PUBLIC SERVICE QUALITY AND CITIZEN-CLIENT'S SATISFACTION IN LOCAL MUNICIPALITIES. A CASE STUDY: MUNICIPALITY OF TETOVO

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Abstract: *Assessing the effects of compensation for construction permits for residential and economic buildings in the urban part of Tetovo, the establishment of professional teams for the legalization of illegal buildings and the development of electronic services, on local economic development (LED) of the municipality of Tetovo. For analysing the data generated by the questionnaires, SPSS was used, as a method for testing the hypotheses of the study. The reduction of the compensation for construction, the creation of professional teams for the legalization of illegal buildings, the development of electronic services contribute to the increase in the satisfaction of the residents of the municipality of Tetovo, stimulate economic activity and increase fiscal revenues.*

Key words: *fiscal decentralization, compensation for construction permits, professional teams for the legalization of illegal buildings, and development of electronic services.*

1. Introduction

In the second half of the twentieth century, decentralization, as a process of transfer of responsibilities from central to local government, plays a key role in the field of public finance. OECD countries are considered as an example of how to implement the decentralization process, and the delegation of a wide range of competencies and fiscal capabilities to their local authorities, respectively. The fiscal autonomy of local self-government units is a precondition for economic freedom. If the quality of public goods

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and services does not improve, then taxpayers are not interested in a high level of fiscal decentralization. Thus, fiscal policy measures taken by local governments represent the main force responsible for the competitive business environment and economic well-being in both developed and transition countries (Pasichnyi et al., 2019).

1.1.   Objectives of the study

This study analyses and reveals the impact that the compensation for construction permits for residential and economic buildings in the urban part of Tetovo, the legalization of illegal facilities, the property tax rates, the turnover and economic services have on the economic development of the municipality of Tetovo. Thus, the paper will try to assess:

- if the compensation for construction permits for residential and economic buildings in the urban part of Tetovo should be reduced to be stimulant for new construction;
- if the establishment of professional teams for the legalization of illegal facilities will affect citizens' satisfaction, will stimulate economic activity and will increase fiscal revenues;
- if the property tax and turnover tax rates should be reduced by increasing the market value as a basis for calculating fiscal revenues;
- if the implementation of electronic utilities will boost citizens' satisfaction, reduce over-employment in the municipality and reduce operating budget costs.

1.2. Hypothesis of the study

This study will also attempt to answer the following hypotheses:
1. The compensation for construction permits for residential and economic buildings in the urban part of Tetovo should be reduced to be stimulant for new construction.
2. The establishment of professional teams for the legalization of illegal facilities will affect citizens' satisfaction, will stimulate economic activity and will increase fiscal revenues.
3. Property tax and turnover tax rates should be reduced by increasing the market value as a basis for calculating fiscal revenues.
4. The implementation of electronic utilities will boost citizen satisfaction, reduce over-employment in the municipality and reduce operating budget costs.

2.   Literature Review

The provision of public services, namely the provider/customer relationship is complex and direct because the compensation is not directly related with the service received, and so the citizens (costumers) control is weakened due to the limitation of choice consequent of monopolistic provision. Further, the provider's ability to supply is determined by budgetary funding outside its direct control (Humphreys, 1988). In

defining and delivering good quality municipal services, the crucial thing is to understand exactly the needs of citizen's and their feedback, which provides valuable insight into how well the municipal authority meets the citizen's needs.

The quality of municipal services is measured through the level of citizens' satisfaction and by the extent of variation in the distribution of service satisfaction within a community (including the level of satisfaction related to the public transport, management of primary and secondary schools, maintenance of local roads, sewerage, and public hygiene, etc). The most popular model for measuring service quality is the SERVQUAL, which is not only used in marketing, but also in other sectors including government institutions, as well as the SEM model, system dynamics (SD) model etc.

There are researches that deeply believe that service quality leads to satisfaction of citizen's and otherwise. The assertion that service quality is the cause of satisfaction is empirically supported by the Mokhlis, Aleesa and Mamat (Mokhlis, et.al, 2011), during the examination of quality of municipal services provided by local government in southern Thailand. The latter, by using descriptive statistics, exploratory factor analysis, Pearson correlation and step-wise multiple regression ascertained that the five dimensions of SERVQUAL represented a valid instrument for measuring municipal service quality, namely tangibility, empathy, assurance, and responsiveness significantly predicted citizen satisfaction in southern Thailand.

Also, Zagorie and Rozenes (R. Zagorie & Sh. Rozenes, 2017), during the examination of the quality of municipal services, identified the most important service quality dimensions, which determine citizen's satisfaction and the ways of improving, within an Izrael town founded that the dimensions of SERVQUAL represented a valid instrument in measuring municipal overall service quality, respectively three service quality dimensions, reliability, empathy and responsiveness significantly predicted citizens satisfaction.

The group of authors Mbassi, Mbarga, Ndeme (Mbassi, et.al , 2019), based on the revisited SERVQUAL model for identification, description and evaluation of the link between public service quality and citizen-client satisfaction in local municipalities, found that the aspects of service quality do not contribute identically to users 'satisfaction.

Further, El-Bassiouni, Madi, Zoubeidi, Hassan (El-Bassiouni, et.al, 2012), in developing customer satisfaction indices for the services provided by inspectors in certain departments of Al-Ain Municipality, the United Arab Emirates, by using the customer satisfaction models with SERVQUAL survey input, found that the customer satisfaction indices and scores of customers trust were in the mid-eighties, indicating high levels of satisfaction and client trust, although there is room for improvement.

Gumus and Koleoglu (M. Gumus, N. Koleoglu, 2002), by adapting the SERVQUAL and SERVPERF partly as instruments for measuring the quality of municipal services, analysed the service quality level of Canakkale municipality in Turkey. Results showed that the overall quality and satisfaction levels were average. Due to this, the education

for managers and service personnel was the main proposal for the improvement in service quality and satisfaction.

Taking into consideration the findings in this area by using mainly the SERVQUAL instrument for measuring the relation between quality services and citizens satisfaction, this study using Structural equation modeling (SEM), a multivariate technique for testing and evaluating multivariate causal relationships, analyses the correlation between service quality, management, planning and satisfaction of the citizen's of the municipality of Tetovo, in North Macedonia, respectively how the provision of quality municipal services, service management and planning increase the citizens satisfaction.

3. Methodology

To answer our research questions and validate the study hypotheses, we designed a questionnaire divided into three parts, including:
- demographic data (first part)
- questions related to citizens' satisfaction (second part), and
- questions that sought the opinion of citizens on aspects connected to improving the utilities and increasing the fiscal revenues.

The questionnaire was organized online in early 2020 with the citizens of the municipality of Tetovo. The database contains 312 complete responses, in which participants reported subjectively on their attitudes and perceptions.

Table 1 provides detailed information on the demographic characteristics of the citizens who participated in this study. This shows that the participation of women is higher, 53.8% respectively, compared to men, with 46.2%. In terms of age and education, 51.9% were aged 18-24, while 38.5% were participants who completed university level and 35.9% high school. Regarding the place of residence, 51.9% belong to the urban area and 48.1% to the rural area, while in terms of the number of family members, most of the respondents belong to families with five and four members, 32.7% and 26.3% respectively.

Participants' demographic information   Table 1

Variables	Values	Percentage
Gender	Male	46.2
	Female	53.8
Age	18-24 years old	51.9
	25-39 years old	39.7
	40-59 years old	5.1
	60-69 years old	3.2
Head of family's education	Primary education	25.6
	Secondary education	35.9
	Higher education	38.5

Variables	Values	Percentage
Area	Urban areas	51.9
	Rural areas	48.1
Number of family members	Two members	1.3
	Three members	8.3
	Four members	26.3
	Five members	32.7
	Six members	15.4
	More than six members	16.0
Monthly household income	Less than 100 Euros	3.2
	100-200 Euro	9.0
	300-400 Euro	13.5
	400-500 Euro	11.5
	500-600 Euro	9.6
	600-800 Euro	9.6
	800-1000 Euro	9.0
	Over 1000 Euros	34.6

4.   Results

4.1. The assessment of citizens towards some municipal services

In this section, we analyse the satisfaction of citizens towards some municipal services. Table 2 shows the assessment of citizens with respect to some services, where most citizens are not at all satisfied and little satisfied with a high percentage, versus citizens moderately satisfied, satisfied and very satisfied.

It is clear that the highest level of responses with not at all satisfied and little satisfied people, over 70% respectively, had to do with the condition and maintenance of roads, sidewalks and parking lots, as well as sewerage and public hygiene. Over 60% of the most dissatisfied and less satisfied responses were related to urban and rural planning, land use, waste and garbage disposal, local road maintenance, high prices and tax payment procedures, public transport, selection of local municipal staff etc.

Over 50% of the answers with not at all satisfied and little satisfied respondents had to do with the support of initiative sports and cultural activities, the greening of areas designed for greenery along the road, while the rest were under 50%.

Overview of Respondents' Satisfaction   Table 2

	Percentage of respondents					Mean score	
P9. How do you rate the work of the following services	Not at all satis-fied	Slight ly satis-fied	Moder-ately satisfied	Satis-fied	Very satis-fied	Mea n	Std. Devia-tion
Management of primary and secondary schools	14.1	28.8	25.6	25.0	6.4	2.8	1.2

P9. How do you rate the work of the following services	Percentage of respondents					Mean score	
	Not at all satis-fied	Slight ly satis-fied	Moder-ately satisfied	Satis-fied	Very satis-fied	Mea n	Std. Devia-tion
Initiation of sports activities and their support	25.0	30.1	19.9	19.9	5.1	2.5	1.2
Initiation of cultural activities and their support	29.5	28.8	17.9	19.9	3.8	2.4	1.2
Maintenance of roads, sidewalks and parking lots	46.8	24.4	9.0	17.3	2.6	2.0	1.2
Sewerage and public hygiene	46.2	25.0	10.9	11.5	6.4	2.1	1.3
Urban and rural planning, land use	40.4	22.4	16.0	12.2	9.0	2.3	1.3
Waste and garbage disposal, as well as similar sanitary activities	38.5	23.1	14.7	16.0	7.7	2.3	1.3
Fire and emergency services	10.9	20.5	34.6	17.3	16.7	3.1	1.2
Maintenance and operation of the wholesale and retail market	14.7	32.7	22.4	20.5	9.6	2.8	1.2
Management of municipal funds	37.8	25.0	14.1	17.9	5.1	2.3	1.3
Maintenance of local roads	37.2	25.6	14.1	16.7	6.4	2.3	1.3
Greening of redesigned areas for greenery along the road	34.0	25.6	16.7	15.4	8.3	2.4	1.3
High prices and procedures for paying taxes	41.0	21.2	15.4	16.7	5.8	2.3	1.3
Preserving the ground, plants and animals	35.3	25.6	15.4	15.4	8.3	2.4	1.3
Public transport	44.2	19.9	12.2	13.5	10.3	2.3	1.4
Selection of local municipal staff	37.8	28.2	14.1	10.9	9.0	2.3	1.3
Public street lighting	25.0	24.4	22.4	16.7	11.5	2.7	1.3

To analyse the utilities of the municipality of Tetova, we raised four hypotheses at the beginning of the study, regarding the prices of construction permits, the legalization of illegal buildings, property tax, turnover tax rates and the implementation of electronic municipal services. In what follows, we present the acceptance or rejection of the study hypotheses.

To validate the first hypothesis: ***Compensation for construction permits of residential and economic buildings in the urban part of Tetovo should be reduced to be stimulant for new construction***, we assumed that the proportion of citizens who declare that the construction permits of residential and economic buildings in the urban part of Tetovo should be reduced is more than 75%.

H_0: $p \le 0.75$
H_a: $p > 0.75$

To validate the second hypothesis: ***The creation of professional teams for the legalization of illegal objects will cause satisfaction to citizens, stimulate economic***

activity and increase fiscal revenues, we assumed that the proportion of citizens who declare the creation of professional teams for legalization of illegal facilities will cause satisfaction to citizens, stimulate economic activity and increase fiscal revenues is more than 90 %.

H_0: p ≤ 0.90
H_a: p >0.90

To validate the third hypothesis: ***Property tax and turnover tax rates should be reduced by increasing the market value as a basis for calculating fiscal revenues***, we assumed that the proportion of citizens who declare that property tax rates and tax on turnover should be reduced by increasing the market value as the basis for calculating fiscal revenue is more than 95%.

H_0: p ≤ 0.95
H_a: p >0.95

To validate the fourth hypothesis: ***The implementation of e-utilities will boost citizen satisfaction, reduce over-employment in the municipality and reduce operating budget costs***, we assumed that the proportion of citizens who declare that the implementation of e-services will boost citizen satisfaction, reduce over-employment in the municipality and reduce operating budget costs is more than 95%.

H_0: p ≤ 0.95
H_a: p >0.95

One-Sample Test   Table 3

One-Sample Test							
Hypotheses	**Test Value**	**T**	**Df**	**Sig. (2-tailed)**	**Mean Difference**	**95% Confidence Interval of the Difference**	
						Lower	**Upper**
Citizens' opinion on construction taxes	**0.75**	14.794	155	0	1.08333	0.9387	1.228
Do you think that the creation of professional teams for the legalization of illegal facilities will have an effect on the satisfaction of citizens, will stimulate economic activity and increase fiscal revenues?	**0.9**	10.732	155	0	0.75385	0.6151	0.8926
Do you think that property tax and turnover tax rates should	**0.95**	10.336	155	0	0.72308	0.5849	0.8613

One-Sample Test							
Hypotheses	Test Value	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
						Lower	Upper
be reduced by increasing the market value as a basis for calculating fiscal revenues?							
Do you think that the implementation of electronic utilities will increase citizen satisfaction, reduce over-employment in the municipality and reduce operating budget costs?	**0.95**	13.54	155	0	1.35128	1.1541	1.5484

By placing the data in the dialog table of the SPSS program, with level of importance α = 0.05, in Table 3 we have:

− In the second hypothesis, it turns out that the statistic of the T test is t_α = 10.73 and the calculated p-value is 0.000. Since p = 0.000 < 0.05 and t_α = 10.73 >1.645=$t_{0.05}$ hypothesis **H₀** is rejected in favour of hypothesis **Hₐ**.

The **Hₐ** hypothesis is accepted, respectively the proportion of citizens who think that the compensation for construction permits of residential and economic buildings in the urban part of Tetovo should be reduced to be stimulant for new construction results in more than 75%. The confidence interval is [0.94, 1.23].

− In the second hypothesis, it turns out that the statistic of the T test is t_α = 10.73 and the calculated p-value is 0.000. Since p = 0.000 < 0.05 and t_α = 10.73 >1.645=$t_{0.05}$ hypothesis **H₀** is rejected in favour of hypothesis **Hₐ**.

The **Hₐ** hypothesis is accepted, respectively the proportion of citizens who think that the creation of professional teams for the legalization of illegal objects will cause satisfaction to citizens, will stimulate economic activity and increase fiscal revenues resulting in more than 90%. The confidence interval is [0.62, 0.89].

− In the third hypothesis, it turns out that the statistic of the T test is tα = 10.34 and the calculated p-value is 0.000. Since p = 0.000 < 0.05 and tα = 10.34 >1.645=t0.05 hypothesis **H₀** is rejected in favour of hypothesis **Hₐ**.

The **Hₐ** hypothesis is acceptable, which means that the proportion of citizens who think that property tax and turnover tax rates should be reduced by increasing the market value as a basis for calculating fiscal revenues is more than 95%. The confidence interval is [0.58, 0.86].

– In the third hypothesis, it turns out that the statistic of the T test is t_α = 13.54 and the calculated p-value is 0.000. Since p = 0.000 < 0.05 and t_α = 13.54 >1.645=$t_{0.05}$ hypothesis **H₀** is rejected in favour of hypothesis **Hₐ**.

So, even in the case of the last hypothesis, we find that the **Hₐ** hypothesis is accepted, respectively the proportion of citizens who think that the implementation of electronic municipal services will increase citizen satisfaction, reduce redundancy in the municipality and reduce operating budget costs is more than 95%. The confidence interval is [1.15, 0.1.55].

5. Conclusions

- The process of fiscal decentralization in the Western Balkan countries, including North Macedonia, has encountered serious obstacles, causing a low level of local economic development.
- Ineffective implementation of the law on unequal regional development has deepened local and regional inequalities in all local self-government units, and municipalities, respectively.
- Reducing the compensation for construction permits for residential and economic buildings in the urban part of Tetovo is considered to stimulate new construction, while the creation of professional teams for the legalization of illegal buildings on the one hand increases the satisfaction of residents of Tetovo, while on the other hand it stimulates economic activity and increases fiscal revenues.
- The implementation of electronic municipal services affects the increase of the inhabitants' satisfaction in the municipality of Tetova, and consequently it will reduce the redundant employees of the municipality and the operating budget costs.

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