 **BINDURA UNIVERSITY OF SCIENCE EDUCATION**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTANCY**

**THE IMPACT OF EXCHANGE RATE VOLATILITY ON OPERATIONS OF LOCAL AUTHORITIES IN ZIMBABWE.THE CASE OF LOCAL AUTHORITIES IN MASHONALAND CENTRAL, ZIMBABWE.**

**SUBMITTED BY**

**(B1954027)**

**A DISSERTATION SUBMISSION TO THE BINDURA UNIVERSITY OF SCIENCE EDUCATION IN PARTIAL COMPLETION OF THE REQUIREMENTS FOR THE AWARD OF A BACHELOR OF ACCOUNTANCY HONOURS DEGREE IN ACCOUNTANCY**

**JUNE 2023**

APPROVAL FORM

With my consent as Academic Supervisor, this study proposal is submitted to Bindura University of Science Education for review as a component of the Bachelor of Accountancy honors degree.

Name of student :……: signature .................... : date…………….................

Name of supervisor :…….: signature………………… : date…………....................

Name of chairman :………signature………………… : :date………….....................

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Student Name :

Registration Number: B1954027

Date : June 2023

Student signature :......................................................

DEDICATION

I would like to express my gratitude towards my family, friends, and God Almighty for providing me with the necessary resources, strength, and good health to successfully complete this research despite other competing demands.

ABSTRACT

This study examined the impact of exchange rate volatility on operations of local authorities in Mashonaland central. The objectives of the study were to identify revenue generating systems of Local authorities, to determine how exchange rate volatility affect revenue generating systems of local authorities, to determine strategies which Local authorities are using for effective management of exchange rate volatility and determine the relationship between strategies used to manage exchange rate volatility and performance. The impact of exchange rate volatility on operations of local authorities in Zimbabwe has been a significant challenge for many years. The fluctuations in exchange rates affect the operational activities of local authorities, including revenue collection, budget planning, debt servicing, and procurement. The researcher used both primary and secondary sources of data. The researcher collected secondary data from the journals, newspapers, previous researches and thesis. The population size of this study comprised of 10 local authorities all allocated in Mashonaland central, Zimbabwe. To carry out this study, both qualitative and quantitative were employed. Data was collected through use of questionnaires and secondary sources. The researcher conducted a pilot study to test the reliability and validity of questionnaires before distributing them to the local authorities. Data was analyzed through a statistical package called SPSS version 20 and was presented and interpreted using graphs and tables. Data was tested for validity and reliability using SPSS version 20 . The research findings indicate that exchange rate volatility has a substantial negative impact on the operations of local authorities in Zimbabwe. This has been evidenced by decrease in revenue and challenges in financial planning and budgeting. The following recommendations are given based on the study's findings and its goals and research questions. Local authorities must stay familiar with the current exchange rate situation in Zimbabwe and therefore must come up with strategies which are effective in hedging against exchange rate volatility. Local authorities must use strategies which are well effective enough to hedge against exchange rate volatility. They must use strategies like holding foreign currency, charging forex exclusive prices, preferring cash payments, participating in forex auction programs and preferring early payments. These strategies are significantly strongly correlated with service delivery by local authorities in Zimbabwe.

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I respectfully appreciate Almighty God for the protection and care he has given me throughout my academic career and life in general. My profound gratitude goes out to my loyal Supervisor whose intellectual direction, inspiring counsel, patience, moral support, and understanding helped me get to this point. Last but not least, I want to express my gratitude for the financial and moral support given.by professors, librarians, classmates, participants in discussion groups, and friends. Thank you so much, and may God continue to richly bless you all.

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 ABBREVIATIONS

LGA - Local Government Authority

RDC –Rural District Council

MRDC-Mazowe Rural District Council

RRDC-Rushinga Rural District Council

 REPOA - Research on Poverty Alleviation

CHAPTER I

INTRODUCTION

1.1 Introduction

This research study aims to investigate the impact of exchange rate volatility on the operations of local authorities in Zimbabwe. Several studies have been conducted on this issue, but little has been done to investigate its impact on local authorities. The need to understand the effects of exchange rate volatility on local authorities in Zimbabwe is critical, as these authorities play a crucial role in service delivery to citizens (Mafumbate, 2015). The purpose of this chapter is to explain the study background, problem statement, objectives and research questions, highlighting definition of key terms, the scope of the study, delimitations and the limitations of the study as well as the significance of the study.

1.2Background of the research under study

Exchange rate volatility has been a significant concern for local authorities in Europe, America, and Asia, as it affects their operations and financial stability (Smith et al, 2017). Several studies have been conducted to explore the impact of exchange rate volatility on the operations of local authorities in various countries worldwide. For instance, a study by Gosselin and St-Amant (2004) examined the impact of exchange rate volatility on municipal finances in Canada. The study found out that municipal revenues are greatly affected by exchange rate volatility, particularly those derived from property taxes and user charges.

Similarly, a study by Hoffman and Ter-Minassian (2003) investigated the impact of exchange rate movements on local government finances in Germany. The study found that exchange rate volatility had a significant impact on local government budgets, particularly those related to debt service and capital investments. Zimbabwe has been experiencing severe economic challenges for the past decades, including hyperinflation, currency devaluation, and political instability (Moyo and Dube, 2020). The currency devaluation and inflation have led to currency volatility, which creates uncertainty for local authorities in their budgeting, revenue collection, and procurement processes. The local authorities, including municipalities, rural district councils, and urban councils, rely heavily on government grants, donor funds, and the local economy for revenue generation. Therefore, the exchange rate volatility affects their operations and performance (Zenda and Mayanja ,2019)

Moreover, Zimbabwe has a dual currency system, where the government introduced the bond note and electronic transfers as a surrogate currency for the United States dollar. However, this has resulted in a gap between the official rate and the parallel market rate, creating exchange rate differentials that local authorities must navigate (Jena and Ayegba ,2020). The exchange rate differentials have led to a rise in the cost of service delivery, including fuel, equipment, and raw materials, making it difficult for the local authorities to provide basic services to their communities. Coupled with this is the low tax base, limited capacity, and low investment in infrastructural development, making the local authorities vulnerable to macroeconomic shocks (Zenda and Mayanja, 2019)

There has been a notable significant fall in revenue collection systems in local authorities in Zimbabwe despite the fact that local councils have various sources to collect revenue from .Since 2018, the organization's existing sources of income were unable to yield sufficient revenue as per their own set targets , sufficient revenue to carry out its objectives such as paying employees on time , maintaining infrastructure and facilities, providing and maintaining roads ,garbage collection, managing water and sanitation, managing health and education,cemetry management and providing social services as well as proper housing services .The impact of exchange rate volatility on operations of local authorities in Mashonaland central is the aim of this study, which is focused on exchange rate volatility as one important factor that needs to be critically examined in terms of determinants of revenue. A decline of the exchange rate, as (Fierro and Reisen, 1990) highlighted, might favorably impact revenue generation.

Despite this, as these studies were unable to properly analyze the influence of exchange rate fluctuations operations of local authorities in Zimbabwe, the literature is not entirely exhaustive. According to an examination of the studies' literature, theoretical and empirical frameworks do not completely cover the topic, and therefore is the void this study seeks to examine and fill. Given the volatility of Zimbabwe’s local currency ZWL, both the formal and the informal business sectors prefer payments to be made only in foreign currencies regardless of the fact that the economy use different multiple currencies. Despite the government several attempts to benchmark goods and services prices by adopting the use of interbank rates, most companies prefer to transact using USD in order to minimize persistent losses. They per sue the use of USD transactions even if they are at risk of losing their operating licenses to the central government. Local authorities have been failing to sufficiently to sufficiently offer service delivery to the community at large for the past several years. This was due to the low revenue was generated due to popular hostility to paying taxes and because the district had no control over contingent grants from donors. Local authorities are obliged to carry out their responsibilities in providing effective and quality service delivery, however for the local authorities fully perform its operations such as providing quality service delivery to the community it requires sufficient income thus revenue collection is very vital in the affairs of the council. Modauko (2010), article reiterated weak revenue generation as a bigger uncertainty faced by many local authorities which hinders effective council operations and performance in delivering services. Therefore, the goal of this study is to assess how exchange rate volatility affects local government operations using the case of local government in Mashonaland Central.

1.3 Problem statement

The impact of exchange rate volatility on operations of local authorities in Zimbabwe has been a significant challenge for many years. The fluctuations in exchange rates affect the operational activities of local authorities, including revenue collection, budget planning, debt servicing, and procurement. According to Chikono et al. (2021), the volatility of exchange rates in Zimbabwe has been driven by several factors, including political instability, economic sanctions, and high inflation rates. As a result, local authorities have been struggling to maintain their operations and service delivery to their residents. Exchange rate volatility has been a long-standing issue in Zimbabwe due to various factors such as political instability, economic mismanagement, and inflation. Local authorities in Zimbabwe have been particularly affected by exchange rate fluctuations as they receive most of their funding from the central government, which often struggles to make timely and adequate disbursements due to the volatile exchange rates. In recent years, the issue of currency manipulation by foreign actors has also been identified as a potential cause of exchange rate volatility in Zimbabwe. These factors have all contributed to the current economic challenges faced by Zimbabwean local authorities (Mlambo and Bonga, 2021).

The study aims to provide insights into the challenges faced by local authorities and identify potential solutions to mitigate the negative impact of exchange rate volatility on operations of local authorities in Zimbabwe.

1.4 Research Objectives

i)To identify revenue generating systems of Local authorities.

ii) To determine how exchange rate volatility affect revenue generating systems of local authorities.

III) To determine strategies which Local authorities are using for effective management of exchange rate volatility.

iv.) To determine the relationship between strategies used to manage exchange rate volatility and performance.

1.5 Research questions

i)What are the revenue generating systems of local authorities?

ii) How exchange rate volatility affects the revenue generating systems of local authorities?

iii) What strategies are being used by local authorities to effectively manage exchange rate volatility?

iv.) What is the relationship between strategies which local authorities are using to manage exchange rate volatility and performance of local authorities?

1.6 Importance of the research under study
The significance of the study on the impact of exchange rate volatility in Zimbabwe is multifaceted and extends to several stakeholders, including students.

To the researcher

Firstly, this study improves the researcher’s knowledge on exchange rate fluctuations and they affect local authorities. The findings of this study can be used to inform policy-making, and may aid in the development of strategies to mitigate the negative impact of exchange rate volatility on local authorities. Lastly, for students, this study is significant as it provides an opportunity to learn about the effects of exchange rate volatility on local authorities in Zimbabwe, and the methods used to conduct research in this area. This type of research can also inform students' career choices and expose them to potential areas of employment in the public sector.

To the university

The study is important to the university as it demonstrates the institution's commitment to producing research that is relevant to the Zimbabwean context. This can enhance the university's reputation and attract more funding for research.

To the local authorities

Lastly, the study is important to the local authorities in Zimbabwe as it provides insights into the impact of exchange rate volatility on their operations. The findings can be used to inform decision-making regarding budgeting and planning for the future.

1.7 Assumptions of the study

i. Exchange rate volatility affects revenue collection by local authorities.

ii. Exchange rate volatility affects the level of service delivery by local authorities.

iii. Local authorities have limited control over exchange rate volatility.

iv. Local authorities face challenges in managing exchange rate volatility.

1.8 SCOPE OF THE RESEARCH UNDER STUDY

This research seeks examine the impact of exchange volatility on operations of local authorities in Mashonaland central. . Basically this research in on how exchange rate volatility affects income generation activities and the overall effect on operations of local authorities in Mashonaland central.

**1.9 Delimitations**

This study solely focuses on how exchange rate volatility affects operations of local authorities in Mashonaland central. The study covers the period of 2022 . The study is limited to the impact of exchange rate volatility on operations of local authorities denominated in Zimbabwean dollars. The study does not compare the effects of exchange rate volatility on other sectors apart from the operations of local authorities.

1.10 Limitations

i. Mistrust from the participants and unwillingness to disclose confidential information

ii. The study may have been limited by the availability of data. The researchers may not have been able to obtain the necessary data to fully explore the impact of exchange rate volatility on local authorities in Zimbabwe.

iii. The study may have been limited in scope, focusing only on the impact of exchange rate volatility on local authorities in Mashonaland central. As a result, the findings may not be generalizable to other countries or regions.

iv.The study may have relied on self reported data from local authorities which may be subject to bias or inaccuracies.

1.101 Description and definition of terms

MRDC– Mazowe Rural District Council
Local authority is defined as means municipal council, town council, local board, rural District council, or provincial council (Urban Council's Act chapter 29:15).

According to Ozkurt (2006), exchange rate volatility is the consistent up-and-down swings in a nation's currency's barter price.

**1.11 Summary**

This chapter primarily focused on the problem and its surroundings, emphasizing the problem's context. The study's goals, research questions, and issue statement were all highlighted, along with the importance of the study. The study's purpose and the definition of terminology used specifically in this investigation were emphasized. The study's underlying presumptions, scope, anticipated limitations, and delimitations were also noted in this chapter.

**CHAPTER II**

**LITERATURE REVIEW**

**2.1Introduction**In this chapter, the researcher highlighted the revenue generating systems of local authorities, how exchange rate volatility affect revenue generating systems factors contributing towards poor revenue collection systems and strategies which local authorities are using to effectively manage exchange rate volatility .This chapter also includes empirical literature, with the intention of presenting empirical material to examine earlier work and many research techniques used on this subject to find any gaps in the literature.

Theoretical review

**2.2 The purchasing power parity theory**

This theory was founded by Professor Gustav Cassel of Sweden. This theory suggests that exchange rate volatility affects the operations of local authorities in Zimbabwe by altering the purchasing power of its currency against those of other countries, resulting in fluctuations in its ability to import goods and services (Ahmed et al., 2019).

According to this theory the buying power between two nations determines the exchange rate. For instance, if a given variety of items can be bought for ZWL 1000 in Zimbabwe and for USD1 in United States of America, this means that the purchasing power of USDa1 in the United States of America is equal to the purchasing power of ZWL 1000 in Zimbabwe. Therefore, the exchange rate will be USD 1 = ZWL 1000. This will increase demand for US dollars in Zimbabwe thereby decreasing supply since relatively few people will export goods and services from Zimbabwe to United States of America.

However, there are also critisms that comes along with this theory in that the principle of purchasing power is applicable to a stagnant environment. According to Cassel (1918), Internal prices and production costs are continually shifting. Therefore, there is need for a fresh balance on a regular basis between the two currencies.

Keynes (1923), also argues that foreign currency exchange rates are also determined by capital movements and a variety of other influences that affects the demand for and supply of foreign exchange.

**2.3 Capital accumulation growth channel theory**

 According to the capital accumulation growth channel theory, exchange rate volatility has an impact on the operations of local authorities in Zimbabwe by affecting the incentives to invest. As exchange rate volatility increases, there is likely to be a decrease in the level of investment, as investors become more risk-averse. This can lead to a reduction in the overall level of capital accumulation within the economy, and a subsequent slowdown in economic growth (Razak & Li, 2018).

This concept posits that economic growth is influenced by exchange rates which plays a major role in influencing savings. Mbaye (2012), reiterates that this method seeks to explain that economic growth is influenced by exchange rate devaluation which boosts the capital stock of a country's economy. Therefore, this view point is also supported by the fact domestic saving tend to be influenced by devalued exchange rate. Mbaye (2012), supports notion that capital accumulation usually happens in a sector where goods are tradable whose share of Gross Domestic Product (GDP) rises. The second source being the stock of capital in an economy and this leads to a rise in savings and investments.

The capital accumulation concept is underpinned by two conceptual connections therefore it is significant to understand this theory of exchange rates. According to Montiel and Serven (2008), the first connection is usually debatable, both conceptually and empirically, yet the second one is the pillar of the mainstream growth process.

 2.4 Benefit theory

A concept in the theory of taxation based on public finances is the benefit theory. It uses taxes to cover the cost of providing public goods based on a political commitment to pay for the benefits obtained. Two economists from the Stockholm School, Knut Wicksell (1896) and Erik Lindahl (1919), developed the idea in its basic form. Wicksell's more universally accepted articulation of the concept was predicated on a fair distribution of income. In the works of Paul Samuelson, Richard Musgrave, and others, the methodology was expanded. Additionally, it has been used to discuss issues like tax progressivity, corporate taxes, and wealth or property taxes. This argument contends that the state ought to tax people in proportion to the benefits they get. The more the benefits a person receives. The benefit theory suggests that exchange rate volatility impacts local authorities' operations by reducing the benefits received from their budget allocations. Funds allocated to local authorities may be based on previous year's budgets, which may no longer be sufficient due to exchange rate fluctuations (Shumba & Mudavanhu, 2017). Moreover, exchange rate volatility affects local authorities' ability to fund necessary projects and services as predicted expenditure is not guaranteed due to the fluctuations. This impact becomes even more severe in Zimbabwe, where the country has experienced hyperinflation that has further affected local authorities' operations (Mazaiwana et al., 2020).In conclusion, the impact of exchange rate volatility on local authority operations in Zimbabwe cannot be understated, as it has led to budget deficits, reduced project implementation, and ultimately compromised the provision of essential services to the public.

 2.5 Mundell-Fleming Model

 The model is based on three key assumptions: perfect capital mobility, a high degree of price flexibility, and a fixed exchange rate or managed float (Mundell and Fleming ,1963) In the context of Zimbabwe's local authorities, the Mundell-Fleming model could provide insight into how changes in the exchange rate impact their operations. For example, a sudden depreciation of the Zimbabwean dollar could lead to inflationary pressures on goods and services imported by local authorities, potentially increasing their operating costs. This could in turn affect their ability to provide essential services to the local population, and lead to calls for higher taxes or cutbacks in spending.

On the other hand, if the Zimbabwean government were to implement policies to stabilize the exchange rate or reduce volatility, such as tightening monetary policy, it could potentially reduce inflation and lower operating costs for local authorities. However, these policies could also have unintended consequences, such as reducing investment or slowing economic growth.

This model suggests that exchange rate volatility can have a significant impact on the macroeconomic variables of a country, such as interest rates, inflation, and economic growth. This can in turn affect the operations of local authorities, as changes in these variables can impact government revenue and spending.

Overall, the Mundell-Fleming model could provide a useful lens through which to explore the potential impacts of exchange rate volatility on local authorities in Zimbabwe and inform policy decisions.

2.6 The portfolio balance approach

The portfolio balance approach is a theory that that examines the relationship between the balance of payments and changes in the asset prices .The approach explains that changes in balance of payments can have an impact on the demand for assets, which in turn may affect asset prices (Mishkin ,2008).According to this approach ,a change in the relative attractiveness of different markets can have an impact on capital flows between countries and in turn affect exchange rates (Obstfeld &Rogoff ,2000).

The portfolio balance approach advocates that exchange rate volatility impacts the operations of local authorities in Zimbabwe by altering their demand for foreign and domestic assets in their portfolios. This demand, in turn, influences the exchange rate (Brunner & Meltzer, 1971). With high volatility in the exchange rate, local authorities may face challenges in managing their portfolios and could experience losses due to uncertainties in the value and returns of foreign assets. Approach suggests that exchange rate volatility can impact the demand for a country's currency among investors. If exchange rate volatility increases, investors may become less willing to hold assets denominated in that currency, which can lead to a decrease in foreign investment. This can impact the operations of local authorities; as foreign investment can be an important source of funding for government projects.

2.7 Transaction Cost Model

This theory advocates that the cost buying or selling an asset can impact pricing. According to this theory, investors takes into account not only the current market price of an asset, but also the transaction costs associated with buying or selling it when making investment decisions. According to Hendershott and Riordan (1993), the transaction cost model suggests that transaction costs can impact asset pricing.

The transaction cost model suggests that exchange rate volatility impacts the operations of local authorities by increasing transaction costs associated with importing goods and services (Bird, 2013). This may lead to reduced efficiency in local authority operations and increased prices for consumers. In addition, exchange rate volatility can limit the availability of foreign currency, making it difficult for local authorities to access essential imports. This can impact the operations of local authorities, as it can lead to higher costs for imports and exports, affecting both government revenue and spending.

2.8 Risk management model

The risk management model suggests that exchange rate volatility impacts the operations of local authorities by increasing the risk associated with budget planning and implementation. To mitigate this risk, local authorities may use risk hedging strategies such as forward contracts, options, and other derivatives to manage their foreign exchange exposure (Hedging, 2019).In a study by Mazaiwana et al. (2020), it was found that the volatility of the Zimbabwean dollar exchange rate led to challenges in budgeting and financial planning by local authorities, and that risk management strategies were essential to mitigate these challenges.

2.9 Empirical review

 Several studies have been conducted to investigate the relationship between exchange rate volatility and performance of local authorities in Zimbabwe, even in other countries such as Pakistan and Ghana studies related to this study were carried out

**Ncube C and Ndlovu S (2016**) **The impact of exchange rate volatility on the budgetary performance of local authorities in Zimbabwe.**

This study examined the impact of exchange rate volatility on the budgetary performance of local authorities in Zimbabwe .The research was aimed at examining the impact of exchange rate volatility on the budgetary performance of local authorities in Zimbabwe ,investigate the effectiveness of risk management strategies in mitigating the effects of exchange rate volatility on the budgetary performance of local authorities and to provide recommendations on how local authorities in Zimbabwe can enhance their risk management strategies to improve their budgetary performance in the face of exchange rate volatility .A quantitative research design was used, which involved collecting data from 11 councils over a period of 10 years .The study used a sample of 23 councils from 4 provinces in Zimbabwe .The study employed both descriptive and inferential statistics to analyze the data .The study findings indicates that exchange rate fluctuations has a significant negative impact on the budgetary performance of local authorities in Zimbabwe .The study recommends that local authorities should prioritize the implementation of effective risk management policies to mitigate the effects of exchange rate volatility on their budgetary performance .

**Chikodzi D and Dube N (2017) ,The impact of exchange rate on the financial sustainability of local authorities in Zimbabwe .**

 A mixed – methods research design which involved collecting both quantitative and qualitative data from 10 local authorities in Zimbabwe .The study was aimed at analyzing the impact of exchange rate on the financial sustainability of councils in Zimbabwe ,investigate the factors that influence exchange rate variability and how they affect the financial sustainability of local authorities and lastly to examine the measures that local authorities can take to mitigate the impact of exchange rate volatility on their financial sustainability .The researchers used descriptive statistics and thematic analysis to analyze the data .The researchers also collected data from 10 local authorities using a combination of questionnaires and interviews. The study found that exchange rate volatility has negative impact on sustainability of local authorities. This is due to the fact that a weakened currency affects revenue collection, leading to financial difficulties.

**Gwatidzo T and Makoni T (2019), The impact of exchange rate volatility on revenue collection by local authorities in Zimbabwe.**

This study used a quantitative research design which involved collecting data from 15 local authorities in Zimbabwe over a period of 5 years .The objectives of the study were to analyze the relationship between exchange rate volatility and revenue collection by local authorities ,identify the factors that contribute to revenue fluctuations due to exchange rate movements and to recommend strategies for local authorities to manage exchange rate volatility and improve revenue collection .The researchers used multiple regression analysis to analyze the data and found out that exchange rate volatility had a significant negative impact on operations of local authorities in Zimbabwe .The study employed a mixed –method approach ,including surveys and interviews of local authority officials and analysis of financial data. The study findings suggest that exchange rate volatility negatively affects the revenue collection of local authorities in Zimbabwe, which further impacts their financial sustainability and ability to provide services to their communities.

**Ahmed Q.M, Atique and Ahmed S (2018), the impact of exchange rate volatility on the budgetary performance of local governance of Pakistan. (2005-2015)**

This study investigates the impact of exchange rate volatility on the budgetary performance of local governance. Using panel data from 74 districts of Pakistan over the period of 2005-2015, the study employs Fixed Effects Estimation technique to test the hypotheses. The objectives of the study were to investigate the impact of exchange rate volatility on the budgetary performance of local governance in Pakistan , to analyze the effect of exchange rate instability on government revenue and expenditure , determine the role of local governance in managing exchange rate volatility and its impact on budgetary performance and to provide policy recommendations for local authorities regarding managing exchange rate volatility and improving budgetary performance. The findings reveal that exchange rate volatility has a negative and significant impact on the budgetary performance of local governance. In particular, the volatility of exchange rate reduces the fiscal revenues, which ultimately results in poor budgetary performance of local governance. Therefore, the study recommends that policymakers should implement effective exchange rate policies that can stabilize the exchange rate and ensure the sustainable performance of local governance in Pakistan.

**Alhassan A. L and Sakyi D. K (2015), The impact of exchange rate volatility on fiscal performance of local governance. An empirical investigation of Ghana`s fiscal management. (1990-2013)**

This study examines the impact of exchange rate volatility on the fiscal performance of local governance in Ghana, using quarterly data from 2000 to 2014. The objectives of the study were to determine the effect of exchange rate volatility on the revenue performance of local governance in Ghana, to examine the impact of exchange rate volatility on the expenditure performance of local governance in Ghana and to investigate the effect of exchange rate volatility on the fiscal balance (surplus/deficit) of local governance in Ghana.

Results show that exchange rate volatility has a significant negative effect on local government revenue and expenditure in the short-run but not in the long-run. Specifically, a one percent increase in exchange rate volatility leads to a 0.31 percent and 0.26 percent decrease in local government revenue and expenditure, respectively, in the short-run. The study recommends that local authorities should develop effective risk management strategies to mitigate the negative effect of exchange rate volatility on their fiscal performance. Additionally, policymakers should focus on stabilizing the exchange rate, which is essential to promoting the fiscal health of local governance.

**Chanyau T (2014), The impact of revenue generating systems on performance of local authorities in Zimbabwe. A case of Chiredzi town council.**

The study aimed to examine the effects of income generating systems on the performance of local authorities in Zimbabwe using Chiredzi Town Council as a case study. The research followed a mixed-methods design, employing both qualitative and quantitative data collection methods.The objectives of the study were to evaluate the revenue-generating systems adopted by local authorities in Zimbabwe ,assess the relationship between income-generating systems and the performance of local authorities in Zimbabwe, identify the challenges faced by local authorities in implementing effective income-generating systems and provide recommendations for enhancing the performance of local authorities through effective income-generating systems. The study found that income generating systems positively affect the performance of local authorities in Zimbabwe by increasing their revenue base, improving service delivery, and enabling them to embark on development projects. Additionally, the study found that there is a need for local authorities to adopt innovative and sustainable income-generating systems to enhance their performance. However, the study also identified challenges that impede the effective implementation and operation of income generating systems in local authorities, including lack of political will, inadequate resources, and corruption. The study recommends that local authorities should prioritize income generating systems, implement ethical and transparent practices, and establish effective monitoring and evaluation mechanisms.

**Chiwara. R (2018), Causes of financial challenges. A case study of Nyanga Rural district council**

 The objective of this study was to examine the financial challenges encountered by Rural District Councils, using Nyanga Rural District Council as a case study. The research utilized a case study approach and involved 160 ratepayers, five Councillors, and seventeen Nyanga Rural District Council personnel. The sample was categorized into three groups: Councillors, ratepayers, and Nyanga Rural District Council workers. Primary and secondary sources were used to collect data, which was analyzed through questionnaires, interviews, and Nyanga Rural District Council reports. The findings revealed that the major financial challenge affecting the council was insufficient revenue inflows, resulting in inadequate service delivery.

**Mbufu A. K 2013) The impact of revenue collection on service delivery. A case study of ILALA municipal council.**

This study aimed to assess the impact of revenue collection on service delivery in Ilala Municipal Council. The objectives of the study were to examine the revenue collection methods used by the council, identify the challenges faced by the council in revenue collection, and to assess the impact of revenue collection on service delivery. The study used a mixed-methods approach, with a sample size of 100 respondents drawn from the council staff and taxpayers. Data was collected through interviews, questionnaires, and document analysis.

The findings revealed that the council used various revenue collection methods, including property rates, business licenses, and parking fees. The major challenges faced by the council in revenue collection were inadequate staffing, lack of modern equipment, and corruption. The study also found that there was a positive relationship between revenue collection and service delivery. Based on the findings, the study recommended that the council should improve its revenue collection methods by adopting modern technologies, increasing staff numbers, and reducing corruption. The study also recommended that the council should increase its budget allocation for service delivery to improve the quality of services provided to the public. In conclusion, the study provides insights into the importance of revenue collection in service delivery and highlights the need for local authorities to adopt effective revenue collection strategies to improve service delivery.

 **Revenue generating systems of local authorities and how they are affected by exchange rate volatility**

**2.10 Rates and license fees**

 When local authorities receive cash in foreign currency from rate payers, decide to hold that cash in foreign currency and change it in our Zimdollar currency at a much later period of time, the value during that period could be low. Foreign buyers raise up housing prices in a country with a weak domestic currency. During the past several years back, the local demand for housing has also been robust in various nations and this affected the prices. Gold frank (2009), notes that royalties help generate revenue in rural local authorities, for example in Zimbabwe, issuing licenses to operate a business, with a fee first having to be paid to the local authority. Carmichael (2003), emphasized main sources of revenue for local governments as rates and fixed assets, as well as earnings from commercial ventures like the provision of gas and water utilities. There are also a number of taxpayer surveys that can reveal the incidence of local taxes at the taxpayer level (Emezi, 2003). However, despite the fact that the council have so much sources of capital, local authorities are failing to generate enough revenue as cited by Chandler (2005), article which portrays that the local authorities are not obliged to place rates fee above the legal maximum requirement.

**2.11 Development Levy**

Local authorities are mandated by the Zimbabwe Councils Act and law to charge levies such as land development levy and mining levies their citizens. Inner (2015), argues that adopting a pegged or a freely floating exchange rate causes currency crisis especially in emerging economies and that large currency depreciations result in an inflationary shock which causes a reduction in real wages which also affects low income earners thus paving a way for unequal distribution of income. consistent with Chinjilika (2013), development levy is the revenue imposed by way of the critical governmental authority for payment by way of the nearby community ignored to urge local improvement in terms of roads, bridges, schools, health center construction among others. Experts advocate caution in extending the property tax to county governments and in imposing a commercial property tax in municipalities (REPOA, 2008).

Exchange rate has an effect investment. Rowthorn (1999), reiterated that a decline in investment leads to an increase in unemployment because investment is a significant element of demand. This can also affect rural local authorities because they depend on residential and commercial rate payers.

Mazowe rural District also charges development levy to the localists to decorate local development. throughout the previous rain season in 2021, Mazowe rural district council additionally constructed drainage ditches and roads to enhance the people's requirements of residing. Modauko (2010), highlighted that improvement levy additionally represent quantities of rents paid for the usage of any land or constructing which belongs to a nearby authority. However, the countrywide authorities do not understand a lot approximately the quantity to charge for development levy and land levy.

**2.12 Income Generating Projects**

Exchange rate volatility may also affect the income generating projects of local authorities. If local authorities are involved into other income generating projects and tends to be a supplier, holding foreign currency may be not beneficial for the local authority when the exchange rate against Zimdollar is predicted to fall in the foreseeable future. Elizabeth (2010), defined earnings generating initiatives in neighborhood authorities as the income generated by the local authority via business projects such as industrial establishments among them which includes transport offerings, bakeries, farms, beer gardens and stocks invested in non-public firms.

Mazowe rural district council has right to be involved in income generating projects as stipulated by the Zimbabwe Urban Councils. For instance, Mazowe rural district council have the pound to keep stray livestock and auction them. The council has The Gombekombe and Chigwida clinic which is another source of revenue. The executive board requested an ambulance to improve the services of the Dandamera poly clinic, Gombekombe and Chigwida clinic. The council also has the roads planning and works department which raises revenue from construction of roads and bridges. However, George (2010), argues that these council initiatives are difficult to sustain and as a substitute disappoints because of bad management and limited business understanding.

**2.13 Borrowing**

An unfavorable domestic currency can raise up a inflation levels of a country that relies more on imported commodities .In response to this ,the central bank may be obliged to raise interest rate to mitigate this economic bad (inflation) in a quest to improve the domestic currency through reducing too much money in circulation and prevent it from plunging sharply .This contractionary monetary policy is likely to discourage borrowing for local authorities thereby affecting the revenue generation as well as operations. (Modauko, 2010) postulates that local government are allowed to borrow funds from the principal authorities and economic establishments such as banking institutions. Therefore, enhance loans to cater for expenses associated with long-time period capital tasks inside their statutory jurisdiction as an instance drainage schemes, fitness and agricultural development. Mazowe rural district council sometimes borrow cash from the crucial authorities and economic institutions such as Banks in order fund long-term capital projects such as construction of drainage ditches and to pay statutory deductions or even to pay for other general expenditures. However local authorities are failing to acquire loans from the banks due to high interest rates being charged. Zhou (2013), also argues that unlike grants, loans have a limit to borrowing and also the borrower is expected to pay back the money**.**

**2.14 Inflation**

Inflation can have various impacts on local authorities. For instance, if inflation is high, it can increase the cost of providing public goods and services, including infrastructure development, healthcare, and education. Also, it can lead to a decrease in the purchasing power of local authorities' budgets, which can affect their ability to deliver quality services to their constituencies. To better understand the relationship between exchange rates and inflation, various studies have been conducted in the past. For instance, a study by Bakari and Cergas (2018) examined the relationship between exchange rate volatility and inflation in Tanzania. The authors found that exchange rate volatility had a significant impact on the country's inflation rate.

**2.15 interest rates and Inflation**

According to Bussière and Fratzscher (2006) exchange rates can have a significant impact on local authorities, particularly those that engage in international trade or investment. When exchange rates fluctuate, the value of international transactions can also change, which can influence local authorities' revenue and funding streams.

 According to Bussière and Fratzscher (2006), in terms of the relationship between interest rates and exchange rate volatility, higher interest rates can often lead to increased exchange rate volatility. This is because higher interest rates can attract foreign investment, which can cause demand for the local currency to increase, driving up its value. However, if investors become concerned about economic conditions or inflation, they may withdraw their investments, causing the value of the local currency to decline. This volatility can make it difficult for local authorities to plan and budget effectively.

Factors that contribute towards revenue generating systems in local authorities

**2.16 Inability to fully collects revenues and to fully distribute final demands to clients**.

Devaluation of currency affects the local authorities as it affects the domestic rate payers and as a result the council's ability to fully collect revenue due to them will be reduced. Revenue is the lifeblood of any institution and without sufficient funds, local authorities cannot operate effectively. Local authorities in Zimbabwe are failing to elevate their revenue structures due to inability to fully collect overdue revenues and to distribute final demands to their clients. The assistant finance officer highlighted that Mazowe rural district council is failing to distribute final demands to to its clients due to the shortage of fuel, faulty vehicles which needs repairs to operate and also the fact that some clients are operating freely without being billed.

Kajembe and Marageni (2009), alluded that the important administrative troubles for plenty varieties of local authorities in growing international locations is the potential to collect fully sales due to them because of negative management ability to fully recover reach the trade receivables, negative management ability to set costs, refusal and evasion from rates payers along with the mismanagement of sales budget affects the revenue generation .fraudulent activities along ..

 **2.17 government Interference in the affairs of local councils**

Interferences of the political parties in the affairs generates a buzz in the revenue collection systems in local councils as it negatively affects the proper running of the council operations. Political. Political involvement also appear in some forms that is from to selection to the time of appointing political workplace holder to authority inside the management incapability and limited skills so that they can fulfill their political impacts (Steytler ,2013) .

in keeping with (Japhet ,2014) ,the writer additionally postulated political involvement is commonly traumatic to the operations of the local authorities in Zimbabwe after the money owed had been cancelled by way of the local authorities minister unfairly without following the legal procedures .

Government officials involvement in the affairs of the local authorities have an effect on councils and has moved inwards because of structural reforms which led to the impairment of professionalism in rural nearby authorities (Kjaer ,2011) .It is wide open that the lack of professional and skilled personnel employees in rural nearby authorities have an impact on revenue collection systems .

**2.18 Restricted budget making process by the central national ministry**

The central government ministry has great powers over daily choice making in rural neighborhood government in relation to the preparation of a budget (DeVisser, etal 2010) .A budget is crucially required inside the council's management operations each year and it must comply with positive tactics along with the finances formulation ,finances approval ,price range execution and oversight .A budget outlines the expected sales and expenditure priorities In order to allocate scarce assets most of the services the council intends to offer .Rural nearby government cannot do something significant without a running budget meaning that every local authority should undergo budget formulation, execution , approval and oversight so as to allocate scarce resources using estimated expenditures and income (Madzivanyika ,2011) .

Madzivanyika (2011), additionally postulates primary government as being too far away from the local authorities and may end up facing challenges to comprehend local authorities’ operational expenses. The postpone on the finances to be approved negatively impacted the financial plans and delivery of the services thus subsequently lowering the income generation and series structures in location.

Mc Connell (2004), alluded that some other supply of monetary trouble for nearby authorities originates from the rates which are of fixed nature and that local authorities should set prices above a positive peg after taking into consideration if selection by the suitable minister to check if their application is approved For instance, Mazowe Rural District council's budget making process during the month of November 2021 was delayed by the government in that the council was ordered to reformulate the budget and re-execute before its approval.

**2.19 Poor management of revenue generating projects**

Rural local authorities in Zimbabwe are obliged to undertake other ancillary trading activities to expand the revenue base . Basically, policy Makers and investors may prefer stable exchange rates since stability reduces uncertainty, facilitate in more accurate planning and also contribute towards an economic improvement and distribution of income. This is particularly important when it comes to cyclical appreciation and depreciation trends on the Zimdollar currency. This may likely affect the income streams of local authorities thus reducing the council's ability to operate effectively. Al-Hassan (2011), postulated that for the initiatives to yield sufficient revenue, there must be powerful council control to ensure sustainability.

Mazowe rural district council is considering buying an ambulance so as to improve its services to the citizens. Unfortunately, there is insufficient funds to purchase the plumbing and building materials of Gombekombe and Chigwida clinic. Councils should invest in projects which generate more. It is so unfortunate that Mazowe rural district council is unable to manage long-term capital projects because the revenue gained does not equal with expenditure. Tango International (2009), alluded that sustainability of projects is rather disappointing as expenditure is not tallying with the benefits accrued. Maregeri (2009) postulates scarcity of staff and managerial expertise and commercial technical skills being the main cause for the failure of projects that generate revenue for Rural local authorities in Zimbabwe.

2.20 Services delivered by local authorities

Local authorities are responsible for providing services to the community and is structured in such a way that it provides essential and quality services to the community of Mazowe district. Therefore, In turn, for the organization to survive and continue providing quality to the community, the community and the institutions must pay rates to the council as a way of appreciating service delivery by the council. Revenue is the lifeblood of every institution and without sufficient revenue, a company cannot operate effectively. On the other hand the co-existence of exchange rate volatility appears to be an economic tragedy which must not be ignored as it affects the income streams and service delivery of local authorities.

**2.21 Sewer reticulation**

Chirisa etal (2017), stipulate that before any residence can be granted an occupation certificate to properly handle wastewater, it must first have an adequate sanitation system. It is carried out using pipe reducers to ensure that the power is present within the sewage system. Pipe wardens are also there to troubleshoot any blockages that may have occurred in the community area. The community also maintains sewer ponds, which can reduce the prevailing line clogs. For this service, the community can pay a fixed and monthly fee. Exchange rate volatility can have a significant impact on the sewer reticulation infrastructure of local authorities. As explained by Mlambo and Bonga (2021), the fluctuation of exchange rates can make it difficult for local authorities to procure the necessary equipment and materials required for sewer reticulation projects. This is because the cost of importing these resources can increase significantly when the local currency weakens against foreign currencies. As a result, local authorities may experience delays in implementing sewer reticulation projects, or may have to compromise on the quality of materials used.

Furthermore, exchange rate volatility can also affect the maintenance and repair of sewer reticulation infrastructure. As noted by Nhamo and Kaseke (2017), fluctuations in exchange rates can lead to inflation, which in turn can increase the cost of labor and materials required for maintenance and repair work. This can make it difficult for local authorities to carry out necessary maintenance and repair work, which can lead to further deterioration of sewer reticulation infrastructure.

**2.22 Garbage collection or refuse collection.**

Local authorities also collect trash cans from citizens to keep waste away from disease within the community. The refuse truck moves around the community collecting all rubbish and taking it to the nearby landfill. Exchange rate volatility can significantly impact garbage collection in local authorities. The fluctuation in exchange rates can lead to an increase in the cost of importing equipment and spare parts necessary for garbage collection. This can lead to a shortage of equipment and increased downtime, which can result in garbage not being collected regularly. Additionally, the increased cost of importing fuel and other resources can make it difficult for local authorities to maintain their garbage collection schedules. According to Mlambo and Bonga (2021), the shortage of foreign currency caused by exchange rate volatility can lead to difficulties in acquiring equipment and spare parts for garbage trucks, thereby affecting the quality and frequency of garbage collection services.

**2.23 Road maintenance**

According to Rural District Councils Act 29.13, local authorities have a duty to ensure that roads are well maintained. They therefore act as a voice for local needs at higher levels and provide tailored support for community initiatives Abelson (2006). Local authorities do this in a variety of ways. These consist of obliging the owner of land on which works are or are to be carried out that damage a road, regulating performances and meetings on streets, refraining from using sidewalks for unauthorized purposes, naming roads, road use laws ..According to Mlambo and Bonga (2021), exchange rate volatility can lead to increased costs of materials and equipment used in road maintenance due to fluctuations in foreign currency exchange rates. This can result in local authorities having to allocate more funds to cover these costs, which may reduce the overall budget for road maintenance. Furthermore, if the exchange rate volatility leads to inflation, the cost of labor may also increase, which can further strain the resources of local authorities. This can result in a reduction in the quality of road maintenance and repair work, which can lead to increased road accidents and damage to vehicles.

**2.24 Administration of clinics and schools**

Local authorities run colleges and clinics. It is the Council's duty to ensure that faculties and clinics are fully resourced and operating efficiently. The recruitment of nurses and trainers is also done with the help of the council. .A weak local currency can increase the cost of these resources and make them less accessible to local authorities, leading to shortages and poor quality of services. Furthermore, exchange rate volatility can affect the salaries of healthcare workers and teachers, which may be denominated in foreign currencies or pegged to them. This can create uncertainty and financial instability for these professionals, who may not be able to meet their basic needs or perform their duties effectively. To support this claim, Mlambo and Bonga (2021) highlight that exchange rate volatility can lead to inflation, which can erode the purchasing power of local authorities and reduce their ability to provide essential services. Similarly, Ngwenya (2017) notes that exchange rate fluctuations can negatively affect the delivery of health services and education in Zimbabwe, particularly in rural areas, where there are limited resources and infrastructure.

**2.25 Preserving Natural Resources**

The council also ensures that plant sources are properly cared for. It ensures that there is no illegal bush cutting, illegal fishing, illegal mining and cultivating land that is not always intended for agriculture. Those observed playing illegal sports that violate plant asset conservation may be subject to a stiff fine or conviction. The council also participates in sports such as tree planting and also works with the EMA to conserve the natural resources. According to Mlambo and Bonga (2021), fluctuations in the exchange rate can lead to a decrease in funding for environmental conservation programs, resulting in a lack of resources to maintain natural resources such as forests, rivers, and wildlife reserves. This lack of funding may also lead to reduced investment in renewable energy sources, which can exacerbate the problem of climate change.

Moreover, exchange rate volatility can also impact the ability of local authorities to attract foreign investment for sustainable development projects. A study by Chitakunye and Muchabaiwa (2019) found that fluctuations in the exchange rate can create uncertainty for foreign investors, making it difficult for local authorities to secure long-term funding for environmental protection initiatives. In addition, exchange rate volatility can lead to price fluctuations in natural resource commodities, such as timber and minerals, which can affect the revenue generated by local authorities. As noted by Tawodzera and Zhou (2018), this revenue is often used to fund environmental conservation and preservation programs, making it difficult for local authorities to continue these initiatives in the face of economic instability.

**2.26 Promotion of improvement in the municipal area**

According to Eriksson and Wester Lund (2011), when selling the improvement in the community area, the community releases all residential, commercial and commercial stalls that are well maintained. The council also provides sites for recreational events with the aim of improving residents' housing habits. The council also ensures that the houses are built according to the approved plan. The plans are approved by the Council's Roads and Planning Department. Asset numbering is also done through the council.

Strategies local authorities are using to effectively manage the effects of exchange rate volatility

**Participating in forex auction programs**

According to Muroyiwa et al. (2021), the introduction of forex auction systems in Zimbabwe in 2020 has improved the availability of foreign currency at stable exchange rates while reducing the pressure on the local currency. Similarly, Chikanya and Mutongi (2020) assert that participating in forex auctions can help local authorities avoid the negative impacts of unstable exchange rates, such as budget deficits and unplanned expenses. Participating in forex auction programs can help reduce the impact of exchange rate volatility on the operations of local authorities. These programs provide a platform for businesses, including local authorities, to access foreign currency at a stable exchange rate, thus mitigating the impact of exchange rate fluctuations. In addition, forex auction programs have the potential to increase the supply of foreign currency in the market, improving the availability of imported inputs and reducing the cost of imports. Therefore, local authorities can participate in forex auctions to secure funding for their operations while mitigating the effects of exchange rate volatility.

In conclusion, participating in forex auction programs can reduce the impact of exchange rate volatility on the operations of local authorities in Zimbabwe. The programs create a stable platform for businesses, including local authorities, to access foreign currency, reducing the pressure on the local currency.

**2.27Charging forex exclusive services**

Local authorities can reduce the impact of exchange rate volatility on their operations by charging for forex-exclusive services. By charging a fee for these services, the local authorities can more accurately predict their income and expenses, making it easier to budget and plan for future expenditures. This can help to mitigate the risks associated with exchange rate volatility and provide a stable source of revenue for local authorities.

According to Mohammadi, et al. (2020), charging for forex-exclusive services is one of the ways in which local authorities can protect themselves against the impact of exchange rate volatility. By diversifying their revenue streams, local authorities can reduce their dependency on any single source of income and reduce their vulnerability to external shocks.

**2.28 Preferring cash payments**

Preferring cash payments can help reduce the impact of exchange rate volatility on the operations of local authorities. Cash payments provide a fixed amount of currency at the time of the transaction, reducing the risk of exchange rate fluctuations. This can help local authorities to plan and budget more effectively, as they can count on receiving a consistent amount of currency for their operations. According to Mlambo and Bonga (2016), local authorities in Zimbabwe have been implementing cash-centric payments systems to hedge against exchange rate volatility. By preferring cash payments, local authorities can reduce the risk of currency fluctuations, resulting in a more stable funding environment for their operations.

**2.29 Preferring early payments**

Local authorities can reduce the impact of exchange rate volatility on their operations by encouraging early payments. According to Muroyiwa, et al. (2021), early payments can help mitigate the currency risk associated with delayed payments. By receiving payment earlier, local authorities can avoid potential losses due to fluctuations in exchange rates. As Chikanya and Mutongi (2020) note, this strategy can also help improve cash flow management and reduce the amount of foreign currency exposure.

Preferring early payments can help reduce the impact of exchange rate volatility on the operations of local authorities. By encouraging early payments, local authorities can reduce the duration of their foreign currency exposure and obtain cash earlier, which can help simplify their budgeting process and improve their ability to manage exchange rate risk. For instance, if a local authority requires a supplier to make payment within 30 days of receiving services or goods, it can negotiate for payments to be made in the first few days to mitigate exchange rate risk. Implementing early payment strategies can also foster closer relationships with suppliers, which can help strengthen the local authority's bargaining power and financial position. In summary, preferring early payments can reduce the impact of exchange rate volatility on the operations of local authorities by decreasing their exposure to currency fluctuations and improving their cash position.

**2.30 Transacting in local currency**

Transacting in local currency can help reduce the impact of exchange rate volatility on the operations of local authorities. According to Muroyiwa et al. (2021), transacting in local currency can reduce the transaction costs associated with foreign currency transactions. Moreover, Chikanya and Mutongi (2020) argue that transacting in local currency reduces the risk of currency fluctuations that may lead to losses.

Transacting in local currency can help reduce the impact of exchange rate volatility on the operations of local authorities. By using the local currency, local authorities can avoid the fluctuations in exchange rates and reduce the uncertainty and risks associated with exchange rate volatility. This can lead to greater stability in budgeting and decision-making, as well as more favorable terms in contracts with partners and suppliers. Additionally, transacting in local currency can help promote local economic development and support local businesses. Overall, transacting in local currency can provide significant benefits for local authorities looking to reduce the impact of exchange rate volatility on their operations

2.31 Holding foreign currency

Holding foreign currency can help reduce the impact of exchange rate volatility on an organization's finances. As noted by Gupta and Jain (2014), holding foreign currency reserves can provide a cushion against sudden movements in exchange rates that might otherwise negatively affect an organization's balance sheet. When a company or organization holds foreign currency, it reduces its exposure to exchange rate fluctuations, since it has assets denominated in more than one currency. This can help stabilize the organization's finances and protect it from unexpected losses due to exchange rate fluctuations.

Holding foreign currency can help reduce the impact of exchange rate volatility on the operations of local authorities. By strategically holding a certain amount of foreign currency, local authorities can mitigate the risk of exchange rate fluctuations when conducting international transactions or paying off foreign currency denominated debt. However, holding foreign currency can also lead to the risk of currency depreciation, which can result in losses for the authorities. Therefore, it is important for local authorities to carefully balance the benefits and risks of holding foreign currency.

**2.32 Conceptual framework:**

The conceptual framework theory describes how well local governments handle revenue collection and service delivery. The moderating, independent, and dependent variables make up this system. Exchange rate volatility is the independent variable, while the dependent variable is operations of local authorities whilst many rules that govern it serve as the control variables. Both the independent and dependent variables are significantly influenced

**Moderating variables**

-inflation

-interest rates

-Exchange rates

**Independent variable**

-exchange rate volatility

**Dependent variable**

-services delivered by local authorities

-revenue generating systems

**Source: author 2023 fig .2.3.0**

**2.33 Gap analysis**

To date, research on the impact of exchange rate volatility on local authorities is limited, as most studies focus on the broader impact of exchange rate volatility on the economy or government finances. Although some studies, such as Elhassan and Sakyi (2015), have examined the impact of exchange rate volatility on the fiscal performance of local governments, few have specifically considered its operational implications for local authorities. This is surprising given the importance of international trade for many local authorities and the potential impact of exchange rate volatility on their daily operations. Therefore, there is a need for further research to explore the specific operational implications of exchange rate volatility for local authorities.

**2.34 Summary**

Literature review chapter mainly concentrated on the theoretical literature, Conceptual framework and empirical review. Independent, dependent and moderating variables are explained by this chapter.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

Chapter 3 describes the methods that were used to conduct the research and analyze the data. It begins by providing a comprehensive overview of the study area, followed by a discussion of the research design, survey method, sample design, sampling techniques, sample size, and data collection tools used. The chapter aims to provide a clear and detailed account of how the study was carried out and how the data was obtained, organized, and analyzed.

**3.2 Study area**

This study solely focuses on local authorities in Mashonaland central province.

3.3 Research Design
Mark (2018), articulated that a research design is the framework for the study methods and procedures a researcher chooses. A research design refers to widespread strategy hired by means of the researcher to answer the research questions. Saunders, Lewis and Thornhill, (2012) asserted studies design as a predetermined course of action the researcher proposed to comply with when carrying out the studies. Remenyiatal, (2009) articulated that a research design is important in relation to answering who, why and how research questions are answered. research was conducted using case study studies’ layout which establishes green and dependable evidence for the complete research system in addition to offering findings which end result from the research. Research design is the detail which presents for the gathering and presentation of facts. The quantitative approach was chosen because it allows for the collection of numerical data that establishes the relationship between the variables being studied. Quantitative research approach is used to permit statistical quantities and distribution under the research study whilst on the contrary qualitative research approach is derived directly from this inductive approach.

3.4 Descriptive research design
The researcher also used a descriptive research design to unveil facts and statistics that every now and then lie buried in the minds, emotions and attitudes of the humans over a certain phenomenon.

 A descriptive method layout makes data less complicated to acquire and condense for each the existing and the beyond the usage of graphs, tables and charts. The researcher makes use of each the qualitative and quantitative research techniques in accumulating records through group interviews which complemented quantitative data to be gathered using questionnaires.

The researcher followed the usage of descriptive facts research layout method because it lets in the big use of words and it renders itself smooth to quantify records therefore making it clean and good enough to research, interpret and examine records to be accrued.

3.5 population and sample

**Target Population** This research population consist of 10 Local authorities and 1 Accountant was drawn from each council. According to Cooper and Schindler (2003), a population is a unit of observation because it is the subject being measured.
**3.6 Sample Size and Sampling Techniques**

According to Saunders etal, (2009) a population is a complete set of cases from which a sample can be obtained. The research population was divided into strata ,1 Accountant per each council. When conducting research with a small population size, it may be beneficial to send a questionnaire to one respondent per local authority. This approach can provide valuable insights into specific views and experiences related to the research problem. According to Joppe (2000), a small sample size can be useful when the phenomenon under investigation is rare, unique, or difficult to access. Similarly, Bryman (2016) notes that a small sample size can be advantageous when studying a population with homogeneous characteristics.

According to Bryman (2015), this type of sampling technique is known as purposive sampling, which involves selecting participants based on specific criteria to ensure that the sample is representative of the population being studied. In addition, sending a questionnaire to one respondent per local authority can help to ensure that the research is representative of the entire population being studied. As noted by Lee and Choi (2017), sampling one respondent from each group ensures that each group is represented equally in the sample. This approach can help to reduce bias and increase the accuracy of the findings. The researcher selected individuals from group of 10 Accountants to eliminate bias arising from different perspectives on the subject under study. The population were selected the usage of a random sampling method In addition the Accountants represented the entire population. The survey's respondents were chosen using a straightforward random sample technique. In the case of key informants, the respondents were chosen on purpose due to their significant domain expertise.

**Table 3.6.1(sampling frame) population size and sample**

|  |  |  |  |
| --- | --- | --- | --- |
| Level of occupation  | Level of population | Size of the sample | Percentage  |
|  |  |  |  |
| Accountants  | 10 | 10 | 100% |
|  |  |  |  |
| Total  | 10 | 10 |  |

The researcher focused on local authorities in Mashonaland central. The researcher selected the whole population since it is a small population size. When it comes to selecting a sample size for research, the general consensus is that larger sample sizes tend to yield more accurate results. However, some authors argue that in certain cases, a small sample size can be sufficient. According to Creswell (2013), small sample sizes can provide a valuable exploratory or descriptive analysis of a phenomenon or population, which can help generate hypotheses and guide future research. Moreover, a small sample size can have increased validity and reliability if the sample is carefully selected to be representative of the population of interest (Sandelowski, 1995).

A small sample size can be sufficient. For instance, according to Creswell (2014), a small sample size can be appropriate for a qualitative study because it allows the researcher to obtain rich data that can provide an in-depth understanding of the phenomenon being studied.

3.7 Justification for using the whole population

The use of a sample in research is intended to generalize the findings to the larger population. However, in some cases, the use of a sample may not be appropriate, and the whole population must be considered. In this study, the whole population of local authorities will be used to examine the impact of exchange rate volatility on their operations. Using the whole population is appropriate in this case because the number of local authorities is relatively small, and the researcher has access to all of them. Additionally, the use of the whole population ensures that the findings are representative of the entire population, and there is no sampling error.

3.8 Data collection procedure

The researcher needed to liaise with the councilors selected in interviews and the appointment, word of mouth was done. The research data was gathered from a large number of respondents using a questionnaire survey method. Data that was quantifiable was gathered using questionnaires. The approach used self-administered surveys on the business community, which consisted of a list of questions printed in a specific order (Kothari, 2014).

This strategy was chosen since it was time-efficient and quickly gathered a large number of respondents. The respondents had time to consider and consider the questions posed before selecting the best response using this method.

3.9 Sources of data
The author made use of raw data (primary data ) ,and desk data (secondary ) data collection methods in order to carry out this research .

Research instruments
The researcher made use of diverse facts collection contraptions consisting of established institutional questionnaire. The author used a self-administrated questionnaire that was inherently closed-ended. The researcher used a Likert scale to base these questions. The writer used these research instruments in order to help in the accumulation of complete facts.

 Saunders (2009), explained different research techniques that a researcher a researcher can use to gather research data, particularly interviews, surveys and experiments. The researcher used questionnaires because the empirical investigations of phenomena in their plant or actual lifestyle context can be completed using a lot of evidence. This case investigation research is unique and interesting because it enables the author to gain a comprehensive knowledge of the context of the studies and procedures undertaken with the urge to attain a deep understanding of the outcomes of revenue collection systems on council operations in local authorities in Zimbabwe.

**3.10 Questionnaires**

The researcher made use of questionnaires which proved to be the most appropriate method to gather information. Questionnaires have advantages as compared to varieties of surveys because they're cheap, offer viable solutions and don’t need a good deal attempt from the researcher which makes it simple to accumulate and bring together records. Questionnaires are a commonly used research instrument in many fields. According to Creswell (2014), questionnaires are a survey research design that collects data from a sample of individuals through their responses to a set of questions. They are widely used due to their ability to collect large amounts of data from a large number of respondents at a relatively low cost (Dillman, Smyth, & Christian, 2014).

Additionally, questionnaires are a flexible and versatile research instrument, as they can be used for a wide range of research purposes, from simple opinion surveys to more complex studies involving multiple factors (Creswell, 2014). They can also be administered in a variety of ways, including online, by mail, or in person, which makes them a convenient and accessible research tool for both researchers and participants (Dillman et al., 2014). Furthermore, questionnaires offer several benefits to researchers, including the ability to collect data quickly and efficiently, the ability to standardize data collection, and the ability to control for bias and error (Creswell, 2014). They also allow researchers to analyze data quantitatively, which can provide valuable insights into patterns and trends in the data (Dillman et al., 2014).

3.11 Data Validity and reliability

The researcher appropriately designed individual questions to ensure validity of data to be collected. Professionals were consulted to check the volume of the questions that the researcher has structured. Furthermore, the research made sure that the questionnaires were answered and that no discussions were made by the correspondents when answering the questions. The questionnaire was of reasonable length to ensure reliability and also constructed questions that were not difficult, confusing and unclear.

 The researcher made use of tables and percentages for a descriptive statistical analysis to foster easy understanding of the research under study. These presentations were so clear, readable in such a way that allows the reader to clearly see the relationship that occurred between the data variables. The reliability analysis provided by table 3.2.11 shows the Cronbach's Alpha coefficient and the number of items for measuring the impact of Exchange rate volatility on operations of local authorities. In this case, the Cronbach's Alpha coefficient is 0.779, which indicates good internal consistency among the items. The number of items is also important because it affects the reliability of the measure. In this case, there are 37 items being analyzed for their impact on Exchange rate volatility on operations of local authorities.

|  |
| --- |
|  |

|  |
| --- |
| **table 3.12.1 1Reliability Statistics** |
| Cronbach's Alpha | N of Items |
| .779 | 37 |

***SPSS OUTPUT***

**3.12 Pilot study**

To ensure the validity and reliability of the research questions, a pilot study was conducted among a small group of local authorities in Zimbabwe. The pilot study involved the distribution of questionnaires to a sample of local authorities to test the quality and validity of the research questions. The responses from the participants allowed the author to make necessary adjustments to the questionnaire to align it with the research problem. After the necessary corrections were made, the researcher obtained the expected results from the participants, which confirmed the validity and reliability of the research questions. (Mlambo & Bonga, 2021)

**3.13 Data presentation and analysis.**

The data collected for this study was based on a survey conducted among local authorities in the country. A total of 10 local authorities were surveyed, and the data collected was analyzed using descriptive statistics and Pearson correlation analysis. The researcher used tables used present the findings of the study.

**3.14 Ethical consideration**

Ethics in research is a crucial aspect that ensures that research studies are conducted in a morally responsible manner. One of the key ethical considerations in this study is informed consent. Before conducting any research, the participants, in this case, the local authorities, should be informed of the study's purpose, the potential risks and benefits of participation, and the right to withdraw from the study at any time. Additionally, researchers should ensure that the participants' privacy and confidentiality are maintained throughout the study.

Another ethical consideration is the use of accurate and reliable data. Researchers should ensure that the data used in the study is obtained through ethical means and that the data is accurate and reliable. Additionally, the data should be analyzed objectively, and the findings should be reported transparently without any biases or manipulation. Finally, researchers should ensure that the study does not cause any harm to the participants or the environment. The research should be designed in a manner that minimizes any potential risks to the participants, and any adverse effects should be addressed promptly.

3.14 Summary

This study has portrayed that research methodology is important in that it stresses out

the research techniques that ensures relevance and coherence of the study. The research methods used such as interviews, observation and questionnaires were efficient and effective in collecting data

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The basis of this chapter is the analysis, interpretation and presentation of research findings gathered through questionnaires and journal articles. Data is mainly presented through tables and correlation between strategies used to manage exchange rate volatility and performance of local authorities is explored in this chapter. Data was analyzed through a statistical package called SPSS version 20.

**Response and success rate**

**Table 4.2 questionnaire response rate**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Target respondents | Successful | Success rate |
| Accountants | 10 | 10 |  100% |
|  |  |  |  |
| Total | 10 | 10 | 100% |

The researcher distributed questionnaires to 10 local authorities in Mashonaland central was able to gather 10 completed questionnaires from the sample of 10 respondents. This resulted in a response rate of 100%, which was consistent with Mugenda's (2003) who claim that an accurate response rate is of 75%. The response rate of 100% is legitimate and dependable as backed Dalene (2009), surveys should have a response rate of at least 50%. Moreover, due to the fact that significant Accounts Clerks who are relevant to the study answered the questionnaires, the target population was fairly represented. According to Robson (2012), questionnaires work best when they contain standardized questions that the respondents can all understand.

There are 10 local authorities in Mashonaland central and the researcher chose 1 accounts clerk who represented each council. Therefore, the whole population of 10 local authorities was able to provide an accurate assessment of the impact of exchange rate volatility on operations of local authorities in Mashonaland central.

Demographic data

To help the researcher comprehend the participants in the study, the demographic data of the respondents was established.

**Table 4.3.1recent level of education**

|  |
| --- |
|  |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | secondary education | 2 | 20.0 | 20.0 | 20.0 |
| Diploma | 2 | 20.0 | 20.0 | 40.0 |
| Undergraduate degree | 4 | 40.0 | 40.0 | 80.0 |
| Post graduate degree | 2 | 20.0 | 20.0 | 100.0 |
| Total | 10 | 100.0 | 100.0 |  |

***Source: Primary data 2023 SPSS output***

 As depicted by the above table, it appears that the majority of the respondents have attained an undergraduate degree, accounting for 40% of the total responses. This is followed by post-graduate degrees and diplomas, which account for 20% of the total responses. This demonstrates that the responders were knowledgeable about the research issue and well-educated, making them qualified for their respective roles within the organizations. Therefore, their input is greatly reliable and valid. However, this contradicts with previous study carried out by Chanyau (2013), who found out that majority of the respondents were certificate holders and the few were graduates. This means that according to this previous study, the employees were moderately qualified and therefore their responses were slightly reliable and valid .

**Table 4.4 Level of experience**

|  |
| --- |
|  |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 0-3 years | 2 | 20.0 | 20.0 | 20.0 |
| 4-10 years | 6 | 60.0 | 60.0 | 80.0 |
| 0ver 10 years | 2 | 20.0 | 20.0 | 100.0 |
| Total | 10 | 100.0 | 100.0 |  |

***Source: primary data 2023 spss output***

 Based on the data, it is evident that the majority of the respondents had 4-10 years of experience. This may suggest that these respondents have a better understanding of the impact of exchange rate volatility on the operations of local authorities compared to those with less experience. The ability to offer accurate information for this study was demonstrated by the respondents' familiarity with the system's needs, operations, and difficulties. This vast experience pool increased the relevance, precision, and dependability of the data that the researcher collected. This is in line with the previous study carried out by Mbufu (2013), who found out that that most of the respondents were experienced thus this increased the relevance and reliability of their responses.

4.5 Revenue generating systems of local authorities in Mashonaland central

Local authorities collect revenue so as to better serve the society. Exchange rate volatility might also hinder the council’s ability to sufficiently generate revenue. So it is important to identify, analyze and present research findings in relation to revenue generating systems of local authorities because it is a contributing factor to sufficient service delivery. Respondents also presented their views on a Likert scale.

**Table 4.5.1 revenue generating systems**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | N valid | Missing | Mean  | Mode | Median |
| Rates | 10 | 0 | 2.90 | 3.00 | 2 |
| Incense fees | 10 | 0 | 2.60 | 2.00 | 2 |
| Development levy  | 10 | 0 | 3.00 | 3.00 | 3 |
| Income generating projects | 10 | 0 | 3.3 | 2 | 2 |
| Public private partnership | 10 | 0 | 3.90 | 4.0 | 4 |
| Borrowing  | 10 | 0 | 3.50 | 3.50 | 3 |
| User charges  | 10 | 0 | 3.50 | 3.50 | 3 |
| Inter government transfers | 10 | 0 | 3.70 | 4.00 | 4 |
| Sale or leasing of assets | 10 | 0 | 3.50 | 4.00 | 4 |

**Source: spss output 2023**

 Based on the data provided in Table 4.5.1, the local authorities in question seem to rely heavily on public-private partnerships and intergovernmental transfers as their primary sources of revenue generation, with average scores of 3.90 and 3.70 respectively out of a possible 5. This is in conjunction with the study carried out by Chanyau (2014) who found out that rates, license fees and public private partnerships are a reliable source of finance for local authorities On the other hand, incense fees and rates were the least preferred sources of revenue generation, scoring an average of 2.60 and 2.90 respectively. According to the research conducted by Smith et al. (2018), public-private partnerships are often preferred by local authorities for revenue generation due to the potential for increased efficiency, reduced costs, and access to private sector expertise. However, the same study also notes that public-private partnerships can be complex and require significant investment in negotiation and contract management.

Table 4.6.1 funds distributed to councils in Mashonaland central from the central government for the period of 2019-2020

|  |  |
| --- | --- |
| Local authority  | Amount ZWL |
| Bindura rdc | $6014000 |
| Mbire rdc | $6361000 |
| Chaminuka rdc | $7242000 |
| Pfura rdc  | $7765000 |
| . Mazowe rdc | $8400000 |
| Muzarabani rdc | $9150000 |
| Guruve rdc | $9164000 |
| Mvurwi rdc  | $11627664 |
| Rushinga rdc | $12806300 |
| Bindura municipality  | $13282800 |

***Source: secondary Data: ministry of local government and public works, Mashonaland central report***

The above table depicts the devolution funds given to local councils in Mashonaland central from 2019-2020 and this means that devolution funds are also a source of revenue for local authorities which is tailored to finance long-term capital projects.

Majority of respondent’s constituting of a total of 60% ascertain that local authorities generate their revenue through sale or leasing of assets .40% of the respondents argues that sale or leasing of assets is an unreliable source of finance for local authorities.

 **Table 4.7.1 the effects of exchange rate volatility on revenue generating systems of local authorities**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Variable | Very small extent | Small extent  | Moderate extent | Large extent | Very large extent |
| Rates | - | - | 20% | 60% | 20% |
|  |  |  |  |  |  |
| License fees  | - | 10% | 20% | 40% | 30% |
| Development levy | - | 10% | 30% | 10% | 50% |
| Income generating  | 10% | - | 30% | 30% | 30% |
| Public private partnership | - | - | 30% | 60% | 10% |
| Borrowing  | - | - | 50% | 40% | 10% |
| User charges | 10% | 10% | 20% | 20% | 40% |
| Devolution funds | 20% | - | 10% | 50% | 20% |
| Sale or leasing of assets  | 20% | 10% | 20% | 20% | 30% |

***Spss output***

According to the findings from previous studies, exchange rate volatility has a significant impact on the revenue generating systems of local authorities in Zimbabwe. The research conducted by Alhassan and Sakyi (2015) shows that exchange rate volatility has a negative effect on local government revenue and expenditure in the short-run. Specifically, a one percent increase in exchange rate volatility leads to a 0.31 percent and 0.26 percent decrease in local government revenue and expenditure, respectively. The results from Table 4.7.1 suggest that exchange rate volatility has a greater impact on rates and license fees, as the majority of respondents reported that it affects them to a large or very large extent. This finding is consistent with Alhassan and Sakyi's study. Additionally, the research conducted by Chirisa and Chikodzi (2014) found that exchange rate volatility affects the development of infrastructure in Zimbabwe. This is in line with the finding from Table 4.7.1 that exchange rate volatility greatly affects the payment of development levy.

Furthermore, the study conducted by Chirisa and Chikodzi (2014) also found that exchange rate volatility negatively affects the implementation of projects in local authorities. This is consistent with the finding from Table 4.7.1 that exchange rate volatility greatly affects income generating projects of local authorities.

In conclusion, the research findings from previous studies suggest that exchange rate volatility has a significant impact on the operations of local authorities in Zimbabwe. The results from Table 4.7.1 provide further evidence to support this assertion. Therefore, local authorities should take measures to mitigate the negative effects of exchange rate volatility on their revenue generating systems and development projects.

4.8Factors that contribute towards poor revenue generating systems in local authorities?

The researcher distributed questionnaires to the respondents of 10 local authorities in Mashonaland central in a quest to find out factors that contribute towards revenue generating systems in local authorities. These factors affect the revenue streams of local authorities so which is the lifeblood of their operations. The respondents used the extent Likert scale to indicate their reactions. Therefore, the research findings from the respondents are shown in the table below.

**Table 4.8.1 factors influencing revenue generating systems in local authorities**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Variables | Very small extent | Small extent | Moderate extent | Large extent  | Very large extent |
| Inability to fully collect outstanding revenue from clients  | - | - | 40% | 50% | 10% |
| Government interferences in the affairs of local authorities | 10% | 10% | 40% | 10% | 30% |
| Restricted budget making process by the central government | - | - | 30% | 50 | 20% |
| Poor management of revenue generating projects | - | - | 20% | 50% | 30% |
|  |  |  |  |  |  |

Spss output 2023

Given that the respondents were highly qualified and experienced, their judgment is reliable for this study. There were still a variety of responses to the various replies to the questions posed in response to the increase in service delivery, and these were summarized as shown in the table above. Majority of the respondents were of the view that inability to fully collect outstanding revenue from customers contributes towards poor revenue generating systems. These findings are in line with previous studies conducted by Chanyau (2013) , who highlighted that poor financial management, political interference, and inadequate policies and regulations are key factors that hinder the revenue generation capacity of local authorities.

The respondents came up with different views pertaining factors that contribute towards poor revenue generating systems of local authorities.10% of the accountants viewed that government interferences the affairs of local authorities is also a contributing factor towards poor revenue generating systems of local authorities to a very small extent, 10% small extent, 40% moderate extent, 10% large extent and 30% to a very large extent. According to Jaap (2013), political parties can also inhibit the efficient management of municipal issues by impeding councilor decision-making.

Respondents were asked about factors that contributes towards revenue generating systems in local authorities and they come up with different reactions .30% of the respondent were of the view that restricted budget making process by the central government is a contributing factor towards poor revenue generating systems of local authorities to a moderate extent, 50 % to a large extent, 20% to a very large extent .This clearly indicates that restricted budget making process by the central government is also a contributing factor towards poor revenue generating systems of local authorities .This confirms George's (2013) assertion that mismanagement in local authorities' trade initiatives results in low revenue generation, which states that bad management of IGP generates low income production.

As depicted by the table above, 20% of the accountants responded that poor management of revenue generating projects is also a contributing factor towards revenue generating systems of local authorities to a moderate extent, 50% to a large extent and 30% to a very large extent.

4.9 The impact of exchange rate volatility on services of local authorities

When asked if exchange rate volatility was mostly to blame for poor service delivery in local authorities the respondents' replies were compiled in the table below. The respondents provided their responses on a Likert scale.

**Table 4.9.1 the impact of exchange rate volatility on service delivery**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | N valid | Missing | Mean  | Mode | Median |
| Sewer reticulation  | 10 | 0 | 4.10 | 4.00 | 4 |
| Garbage collection  | 10 | 0 | 4.00 | 4.00 | 5 |
| Road maintenance  | 10 | 0 | 3.20 | 3.50 | 3 |
| Administration of schools and clinics | 10 | 0 | 3.50 | 4.00 | 4 |
| Preserving of natural resources | 10 | 0 | 3.60 | 4.0 | 4 |
| Provision of stands | 10 | 0 | 4.10 | 4.00 | 4 |

**Source: spss output 2023**

The table shows the impact of exchange rate volatility on various service delivery areas of local authorities. The mean values for sewer reticulation, garbage collection, administration of clinics and schools, preserving of natural resources, and provision of stands are above 3, indicating that exchange rate volatility has a significant impact on these areas of service delivery. The mean value for road maintenance is 3.20, which suggests that exchange rate volatility has a moderate impact on this service. The median value for all the service areas is 4, except for road maintenance, which has a median of 3. This implies that exchange rate volatility affects service delivery in a consistent and significant way across all service areas, except for road maintenance, which is moderately affected. This is in line with study carried out by Chikodzi and Dube (2017), who found that exchange rate volatility has negative impact on sustainability of local authorities. This is due to the fact that a weakened currency affects revenue collection, leading to financial difficulties. The authors argue that this is due to the fact that exchange rate volatility affects the cost of imported goods and services, which local authorities often rely on to provide services such as waste management and road maintenance. In conclusion, the data presented shows that exchange rate volatility negatively affects service delivery in local authorities, particularly in the areas of sewer reticulation, garbage collection, road maintenance, preservation of natural resources, and provision of stands.

Table 4.10.0 The relationship between strategies used to manage exchange rate volatility and performance of local authorities.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  **Correlations**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Pearson correlation** | **Significance (level 2 tailed)** | **Number**  |
| Charging forex exclusive prices  | 0.972 | 0.000 | 10 |
| Preferring cash payments | 0.547 | 0.102 | 10 |
| Participating in forex auction programs | 0.815 | 0.004 | 10 |
| Preferring early payments |  0.712 | 0.021 | 10 |
| Transacting in local currency  | 0.965 | 0.000 | 10 |
| Holding foreign currency  | 0.885 | 0.001 | 10 |
| **SERVICE DELIVERY** |

 |
|  **Correlation is significance at level 0.05** |
|  **Spss output 2023** |
|  |

Pearson correlation is one of the common used method which is used to test the relationship between two interval variables. The study aims to test the relationship between the strategies which local authorities are using to effectively manage exchange rate volatility and performance which is service delivery using Pearson correlation. The independent variables for this relationship test are the factors which are used to manage exchange rate volatility and the dependent variable is service delivery. Data was analyzed using a software package called SPSS and the analysis is based on cross-sectional data for the period of 2022 and 2023

The table above depicts the Pearson correlation between strategies used to manage exchange rate volatility and service delivery of local authorities in Mashonaland central. As depicted by the table above, there is a statistically strong significant relationship between holding foreign currency and service delivery in local authorities (r=0,885, p<0.005. The is a strong significantly correlation between charging forex exclusive prices and service delivery in local authorities (r =0.972, p<0.005). The is also a statistically moderate relationship between preferring cash payments and service delivery in local authorities (r = 0.547, p =0.102).

The results from the Pearson correlation indicates that there is a statistically strong significant relationship between participating in forex auction programs as indicated by the significant level (r = 0.815 , p<0.005) .There is also a strong significant statistical relationship between preferring early payments and service delivery as indicated (r =0,712 , p=0.021).As depicted by the table above there is a significant strong relationship between transacting in local currency and service delivery in local authorities .

 4.11 Summary

This chapter focused on data presentation, analysis and interpretation. Data was presented using tables and was analyzed using a special statistical package called SPSS version 20. This chapter made use of inferential statistics to test the relationship between strategies used to manage exchange rate volatility and performance of local authorities.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Introduction

This chapter provides a brief summary of the research. The main objective of this research was to examine how exchange rate volatility affects the operations of local authorities in Zimbabwe, focusing on the case of local authorities in Mashonaland Central. Consequently, the results of the study will be presented in this chapter.

5.2 Summary

The study found that exchange volatility which lead to insufficient services provided to the population by the local authorities, is the primary source of financial difficulties. This study also found moderating variables that affect overall performance by local authorities such as inflation and interest rates. The study found a strong significant correlation between strategy which local authorities are using to effectively manage exchange rate volatility and service performance. The investigation determined that there were insufficient financial resources or a weak revenue basis. To cover daily costs such vehicle maintenance and repairs, salaries, creditors, regulatory deductions, stationery, and infrastructure services, there must be enough capital available. , there is a statistically strong significant relationship between holding foreign currency and service delivery in local authorities ( r=0,885 , p<0.005 .The is a strong significantly correlation between charging forex exclusive prices and service delivery in local authorities (r =0.972,p<0.005). The is also a statistically moderate relationship between preferring cash payments and service delivery in local authorities (r = 0.547, p =0.102).

The results from the Pearson correlation indicates that there is a statistically strong significant relationship between participating in forex auction programs as indicated by the significant level (r = 0.815 , p<0.005) .There is also a strong significant statistical relationship between preferring early payments and service delivery as indicated (r =0,712 , p=0.21).There is also a significant strong relationship between transacting in local currency and service delivery in local authorities .The research also found out that exchange rate volatility has a great impact on revenue generating systems and services delivered by the local authorities in Mashonaland central as majority of respondents were in favor of it .

5.3 Conclusion

Based on the primary research question of this study, which was to analyze the how exchange rate volatility affects operations of local authorities in Mashonaland central. It was determined that service delivery in local authorities and the strategy used to manage exchange rate volatility collections are closely related. Generally, Local authorities in Zimbabwe had seen a significant drop in service quality. Due to inadequate income collections. Consequently, even despite the fact that local authorities conducted a number of procedures and initiatives to increase Local income collection numbers, there is still plenty to be done. They must develop contingent plans to come up with the effective ways to reduce the impact of exchange rate volatility so that service delivery will be greatly improved.

Poor service delivery is attributed to weak income streams which are also affected by unfavorable inflation rates, exchange rates and higher interest rates. The results also demonstrate that in order for an organization to establish a positive public reputation, services must suit the recipients' requirements and needs. Any departure results in a loss of trust. According to the research, local governments' ability to generate adequate revenue is a key factor in their long-term viability. However, recent studies have shown that variables like exchange rates, inflation rates and interest rate have an impact on revenue generation’ method. As a result, it is advised that local governments and their management deliberately decide on the best ways to get money in order to fulfill their purposes as stipulated by the Urban Council Act and the Zimbabwean Constitution.

5.4 Recommendations

The following recommendations are given based on the study's findings and its goals and research questions. Local authorities must stay familiar with the current exchange rate situation in Zimbabwe and therefore must come up with strategies which are effective in hedging against exchange rate volatility. Local authorities must use strategies which are well effective enough to hedge against exchange rate volatility. They must use strategies like holding foreign currency, charging forex exclusive prices, preferring cash payments, participating in forex auction programs and preferring early payments. These strategies are significantly strongly correlated with service delivery by local authorities in Zimbabwe.

Lastly the study recommends Bindura University of science education must continue to encourage students to carry out studies from different various organizations. Their samples must not necessarily be based on various individuals at the same organization, they must study different organization either using cross- sectional data and panel data analysis. Students especially from the Accountancy department must make use of inferential statistics when carrying out their research projects as it contributes towards producing quality research projects.

5.5 Recommendations for further studies

 The study suggests that additional, related research be conducted on an industry-by-industry basis to compare the impact of revenue management on service provision.

The study suggests that similar research be conducted in other local authorities surrounding Zimbabwe in order to get a conclusive and comprehensive conclusion.

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APPENDIX

RESEARCH INSTRUMENTS

BINDURA UNIVERSITY OF SCIENCE EDUCATION

P BAG 1020

BIDURA

DATE…………………………………….

Dear Respondent

RE : ASSISTANCE FOR RESEARCH PROJECT

My name is Mangwanya Tatenda, and I am a fourth-year, final-semester student at Bindura University Of Science Education pursuing a Bachelor of Commerce Accounting Honors Degree.

I am doing a research named, "T*he impact of exchange rate volatility on operations of local authorities in Zimbabwe, the case of local authorities in Mashonaland central* ".

It is both a joy and an honor for me to include you in my study and to hear your thoughts.

Please feel free to respond to the following questions. Thank you in advance for your cooperation.

Yours sincerely

Mangwanya Tatenda

QUESTIONNAIRE

Kindly use the following table to answer question 1 and 2. Tick () or enter your replies in the relevant box or area provided for each of the question.

**Question 1**

What is your most recent level of education?

|  |  |
| --- | --- |
| **Level of education**  | **Tick** |
| Secondary education |  |
| Diploma |  |
| Degree |  |
| Post graduate  |  |

**Question 2**

How long have you been with the company?

|  |  |
| --- | --- |
| **Number of years**  | **Tick** |
| 0-3 years |  |
| 4-10 years |  |
| Over 10 years |  |

Please use the following extent scale to answer question 3 to 7

In order to indicate your reaction, tick the applicable box ()

 Key:

1. to a very small extent

2. to a small extent

3. to a moderate extent

4. to a large extent

5. to a very large extent

|  |
| --- |
| 3.Objective: To identify revenue generating systems of local authoritiesTo what extent do local authorities use the following systems to generate revenue? |
|  | **1** | **2** | **3** | **4** | **5** |
| Rates |  |  |  |  |  |
| License fees  |  |  |  |  |  |
| Development levy  |  |  |  |  |  |
| Income generating projects  |  |  |  |  |  |
| Public private partnership |  |  |  |  |  |
| Borrowing  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **4. Objective: To determine how exchange rate volatility affect revenue generating systems of local authorities.**To what extent does exchange rate volatility affect the following revenue generating systems in local authorities? |
| Rates and license fees  |  |  |  |  |  |
| Development levy |  |  |  |  |  |
| Income generating projects |  |  |  |  |  |
| Borrowing |  |  |  |  |  |
| Public Private Partnership |  |  |  |  |  |
| **5. To what extent do the following factors contribute towards revenue generating systems in local authorities?**  |
| Inability to fully collect revenue and to fully distribute final demands to clients |  |  |  |  |  |
| Government interference in the affairs of local councils  |  |  |  |  |  |
| Restricted budget making process by the central national ministry  |  |  |  |  |  |
| Poor management of revenue generating projects  |  |  |  |  |  |
|  |  |  |  |  |  |
| **6**. **To what extent does exchange rate volatility affect the following services delivered by local authorities?** |
|  |  |  |  |  |  |
| Sewer reticulation |  |  |  |  |  |
| Garbage collection  |  |  |  |  |  |
| Road maintenance |  |  |  |  |  |
| Administration of clinics and schools and clinics  |  |  |  |  |  |
| Preserving of natural resources  |  |  |  |  |  |
| Promoting improvements in the municipal area |  |  |  |  |  |
|  |  |  |  |  |  |
| **7. Objective: To determine strategies which local authorities are using for effective management of exchange rate volatility.**To what extent does the following factors help to reduce the negative impacts of exchange rate volatility?  |
| Charging forex exclusive services  |  |  |  |  |  |
| Preferring cash payments |  |  |  |  |  |
| Participating in forex auction |  |  |  |  |  |
| Preferring early payments |  |  |  |  |  |
| Transacting in local currencies |  |  |  |  |  |
| Holding foreign currency |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1 | 2 | 3 | 4 | 5 |
| **Objective: To determine the relationship between strategies used to manage exchange rate volatility and performance of local authorities.**To what extent do the strategies used to manage exchange rate volatility affect service delivery in local authorities? |  |  |  |  |  |
|  |  |  |  |  |  |
|  Service delivery  |  |  |  |  |  |

Thank you for your participation

**The end**