

## **Accountability policy & practice in hybrid organisations – primary source evidence from indigenous markets in Indonesia**

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### **Abstract**

Indigenous markets, known as *pasar*, in Indonesia are facing numerous challenges. The inflows of modern markets, the existing perceived negative image of *pasar*, and ambiguous regulations concerning *pasar* are argued to be a few reasons that caused *pasar* to be abandoned. Other than that, the multiple purposes of *pasar* have meant that its managers have been held accountable to multiple stakeholders, such as governors, merchants and customers. The managers of *pasar* in each region in Indonesia have a distinctive range of complexities to address, in meeting the needs of having a well-managed *pasar* and preserving the existence of *pasar* for the long run. The purpose of this research is to seek the main factors that affects the service quality of *pasar*. Moreover, the merged factors were then analysed using correlation to investigate its relationship with the customers' monthly average shopping in *pasar*. The data in this research were obtained using short closed-ended questionnaires to assess the *pasar*' service quality in the area of Jakarta and Bandung. One-hundred-ninety-five customers of *pasar* from the two cities, were asked to take part in the surveys. The results of factor analysis based on 21 given statements indicated that there were three main factors explains *pasar*' service quality, such as tangible factor, empathy factor and responsiveness factor. Tangible and responsiveness factors indicated a positive and significant correlation towards customers' monthly average shopping in *pasar*. Whereas empathy factor is insignificantly correlated with the customers' monthly average shopping in *pasar*.

**Keywords:** *pasar, indigenous market, hybrid, accountability, SERVQUAL*

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## 1. Research Background

Indigenous markets, known as *pasar*, have satisfied the needs for fresh products and daily necessities for more than two centuries in Indonesia. Their number had reached approximately 13,450 *pasar* by 2009 (Ministry of Trade, 2010) providing a service to roughly 236 million Indonesian citizens (Statistics, 2012). However, the amount of *pasar* dropped to 9,559 in 2012 (Ministry of Trade, 2014). This 29% decline in the number of *pasar* within a three-year period encouraged researchers in Indonesia to examine this phenomenon further. Susilowati (2014) argued that the fall in the number of *pasar* was due to the preponderance of modern markets. In addition, dirty environments surrounding *pasar* (Najib & Sosianika, 2017; Purnomo et al., 2016; Prastyawan et al., 2015; Prabowo & Rahadi, 2015) and the absence of any Government strategy to converge existing policies relating to *pasar* (Juahari, 2013) were claimed to worsen the images of *pasar*.

The head of local governments in Indonesia are accountable for administering and utilising any public resources, including those of *pasar*, in either the provinces, cities or at regional level (Law of the Republic of Indonesia, 2015), as well as forming its own decrees and regulations (Law of the Republic of Indonesia, 2014). The heads of local governments own 100 per cent of the shares in the *pasar*. This is due to their authority to use 100 per cent of public funds within their district to financially support the initial establishment of a *pasar* and its operational activities; therefore, they are fully accountable and responsible for preserving the existence of the *pasar*. They will also appoint one governmental unit within their district to manage, supervise and operate the daily activities of the *pasar*. The accountability in the hierarchy levels practiced in *pasar* indicates that there is a bureaucratic chain of command (Romzek & Dubnick, 1987:p.228). Consequently, due to this hierarchical chain of command, the decision-making process becomes slower in *pasar* (Massaro et al., 2015).

The role and responsibility of *pasar* managers are becoming more complex as they focus not only on delivering the service to customers and merchants, but they should also comply with bureaucratic legislation, and follow closely the processes and procedures set down by the Government (Fowler & Cordery, 2015:p.132; Mulgan, 2003). They are expected not only focusing their activities and reports pleasing the local government as their “master” (Uddin et al., 2016) but also to the wider society. At the same time, they are also obliged to sustain the *pasar*’s cash flow and generate profit for local government, as well as serving social purposes (Law of the Republic of Indonesia, 2014; Government of Jakarta, 2009; Government of Bandung, 2012). Therefore, *pasar* do not clearly fit into the conventional categories of private, public, or non-profit organisations (Doherty et al., 2014).

The perplexing nature of *pasar* makes its hybridity more challenging as it addresses both governmental demands and business demands. As hybrids, *pasar* managers and the governmental units in charge need to be aware of the expectation of its stakeholders (Gomes & Gomes, 2008), the need to serve the public more (Boyne, 2002) and the need to understand that the dual missions of *pasar* are more complementary than contradictory (Ebrahim et al., 2014).

The needs of reliable tangible facilities in *pasar*, the hospitality from *pasar* management, staffs and merchants, and the convenient shopping experience of *pasar* are a few principal necessities that should be available in *pasar*. Customers, as one of *pasar* main stakeholders, expect *pasar* managers to provide excellent services continuously, as they are the ones who generate profit in *pasar*. *Pasar* managers that act in ways that are perceived responsive by the customers are beneficial to the long-term interests of the customers (Linde & Peters, 2018). Customers tend to value physical features as the most important dimension and are more likely favor a place who they think are appealing, such as decent buildings structures, clean environment, employees’ uniforms, and other physical facilities (Khodaparasti & Gharebagh,

2015; Nimako et al., 2012). Thus, *pasar* managers' responsibility in generating profit by practicing accountability towards the customers to some extent needs to be verified.

The implementation of accountability in achieving profit for *pasar* as it is required by law is measurable. *Pasar* managers who do not meet the expectation of providing profits to the local government will be evaluated (Government of Jakarta, 2009; Government of Bandung, 2012). However, evaluating accountability practices for the social mission in *pasar* is complex. This is due to the absence of standards in determining the social performance, i.e. service quality, of *pasar* and the common difficulty in comparing social performance across similar *pasar* or any other forms of hybrid organisations (Ebrahim & Rangan, 2014). Therefore, this research employed an existing instrument (SERVQUAL) for measuring service quality, in order to capture multiple aspects perceived by the customers of *pasar*, such as the physical facilities of *pasar*, the warmth of *pasar*' personnel and other related means.

This paper is structured as follows. At the beginning, the introductory section gives a brief description on the characteristics of indigenous markets, known as *pasar*, in Indonesia. It also discusses the challenges facing *pasar* managers in administering and operating *pasar*. This is followed by a relevant literature review concerning the nature of *pasar*. Next, the data and methodology of the research are explained, followed by the results of the empirical evidence. Finally, the last section in this paper comprises conclusion, implications, and possible future research. It also includes recommendation for improving *pasar* in Indonesia based on the findings of the study.

## **2. Literature Review**

### *2.1 A Hybrid Organisation*

The notion of hybrid in an organisation implies that it has the dual missions of both business and social aspects which are embedded in its identity (Ebrahim et al., 2014; Wood, 2010). It is a mixture of both private sector and public sector within one single unity (Brandsen et al.,

2009). The unique characteristics of hybrid organisations makes them distinct, to some extent, from these traditional models. However, there are also differences among hybrid organisations, which can be explained according to its purpose and history (Grossi & Thomasson, 2015; Koppell, 2003; Kickert, 2001).

*Pasar*, for instance, vary from other hybrid organisations in many ways. They are different in terms of the organisational structure, the extent of ownership, and how the business is financed (Government of Jakarta, 2009; Government of Bandung, 2012). The organisation's structure places the position of governor, mayor or regent as the sole owner of *pasar*, which makes them own the *pasar* outright. In addition, the Board of Directors of *pasar* report directly to the head of the local government on any strategic decision. *Pasar* are also financed 100 per cent by local government for both its establishment and operations. Moreover, local governmental units regularly inspect *pasar* to ensure that the managers are following its decrees, instructions and regulations.

Although, *pasar* managers are squeezed by certain rules, they are independent in running the business and gaining as much profit as possible, as that is also required by the decrees. However, in order to achieve the target profit, *pasar* managers are facing numerous challenges that include competing with modern markets, disciplining the merchants, satisfying the customers and reporting to the government. The demand to satisfy different stakeholders with multiple purposes needs to be delivered cautiously as they have the right to file a complaint against *pasar* (Law of the Republic of Indonesia, 2008).

## 2.2 Stakeholders Theory

A stakeholder, as stated by (Freeman, 1984:p.46), is 'any group or individual that can affect or is affected by the achievement of the organization's objectives'. The stakeholder model forces managers to satisfy the expectations, needs and standards of groups which were previously considered to be external factions of the organisation. Stakeholder theories of the firm propose

that an organisation should rank stakeholders according to their power, legitimacy, and the urgency of their claims (Mitchell et al., 1997), when identifying the levels of priority and value that result from the alignment of interests (Freeman, 1984).

It is realized that the nature of stakeholders that are closely influenced by, or who have an interest in the organization, will vary from one to another. For instance, organisations that concerned more with providing public services or private services may possibly have different stakeholders to one another. Government, as one of the primary stakeholders, as well as the sole owner of *pasar*, have the legitimacy to represent society as a whole to set laws through legislation and regulation restricting *pasar* actions (Oates, 2013; Buchholz & Rosenthal, 2004). They are the key principals who engage directly with the public policy process (Buchholz & Rosenthal, 2004). The outcome of any set of regulations and public policy issued will have a certain degree of impact on the remaining *pasar* stakeholders.

Hybrid organisations such as *pasar*, which have both public and private interests embedded in their characteristics, have arguably broader stakeholders that require the same services. The challenge facing *pasar* managers is that how they align and prioritise the interests of multiple stakeholders and demanders of accountability when those interests are inconsistent (Ebrahim et al., 2014).

### 2.3 *Accountability*

Accountability is a relationship process between persons or organisations in which that person or organisation is required to clarify and take responsibility for what it receives from other persons or organisations (Randa & Tangke, 2015:p. 666; Grossi & Thomasson, 2015; Sinclair, 1995). It implies that an obligation is embedded within a person or organisation to explain or justify the usage of resources which are not theirs.

Sinclair (1995) stated that accountability exists in many forms that it can be different based on its context. Some researchers argued that the characteristics of accountability are

similar to responsibility. A person could not be held accountable to others unless one has responsibility to do so (Day & Klein, 1987). A detail explanation regarding the definition of responsibility according to Oxford Dictionary of English is (1) ‘the state or fact of having a duty to deal with something or of having control over someone’; (2) ‘the state or fact of being accountable or to blame for something’; (3) ‘the opportunity or ability to act independently and take decisions without authorisation’. Accountability may also related with responsiveness (Mulgan, 2000), answerability (Brinkerhoff, 2001), and include both compliance, i.e. to higher authority, laws, etc., and performance elements in promoting and achieving improvements in delivering quality of service to public (Hodges, 2012; Hodges et al., 1996)

Accountability may have different standards. The standards of accountability can be in an objective standards form codified in laws, regulations and decrees or subjective standards following the accountees (Kearns, 2003). Brinkerhoff (2001) argued that proper regulations and standards are important elements in increasing the degree of accountability. Therefore, it is necessary to set standards to accountability, so that *pasar* managers understand that they need to meet certain criteria, i.e. responsibility, responsiveness, compliance, in order to confirm that they are accountable in performing their jobs.

#### 2.4 *SERVQUAL*

Any form of organisations is expected to give the best services to its stakeholders. The services to stakeholders are considered to be of quality when it meets or exceeds their expectation. However, the intangible nature and heterogeneity of services is one of the main factors influencing service quality (Vijayvargy, 2014). For instance, services offered in private sectors should not be the same as those within the public sectors. The services offered are customised according to the nature of the business. In addition, factors such as stakeholders’ expectations, interest, and quality requirements are different when it relates to governmental services (Ramseook-munhurrin et al., 2010). It is due to the responsibility and accountability of any

governmental units to deliver continuous performance of their customer-focused services (Ramseook-munhurrun et al., 2010). Parasuraman et al. (1988) suggested that an appropriate approach to assessing the quality of an organisation's services is to measure the perceptions of quality. Ultimately, of course, the items that need to be measured can be modified according to the organisation and/or in different service situations (Rohini & Mahadevappa, 2006; Wisniewski, 2001).

Parasuraman et al (1985) introduced a service quality, 'SERVQUAL', scale for measuring perceived service quality, which they defined as the customer judgment of overall excellence in the service quality of a service sector (Parasuraman et al., 1988). The scale is based on 22 statements that comprise five dimensions; namely tangible; empathy; reliability; responsiveness; and assurance (cf. Table 1 near here). Customers are expected to give their expectation and perception of each of the five dimensions.

**Table 1. Five Broad Dimensions of Service Quality**

| <b>Dimension</b> | <b>Definition</b>                                                                                                                |
|------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Tangibles        | Appearance of physical facilities, equipment, and personnel                                                                      |
| Reliability      | Ability to perform the promised service dependably and accurately                                                                |
| Responsiveness   | Willingness to help customers and provide prompt service                                                                         |
| Assurance        | The knowledge and courtesy of employees and their ability to inspire trust and confidence                                        |
| Empathy          | Caring, easy access, good /communication, customer understanding and individualized attention the firm provides to its customers |

Source: Parasuraman et al. (1985); Zeithaml et al. (1990)

### **3. Data & Methodology**

#### *3.1 Hypothesis*

There is an increased pressure for *pasar* managers to be held accountable in performing the business so that they regain support and trust from the stakeholders (Randa & Tangke, 2015:p.665; Valentinov, 2011). However, the challenge facing *pasar* managers in offering the best quality service becomes less difficult if they know what their customers expect from a service and what they feel important for quality. It is also a test for *pasar* managers whether



they are accountable to perform their jobs in a professional manner to provide the best service for the benefits of customers.

Customers' expectations for the last thirty-years were measured using SERVQUAL scale. The SERVQUAL scale has been implemented in diverse organisations, such as public service (Ramseook-munhurrun et al., 2010), healthcare institutions (Shabbir et al., 2016; Babakus & Mangold, 1992), banking industries (Khodaparasti & Gharebagh, 2015; Ozretic-Dosen & Zizak, 2015; Hussein & Hapsari, 2015) and restaurants (Lee et al., 2016; Vijayvargy, 2014).

Babakus & Mangold (1992) argued that SERVQUAL is reliable and valid in a variety of other service industries. The initial form of five dimensions of service quality could be modified depending on the purpose of the research. It can use only one of the dimensions (Lee et al., 2016), or when they merged, it can developed to only four dimensions (Vijayvargy, 2014). Therefore, the usage of SERVQUAL scale in measuring the perceived service quality provided by indigenous *pasar*, is novel.

Identifying the main dimension among the five dimensions presented in this research should aid *pasar* managers in taking necessary decision and focusing their efforts and resources to overcome the problems rising in *pasar*. Moreover, the expected converged dimensions (if any) and the customers' average monthly shopping in *pasar* are investigated using correlation to seek the relationship among the variables.

To the best of our knowledge, the work in this area, specifically in hybrid organisation as *pasar*, has not much been narrated in the hybrid organisation literature. It is expected that the complex characteristic, diverse stakeholders and communal principal-agent issues facing *pasar* may encourage researchers to explore more on this area.

Therefore, our main hypothesis is as follows:

H<sub>1</sub>: The five distinct dimensions of service quality are merged into a smaller sets of factor

H2: Each factors merged are positively and significantly correlated with the monthly average number of shopping

### 3.2 Data

This research is based on primary source evidence, obtained from customers of two *pasar* in two cities, such as Jakarta and Bandung. Although *pasar* that were chosen as samples in this research is based on their uniqueness and for having been in existence for more than 25 years, a convenience sampling method in choosing the customers, the cities and the number of *pasar* selected, is applied in this research due to the accessibility, geographical proximity between the two cities and the availability within a given time (Etikan et al., 2016; Dörnyei, 2007).

Customers were invited to participate in assessing *pasar*' services using a Likert-scaled model questionnaire. They were asked to select one of several choices where each of the choices was associated with their preferences on certain stated attributes (Camparo & Camparo, 2013). The questionnaires were administered face-to-face during a three-week period in December 2017.

The questions generated in this research were developed according to the SERVQUAL scale developed by Parasuraman et al. (1985), where respondents were expected to evaluate the quality of a service based on five distinct dimensions, such as tangibles, empathy, reliability, responsiveness, and assurance. The original 7-point Likert-scale was modified to a 5-point Likert-scale to asses attributes from poor (=1), through fair, average and good, to excellent (=5).

Twenty-two respondents were initially interviewed with 24 items from five distinctive dimensions of SERVQUAL scale at the earlier stage to ensure the structure and the reliability of the questions (Cronbach, 1951). The coefficient alpha for the pilot data was computed separately for the five dimensions to ascertain the extent to which items forming each dimensions shared a common core. The purpose of conducting Cronbach's alpha is to measure

the internal consistency of a scale that have the same underlying attribute or construct. It ranges from 0 to 1 with higher values indicating high levels of reliability. The most generally agreed upon lower limit for Cronbach's alpha is .70 (Taber, 2017; Griethuijzen et al., 2015; Hair et al., 2010), but a value of .60 is also acceptable (Taber, 2017; Griethuijzen et al., 2015). Validity test was also conducted using Pearson correlation to ensure accurate the set of measures within the items used in this paper represents the concept of interest (Norman, 2010; Hair et al., 2010). The result of reliability and validity pilot test for the 22 respondents reduced the number of items being used for the later stage to 21 items.

As a general rule, the minimum sample size for conducting factor analysis is to have at least five times as many observations as the number of variables to be analysed (Hair et al., 2010). Therefore, one-hundred-ninety-five samples size in this paper is adequate to meet the minimum requirement. Ninety-six respondents living in Jakarta responded to 21 questions. The remaining 99 participants, residing in Bandung, were asked the same questions. All participants were required to give assessment only on the *pasar* that were nominated as and located in their own domicile.

#### **4. Data Analysis**

The data obtained from 195 respondents were analysed using the statistical package SPSS 25.0. First, reliability and validity test was conducted to ensure the data is adequate for the research. Then descriptive statistics were utilised to provide a demographic profile of respondents. Following that, factor analysis is performed to reduce the number of attributes from the five distinct dimensions of SERVQUAL, such as tangible, empathy, reliability, responsiveness, and assurance, and to identify which of the attributes are most important based on the loading factor. Factor analysis is used when a set number of large related variables that has the same underlying structure are reduced to a smaller number of dimensions or components. To ensure the output of factor analysis, another Cronbach's alpha test is conducted to check the internal

consistency of the factors after the items are merged. Finally, correlation between each merged-loading factors and the customers' average monthly number of shopping are performed to investigate if the relationship among the variables are significant and positively correlated.

**Table 2**  
**Reliability and Validity Test**

| Dimension                                                        | Reliability Test | Validity Test |         | Remark |
|------------------------------------------------------------------|------------------|---------------|---------|--------|
|                                                                  |                  | r-result      | r-table |        |
| <b>Tangibles</b>                                                 | .898             |               |         |        |
| Clean water facility                                             |                  | .669**        | .159    | Valid  |
| Wastewater disposal facility                                     |                  | .818**        | .159    | Valid  |
| Stalls arrangement                                               |                  | .783**        | .159    | Valid  |
| Air circulation                                                  |                  | .727**        | .159    | Valid  |
| Public facilities condition                                      |                  | .780**        | .159    | Valid  |
| Availability of bins                                             |                  | .798**        | .159    | Valid  |
| Fire prevention kits                                             |                  | .808**        | .159    | Valid  |
| The entry and exit access of <i>pasar</i>                        |                  | .712**        | .159    | Valid  |
| <b>Empathy</b>                                                   | .895             |               |         |        |
| <i>Pasar</i> management's officers caring attitudes              |                  | .895**        | .159    | Valid  |
| <i>Pasar</i> management's officers hospitality                   |                  | .928**        | .159    | Valid  |
| <i>Pasar</i> management's officers pleasantness                  |                  | .904**        | .159    | Valid  |
| <b>Reliability</b>                                               | .840             |               |         |        |
| The stalls zoning arrangement                                    |                  | .776**        | .159    | Valid  |
| Preventing fire disaster                                         |                  | .845**        | .159    | Valid  |
| Reducing the impacts of natural disaster, i.e. flood, earthquake |                  | .766**        | .159    | Valid  |
| Maintaining the cleanliness in <i>pasar</i>                      |                  | .775**        | .159    | Valid  |
| Supporting merchants' business expansion                         |                  | .623**        | .159    | Valid  |
| Making <i>pasar</i> as a good place for business                 |                  | .688**        | .159    | Valid  |
| <b>Responsiveness</b>                                            | .719             |               |         |        |
| Willingness to support merchants in conducting their business    |                  | .877**        | .159    | Valid  |
| Handling any disturbance facing merchants                        |                  | .890**        | .159    | Valid  |
| <b>Assurance</b>                                                 | .687             |               |         |        |
| Taking care of <i>pasar</i> ' facilities                         |                  | .850**        | .159    | Valid  |
| Maintaining good-communication                                   |                  | .895**        | .159    | Valid  |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

The result of reliability test indicates that tangibles, empathy, reliability and responsiveness dimensions have coefficient alphas higher than .7 which explains a high and accurate data to measure the service quality. However, assurance dimension has coefficients slightly below .7 (.687) which the data is considered as moderately acceptable. Moreover, Pearson correlation results showed that the items being measured are all valid for further analysis.

The descriptive statistics are presented in Table 3 below. Just over 59 per cent of participants in Jakarta were female. The majority of respondents in Jakarta were more than 40 years old (=40%) and 69 per cent of respondents had completed schooling.

Bandung's respondents were dominantly females ( $\cong$ 63 per cent) and they fell into the age group of either 20-30 years ( $\cong$ 42 per cent). Similarly to Jakarta, the majority of the respondents in Bandung had completed school ( $\cong$ 70 per cent).

**Table 3**  
**Selected Demographic Data of Respondents**

|                               | Jakarta   | Percentage   | Bandung   | Percentage   |
|-------------------------------|-----------|--------------|-----------|--------------|
| <b>Gender</b>                 |           |              |           |              |
| Male                          | 39        | 40.6%        | 36        | 36.4%        |
| Female                        | <b>57</b> | <b>59.4%</b> | <b>63</b> | <b>63.6%</b> |
| <b>Total</b>                  | <b>96</b> |              | <b>99</b> |              |
| <b>Age</b>                    |           |              |           |              |
| Less than 20 years old        | 11        | 11.5%        | 7         | 7.1%         |
| Between 20-30 years old       | 21        | 21.9%        | <b>42</b> | <b>42.3%</b> |
| Between 31-40 years old       | 25        | 26.0%        | 25        | 25.3%        |
| More than 40 years old        | <b>39</b> | <b>40.6%</b> | 25        | 25.3%        |
| <b>Total</b>                  | <b>96</b> |              | <b>99</b> |              |
| <b>Educational attainment</b> |           |              |           |              |
| No schooling completed        | 1         | 1.0%         | 1         | 1.0%         |
| Completed school              | <b>67</b> | <b>69.7%</b> | <b>71</b> | <b>70.8%</b> |
| College graduate              | 28        | 29.2%        | 27        | 28.2%        |
| <b>Total</b>                  | <b>96</b> |              | <b>99</b> |              |

Five dimensions comprises of 21 items across each dimensions is analysed using factor analysis. Factor analysis offers tools for analysing the structure of highly related set number of variables, or referred to factors (Hair et al., 2010). These related factors represent dimensions within the data which latter allowing the formation and refinement of theory (Williams et al., 2010). The purpose of using factor analysis in this paper is to retain the fundamental nature of the original variables but reduce their number to seek the main factor(s). In addition, an exploratory factor analysis was applied in order to measure the dimensionality of the used method. Moreover, the principal component analysis Varimax rotation was employed.

Cronbach's alpha test and validity test is conducted once again after the result of factor analysis is available. The result as seen in table 4 indicated that the three components have

coefficient alpha  $>.70$ , which are high, and all of the items used in the questionnaires are also valid.

The Kaiser-Meyer-Olkin (KMO) index ranges from 0 to 1, with  $.50$  considered suitable for factor analysis (Hair et al., 2010). The result of  $.931$  in table 4 for the Kaiser-Meyer-Olkin test in this research showed a high sampling adequacy. Moreover, the significance  $0.000$  of the Bartlett's test result in this research indicated the suitability of the research data for the purpose of factor analysis. The communalities value for each item is exceeding  $.30$  which indicated that the items in this research fit well with the other items in its component.

The 21 items across five dimensions have extracted into three main components. Principal components analysis revealed the presence of three components with eigenvalues exceeding 1. The eigenvalue of a factor represents the amount of a factor represents the amount of the total variance explained by that factor. The result indicated that the three components explained  $48.61\%$ ,  $7.02\%$ , and  $6.17\%$  of the variance respectively. In total the three-component solution explained  $61.81\%$ .

It can be seen from table 4 that component 1 is a combination of all tangible and assurance dimensions as well as the first four reliability items concerning stalls zoning arrangement, fire equipment and natural disaster kits, and *pasar*' cleanliness condition. The items merged in component 1 comprises physical appearance of *pasar*. Therefore, component 1 uses the term **Tangible Factor** as it is specified in the SERVQUAL scale.

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**Table 4**  
**Results for the Extraction of Component Analysis**

**Varimax-Rotated Component Matrix<sup>a</sup>**

| Items                                                            | Component   |             |             | Communality | Initial Eigenvalues |              | Reliability | Validity | Remark |
|------------------------------------------------------------------|-------------|-------------|-------------|-------------|---------------------|--------------|-------------|----------|--------|
|                                                                  | 1           | 2           | 3           |             | Total               | Cumulative % |             |          |        |
| <b>Component 1</b>                                               |             |             |             |             |                     |              | .935        |          |        |
| Maintaining the cleanliness in <i>pasar</i>                      | <b>.784</b> | .190        | .171        | .680        | 10.210              | 48.618       |             | .805**   | Valid  |
| Availability of bins                                             | <b>.780</b> | .148        | .147        | .652        |                     |              |             | .779**   | Valid  |
| Fire prevention kits                                             | <b>.727</b> | .197        | .315        | .667        |                     |              |             | .810**   | Valid  |
| Wastewater disposal facility                                     | <b>.724</b> | .296        | .164        | .638        |                     |              |             | .788**   | Valid  |
| Preventing fire disaster                                         | <b>.714</b> | .128        | .393        | .680        |                     |              |             | .805**   | Valid  |
| The stalls zoning arrangement                                    | <b>.707</b> | .363        | .232        | .685        |                     |              |             | .815**   | Valid  |
| Stalls arrangement                                               | <b>.696</b> | .332        | .184        | .629        |                     |              |             | .779**   | Valid  |
| Public facilities condition                                      | <b>.667</b> | .306        | .203        | .580        |                     |              |             | .753**   | Valid  |
| Taking care of <i>pasar</i> ' facilities                         | <b>.656</b> | .245        | .363        | .622        |                     |              |             | .784**   | Valid  |
| Reducing the impacts of natural disaster, i.e. flood, earthquake | <b>.628</b> | .039        | .294        | .482        |                     |              |             | .684**   | Valid  |
| The entry and exit access of <i>pasar</i>                        | <b>.586</b> | .348        | .205        | .507        |                     |              |             | .700**   | Valid  |
| Air circulation                                                  | <b>.555</b> | .360        | .211        | .482        |                     |              |             | .680**   | Valid  |
| Clean water facility                                             | <b>.544</b> | .416        | -.024       | .470        |                     |              |             | .608**   | Valid  |
| Maintaining good-communication                                   | <b>.454</b> | .004        | .360        | .336        |                     |              |             | .554**   | Valid  |
| <b>Component 2</b>                                               |             |             |             |             |                     |              | .895        |          |        |
| <i>Pasar</i> management's officers hospitality                   | .275        | <b>.848</b> | .200        | .835        | 1.475               | 55.644       |             | .928**   | Valid  |
| <i>Pasar</i> management's officers pleasantness                  | .248        | <b>.821</b> | .248        | .797        |                     |              |             | .904**   | Valid  |
| <i>Pasar</i> management's officers caring attitudes              | .225        | <b>.798</b> | .262        | .755        |                     |              |             | .895**   | Valid  |
| <b>Component 3</b>                                               |             |             |             |             |                     |              | .800        |          |        |
| Supporting merchants' business expansion                         | .136        | .223        | <b>.790</b> | .691        | 1.297               | 61.819       |             | .779**   | Valid  |
| Willingness to support merchants in conducting their business    | .210        | .132        | <b>.725</b> | .587        |                     |              |             | .799**   | Valid  |
| Making <i>pasar</i> as a good place for business                 | .268        | .240        | <b>.706</b> | .628        |                     |              |             | .791**   | Valid  |
| Handling any disturbance facing merchants                        | .435        | .258        | <b>.568</b> | .578        |                     |              |             | .800**   | Valid  |

Kaiser-Meyer-Olkin Measure of Sampling Adequacy = .931

Bartlett's Test of Sphericity = sig. (.000)

\*\* . Correlation is significant at the 0.01 level (2-tailed)

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

It can be seen from table 4 that component 1 is a combination of all tangible and assurance dimensions as well as the first four reliability items concerning stalls zoning arrangement, fire equipment and natural disaster kits, and *pasar*' cleanliness condition. The

items merged in component 1 comprises physical appearance of *pasar*. Therefore, component 1 uses the term **Tangible Factor** as it is specified in the SERVQUAL scale.

The highest loading factor for Tangible is concerning the cleanliness in *pasar* (.784) followed by the availability of bins (.780) which is the second highest factor. Cleanliness in *pasar* is important as it is one of the essential differences in contrast to modern market (Najib & Sosianika, 2017; Purnomo et al., 2016; Prastyawan et al., 2015; Prabowo & Rahadi, 2015). Moreover, the lack of bins in *pasar* was one of the main reasons why *pasar* were consistently perceived to be dirty (Purnomo et al., 2016). The value of bins may not be significant, but customers confirmed in the findings that it is essential. Thus, *pasar* managers are striving so hard with the limited resources they have to ensure the area is clean, including providing bins in *pasar*. The interview responses is confirmed that cleanliness is indeed crucial in *pasar*.

**Table 5**  
**Interview Results concerning *Pasar*' Tangible Factor**

| No | Name & Position                             | <i>Pasar</i> Address             | Statement                                                                                                                                                                                                                                                                                                                         |
|----|---------------------------------------------|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1  | Mr. Eko                                     | <i>Pasar Koja</i><br>Jakarta     | "... we have 18 outsourced-staffs to clean the area in <i>pasar</i> . All of the staffs are working hard to <b>ensure <i>pasar</i> is always clean day and night</b> ... I want to change the image of <i>pasar</i> ... and now after we won the award, the merchants are cooperating with us clean the area in <i>pasar</i> ..." |
| 2  | Mr. Fauzan<br>Head of <i>Pasar Mayestik</i> | <i>Pasar Mayestik</i><br>Jakarta | "...merchants and customers had <b>complaint regarding the facility</b> , i.e. malfunctioning escalator... and the impact of broken escalator is that the number of customers decreased significantly...after we fixed the damaged, the condition became normal again and customers were coming back here..."                     |
| 3  | Mr. Maman                                   | <i>Pasar Andir</i><br>Bandung    | ".... we have standard operating procedure concerning cleanliness. The tenants are <b>responsible to clean their own stalls</b> once after they close their business. However, we do have staffs that clean the area in <i>pasar</i> at night and ensure the place is all clean before it opens the next day at 9am..."           |
| 4  | Mr. Agus Gani                               | <i>Pasar Kosambi</i><br>Bandung  | "... one of the biggest challenges that we are facing now in contrast to modern market is <b>maintaining the cleanliness of the area</b> ... if we do have sufficient maintenance staffs to clean the area, customers will be more convenient..."                                                                                 |
| 5  | Mrs. Inke Putri                             | <i>Pasar Cihapit</i><br>Bandung  | "...I could not guarantee <i>pasar</i> is always clean during raining season since we have only 4 staffs to clean the area in <i>pasar</i> , therefore the merchants are also <b>fully responsible to ensure the cleanliness of their stalls area</b> ..."                                                                        |



Component 2, on the other hand, assessed *pasar* managements' effort in expressing their pleasant and hospitality approaches to the customers. Customers are important as they generate profit to business. In a competitive world, the act or strategy to build strong attachment with the customers are generally defined as customer relationship management. The items in component 2 are developed from all empathy dimensions. Empathy is defined as an act of caring and expressing individualized attention to its customers (Parasuraman et al, 1985; Zeithaml et al, 1990). Therefore, the component 2 in this research is expressed as **Empathy Factor**.

The response from *pasar* managers in regards with empathy factor as can be seen in the table 6 below. *Pasar* managers have routine activities monitoring and greeting the merchants, as well as accommodating their complaints. However, *pasar* managers did not take into account customers as their primary concern as how they did with the merchants. Their attitudes towards the customers aligned with the findings in past researches which indicated the pleasantness attitude towards customers were not as what customers expected (Khodaparasti & Gharebagh, 2015; Ramseook-munhurrun et al., 2010).

*Pasar* managers apparently placed merchants over customers based on the urgency of their claims, i.e. complaints (Mitchell et al., 1997), but failed to deal and maintain a good relationship with the customers that can affect the existence of *pasar* for the long run (Freeman, 1984). Consequently, the mutual relationship between *pasar* managers and its stakeholders, specifically customers, satisfying customers' interest and converging the interest of customers and merchants at once were not fulfilled (Savage *et al.*, 2004; Szwajkowski, 2000; Jones & Wicks, 1999). *Pasar* managers one-sided attitudes presumably due to the ambiguous distinction that was not available at the beginning of their contract or no standards, i.e. regulation, to identify which internal and external groups should they are accountable to

(Grossi & Thomasson, 2011; Thynne, 1994). These attitudes were the major shortfalls that needs significant attention from *pasar* managers.

**Table 6**  
**Interview Results concerning *Pasar Managers' Empathy Factor***

| No | Name & Position                                 | <i>Pasar</i> Address             | Statement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----|-------------------------------------------------|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1  | Mr. Eko<br>Head of <i>Pasar Koja</i>            | <i>Pasar Koja</i><br>Jakarta     | "...we <b>always communicate with the merchants</b> and I always reminded my team and also the merchants that we need to provide the best services to the customers. We told them that we only sell decent products to the customers, we encouraged the merchants to give warmth gestures to the customers, reminded them to arrange the displayed products tidily, to comply with the zoning commerce arrangement rules. My point is that we, as <i>pasar</i> management teams and the merchants, welcome any feedbacks and we work together in providing the best service to the customers..." |
| 2  | Mr. Fauzan<br>Head of <i>Pasar Mayestik</i>     | <i>Pasar Mayestik</i><br>Jakarta | "... we regularly provide marketing online, i.e. e-commerce, <b>training for the merchants</b> so that the merchants will have an offline and online stores... we tried to <b>change the merchants' mindset</b> and <b>educated</b> them about the online business competitors that may affect their business..."                                                                                                                                                                                                                                                                                |
| 3  | Mr. Maman<br>Head of <i>Pasar Andir</i>         | <i>Pasar Andir</i><br>Bandung    | "... sometimes merchants demands a lot of things, namely expecting lots of customers in <i>pasar</i> , gaining more profit and many other things which they often violates the regulations in <i>pasar</i> . So we have to <b>communicate and remind</b> them regularly regarding the rules and regulations..."                                                                                                                                                                                                                                                                                  |
| 4  | Mr. Agus Gani<br>Head of <i>Pasar Kosambi</i>   | <i>Pasar Kosambi</i><br>Bandung  | "... I have staffs who <b>check the condition of pasar and see all merchants</b> everyday... we often hear complaints directly from merchants concerning <i>pasar</i> facilities any many other things..."                                                                                                                                                                                                                                                                                                                                                                                       |
| 5  | Mrs. Inke Putri<br>Head of <i>Pasar Cihapit</i> | <i>Pasar Cihapit</i><br>Bandung  | "...I <b>come and see all merchants</b> every day at 9am, having <b>intense communication</b> with them. If I am absent, they will ask me the next day... the connections between merchants and staffs are very close..."                                                                                                                                                                                                                                                                                                                                                                        |

Component 3 indicates the supportive attitudes of *pasar* managements in constructing and developing an encouraged business place for the merchants. Component 3 were merged from all of the responsive items and some parts of reliability items related to how *pasar* management support the merchants in running their business. The immediate responses and actions from *pasar* managers to answer complaints from merchants during the interview as seen from table 7 concluded that they are genuine in redesigning *pasar*. These act or willingness to help customers and provide prompt service as defined by Parasuraman et al (1985) and

Zeithaml et al (1990) as responsiveness. Linde & Peters (2018) argued that responsiveness and responsibility are mutually reinforcing phenomena in which that the more responsive *pasar* managers are, the more responsible they will be in making decision that benefits the customers.

Therefore, component 3 is termed as **Responsiveness Factor**.

**Table 7**  
**Interview Results concerning *Pasar Managers' Responsive Factor***

| No | Name & Position                                 | <i>Pasar</i> Address             | Statement                                                                                                                                                                                                                                                                                               |
|----|-------------------------------------------------|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1  | Mr. Eko<br>Head of <i>Pasar Koja</i>            | <i>Pasar Koja</i><br>Jakarta     | "... merchants often complained regarding the declined of customers in <i>pasar</i> ... it is my <b>responsibility</b> as the manager to held events that can attracts more customers to come..."                                                                                                       |
| 2  | Mr. Fauzan<br>Head of <i>Pasar Mayestik</i>     | <i>Pasar Mayestik</i><br>Jakarta | "...in principal, our <b>commitment</b> is that all complaints will be answered within one day service.... We also provide tenant relations staffs specifically to aid any problems concerning <i>pasar</i> facilities..."                                                                              |
| 3  | Mr. Maman<br>Head of <i>Pasar Andir</i>         | <i>Pasar Andir</i><br>Bandung    | "... we have forms to <b>accommodate</b> complaints. Merchants most of the times uses the forms to file a complaint... the complaints are mainly concerning <i>pasar</i> facilities, such as extra parking space for tourists, maintenance, etc... and we will try to solve the concern within one day" |
| 4  | Mr. Agus Gani<br>Head of <i>Pasar Kosambi</i>   | <i>Pasar Kosambi</i><br>Bandung  | "... we often scheduled training and <b>informing</b> the merchants regarding the usage of fire prevention tools to avoid the possibility of fire disaster in <i>pasar</i> ..."                                                                                                                         |
| 5  | Mrs. Inke Putri<br>Head of <i>Pasar Cihapit</i> | <i>Pasar Cihapit</i><br>Bandung  | "...merchants complaint whenever garbage was not removed from the dump site just outside the area within two days period...So I would <b>directly</b> called the city's waste cleaning officers to collect them away..."                                                                                |

*Pasar* managers were highly responsive in aiding the merchants running their businesses. They are committed to accommodate complaints continuously from the merchants and directly put some effort to answer and solve the matters as soon as possible. The responsibility that they are performing reflected on their action. However, not all *pasar* managers specified the efforts that they made to take actions on complaints from the customers. Lack of complaints from the customers could not be justified that the customers are fully satisfied with the services available in *pasar*. It is presumably due to the Indonesian culture that made customers are not willing to express their complaints blatantly, as it is considered impolite (Magnis-Suseno, 1997; Geertz, 1961). Therefore, *pasar* managers should be actively

encouraged the usage of surveys, forms or other related means to obtain suggestions, complaints, and recommendations from the customers in order to improve the services.

**Table 8**  
**Correlation between Factors and Customers' average monthly shopping in Pasar**

|                              |                         | <u>Customers' average monthly shopping in pasar</u> |
|------------------------------|-------------------------|-----------------------------------------------------|
| <b>Tangible Factor</b>       | Correlation Coefficient | .223**                                              |
|                              | Sig. (2-tailed)         | .002                                                |
| <b>Empathy Factor</b>        | Correlation Coefficient | .121                                                |
|                              | Sig. (2-tailed)         | .092                                                |
| <b>Responsiveness Factor</b> | Correlation Coefficient | .243**                                              |
|                              | Sig. (2-tailed)         | .001                                                |

\*\* Spearman Correlation is significant at the 0.01 level (2-tailed). Sample size (N) is 195 customers of *Pasar*.

The correlation result (see table 8) indicated that only empathy factor is insignificantly correlated with the customers' average monthly shopping in *pasar*. It implies that customers have not experienced appropriate gestures or considered empathy as a one of the significant factors that affected them in going to *pasar*. However, the result is in contrast with the other two factors, such as tangible and responsiveness, which shown a significant and positive correlation with the customers' average monthly shopping in *pasar*. The utmost support from *pasar* managers towards the merchants revealed in this research is one of the reasons customers visited *pasar*. Although, tangible factor is also positively perceived in the mind of the customers as it needs extra effort to change the negative image of *pasar*.

Tangible and responsiveness factor positive correlation are similar with the findings in Khodaparasti & Gharebagh (2015) and Shabbir et al (2016) which revealed a positive correlation with the customers satisfaction. These two factors also explain the reasons customers appreciated *pasar* managers' effort in establishing decent and convenience place for shopping. Moreover, customers of *pasar* mentioned that the reasons that they regularly shopped in *pasar*, despite the lack of facilities, was to enjoy the art of bargaining for products and the closeness of experience they felt with the merchants, but not expressing the intimacy communication with the *pasar* managers. It explained why *pasar* have existed for more than 200 years in Indonesia, despite the number of weaknesses found in *pasar*. Although, it will be

much better if *pasar* managers are able to balance the needs of merchants and customers at the same time.

## **5. Conclusion**

This study has presented findings in regards with the accountability policy and practices of *pasar* managers based on the quality of service, as assessment and perceived by the customers of *pasar* in Jakarta and Bandung. The results from the initial five dimensions were merged into three main factors that affects the service quality of *pasar*, such as tangible, empathy and responsiveness. The findings of this research may suggest to some extent that the image of *pasar* is valued by its physical appearance, mainly by its' cleanliness. The significant and positive correlation between each of the two main factors, tangibles factor and responsiveness factor, and the customers' monthly average shopping to *pasar* indicated that the physical appearance of *pasar* is important to the customers. However, insignificant correlation was discovered in empathy factor in relation with the customers' monthly average shopping to *pasar*. The findings indicate that there are many improvements that require serious action. Otherwise, the presence of modern markets, which offer a convenient means of shopping, sooner or later may end the existence of *pasar*.

This research can help local government to identify the important areas that need to be solved immediately. Preserving *pasar* requires genuine engagement from the Government. First, they might be advised to conduct a survey and consider the thoughts of the customers, merchants and *pasar* managers in identifying areas for service quality improvements. It is essential for Government to know and understand the expectations of their stakeholders as they are accountable by law to provide service quality. Responsive Governments are those that adopt policies favored by citizens (Przeworski et al., 1999). Moreover, *pasar* managers should not be pursued by too many ambiguous regulations that squeeze their creativity in running the business. Second, a standardised service quality should be available for all *pasar* so that *pasar*

managers understand completely whom should they responsible for. The standard should have not only written laws, regulations and decrees, but should also be adopted in practice. There should not be any significant differences among *pasar* in Indonesia. Therefore, the role and responsibility of central Government in ensuring the standards are applied, both through regulation and practice, is mandatory.

Future research on *pasar* is advised, such as confirming the results of the surveys to *pasar* managers and regulators, increasing number of respondents as surveys' participants, and widening the number of *pasar* being observed. Moreover, the findings on the respondents' demographics encourages the possibility of conducting future research related to consumer preferences on *pasar*, as compared to modern markets. Ultimately, integrated policies and well-managed *pasar* are a means to confirm that accountability to the stakeholders is being met.

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