

**THE SERVICES QUALITY INFLUENCE THE SATISFACTION OF SMES AND FEES
PAID ON NON- AUDIT SERVICES PROVIDED BY SMALL AND MEDIUM
PRACTITIONERS (SMPs)**

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ABSTRACT

It is an undeniable fact that Small Medium Enterprises (SMEs) play an essential role in the growth of the economy of Malaysia. Although SMEs form the majority of the total number of registered companies in Malaysia, its contribution to the country's gross domestic product (GDP) is still not significant as compared to SMEs in other countries. Generally, SMEs are facing many challenges and barriers such as lack of managerial capabilities, shortage in financing and human resource. This forced SMEs to find the expertise from an external party such as an accountant in term of non-audit services (NAS) to overcome their challenges. As an external accountant is the first choice for SMEs to seek the advices, it is essential to study the service quality of external accountant who providing the NAS to SMEs and the relationship with satisfaction and non-audit fees. A total 106 usable responses were used in the analysis and found that from the five dimensions of service quality only four dimensions (namely tangible, assurance, responsiveness and reliability) has a significant relationship with satisfaction. Meanwhile, only assurance, responsiveness and reliability significantly affect the level of non-audit fees paid. The finding helps external accountant to strategize their services in order to satisfying their customer and determined the level of fees would like to charge. Overall, this paper draws attention to the importance services quality of NAS in enhancing the survival of the SMEs.

Keywords: Small and medium enterprises, Non-audit services, Services quality, Satisfaction

INTRODUCTION

Due to the fact that Small Medium Enterprises (SMEs) play an important role towards the world economy as a potential contributor, there is a wide interest in its development as well as finding ways to reduce its failure. In most developing and transitioning countries, it is found that these small businesses have an advantage towards alleviating poverty (Morris, Woodworth, & Hiatt, 2006) apart from contributing its potential towards creating sustainable development (Tilley & Parrish, 2006). It is a globally known fact, that the SMEs play a significant role in contributing towards the development of a country's economics, creating job opportunities, and maintaining the overall health and welfare of the world's economy (Korsching & Allen, 2004).

Around the world, in most of the countries these SMEs strictly play an essential part towards the country's economic lifeline. As such, it is a major contributor towards ideas and employment which are the determining factors towards sustaining and stimulating the national economic growth. However, the optimum potentials of these SMEs remains undiscovered or manipulated even though these SMEs actually dominates the economy of a country as far as the employment and number of companies are concerned (Schlogl, 2004). A matter of consideration here is, though there is a wide understanding of the advantages and positive impacts of SMEs in the growth of economics, the economic importance of SMEs are yet to be tested in a wholesome manner. Having understood the importance of SMEs contributions towards the national economy, it is timely to study the ways and means to beneficially exploit the prospective of the SMEs. Through this research, a way that can be suggested is the evaluation of the role of professional accountants in enhancing the business advisory services / non-audit services (NAS) in order to help SMEs manage their business decisions in a more informed manner (PAIB Committee, 2005). This is important because the SMEs are facing shortage of skilled personnel, low expertise in technical and management knowledge and human resource constraints (Ting, 2004; NSDC 2012).

Further, past literature highlighted that SMEs will look for the external advisor to overcome their weaknesses and constraints in order to improve their business performance (Bennett & Robson, 1999; Berry, Sweeting, & Goto, 2006; Xiao & Fu, 2009). External advisor refers to solicitor, consultants, external accountants, chambers of commerce, bank, academia, government agencies and so on (Bennett & Robson, 1999; Berry et al., 2006; Ong, Azmi, Isa, Jusoh, & Kamarulzaman, 2008). Previous studies found that external accountants are the main advisors to SMEs (Bennett & Robson, 1999; Berry et al., 2006; Leung, Raar, & Tangey, 2008). This point is supported by a study conducted in New Zealand where the results show that accountants are the key source of advice to SMEs. They are frequently referred to, and their advice is rated as significant and useful (Lewis, Massey, Ashby, Coetzer, & Harris, 2007). The research conducted by Deakins, Logan, and Steele (2001) found that accountants assist in establishing networks, advice in business performance and ensure that learning happens in SMEs. The authors identified that SMEs who seek advice from accountants are usually in the beginning stage of the business cycle. Meanwhile, research done in Malaysia shows that there are six areas that SMEs will normally seek assistance from an external accountant and they are: (i) accounting services, (ii) taxation services, (iii) assurance services, (iv) corporate services, (v) corporate finance services and (vi) business consulting services. Among the services offered by external accountants, taxation service is rated as the top most service that is sought after by SMEs (Ong et al., 2008).

NAS also may destroy an accountant's professionalism and the client if Small and Medium Practitioners (SMPs) provide the services with lower quality. The quality of service performed depends on the level of fees being charged (Chia, Lapsley & Lee, 2007). According to Frankel, Johnson & Nelson (2002), audit firm used non-audit fees as their strategy to increase their income and the fees being charged to their clients were not based on the quality of work performed.

According to Carcello (2002), firms demanding higher quality audit will be willing to pay a higher fee. Meanwhile, Chia et al. (2007) stated that the amount of audit fees being charged depends on the quality of audit works performed. The higher the audit service quality is, the higher will be the amount of fees charged. Auditors might charge any level of fees, if they only provide non-audit services because there is no regulations to control it. (Craswell & Guest, 2000).

SMPs need to provide services with good quality to SMEs. With this assistance, SMEs will be able to overcome the challenges and barriers they are facing. Thus it will increase the contribution to the country's economic growth. Directly, SMPs are able to increase the firms' revenue by capturing the SMEs market by offering the service needed by them. In addition, they can determine the level of fees that can be charged without impairing their independence. Non-audit service is as important as audit service because the responsibility is almost the same as audit service and the effect to accountant of lower quality service with may destroy the client and as well as the auditor professionalism.

Therefore, this study would like to explore whether services provided in term of NAS by SMPs have quality, the satisfaction level of SMEs and the influence of service quality on the level of non-audit fees. It becomes an interesting gap to be investigated further because the level of fees depends on the service quality provided by a firm.

QUALITY THEORY

The quality theory model was introduced by DeAngelo (1981). The model is used wisely in auditing service to determine the service quality. According to the model, controlling factors on the audit firm are divided into two categories, which are audit firm factors and audit team factor. The first category refers to controlling on the firm factors such as control process, human resource and industry experience. The second factor refers to controlling in audit team factors such as planning and performance of the service, supervision, client's experience and professionalism.

In addition, it has been concluded by studies of DeAngelo (1981) and Palmrose (1988), which the extent of quality control system on the audit firms' influences the team in performing well while providing their services. This influences the detection of material misstatements which will increase the audit service quality. Simunic (1984) developed a model in which audit fees are cross-subsidised by non-audit work: competitive pressures in the audit market might then compel auditors to discount their audit fees, so that higher non-audit profits would be associated with lower audit fees. As summarized, Simunic (1984) suggests that auditors will be able to charge higher fees, as an outcome to high level of service quality. On the other hand, Asare, Cohen and Trompeter, (2005) stated that high service quality will increase firm reputation and

increase client valuation (satisfaction) on the firm. Thus, the basis of the theoretical framework in this research is DeAngelo’s (1981) quality theory being applied on non-audit services while DeAngelo (1981) used this model in audit service.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Quality Service and Satisfaction

High service quality is believed as the driver for the success of the firm (Ismail et al. 2006). Theoretically, service quality leads to customer loyalty (Lewis, 1994), and also higher profitability (Gundersen et al., 1996). Service quality is also believed to induce the satisfaction of the customers (Ismail et al., 2006).

Service quality is an important factor of customer perception because it is an antecedent to customer satisfaction (Ismail et al., 2006). Pasuraman et al. (1998) address five dimensions in assessing the service quality which are: reliability, responsiveness, assurance, empathy, and tangibles. They conclude that these five dimensions can enhance the satisfaction of customers. The dimension is believed as the customer expectation in service quality.

Zeithaml and Bitner (2003) address that customer expectations are beliefs about service delivery that function as standard or reference point against which performance is judged. Furthermore, they explained that to satisfy the customers, it is essential to know what customer expects. Then, the expectation can be matched to the service quality dimensions. Bolton and Drew (1991), and Sohail (2003) stated that service quality has a significant relationship to customer satisfaction. Formell, Johnson, Anderson, Cha and Bryang (1996) states that the satisfaction of customer depended to the way of customer valued the quality delivery. Zeithaml and Bitner, (2000) defined that satisfied customer would remain loyal, required service more often, fewer price sensitive and shall talk favorable things about the company.

In other contexts, by using SERVQUAL model, Sewell (1997) found in medical line that patients emphasize greater importance on reliability dimension. Angelopoulou, Kangis and Babis (1998) found that quality perception in services has significant influence on customer satisfaction. It is confirmed by Manaf (2006) who concluded service quality perception has effect on customer satisfaction.

In auditing context, service quality provided by audit firms is a very important issue when signs of dissatisfaction with the service arises (Sutton, 1993; Behn, Carcello, and Hermanson, 1997). Bad service quality will raise dissatisfaction and in the end it will affect the audit firm’s reputation (Fuerman, 2003). Behn et al. (1997) investigated the relationship between audit service quality and client satisfaction. They found that responsiveness, effectiveness, on-going interaction and the appropriate conduct of audit field influence the clients’ satisfaction significantly. This confirmed by Gao (2003) who found that audit service quality has positive and significant relationship to clients’ satisfaction.

According to Formell et al. (1996), customer satisfaction is comprehended as quality. It means that customer satisfaction depends on the way they value the quality delivery. This was later confirmed by Cronin, Brady and Hult, (2000). It was addressed that there is a significant

relationship between service quality and satisfaction. In Malaysia context, Ismail et al. (2006), as one of their findings, found there is partial relationship between service quality and satisfaction on 115 public listed companies. Therefore, this research hypothesizes that:

- H1: Service quality has a significant relationship with satisfaction.
- H1a: Tangibility has a significant relationship with satisfaction
- H1b: Assurance has a significant relationship with satisfaction
- H1c: Responsiveness has a significant relationship with satisfaction
- H1d: Reliability has a significant relationship with satisfaction
- H1e: Empathy has a significant relationship with satisfaction

Service Quality and Level of Non-audit Fees Paid

In common sense, people tend to pay higher as they perceive and receive good quality in service. Classic works of DeAngelo (1981) and Palmrose (1986) have stated that clients are willing to pay high amount of fees in order to receive a high quality of service. Moreover, when buyers cannot observe product quality prior to the purchase, the reputation of the seller provides a mechanism that signals superior quality (Riley, 2001). If this preposition is applied in auditing, company will pay different level of assurance and non-audit fee according to the audit firm reputation.

Technical capability of auditors is assumed to be the same (refer to ISQC). Therefore, the independence and quality of the service should be similar. Logically, by this condition, the level of fee should be also the same. However, as the inherence risk is included in the price making, the level of fee will differ from one audit firm to another audit firm (DeAngelo, 1981). Companies will pay different level of assurance services fee as the audit firm reputation signals the quality service (Riley, 2001). Carcello and Nagy (2002) found out that the firms demanding higher quality audit are willing to pay a higher fee. Meanwhile, Niemi (2004) found firms tend to pay higher to big audit firms as the firm perceived that big audit firms will give good quality in audit. In other words, different quality service will receive different level of fee. According to Haron and Ismail (2010), service quality given will determine the level of non-audit fees especially on taxation.

Dee, Lulseged & Nowlin (2002) found that level of non-audit service fee has significant effects on the quality service. They surmise that after engagement meeting, highly paid auditors will give better service quality than lowly paid auditors. This is in converse with the client expectation, whereas client will use the same auditor and pay higher for the next subsequent year if they receive good quality service. Lim and Tan (2007) also found that quality service has significant effects on level of fee. They address further that reputation, litigation exposure, and industry specialization are the factors in determining the level of fee.

This research used SERVQUAL dimensions' of Parasuraman et al. (1990). It will relate the dimensions on SERVQUAL (Tangible, Reliability, Responsiveness, Assurance, and Empathy) to the level of non-audit fees. According to Zeithaml and Bitner (2000), it is very obvious that only customers who are satisfied will remain loyal, requiring the service more often. DeAngelo (1981) and Palmrose (1986) stated that the satisfaction in higher service quality will bring clients to pay high fees. In US context, Defond, Raghunandan, and Subramanyam (2002) found that there is partial relationship between service quality and level of fees. It is confirmed by

Lim and Tan (2007) which found the relationship between service quality and level of fees in Singapore.

In Malaysia context, the relationship between service quality and non-audit fees is rarely investigated. Thus, there is research conducted by Che (2008) investigating the link between service quality and level of non-audit fees. She concluded that there is relationship between service quality and level of non-audit fees after examined 103 SMEs companies in Malaysia. Therefore, this research hypothesizes that:

- H2: The higher the service quality, the higher the level of non-audit fees paid
- H2a: The higher the tangible, the higher the level of non-audit fees paid
- H2b: The higher the assurance, the higher the level of non-audit fees paid
- H2c: The higher the responsiveness, the higher the level of non-audit fees paid
- H2d: The higher the reliability, the higher the level of non-audit fees paid
- H2e: The higher the empathy, the higher the level of non-audit fees paid

METHODOLOGY

Exploratory study seems to be the most appropriate research design to be used for this study. This is due to the absence of information and also very few previous researches on the service quality of non-audit service. More information or knowledge in the field of interest is expected to be gathered by using the exploratory studies. This indeed will be helpful in developing a theoretical framework and hypothesis. In general, the purpose of this study is to analyze and assess the quality of non-audit services. It will be based on the confirmation/ disconfirmation paradigm. Besides this, we also can determine whether the quality of non-audit has convincing and positive effect on the level of fees paid to comply with the clients' satisfaction.

The perception of SMEs on the quality of non-audit services by their service provider is the main concern of this study. As a result, SMEs is the unit of analysis in this study. Since it only focuses on SME organizations as the end users of the non-audit services, this study is cross-sectional in nature.

The population of this study consists of clients who have received NAS from service providers that are the audit firms and non-audit firms. NAS in this study includes secretarial practice, taxation, consultation and internal audit. The samples or respondents selected for the study are SMEs that received NAS from SMPs only excluding the Big 4 firms.

This research used primary data obtained from the questionnaires which were sent to SMEs and used the convenience sampling method in collecting data. A total of 450 questionnaires were distributed to the respondents.

Three types of variables used in this study comprises of independent variable referring to service quality of NAS, mediating is client satisfaction and dependent variable focus to level of fees. Firstly, independent variable measures the service quality through five dimensions which are tangible, assurance, responsiveness, reliability and empathy. The service quality variables in this research are similar to SERVQUAL model used in Ismail et al. (2006). Secondly, the satisfaction about the NAS provided by small and medium practitioners (SMPs).

The service quality and satisfaction are measured using the rate on a scale of 1 (strongly disagree) to 5 (strongly agree) their agreement with regards to statements on provided. On the other hand, the level of non-audit fees paid is measured by requested the SMEs to choose the average range amount of fees that have paid for the NAS over the past 3 years to SMP on the 5-items likert scale range, from 1 to 5. 1 for "less than RM1,000", 2 for "RM1,000-RM3,000", 3 for "RM3001-RM5000", 4 for "RM5001-RM10,000" and 5 is "More than RM10,000".

RESULTS

A total 106 questionnaires which had been collected and can be used for data analysis. The demographic profile showed that 41 or 38.6% respondents are in the Account Executive category. Meanwhile, 34% of the respondents are Managing Directors and 20.8% of the respondents are Account Managers and the remaining are Financial Controllers. Based on this profiling, we can summarize that most of the respondents are from middle and top management.

Regarding the age of respondents, 40 of the respondents are around the age of 36 to 45 years (37.7%) followed by 26 to 35 (33%) years old Only about 5 % was above 55 years. A crosstab of positions in SMEs and age showed that most of the respondents are in the middle-top management and in the range of 36-45 years old. It was also found that most of the respondents are having 4 to 10 years of experience (51.9%). Only 13 or 12.3% respondents are having more than 16 years of experiences. Meanwhile, the education background of the respondents is Bachelor Degree (40.6%) followed by Diploma (25.6%) and only 0.9% or 1 of the respondents is a PhD holder. Total of 8 respondents or 7.5% have professional qualification such as ACCA and MICPA. On the other hand, majority of the respondents (46%) are in the Service Industry, followed by trading companies (27.4%) and manufacturing industry (16%). Manufacturing-related industry (7.5%) and agriculture industry with 2.9%.

The factor analysis and reliability test were performed to examine validate and reliability of the constructs. All the variables in study fulfill the requirement of goodness of measurement. Table 1 provides the descriptive statistic for all variables. The mean values ranges from 3.29 for responsiveness to 4.05 for empathy. Thus, the relatively lowest standard deviation (0.39) was non-audit fees and Responsiveness as the highest one (0.83).

Table 1: Descriptive statistics

Variables	Mean	Std. deviation
Tangible	3.7075	.82770
Assurance	3.9472	.54462
Responsiveness	3.2948	.83295
Reliability	3.6981	.65509
Empathy	4.0528	.67742
Satisfaction	3.3703	.77015
Non Audit Fees	3.5360	.39490

The Relationship between Service Quality and Satisfaction

The section to test the Hypothesis 1, H1: Service quality has a significant relationship with satisfaction. Table 2 showed regression analysis between independent and dependent variable. The model is significant with R square 0.524, Adjusted R square 0.500, and F Value 22.032 ($p < 0.001$). This implies that in model, the coefficient of determination (R square) was found to be 52.4 percent of the level of client satisfaction is explained by quality of service. The result showed that the Service Quality dimension such as Tangible ($\beta = 0.322$; $p < 0.001$), Assurance ($\beta = 0.177$; $p < 0.05$), Responsiveness ($\beta = 0.318$; $p < 0.001$), and Reliability ($\beta = 0.232$; $p < 0.001$) were found have a positive influence on client satisfaction. However, empathy was found no relationship with client satisfaction ($\beta = -0.034$; $p > 0.05$). In summary, only H1a, H1b, H1c, and H1d were accepted while H1e was rejected

Table 2 has surmised that SMPs has to emphasize on the responsiveness and tangible of service quality to induce the satisfaction level of its clients. As depicted by the result, the clients will have higher satisfaction level, if the quality delivery has higher quality in tangibility and responsiveness.

Table 2: Relationship between service quality and satisfaction

	Standardized coefficients (β)
Tangible	.322***
Assurance	.177*
Responsiveness	.318***
Reliability	.232**
Empathy	-.034
R ²	.524
Adjusted R ²	.500
F	22.032

Note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

The Relationship between Service Quality and Level of Non-audit Fees

Hypothesis 2 assesses the relationship of service quality and level of non-audit fee. Table 3 suggests that the model between quality of service and fees is significant ($F = 62.578$; $p < 0.001$). However, the model explained 75.8 per cent of the variation in fees paid. Assurance ($\beta = 0.383$; $p < 0.001$), responsibility ($\beta = 0.516$; $p < 0.001$) and reliability ($\beta = 0.139$; $p < 0.001$) are significantly related with level of fees paid. On other hand, tangible ($\beta = -0.010$; $p > 0.05$) and empathy ($\beta = 0.010$; $p > 0.05$), are not significantly related. Thus, only H2b, H2c and H2d were accepted while H2a and H2e were rejected.

It indicates that there are two constructs that have effect on the fee paid, which are: Assurance and Responsiveness in service quality. Therefore, this research concludes that SMEs give more attention on the service quality in Responsiveness and Assurance in term of level of Fee. They do not give attention on the tangible or Empathy.

Table 3: Relationship between Service Quality and Level of Non-Audit Fees

	Standardized coefficients (β)
Tangible	-.010
Assurance	.383***
Responsiveness	.516***
Reliability	.139*
Empathy	.010
R ²	.758
Adjusted R ²	.746
F	62.578

Note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

DISCUSSION AND CONCLUSION

The Relationship between Service Quality and Satisfaction

There is a relationship between service quality and satisfaction but unfortunately only four from five dimensions is significant. Statistically, it showed that Tangible ($\beta=0.322$) and Responsiveness ($\beta=0.318$) have a significant relationship to satisfaction at 0.001 significant level. It also depicted that Assurance ($\beta=0.177$) of service quality has a significant effect on satisfaction at 0.05 significant level. Furthermore, it also shows that Reliability ($\beta=0.232$) has a significant relationship to satisfaction at 0.01 significant level. Parasuraman et al.'s (1991) addressed that Reliability was ranked as the most important service quality dimension followed by Assurance, with Tangible being the least important dimension in service firms. This differs from the research result. This research suggests that Tangible and Responsiveness are the most important factor in service quality, followed by Reliability and the least important dimension is Assurance. Empathy was not found to have any significant relationship with satisfaction.

The high significance of Tangible and Responsiveness dimensions suggest that SMEs are more concerned about tangibility which implies anything that the client see and hear will affect their perception includes physical facilities, equipment and appearance of firm members. Responsiveness reflects how SMPs quickly responds to the issues in SMEs. For SMEs, the responsiveness into the issue that can be tackled is more important compared to Reliability and Assurance. This finding enhances Ting's (2004) study which found that SMPs need to be quick to respond to new demands and needs of their customers in order to sustain the business. Furthermore, SMEs measure the "efficiency" of SMPs based on the responsiveness as evidenced in Fong's (1990) study.

The findings of this research contradict with Ismail et al.'s (2006) findings. They found that listed companies in Malaysia expect audit firms to perform the services accurately. In other words, big companies are more concerned about the Reliability and Assurance dimensions. Tangible dimension are not given concern by large companies. To large companies, the appearance of audit firm's physical infrastructure is not that important when delivering the audit task as they are already well equipped and using the latest technology (Ismail et al., 2006). Therefore, the Tangible dimension will not affect the satisfaction of a large company.

Meanwhile, we can see in the profile of SMEs, this research result is in line with the characteristic. The size of SMEs in term of employees is very small (only in the range of 5-19 employees) and most of it have an average turnover of less than RM1 million. It indicates that SMEs have issues relating to human resource and difficulties in accessing information. This explains why SMEs need responsiveness and good tangibility from SMPs.

However, in the end, the conclusion is still the same. The result still confirms the previous research such as Bolton and Drew (1991), and Boulding et al. (1993), Formell et al. (1996), and Sohail's (2003) whereby the service quality has significant relationship to satisfaction. Depending on the companies' sizes, whether big or small medium, they have different needs in service quality regards to satisfaction. In accounting context, the result is in line with Behn et al. (1997) where they found that responsiveness, effectiveness, on-going interaction and the appropriate conduct of audit field influences the clients' satisfaction significantly. This research also confirms Gao's (2003) who found that audit service quality has positive and significant relationship to clients' satisfaction.

The Relationship between Service Quality and Level of Non-audit Fees

Service quality has a significant relationship to the level of fee. However, not all the dimension of service quality has the significant result. It is only Assurance, Responsiveness, and Reliability that have significant relationship to the level of fee. Assurance and Responsiveness have significant effect on level of fee at 0.001 significant level. Meanwhile, Reliability of service quality has the significant effect on 0.05 significant level. Tangible and Empathy are the dimension on service quality that do not have significant relationship to level of fee. Furthermore, the big R square indicates that the model is acceptable; therefore the relationship is reliable to be explained.

In the context of service quality, customers are willing to pay a higher fee if they perceive and also have received a good quality service. DeAngelo's (1981) and Palmrose's (1986) addressed that clients are willing to pay high amount of fees in order to receive a high quality of service and this research result confirms this theory.

This research also found that the Assurance dimension on service quality has effect on the level of fee. The constructs in this dimension are about the skill and technical ability of the SMPs. It implies that SMEs will pay different level of fee if the SMPs are able to show good skills and technical ability, trustworthiness, politeness, adequate knowledge and good technique of. This is in line with Niemi's (2004). This result indicates the Assurance on service quality can induce the level of fee.

Indeed, International Standard of Quality Control (ISQC) addressed that the technical skill of auditors should be the same and the quality of the service should be similar. Logically, in this condition, the level of fee should be also the same as the SMEs will receive the same value of quality. However, as the inherence risk is included in the price making, the level of fee will differ from one audit firm to another audit firm (DeAngelo, 1981). Riley's (2001) addressed that companies will pay differently for the level of assurance services as the audit firms' reputation signals the quality service. It implies that level of fee will depend on the reputation as it signals the quality service.

Furthermore, Niemi's (2004) found that firms tend to pay higher to big audit firms as the firms perceived that big audit firms delivers good quality in audit. It implies that the level of fee will depend on the service quality that will be given by the audit firm (in this research, it will be non-audit firm). Again, as mentioned earlier, this research also found the same conclusion with prior research as Niemi (2004) where the assurance on service quality can induce the level of fee as SMEs will overview and evaluate the skill and knowledge of SMPs.

SMEs can evaluate and view the assurance of SMPs during the engagement meeting. Usually, in this meeting, SMEs will give a brief view about organizational issues and this will give SMPs a chance to exhibit their ability by answering to the issues. This will make the SMEs perceived of the SMPs ability. Thereby, SMEs will not take into much consideration to pay the SMPs a higher fee as they believe that the SMPs can solve the non-audit issue in the organization. This is in line with Dee et al. (2002) in which they found that the level of non-audit service fee has significant effects on the quality service. They surmise that after the engagement meeting, highly paid auditors tend to provide better service quality than lower paid auditors. This is conversed with the client expectation where if they receive good quality service, they will use the same auditor and pay a higher fee for the next subsequent year.

Lim and Tan's (2007) also found out that quality service has significant effects on level of fee. They addressed further that reputation, litigation exposure, and industry specialization are the factors in determining the level of fee. Fong's (1990) study addressed that SMPs can deliver products that meet the needs at prices which commensurate with SMEs' ability to pay. The result of the research confirms the previous research of Lim and Tan (2007) and Fong (1990). The Responsiveness dimension on service quality also has effects on level of fee. The constructs in this dimension are about timeline, prompt service, quick evaluation, and promptness in helping the client. It implies that the responsiveness of SMPs on their non-audit task will make SMEs willing to pay higher fee. This is in-line with Kotler and Keller's (2006) which stated that if clients are satisfied with the service, they would not mind paying at any price.

The SMPs will have their own level of responsiveness. It depends on three issues: their reputation concerns, litigation exposure, and knowledge spillovers. Most research has proved that the responsiveness in service quality depends on these three issues. Benston's (1975) showed the reputation concerns will determine responsiveness of quality. Shu's (2000) stated that the litigation exposure will push audit firm to optimize their service. Lastly, Simunic's (1984) addressed that the knowledge spillover will drive the audit firm to better quality service. These three drivers must be sufficient to induce the responsiveness in service quality. Defond et al. (2002) also use this argument to interpret the relationship between non-audit fee and audit quality. Furthermore, the responsiveness of service quality will also show the lucrative of NAS (Pany & Rekers, 1983; Che, 2008). Ziethaml, Parasuraman, and Berry's (1990) studies have defined responsiveness as willingness to help client and provide prompt service. Its stresses on service personnel's attitude to be attentive to customer requests questions and complaints. Meanwhile, they defined Tangible as the service dimension that focuses on the elements that represent the service physically. In regard of non-audit fee, the attitude of SMPs personnel in tackling clients' and complaint has been proven to be able to induce the non-audit fees. It means that SMPs have to emphasize on the tangible of quality delivery to achieve higher non-audit fees. Furthermore, it has been proven that direct contact between SMPs and their clients can induce the non-audit fees.

Therefore, this research can surmise that SMEs does not pay much interest to the procedures used by the SMPs and range of fees charged by the auditors. The result were opposite from DeAngelo’s (1981) where she indicated there is a control on services given, either before service process or during the process. Therefore, SMEs will perceive this responsiveness as the caring and involvement of SMPs in their organization. This perception drives SMEs to willingly pay a higher fee.

Additionally, reliability also has significant relationship on level of fee at a significant level of 5%. The construct of reliability dimensions is: “The firms (SMPs) delivers the services within certain time frame as promised”. In this context, reliability implies that SMPs are able to finish and fulfill the service as they promised in the engagement meeting. Even though the relationship is very small, SMEs still will consider their fee and whether the SMPs can be reliable on the given services. In other words, SMEs perceive trustworthiness and knowledgeable from reliability. If SMPs are able to offer reliability of service quality during the engagement, SMEs will be willing to pay a higher fee without much consideration. This is in line with Riley’s (2001) which stated that when buyers cannot observe product quality prior to the purchase, the reputation of the seller provides a mechanism that signals superior quality.

IMPLICATIONS OF RESEARCH

The levels of satisfaction and non-audit fees were determined from the service quality given. From the results it shows that SMPs can increase the satisfaction and level of fee by providing good service quality in certain dimension. In term of satisfaction, SMPs can enhance their service quality in Tangible and Responsiveness. They also can induce their Reliability and Assurance of service quality to satisfy SMEs as it has small significant level. SMPs might not waste their resource by emphasizing on Empathy of service quality as it does not have significant relationship to SMEs satisfaction. In other words, this research implies that SMPs can stress on Tangible and Responsiveness, Reliability and Assurance to satisfy the SMEs.

SMPs have to make sure the firm members are well dress, neat and are polite to the clients. Besides that, SMPs also have to educate the staff so that they are more knowledgeable and well equipped with the latest updates and are able to answer questions which arise from the clients. Most importantly, SMPs have to be assured that the firm members being perform their task with professionalism. Apart from that, SMPs also must provide prompt services, exhibit willingness to assists their clients, delivers the services within the time frame as promised and performing service dependably and accurately as promised.

In terms of level of fee, SMPs can emphasize on the Assurance and Responsiveness of service quality to achieve better fees. If SMPs have extra resources, they can also enhance their reliability of service quality as it has small significant level. SMPs do not have to waste time and resource on Tangible and Empathy of service quality as it has no significant relationship to level of fees. In other words, this research gives shed of light for SMPs regarding enhancing the non-audit fee services.

In the end, SMPs has to induce certain part of their service quality to enhance the satisfaction as it can induce the level of non-audit fees. SMPs might increase the level of non-audit fees, if

SMPs emphasize in certain dimension of service quality. This is in line with quality theory of DeAngelo's (1981).

LIMITATION OF STUDY AND SUGGESTION FOR RESEARCH

As in most studies, this study has its own limitations. Firstly, the small sample size of the study. If able to collect larger number of respondents with different industries, the level of accuracy will be higher for this study. Secondly, the profile of respondent is not varying proportionally. The study may not be reflecting to all the industries because most of the respondents are from services industry.

Future studies should have a better sample size where it consists of all types of industries as different industries have different needs. Furthermore, future research, it would be useful to investigate the relationship between quality control and service quality from auditors' perspective. The reason is because the auditor knows best about their control. As this research addresses that SMPs have to pay attention to their certain dimension of service quality, SMPs also have to identify how their quality control can induce this dimension of service quality. Furthermore, SMPs can also induce their quality control for better satisfaction of SMEs

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