

INVESTIGATING A QUALITY OF SERVICES IN THE PUBLIC SECTOR: EVIDENCE FROM NORTHERN CYPRUS

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ABSTRACT

The current study aims is to investigate the service quality delivered by public enterprises in Turkish Republic of Northern Cyprus (TRNC) and level of customer satisfaction as well as word of mouth (WOM) in return. A convenient sampling method has been employed by using the service quality (SERVQUAL) instrument which is used to gather customers' excellent public service and compared those with their perceptions of the service delivered by Public Sectors which are operating in TRNC. Results of the study revealed that dimensions of reliability and assurance exert positively significant effects on Customer Satisfaction in the public sector. Moreover, the level of Customer Satisfaction from public services exerts positively significant effect on positive word of mouth. Finally, with the light of findings, the current study will also attempt to provide some recommendations about possible quality reforms and rearrangements to the policy makers for the public enterprises in TRNC.

Keywords: *Public Sector, Service Quality, SERVQUAL, Northern Cyprus.*

1. INTRODUCTION

The primary goal of the businesses is to reach high profit rates by providing high quality goods/services to the customers. Satisfying the expectations and needs of the customers is important in today's dynamic business atmosphere since satisfied customer enhances customer loyalty (Wilson et al., 2008) by performing repeated purchase intention (Agbor, 2011). It could be indicated that quality of service has become a vital dimension of customer satisfaction. The term of "consumer loyalty" just characterized as a man's approbation or

frustration when contrasting their conclusions of administrations got and their unique administration desires (Kotler & Keller, 2006; Liao, 2012). Understanding customer satisfaction is crucial for the organizations since it provides a deep insight about the values which are important for the customers and how this might changes among different types of people and thus where measurements should be taken and how these modifications could improve delivery of services (Thijs, 2011). Thijs (2011) also stated that measurement of customer satisfaction would create a better understanding for the organizations on several issues such as the main factors behind the reasons of satisfaction or dissatisfaction with a service experience and what an organization can control and cannot control. Moreover, Lewis (1994) expressed that perceived service quality is a consumer judgment which occurs after comparing the expectations of consumers from services with their perceptions of actual service performance.

According to Parsuruman et. al. (1988) service quality is one of the important actors which has a significant impact to determine business survival and competitiveness in the market and it could be conceptually identified as an extend to which customer perceptions of service meet and/or exceed their expectations (Zeithaml et. al. 1990). To be more precise, if expectations of the customers are greater than the performance, then perceived quality would be less than the satisfactory thus customer dissatisfaction occurs (Şafaklı, 2007). It could be also indicated that quality of service is important aspect of customers' perception since it rooted from customer satisfaction (Kumasey, 2014). According to Strydom, Tooste, Cant (2000), customer perception refers to a process of receiving organizing and assigning meaning to information. Lewis (1989) indicated that customer perceives services by relying their quality and level of satisfaction that they attained. Bitner (1990) also mentioned that customer perceptions about services quality have an effect on consumer behavior and intention (Dutta & Dutta, 2009). Dutta & Dutta (2009) expressed that administration supplier ought to be commonplace about how clients could see the administration as "quality administration" and convey euphoric feeling. Zeithaml & Bitner (2003) said that administration supplier must focus on the variables which may impact the client discernment, parts of administration quality and fulfillment keeping in mind the end goal to rank on aggressive edge and create perceptual distinction which may lead clients to see benefit as quality and perform positive verbal correspondence about the conveyed administration if all these thought of it as could be shown that perception is one of the components which influences consumer satisfaction.

The term of word of mouth is also one of the key consequences of customer satisfaction. As indicated by Kitapci et. al. (2014) WOM could go about as a limited time device to impart administration quality to other people. Anderson (1998) defined the term of WOM as an informal communication among parties which might be related with the assessments made about the product-related performances. Furthermore, Lang (2013) also expressed that service quality is one of the most important element of both customer satisfaction and word of mouth communication. WOM could be either positive in terms of recommendations to others or could be negative in terms of private negative grievances. Suryani & Hendryani (2015) expressed stated that as a result of motive of recommendations which carried by individuals as a form of communication of mouth is one of the crucial actors that effects person's decision to buy. It could be stated that customers' degree of satisfaction or dissatisfaction rooted from experiences of customers is one of the drivers of WOM (Anderson, 1998).

Furthermore, Lang (2011) stated that customer satisfaction is one of the most important antecedents of WOM while other antecedents could be named as customer commitment, and trust. Studies revealed that satisfied customers are tend to perform positive WOM (PWOM) (Ranawera & Prabhu ,2003; Derbaix & Vanhamme, 2003) whereas, dissatisfied customers have more tendency to perform negative WOM (NWOM) (Asugman,1998). Surprisingly, Parthasarathy (2010) also mentioned that satisfied customers might also engage with NWOM about the products that they used. To be more exact, studies likewise uncovered that rather than specialized nature of administrations, utilitarian nature of administrations have an impact on forming WOM (Suryani & Hendryani, 2015) with the consumer loyalty plays an essential interceding role (Teo & Souter, 2012) which related with steadfastness and WOM (Shao-Chang Li, 2013).

Şafaklı (2007) and Heizer & Render (1999) described the term of “service” as an economic activity that generally produces intangible products such as education, food, transportation, insurance, trade, real estate, government and maintenance like occupations. Services have different characteristics compared with goods particularly by being inseparable of production from “consumption, variability; heterogeneity and flimsiness are main specifications of services which distinguish them from goods” (Ghobadian et al., 1994, pp. 44-46). Teicher et al. (2002) and Kumasey (2014) mentioned that client needs and needs may change regarding taxpayer supported organizations and their quality prerequisites. Also, it could be likewise communicated that when all is said in done terms, endeavors on administration quality arrangements openly area is low and difficult to assess results and much more prominent weight from open and weight make the case hard to oversee (Kumasey, 2014). The importance of the public services should also stated for the current study. According to Kumasey (2014) public services play an important role at shaping the formulation and practising policies and programs for the common good of its citizens.

As indicated by Kumasey (2014) public sector is likewise vital for the administration's position and if there should arise an occurrence of any disappointment of actualizing arrangements productively and reasonably may offer mischief to the strength of the government. Barbu & Dimian (2012) communicated the significance of government/public establishment on financial advancement by showing that the productivity of its operations are extremely essential and presence of inordinate organization, overregulation, defilement, deceitfulness and absence of straightforwardness while managing open contracts and over the top political reliance on legal framework causes significant monetary expenses to organizations and ease off the monetary advancement of the country. Therefore, the main of the current study is to analyze the customer satisfaction about the provided service quality by Public Enterprises in TRNC by employing SERVQUAL Approach.

Moreover, with the light of the findings it is important to give suggestions about the possible quality reforms and re-arrangements to the policy-makers for the public enterprises in TRNC. Isochenko (2012) stated that many Turkish Cypriots are unwilling to be employed in private sector due to benefits provided by public sector to civil servants such as thirteenth salary, reduced working hours, job security, 45 days of annual sick leave, 42 paid holidays, and lastly generous pension packages. Studies also revealed that reduced working hours might create opportunities to civil servants also to engage with supplementary economic activities which are not documented therefore not subject for taxation issues (Isochenko, 2012). It could be stated 31,276 employees are available in the workforce that are working for public enterprises which constitutes %30,3 of the workforce of TRNC (SPO, 2014).

The rest of the current study will be structured as follows. Literature review will be mentioned in Section 2. In Section 3 Methodology and Measures, Sample and Hypotheses of the current study will be mentioned. Finally in Section 4 Findings and Conclusion will be indicated and suggestions to policy implications will be mentioned for the policy makers.

2. LITERATURE REVIEW

Katircioğlu et. al. (2005) studied service quality perceptions of Greek Cypriot bank customers by employing SERVQUAL model. The scholars also extended a study by examining the relationship among service quality, customer satisfaction and positive WOM. Authors found that expectations of bank customers were not met where the largest gap occurred on responsiveness and empathy dimensions whereas reliability items had the highest impact on customer satisfaction which in turn had a statistically significant influence on the positive WOM.

Parasuraman et. al. (1985) argued that service quality is a function of the difference which occurs between customer perception and actual performance along quality dimensions. Parasuraman and his colleagues proposed an administration quality model and named it as SERVQUAL which fundamentally depends on crevice investigation. As indicated by the model gap 5 is an administration quality setback which showed by clients and researchers additionally recommended that a crevice 1-4 contributes for gap 5. SERVQUAL model was applied to evaluate perceived service quality for several sectors by various authors such as in banking sector by Katircioğlu et. al. (2005), Yavaş et. al. (2005), Brahmbhatt & Panelia (2008), hospitality sector by Nadiri & Hussain (2005), public services by Anderson (1995), Wisniewski (2001), Baumann (2006), Donnelly et. al. (2006), Ahmet et. al. (2010), Gera (2011), Kumasey (2014), Kitapçı et. al. (2014), Anbori et. al. (2010), Yeşilada & Direktör (2010).

Anderson (1995) constructs a study which aimed to measure the quality of service provided by a public universities' health clinic by employing SERVQUAL Model. She found that patients were dissatisfied with five dimensions of SERVQUAL and highest dissatisfaction was exhibited with the assurance. Wisniewski (2001) performed a study to evaluate customer satisfaction within the public sector across a range of Scottish Council Services. His findings stated that the gap scores particularly on tangibles and reliability had negative gaps which indicate that customer expectations were not met whereas responsiveness and assurance were positive which means that customer expectations were actually exceeded by the service provided.

Baumann et. al. (2006) has carried out a research and his research revealed that effectiveness of service provider's attitude and empathy of staff leads to a higher degree of satisfaction and as a result customers suggest to other customers to use this service. Donnelly et. al. (2006) performed a study to investigate the use of SERVQUAL way to deal with access the nature of administration given by police in Strathclyde police headquarters in Scotland. The study likewise incorporates parallel SERVQUAL review to cops to look at how well the power comprehends its client desires and how well its interior procedure supporting the conveyed top policing administrations. The study uncovered that there is a noteworthy deficiency in meeting client desires however cops are prone to comprehension the desires of the clients. Also, holes happened at formulizing the administration quality benchmarks in the power's capacity to meet set up principles and its capacity to convey the level of administration it guarantees to clients. Brahmbhatt & Panelia (2008) have conducted a study to evaluate

service quality and customer satisfaction among private, public and foreign banks by using SERVQUAL model.

Their study results revealed that service quality is at the root of customer satisfaction and also found banks in public sector, and private sector have more service quality gaps when compared with foreign banks. Moreover their findings also indicated on tangibility public sector banks have less quality gaps. Ahmed et. al. (2010) conducted a study to examine relationship between customer satisfactions, service quality and repurchase intention for telecom sector in Pakistan. Findings of the study were supporting that there is a positive relationship between service quality and satisfaction of the customer and findings also revealed that there is a positive relationship between service quality retention and future retention of the customers.

Anbori et. al. (2010) suggested a linkage between patient satisfaction and service quality. Study revealed that empathy and assurance which mainly represent word of mouth communication had a strong effect on patients desire to revisit the hospital. Furthermore, Yeşilada & Direktör (2010) conducted a study which aimed to examine the level of customer satisfaction for the public healthcare services in TRNC. Results indicated that while all three dimensions are somewhat have an effect on patients' satisfaction in public hospitals, have no significant effect on satisfaction. Gera (2011) also carried out study to look at relationship among administration quality, esteem, consumer loyalty and behavioral expectations in an open area bank in India. He found that administration quality has an altogether impacting consumer loyalty and worth perceptions. Kumasey (2014) performed a study which aimed to measure the quality and customer satisfaction for Ghanian Public Bank by practicing SERVQUAL model. His findings were supporting the statement of service quality significantly and positively related with customer satisfaction and customer perception and expectation is also significantly and positively related with customer satisfaction. Kitapci et. al. (2014) has conducted a research based on Public Healthcare Industry in Turkey and found that customer satisfaction; WOM and Repurchase Intentions (RI) are significantly related to each other.

3. METHODOLOGY

3.1 Instrument

The questionnaire which is the revised instrument of Parasuraman et al. (1988) used in the current study is consisted of three parts. Part A covers the demographic profile of the respondents including gender, age, marital status, occupations, nationality, and education level. Part B includes the expectations and perceptions of respondents regarding the services provided by public enterprises in TRNC by using a seven point Likert Scale ranging from 1="Strongly Agree" to 7="Strongly Disagree" . In Part C contains questions to measure the level of customer satisfaction on public enterprises again by using a seven point Likert Scale ranging from 1="Strongly Agree" to 7= "Strongly Disagree".

3.2. Sample

As a sample size number of population was determined as 350 and "convenient sampling method" was used for the current study. On the whole, 100 of the respondents were not fulfilling the criteria needed to fill out the questionnaire and proved as "useless for under consideration". The response rate was determined as 71% since 250 units were collected back as a "complete and useable form".

The required data collected during June to August 2015 from “willing respondent”. A “willing respondent” in this research includes public sector customers who have made use of public services including tax, immigration, deed, social security and other public offices.

3.3. Hypothesis

As previously stated the current study concentrates on the effect of customer satisfaction and WOM regarding the quality of service provided by the public enterprises in TRNC by employing SERVQUAL model. The following hypotheses which consistent with introduction, literature review would provide scope and depth of the study.

H₁: SERVQUAL dimensions exert positively significant effect on Customer Satisfaction in public sector.

H₂: Level of Customer Satisfaction from public services exerts positively significant effect on word of mouth.

4. FINDINGS AND DISCUSSION

Table 1. shows that out of the 250 participants, 143 (57.2 %) of the respondents were female and 107 (42.8 %) were male. As for the level of age of respondents, 93 (37.2 %) were between the ages of 31-40. As for the marital status, the 149 (59.6 %) of respondents indicated as married. A total of 109 (43.6 %) of public service customers were engaged in private sector. On the other hand, out of the total sample size of 250 respondents, 229 (91.6 %) were TRNC citizens. As for the monthly income level almost half of the respondents, 131 (52.4 %), salaries were 2700 Turkish Lira and more. Furthermore, in terms of the education level, 112 (44.8 %) were university graduates. A total of 108 (43.2 %) public service customers were living in Nicosia.

Table following on the next page

Public Services Customers N=250		
	Frequency	%
Age:		
Less than 20	6	2.4
21 – 30	81	32.4
31 – 40	93	37.2
41 – 50	37	14.8
50 and above	33	13.2
Total	250	100
Gender:		
Female	143	57.2
Male	107	42.8
Total	250	100
Marital Status :		
Single	82	32.8
Others	19	7.6
Married	149	59.6
Total	250	100.0
Occupation:		
Civil Servant	43	17.2
Retired	23	9.2
Student	33	13.2
Private Sector	109	43.6
Self-employed	42	16.8
Total:	250	100.0
Nationality:		
Others	3	1.2
TRNC	229	91.6
TR	18	7.2
Total	250	100.0
Monthly Income Level:		
1500-1800 TL	56	22.4
1800-2100 TL	23	9.2
2100-2400 TL	22	8.8
2400-2700 TL	16	6.4
2700 + TL	131	52.4
Total	250	100.0
Education :		
Primary School	1	.4
Secondary School	2	0.8
High School	51	20.4
University Graduate	112	44.8
Post Graduate	49	19.
Phd	35	14.8
Total	250	100.0
Area of Living:		
Iskele	13	5.2
Kyrenia	28	11.2
Guzelyurt	7	2.8
Nicosia	108	43.2
Famagusta	93	37.2
Total	250	100

Table 1. - Demographic Distribution of the Data.

Table 2. shows the grand mean scores for the five SERVQUAL dimensions indicated in the study. Grand mean scores have been given for public service customers on the basis of expectations (E), perceptions (P) and gap scores (G).

When gap scores are evaluated, the numbers denotes that expectations of customers are greater than a perception which exerts positive significant scores for five dimensions.

SERVQUAL Dimensions	E	P	G
Tangibles	5.6250	4.3397	1.2853
Reliability	6.1464	4.3953	1.7511
Responsiveness	5.6057	4.4231	1.1826
Assurance	6.2681	4.5940	1.6741
Empathy	4.9764	4.0256	0.9508

*Table 2. - Grand Mean Scores of Public Service Customers for Five SERVQUAL Items.
NOTE: 'E' represents expectations, 'P' represents perceptions and 'G' as gap scores.*

Figure 1. illustrates the positive effects of the SERVQUAL dimensions on the public service customers for the prediction of relationship between overall satisfaction and the strength on positive word of mouth (PWOM). The hypothesized relationship for customers indicated that reliability and assurance have a positive effect on overall customer satisfaction and after in relation with this, also positive word of mouth about the public sector.

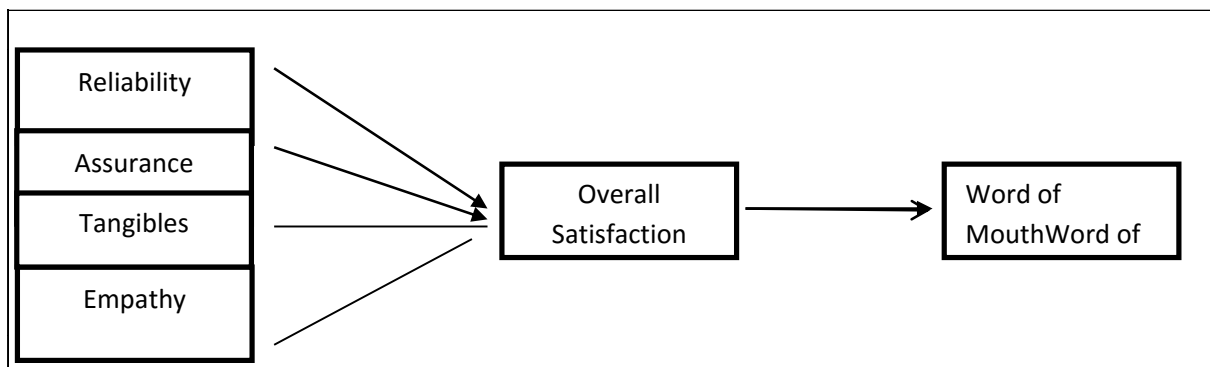


Figure 1. - SERVQUAL Dimensions, Overall Customer Satisfaction and Word of Mouth Hypothesized Relations.

NOTE: Proved connection → Unproved connection —

Table 3. gives the regression results for Model 1 and Model 2. The Model 1 is a multiple regression model of estimating the effects of SERVQUAL items on overall satisfaction level of public services customers. In Model 1 of Table III it is shown that all of the service quality items are statistically significant for overall satisfaction of public services customers. 53% of variation in overall satisfaction is explained by Model 1.

In Model 2 of Table III, it is clear there is an effect of overall satisfaction of customers on their positive word of mouth and also it is statically significant. 69% of variation explained by Model 2.

Variables	Coeff.	t-statistics
Model 1: $S = b_0 + b_1(T) + b_2(R) + b_3(Re.ss) + b_4(A) + b_5(E) + e_t$		
b_0	0.455	1.085***
b_1	0.139	1.069***
b_2	0.524	3.429*
b_3	-0.336	-1.661
b_4	0.579	2.500*
b_5	-0.056	-0.274
R^2	0.528	
$F - statistics$	23.678*	
Model 2: $PWM = b_0 + b_1(S)$		
b_0	0.853	3.791*
b_1	0.840	18.566*
R^2	0.687	
$F - statistics$	344.712*	

Table 3. Overall Satisfaction and Positive Word-of-Mouth Regression Models.

Notes: *Significant at 1%, **Significant at 5%, ***Significant at 10%.

According to the factor analysis, Table 4. shows that: all service quality dimensions are statistically significant except one factor (P20) as follows. For the reliability analysis, the alpha coefficient for the total scale was 0.924, 0.951, 0.875, 0.937 and 0.901 respectively for the dimensions of tangibles, reliability, responsiveness, assurance and empathy. The reliability coefficients are above 0.85 so they are sufficient.

Table following on the next page

	Initial	Extraction	Cronbach Alpha
Tangibles			
P1. XYZ public enterprise has modern looking equipment.	1.000	0.776	
P2. XYZ public enterprise's physical facilities are visually appealing.	1.000	0.850	
P3. XYZ public enterprise's reception desk employees are neat appearing.	1.000	0.623	0.924
P4. Materials associated with the service are visually appealing at XYZ public enterprises.	1.000	0.835	
Reliability			
P.5 When XYZ public enterprise promises to do something by a certain time, it does so.	1.000	0.763	
P.6 When you have a problem, XYZ public enterprise shows a sincere interest in solving it.	1.000	0.763	
P.7 XYZ public enterprise performs the service right the first time.	1.000	0.827	0.951
P.8 XYZ public enterprise provides its service at the time it promises to do so.	1.000	0.757	
P.9 XYZ public enterprise insists on error free records.	1.000	0.787	
Responsiveness			
P.10 Employees in XYZ public enterprise tell you exactly when the services will performed.	1.000	0.778	
P.11 Employees in XYZ public enterprise give you prompt service.	1.000	0.796	
P.12 Employees in XYZ public enterprise are always willing to help you.	1.000	0.618	0.875
P.13 Employees in XYZ public enterprise are never to busy to respond to your request.	1.000	0.816	
Assurance			

(continued below / next page)

P.14 The behavior of employees in XYZ public enterprise instills confidence in you.	1.000	0.878	
P.15 You feel safe in your transactions with XYZ public enterprises.	1.000	0.801	
P.16 Employees in XYZ public sector area consistently our teous with you.	1.000	0.820	0.937
P.17 Employees in XYZ public enterprise have the knowledge to answer your questions.	1.000	0.762	
Empathy			
P.18 XYZ public enterprise gives you individual attention.	1.000	0.817	
P.19 XYZ public enterprise has operating hours convenient to all its customers.	1.000	0.849	
P.20 XYZ public enterprise has employees who give you personal attention.	1.000	0.355	0.901
P.21 XYZ public enterprise has your best interest at heart.	1.000	0.722	
P.22 The employees of XYZ public enterprise understand your specific needs.	1.000	0.768	

Table 4. - Factor Analyse Results of the Public Sectors Where, Overall Cronbach Alpha Coefficient is 0.974 and the p-value=0.000.

Table 5. shows the first three components have eigen-values greater than one and the others are less than one. Thus the model important components are P1, P2 and P3.

Component	Initial Eigenvalues	
	Total	% of Variance
P1	14.470	65.773
P2	1.251	5.688
P3	1.040	4.726
P4	0.885	4.023
P5	0.621	2.821

Table 5. - Principal Components Analysis for the Dimensions.

5. CONCLUSION

The main aim of the study is to measure the service quality provided by the public enterprises in TRNC by employing Parasuraman et al. (1988) SERVQUAL Model and Seven- Point Likert Scale. Results of factor analysis confirmed the suitability of the instrument in the current research study. Results also expressed that, expectations of the respondents regarding the quality of service (E) which provided by the public enterprises was higher than the perceived quality of services provided (P) which indicates customers are dissatisfied with the quality of the services provided by the public enterprises in TRNC.

Regression results suggest that only dimensions of reliability and assurance have exerted positively significant effects on the overall customer satisfaction in public sector of TRNC. Therefore, H_1 (SERVQUAL dimensions exert positively significant effect on Customer Satisfaction in public sector) should be rejected. Furthermore, regression results suggest that level of customer satisfaction from public services exerts positively significant effect on word of mouth so H_2 (Level of Customer Satisfaction from public services exerts positively significant effect on word of mouth) should be accepted.

Managerial Implications

Although there are numerous factors might influence service excellence the most important factor could be stated as “employee-customer relationship.” Thus, TRNC government might pay considerable attention to employee training programs which should be designed to improve interpersonal communication and of shaping attitude to be more customer- oriented to create better understanding about the nature of service culture, service excellence and satisfying the need of customized service. Moreover, with the help of the training program employees will have more constructive view which could enable them to be more empathic while engaging with service provision. Therefore, providing a service with altered failures would increase chances of removing the gap between expectations of the customers about service to be provided and perceptions of the customer about the provided service.

Aesthetics and contemporary image are important determinants that shape the impressions of customers towards to corporate image which could be fundamental indicator of the service quality. To be more precise, overall impressions shape customer opinions about quality of service. Therefore, policy-makers in TRNC could supply a financial aid to its enterprises to renew office supplies and furniture, may organize restoration work for the building, and also print some brochures to give some detailed information about the provided services.

Changes of the nature of providing services could also play important role at overall customer satisfaction as most of the service providers prefer to serve their services by ICT. As previously indicated internal consistency for serving 24 hours has the lowest internal consistency and one reason behind of it could be the expectations of e-public services of TRNC citizen's. Therefore, TRNC government may also engage with investments to construct user friendly web sites to the public enterprises and hire a technical staff member to each enterprise to monitor the demands of the citizen's and satisfy their needs. In other words, e-government would allow public enterprises to be more accessible.

Limitations and Future of the Study

As previously stated that SERVQUAL model has applied for the current study to measure service quality which provided by the public enterprises in TRNC. The planned sample size for the present study was 350 however respondents found employed questionnaire was quite

long and researcher has also spent time to explain some of the questions in the questionnaire to reduce the risk of misunderstanding. To be more precise employed model was quite time consuming both for respondents and researcher. According to Zeithaml and Bitner (1996) contact employees or front-line employees represent the enterprise therefore, might have a direct effect on customer satisfaction. Moreover, it could be indicated that front-line employees in service sector might function either the advantage or disadvantage of the enterprises (Munhurrun et. al. 2010). Munhurrun et. al. (2010) mentioned that front-line employees also well-informed about the way in which the services are provided. Moreover, Munhurrun et al. (2010) also stated that customers construct their impressions of the organization's level regarding the service provision by relying their encounters with front-line employees. Thus front-line employees in service sector might be helpful to supply information for improving the quality of service provided. It could be expressed that public enterprises which are operating in Northern Cyprus need to restructure their corporate image and identify new quality standards for service excellence. Therefore, government may conduct SERVQUAL questionnaire model to customers sector employees and a may also draw attention to Front-Line Employees(FLE) in order to investigate how closely customer expectations of service and Front –Line Employees' perceptions of customer expectations match thus contribute to restructuring image of enterprise and determining the new quality standards for service excellent and also reduce the gap between expectations and perceptions.

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