

Effectiveness of Service Delivery Systems of Local Government Authorities to Enhance the Business Growth Potentials of Regional Businesses

D.M.R.Dissanayake¹, A.Hamid Norsanina²

¹Senior Lecturer, Department of Marketing Management, University of Kelaniya, Sri Lanka, dmravidissa@gmail.com , ravi@kln.ac.lk

²Taylor's Business School, Taylor's University, Malaysia

ABSTRACT

The local government administrative mechanism of Sri Lanka has been set to decentralize the power to respond for the regional service demands of stakeholders including business entities. The growth potential of Sri Lanka could be noticed in both macro and micro scaled enterprises whereas regional business ventures are a critical factor in the national growth phenomenon. Meanwhile, Sri Lanka has been recognized as a middle-ranged country in doing business in the global ranking which has referred the existence of set of institutions, policies and factor as the determinants of productivity (The Global Competitiveness Index 2014–2015). Therefore, the local government authorities which include divisional secretariat offices, municipal councils and even other institutions related to provincial councils are strategically important mechanisms to assist regional investors to enhance their business productivity and growth potentials. Accordingly, this concept paper reveals how the service quality-related improvements could enhance the productivity of local authorities as an alternative mechanism to motivate regional investors to broaden business growth opportunities. Accordingly, this paper has followed theoretical models and explanations to conceptualize the integrated content to explain how the level of service quality excellence in the service delivery systems of local government authorities could influence perceived service quality referred to respective business clients/investors. It has proposed the research propositions for the future studies by specially refereeing how the gaps exists amongst business clients or investors towards service quality mechanisms of local government authorities that could influence their perceived service satisfaction to penetrate business growth potentials. Further, it has reviewed the moderating mechanisms that influence the perceived service quality amongst business clients/investors whom served by local government authorities. Finally, paper postulates the strategic directions and policy-related inputs to enhance the strategic service delivery systems for the local government authorities in Sri Lanka aiming to assist regional business developments and growth potentials.

Keywords: Local Government Authorities of Sri Lanka, Service Quality, Service Gaps, Service Delivery Systems

1. Effectiveness of Sri Lanka in Doing Business & Introduction to Local Government Authorities

Sri Lanka has been regarded as a developing country with higher potentials for the resource based and knowledge based approach in terms of development strategies. As it denotes in the economic reviews, it needs to focus for structural consistency to provide policy-related and operational-related mechanism for the business sector growth to gear up potential growth opportunities. Meanwhile, Sri Lanka has earned 81 position out of 185 countries in the list of economies for doing business (The Global Competitiveness Index 2014–2015). This has been increased by 15 points when it compares with the previous year. According to the latest Enterprise Surveys (2011), it has recognized Performs of the Informal Sector, Access to Finance, and Tax Rates as the top 3 obstacles that firms have been faced in Sri Lanka in doing businesses. Accordingly, 47.4% of firms have been faced competition from informal firms when it compares to the regional average of 36.9%. When it evaluates the South Asia Region, Sri Lanka has imposed more flexible mechanisms to encourage foreign investments, but it has to retrospectively examine how far institutional and policy related mechanisms are well integrated to penetrate business opportunities via foreign investments. Meanwhile, the latest indexes show that Sri Lanka has been ranked as 107 out of 189 countries as good for doing business economies in 2015 (Sri Lanka Economy Profile, 2016). This reports indicates that Sri Lanka is in the average position when it compares to other South Asian Regional countries. Accordingly, India, Pakistan and Bangladesh have been ranked as 130, 138 and 174 respectively. However, Bhutan and Nepal had been ranked as 71 and 99 respectively. The critical point to be addressed is the mechanisms and factors that determine the country's rank in doing business. The notions of starting a business, procedures to follow and tax-related matters, lands and supportive services like electricity are some of the main determinants for a country to hold its competitive position in the doing business ranking. Therefore, Sri Lanka's administrative system could consider those demanded areas as best practices to improve the atmosphere for business investors to pump the capital to economy. Moreover, regional business development phenomenon could also be supported by local government authorities via institutional and policy implementation roles. Further, Central Bank Report (2012), mentioned that Sri Lanka is rolling towards prosperity as improving its per capita income to USD 4000 by 2016 where it was 2135.66 USD at 2015. Therefore, micro level concern for the industrial development is a must in attaining to this type of goals. The strategic service delivery excellence of government authorities for social and economic development becomes critical when it comes to aligning country's mega policies into regional-based policies. Alongside, the role of local government authorities which includes provincial councils, Pradesheeya Sabha, Municipal Councils and Divisional Secretariat Offices are of a strategic importance for the growth phenomenon of Sri Lanka. In the administrative system of Sri Lanka, there are 09 provinces as the second tier of government 25 administrative districts and 329 divisional secretariats. Based on the divisional secretaries, it has established 23 municipal council, 41 urban council and 271 rural Pradesheeya Sabhas. Those service centers do provide services as per the central government priorities whilst addressing to regional specific issues as well.

1.1. Objectives of the Paper

This paper intends to review the potential of Sri Lanka in supporting to regional business development via the established local government mechanism. In line with, paper reveals the empirical evidences on how local authorities could enhance their service delivery excellence as a strategic role to assist regional business development missions of the country. Alongside, this article provides a contribution to empirical knowledge and future research directions by postulating propositions to be examined to

comprehend the role of local authorities as a strategic unit to navigate industrial growth in regional segments.

2.Literature Review

It has critically evaluated the empirical reviews to build an argument on how the role of local authorities in Sri Lanka should be refined to assist regional business development task. Accordingly, Amarasinghe (2001) argued that functions of local authority in Sri Lanka focuses more on fares, public health, and public utility services. Those types of public services and the way of delivering services are more important to local government bodies as how it expects in the systems and traditions. However, the objective-driven missions for those of local government bodies namely Municipal Councils, Pradesheeya Sabha, and Divisional Secretariat Officers are still in average level that may paralyze the rapid growth on regional business venture forming process. Meanwhile Amanfi & Benjamin (2012) referred that improvement of service quality could influence customer satisfaction level resulting evaluation towards the service delivery model used by Municipal Councils as one of the faces in local government system. That means these municipal councils have more power to motivate stakeholders towards their operations in so doing encourage higher level of performance of the service beneficiaries. This is a valid notion for Sri Lanka to revamp the service delivery system with the objectives focusing to entrepreneurship development activities in the region. Further, local authorities could follow a model of community relationship building as it usually deals with regional community related matters. As per the views of Charles, Kwandayi, & Ikobe (2013) argued that poor service delivery could degrade the performance whilst improving service delivery can enhanced partnership with the community via service deliveries. Further, some best practices like flexible response to service complaints, offering value for earning, ensuring payments on time, public service planning, reducing the corruption and improving accountability could be regarded as pillars of enhancing stakeholder satisfaction of a service center, for instance, local government authorizes could also be a community-based service delivering unit. The mechanism of empowering or decentralization is a significant feature amongst local authorities as central government needs to disseminate the due responsibility to the second and third levels of governing systems. According to Akilli & Akilli (2013), it has mentioned how the decision making could be affected via a decentralization reforms. This is a critical notion for the administrative units located in the governing system. If enough decentralization is not being served to those units, it could limit themselves providing higher level of service quality including business startup matters, land clearing process for businesses and tax payment matters. Therefore, a mechanism for decentralizing the authority and responsibility to the local government centers is a must to support regional development projects including venture forming for different regional industries. Further, dissolution of local government units along with laws, or decrees without listening to locals' demands could be considered as opposing subsidiarity. Moreover, Ekpo, (2007) has argued that decentralization becomes a succeeded model provided deliver of the service to the people as effective. It further said that confidence and commitment of central governments should be there with right policy and relevant institutional framework to encourage high level of service outcome. Accordingly, local officials have to respond as committed, transparent and connectively involve with the local people to enhance the good life conditions. This is a valid point for the service systems to train the staff in delivering value added service even for the entrepreneurs who seek the service support for venture forming. The governing consistency with the central government and the regional or local government authorities is a must for boosting regional business development process. For instance, Mcloughlin, Batley, (2012) argued that political and governance factors move towards delivery of public goods and services, including incentives, institutional features and behavior. This notion could be planted into regional or local government centers in closely assisting to provide institutional support for the venture creations. Moreover, Dissanayake

(2011) mentioned that Information Communication Technology (ICT) as a strategic tool to assist e-governance mechanism to improve the administrative service in Sri Lanka for different stakeholders. This provides a notion to reshape the business forming incentives as providing on-line informational supports to process the documentary works in starting businesses as indicated in the “doing business enablers” (Sri Lanka Economy Profile ,2016). Accordodgly, local governing authorities could enhance their service delivery mechanism via ICT as a strategic enabler. However, it is still to be improved the current local government systems to boost the role in regional industrial development mission thorough efficient service supports. Meanwhile, the notion of servicing and delivering to the customers has been highlighted via a politico- institutional context (Foresti, O’Neil & Wild, 2013). Accordodgly, governance and politics are attributable to the intrinsic nature of the service, however, it needs to have a systematic service delivery system avoiding deviations of the major policies to be implemented irrespective of political interests. Sri Lanka should read this lesson in establishing long-term policies as integrating institutional chain to assist for the business sector development with a consistent policy framework. Specially, tax, infrastructure, interest rate for business and labor laws need more consistency to meet the motivational forces enabling business development in regional base. Moreover, municipal councils as one of the local government authorities needs to reduce service delivery gaps via people, process and system related improvements to meet the service expectation of regional stakeholders including potential investors (Wasantha, Sekak & Ghoash, 2015). The modified service delivery mechanisms could enhance the value addition of those local government authorities to directly involve with socioeconomic development including supporting to entrepreneurship.

Moreover, Leftwich & Wheeler (2011) pointed out that there is a persistent failure of local government in developing countries to properly offer the expected services fulfilling basic needs due to weak capacity. Further, politics could motivate the capacity service delivery with the nature of the state along with the foundation of the social contract (OECD, 2008). This brief denotes that Sri Lanka as a developing country at a higher level of social indexes, could consider to penetrate the power which has been authorized into provincial level as a successful motivational factor for the local authorities to enhance its capacity building mechanism to service for the stakeholders. Specially, industry-related stakeholders need divisional specific supports to solve their business issues to diversify the business opportunities or startup new businesses. Accordodgly, the service delivery system of the local authorities including municipal councils as one of the key units should modify their delivery system with people, technology and systems to enhance the quality of services. Moreover, it is said that service quality has been affected by political accountabilities to modify the service delivery system of organization that connect to perceived deficiencies (Keefer, 2007; Gauthier & Reinikka, 2007). This denotes that local government authorities should be given political accountability for the divisional specific requirements as a motivation to enhance the service delivery system. There is a valid point for Sri Lankan local authorities to demand for the political accountability to use the authority and responsibility to enhance business development capacities addressing to regional issues and opportunities. Further, local authorities has been examined with the incentives for the allocation of public goods and services to enhance their effectiveness (Harding & Wantchekon, 2010). Meanwhile, the service delivery capacity of an organization relates with lot of issues to motivate their frontline employees, (Collier, 2007). In developing countries, bureaucratic approach is highly politicized and it is interconnected with societal interest that affect to the performance of the service rendered unit (Bartley, 2004). Therefore, local authorities have to be alert on bureaucratic limitations that juggle the responsiveness for the divisional issues. Therefore, people-related strategies could be enhanced as a remedial approach to provide better service for the regional stakeholders. For an instance, potential investors in the rural or divisional economies need flexible procedures and area-specific administrative mechanisms to

support for the industries at a higher level of responsiveness. In line with the said, local authorities could develop designs for the service blueprint and service delivery procedures to meet needful indicators to speed up the formal process of service delivering to regional investors. The performance evaluation systems could be modified as to link with external stakeholders' opinions in assessing the service quality of the staff of local authorities. Those new approaches need to be imposed as a radical change for the existing local authorities to bring the new face of business driven culture rather focusing to traditional operational roles. Meanwhile, it is suggested local governing bodies like municipal councils and Pradesheeya Sabha and even divisional secretariat offices governed by the central government to operate as investment guiding centers to enhance the regional businesses.

3.Implication for the Policy Making Process and Research Directions

The notion of local authorities has been reviewed as administrative point of view in many studies whilst the proposition of service delivery is largely noticed in commercial perspective. However, as it denotes in Sri Lanka Economic Profile (2016), Sri Lankan policy framework has to be focused on dynamic changes in assisting business firms or potential investors to feel good atmosphere to enhance the regional business investments. As it denotes in the recent studies such as Central Bank Report of Sri Lanka (2015), Dissanayake (2015) and Department of Census and Statistics of Sri Lanka (2015), Sri Lanka is moving towards services driven economy. Therefore, public sector institutions including local government authorities like municipal councils and Pradesheeya Sabbhas need to focus innovative service design to assist to stakeholders. The essence of business-related managerial thinking and execution could be very effective for those public sector service units to perform their respective role for the stakeholders. Sri Lankan government has taken some initiatives in terms of man power enhancement for the regional or local governing authorities to assist for the regional industries via development officers. However, the critical matter is how far those initiatives are strategic in terms of long-term focused results. Therefore, the service delivery system of local authorities needs to be improved with people and systems to provide systematic service for the stakeholders. It could convert regional governing centers as incubator systems where experts provide knowledge and directions for the new investors to gear up their entrepreneurial decisions.

Further, it could examine the perceived effectiveness of the existing service delivery system of regional or local government bodies as specifying to individuals and institutional clients to audit the areas to be improved. The theoretical evidences referred on service quality and service quality gaps could be used as benchmarks to assess the service delivery excellence of those local authorities for the said matter. In addition, empirical studies could be carried out to evaluate how internal stakeholders namely employees have been perceived the service quality and service design process of the local authorities to recognize the areas to be improved at institutional level to increase the service quality. Further, it is suggested to carry the empirical studies on assessing service quality perception of local governing authorities with reference to external stakeholders including investors or business doing parties in the respective region. Accordingly, empirical studies could address the empirical research gaps in Sri Lanka to assess the perception of stakeholders towards the service delivery system of the local authorities. Therefore, future studies could contribute policy makers to revamp the process and people related improvements to convert local governing authorities as strategic unit for the regional development potentials in Sri Lanka.

Reference

- Akilli,H. & Akilli, H.S. (2013). Decentralization and Recentralization of Local Governments in Turkey, *Procedia - Social and Behavioral Sciences*
- Amanfi & Benjamin (2012). Service quality and customer satisfaction in public sector organizations: a case study of the commission on human rights and administrative justice. Institute of Distance Learning, Knust.
- Amarasinghe, Y. R., (2001) Devolution Experience in Sri Lanka (1988–1998): *The Administrative and Fiscal Implications*. Colombo: National Integration Programme Unit.
- Bartley, (2004). An Introduction to Theories, Concepts and Methods. Mel Bartley. Cambridge Polity Press.
- Central Bank of Sri Lanka. (2012) & (2015). Central Bank Report of Sri Lanka.
- Collier, P. (2007). Accountability in the Provision of Social Services: A Framework for African Research, Oxford: Centre for the Study of African Economies
- Charles M., Kwandayi,H.P. & Ikobe,B.N. (2013). Strategies to improve service delivery in local authorities, *International Journal of Information Technology and Business Management*.
- Department of Census and Statistics of Sri Lanka, (2015). Estimation of Gross Domestic Product (GDP), *Press Note, 1st Quarter of 2015*, 2-6.
- Dissanayake, D.M.R. (2011), Information Communication Technology (ICT) Policy of Sri Lanka and its Impacts to Socioeconomic Development: A Review of Sri Lankan Experience, *Journal of Education and Vocational Research*, Vol. 1, No. 2, 53-59.

- Dissanayake, D.M.R. (2015). Factors Determine the Customer-Celebrity Relationship towards Perceived Celebrity Endorsements: Propositions to Hypothesize Future Studies in Sri Lankan Services Sector, *Sri Lanka Journal of Marketing (SLJM)*, Vol 1, Issue 2, 1-19.
- Economy Profile,(2016). Doing Business 2016, *Measuring Regulatory Quality & Efficiency*.
- Ekpo, A. H. (2007). Decentralization and Service Delivery: A Framework. Paper prepared for the African Economic Research Consortium (AERC), Nairobi.
- Foresti, M., O'Neil, T., and Wild, L. (2013). 'Making Sense of the Politics of Delivery: Our Findings so Far. London: Overseas Development Institute.
- Gauthier, B., Reinikka, R., (2007). Methodological Approaches to the Study of Institutions and Service Delivery: A Review of PETS, QSDS and CRCS, African Economic Research Consortium framework paper.
- Harding H, Wantchekon L. (2010). The political economy of human development, *Human Development Research Papers*.
- Keefer, P. (2007). Seeing and believing: political obstacles to better service delivery. In: S. Devarajan and I. Widlund, eds., the politics of service delivery in democracies: Better access for the poor. *Southern Africa Regional Poverty Network*, Stockholm: Swedish Ministry for Foreign Affairs.
- Leftwich, A., and Wheeler, C. (2010) Politics, Leadership and Coalitions in Development: Findings, insights and guidance from the DLP's first Research and Policy Workshop. Frankfurt 10 -11 March 2011, Developmental Leadership Programme.
- Mcloughlin, C., and Batley, R. (2012) The politics of what works in service provision: an evidencebased review, A working paper for the Effective States and Inclusive Development (ESID) Research Programme, University of Manchester.

OECD Fact-book (2008): Economic, environmental and social statistics.

Wasantha,H.L.N., Sekak,M.A. & Goash,A. (2015). Municipality Development for Business Growth: Conceptualization of Strategic Delivery Model for Sri Lanka, *Conference Proceedings, 6th International Conference on Business and Information (ICBI)*, University of Kelaniya, 356-365.

World Economic Forum the Global Competitiveness Report 2014–2015.