicians and their support is crucial to their professional success. Therefore, most politicians (the councillors and mayor) tend to ignore putting pressure on the customers to pay for rates and

taxes to indicate their failure to keep their promise because they are afraid of protests and the resident backlash (Mvella 2018:75). Because it is entangled in complicated circumstances that require objective rather than subjective procedures to address them, this presents a significant obstacle for earning revenue (Ndebele & Lavhelani 2017:352).

Financial viability is described by Tivavone (2018:16) as an unstructured notion encompassing various specific characteristics. The fundamental issue with regard to financial systems and financial management is the concept of capacity. Financial viability in local government can only be appreciated if the issues of transformation from the pre-2000 system of local government towards development are considered. According to Koleda and Oganisjana (2015:196), financial viability is an economic condition of a corporation that fosters a consistent, favourable income-to-expenditure ratio, efficient resource use and a steady reproduction process under the active impact of internal and external forces.

Tivavone (2018:15) defines financial viability as an organisation's ability to maintain financial resource inflows above financial resource outflows. Analysing an organisation's financial situation is becoming an increasingly crucial component of evaluating its overall performance. This strategy can be used in municipal settings where a municipality needs to be able to cover costs and generate revenue. Because municipalities are heavily funded by their own resources, Moloto and Lethoko (2018:750) assert that financial viability is crucial in the context of local government service provision. However, the ability of municipalities to provide services with the available funding is hampered by low collection rates and poor socioeconomic conditions of households. Given that the municipality strives to strike a balance between the needs of service users and the available financial resources, failure to meet expenditure demands could result in subpar service quality (Moloto & Lethoko 2018:750).

Methodology

This research involved the application of an empirical and descriptive research design through the collection and analysis of quantitative primary data. A structured questionnaire was designed, containing questions that collect responses based on a four-point Likert scale (strongly disagree, disagree, agree and strongly agree). The questionnaire consisted of four sections, which collected data around the respondent's demographics (Section A), their opinion around the efficacy of the municipal credit management policy and its enforcement (Section B), how responsive participants were to credit management policy (Section C), and how credit management policy and customer service were related (Section D).

Residents of a selected municipality in the Sedibeng district were asked to voluntarily participate in the survey. Non-probability sampling in the form of judgement sampling was applied, based on the criterion that research participants paid service fees to the selected local municipality in the Sedibeng district. Participants included residential property and business owners in the selected local municipality, as well as participants who reside in the central business district (CBD), new development townships and old townships. A total of 510 responses were collected and analysed.

The internal consistency of the research questionnaire was examined by measuring a Cronbach's alpha coefficient (α). Cronbach's alpha values were calculated for each construct (municipal credit management, credit management policy and service delivery), as well as overall reliability. Nunnally (1978:246) states that a reliability benchmark value of 0.70 and higher should be regarded as acceptable. Cronbach's alpha is reported on under the Results section of this article.

In order to determine the strength and direction of relationships between constructs, Pearson's correlation coefficients (r) were also applied in the study. According to Pallant (2013), the correlation coefficient should be interpreted as follows:

- A low correlation is indicated by a correlation between 0 and 0.3.
- A medium correlation is indicated by a correlation between 0.31 and 0.6.
- A strong correlation is indicated by a correlation between 0.61 and 1.

This article adhered to all ethical guidelines for conducting research and received ethical approval from the Ethics Committee of the Vaal University of Technology. The research's findings and their interpretations are presented in the paragraphs that follow.

Ethical considerations

Ethical clearance to conduct this study was obtained from the Vaal University of Technology Faculty of Research Ethics Committee (reference no. FRECMS-17062020-039).

Results

The results hereafter provide reliability statistics, an analysis of descriptive statistics relating to Section A of the questionnaire and findings related to correlation analysis.

Reliability of measuring instruments

Cronbach's alpha values of 0.7 or higher, according to Taber (2018:1278), indicate satisfactory reliability. Table 1 provides an overview of findings related to this research.

TABLE 1: Cronbach's alpha coefficient.

Scales	Cronbach's alpha
Section B: Effectiveness of municipal credit management	0.870
Section C: Responsiveness to credit management policy	0.876
Section D: Relationship between credit management policy and customer service	0.959

In Table 1, Cronbach's alpha values range from 0.870 to 0.959. This suggests that all Cronbach's alpha values exceeded the 0.7 threshold suggested by the literature (Vaske, Beaman & Sponarski 2017:165), demonstrating the validity of the measures used in this study. According to Table 1, the Cronbach's alpha value for Section B is 0.870, Section C is 0.876 and Section D is 0.959. This demonstrates that these factors have a satisfactory level of reliability.

Descriptive analysis relating to demographics of participants

This section offers a sample description along with information about the characters' age, native tongue, gender, level of education, employment status and monthly income.

Age

According to the results, participants between the ages of 21 and 30 made up the largest group ($n = 245$; 48.2%), followed by participants between the ages of 31 and 40 ($n = 196$; 38.6%), participants between the ages of 41 and 50 ($n = 51$; 10%) and participants over the age of 51 ($n = 16$; 3.1%). Except for two questionnaires, a total of 508 of the 510 completed surveys were returned in response to this question.

Home language

The majority of participants reported speaking Southern Sotho as their first language, with $n = 181$ (36.1%), followed by other languages with $n = 148$ (29.5%), people who spoke Xitsonga with $n = 146$ (29.1%) and English with $n = 27$ (5.4%). Out of the 510 completed questionnaires, 502 were returned.

Gender

The study's participants were made up of $n = 320$ (65.7%) female participants and $n = 167$ (34.3%) male participants. This demonstrates that women made up the majority of those who took part in the study. A total of 487 of the 510 completed questionnaires, with 23 answers excluded, provided a response to this question.

Occupational status

The findings indicate that of the study's participants, 298 (or 59.4%) are employed, followed by 163 (32.5%) who are unemployed and 41 (8.2%) who are self-employed. The given information demonstrates that a larger proportion of the study participants who were available to participate are unemployed. A total of 502 of the 510 completed questionnaires, minus eight questionnaires, were returned in response to this question.

Monthly income

Most participants ($n = 185$; 38.8%) earn between R0 and R5000 per month, followed by those who earn between R10 001 and R20 000 ($n = 121$; 25.4%), those who earn between R20 001 and R30 000 ($n = 91$; 19.1%), those who earn between R5001 and R10 000 ($n = 56$; 11.7%) and those who earn from R30 001

and above ($n = 24$; 5.0%). Thirty-three responses were not included in the total response count for this question, which was 477 out of 510 completed questionnaires.

Correlation analysis

The strength and direction of the correlations between the constructs were calculated using Pearson's correlation coefficients. The goal of the study required an investigation of the connections between effectiveness of municipal credit management, responsiveness to credit management policy and municipal service delivery.

A two-tailed significance ($p < 0.01$) was used in the test's execution. Zhou et al. (2016:209) state that the effect size is between 0.10 and 0.29 (small effect), 0.30 and 0.49 (medium effect) and 0.50 or more (large effect). According to Chowdury's (2009:4) recommendations, the relationship between the factors should be between 0.0 and 0.1 (very weak or no relationship), 0.1–0.3 (weak relationship), 0.3–0.5 (moderate relationship) and 0.5–1.0 (strong relationship).

The effectiveness of municipal credit management and responsiveness to credit management policy have a strong positive linear relationship, as shown in Table 2, with a Pearson correlation coefficient of $r = 0.516$, $p < 0.01$. This suggests that residents' receptivity to credit management policies depends on how effectively debt is managed. A moderate relationship ($r = 0.460$, $p < 0.01$) between responsiveness to credit management policy and the relationship between credit management policy and customer service is evident.

From the preceding correlational findings, residents who live under the control of the chosen municipality must be responsive to the credit management policy for it to be effective. It is assumed that residents responded to how the credit management policy is applied based on the previous correlational findings. If the municipality does not strictly enforce its policy, residents will not fulfil their obligations (e.g. to make payments). The inverse is also true because of how closely related these components are. People will be more receptive and fulfil their obligations to the municipality if the credit policy is enforced. There is a good chance that the municipality can improve service delivery if residents are

TABLE 2: Correlation analysis of Section B, Section C and Section D.

Variables	Section B	Section C	Section D
Section B: Effectiveness of municipal credit management			
Pearson correlation	1	0.516	0.164
Significance (two-tailed)	-	0.000	0.000
N	510	510	510
Section C: Responsiveness to credit management policy			
Pearson correlation	0.516	1	0.460
Significance (two-tailed)	0.000	-	0.000
N	510	510	510
Section D: Relationship between credit management policy and service delivery			
Pearson correlation	0.164	0.460	1
Significance (two-tailed)	0.000	0.000	0.000
N	510	510	510

responsive to the credit policy and fulfil their obligations to the municipality. According to the results, service delivery appears to be indirectly impacted by how well credit management policy enforcement works ($r = 0.164$). It appears that responsiveness and service delivery are both related to the enforcement of the credit management policy.

Recommendations

The following recommendations are made, based on the findings of this study.

Quality service delivery

To ensure that consumers' willingness to pay for services is addressed, the municipality urgently needs to improve service quality. This can be accomplished by upgrading the infrastructure, including roads, as well as the basic services, such as the drainage systems, water supply, electricity supply, street lighting, safety and security, human habitation and employment.

Review of critical debt recovery policies

Municipalities should conduct more frequent reviews of their policies and strategies. The municipality experiences changes, so to keep up with the significant changes that encourage rate and tax payment, the municipality must continually review the tariffs and indigent policies. To accommodate local governments' financial needs, the indigent application and requirements should be reviewed yearly. This should guarantee that the poor, orphans or child-headed homes, pensioners with no other source of income than social assistance and unemployed people who are living below the poverty line are all taken care of. Continuous research on the nation's economy and inflation rate should be conducted in accomplishing this. The policies governing credit control and debt collection, as well as the tariff policy, should be modified to meet the needs of the community in terms of service delivery while taking changes and the municipality's top priorities into account. This calls for an update of the municipality's financial viability strategies and policies.

Rebates and discounts

Residents who consistently pay their bills on time should receive monthly discounts. Residents who consistently make their payments without missing any or who pay off their outstanding debts in accordance with the municipal credit agreement should receive rebates at the end of the year. If they performed as required during the current fiscal year, they can achieve this by receiving a 50% discount on their monthly rates and taxes for just 1 month of their choosing the following year. In doing so, locals will be most motivated to keep a close eye on their accounts and want to abide by the municipal credit requirement policy and other rules. They will be further motivated to check their account more frequently to make sure of compliance.

Conclusion

This study's main goal was to determine whether there is a connection between credit management, responsiveness to credit management and the municipality's ability to deliver services. To accomplish the main goal, an empirical and quantitative research was conducted to examine the relationship between the three factors of credit management policy, responsiveness and service delivery. The findings indicated that there is a significant association between credit management, the responsiveness to credit management and service delivery. The municipality under review had fallen into a negative cycle, whereby it failed to enforce a strict credit management policy. This leads to poor debt collection because residents fail to be responsive to the billing process. When debts are not collected, the municipality is plunged into financial shortages and consequently, service delivery suffers. Based on the findings, it was recommended that the municipality should implement rebates and discounts for paying customers, continuously review critical credit policies and ensure quality service delivery. This study contributed to academic knowledge by indicating that, for the sampled municipality, the credit management policy affected both the responsiveness to credit management and the ability of the municipality to deliver quality services. Thus, the credit management policy is a fundamental tool in ensuring that the municipality functions effectively.

Limitations of this article include that findings were based on data collected from residents of a single chosen municipality within the Sedibeng district. The results may not be generalised to the larger population of all South African municipalities. Findings were also based on a limited number of responses – a total of 510 were collected. Furthermore, this study collected primary data, through a self-developed questionnaire. Findings contained in this article were not verified through the analysis of secondary data, such as analysing the debt collection and cash flows of the municipality in question.

As it pertains to further research, it is suggested that future studies also investigate and compare the effectiveness of credit management policy implementation within municipalities situated in different demographic areas. Alternatively, other internal factors that affect the effectiveness of credit management policy within a municipality can be studied. This may include the contemplation of the ability of municipal managers to set a proper credit management policy and the competence of municipal staff to comprehend and implement the policy correctly.

Finally, it is submitted that municipal ineffectiveness has had dire consequences for South African citizens. It is essential for communities and municipalities to unite in solving issues that affect service delivery negatively. In order to do so, ongoing research is required to ensure that these issues are understood and studied completely.

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Competing interests

Authors' contributions

Funding information

Data availability

Data were collected using the self-administered questionnaires.

Disclaimer

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