Servqual Model as Performance Evaluation Instrument for Small and Medium Sized Enterprises (SME): Evidence From Customers in Nigeria

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Abstract

It is the intention of this study to ascertain if SERVQUAL model can serve as an instrument for measuring performance of small and medium scale enterprises in Nigeria. The study adopted the Kano model as the theoretical framework. Empirical works on service quality and customer satisfaction were reviewed. Survey research design was adopted and conducted with the use of structured questionnaire designed in a 5 point likert scale format ranging from strongly agree, agree, strongly disagree, disagree and undecided. Twelve (12) small and medium scale enterprises operating in six geo-political zones of Nigeria were judgmentally selected, from where a sample of 60 was drawn using Taro Yamane formula. The questionnaire was validated and its reliability established. Data presentation and analysis was carried out using tables and simple percentages. Chi-square statistic; a nonparametric technique was employed in the test of the three hypotheses formulated to guide the study. This led to rejection of the three null hypotheses indicating that: Service quality dimensions has relationship with performance of small and medium scale enterprises; tangibility, reliability, responsiveness, assurance and empathy services can be used to measure performance of small and medium scale enterprises. This justifies that SERVQUAL dimensions; tangibility, reliability, responsiveness, assurance and empathy are indicators of customer satisfaction, implying that they can be employed as performance evaluation tools for small and medium scale enterprises. It is recommended that small and medium scale enterprises should direct their operations in line with SERVQUAL dimensions, if they want to achieve customer satisfaction and business performance.

Introduction

The need for development and implementation of business strategies that seek to understand customers better in order to satisfy and retain them has been advocated (Kotler and Keller, 2009). Customers are the building block of business and their satisfaction helps to increase sales and profit. The need for customer satisfaction through quality service deliver has been highlighted. One of the ways business can gain customer patronage is through offerings that provide customer satisfaction. Wilson, Zeithaml, Bitner and Gremler (2008) put it that, business satisfaction leads to customer loyalty, recommendation and repeat purchase.

Service is an intangible (invisible), but measurable offer by one party to another in exchange of money for satisfaction. However, it is the quality in an offering that provide customer satisfaction. This may have prompted many companies to adopt quality management programs which aims at improving the quality of their products and marketing processes because it has been proven by (Kotler, Armstrong, Saunders and Wong 2002) that "quality has a direct impact on product performance, and thus, on customer satisfaction".

Small and medium scale enterprises (SMEs) in Nigeria face serious competition challenges today, it is either they lure customers to win or they lose them to rivals. Small and medium enterprises are the hallmark of development of nations; they partake in greater percentage of economic activities in the society. Ogundele and Oni (1995) described them as the dominant feature in the economies of both developed and developing countries. Onuoha (2004), Inegbenebor (2006) collaborated this by saying that the SMEs provide the sources of material and labour inputs for bigger activities in the country; as well, they harness and utilize resources more effectively and efficiently.

Aluko, Odugbesan, Gbadamosi and Osuagwu, (1998) had said, "achieving competitive advantage requires use of a different managerial mindset and building of customer needs and expectations into daily organizational routine". Business organizations can do this by developing resources and capabilities difficult to imitate and duplicate by rivals. Wheelen and Hunger, (2010) assert that while resources are an organization's assets, capabilities refer to an organization's ability to exploit resources. Competency is a cross-functional integration and coordination of capabilities. Kotler, Saunders and Wong (2002) assert that winning in today's marketplace entails the need to build customer relationship and not just building the products. Building customer relationship entails delivering superior/quality services to target customers over time than competitors.

Many models of measuring service quality are practiced in business today, SERVQUAL; an acronym of service quality is one of the models used

to measure service quality by identifying the gaps between customers' expectations and their perceptions of the actual performance of service.

Performance is the ability to achieve a predetermined objective. Performance of an organization can be measured in terms of customer satisfaction, market share, productivity, profitability, product and service quality, return on investment, efficiency levels and so forth.

Organizational performance evaluation is one cardinal activity that every business should embrace. The justification for this is that, business operates in a competitive environment coupled with changes in customers' behaviour. In the light of the above, organizations are expected to evaluate their performances from time to time in line with changes in environment and customers' behaviors.

Problem Presentation

Many research efforts on customer satisfaction and service delivery have been carried out by scholars. Unfortunately however, very few studies have been conducted on customer satisfaction using SERQUAL dimension/model and especially as it affect small and medium scale enterprises.

To buttress this, statistics of articles about customer satisfaction in the field of business, economics and management shows latest results of 2235 studies from 1992 to 2011; 1088 on customer satisfaction and service quality from 1992 to 2011; 315 articles on the relationship between customer satisfaction and service quality from 1992 to 2011; 32 on the relationship between customer satisfaction and service quality with service quality dimensions from 1997 to 2011 and just 6 on the relationship between customer satisfaction and service quality with SERVQUAL dimensions from 2003 to 2010 (Search on Web of science, 02/ 03/ 2016).

Increasingly, many customers have questioned the quality of services provided by small scale businesses in terms of reliability, responsiveness, assurance, empathy and tangibility. This suggest that customers evaluate business in the light of the above listed dimensions, implying that or it is appears that small scale business are not living up to expectation. But businesses need to develop competitive advantage to enable them operate successfully.

It is worrisome and very disheartening that many small and medium scale enterprises in Nigeria do not know that the goal of every business is to develop and sustain a distinctive competence in the areas of brand image, product quality, customer service, business integrity; high regards for contribution of individuals and so forth which separates them from other competitors.

Additionally, it was Uko (2014) who said that successful management of SMEs depends on the ability of management to develop quality business plans. If business does not develop capacity to deliver customer satisfaction, customers may turn away from them and such business may find it very difficult to attract customers and increase sales which helps them develop the needed capacity to compete in their industry. It is feared that organizations will lose out when quality services are not provided to customers. It is against this backdrop that this study was designed.

Objectives of the Study

The main objective of this study is to examine if SERVQUAL model can be used to evaluate the performance of small medium scale enterprises. The specific objectives are, to:

1. Identify if reliable service can make small and medium scale enterprises achieve growth in market share.
2. Ascertain if responsiveness and assurance of service can make small and medium scale enterprises achieve customer satisfaction.
3. Examine if empathy and tangibility of service can make small and medium scale enterprises achieve profitability.

Research Questions

This research seeks to provide answers to the following questions

1. Does reliable service make small scale and achieve growth in market share?
2. Do responsiveness and assurance of service make small scale and medium scale enterprises achieve customer satisfaction market growth?
3. Does empathy and tangibility of service make small and medium scale enterprises achieve profitability?

Research Hypotheses

H_{o1}: There is no relationship between reliable service in small and medium scale enterprises and growth in market share.

H_{o2}: Responsive and assured service do not make small and medium scale enterprises achieve customer satisfaction

H_{o3}: Empathic and tangible services do not make small and medium scale enterprises achieve profitability.

Significance of the Study

It has been proven that "an organization that consistently satisfies its customers, enjoy higher retention levels and greater profitability due to

increase customer loyalty" (Wicks and Roethlein, 2009). For this reason, every company works hard daily to win the hearts of customers by satisfying them and to increase sales and profit at the long run.

The significance of this study hinges on the importance of quality service delivery to customers which has made it vital to always conduct research about them. This study will benefit business and society in the following ways: It will reawaken the consciousness of business operators, on the need to maintain and always seek to improve the quality of their offering. The study will help enlighten business operators on how to assess their operation performance using the dimensions of SERVQUAL. The result of the assessment in addition, would help small scale business brace up with competitive pressures from rivals.

A study like this is essential to assess service delivery. This is because it will provide business operators with data that they can use in making inferences about their customers (Wilson *et al.,* 2006).

Finally, the result of this study would be useful for academics, in the sense that it will provide structure for future research.

1. *Conceptual Framework*
Concept of Service Quality.

Organizations offer numerous services to their customers. These services depend on the type of products and differ in various organizations. Service can be defined in many ways depending on which area the term is being used. Kotler & Keller, (2009) defines service as "any intangible act or performance that one party offers to another that does not result in the ownership of anything". Service is an intangible offer for satisfaction by one party to another in exchange of money. Quality is one of the things that consumers look for in an offer, and service happens to be one (Solomon 2009).

Quality is the overall experience which a customer perceives through interacting a product and service. Ahmed et al (2010) succinctly captured the definition of quality when he said that quality is a form of attitude, related but not equivalent to satisfaction that results from the comparison of expectations with performance".

Quality can also be defined as the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs (Kotler *et al.,* 2002). It is evident that quality is also related to the value of an offer, which could evoke satisfaction or dissatisfaction on the part of the user. Service quality is commonly noted as critical prerequisite for creating and sustaining customer relationship.

Service quality is the extent to which customers' perceptions of services meet and/or exceed their expectations Zeithaml *et al.,* (1990): in

Bowen & David, 2005). Thus service quality can imply the way customers are served in an organization or related thereafter. Parasuraman, Zeithamal and Berry (1988), (1988) define service quality as "the differences between customer expectations and perceptions of service". They argued that measuring service quality as the difference between perceived and expected service was a valid way and could make management to identify gaps to what they offer as services.

Apart from the fact that quality service leads to customer satisfaction, in addition, quality service separates successful and unsuccessful organizations and helps them to achieve long-term competitive advantage.

Two major ways of achieving customer satisfaction are: service offered as technical quality and functional quality (Gronroos, 1984). Technical quality is methodological, whereas, functional quality is about efficiency. For the fact that customers do not have much information about the technical aspects of service; therefore, functional quality becomes the major factor from which perception of service quality is determined by the customers.

Measuring service quality is a better way to dictate whether the services are good or bad and whether the customers are satisfied with it. Haywood, (1988) listed: components of service quality, called the 3 "Ps" of service quality" as comprising of three elements:
1. Physical facilities, processes and procedures;
2. Personal behaviour on the part of serving staff, and;
3. Professional judgment on the part of serving staff but to get good quality service.

Haywood, (1988) stated that "an appropriate, carefully balanced mix of these three elements must be achieved." What constitutes an appropriate mix, according to him will, in part, be determined by the relative degrees of labour intensity, service process customization, and contact and interaction between the customer and the service process.

SERVQUAL (Gap) Model

SERVQUAL is an acronym of service quality. Parasuraman, Zeithamal and Berry (1988) built a 22-item instrument called SERVQUAL for measuring consumer perceptions of service quality. According to the SERVQUAL model, service quality can be measured by identifying the gaps between customers' expectations of the service to be rendered and their perceptions of the actual performance of service.
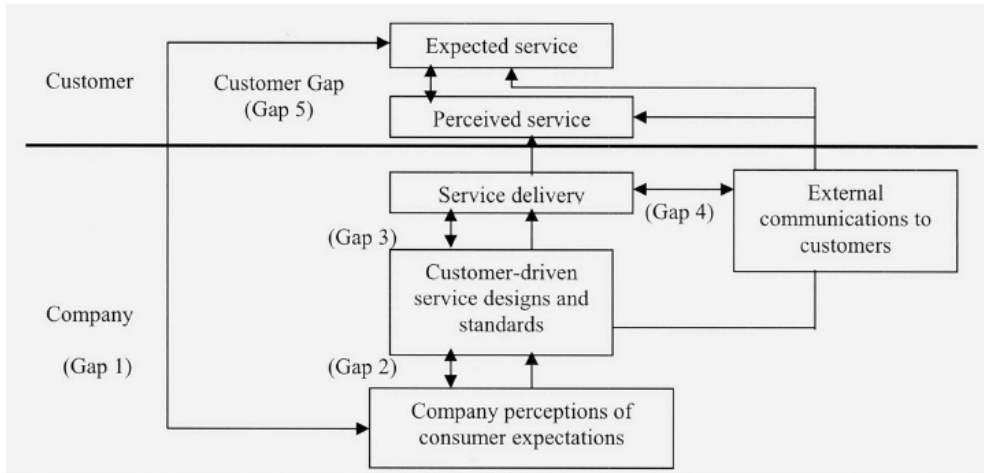
Figure 2: Gap Model of Service Quality

Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1988). SERVQUAL: A multiple-item consumer perceptions of service quality, *Journal of Retailing*, 64 (1), p.12-40.

Parasuraman, Zeithml and Berry (1998) identified and classified perceived service quality into five dimensions: tangibility, reliability, responsiveness, assurance and empathy.

1. Tangibility: This refers to the physical characteristics associated with the service encounter. It includes the physical surroundings represented by objects (for example, interior decoration and design) and subjects (for example, the appearance of employees).

2. Reliability: This is the service provider's ability to provide consistent, dependable and trustworthy services

3. Responsiveness: This is a firm's willingness to assist its customers by providing fast and prompt service. It entails being sensitive, open, receptive and to efficiently handle customer requests and problems.

4. Assurance: This is the diverse features that provide confidence to customers (such as the firm's specific and guaranteed service, promise, polite and trustworthy behaviour from employees).

5. Empathy: This is the service firm's readiness, understanding, compassion and genuine concern to provide each customer with personal service.

Theoretical Framework

The theory most relevant, which forms the underpinning to this study, is the Kano model. The Kano model is a theory developed in the 1980's by Professor Noriaki Kano and his colleagues of Tokyo Rika University (https://en.wikipedia.org/wiki/Kano_model downloaded 24/09/2016). The

Kano model offers some insight into the product attributes which are perceived to be important to customers. Kano classified product attributes into five:

(i)   Must-be Quality

These are attributes of products taken for granted when fulfilled but result in dissatisfaction when not fulfilled. An example of this would be a package of milk that leaks. Customers are dissatisfied when the package leaks, but when it does not leak the result does not increase customer satisfaction.

(ii)   One-dimensional Quality

These are attributes that result in satisfaction when fulfilled and dissatisfaction when not fulfilled. These are attributes that are spoken and the ones in which companies compete. An example of this would be a brand of candy that is said to have ten percent more milk for the same price will result in customer satisfaction, but if it only contains six percent then the customer will feel misled and it will lead to dissatisfaction.

(iii)   Attractive Quality

These are attributes that provide satisfaction when achieved fully, but do not cause dissatisfaction when not fulfilled. These are attributes that are not normally expected, for example, a thermometer on a package of milk showing the temperature of the milk. Since these types of attributes of quality unexpectedly delight customers, they are often unspoken.

(iv)   Indifferent Quality

These attributes refer to aspects that are neither good nor bad, and they do not result in either customer satisfaction or customer dissatisfaction. For example, the thickness of wax coating or a colorful label on a milk carton. This might be key to the design and manufacturing of the carton, but consumers are not even aware of the distinction.

(v)   Reverse Quality

These attributes refer to a high degree of achievement resulting in dissatisfaction and to the fact that not all customers are alike. For example, some customers prefer high-tech products, while others prefer the basic model of a product and will be dissatisfied if a product has too many extra features.

The Kano model also categorized attributes based on how they are perceived by customers. The attributes are:

(1) Basic or expected attributes,
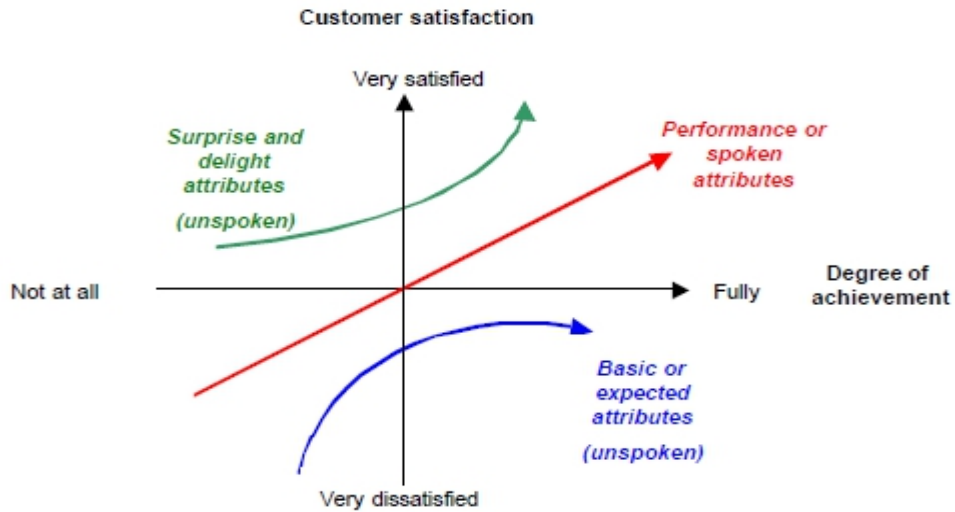(2) Performance or spoken attributes,
(3) Surprise and delight attributes.

Figure 2: The Kano Model
Source:(https://en.wikipedia.org/wiki/Kano_model downloaded 24/09/2016.

These categories are equally represented using various names (delighters/exciters, satisfiers, dissatisfiers, etc.). The performance or spoken attributes are the expressed expectations of the customer. The basic or expected attributes implies the basic attributes without any major significance of worth mentioning. The third one, the surprise and delight attributes are those, which are beyond the customers' expectations.

The underlying assumption behind Kano's method is that customer satisfaction is not always proportional to how fully functional the product or service is or in other words, higher quality does not necessarily lead to higher satisfaction for all product attributes or services requirements, but other factors come into play.

Review of Empirical Literature

Some researchers have provided possible means of measuring customer satisfaction (Levy, 2009; National Business Research Institute (NBRI; 2009). Cronin and Taylor, (1992) reported that customer satisfaction is based on the customer's experience on a particular service encounter and service quality is a determinant of customer satisfaction.

Levy (2009) in his study, identified three ways of measuring customer satisfaction:
1. A survey where customer feedback can be transformed into measurable quantitative data.
2. Focus group or informal where discussions orchestrated by a trained moderator reveal what customers think.

3. Informal measures like reading blocs, talking directly to customers.

Two conceptualizations of customer satisfaction; transaction-specific and cumulative is reported by (Boulding, *et al.,* 1993). The transaction specific, customer satisfaction is viewed as a post-choice evaluation judgment of a specific purchase occasion. Cumulative customer satisfaction is an overall evaluation based on the total purchase and consumption experiences with a product or service over time. It is the cumulative customer satisfaction that motivates a firm's investment in customer satisfaction (Fornell, 1992, Johnson & Fornell 1991).

Lee *et al.,* (2000) and Wilson *et al.,* (2008) studied the relationship between customer satisfaction based on the level of service quality provided by the service provider and service quality determinant of customer satisfaction. Their findings showed a positive relationship. In a related study, Wilson *et al.*, (2008) identified determinants of customer satisfaction to be product and service quality, price, personal and situational factors. Sivadas & Baker-Prewitt (2000); Kuo, (2003); Bennett & Barkensjo (2005) concurred with the findings of Lee *et al.,* (2000)*.*

Parasuraman *et al.*, (1988) conducted another study on relationship between customer satisfaction, service quality and repurchase intentions for the telecom sector among university students using the SERVQUAL model's 5 dimensions (tangibles, responsiveness, empathy, assurance and reliability). Result of that study showed a positive relationship. The findings of Kuo,(2003), Wang *et al.,* (2002); Sureshchandar, *et al.,*(2002); Bennett & Barkensjo (2005) are in consonance.

Laroche *et al.,* (2004) surveyed customers' post encounter expectations in a well-known airline. The casual relationships between two types of expectations and hypothesized dimensions were determined. They tested the dimensions in the context of the turbulent airline industry and found out that there is relationship in the measured dimensions. The findings of Sivadas & Baker-Prewitt (2000), Parasuraman *et al.,* (1985), Saravana & Rao, (2007); Lee *et al.,* (2000), Laroche *et al.,* (2004) are in agreement

In addition, Wang & Hing-Po (2002) used SERVQUAL model in measuring service quality in China's mobile phone market. Emphasis was paid to the study of the dynamic relationships among service quality, customer value, customer satisfaction and their influences on future behaviours after. Service quality was identified as the key driver of customer value and satisfaction.

Yet; Bennett & Barkensjo (2005) studied client perceptions of the levels of service quality of charitable organizations using 100. They constructed a model and estimated using the method of partial least square. In their results, service quality was found to represent an effective weapon

for improving both relationship quality and beneficiaries' satisfaction with service provision.

Methodology

This study adopted a survey research design. The survey was conducted with the use of a well-structured questionnaire designed in a 5 point likert scale format ranging from, strongly agree, agree, strongly disagree, disagree and undecided. Twelve (12) small and medium scale enterprises operating in the six geo-political zones of Nigeria were judgmentally selected. Because we could not ascertain the population of customers patronizing this category of businesses at the time of this study, a sample of 60 was chosen using Taro Yamane formula.

The questionnaire was validated and its reliability established. Data presentation and analysis was carried out using tables and simple percentages. Chi-square statistic; a nonparametric technique was employed in the test of formulated hypotheses.

The chi-square formula is presented as follows:

$$\chi^2 = \frac{\sum (0\text{-}E)^2}{E}$$ ………….Equation 1 (Ewah, 2015)

Where: 0 = Observed frequency

E= Expected frequency

∑=Summation of values

Expected frequencies are obtained Using; $\frac{RT \times CT}{GT}$ ………. Equation 2 (Ewah, 2015)

Where RT= Row total, CT= Column Total, GT= Grand Total

Calculation of degree of freedom and Decision rules

Df (V) = (C-1) (R-1) …………….. Equation 3 (Onyeizugbe, 2013)

Df = degree of freedom

Where: C= number of columns

R= numbers of rows. (Source)

Decision rule:

If the χ^2 calculated is greater than χ^2 tabulated, reject null hypothesis and accept null if otherwise. This is based on the fact that the χ^2 tabulated is tested using a 5% level of significance.

Data Presentation and Analysis

Relationship between Reliable Service and Growth in Market Share was measured using the following indicators: consistency, dependability and trustworthiness as presented below:

Table 1: Respondents Views on Consistency of Service and Achievement of Competitive Ability

Response	Frequency	Percentages%
SA	23	44.23
A	19	36.54
U	4	7.69
D	4	7.69
SD	2	3.85
TOTAL	**52**	**99.99**

Source: Field survey 2016

Table 1 above indicates that 44.23% of respondents strongly agreed, 36.54% agreed, 7.69% undecided and disagreed respectively, while 3.85% strongly disagreed.

Table 2: Respondents Views on Dependable Service and Achievement of Growth in Market Share

Response	Frequency	Percentage(%)
SA	10	19.23
A	23	44.23
U	—	—
D	13	25
SD	6	11.53
Total	**52**	**99.99**

Source: Field survey 2016

Table 2 above shows that 19.23% of respondents strongly agreed, 44.23% agreed, 25% disagreed while 11.53% strongly disagreed.

Table 3: Respondents Views on Trustworthiness and Achievement of in Growth in Market Share

Response	Frequency	Percentages (%)
SA	21	40.38
A	10	19.23
U	17	32.69
D	2	3.85
SD	2	3.85
Total	**52**	**100**

Source: Field survey 2016

Table 3 above shows that 40.38% of respondents strongly agreed, 19.23% agreed, 32.69% undecided, while 3.85% disagreed and strongly disagreed respectively.

Relationship between Assured Service and Achievement of Customer Satisfaction was measured using the following indicators: guaranteed, secure and confidential as presented below.

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Table 4: Respondents Views on Guaranteed Service and Achievement of Customer Satisfaction

Response	Frequency	Percentage (%)
SA	19	36.5
A	10	19.23
U	17	32.69
D	4	7.69
SD	2	3.85
Total	**52**	**99.99**

Source: Field Survey 2016

Table 4 above shows that 36.5% of respondents strongly agreed, 19.23% agreed, 32.69% undecided, 7.69% disagreed while 3.85% strongly agreed.

Table 5: Respondents Views on Secure Service and Achievement of Customer Satisfaction

Response	Frequency	Percentages%
SA	10	19.23
A	36	69.23
U	—	—
D	2	3.85
SD	4	7.69
Total	**52**	**100**

Source: Field survey 2016

Table 5 above shows that 19.23% of respondents strongly agreed, 69.23% agreed, 3.85% disagreed, while 7.69% strongly disagreed.

Table 6: Respondents Views on Confidential Service and achievement of customer satisfaction

Response	Frequency	Percentages%
SA	21	40.38
A	10	19.23
U	17	32.69
D	2	3.85
SD	2	3.85
Total	**52**	**100**

Source: Field survey 2016

Table 6 above indicates that 40.38% of respondents strongly agreed, 19.23% agreed, 32.69% undecided, 3.85% disagreed, and strongly disagreed respectively.

Relationship between Empathic Service and achieve profitability was measured by the following indicators: understanding, sympathy and compassion as presented below:

Table 7: Respondents Views on Understanding in Service and Achievement of Profitability

Response	Frequency	Percentages%
SA	15	28.85
A	19	36.5
U	8	15.38
D	7	13.46
SD	3	5.77
Total	**52**	**99.96**

Source: Field survey 2016

Table 7 above shows that 28.85% of respondents strongly agreed, 36.5% agreed, 15.38% undecided, while13.46% disagreed and 5.77 % strongly disagreed respectively.

Table 8: Respondents Views on Sympathy in Service and achievement of profitability

Response	Frequency	Percentages%
SA	10	19.23
A	30	57.69
U	6	11.58
D	2	3.85
SD	4	7.69
Total	**52**	**100**

Source: Field survey 2016

Table 8 above shows that 19.23% of respondents strongly agreed, 57.69% agreed, 11.58% undecided, while 3.85% disagreed and 7.69 % strongly disagreed respectively.

Table 9: Respondents Views on Compassionate Service and Achievement of Profitability

Response	Frequency	Percentages%
SA	21	40.38
A	10	19.23
U	17	32.69
D	2	3.85
SD	2	3.85
Total	**52**	**100**

Source: Field survey 2016

Table 9 above shows that 40.23% of respondents strongly agreed, 19.23% agreed, 32.69% undecided, while 3.85% disagreed and strongly disagreed respectively.

Test of Hypothesis 1

H_{o1}: There is no Relationship between Reliability of Service and Growth in Market Share in SME. Table 10 was formulated using table 1, 2 and 3.

Table 10: Observed Frequencies

Response	5	6	7	Total
SA	23	10	21	54
A	19	23	10	52
U	4	-	17	21
D	4	13	2	19
SD	2	6	2	10
Total	52	52	52	156

Table 11: Expected Frequencies (Developed using equation 2)

Response	5	6	7	Total
SA	18	18	18	54
A	17.33	17.33	17.33	52
U	7	7	7	21
D	6.33	6.33	6.33	19
SD	3.33	3.33	3.33	10
Total	52	52	52	156

Table 12: Contingency

0	E	0-E	$(0-E)^2$	$(0-E)^2/E$
23	18	5	25	1.3888889
10	18	-8	64	3.5555556
21	18	3	9	0.5
19	17.33	1.67	2.7889	0.160929
23	17.33	5.67	32.1489	1.855101
10	17.33	-7.33	53.7289	3.1003405
4	7	-3	9	1.2857143
0	7	-7	49	7
17	7	10	100	14.285714
4	6.33	-2.33	5.4289	0.8576461
13	6.33	6.67	44.4889	7.0282622
2	6.33	-4.33	18.7489	2.9619115
2	3.33	-1.33	1.7689	0.5312012
6	3.33	2.67	7.1289	2.1408108
2	3.33	-1.33	1.7689	0.5312012
				47.183277

The calculated Chi-square (χ^2) value is 47.18

Applying the degree of freedom formula of (r-1) (c-1)

Df = (5-1) (3-1) =8

Testing at 5% level of significance, the chi-square ($\chi2$) table of value is 15.51

Decision Rule:

Since chi-square calculated value is greater than chi-square tabulated value, we reject the null hypothesis and accept the alternative hypothesis which says that Customer satisfaction has relationship with service quality (SERVQUAL).

Test of hypothesis II

H_{o2}: Responsive and Assured services do not make SME Achieve Customer satisfaction. In order to test the above hypothesis, we used table 4, 5, and 6

Table 13: Observed Frequencies

Response	10	12	13	Total
A	19	10	21	50
SA	10	36	10	56
U	17	-	17	34
D	4	2	2	8
SD	2	4	2	8
TOTAL	52	52	52	156

Table 14: Expected Frequencies (Developed using equation 2)

Response	10	12	13	Total
A	16.667	16.667	16.667	50
SA	18.667	18.667	18.667	56
U	11.333	11.333	11.333	34
D	2.667	2.667	2.667	8
SD	2.667	2.667	2.667	8
Total	52	52	52	156

Table 15: Contingency

O	E	O-E	(O-E)2	(O-E)2/E
19	16.667	2.333	5.442889	0.3265668
10	16.667	-6.667	44.44889	2.66688
21	16.667	4.333	18.77489	1.1264708
10	18.667	-8.667	75.11689	4.0240472
36	18.667	17.333	300.4329	16.094332
10	18.667	-8.667	75.11689	4.0240472
17	11.333	5.667	32.11489	2.83375
0	11.333	-11.333	128.4369	11.333
17	11.333	5.667	32.11489	2.83375
4	2.667	1.333	1.776889	0.6662501
2	2.667	-0.667	0.444889	0.1668125
2	2.667	-0.667	0.444889	0.1668125
2	2.667	-0.667	0.444889	0.1668125
4	2.667	1.333	1.776889	0.6662501
2	2.667	-0.667	0.444889	0.1668125
				47.262594

The Chi-square calculated (χ^2) is 47.26

Applying the degree of freedom formulae of (r-1) (c-1)

Df = (5-1) (3-1) = 8

Testing at 5% level of significance, the chi-square (χ^2) table value is 15.51

Decision:

Since chi-square calculated value is greater than chi- square tabulated value, we reject the null hypothesis and accept the alternative hypothesis which says that reliable and responsive services make customers to be satisfied.

Test of hypothesis III

1. H_{o3}: Empathic and Tangible Service does not Make SME Achieve Profitability.

In order to test the above hypothesis, we used table 7, 8, and 9

Table 16: Observed Frequencies

Response	14	15	16	Total
A	15	10	21	46
SA	19	30	10	59
U	8	6	17	31
D	7	2	2	11
SD	3	4	2	9
TOTAL	52	52	52	156

Table 17: Expected Frequencies (Developed using equation 2)

Responds	14	15	16	Total
A	15.33	15.33	15.33	45.99
SA	19.667	19.667	19.667	59.01
U	10.333	10.333	10.333	30.99
D	3.667	3.667	3.667	11.01
SD	3	3	3	9
Total	52	52	52	156

Table 18: Contingency

O	E	O-E	(O-E)2	(O-E)2/E
15	15.33	0.33	0.11	0.0007
10	15.33	-5.33	28.41	1.85
21	15.33	5.67	32.15	2.10
19	19.667	0.667	0.44	0.02
30	19.667	10.333	106.71	5.43
10	19.667	-9.667	93.51	4.75
8	10.333	2.333	5.43	0.53
6	10.333	-4.333	18.75	1.82
17	10.333	6.667	44.49	4.31
7	3.667	3.333	11.09	3.02
2	3.667	-1.667	2.79	0.76
2	3.667	-1.667	2.79	0.76
3	3	0	0	0
4	3	1	1	0.33
2	3	-1	1	0.33
				24.1607

The Chi-square calculated (χ^2) is 24.16

Applying the degree of freedom formulae of (r-1) (c-1)

Df = (5-1) (3-1) = 8

Testing at 5% level of significance, the chi-square (χ^2) table value is 15.51

Decision:

Since chi-square calculated value is greater than chi- square tabulated value, we reject the null hypothesis and accept alternative hypothesis which says that empathic, assured and tangible services satisfy customers

Discussions of Findings

The major findings from this study are:

a) Reliable service has relationship with achievement of growth in market share in small scale business. This finding agrees with that of Gronroos (1983) that says; reliability is connected to the consistence of performance and dependability. According to him, these dimensions include keeping promises and giving the right service the first time.

b) Responsive and assured services help small scale business to achieve customer satisfaction. The findings of Gronroos (1983) concurs with this result and indicates that providing quick, receptive, guaranteed, secured and confidential service to customers makes them to be satisfied.

c) Empathic and tangible services help small scale business to achieve profitability. This result is in line with the findings of Zeithaml, Berry and Prasuraman (1990) which reports that empathy is about easy access, good communication and understanding the customers. In addition, it is all about factors such as compassion and having sincere interest in giving individual attention and really showing understanding in the need of the customers.

Since fully functional and high quality product alone does not guarantee customer satisfaction, it implies that SERVQUAL dimensions have something to do with customer satisfaction.

Recommendations

The study recommends the following: Since SERVQUAL dimensions: reliability responsiveness, assurance, empathy and tangibility can be used to evaluate the performance of small medium scale enterprise. In the light of the above findings and since it has been identified that SERVQUAL dimensions mean much to customers, it is proposed that owners of small and medium scale enterprises should direct their operations in line with SERVQUAL dimensions, if they want to achieve customer satisfaction and business performance.

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