The Impact of Trust in Municipality on the Private Sector’s Willingness to Invest in Mashhad Municipality’s Public-Private Projects

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Extended Abstract

1- Introduction

Development plans and actions, including micro or macro plans, in the form of economic plans and through cooperative approaches, have resorted to various measures to induce cooperation in various levels; however, low rate of participation in such plans is still an issue for policy makers and other agents involved in urban planning. Achieving the goals of urban development and providing the services required by the citizens necessitates a partnership between the municipality and investors. Several factors, though, can affect this partnership, such as investors’ trust in the municipality. Therefore, the present study investigates the role of trust in municipality and the private sector’s willingness to invest in Mashhad municipality’s joint ventures.

2- Theoretical Framework

Inglehart considers the relationship between trust and participation. From a sociological point of view, at least three forms of trust can be identified: a) interpersonal trust: interpersonal trust based on direct face to face relationships; b) generalized trust: having a favorable opinion of the community members, regardless of their attachment to ethnic and tribal groups; and c) institutional trust: the degree of favorability, effectiveness, and people’s trust in institutions. Trusting organizations is studied as a form of trust in institutions, so, in the present research, the mentioned indicators are studied as the ones pertaining to earning investors’ trust in Mashhad municipality.

3- Methodology

The present study is descriptive-analytical. The research population consists of all the investors in Mashhad municipality’s joint ventures and its sample size includes the investors with 23 people or organizations. The information is gathered through questionnaire and is then analyzed using $\chi^2$, Kendall’s tau-c, and Pearson correlation in SPSS.
4- Findings

1. Investor’s willingness to invest (participation in projects)
The frequencies of the answers provided to the questions related to the willingness to invest in Mashhad municipality’s joint ventures are as follows: 5.3 percent very low, 52.6 percent average, 31.6 percent high, and 10.5 very high. “Very low” option was not adopted by any of the respondents.

2. Investors’ trust in the municipality
The components used to measure this item included 9 indicators and 23 items which were incorporated in the questionnaires, with a five-point Likert scale ranging from very low to very high, distributed among the investors.

To test the indicator’s level of significance, \(\chi^2\) test was performed using SPSS. Of the nine indicators used, three indicators of benevolence, participation, and the importance of customers’ viewpoints were not statistically significant and thus not influential in building the investors’ trust in the municipality. Among the indicators that were statistically significant, cooperative tendencies, with a significance level of 99 percent (\(\text{sig} = 0.000\)) had the highest level of significance followed by predictability, credibility and honesty, management quality and openness, which with a significance level of 95 percent, were respectively identified as the factors influencing the investors’ trust in the municipality.

After running the “compute” command in SPSS, to integrate the items of each indicator, and recoding them, the frequencies of the items pertaining to each indicator are as follows:

The frequency of items for each indicator:
The indicator of credibility, honesty and keeping promises: very low: 5.3 percent, low: 5.3 percent, average: 15.8 percent, high: 47.4 percent, and very high 26.3 percent.
Eligibility indicator: very low: 5.3 percent, low: 5.3 percent, average: 31.6 percent, high: 42.1 percent, very high: 10.5 percent.
Benevolence indicator: very low: 21.1 percent, low: 42.1 percent, average: 21.1 percent, high: 5.3 percent. Very high was not chosen by any respondent.
Openness indicator: very low: 5.3 percent, low: 15.8 percent, average: 42.1 percent, high: 21.1 percent, very high: 5.3 percent.
Participation indicator: very low: 10.5 percent, low: 26.3 percent, average: 36.8 percent, high: 15.8 percent. Very high was not chosen by any respondent.
Cooperative tendencies indicator: very low: 5.3 percent, low: 5.3 percent, average: 15.8 percent, high: 57.9 percent, very high: 5.3 percent.
Quality management indicator: low: 5.3 percent, average: 10.5 percent, high: 47.4 percent, very high: 26.3 percent. Very low was not chosen by any respondent.
Importance of customers’ viewpoint indicator: low: 5.3 percent, average: 10.5 percent, high: 47.4 percent, very high: 26.3 percent. Very low was not chosen by any respondent.
Predictability indicator: very low: 5.3 percent, low: 5.3 percent, average: 5.3 percent, high: 31.6 percent, very high: 47.4 percent.
The weighted average of the mentioned indicators is as follows:
Credibility, honesty and keeping promises indicator: 3.8, eligibility indicator: 3.5, openness indicator: 3, cooperative tendencies indicator: 3.6, management quality indicator: 4, predictability indicator: 4.
The indicators of benevolence, participation, and importance of customers’ viewpoints were not statistically significant in $\chi^2$ tests.
The predictability indicator, with a weighted average of 4, is the most important one for the investors.

5- Discussion and Conclusion
The findings of the study reveal that as the level of investors’ trust in the municipality increases, so does their willingness to participate in joint ventures.
To increase the level of investors’ trust in the municipality, the following suggestions are made:
• Explaining its ability and the method of keeping its promises to investors;
• Increasing the expertise of the authorities responsible for defining projects and writing partnership agreements by the municipality;
• Explaining completely the rules and laws of the project site and its future plans to the investors;
• Drawing a statute to honor investors;
• Drawing and publicizing the rules of engagement by the municipality and transparency regarding the drawing up of each contract;
• Creating a committee for the modification or adjustment of the defined projects with the shared opinions of the investor and the municipality.

Keywords: Institutional trust, Private sector investment, PPP project, Mashhad municipality

References (In Persian)


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