

## Study on Service Quality and Organizational Performance in Nepalese Local Authorities

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### Abstract

*The primary aim of this research is to determine the quality management practices that influence organizational performance within the public sector context. A comprehensive survey was conducted across five municipalities, engaging 114 respondents. The collected data were analyzed using regression and correlation techniques alongside descriptive statistical methods to fulfill the research objectives. The findings of this study indicate that service quality significantly impacts organizational performance in Nepalese local government authorities, confirming that quality investments are correlated with enhanced organizational outcomes. Among the service quality dimensions, customer productivity emerged as the most influential predictor of organizational performance, followed by management commitment, internal customer satisfaction, systems, policies and procedures, human resources, and infrastructure.*

**Keywords:** Service quality, Organizational performance, Local authority, Customer productivity

### Introduction

Nepal operates a two-tier structure of local governance, comprised of village and municipal bodies functioning as the lower tier, and district bodies serving at a higher administrative level. Rural areas are administered by village committees, while urban regions utilize municipalities for equivalent responsibilities. According to the Ministry of Local Development (2004), the country consists of 3,913 village development committees and 58 municipalities, including one metropolitan city, four sub-metropolitan cities, and fifty-three municipalities. The integration of service quality concepts into human resource planning within public service provision remains a significant topic in academic discourse. Basnet (2004) observed that since the restoration of democracy in 1990, Nepalese governments have consistently implemented employment policies targeted at achieving full employment. These policies are intended to foster economic growth, improve living standards, address manpower needs, and mitigate both unemployment and underemployment. The efficacy of human resources is intrinsically linked to public policy measures, with human resource management strategies aimed at empowering citizens to make free choices regarding employment for enhanced service quality (Local Authority Fiscal Commission, 2000). Recent transformations in the philosophy of civil services—central to effective governance—underscore the critical importance of people-centered and inclusive administrative practices. The Interim Plan of the Nepal government (2010) highlights the adoption of globally relevant tenets of new public management, with attention to international best practices. The effective execution of the Local Self-Governance Act has contributed to increased accountability among local representative bodies. Nevertheless, the lack of elected representatives has impaired service delivery at the grassroots level. Efforts to decentralize and devolve political, administrative, and fiscal authority to local administrations remain incomplete. Adhikari (2012) emphasizes that, in this landscape, municipal personnel exhibit heightened accountability, while frontline staff demonstrate both greater responsibility and commitment to organizational objectives, resulting in the provision of appropriate and effective services to the public. In review, scholars such as Osborne and Gaebler (1992) have corroborated the relationship between decentralization, human resource autonomy, and improved public sector performance. Likewise,

studies on inclusive governance models in South Asia (Joshi & Moore, 2004) reinforce the necessity of responsive administrative frameworks for sustainable local development. These perspectives align with current practices in Nepal, reflecting the broader shift toward citizen-centric and quality-oriented local governance. During the early stage, the focus was more towards the policy and strategy development program which was related to productivity and quality (P&Q) activities at industries and services level. Many P&Q activities were introduced and implemented by both the public and private sectors in 1990s, such as Total Quality Management (TQM), Quality Control Circle (QCC) and ISO 9000. Furthermore, to encourage those activities, the government introduced a measurement tool to evaluate the performance of local authority as MCPM (Minimum Condition and Performance Measurement). It examines the whole productivity with different categories and criteria especially for municipality and DDC to enhance their service delivery and service quality towards customer satisfaction and expectation. The study has shown women can deliver high quality service then man if they sharing of power and decision-making. They can easily encourage and reward to others maintaining the service quality in the public service (Adhikari, 2013). The era of 'The New Millennium' created a new dimension especially to the public sector where the focus is towards becoming a world class organization. Due to this, the public sector needs to know what comes first or in other words to give priorities to which activities or elements that have strong impact to service quality and organization performance directly or indirectly.

When discussing service quality, scholars typically refer to two dominant schools of thought that have shaped contemporary understanding. The first is the Nordic school, grounded in Grönroos's (1984) two-dimensional model of technical and functional quality. The second is the North American school, led by Parasuraman et al. (1988), whose five-dimensional SERVQUAL model tangibles, reliability, responsiveness, assurance, and empathy—has become one of the most widely applied frameworks in service quality research. Beyond these foundational contributions, several other significant conceptual and empirical works have further enriched the discourse on service quality. These can be summarized as follows:

- Distinctions between technical and functional quality as central components of service perception (Grönroos, 1984)
- Customers' perceptions of tangibles, reliability, responsiveness, assurance, and empathy as key determinants of service performance (Parasuraman et al., 1988)
- The tripartite structure of service product, service environment, and service delivery (Rust and Oliver, 1994)
- The integration of interaction quality, physical environment quality, and outcome quality into a holistic model of service evaluation (Brady and Cronin, 2001).

These conceptual and empirical contributions have generated extensive scholarly discussion, invited critique and encouraged refinement of the existing models. Much of this commentary has converged around two principal concerns: the need for industry-specific measures of service quality (Babakus and Boller, 1992) and the need for a more service-specific measurement instrument tailored to the focal service under investigation. In contemporary research practice, many scholars modify SERVQUAL items to align with the unique context of their study (Babakus and Boller, 1992). Consequently, a proliferation of adapted and context-specific instruments has emerged, with numerous studies replicating or revising the SERVQUAL dimensions (see, for example, Blanchard and Galloway, 1994; 1999; Yavas and Benkenstein, 2001). As a response to these challenges, some researchers have intentionally moved away from directly applying the SERVQUAL scale. For instance, Avkiran (1994) proposed a multidimensional instrument to measure customers perceived service quality in financial services, while Bahia and Nantel (2000), drawing on expert evaluations, identified six alternative dimensions of service quality. More recent contributions in the field have also highlighted the role of customer experience, digital interface quality, and co-creation in shaping perceived service quality,

especially within technology-enabled service environments (e.g., Zeithaml, Bitner & Gremler, 2018). Collectively, these developments underscore the continuous evolution of service quality research and the importance of tailoring measurement frameworks to the characteristics of specific industries and service settings.

As indicated in the statement of purpose, this study builds upon the existing body of service quality literature and, through an iterative process, develops a service quality measurement instrument specifically tailored for local authorities in Nepal. A preliminary survey, conducted prior to the main data collection, was administered among selected officers in various local authorities. Feedback from this phase indicated a clear need for a context-specific and culturally appropriate service quality scale. This observation aligns with previous research suggesting that national and cultural contexts play a significant role in shaping service quality perceptions and in determining the relevance of measurement dimensions. Malhotra et al. (1994) argued that cultural differences—such as individualism, collectivism, or power distance—can significantly influence how service quality is defined and interpreted across countries. Similarly, Kettinger et al. (1995) emphasized that substantial evidence points to culture as a critical factor in the conceptualization of the service quality construct. More recently, Imrie et al. (2002) cautioned against the universal application of the SERVQUAL model, recommending instead the development of “a new, culturally bounded measure of service quality,” thereby reinforcing the need for localized instruments. In line with this argument, several contemporary studies have demonstrated that institutional settings, governance structures, and administrative practices can further shape service quality dimensions within public-sector contexts (e.g., Wisniewski, 2001; Van de Walle, 2016). Research on public service delivery in developing countries, in particular, highlights the importance of cultural norms, bureaucratic traditions, and citizen–state relationships in determining how service quality is perceived (Joshi & Moore, 2015). These findings collectively support the rationale for designing a measurement tool that reflects the socio-cultural realities of Nepal’s local authorities, rather than relying solely on generic or globally applied models such as SERVQUAL.

This study developed a service quality measure for the Nepalese Public Sector in general, and specifically for Local Authorities in Nepal. It should be noted that this is not the first study on service quality measurement issues in Nepal, although most of the studies were geared towards private sector such as manufacturing and industries rather than the public sector. Other related service quality measures for Nepalese public services were carried out by Ministry of Local Development (2004), for local authority, Jeremy et al. (2004). Gawali (2009), ADB (2010), for civil services, Paudel (2011) for agriculture, and reports produced by certain government bodies or agencies that dealt with service quality such as Public Service Department, General Administration Ministry, and Civil Service Commission of Nepal.

#### *Sampling and Methodology*

#### **Figure 1: Research Model**

This study employed two survey methods: a field survey and a mail survey. Data were collected from the most senior officers of each department within the selected local authorities using self-administered structured questionnaires. A total of 200 questionnaires were distributed, and 114 were returned. Of the returned questionnaires, 8 were incomplete; therefore, follow-up communication was conducted to obtain the missing information.

Despite representing a 57 percent response rate, the final sample of 114 respondents was considered

adequate for further analysis, as Hair et al. (1998) recommend a minimum sample size between 100 and 150 for multivariate procedures. The study employed a series of established statistical techniques to examine the relationships among the constructs under investigation. These procedures included reliability analysis, factor analysis, and structural equation modeling (SEM). SEM constituted the core analytical method for this research, as it integrates a range of model-testing techniques, including covariance structure analysis, latent variable modeling, confirmatory factor analysis, path analysis, and linear structural relations.

The use of SEM is consistent with methodological trends in service quality and public administration research, where complex models involving latent constructs require simultaneous estimation of measurement and structural components (Byrne, 2016; Kline, 2015). SEM has also been widely applied in studies assessing service quality perceptions in public-sector contexts due to its ability to account for measurement error and test theoretical models with multiple interrelated variables (e.g., Wisniewski & Donnelly, 1996). Thus, the methodological approach adopted in this study aligns with best practices in contemporary empirical research within the fields of service quality assessment and organizational studies.

**Notes:** ICS = Internal customer satisfaction, INFRA = Infrastructure and Environmental, PRODTY = Productivity improvement, MGT = Management commitment, HRM = Human resource management, SOP = System, Policy and Procedure, SERQUA = Service quality, PERFORM = Organizational performance.

#### Measures

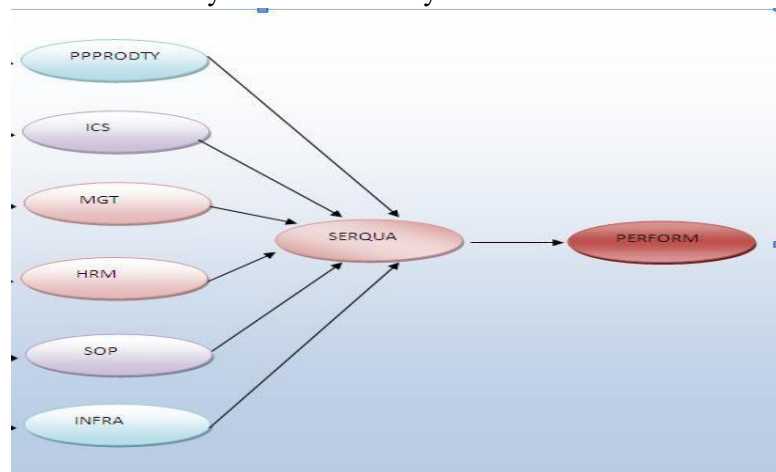
Nine constructs—internal customer satisfaction (ICS), management commitment (MGT), productivity improvement (PRODTY), system, policy and procedure (SOP), human resource management (HRM), infrastructure and environmental factors (INFRA), service quality (SERQUA), and performance (PERFORM)—were operationalized to examine the relationships specified in the research model.

#### Internal Customer Satisfaction

Internal customer satisfaction was assessed using items adapted from earlier service quality research, including the works of Parasuraman et al. (1988) and Khairul Anuar et al. (2001). The construct comprised seven indicators measured on a 5-point Likert scale ranging from “Strongly Disagree” (1) to “Strongly Agree” (5). Internal customer satisfaction is increasingly recognized in public-sector quality management literature as a key determinant of employee motivation and service consistency, particularly in decentralized administrative systems.

#### Management Commitment

Management commitment is a central pillar in Total Quality Management (TQM), as emphasized by Kanji and Asher (1993) and later strengthened by Khairul Anuar (2002). Hradesky (1995) highlighted



that managerial dedication must be integrated into daily operational activities, while Oakland (1996) stressed consistent managerial involvement as essential for quality-driven reform. Five items were used to measure this construct; each rated on a 5-point Likert scale (“Strongly Disagree” to “Strongly Agree”). A strong leadership commitment is often linked to successful service reforms in local governments and public administration settings.

#### *Customer Productivity*

Customer productivity, defined as the efficiency and effectiveness of employees in fulfilling service tasks, reflects the influence of service quality on broader organizational outcomes (Kontoghiorghes & Gudgel, 2004; Tangen, 2005). Seven indicators representing productivity were included, each measured using the 5-point Likert scale (“Strongly Disagree” to “Strongly Agree”). Current literature in public-sector performance often associates productivity with streamlined processes, reduced administrative delays, and resource optimization.

#### *System, Policy, and Procedure*

System, policy, and procedural elements are frequently evaluated in organizational quality assessments, including national and international quality award frameworks (Tan, 2002). These factors primarily support internal operations by enhancing consistency, compliance, and standardization. The construct was measured using five items on the 5-point Likert scale. Research on administrative reform similarly underscores that clear systems and procedures are essential for minimizing discretionary errors and promoting accountability within local authorities.

#### *Human Resource Management*

The HRM construct reflects training, recognition, promotion, and career development opportunities. Lawler et al. (1995) argued that organizations must equip employees with authority, adequate information, and continuous learning to improve operational processes. Six items measured on the 5-point scale were incorporated. In the context of public organizations, effective HRM practices are widely associated with improved service delivery, employee satisfaction, and organizational learning.

#### *Infrastructure and Environment*

Infrastructure and environmental factors encompass the availability and quality of technology, equipment, and physical facilities. Previous studies (e.g., Mokhtar, 1996; Athanassopoul, 2001) have shown that adequate infrastructure enhances service efficiency and organizational performance. Five indicators were used, measured on the 5-point Likert scale. In local government settings, investment in facilities and digital infrastructure is considered foundational for improving responsiveness and reducing service delays.

#### *Service Quality*

In the context of local authorities, service quality is often linked to the management of citizen complaints and feedback. Accordingly, the items selected for this study focused on aspects of complaint handling, responsiveness, and the overall interaction quality that ultimately influences service performance (Zeithaml et al., 1990). Seven items were selected and measured on the standard 5-point scale. Recent literature in public service delivery also stresses that effective complaint management is a crucial indicator of service legitimacy and citizen trust.



### *Overall Performance*

Overall performance was assessed based on internal customers' perceptions of service quality delivered by their respective departments and the organizational achievements attained over time. The measurement items were developed with reference to prior empirical studies in organizational performance and quality management (e.g., Anderson & Sohal, 1999; Khairul Anuar, 2001). Seven indicators were included, each measured on a 5-point Likert scale anchored by "Strongly Disagree" (1) and "Strongly Agree" (5).

The study aimed to examine how seven exogenous constructs influence a single endogenous construct—organizational performance—through the mediating role of service quality. These exogenous constructs represent employees' expectations and experiences related to service delivery in local authorities, which are assumed to indirectly shape organizational performance. Based on the research objectives, the following hypotheses were formulated:

- **H1:** Internal customer satisfaction, through its effect on service quality, positively influences organizational performance.
- **H2:** Productivity improvement, mediated by service quality, has a positive effect on organizational performance.
- **H3:** Systems, policies, and procedures, acting through service quality, positively influence organizational performance.
- **H4:** Management commitment, via the pathway of service quality, positively affects organizational performance.
- **H5:** Infrastructure and environmental factors, through service quality, positively influence organizational performance.
- **H6:** Human resource management, mediated by service quality, has a positive impact on organizational performance.
- **H7:** All exogenous constructs collectively exert a positive influence on organizational performance.

These hypotheses are consistent with contemporary public management research, which emphasizes the interconnectedness of internal organizational factors, service quality, and performance outcomes. Studies in public-sector performance measurement similarly highlight that internal customer satisfaction, effective HRM, leadership commitment, and operational systems contribute to improved service delivery and overall organizational effectiveness (e.g., Bouckaert & Halligan, 2008; Walker & Andrews, 2015).

### *Reliability Analysis*

Reliability refers to the degree to which a measurement instrument is consistent and free from random error, ensuring stability and precision in the results obtained (Nunnally, 1978). In this study, internal consistency reliability was assessed using the Cronbach's alpha coefficient. An alpha value above 0.70 is generally regarded as demonstrating strong reliability, while values exceeding 0.60 may indicate acceptable reliability for exploratory research settings. Table 1 presents the initial alpha coefficients for all combined scales as well as their respective subscales. As shown, every construct demonstrated alpha values greater than Nunnally's recommended threshold for strong internal consistency. This suggests that the items within each scale are highly interrelated and measure their intended constructs reliably. These findings are consistent with methodological standards in public administration and service quality research, where Cronbach's alpha is widely used to validate the internal consistency of latent constructs (e.g., Hair et al., 2010; Kline, 2015). High alpha values across all constructs further support the robustness of the measurement instrument developed for assessing service quality and organizational performance in the context of local authorities.

**Table 1:** Reliability Statistics for Scale

Scale	Cronbach alpha
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Internal customer satisfaction	0.812
Service quality	0.869
Productivity improvement	0.876
Management commitment	0.813
Human resource management	0.827
System, process and procedure	0.869
Infrastructure development	0.836
Organizational performance	0.902

*Source: Research Analysis*

#### *Confirmatory Factor Analysis*

Confirmatory factor analysis (CFA) is commonly regarded as the measurement model in structural equation modeling (SEM) when it represents the only model tested (Grimm and Yarnold, 2000). CFA is utilized to specify and validate the relationships among observed variables and their underlying latent factors before proceeding with further analysis, granting researchers full control over the assignment of variables to factors. This allows for constraining variables with low factor loadings to zero to ensure that only meaningful indicators represent each construct (Hair et al., 1998). Variables exhibiting the highest loadings on a factor are chosen as the most representative indicators. Latent constructs, also known as factors, are abstract concepts that cannot be directly observed but are operationalized through measured variables (Bryant, 2000). In this study, scales were subjected to Principal Axis Factoring as part of the CFA process (Hair et al., 1998). Items with factor loadings above 0.7, indicating a stronger shared variance with their construct than error variance, were retained in accordance with Carmines and Zeller's (1979) recommendations. The analysis identified eight constructs: six exogenous (ICS, PRODTY, MGT, HRM, SOP, and INFRA) and two endogenous (SERQUA and PERFORM). CFA is the essential first step in SEM, verifying that latent variables are accurately measured by their indicators and ensuring the model's overall measurement quality. This methodological rigor strengthens the validity of subsequent structural model assessments, which examine hypothesized relationships among latent construct.

#### *Modeling and Hypothesis Testing Using AMOS*

AMOS, standing for Analysis of Moment Structures, is a software developed by James Arbuckle that facilitates structural equation modeling (SEM), particularly focusing on mean and covariance structure analysis. It integrates seamlessly with SPSS through a user-friendly Microsoft Windows interface. AMOS supports several SEM applications, including factor analytic and full latent variable models, implementation of maximum likelihood estimation (MLE), bootstrapping, and direct imputation of missing data. MLE optimizes parameters to best reproduce the population variance-covariance matrix, with a recommended sample size of 100-150 for overall model estimation (Hair et al., 1998; Thompson, 2000).

**Table 2:** The hypothesis of each construct's association of the model

Construct association	Parameter estimation	t-value of structural effect	p-value	Significant (yes/no)	Hypothesis
ICS with SERQUE	0.124	3.216	0.004	Yes	H <sub>1</sub>
PRODTY with SERQUA	0.342	2.985	0.000	Yes	H <sub>2</sub>
SOP with SERQUA	-0.098	-2.593	0.004	Yes	H <sub>3</sub>
MGT with SERQUA	0.147	2.784	0.053	Yes	H <sub>4</sub>
INFRA with SERQUA	0.108	3.451	0.000	Yes	H <sub>5</sub>
HRM with SERQUA	0.129	4.791	0.013	Yes	H <sub>6</sub>
SERQUA with	0.973	1.949	0.000	Yes	H <sub>7</sub>

PERFORM					
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*Note:  $\alpha$  level at five percent level of significant*

The model hypotheses tested using AMOS revealed the following significant relationships at the 5% level:

- Internal Customer Satisfaction (ICS) positively influences Service Quality (SERQUA) with  $PE = 0.124$ ,  $t = 3.216$ ,  $p = 0.004$ , supporting H1.
- Productivity Improvement (PRODTY) shows a strong positive impact on SERQUA ( $PE = 0.342$ ,  $t = 2.985$ ,  $p = 0.000$ ), confirming H2.
- System, Policy, and Procedure (SOP) negatively affect SERQUA ( $PE = -0.098$ ,  $t = -2.593$ ,  $p = 0.000$ ), affirming H3.
- Management Commitment (MGT) positively correlates with SERQUA ( $PE = 0.147$ ,  $t = 2.784$ ,  $p = 0.053$ ), supporting H4.
- Infrastructure and Environment (INFRA) positively affect SERQUA ( $PE = 0.108$ ;  $t = 3.451$ ;  $p = 0.000$ ), confirming H5.
- Human Resource Management (HRM) positively impacts SERQUA ( $PE = 0.129$ ;  $t = 4.791$ ;  $p = 0.013$ ), supporting H6.
- Finally, SERQUA positively influences Overall Performance (PERFORM) ( $PE = 0.973$ ;  $t = 1.949$ ;  $p = 0.000$ ), confirming H7.

Additionally, strong significant correlations were observed among the six exogenous constructs: ICS, PRODTY, HRM, MGT, INFRA, and SOP. These findings underscore the interconnected nature of these organizational factors in influencing service quality and local authority performance. MOS provides a powerful graphical interface that allows researchers to specify models visually via path diagrams, estimate parameters efficiently, and evaluate goodness-of-fit indices, such as Chi-square, RMSEA, CFI, and TLI, facilitating rigorous hypothesis testing and model refinement in SEM research.

#### *Evaluating the Model Fit*

The overall model demonstrated a satisfactory fit according to multiple fit indices obtained through AMOS. The chi-square statistic ( $\chi^2$ ) was 513.86 with 113 degrees of freedom, indicating an acceptable discrepancy between the observed and modeled covariance matrices. Additionally, the Root Mean Square Error of Approximation (RMSEA) was 0.023, which is below the recommended threshold of 0.05, signaling a good fit. The Normed Fit Index (NFI) was 0.921, exceeding the commonly accepted cutoff of 0.90, further supporting the model's adequacy. Together, these indices indicate that the proposed model fits the data well, providing strong evidence not to reject the hypotheses under investigation. These fit statistics are consistent with established SEM guidelines, which suggest RMSEA values under 0.05 and NFI values above 0.90 reflect good model fit. The chi-square value should be interpreted alongside degrees of freedom and other indices due to its sensitivity to sample size. In research practice, reporting a combination of fit indices such as RMSEA, NFI, Comparative Fit Index (CFI), and Tucker-Lewis Index (TLI) is recommended to comprehensively assess model fit. In this context, the current model's fit statistics justify proceeding with interpretation of the structural relationships posited in the hypotheses.

**Table 3:** Correlation of exogenous constructs

Exogenous Constructs	ICS	PRODTY	SOP	MGT	INFRA	HRM
ICS	1					
PRODTY	0.546	1				
SOP	0.691	0.487	1			
MGT	0.742	0.507	0.628	1		
INFRA	0.638	0.446	0.519	0.417	1	
HRM	0.597	0.734	0.705	0.538	0.514	1



*Source: Research Analysis*

The findings reveal that all constructs exhibited significant relationships either directly with service quality or indirectly with the overall performance of local authorities. Customer satisfaction positively influences service quality as well as overall performance, with a p-value of 0.004 at the five percent significance level. This construct also showed strong correlations with other exogenous variables. Customer productivity demonstrated the most robust positive effect on both service quality and performance, supported by a p-value of 0.000. This highlights the critical importance of efficiency and effectiveness in enhancing service delivery outcomes. Management commitment was significantly related to service quality ( $p = 0.053$ ) and was also highly correlated with other constructs, underscoring its integral role in performance improvement. Contrary to expectations, system, policy, and procedure exhibited a negative but significant association with service quality and performance ( $p = 0.0004$ ). This could reflect challenges related to the ongoing implementation of quality management systems such as ISO 9000 and the accompanying cultural shifts within local authorities, potentially influenced by data collection misunderstandings. Infrastructure and environment play a vital role in supporting customer satisfaction and expectations, with empirical results confirming a significant positive relationship with service quality and performance ( $p = 0.000$ ). Similarly, human resource management proved crucial, demonstrating a positive path relationship to service quality and performance with a p-value of 0.013. This aligns with existing literature emphasizing the importance of HRM practices in enhancing motivation, satisfaction, and business outcomes. Service quality, conceptualized as a six-dimensional construct including internal customer satisfaction, management commitment, customer productivity, human resource management, system, policy and procedure, and infrastructure and environment, significantly impacts overall performance. These dimensions reflect both traditional service quality factors as proposed by Parasuraman et al. (1988) and context-specific constructs relevant to the Nepalese local government setting. The study's developed 49-item survey instrument exhibited high reliability and construct validity through Confirmatory Factor Analysis and Maximum Likelihood estimation, supporting rigorous measurement of service quality perceptions in this context.

## Conclusion and Discussion

The study revealed that customer productivity as the foremost dimension influencing service quality, followed by management commitment, human resource management, system, policy and procedure, internal customer satisfaction, and infrastructure and environment. Moreover, these findings offer valuable practical implications for local authorities. Firstly, local authorities can utilize this specific service quality scale to measure the quality of services delivered to their customers accurately. Furthermore, by analyzing performance scores across and within dimensions, authorities can identify precise areas requiring improvement. In addition, from a strategic perspective, local authorities can prioritize which service quality dimensions deserve the most attention to enhance overall effectiveness. Similarly, the scale can be employed to segment customers at the district level according to varying perceptions of service quality, enabling targeted service improvements. Moreover, administering the scale to frontline employees alongside customers facilitates comparison between their perceptions, potentially aligning service delivery goals. Finally, from a competitive standpoint, local authorities can leverage this scale to benchmark their strengths and weaknesses against competitors across different service quality dimensions. The results also demonstrated strong correlations among internal customer satisfaction, customer productivity, management commitment, human resource management, system, policy and procedure, and infrastructure and environment. Additionally, internal customer satisfaction, customer productivity, management commitment, human resource management, and infrastructure and environment positively influenced service quality. Conversely, system, policy, and procedure negatively and indirectly affected the overall performance of local authorities in Nepal. Ultimately, service quality exhibited a significant positive and direct impact on the overall performance of local authorities, emphasizing its critical role in public sector effectiveness.

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