

## **Abstract**

This study aims to examine the determinant factors of the Palestinian household decision to spend on public services (PS); electricity, water and telecommunication. Data available from suppliers indicate that they suffer from accumulated huge financial deficits. They claim that accumulated financial deficits could be attributed, mainly, to the abstention of many customers from paying their bills. In fact, it has become obvious that the difference between public utilities consumption value and revenues received by the financial departments tended to expand over the past seven years, 2000-2007.

However, the annual increases in administrative costs, over-employment and negative balance between revenues and variable costs could be reasons for financial deficit. Therefore, determining the reasons behind the accumulated deficit in the financial balances will highlight both consumer spending behaviors and financial deficit reasons, where this study has investigated the reasons behind the financial deficits accompanied with increasing consumption of these services.

It is obvious that financial deficit in suppliers balance is one of the main reasons that hampered the performance of public utilities in spite of the intensive investment to rehabilitate those services qualities.

To accomplish the objectives of this study, it investigated the relationship between the ability of the consumers and their decision to spend for these services consumption.

Specific objectives of this study are Determining factors behind spending decision on PS, Examine economic and social variables that affect demand for PS, its consumption and spending on it, Determining factors that prevent Palestinian households from spending enough for PS consumption.

A descriptive analytical method has been adopted to deal with a questionnaires distributed to 500 household in ten governorates in the West Bank. Where the following dimensions have been considered to assess the willingness and ability to pay by the households toward the public utilities: Economic and social variables, i.e. income level, social status, Consumer satisfaction concerning quality and prices, Factors related to bills percentage of the consumers' income, it reached 4.4% of per capita income in 1996, and fell to 3.52% at 1998. In contrast, it rose sharply up to 8.96 in 2004.

Study empirical results:

Age, income, and education are expected to negatively associate with water debts. And, house ownership, education, income are negatively related with electricity debts. However, telecommunication debts are negatively affected by age.

Family size, place of residence, work sector, and consumer satisfaction are found to be positively associated with electricity debts. While, place of residency, satisfaction of water prices, and work sector have positive influence on water debts.

Income and absence of the legislations have negatively affected electricity debts.

Accumulated debts, receiving bills jointly, interest rates on accumulated debts and unwillingness to pay are positively related with accumulated debts of the balances of water and electricity utilities.

There is almost consent to build on public awareness for consumption rationalization, to decrease consumer burdens, enabling him to pay his bills.

The study results confirmed that debts originate mainly from the unwilling and inability of the households to pay.

Although debts are caused by high consumption rather than high sales of public services, financial deficit is attributed to the followings:

Administrative reasons: over employed staff and the absence of motivating procedures for consumption rationalization and spending for consumption.

Productivity reasons: public water suppliers suffer from low productivity in quality, size and place of area of investment.

Lost production: decreases in loss rates compared to huge investments in PS were minimal.

Finally, the gap between consumption of PS and spending on it could be reduced by:

Develop measures by the administrations of the public utilities to increase spending on consumption, it is related to deal with the consumer's income (ability), and / or willingness to pay by households.

Decrease consumption through rationalization group of policies.