Chapter - 2
2. **Overview**

This review of the present literature is designed to explore the theoretical foundation, supporting primarily on commitment relationship and specific commitment studies. As noted earlier, the extant literature is inclusive with works pertaining to the theory of the internationalization process, the resource-based theory of the firm, and transaction cost economics, which emphasize either domestic or international community-service provider relationships. In this chapter, all these directions have been considered in the context of narrowing the research question.

The aims of this chapter are to:

- Review of the supportive topics that provide more insights for this study (Section 2.1.1)
- Commitment studies for the provision of infrastructure services in the community-service provider context (Section 2.1.2)
- Review of the relevant theories and their rational arguments into a new theoretical model (Section 2.1.3)
- Review the relevant literature related to the identified backgrounds of commitment for infrastructure provision and to specify their probable impact on community. (Section 2.3.1 – 2.3.8)
- Synthesize the literature review to consolidate the practices of community commitment. (Section 2.3.9)
- India’s best practiced model of securing land for urban infrastructure and promoting development through participation process (Section 2.4)

2.1 **Review of fundamental research streams**

The main purpose of this review is to develop a theoretical grounding of this study and identify background of community commitment for the infrastructure management. Initially the review consolidates literature on relevant theories before discussing the literature significant to relationship, service level, Investment, regulatory frame work and reforms. Further, the review identifies some of the key studies that have examined community commitment to service provider and vice versa. Therefore, the following sub-sections review three fundamental research streams for this study; the theoretical foundation, a brief review of the relevant studies, and community-service provider commitment studies

2.1.1. **Review of the supportive topics that provide more insights for this study**

2.1.1.1 **Government of India’s (GOI) initiatives**

**JNNURM:** This is a scheme of the Ministry of Urban Development (MOuD, GOI). The splendid financial handholding provided by the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) has given great momentum to taking up city projects and the provision of infrastructure in JNNURM cities. Unprecedented interest has
been shown by cities to engage in the preparation of projects, in their approvals and in their actual implementation. One of the largest dampeners to this process had been the finance of ULBs and their inability to put together money required to undertake projects. In isolation, most of them found the task too gigantic to be handled.

**Reforms:** Money under the JNNURM is tied grant. It is dependent on a set of mandatory and optional reforms that states and cities must commit to fulfill in a given time frame. For the states, the reforms are about a framework that states must put in place. The enactment of public disclosure law to ensure plan preparation and performance information to all stakeholders and the enactment of community participation law to institutionalize citizen participation.

2.1.1.2 Viability gap funding (VGF)

The scheme is called the “Scheme for support to public private partnerships in infrastructure”. The viability gap funding or grant is made with the objective of making a project commercially viable. A number of municipal infrastructure projects such as roads and bridges, urban transport, water supply, sewerage, solid waste management and such physical projects are eligible under this category.

Despite this substantial support from the JNNURM or the VGF, it is evident that the costs of infrastructure are so huge that the requirements of the larger cities would also be very large and they themselves would need to make substantial inputs. But municipal finances are generally not in good shape and cities are not able to find budgetary resources to bridge the gaps. Hence cities would have to look beyond their annual budgets to meet the finance requirements of large projects.

2.1.1.3 Autonomy of ULBs

The Constitution (Seventy-Fourth) Amendment Act, 1992 (74th CAA) redefines the relationship between the states and the municipal bodies and provides for their functional and financial autonomy. Following the provisions of this Act, the states have carried out the required amendments to the municipal laws and local body elections have been held in several states more than once under the supervision of State Election Commissions. The objectives of political decentralization have been accomplished to a substantial degree but the existing institutional framework for urban planning has not been realigned in accordance with the provisions of the 74th CAA. Most state governments have shied away from implementing several provisions of the Act. (Planning Commission, 2006)

The Twelfth Schedule (Article 243W) lists 18 functions to be transferred to the ULBs. However, only six states (Bihar, Chhattisgarh, Himachal Pradesh, Madhya Pradesh, Punjab, and Tripura) have devolved all these functions. Only 21 states have set up district planning committees and only two states (i.e. West Bengal and Maharashtra) have established metropolitan planning committees. The devolution of functions to ULBs is incomplete and the financial resources with ULBs are inadequate. State governments have failed to provide autonomy to ULBs. Functional and financial autonomy of ULBs remains a distant dream (Planning Commission: 2006: 366).

2.1.1.4 Local government revenue sources

To support the discussion of chapter-1, section 1.2.2, this segment underscores the untapped revenue potential of municipal assets among the various income sources
of state and local governments in India. It also highlights a few benchmark land
management practices across the world to understand their relevance and
applicability within the Indian context. Based on details and related literature
review, the section presents a fundamental framework for maximizing revenue
generation through property asset sources.

Municipal property assets are a relatively under-utilized source of income among
the various income sources of local governments in India. The non-tax revenue
arising from these property assets, though significant, barely begins to reflect the
considerable financial worth of this asset base held by local and state governments.
Increasing municipal revenues is an area of considerable challenge for local
governments across the world. In the past several decades, cities have been at the
forefront of economic growth in most countries and have consequently witnessed a
surge in urbanization with a corresponding demand for better infrastructure.
Meeting this ballooning infrastructure needs have placed an enormous strain on
local government budgets. In addition, rising expenditures in the form of salary
overheads, maintenance, and other operational costs place a recurring burden on
the income of local governments. Contrast this against stringent regulatory policies,
tax restrictions and controlled center and state funding. What becomes apparent is
that it is no longer enough for local governments to fulfill their primary mandate of
public service delivery. They are equally obliged to generate revenues that will not
only cover the cost of providing these services but will also generate a surplus to
finance their growing infrastructure investment needs. They are compelled to run
all their revenue sources through a fine-toothed comb and adopt prudent revenue
policy decisions that will adequately balance public needs and current realities.
Local governments face an imminent need to gain deeper insights into their various
sources of revenue in order to maximize the revenue generating potential of each of
these existing sources as well as explore newer sources of revenue. (Sujatha
srinivasan, 2010)

2.1.1.5 Asset related non-tax revenues sources

A review of municipal budgets underscores that finances raised through land leases
contribute between 50-100% of municipal infrastructure investment expenditure in
several local governments across the world. (World Bank report, 2007). In India, one
of the primary sources of non-tax revenue is the immovable assets held by states
and ULBs in the form of land and buildings that can be leased or rented out or even
sold in the open market. Most municipalities own properties in various parts of a
city that are at the core of bustling economic activity. Owing to their strategic
location within the urban localities, these assets are not only of considerable
financial worth, but a majority of them are potentially revenue generating. Any
income from these assets can be strategically utilized by local governments to
finance other infrastructure projects or even into the redevelopment of the very
same buildings and land which yielded the income in the first place. Reinvesting into
these assets will not only help augment the potential revenues from these assets
but will also improve property values in the localities surrounding it. Similarly,
redirecting the revenues from these sources into infrastructure projects will bring
an increased flow of business and human capital into these localities which now
have improved infrastructure and other facilities. Sale of unused land to external
parties will result in construction of new buildings which will also bring in additional
revenues to the city in the form of property tax.

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A community charge is a levy on a service to citizens provided by the local body in a manner that each community pays his or her proportionate share of the cost of that service. The concept behind the thought is that the service must be self-sustaining. And in order to be so, a good community charge system would recover full cost or market price. Full cost comprises the cost of installation, operation, maintenance, expansion, and replacement of that service. Repayment of debts taken, direct and indirect personnel costs, material and supply costs, rents on land, buildings and equipment, consultancy costs, costs of enforcement, collection, research could all form part of the full cost. The community charge system also means that the community charges would be subjected to periodical reviews every two to three years and would be adjusted to keep in tune with the costs. Community charge comprises of metered water charges and a similar charge on electricity levied by state parastatals

2.1.1.6 Tolls

For the road sector, tolls are increasingly being used to meet part of the infrastructure costs. It has been able to earn revenues from bidders in excess of costs of road construction by offering the toll revenue to the bidder for a sizeable period. At the same time, maintenance responsibilities have been passed on to the successful bidder. Roads within cities can also similarly be funded and some cities have used this method. This can ensure inflow of revenue each year that gets invested in the creation of flyovers, roads and similar infrastructure that the city needs.

2.1.1.7 Land based instruments

Land for sure must be looked upon as a major resource available with the civic bodies. It is eminently possible for the municipalities to utilize the viable potential of its own lands. In the larger cities, lands can fetch very large amounts and they could finance large projects without any other financial support.

(i) **Floor Space Index (FSI):** Large cities, where land has gained in value substantially, can use mechanisms like Floor Space Index (FSI) and Transfer of Development Rights (TDR) to raise resources. The Floor Space Index stands for the ratio of the total area of a plot of land to the total built up area permissible on all floors. The regulations here could stipulate that a certain level of FSI might normally be available, and excess FSI could be purchased at a premium from the FSI bank created by the municipal body. Evidently, there would have to be a cap on such use of FSI bearing in mind the ability of the city to absorb additional construction and provide for city infrastructure. The price or level of the FSI could be determined by auction rather than on a pre-fixed price. This would curb speculation on the FSI and would limit its release only when really required for projects.

(ii) **Amenity Space.** The concept of contributing amenity spaces in exchange for FSI equal to the FSI potential of the land surrendered is also a method used to get land. Thus in a particular scheme of development, the owner gives away a certain percentage, say 15% of his/her land for public purposes, and gets compensated in terms of FSI for that land which his/her can additionally use on his/her remaining land. The owner is willing for such an exchange because the public amenity created in his/her scheme such as a market, or a hospital, a
police station, a post office or a garden, enhances the value of his land and he more than recovers the cost of the land that his/her has surrendered.

(iii) **Transfer of Development Rights (TDR):** If the municipality intends to take over a plot of land for public use, it robs the owner of his ability to build on that land. It makes the landowner happier since TDR allows him to use the construction potential of his acquired land on some other plot. And if he does not own an alternate plot, or does not wish to use it himself, he could sell the TDR, just like shares, to anyone who wishes to use it. Since the value of urban land is in its construction potential, TDR is an attractive alternative for city landowners. Its drawbacks are that the concept becomes operative only in towns where there is great demand for construction and a shortage of land. The concept itself needs to be further refined in terms of giving equitable value for different kinds of land. However, in markets where lands have not acquired such value, swapping of equal value public land could be a great tool.

(iv) **Special Assessment Districts:** A concept internationally used by cities is the demarcation of Special Assessment Districts (SAD) in a defined area where special effort has been made by the municipality to provide or update a variety of infrastructures. This allows the imposition of additional charges based on assessed value of properties that have directly benefited from the improvement. The properties located within SAD are charged a special betterment assessment in conjunction with the standard property tax.

(v) **Town Planning Scheme (TPS):** The town planning scheme is also called a Land Pooling and Redistribution Scheme. This TP scheme is prepared, under the Gujarat Town Planning & Urban Development (GTP & UD) Act, 1976. The legal process under the TP scheme allows pooling of land by different owners, formulation, and approval to a new layout exhibiting the original as well as the final plots, including roads and amenities. This is done with the active participation of the landowners themselves. This is a wonderful feature of the Town Planning Scheme. It distinguishes the scheme from other modes of land assembly like bulk acquisition or acquisition of selected lands required for public amenities. The process has been very widely used by Gujarat across several cities and is yielding salutary results, speeding up development of new areas with good form and shape.

(vi) **Development Charge:** Several cities levy a development charge on private constructions. This is to defray costs of fresh infrastructure projects required in newly developed areas or additional infrastructure projects in older areas. These additional projects would provide services to fresh constructions and also add to the value of properties and their saleability on account of improved infrastructure. The development charge therefore, indirectly asks the owner to share the costs of infrastructure because he makes direct private gains out of that infrastructure.

(vii) **Premium and Hardship:** Municipalities also charge premium for marginal additional constructions. Examples are a balcony premium, premium on staircase, or on internal roads, star category hotels, and certain categories of commercial buildings. A premium is an additional fee and the logic behind these charges is that some establishments are going to put additional
infrastructure burdens on the municipality and should therefore pay additional charges.

2.1.1.8 Public Private Partnerships

A further welcome change creeping into municipal thinking is in treating urban infrastructure as an area in which municipalities may not be the sole providers. In many countries in Asia, infrastructure was always considered a public monopoly and there was no felt need to involve the private sector. Since most urban infrastructure services were treated as public services, the concept of cost recovery received scant attention. However, opinions have begun to change and for several reasons larger and larger degrees of private sector participation in urban infrastructure now appears inevitable.

(i) **Volume of infrastructure work:** Municipalities today face huge volumes of work, as populations multiply and cities expand, and virgin areas have to be covered with infrastructure. Most of them also find serious financial crunch staring them in the face. Given the wide range of municipal services, city governments provide enormous scope for work. Municipalities have also been found wanting in a variety of professional competencies that these infrastructures demand.

(ii) **Shortfalls of current strategy:** Conventional working has only allowed cities to do limited and selected jobs, not always prioritized in the best interests of the city. There have been complaints about governance issues related to infrastructure, about poor quality and piecemeal solutions that have not stood the test of the onslaught of relentless urbanization. In the process larger infrastructure deficits have piled up. Cities have a huge variety of infrastructures to handle. No ULB despite all its sincere effort has the wherewithal in-house to catch up with infrastructure needs. It is quite obvious that if time, talent, and money are common weaknesses of the ULBs, they must get partners to help cities out. And they must simultaneously locate methods of raising resources beyond the traditional streams of budget, grants, and loans.

(iii) **Partnerships:** Partners would quite evidently come from the private sector/community. They have the advantages of process flexibility, financial strength, and ability to deploy manpower with requisite skills. It is these advantages that allow the private sector to bring in quality and efficiencies in the delivery of infrastructure. The great funding requirements for urban infrastructure quite evidently require every conceivable method being sensibly tapped. That is the only path that would narrow the gap between what cities need and what they can get. But the bottom line is good governance in the cities themselves. This is a requirement that no other support system can replace, as it is fundamental to the well-being of cities.

2.1.2. Commitment studies for the provision of infrastructure services in the community-service provider context

Estimated urban investment requirement for the 20-year period from 2012-13 to 2031-32, as projected by the High Powered Expert Committee of the Government of India (HPEC), is Rs. 39.2 lakh crore. (Investment estimates by HPEC, October, 2011, Pg. 9). Over the past decade, growing concern about the ability of cities to provide
the level of urban services commensurate with their contribution to economic activity has led to significant changes in India's urban development policies, through complementary strategies of decentralization and financial sector reform.

A new momentum has recently emerged in addressing the needs of India's urban areas. This encompasses GoI's emphasis on urban reform and urban investment, the development of a comprehensive urban development strategy by the Ministry of Urban Development and Poverty Alleviation (MUDPA), and the introduction of central, performance-based programs to encourage reforms. A model municipal act was prepared to assist with simplification of multiple regulations. The Urban Reform Incentive Fund (URIF) was set up to provide financial incentives to encourage state level reforms to remove distortions in real estate markets and strengthen the financial viability of ULBs. The City Challenge Fund (CCF) and Pooled Finance Development Fund (PFDF) are being designed as incentive schemes to support city level reforms towards greater creditworthiness. Also noteworthy is the development of alternate mechanisms for financing urban infrastructure projects such as municipal funds and the growth of the municipal bond market. However, these initiatives are not sufficient to meet the growing demands for urban services and infrastructure investment needs.

2.1.2.1 Principles of an effective infrastructure management framework

Adopting a good framework for municipal infrastructure management is crucial to ensuring that valuable public resources are managed efficiently, and the interests of the tax-paying public are safeguarded. The public sector exists for the purpose of enabling social and economic development. Its threshold for risk tolerance is higher, while its demand for a return is not always immediate. The public/service sector is required to place a greater emphasis on transparency, commitment, competencies, in order to ensure accountability. Typical steps that govern sound infrastructure management practices in the public sector incorporate: (a) a broader strategy for service provision, (b) proven techniques that help implement the strategy, (c) a benchmarking system that completes the feedback loop essential for measuring performance and future goal-setting. Going by the resource level decision-making experiences in the private or public sector, these three institutional capabilities encompass the broader prerequisites that enable a programmatic design and management of public sector assets as well (John J Hentschel, 2007).

Sound and relevant policies, legislative and regulatory structures constitute the institutional bedrock for decision-making in any form; this holds. It is also worthwhile to note here that successful infrastructure management experiences in countries such as China, Russia, and United Kingdom, etc. were first preceded by overhauling traditional policies that were not amenable to reform. Secondly, a sound operational environment in the form of process and technology needs to exist for any ground-level decision to be effectively delivered. And lastly, the effectiveness of any decision cannot be validated unless it is measured, reported, and compared against established standards. This last step not only addresses the issue of public accountability but also paves the way for creating improvements in existing processes and procedures in the form of efficiency or cost reductions or adopting better strategies, etc. Taken collectively, these three capabilities offer a holistic approach in addressing all the aspects involving infrastructure management system.
2.1.2.2 Examples for effective property asset management practices in the world

(i) China

China is a good example where the local governments have most efficiently tapped into the potential of their land assets to finance their urban infrastructure. Studies reveal that land assets have financed at least half of the entire municipal infrastructure investment in China over the past 15 year period (Peterson, 2009). Several factors have played a favorable role in the local governments' ability to carry out effective land asset management. China's rapid economic growth over the past 15 years coupled with the government's strategy to promote urbanization as a means of ensuring economic growth drove urban property values upward during this period. Recognizing the financial potential behind such properties, the government amended the constitution to assign landowning rights to local governments, who were empowered to transfer rights of land use to private communities through leasing arrangements. The revenues generated from these leases were divested into urban infrastructure investments, as part of a deliberate national and local government strategy to rearrange the assets in the balance sheets of local governments such that unused assets are put to productive use. Thus one form of assets (unutilized land) in the balance sheet was converted to another, infrastructure assets (bridges, roads, water, sewerage etc.). This strategy proved so effective that between 1990 and 2002, the sale of land-use rights alone yielded Shanghai $12.1 billion which was entirely directed to investments in water, roads, and wastewater systems to strengthen urban growth (McKellar, 2006).

(ii) Cairo, Egypt

Egypt launched a public asset management Initiative in 2004, managed by the ministry of investment (Peterson, 2009). This program sought to take stock of all assets held in the portfolios of different ministries and assess their economic role in helping the ministry perform its core functions under this program, the ministry of housing, utilities, and urban development accelerated the process in May 2007 of significant desert land parcels approved for development under the new city development plan for east Cairo. These land parcels were promoted to land development entities from United Arab Emirates and Saudi Arabia and were held responsible for all internal infrastructure development. The Ministry in turn divested the proceeds from the sale of almost $3.12 billion into infrastructure investment, including construction of access highways and as housing subsidies for low-income households.

(iii) Istanbul, Turkey

Difficulties in managing its municipal debt impelled state and municipal Governments in Turkey to viewing their property resources as a means of infrastructure financing. The government undertook concerted efforts to identify excess asset holdings; the income obtained the strategic disposal or reallocation of these assets helped reduce municipal borrowing, strengthen its credit rating, while generating enough surplus that could be divested into transportation and other infrastructure investments.
(iv) United States, Australia, United Kingdom

Among developed countries, the above countries take the lead in recognizing the importance of managing property assets as a viable economic resource at all levels of the government. The United Kingdom in particular throws up several approaches and best practices to extracting the highest performance out of properties owned by the public sector. Government properties are typically viewed and exploited as a corporate asset would, with newer ways continually sought to maximize the asset portfolio of governments and to compare performance against industry benchmarks.

2.1.2.3 Lessons from the national & international experiences: applicability to framework

The lessons that can be learned from these experiences are quite varied. While these experiences underscore the premise that strategic management of infrastructure provision will help maximize their economic potential, they also feed into the infrastructure management framework outlined earlier in several different forms: the examples from Turkey and Egypt emphasize the need for information on assets to facilitate strategic disposal of excess assets. The China example serves as a model for the role of appropriate policy interventions in spurring the productivity of static assets held by governments. United Kingdom offers several best practices in the state-of-art management of assets; performance benchmarking of public assets need to be high on the list of government’s priorities and their benchmarking practices closely mirror those adopted in the private sector. Almost all of these experiences also underscore the need for transparency and accountability in the management of public assets.

2.1.2.4 Options for infrastructure financing

(i) Fiscal reforms initiated by Government of India

There has been a considerable change in financing urban infrastructure in India over the years. Government of India has been continually strengthening the capacity of local bodies to finance and maintain infrastructure services. Government has initiated fiscal reforms for encouraging states to bring down their revenue deficits. Substantial drive is also taken for uplifting the financial condition of urban local bodies in the form of increased budgetary allocations for the issue of municipal tax-free bonds, raising the total annual cap on municipal borrowings and at the same time fixing ceiling on the states’ overall borrowings.

(ii) Twelfth Finance Commission

The Twelfth Finance Commission (TFC) had recommended grants amounting to Rs.25,000 crores (Rs.20,000 crores for Panchayats and Rs.5,000 crores for municipalities) paid as grants-in-aid during the period 2005-2010 to states for rural and urban local bodies.

(iii) Central grants for urban infrastructure

Central government presented grants for selected infrastructure projects like the Integrated Development of Small and Medium Towns (IDSMT) with an annual support of about Rs.100 crores; Mega City Scheme for the five big cities with central assistance limited to 25 percent; Accelerated Urban Water Supply Programme
(AUWSP) with central assistance limited to 50 percent, Jawaharlal Nehru National Urban Renewal Mission (JNNURM) with a provision of Rs.50,000 crores as central assistance for a period of 7 years began from 2005-2006. The mission aims to deal with the concerns relating to urban renewal, water supply and sanitation, sewerage and solid waste management, urban transport, etc. The JNNURM seeks to develop certain cities including semi-urban areas to stimulate development in a financially sustainable manner.

(iv) State Governments' initiatives

State governments from time to time provide some grants for infrastructure projects and their maintenance, however these are quite nominal. Some state Governments have set up government owned companies for infrastructure development like Gujarat i.e. Gujarat Infrastructure Development Board (GIDB) backed by Gujarat Infrastructure Development Act (GID) – 1999, a highest policy making body with single window system approval process.

(v) Term loans from within and outside India

Most urban infrastructure development needs long term finance, typically 15-20 year financial instruments and is largely funded through term loans. Housing and Urban Development Corporation (HUDCO) provides term loans to state governments, housing boards, municipalities and urban development agencies of the governments for urban infrastructure projects. Infrastructure Development Finance Company (IDFC) has been created for floating long term financial instruments in the Indian market. Term loans are also provided by some state infrastructure financing agencies like Tamilnadu Urban Infrastructure Financial Services Limited and Karnataka Urban Infrastructure Development and Finance Corporation.

In the water supply sector, sanitation sector loans have also been received from external agencies like World Bank Asian Development Bank, Department for International Development UK, Japan Bank for International Cooperation, USAID and French International Development Agency. Financial Institutions Reform and Expansion - Debt (FIRE-D) program is a collaborative effort of the USAID, Ministry of Urban Development, Government of India, selected states and local governments for delivery of water and sanitation services that benefit the urban poor. FIRE-D is basically a financial competence building program for urban local bodies aimed at improving and expanding urban infrastructure. Under Community Led Infrastructure Finance Facility (CLIFF) venture capital is available from the DFID and Homeless International for community driven housing and related infrastructure for the urban poor.

To sum up, the current state of infrastructure management by the public sector seems to be fraught with deep-seated political, institutional, and day-to-day management issues. The management challenges can be more easily addressed with the help of technology and putting in place an effective infrastructure management framework. It is make out those large-scale investments in infrastructure in the recent past is one of the most significant reasons behind the increase in the expenditure of local bodies. It consequently urges that “land” should be leveraged as a resource by the local bodies for infrastructure management.
2.1.2.5 Asset mismanagement: politics and apathy

Property assets are yet another area of the public sector that is ridden with several kinds of political, institutional and management challenges which get in the way of extracting equitable income from these assets. Despite their financial merit, or maybe as a consequence of it, governments have not made a notable effort to introduce policy reforms to revamp the manner in which these assets as managed. While it is difficult to pinpoint an exact reason for the absence of reforms, it is fair to state that a number of factors, not the least of which is the total lack of political will, have collectively played a role in maintaining the status quo. Some of these challenges include budget constraints that deter ongoing maintenance, institutional apathy in managing assets for profit, lack of management foresight and financial perspective, and above all political interest that often supersedes public interest.

The financial statements of a municipal body can throw up a number of indicators to help deduce if the revenues generated from land and building assets are proportionate to their financial worth or even if the own income of an ULB will adequately cover its operating costs. The following table shows the income generated and costs incurred from land and building asset sources, as extracted from the financial statements of the corporation:

<table>
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<tbody>
<tr>
<td>Total Revenues</td>
<td>979.03</td>
<td>900.60</td>
<td>776.32</td>
<td>571.80</td>
<td>553.58</td>
</tr>
<tr>
<td>Non-tax revenues</td>
<td>121.46</td>
<td>107.15</td>
<td>85.67</td>
<td>61.36</td>
<td>69.93</td>
</tr>
<tr>
<td>Income from Land&amp; Bldgs. assets</td>
<td>3.99</td>
<td>3.85</td>
<td>5.40</td>
<td>3.83</td>
<td>3.99</td>
</tr>
<tr>
<td>Revenue generating assets</td>
<td>N/A</td>
<td>N/A</td>
<td>197.40</td>
<td>187.11</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*All amounts are represented in crores  
Source: Annual Budget Statements of Chennai Corporation

It should also be noted that local governments are under tremendous strain just to deliver basic infrastructure services like roads, bridges, and water and sewerage facilities and as a consequence, management of real estate assets falls very low on their order of priority. Growing and maximizing these assets have never assumed overarching attention among the myriad of issues faced by local governments.

2.1.3. Review of the relevant theories and their rational arguments into a new/extended theoretical model

Occupational history has made substantial contributions to the understanding of today's complex business phenomena and has relied on varieties of economic theories to explain community-service provider relationships (Boyce, 2001). Some examples of these economic theories are transaction cost economics, sociological economics that provide an array of perspective and descriptive frameworks (Boyce, 2001, p. 4). In addition, these theories, along with the internationalization process (IP) theory (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975),
and the resource-based theory of the firm (Barney, 1991; Wernerfelt, 1984) raise issues relating to information exchange and communication, learning, knowledge and experience, and are linked to competitive advantages within community-service provider structures. In addition to these theories, the key elements of Williamson’s transaction cost theory provide, both empirically and conceptually, a more explicit understanding. Williamson’s ‘communicating economies’ (1985, 62) has been extensively explored and examined by Boyce (2003, 2001) to understand the intellectual framework in reducing operational cost through communication, learning, knowledge and the trust building process. Further, Boyce (2003) argues from a historical context that the communication process enforces and facilitates the exchange of information which can be conveyed explicitly through face-to-face conversation. This also facilitates the knowledge acquisition process, as well as trust and commitment in the relationships toward all parties’ benefit and mutual advantage. The internationalization process (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975) literature views knowledge as a facilitating tool of regional/global business where exchanges through close informative equilibrium interactions at the early stages of project may generate learning and knowledge.

Although these theoretical directions are interlinked, only a manageable number of closely interrelated theoretical phenomena pertaining to the community-service provider relationships are considered. The present study incorporates the conceptual ideas of the following basic economic theories.

### 2.1.3.1 Transaction cost theory

Transaction cost economics takes the view that parties to the business may have an incentive to behave opportunistically. As a result, a service provider may engage in opportunistic behavior by withholding critical information, the misrepresentation of facts, and the evasion of obligations and/or by immorally taking advantage of their partner (Wathne and Heide, 2000). Consequently, it is likely that service provider’ opportunism in the community-service provider relationship reduces communities’ commitment to that relationship (Skarmeas et al., 2002). One of the central assumptions of the transaction cost theory is the trust between partners because a situation of distrust is viewed as misleading, distorting, disguising and confusing as well as risking opportunism (Hill, 1990). Conversely, a trusting situation is viewed as one which reduces transaction costs (Kwon and Suh, 2004) and demonstrates strong commitment between partners (Coote et al., 2003).

Opportunism is a habitual human act which implicates the view that ‘contractual’ man is seeking self-interest. Among the political factors, uncertainty intensifies the obstructions that may arise due to changing political circumstances surrounding the setup. As asset specificity (transaction-specific investment) and uncertainty (political volatility) increase, the risk of opportunism increases. In terms of long-term relational arrangements, most of the above factors have been applied to analyze the community-service provider commitment relationship. While opportunism, investment (asset specificity) and political uncertainty have been used to examine the community-service provider commitment relationship (Skarmeas et al., 2002), two other factors; communication and trust, are also used to provide insight into the community-service provider commitment relationship (Coote et al., 2003) and are relevant in the present analysis.
The above discussion suggests that communication, opportunism, trust, political volatility (uncertainty) and investment (asset specificity) are grounded on transaction cost theory, and tend to have influence on community commitment to a service provider (as shown in Figure 2.1) where some of factors are interrelated.

**Figure 2.1** Factors derived from the transaction cost theory and their impact on commitment

![Diagram of factors derived from transaction cost theory]

Source: Figure derived from the Transaction Cost Approach (Williamson; 1975, 1981, 1985, 1991)

These factors already have been addressed in commitment studies in different contexts. The theory, however, has so far, not been well regarded in investigating community commitment. Therefore, the present study strives to relate the above theory base to investigate the effects of these factors on commitment to service provider.

**2.1.3.2 Progression theory**

Johanson and Vahlne (1977) refined Internationalization progression theory on incremental internationalization by formulating a dynamic theoretical base. The model focuses on the gradual achievement, integration, and use of knowledge about local-regional markets and operations and on incrementally increasing commitments to community. Targeting socially similar regions at the early stage of planning can facilitate this knowledge acquisition process through easier and better communication and informative equilibrium. This experiential knowledge of service provider enhances its commitment to continue the relationship. It is worth noting that the relationship commitment is not a one way process. The service provider's objective of building commitment through the facilitator cannot be achieved unless the other party intends to build and maintain the relationship. This theory so far has been widely regarded in explaining and fostering the noticeable operations of an organization (Karlsen et al., 2003). This suggests that the high degree of informative equilibrium between community and service provider may stimulate community commitment to their service provider.
Johanson and Vahlne (2006,) proposed that "commitment is the dependent variable and experience is the independent variable" (p. 165) in the internationalization Process (IP) model.

The present study strives to investigate how informative equilibrium interacts with knowledge and experience and influences the commitment relationship with service provider. Figure 2.2 illustrates that the factors such as knowledge and experience and informative equilibrium have clear links with the internationalization process theory to explain community commitment.

**Figure 2.2** Factors derived from the global process theory as well as the transaction cost theory and their impact on commitment

```
Informative equilibrium

Knowledge & Experience

Community’s Commitment
```

Source: Figure adopted from Global theory (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977) and transaction cost theory (Williamson, 1975, 1981, 1985)

### 2.1.3.3 Resource-based theory

The resource-based theory of the firm (Barney, 1991; Wernerfelt, 1984) states that the competitive advantage of an organization is based on its control of tangible and intangible resources (assets, managerial attributes, information, and knowledge). Such resources influence an organization to seek relative advantage in their community-service provider relationships in a competitive market. The theory proposes that while both tangible and intangible resources could be sources of an organization's competitive advantage, human capabilities in the form of knowledge and experience are also critical to superior performance (Barney, 1991; Prahalad and Hamel, 1990).

A servicing firm's competitive resources and competencies help to gain passing on success (Patterson, 2004) because these capabilities encourage the servicing firm to maintain the relationship to benefit from those capabilities. This clearly indicates that resource-based competencies make the firm's offers attractive to community who commit to the servicing firm to benefit from its resources. More precisely, the greater competencies of a service provider enhance community's commitment to service provider. Thus, these logical inferences provide explanation to a service provider's competencies and its causal relationship with community commitment as depicted in Figure 2.3.

**Figure 2.3** Factor derived from the literature related to resource-based view of the firm

```
Service Providers’s Competencies

Community Commitment
```

Source: Figure derived from the relevant conceptual and empirical literature rooted in the resource-based theory of the firm.
In summary, theoretical developments describing transaction cost economics and the consultation process provide impetus for investigating the backgrounds of commitment in regional context. The theoretical underpinning in terms of transaction cost theory suggests how factors such as communication, opportunism, trust, political volatility, and asset specificity are likely to influence community commitment. Further, among the identified backgrounds, informative equilibrium, and knowledge and experience are examined based on internationalization process theory. However, knowledge and experience as intangible assets and service provider’s competencies as tangible and intangible capabilities are likely to be considered from the resource-based perspective of the firm to explain community commitment. The following section focuses on the literature of the allied streams of this research in general.

2.2 General review of the relevant literature

The major focus of this section is to consolidate the empirical findings and conceptual emphases that have assessed the community-service provider relationship.

A systematic search for service literature reports commitment as a significant predictor of service performance. Nine studies (Beamish et al., 1993; Cicic et al., 2002; Dominguez and Zinn, 1994; Julian, 2003; KalVkeas et al., 1996; Madsen, 1998; Richey and Myers, 2001; Styles and Ambler, 2000; Yip et al., 2000) examined commitment and its impact on the community-service provider relationship in the internationalization process. All studies found strong positive impacts of service provider commitment on its consequences. Commitment may thus be a significant construct of long-term regional community-service provider relationships (Dominguez and Zinn, 1994). This indicates, in inverse direction, that community commitment could be a strong dependent variable in assessing regional community-service provider relationships because it is an indispensable part of the community-service provider arena.

In community-service provider distinction literature, Liang and Parkhe (1997) focused on contrasting situations of community-service provider studies and found that community behavior is a neglected stem in the internationalization process. However, the community’s role is even more dominant in consummating investment because they facilitate access for the community service providers to enter the external community specific markets. The community’s incremental commitment in the internationalization process may also lead community organizations to become more committed toward achieving greater efficiency in community management (KalVkeas, 1998). However, this conceptual argument has not been validated empirically.

To specify the research gap and to explore the potential backgrounds of commitment, the extensive review of the commitment studies (community-service provider) takes place in the section to follow

2.2.1 Commitment studies

A systematic search of the academic literature has revealed 76 studies that are pertinent to community-service provider commitment relationships indicating direct and/or indirect relationships. Among the 76 studies, seven studies are conceptual and the remaining 69 studies are empirical where 68 of them have scrutinized
developed regions data. Sample responses vary from 39 to 84. Of these empirical studies, attempts have been made in 32 studies to (please see Appendix 1) explain commitment, either as a dependent variable (DV) or independent variable (IV). These 32 studies examined commitment in different varieties of community-service provider relationships (such as service provider’s commitment, mutual commitment, long-term commitment intention and, consumer commitment and community commitment). The other 44 studies indicate only remote relevance to the commitment relationship.

Table 2.1 reports (extracted from Appendix 1 and the frequency table in Appendix 2), out of 32 commitment studies, 26 of them examined commitment in the community-service provider contexts, and the other six studies examined commitment from other contexts. Among these studies, 12 studies examined commitment as both DV and IV in complex models.

Table 2.2 Studies examined commitment as DV and IV

<table>
<thead>
<tr>
<th>Variable</th>
<th>Studies</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment as a Dependent Variable (DV)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DV-Service Provider's commitment (only as DV)</td>
<td>Muhmin (2002); Andaleeb (1996); Anderson &amp; Weitz (1992); Bennett &amp; Gabriel (2001); Coote et al. (2003); Geyskens et al (1996); Goodman &amp; Dion (2001), Holm et al. (1996); Johnson et al. (2001); Kim (2001); Kim &amp; Frazier (1997); Kim &amp; Oh (2002); Kumar et al. (1995b); Kwon &amp; Suh (2004); Miyamoto &amp; Rexha (2004); Mohr et al. (1996); Moore (1998); Morgan &amp; Hunt (1994); Rodriguez &amp; Wilson (2002); Ruyter et al. (2001); Sharma &amp; Patterson (2000); Siguaw et al. (1998); Skarmeas et al. (2002); Walter &amp; Ritter (2003); Wetzels et al. (1998); Zineldin &amp; Jonsson (2000)</td>
<td>26</td>
</tr>
<tr>
<td>Examining Commitment as an Explanatory Variable (IV)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV-Commitment to the Service Provider</td>
<td>Baker et al. (1999)</td>
<td>1</td>
</tr>
<tr>
<td>IV-Community’s commitment to the Service Provider</td>
<td>Selnes (1998)</td>
<td>1</td>
</tr>
<tr>
<td>Other Studies Examining Commitment as Dependent Variable (DV)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DV-Mutual relationship commitment</td>
<td>Chetty &amp; Eriksson (2002); Holm et al. (1999)</td>
<td>2</td>
</tr>
<tr>
<td>DV-Long-term commitment Intention</td>
<td>Gundlach et al. (1995)</td>
<td>1</td>
</tr>
<tr>
<td>Facilitator’s (loyalty and calculative) commitment to the Service Provider</td>
<td>Gilliland and Bello (2002)</td>
<td>1</td>
</tr>
<tr>
<td>Total Studies Examining Service Provider’s commitment either as Dependent Variable or Independent Variable</td>
<td>Anderson &amp; Weitz, 1992; Chetty &amp; Eriksson, 2002; Holm et al., 1996; Holm et al., 1999; Johnson et al., 2001; Kim &amp; Oh (2002); Miyamoto &amp; Rexha, 2004, Ruyter et al., 2001; Siguaw et al., 1998; Skarmeas et al., 2002; Walter &amp; Ritter, 2003; Wetzels et al., 1998</td>
<td>32</td>
</tr>
<tr>
<td>Commitment as both DV and IV in complex models</td>
<td></td>
<td>12</td>
</tr>
</tbody>
</table>
At the bottom of Appendix 1 and the summarized frequency table in Appendix 2 show that while 26 commitment studies tested a total of 69 IVs to explain service provider commitment, a positive relationship was found for 44 of these IVs, no significant relationship was found for 13 IVs, a negative relationship was found for three and mixed relationships were found (in different perspectives) for nine IVs. Out of the other six studies, two studies (Baker et al., 1999; Selnes, 1998) examined community’s commitment as an explanatory variable (IV) and compound positive relationships in both studies. However, two studies (Chetty and Eriksson, 2002; Holm et al., 1999) looked at mutual commitment relationships, one study (Gundlach et al., 1995) investigated long-term commitment intention, and the other study (Gilliland and Bello, 2002) examined facilitator’s loyalty commitment as the dependent variable with a total of ten additional independent variables (not included in 69 IVs). They found seven positive, two negative and another non-significant relationships. However, two studies (Chetty and Eriksson, 2002; Holm et al., 1999) examined mutual commitment as both DV and IV in their research model and revealed all positive relationships except with one variable. The positive and negative backgrounds to commitment and antecedents with no significant relationship with commitment are summarized in Appendix 2 including their references.

As reported in Appendix 2, 14 studies have investigated commitment as an explanatory variable to explain several other criteria variables such as facilitator’s perception of the service provider commitment, relationship profitability, mutual dependence, and community trust, satisfaction, and relationship performance. Commitment was examined both as dependent and independent variable in 12 of these 14 studies and only as an independent variable in two studies. The empirical result of these studies revealed commitment as a significant predictor of these DVs — positive effect was reported in 12 of these studies but negative effect was reported in one study.

Table 2.1 further shows, twelve studies examined service provider/community commitment simultaneously as DV and IV in their research models. These studies found that while commitment has a positive effect on some variables, it is also explained by a number of other IVs (such as service provider perception, public consultation/participation, service provider control, service provider dependence, long-term orientation etc.).

The appendix 2 presents a frequency distribution of the variables. Among the 69 explanatory variables of (community-service provider) commitment tested in 26 studies, only 15 variables (service provider trust, public consultation/participation, asset specificity, opportunistic behavior, service provider trustworthiness, service provider dependence, community dependence on service provider, satisfaction with service provider, cooperation, relationship benefits, shared values, and satisfaction) have been appraised in more than one study. In addition, out of 69 explanatory variables, service provider’s/community’s trust has been examined in 15 studies (detailed in Section 2.2.6) as a predictor of service provider commitment. While 12 of these studies found a positive impact, two (Moore, 1998; Siguaw et al., 1998) reported no significant relationship and one (Geyskens et al., 1996) found a mixed relationship. The contrasting situation across studies for the above variable needs further validation in another context.
Among the other variables, public consultation/participation has been investigated in six studies (Anderson and Weitz, 1992; Goodman and Dion, 2001; Kim and Frazier, 1997; Mohr et al., 1996; Moore, 1998; Zineldin and Jonsson, 2000) as a determinant of service provider/community commitment and all but one study (Moore, 1998) uncovered significant positive relationships. Similarly, investment has been examined in six studies (Anderson and Weitz, 1992; Goodman and Dion, 2001; Kim, 2001; Kim and Frazier, 1997; Kim and Oh, 2002; Skarmeas et al., 2002) as a predictor of service provider commitment and all revealed a positive relationship. Three studies enquired about opportunism as an explanatory variable of Service provider commitment and reported mixed results – a positive relationship in one study (Zineldin and Jonsson, 2000), no significant relationship in the other (Moore, 1998), while a negative relationship in one study (Skarmeas et al., 2002). These contradictory findings for opportunism in inter firm relations need further validation to reveal its real impact.

In addition, service provider trustworthiness (Kim, 2001; Kim and Frazier, 1997; Kim and Oh, 2002), satisfaction with service provider (Abdul-Muhmin, 2002; Johnson et al., 2001; Sharma and Patterson, 2000), interdependence in a distribution channel (Geyskens et al., 1996; Kim and Oh, 2002; Kumar et al., 1995b) and service provider dependence on service provider (Goodman and Dion, 2001; Kim, 2001; Kim and Frazier, 1997) have been examined as determinants of service provider commitment in three studies each and positive relationships have been reported for each of the variables.

Nevertheless, four variables such as cooperation (Morgan and Hunt, 1994; Zineldin and Jonsson, 2000), shared values (Morgan and Hunt, 1994; Zineldin and Jonsson, 2000), and satisfaction (Wetzels et al., 1998; Zineldin and Jonsson, 2000) have been used as determinants of service provider/community commitment in two studies each and all found positive impact on the DV. Three other variables, interdependence asymmetry (Geyskens et al., 1996; Kumar et al., 1995b), relationship benefits (Moore, 1998; Morgan and Hunt, 1994) and community/customer dependence on service provider (Andaleeb, 1996; Wetzels et al., 1998) have been used as predictors of service provider commitment in two studies each and mixed relationships have been reported.

As can be seen in Appendix 2, the reviewed studies have also investigated 34 other interrelated DVs and 76 IVs that explained some of the explanatory variables of commitment. This indicates that some of those variables have an indirect relationship with service provider commitment. This brief review also shows that while commitment has been regarded widely in different relationship contexts, to date there has been no clear attempt to examine this with regards to community commitment. The review of the theoretical bases and main stream commitment studies also clearly suggest that eight driving factors of commitment could be included in an extensive model. The next section incorporates all the above directions together with other different supportive streams.

### 2.3 Literature related to the backgrounds of commitment

Based on the discussion of theoretical foundation in section 2.1.3 and a comprehensive review of the applied literature pertinent to commitment and community-service provider relationships discussed in section 2.1.2, eight variables...
have been identified for further investigation. This section reviews the literature pertinent to these variables toward getting further empirical and conceptual support from related academic literature.

2.3.1 Informative equilibrium

Informative equilibrium refers to the social closeness that reduces social barriers and that achieves a greater degree of closeness (Swift, 1999). The review of the relevant literature shows that very few studies have examined informative equilibrium and its impact on commitment relationships with partners in the regional exchange processes in general and community commitment in particular.

For the present context, six studies provide the relational path toward investigating informative equilibrium and its impact on community commitment.

The result of this study suggests that informative equilibrium (similarity) is a contributory element of intellectual closeness. Conway and Swift (2000) conceptualized the greater the degree of informative equilibrium between partners in practice the greater the degree of understanding between them, and the higher the commitment.

The present study attempts to investigate the impact of informative equilibrium on community’s commitment to a specific community service provider. In sum, the above review indicates that as one of the backgrounds of commitment, informative equilibrium has some support in investigating its impact on commitment.

2.3.2 Knowledge and Experience

Internationalization process theory (Johanson and Vahlne, 1977) has been widely embraced in explaining service provision knowledge and its impact on commitment (Anderson, 1993; Yli-Renko et al., 2002; Zou and Stan, 1998).

As Appendices 1 and 2 illustrate, one study (Chetty and Eriksson, 2002) asserts a direct link in examining the impact of knowledge and experience on commitment to the regional partner. They showed that experiential knowledge of an organization influences mutual relationship commitment, which then influences experiential knowledge in a cycle. This supports Buckley and Casson’s (1988) argument that commitment is both contribution and productivity in a relationship context. While Chetty and Eriksson’s study (2002) was precise in investigating the impact of service provider’s knowledge on commitment in the service provider-community relationship. This in turn, implies the importance of the effects on the community commitment relationship and so will be worthwhile to investigate.

The gradual increasing knowledge about the regional market and the relationship with the regional service provider leads to an increased commitment to that market and regional service providers as well. From a different perspective, Kalvkeas and Dalgic (1995) scrutinized the community problems experienced by UK service providers. Their empirical findings reveal that regular communities are more knowledgeable and experienced, and are likely to perceive less uncertainty in their relationships. They additionally found that the level of community development is positively related to the perception of community knowledge and experience. This may imply that a long-term community relationship with a service provider increases knowledge and experience which in turn, reduces uncertainty, and motivates commitment to the community service provider.
In brief, the reviewed studies provide support for the view that knowledge and experience has an impact on commitment to community-service provider. Knowledgeable communities are likely to continue the commitment relationship to gain more advantage from the infrastructure servicing market.

2.3.3 Service provider's competencies

Among the reviewed studies, three empirical and three conceptual studies show coherency and explore the impact of service provider's competencies on the business/commitment relationship.

Two conceptual papers have addressed the impact of service provider capabilities and competencies on the community-service provider relationship. Lau and Hurley (1997) argued that both Japanese and US facilitators have gained profitable rewards by developing strategic service provider relationships and proposed that a long-term cooperative community-service provider relationship is positively related to the competitive advantage and competency of the firm. This suggests that service providers who offer competitive competency may influence a community's commitment to establish a long-term relationship for success.

In the community-service provider collaborative relationship studies, Humphreys et al. (2001) attest that it is essential for the service providers to gain competitive advantage in regional markets in terms of their resource capabilities and their ability to share risk. The result proclaims that service providers' resource competency, problem solving capability, and logistics are the most significant factors required by the communities when a collaborative relationship existed with their strategic service provider. This, in fact, intimates that service providers' resource capabilities and competencies can differentiate them in the service market in providing competitive advantage. As a result, the community will be more committed to the servicing firm based on their relative competencies.

In sum, in terms of commitment relationship and links, this review provides a push to investigate the impact of service provider's resource competencies on commitment to community. Thus, the service provider's resource competencies may encourage the community to maintain a long-term relationship.

2.3.4 Public consultation/participation

Communication of information is a community aspect of assessing community-service provider relationship behavior (Mohr and Sohi, 1995). The idea underlying information exchange is related closely to the concept of public consultation/participation, which has a significant impact on commitment (Mohr and Nevin, 1990).

Public consultation/participation is defined as the extent to which the partners of the exchange relationship engage in the obvious and unrestricted sharing of information as they work towards overcoming the obstructions as well as achieving the goal of success (Anderson and Weitz, 1992; Anderson and Narus, 1990; Selnes, 1998). Easy and open public consultation/participation helps exchange partners to share unavoidable situations which go toward enhancing effective relationships (LaBahn and Harich, 1997). Cannon and Perreault Jr. (1999) argue that when public consultation/participation information is impacted, market failure is more likely. This is also a prerequisite for building trust (Morgan and Hunt, 1994; Selnes, 1998)

The review of the literature which is summarized in Appendices 1, 2 and in Table 2.2 shows six studies that have examined public consultation/participation (including collaborative public consultation/participation) as an explanatory variable of commitment. All of these, except one (Moore, 1998), have revealed its positive significant impact on service provider/community commitment. However, as Table 2.2 reports, while five studies have found public consultation/participation as predictor of service provider trust in the community-service provider commitment relationships, three of these (Coote et al., 2003; Morgan and Hunt, 1994; Selnes, 1998) produced positive findings, one study (Zineldin and Jonsson, 2000) was negative and one study (Moore, 1998) found no significant relationship between public consultation/participation and trust. Moore (1998) investigated public consultation/participation as a determinant of trust and commitment and found contrasting negative results in both cases. These findings have not been validated in any other subsequent context.

Table 2.3 Studies examining public consultation/participation

<table>
<thead>
<tr>
<th>Public Consultation/Participation as Independent Variable (IV)</th>
<th>Dependent Variable (DV)</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(DV) Trust: (Coote et al., 2003; Morgan &amp; Hunt, 1994; Selnes, 1998; Zineldin &amp; Jonsson, 2000; Moore, 1998)</td>
<td>5</td>
</tr>
</tbody>
</table>

Note: The boldfaced study did not find significant result.

In regard to public consultation/participation as a determinant of commitment, four other allied studies have been reviewed. Among these, Mohr and Nevin (1990) asserted a theoretical perspective (not included in commitment studies/Appendix 1) of public consultation/participation and conceptualized that public consultation/participation strategy is the use of a combination of four sides (regularity, direction, modality, and content) which has a strong impact on commitment as one of the qualitative outcomes. This may suggest that service providers are more satisfied and committed to the relationship in a situation where there is a high level of collaborative public consultation/participation.

From a service provider-facilitator working partnership perspective, Anderson and Narus (1990) estimated correlations from both the service provider firm perspective and facilitator firm perspective and built up significant support for the posited relationship between public consultation/participation and trust. While the structural equation model shows a direct relational path from public consultation/participation to trust which is evident in the facilitator perspective, it is indirect in the service provider context. The findings imply that public consultation/participation is a strong predictor of trust in the community-service provider relationship from both regards.

In order to expand the discussion of public consultation/participation studies, some of the studies employed public consultation/participation as an explanatory variable.
of commitment and some of them used it as predictor of trust. However, one study (Zineldin and Jonsson, 2000) has shown public consultation/participation as an independent variable of commitment and trust, and formulated positive significant relationships for both. The findings of this study are supported by Jonsson and Zineldin's study (2003) where they contend that public consultation/participation is a significant determinant for building trust and developing enduring commitment to a relationship. This suggests that public consultation/participation has an impact on both trust and commitment in the community-service provider relationship. To validate these findings, it would be appropriate to include public consultation/participation as one of the possible explanatory variables of trust and commitment from community service provider perspective.

2.3.5 Opportunism

Williamson (1975, P.6) defined opportunism as “self-interest seeking with cleverness.” A person usually acts to further his/her own self-interest (Aubert and Weber, 2001). The assured gap that may arise from one or both parties to any investment is an incentive to behave opportunistically which increases the costs of investment or reduces the revenues (Williamson, 1985). Opportunism has a negative impact on commitment relationship with the partners because “agreed” people try to interpret vague contingencies in their own favor (Williamson, 1985).

As discussed earlier and summarized in Appendix 2, while three studies (Moore, 1998; Skarmeas et al., 2002; Zineldin and Jonsson, 2000) tested opportunism as an explanatory variable of service provider commitment, others examined it as an explanatory variable of long-term commitment intention (Gundlach et al., 1995) and service provider trust (Morgan and Hunt, 1994; Zineldin and Jonsson, 2000). All studies expressed a negative relationship with the dependent variables indicating that a less committed party enjoys an advantage over a more committed partner in both the long and short terms (Gundlach et al., 1995) and a partner’s opportunistic behavior reduces trust in their relationship (Morgan and Hunt, 1994). From the different perspectives, three studies reveal links to examine service provider opportunism in the present context. In terms of dependence and opportunism, the researcher perceived a negative relationship between these two and pointed out that in the absence of a symmetric dependence, an individual party can behave opportunistically (Heide, 1994). This may indicate that the community’s dependence on the service provider is likely to increase the chance of service provider’s opportunism and as a result may decrease community’s commitment to the service provider (Goodman and Dion, 2001; Kim, 2001; Kim and Frazier, 1997). Other researchers found that community’s dependence and service provider opportunism are negatively related, although this relationship is moderated by high relational norms (Joshi and Arnold, 1997). The study also revealed that service provider opportunism is significantly negatively correlated with community commitment. Similarly, Skarmeas et al. (2002) have examined the relationship between opportunistic behavior and community commitment and reported a negative relationship.

The results reveal that opportunism is an endogenous factor determined by attitudes and inter-organizational structure. Thus, it suggests that long-run relationships are vulnerable and are less effective in such opportunistic situations.
This means that opportunism is a more complex behavioral concept which has a negative impact on community-service provider long-term relationships.

2.3.6 Trust

The concept of trust is viewed often in investment economics as well as in economic exchange. The same theory based concept has been used in organizational literature to suggest that confidence on the part of the trusting party results from the organization's belief that the trustworthy party is reliable and has high integrity (Morgan and Hunt, 1994). Achrol (1991) argued that organizational interrelationships are driven by relational factors such as norms of commitment which are based on trust.

Trust is defined as one party's belief that its needs will be fulfilled in the future by actions taken by the other party (Anderson and Weitz, 1989). Trust exists when one party has confidence in the reliability and integrity of the exchange partner (Morgan and Hunt, 1994). Rotter (1967) explained trust as one of the most salient factors of social organization which is the willingness of one or more individuals in a social unit to trust others. In brief, the literature has depicted trust as a multi-dimensional construct including reliability, integrity, honesty and truthfulness, openness, trustworthiness and confidence (Coote et al., 2003; Mavondo and Rodrigo, 2001).

The reviewed commitment literature summarized in Appendix 1 and 2, shows that trust has emerged as a multi-dimensional hypothesis in explaining community-service provider relationships. A number of studies have examined trust simultaneously as an explanatory variable and criteria variable. As summarized in Table 2.3, 15 studies have used trust as an explanatory variable of community/service provider commitment and found a significant positive relationship in 12 of those studies. While no significant relationship was found in two studies, one reported mixed results. Furthermore, 24 other explanatory variables explained trust (as DV) in eleven studies where nine studies employed trust as an intervening variable in commitment studies. In various ways, however, ten studies handled trust as both DV and IV. This reflects that trust is a multidimensional construct which can explain other variables (such as commitment) but is also explained by other variables in the community-service provider commitment studies. This may imply that trust as a hypothesis has a potential to be used as an explanatory variable of community's commitment which may also be explained by other potential discerned factors in the framework.
It is seen from a systematic review of community-service provider relationship literature that nine other studies (not included in commitment studies or Table 2.3) have examined trust from different viewpoints. In examining trust and its impact on the servicing partner relationship, Smith and Barclay (1997) have put forward that trusting behavior has a greater effect on perceived task performance than on their mutual satisfaction. The above review clearly reveals that trust is a critical construct in assessing global/regional business relationships. It can be concluded that trust plays a role in the community-service provider relationship. In addition, as the commitment studies indicate, trust is a significant predictor of community/service provider commitment.

2.3.7 Investment

As Williamson (1975) asserts, when the value of an asset has been attached to a specific investment or an investment involves assets that are specific to a particular investment then it is referred to as an investment (Klein et al., 1978). This investment is distinctive as well as non-redeployable; it is specialized and unique to a task and it sustains its value only to that specific exchange (Williamson, 1985).

As focused on in section 2.1.3 and summarized in Appendix 2, six community-service provider commitment related studies (Anderson and Weitz, 1992; Goodman and Dion, 2001; Kim, 2001; Kim and Frazier, 1997; Kim and Oh, 2002; Skarmeas et
al., 2002) have found a unanimous positive significant relationship between investment and service provider commitment (including community commitment). Consequently, service providers’ or communities’ investments tie them to a relational path and they are compelled to commit for long-term success. Since all these studies were conducted in developed country contexts, this could be tested in a developing country context for further validation and facilitate generalizability of the findings. Stump and Heide (1996) examined how land communities control and organize their service provider relationships. They argue that a community’s investment played a strong role in the development of control mechanisms that are influenced by contextual factors. In addition, they found that the posited outcomes such as the community’s specific investments are positively associated with their perception of service provider ability and service provider motivation. However, the study added the finding that a community’s specific investment has a positive association with specific investments by service providers.

In essence, extant empirical as well as conceptual attempts on investment provide strong support for investigating its impact on commitment to a specific community service provider because investment may enhance community commitment to establish a long-term relationship with service providers.

2.3.8 Political volatility

Transaction cost theory (Williamson, 1985) provides a view of political/situation uncertainty that refer to the volatile situation of the economic, business, legal and political atmosphere surrounding an investment (Ganesan, 1994; Klein et al., 1990; Leblebici and Salancik, 1981). The review of commitment studies, as summarized in Appendix 2 shows that only one study (Skarmeas et al., 2002) directly examines the impact of political volatility on a community’s commitment to a service provider. However, it was posited that greater political volatility surrounding service provider-community relationship reduces the community’s commitment. Out of six reviewed studies pertinent to political volatility, researchers are equally divided on the nature of the relationship between political volatility and community commitment.

In a different research context, Kumar et al. (1995a) revealed a negative relationship between political/situation uncertainty and relationship quality. While relationship quality in their study manifests several related constructs including commitment, commitment was found to be critical in developing long-term relationships. This implies that increasing political/situation volatility is likely to reduce community commitment in the relationship. Bello et al. (2003) also found support for this argument.

To briefly summaries, the above review of the related studies revealed that perceived political/situation volatility has an impact on commitment to the partner. This provides support to investigate the impact of political/situation volatility as a predictor of commitment to Service Provider.

2.3.9 Synthesis

A number of conclusions can be drawn from the above discussion with regards to commitment and its predictor variables specific to community service provider perspective. First, the three basic theories (discussed in Section 2.1.3) provide push and links with a number of backgrounds of community commitment to service provider. However, prior empirical studies had very little focus on these variables,
thus these could be included in a model to examine their impact on community commitment. Second, despite the term 'commitment' drawing attention in several areas of research, the literature review revealed that it has not been examined from the viewpoint of a specific community-service provider relationship. Third, while each of the reviewed studies show coherency and relationships with identified backgrounds, these relationships are not substantiated with empirical data in a different context. Fourth, the researchers conceptualized and empirically verified five backgrounds of commitment in different community-service provider commitment studies. While these variables such as public consultation/participation, opportunism, trust, investment, and political/situation volatility have been used in past studies (Coote et al., 2003; Kim, 2001; Skarmeas et al., 2002; Zineldin and Jonsson, 2000), the findings have not been validated subsequently. In addition, while the theory base provides three other backgrounds such as informative equilibrium, knowledge and experience, and service provider's competencies as potential explanatory variables of commitment; these have not been tested in any empirical study. Therefore, further study is required to fill this gap and provide empirical assessment that will contribute to a better understanding of commitment to community service provider under such a framework. Accordingly, the next chapter of this study proposes a broad research framework incorporating the identified predictors of commitment along with hypothesized path relationships.