ISSN 2278 – 859X

Asian Academic Research Journal of Social Sciences & Humanities

Volume 1 Issue 15 September 2013

Journal By:-

Asian Academic Research Associates

ISSN 2278 – 859X (Online)
Asian Academic Research Journal of Social Sciences & Humanities
&
ISSN 2319-2801 (Online)
Asian Academic Research Journal of Multidisciplinary

Editorial Board

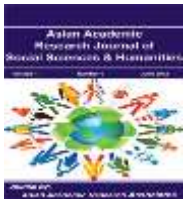
Asian Academic Research Journal of Social Sciences and Humanities
Year 2013, Volume-1, Issue-15 (Sep 2013)
Online ISSN : 2278 – 859X

INDEX PAGE

A Peer Reviewed International Journal of Asian Academic Research Associates

AARJSH

ASIAN ACADEMIC RESEARCH JOURNALOFSOCIAL SCIENCE&HUMANITIES



PERCEIVED SERVICE QUALITY AND INCOME IMPROVEMENT OF MICRO-FINANCE: AN EMPIRICAL RESEARCH IN HOI AN CITY-VIETNAM

NGUYEN PHU HA*

* University of Economics and Business, Vietnam National University (VNU)
144 Xuan Thuy, CauGiay, Hanoi, Vietnam

ABSTRACT

The decision of the Government, No 2195/QD-TTg dated 6th Dec 2011, to regulate the organization and operation of MFIs in Vietnam has brought about a new phase of development for the microfinance sector, opening up opportunities for those institutions to provide better financial services to the poor and low-income clients. This paper aims to make an empirical research on perceived service quality of MFIs in Hoi An, and to find out if there is a significant relationship between the perceived service quality and income improvement of the clients. It uses the survey method as a main instrument to collect data with a sample size of 304 respondents in a total population of 2,623 clients using MFIs' services in Hoi An. Results of data processing show that all the proposed dimensions of perceived service quality could contribute approximately 62.5% of the total variance, of which "financial outreach" and "liability" had higher levels of perceived service quality than others. In addition, regression analysis and the ANOVA test proved that five of the six proposed dimensions, which included "financial outreach" "reliability", "tangibles", "responsiveness" and "empathy" had a positive influence on income improvement of clients. On the other hand, the author points out some limitations withdrawn from the research, suggesting further modifications for future research.

Keywords: Perceived service quality, micro-finance, micro-finance institutions (MFIs), clients

1. INTRODUCTION

Hoi An, which is located in Quang Nam province - Vietnam, is home to approximately 120,000 inhabitants. The city is not only recognized by the UNESCO's certification of World Cultural Heritage since 1999 but is also said to be a well served place for microfinance (Nguyen, 2011). According to the "2012 Quang Nam Statistical Year-Book", Hoi An had 11,066 poor and near-poor households, accounting for 34.10% of its population[1]. The fast pace of urbanization accompanied with development of trade and tourism has opened up opportunities for a number of low income people to shift their traditional husbandry to small trade and tourist services. The environment policy of microfinance in Hoi An has undergone substantial development since the application of the Decision of the Government, No 2195/QD-TTg on Dec 6, 2011, to regulate the operation and organization of microfinance institutions ("MFIs"). Credit provided by MFIs in Hoi An is regarded as an effective source of funding and financial support for low income clients.

The rapid growth of Hoi An's microfinance sector has brought about strong competition among MFIs, highlighting the critical need to maintain and expand their market share and improve service quality provided to clients. This paper, therefore, focuses on the service quality of MFIs in Hoi An through the perspective of their clients and aims to address the following questions:

(1) How may the service quality of MFIs in Hoi An be described in terms of gender, age, education and types of business?

(2) How is the perceived service quality of MFIs in Hoi An in terms of financial outreach, tangibles, responsiveness, empathy, assurance and reliability?

(3) Is there a significant relationship between the overall perceived service quality and income improvement of clients in Hoi An?

[1] According to the Ministry of Labor, Invalids, and Social Affairs of Vietnam ("MOLISA"), the latest standard (for the poor households in 2010-2015) is for households with a monthly income below VND 400,000 ($US20) in rural areas and below VND 500,000 ($US25) in urban areas. Near-poor households are ones whose monthly income in the range between VND 401,000 -520,000 ($US20-$US26) in rural areas and between VND 501,000 - 600,000 ($US25-$US30) in urban areas. Poor and near-poor households are understood as low income people in the paper's context. Each household consists of four persons on average.

Apart from this empirical evidence, the paper also places more emphasis on the shortage of literature and relevant studies on the issue.

This paper is structured into 5 sections which include: introduction, literature review, methodology and hypotheses, data processing and empirical results, findings and recommendations for future research

2. LITERATURE REVIEW

2.1. Background of microfinance in Hoi An

For the last ten years, the MFIs network in Hoi An has developed significantly in terms of ownership, loan sizes and financial services. Before 2006, microfinance providers in Hoi An mainly included formal branches of the Vietnam Bank for the Poor ("VBSP"), the Bank for Agriculture and Rural Development ("Agribank") and People Credit Funds ("VBSP"), whose offices were set up in the center of Hoi An town and operated under a budget mobilized from both the government and Quang Nam province. In addition, most of the microcredits provided to poor households were transferred via the channel of the Hoi An Women's Union. Since Vietnam's integration in the World Trade Organisation ("WTO"), Hoi An has undertaken amendments to its trade and financial procedures to comply with the requirements of rural development in Vietnam. In the context of financial services, financial liberalization has allowed not only the formal sector MFIs but also the semi-formal sector MFIs, and insurance and finance companies to enter the industry. At present, the network is built up of either the three formal biggest representatives which comprise the Agribank, VBSP, and PCF, or 3 NGO providers BeeGreen, Eco-Com and FINCO as well as some ROSCA, relatives & friends and money lenders. Nowadays, accessibility of low income earners to financial services has been improved with more diversified lists of products and services such as microcredits, insurance, payment and money in 9 districts and 4 communes of Hoi An. Most microfinance programs set targets to pursue a sustainable development towards social performance to be consistent with new

directives announced by the government to develop microfinance towards 2020 and the Governmental Decision No 2195/QD-TTg on Dec 6, 2011 on the operation and management of MFIs.

Nonetheless, microfinance services[2] in Hoi An during 2005-2010 were provided to nearly 4.8 thousand poor and low income people on average, which satisfied just over 10% of the total demand (HWU Report, 2011). In other words, the remainder of 90% could not access this financial source as a tool for poverty reduction. "Lending conditions" relating to MFIs' qualification of a clients' profile as to financial position, cost of borrowings, lending amount, and business plan were reported to have an effect on financial outreach. Besides this factor, social benefits evaluated by reliable services for a large number of poor and low-income clients best satisfied the clients' requirements with appropriate financial services and products. This evidence proved that the link between lending conditions and accessibility of microcredits and social performance is of importance. The low-income people in Hoi An were somehow reluctant to step into the informal lending sector because of the strict lending procedures by the formal sector. In this regard, innovative MFIs moves towards service quality improvements can be a form of promoting social performance that contributes effectively to poverty alleviation.

2.2. Service quality models applied in the field of microfinance

The research takes inspiration from previous studies and tries to adapt the service quality models to the microfinance field. The SERVQUAL, which was developed by Parasuraman and his colleagues in 1985, has been recognized as the most representative tool in approaching service quality issues. Parasuraman et al. (1985) define service quality as the discrepancy between customers' expectations for a service offering and their perceptions of the service received. In the modified version of Parasuraman et al. (1988), the authors proposed five dimensions of service quality which include tangibles, reliability, responsiveness, assurance, and

[2] Products and other services provided by MFIs include micro credits (which made up 66.16%), savings (32.53%), money transfer (0.41%), insurance (0.90%) from an average from 2005 to 2010.

empathy[3]. The general equation for representing service quality is SQ = E – P, where SQ is equal to overall service quality perceptions, E is equal to the customers' service expectations, and P is equal to the actual service experiences of the customers. If E is higher than P, then the customers are not satisfied. Whereas, if P is higher than or equal to E, the customers are satisfied with the services.

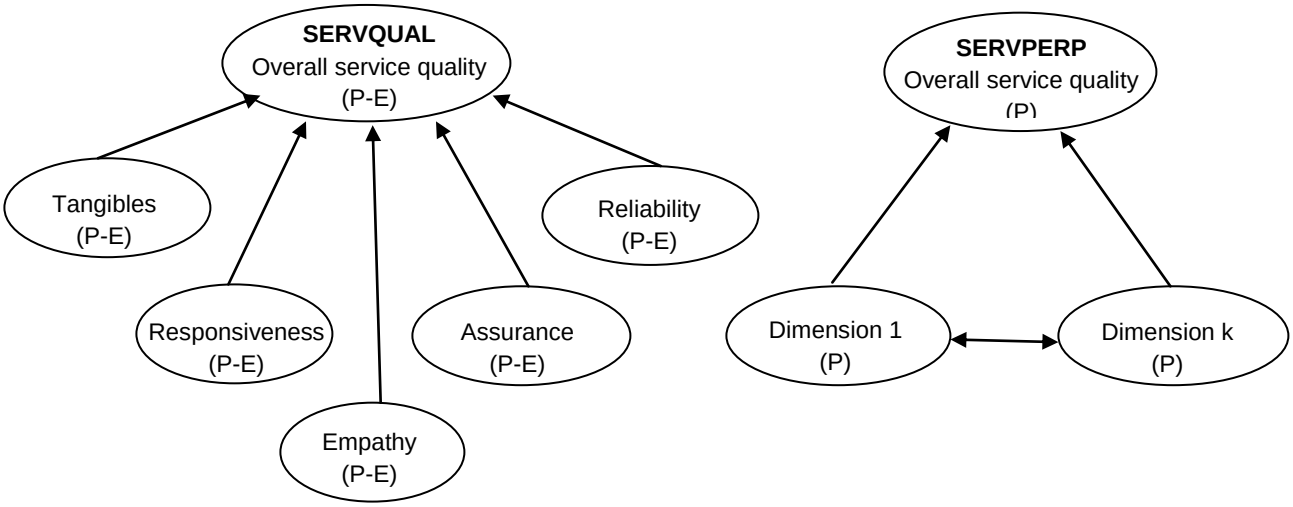


Figure 2.1: SERVQUAL and SERVPERP models

Source: Parasuraman A. et al., (1988); Cronin J.J. et al (1992)

For nearly three decades, the SERVQUAL model has been modified by different authors with the aim to adapt it into specific contexts such as marketing, retail banking and microfinance. Balemba (2007) adapted SERVQUAL to make an evaluation of customer satisfaction with services provided by MFIs in Togo. Using data from 353 Woman and Associations for Gain both Economic and Social ("WAGES")'s customers, his study found that responsiveness remains the most important dimension in the micro-finance sector. Results also revealed that customer's

[3] In this framework, "tangibles" refers to the appearance of personnel, equipment, and physical facilities. "Reliability" refers to the performance the promised service by service providers in accurate and dependable ways. "Responsiveness" reflects the provision of prompt services and displays the willingness of employees to help customers. "Assurance" refers to employees' knowledge and ability to inspire confidence and trust. Finally, "empathy" refers to the level of individualized attention that the service provider gives its customers.

branch, customer's revenue and the number of services accessed by customers strongly influence customer's satisfaction.

Rethinking the SERVQUAL model has given birth to the SERVPERF and CATER models. SERVPERF - a modified version of SERVQUAL- was developed by Cronin and Taylor in 1992, and was based on conclusions and confirmation from an empirical study that perception items only adapted from the SERVQUAL should be a better indicator for service quality, and expectation items should be excluded. According to the methodological point of view of these authors, it was not always easy to adopt the gap approach between expectations and perceptions, since in a real life setting it requires one to collect data twice (before and after using the service) from the same customers, and compare their answers (Kouthouris and Alexandris, 2005). SERVPERF was advocated by many researches and practitioners in the fields of retail banking, marketing, and other types of services. Buddhika (2006) adapted SERVPERF's scale to measure the service quality of MFIs with the aim to find out whether there were significant differences between the formal and semiformal sectors of MFIs when they came to providing microfinance services. His empirical results revealed that semiformal sector MFIs provide a better quality service compared to formal sector MFIs. Besides, the CATER model that was also a modified version of SERVQUAL by Othman and Owen (2001), included specific dimensions for the Islamic banking sector. Service quality measurement under CATER's scale followed five key dimensions adopted from SERVQUAL and a self-development dimension representative for the culture and religious background of Islamic MFIs, namely "compliance". The CATER model is the result of efforts to implement achievement of service quality measurement in the micro financial services based on sharia principles[4].

2.3. Core perceived service quality issues in microfinance

Some researchers and practitioners in the field share points of view that definition on perceived service quality should be done in advance (e.g. Brady and Cronin, 2001; Ekinci, 2001; Seth et al., 2005; Parasuraman et al., 1985, 1988). These authors generally accepted that perceived service quality, or in other words, service quality from the perspective of clients'

[4] It is understood as the ability to fulfill Islamic law, and operate under the principles of Islamic Banking and economies.(economics??)

perceptions, is the result of an evaluation process in which clients measure the performance of service providers by their perceptions of the service received. To get data for perceived service quality, researchers often used survey methods with questionnaires or interviews on general questions about experiences with the clients using microfinance services provided by MFIs, then selected those aspects of the clients' experience that were consistent with the generally accepted conceptual understanding of perceived service quality in the literature.

Perceived service quality in the field of microfinance is distinguished from other types of financial services as it highlights the "financial outreach" of low-income clients and "financial sustainability of MFIs" as the most important targets. Apart from adapting SERVQUAL dimensions, most researchers have to make some modifications by adding more dimensions that fit the context of microfinance. In the study of Balemba (2009), "loan conditions" was used as an indicator for perceived service quality as it reflects the financial services of MFIs. The appearance of this dimension highlighted the importance that clients attach to the loan term, loan amount and the grace period. One research by VMWG seemed to advocate this point of view as it confirmed that low income clients are willing to receive credit with a long-term maturity, with a grace period and with the loan amount increasing for each loan cycle (WMWG Report, 2010). Balemba also confirmed that "cost of financial services" charged by the MFI affected the financial outreach[5] of clients, so it directly affected customer satisfaction with the service quality of microfinance. Budhhika et al., (2006) emphasized "price/value"[6] as the indicator for "financial outreach" and "product range"[7], "security" and "recovery" as three representative indicators to determine the sustainability of MFIs in Sri Lanka.

3. METHODOLOGY AND HYPOTHESES DEFINITION

[6] Price and value for money of the service package.
[7] The range of products and services on offer.

For the purpose of the research, the author decided to use the SERVPERF model developed by Cronin and Taylor (1992) to measure the perceived service quality. Measurement scales of perceived service quality used in this research include 6 dimensions:

(1) "Financial outreach": assessment of MFIs' clients to microfinance services including: microcredit, savings, payments and insurance, in which lending conditions, costs/price of financial services and amount of lending reflect the assessment.

The other five basic dimensions adapted from SERVQUAL comprise:

(2) "Tangibles": appearance of physical facilities, equipment, personnel and other materials.

(3) "Responsiveness": willingness to help clients and to provide prompt service

(4) "Empathy": the individualized attention that MFIs' staffs give to their clients.

(5) "Assurance": the knowledge and ability of staff to inspire confidence and trust.

(6) "Reliability": perform service dependably and accurately, with consistency and punctuality

The Survey method was used as the main research method, where data was collected using structured questionnaires given to the respondents. Perceived service quality evaluation was gathered using a five-point Likert scale ranging from "strongly agree = 5" to "strongly disagree =1". A reliability test was conducted to validate the questionnaire, and it was also useful to check the sample scale. The questionnaire consisted of three sections. The first was to gather the personal profile of respondents including age, gender, education, and years of relationship with service providers. The second consisted of 34 question items, which reflected six proposed dimensions. The third was comprised of 9 question items with the aim to collect information on income improvement of the clients after using the services.

Based on statistical data provided by HWU (2012), there were 613 individual clients using microcredit from VBSP and Agribank; and 2,010 individual clients using microcredit provided by either semi-formal MFIs and informal MFIs (i.e., AuCo Fund, BeeGreen etc.,) making the total population 2,623. In order to gather representative attributes from the clients' point of view, the author conducted a pre-survey (pilot study) on 40 clients for sampling definition and questionnaire testing purpose. The mean of the pilot sample was 3.23 and the standard deviation 0.46, which allowed the author to determine the sample's size:

$n = [(1.96)^2 x(0.46)^2]/(0.05)^2 = 328$ clients. Reliability tested results produced after the pilot survey revealed that the Cronbach's alpha for the overall perceived service quality was 0.738, which was higher than the recommended level of 0.700 (Field, 2006). In addition, some confusion was revealed, and some wordings were changed to minimize the confusion. The pilot study was used as the basis for modification and refinement for the final questionnaire. 328 expected respondents were proportionally extracted from the 2,623 active clients from branches of VBSP's, Au-Co Fund, Bee-Green and other privately owned MFIs. Simple random sampling was used to select respondents, where the 1st client of every 8 clients who entered the financial institution premises was interviewed. Among 328 respondents' answering, 304 (82.38%) sent their feedbacks to the author, so this number is calculated as the final sample size of the survey. The conceptual framework is illustrated in Figure 3.1 below.

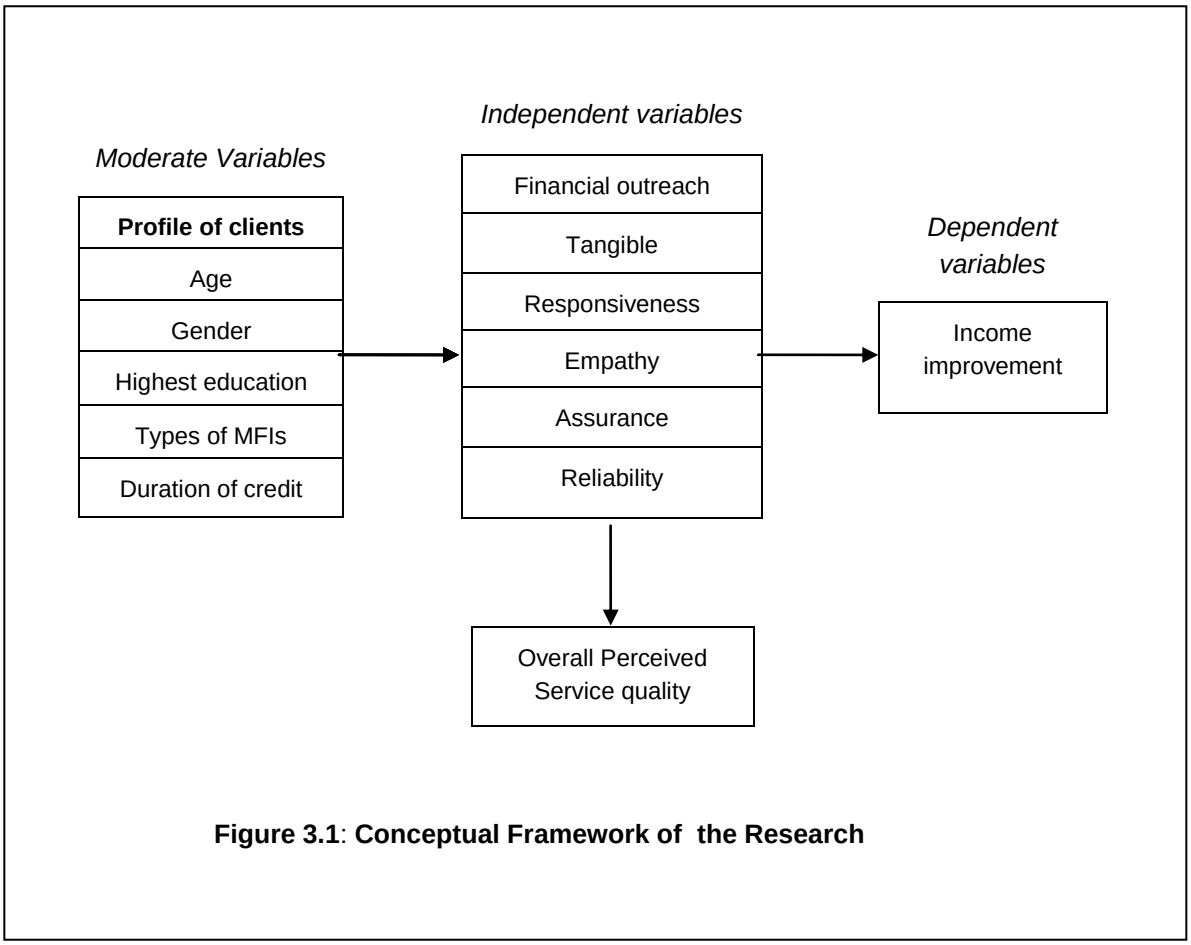


Figure 3.1: **Conceptual Framework of the Research**

Source: The author's self-development

All 34 items of service quality are required to test the overall reliability. It is also designed to validate the questionnaire, and it was useful to check the reliability of the sample scale. Malhotra et al., (2007), Caricano and Poujol (2008) and Hair et al., (2006) suggested that Cronbach Alpha value should be greater than 0.70 for obtaining optimal solution. Besides, the relationship between variables (linear components) are calculated by determining the eigenvalues. Eigen values are used to calculate the eigenvectors, the elements of which provide the loading of a particular variable on a particular factor for the 6 dimensions. Kaiser (1960) recommended retaining all factor with eigenvalues greater than 1 and communalities greater than 0.50.

The author proposed the two following hypotheses:

H1: There is a significant relationship between the overall perceived service quality of MFIs and the income improvement of clients in Hoi An, and

A bivariate correlation with Pearson's correlation coefficient was applicable to test H1. Pearson's correlation coefficient was used on the different variables of service quality (p-value equal or less than 0.05 used as a rule of thumb to judge the relevance of statistics tests at a five percent level of significance).

H2: Income improvement is positively influenced by the six dimensions of perceived service quality.

The author resorted to the one-way ANOVA to asesss whether one or a combination of 6 proposed service quality dimensions have an effect on the income improvement. In the ANOVA procedure, Levene test is used, which is significant at $p\text{-value} \leq 0.05$, as a rule of thumb to judge the relevance of statistics tests at a five percent level of significance. The author can gain confidence in the hypothesis that income improvement is influenced by the six dimensions of perceived service quality.

4. DATA PROCESSING AND EMPIRICAL RESULTS

4.1. General Information on MFIs' clients

In answering the first research question, the author made an analysis of the general information in the clients' profile that provides insights related to perceived service quality. The results produced showed that there were 84.9% females, and 15.1% males among the 304 valid responses in this dimension, which reflected the domination of females in the community of clients in Hoi An. As for the frequency distribution of the respondents'age, there were 24% and 39.8% clients in the category ≤ 25 years of age and 26-39 respectively, while there were 19.7% and 11.5% clients in category 40-55 and above 56. It reflected that major respondents (24%+39.8%=63.8%) were young and of working age. Only 11.5% of the total respondents fell into the age group of 56 or older. Regarding the respondents' training and education, clients of MFIs in Hoi An were mainly in the low-income group with an education below high school level. This group represented 65.8% of the respondents. University graduates made up only 1.3% of the total number. This strongly suggests that this is a weakness, highlighting a greater requirement for more educated clients. As far as business type, the labor forces working in fishery and farming made up 21.7%. This was a dramatically lower number than that announced by QSO for the period of 2005-2010. Finally, a frequency distribution test on years of relationship with service providers illustrated that over half of the respondents (47.4%) set up their relationship with MFIs for 1 to 3 years, Respondents with a time relationship between 4 and 5 years was 19.7%. Respondents belonging to the group of new clients (less than 1 year) make up 29.3%, and old clients with more than 5 years of relationship make up only 3.6%.

4.2. Perceived service quality and empirical results

Reliability analysis

Table 4.1: KMO and Bartlett's Test for Service Quality		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.772
Bartlett's Test of Sphericity	Approx. Chi-Square	2374.285

	df	561
	Sig.	.000
Source: Summary from result of KMO and Bartlett's Test using PAWS18		

The service quality of MFIs was analyzed using 6 proposed dimensions with 34 items. A principle component analysis ("PCA") was conducted on the 34 service quality indicator items with orthogonal rotation (varimax). The Kaiser-Meyer-Olkin ("KMO") measure verifies the sampling adequacy for the analysis. Table 4.1 demonstrates the result of all KMO values for individual items, which was equal to 0.772, which is well above the acceptable limit of 0.500 (A. Field, 2009). Bartlett's test of sphericity (approx. Chi-Square) was equal to $X^2(561) = 2374.285$, $p < 0.000$, indicating that correlations between items are sufficiently large for a PCA. These results proved that the developed scale for the Hoi An microfinance sector was applicable for factor analysis.

Overall reliability for the service quality indicators is found to have a Cronbach's Alpha value of 0.743, which indicates a good reliability of scale measurement. Table 4.2 also gives a summary of the result of individual Cronbach's alpha values for each of the 6 proposed dimensions. The reliability analyses for "financial outreach", "tangibility", "responsiveness", "empathy", "assurance", and "reliability" were 0.808; 0.713; 0.744; 0.749; 0.780, and 0.711 respectively, and the overall perceived service quality indicators can explain over 62.5% of the total variance.

In answering the second research question, the author calculated the average expectation score (mean value) for all the six dimensions of service quality, which demonstrates client ratings for perceived service quality indicators. Of these, "financial outreach" and "reliability" were given average scores of 3.780 and 3.856 respectively, which were above 3.644 – the total average score for all samples. Clients weakly rated the four remained dimensions, so "financial outreach" and "reliability" were considered to contribute more to the overall perceived service quality compared to "tangibles", "responsiveness", "empathy", and "assurance".

Table 4.2: Factor Analysis with principle dimensions and items after rotation

Dimensions / Significant Items		Item to Total Correlation	Principle factors										Commu-nalities
			1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	
(1)		(2)	(3)										(4)
Financial outreach	Q11	.538				.591							.597
	Q12	.498		.525								.427	.595
	Q13	.580				.543							.544
Cronbach's Alpha = 0.808	Q14	.370										.765	.702
	Q15	.533		.418		.458							.498
	Q16	.442		.602									.535
	Q17	.403				.664							.549
	Q18	.540		.596		.468							.649
	Q19	.482		.710									.572
	Q20	.462				.668							.564
Tangibles	Q21	.551						.725					.691
	Q22	.541						.693					.576
Cronbach's Alpha = 0.713	Q23	.457						.772					.757
	Q24	.453						.507			.609		.654
Responsiven- ess	Q25	.502					.702						.571
	Q26	.381								.810			.695
	Q27	.572					.409			.708			.717
	Q28	.323					.451						.421
Cronbach's Alpha = 0.744	Q29	.404					.739						.603
	Q30	.535					.655						.551
	Q31	.512					.558						.553
Empathy	Q32	.522			.625								.593
	Q33	.605			.650								.624
Cronbach's Alpha = 0.749	Q34	.478			.749								.712
	Q35	.433			.426						.724		.739
	Q36	.537			.765								.623
Assurance	Q37	.685	.820										.727
Cronbach's Alpha = 0.789	Q38	.598	.796										.665
	Q39	.595	.790										.662
	Q40	.528	.701										.623

Reliability Cronbach's Alpha = 0.711	Q41 Q42 Q43 Q44	.448 .510 .514 .488		.426					.643 .614 .776 .778				.691 .679 .659 .654
Cronbach's Alpha = 0.743	Eigen values		4.746	3.601	2.735	2.110	1.906	1.621	1.263	1.159	1.088	1.014	Average comm-unality = .625
	Explained percentage variance		7.645	7.484	7.155	7.037	6.855	6.708	6.415	4.885	4.345	2.984	
	Cumulative percent		7.645	15.129	22.29	29.321	36.176	42.884	49.300	54.185	58.53	62.479	

Source: Summary from result of frequency analysis using PAWS 18

Table 4.3 shows the testing results for H1 with a matrix of the correlation coefficients for the variable of the overall perceived service quality and the variable of income improvement. Income improvement was positively related to the overall service quality with a Pearson correlation r = 0.398 and the significant value is equal to 0.000, which is less than 0.001. This significant value supported hypothesis H1. It also proved that there is a relationship between income improvement and overall perceived service quality.

Table 4.3: Pearson Correlations

		Income improvement
The overall perceived service quality	Pearson Correlation	.398**
	Sig. (2-tailed)	.000
	N	304
	Sig. (2-tailed)	.000
	N	304

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

Source: Summary from result of frequency analysis using PAWS 18

As for testing hypothesis H2, Levene's test result provided a significant result (p= 0.26>0,05, F = 2.142, df1 = 9, df2 = 291) allowing us to accept the hypothesis of the variance's homogeneous intragroup. This result enabled the author to apply the ANOVA test on data and the results produced are given in Table 4.4 below:

Table 4.4: Influence of perceived service quality dimensions on income improvement of clients

	Sum of Squares	df	Mean Square	F	Sig.		R	R^2
Financial Outreach	26.146	10	2.615	6.538	0.000		0.208	0.176
Tangibles	7.628	4	1,907	3.907	0.004		0.225	0.038
Responsiveness	23.190	7	3.313	7.891	0.000		0.162	0.647
Empathy	10.917	5	2.183	4.574	0.000		0.072	0.056
Assurance	2.471	4	0.618	1.282	0.277		0.017	0.004
Reliability	5.570	4	1.393	2.828	0.025		0.036	0.024
Overall perceived service quality	44.131	34	1.298	4.141	0.000		0.408	0.310

Source: Summary from result of frequency analysis using PAWS 18 and EXCELL.

There were five among six dimensions of perceived service quality positively influencing the income improvement. These were: "financial outreach" the access of clients (F=6.538; p=0.000), "tangibles" in which clients were served by the appearance of the MFI's staff, buildings and equipment (F=3.907; p=0.004), "responsiveness" that proved the importance to help clients and the ability to provide prompt services by MFIs' staff (F=7.891; p=0.000), "empathy" in which clients appreciate the importance of the human relationship with their

financial providers through daily interaction (F=4.574; p=0.000) and "reliability" that indicated the importance of the knowledge of staff and the ability to inspire confidence and trust from the clients' perspective (F=2.828; p=0.025). These dimensions reflected that the better the service quality of funding programs or financial services provided for clients, the more chance the clients have to improve their income.

5. IMPLICATIONS AND RECOMMENDATIONS FOR FURTHER STUDIES

5.1. Findings and Implications

It seems that both practitioners and researchers in Vietnam have not much focused their studies on the field of microfinance. This meant, therefore, that the author could not make a comparison between the results of this study and those of other domestic researches, except for some found abroad. In this regard, some common conclusions compared to the studies of Dowla (2006), Buddhika (2008), and Balemba (2009) are drawn. Accordingly, they are summed up as follows:

- First, microfinance clients in Hoi An shared common characteristics with microfinance clients found in other authors' studies (Balemba, 2009); Buddhika (2008), Dowla (2006) for example) in terms of female-focus lending, level of education, and business type.

- Second, a large percentage of clients had less than 3 years of relationship with their service providers. The number of clients whose transactions with MFIs had lasted for more than 5 years was very few. The reason is due to the lending directives of formal sector MFIs and the newly established status of most semi-formal MFIs. There is therefore, a need for the MFIs in Hoi An to prolong or extend credit durations to their clients.

- Third, the results withdrawn from data processing and empirical results of the six perceived service quality dimensions confirmed that there was a significant relationship between overall perceived service quality and the income improvement of clients. There were five out of six perceived service quality dimensions that positively influenced the income improvement, of which "reliability" and "financial outreach" showed a higher level of service quality as compared to the other factors. Empirical results reflected that investment in staff, equipment, offices, and uniforms has been improved by MFIs in recent years. In Hoi An, clients appreciate MFIs' staff who respect the timetable given to clients, providing them seats when they are waiting for service, or giving them a bus ticket when they come from a distance to visit the MFI. The more staff are kind, polite, and competent, the more clients will appreciate the service. Through this interaction, clients will reinforce their valuing of and confidence in the MFI. Specially, MFIs in Hoi An focused on the issue of how to collect principle, interest and some default fees whilst minimizing the conflict between clients and staff during operations. In this regard, aggressive collecting methods might produce harmful effects in the long run as clients might switch to other providers to avoid being injured by the staff. When the clients are faced with problem of force majeure, the MFI should give them a grace period or release them from some fees.

5.2. Recommendations for further studies

As there is no other similar study in Vietnam devoted to this topic, future researchers can consider this paper's study as a baseline for their research. Although the study did provide a foundation on the perceived service quality, it revealed some limitations that should be a source for future modification. In fact, the client survey in the present study comes from some major representatives of MFIs such as clients of VBSP, and some semi-formal institutions operating in Hoi An. The results are mainly supportive of the microfinance industry in Hoi An. Therefore, future studies and improvement should be expanded throughout some other provinces throughout the country, so that the scale measurement for future studies are enabled to be a scale measurement for the whole Vietnam microfinance sector.

REFERENCES

Babakus, E., An empirical assessment of the SERVQUAL scale, Journal of Business Research 24, 235-268.

Balemba, E.K., Evaluation of customer satisfaction with services of a Micro-finance Institution: Empirical Evidence from WAGES' customer in Togo, Catholic University of Bukavu (DR Congo).

Blanchard, R.F., Quality in Retail banking, Internal Journal of Service Industry Management, 5 (4), 5-23.

Buddhika S.A., Rupasinghe L.R., Abeysekera Sarath., Service quality of Formal and Semiformal Sector Microfinance Institutions in Sri Lanka: A Comparative Study of Financial Service Providers in Southern Province, South Asian Journal of Management, Vol (15), No 3, 40-54.

Carman, J.M., Consumer perceptions of service quality: an assessment of the SERVQUAL dimensions, Journal of Retailing 66, 33-55.

Choudhury, K., Service quality: Insights from the Indian banking scenario, Australasian Marketing Journal 16 (1) .

Cronin J.J., Taylor S.A., Measuring service quality: a reexamination and extension, Journal of marketing, 56 (3), 55-68.

Dowla, A., In credit we trust: Building social capital by Grameen Bank in Bangladesh, The Journal of Socio-Economics 35 (2006), 102-122.

Field Andy, 2009, Discovering statistics using SPSS, SAGE Publication Ltd. Third ed.

Gronross, C., A service quality model and its marketing implications, European Journal of Marketing 18 (4), 36-44.

Hair et al., 2006, *Multivariate data analysis*, New Jersey: Prentice Hall, 6th ed.

Ledgerwood Joana ,2000, Sustainable banking with the poor. Micro-finance handbook, The World Bank. Washington. D.C.

Kaiser, H.F, The application of electronic computers to factor analysis, Educational and Psychological Measurement 20, 141-151.

Martinez, J.A., Martinez, Laura., Some insights on conceptualizing and measuring service quality, Journal of retailing and consumer services 17 (2010), 29-42.

Muhammad Yunus, 2003, Banker to the poor: Micro-lending and the battle against world poverty, Public Affairs, New York..

Nguyen, K.A, Development of Micro-finance in rural and agricultural areas, Journal of Banking Sciences Study,. The State Bank of Vietnam.

Nguyen, H.P, SERVQUAL or SERVPERF , A comparative analysis in the retail supermarket of Vietnam , Journal of Sciences and Technology, Vol 10, No 8.

Parasuraman, A., Zeithaml, V.A., Berry, L.L., A conceptual model of service quality and its implications for future research, Journal of Marketing 49, 41-50.

Parasuraman, A., Zeithaml, V.A., Berry, L.L., SERVQUAL: a multiple-item scale for measuring consumer perceptions of service quality, Journal of Retailing 64, 12-37.

Quester. P.G & Romaniuk, S.,. Service quality in the Australian advertising industry: A methodological study, The Journal of services marketing, 11 (3), 180-192.

QSO, 2010, Quang Nam Statistical Yearbook, Quang Nam Statistical Office. Statistical Publishing House.

Robinson, M.S., 2002, The Micro-finance revolution. Volume 2: Lessons from Indonesia, The World Bank. Washington. D.C.

SEEP, 2012, Analysis of market forecast Quarter2, 2011 for Vietnam, SEEP Publications.