Service Quality and Retention Decisions toward Proxy Accounting Services

Shufang Wu., *Dr. Chere' Yturralde

Angeles University Foundation

***Correspondence Author**

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ABSTRACT

Small and medium-sized enterprises (SMEs) in Fuzhou frequently faced challenges in maintaining in-house accounting functions due to limited resources, leading to a growing reliance on proxy accounting services. However, variations in service quality and the role of client perceptions in shaping retention decisions remained underexplored. This study aimed to explore the relationship between perceived service quality and retention decisions towards proxy accounting services. The research focused on 98,430 small and medium-sized enterprises in Fuzhou that used proxy accounting services (State Taxation Administration, 2025). A total of 395 questionnaires were collected through a convenience sampling method. The research employed a structured questionnaire to measure two core constructs: perceived service quality (including four dimensions of professional competence, response reliability, service assurance, and emotional resonance) and customer retention intention (Zaman Groff et al., 2012). The study utilized descriptive statistics to summarize respondents' perceptions and Cronbach's alpha to assess instrument reliability. Regression analysis was employed to examine the relationships among the dimensions of perceived service quality and retention decisions. The findings were expected to offer both theoretical and practical implications for service quality management and customer retention in the proxy accounting industry.

Keywords: proxy accounting services; retention decision; service quality

INTRODUCTION

Micro, small, and medium enterprises (MSMEs) frequently encountered the challenge of insufficient financial resources to hire in-house accounting or auditing personnel to manage their financial records. This constraint primarily stemmed from the need to minimize costs and optimize available resources to maintain market competitiveness. To address this limitation, MSME owners often turned to outsourced accounting services, commonly known in China as proxy accounting services. The term "proxy" in this context specifically referred to the practice where an enterprise entrusted its financial and accounting functions to an external specialized agency, acting on its behalf. This concept was closely related to, yet distinct from, the broader notion of "outsourcing." While outsourcing generally involved contracting out any business process to a third party, proxy accounting in China was a formalized, regulated practice wherein licensed agencies provided accounting, bookkeeping, and tax reporting services to entities lacking their own accounting departments (Ministry of Finance, 2024). According to Wang (2023), enterprises that did not plan to set up accounting functional departments, or lacked the conditions to do so, typically entrusted financial work such as accounting and taxation to intermediary agencies or firms specialized in accounting, referred to as proxy accounting firms. Lin (2022) defined proxy accounting as the provision of accounting, bookkeeping, tax reporting and other services by intermediary agencies engaged in accounting business, approved by the finance department, to units and small and medium-sized enterprises that did not have accounting institutions and personnel.

Proxy accounting had achieved the socialization and specialization of accounting work, which could better serve enterprises. The resources of accounting practitioners could also be well integrated and utilized, which was of great significance for promoting the development of enterprises. The rights and obligations of both parties were clarified through the signing of a contract between the accounting agency and the entrusted accounting client. Yang (2022) identified the scope of proxy accounting services which included the following aspects: (a) reviewing original vouchers, filling out accounting vouchers, registering accounting books, preparing and reviewing accounting statements, etc.; (b) regularly providing relevant tax information to tax authorities, declaring and paying taxes, and providing accounting information such as financial statements to users of accounting information; and (c) completing other financial and tax services entrusted by the client.

In the modern context, influenced by factors such as policy support, technological progress, and market expansion, the scale of the proxy accounting industry continued to expand, and its role in forming a high-quality development pattern was becoming increasingly prominent. According to the data from the National Management System for proxy accounting institutions, there were over 100,000 proxy accounting institutions in China that had obtained administrative licenses, with more than 300,000 employees and over 6 million agency service clients. Luna (2024) mentioned that the annual operating revenue was projected to achieve 30 billion yuan. In addition, according to publicly available data, there were 1,355 tax-related professional service agencies in Fuzhou that had verified in the real name management of tax authorities, with 6,578 service personnel and 98,430 customers (State Administration of Taxation, 2025).

Proxy accounting services, as an indispensable part of enterprise financial management, had an impact far beyond daily financial and accounting work. With the rapid growth of the proxy accounting industry, this professional financial management solution had been adopted by more and more enterprises to optimize and streamline their internal financial management processes. However, with the rapid expansion of the industry, proxy accounting agencies had sprung up like mushrooms in the market, and the quality of services they provided varied greatly. This situation posed significant challenges and confusion for enterprises when choosing accounting services (Lin, 2023). The quality of proxy accounting services was not only related to the financial health of enterprises, but could also affect their long-term strategic decisions (Johnson et al., 2019).

Perceived Service Quality (PSQ) was an important criterion for customers to decide whether to renew their contract (Parasuraman et al., 1988). In the proxy accounting industry, clients typically evaluated service quality from dimensions such as professional competence, response reliability, service assurance, and emotional resonance (Wang et al., 2022).

Despite the established link between service quality and customer retention in general literature, several gaps persisted specifically within China's proxy accounting context. First, existing research predominantly drew from Western contexts or generalized service industries, lacking specificity to China's unique regulatory and market environment for proxy accounting services. Second, there was a limited understanding of how different dimensions of service quality (competence, reliability, assurance, empathy) differentially impacted retention decisions within this sector. Finally, methodological limitations included reliance on small sample sizes and insufficient rigorous frameworks to analyze the complex interplay between these variables.

This study took small and medium-sized enterprises in Fuzhou as the research object, aiming to systematically examine the impact of perceived service quality on customer retention decisions. Fuzhou had about 400,000 small and medium-sized enterprises, and the competition in the agency accounting service market was fierce. Customers had diverse choices, providing a rich practical background for research. Through questionnaire surveys and statistical analyses, this study aimed to answer the following core questions: (1) What were the perceived service quality levels of proxy accounting services among MSME clients in Fuzhou? (2) What was the level of retention decisions among these clients? (3) Which dimensions of perceived service quality (such as professional competence, response reliability, assurance, and emotional resonance) had stronger predictive power for retention intention? (4) Was there a significant relationship between the dimensions of perceived service quality and retention decisions?

The research results were expected to provide empirical evidence for optimizing talent recruitment and training strategies for accounting agencies, and to provide reference for policy makers to standardize industry quality standards. In addition, this study aimed to expand the application of service marketing and customer relationship management (CRM) theory in the field of professional services.

Study Objectives

General Objective

This study aimed to investigate the relationship between service quality and retention decisions toward proxy accounting services.

Specific Objectives

To describe the respondents' service quality of proxy accounting services, in terms of:

a. Competence
b. Assurance
c. Empathy
d. Responsiveness and reliability

To describe the respondents' retention decisions toward proxy accounting services.

To determine the relationship between service quality and retention decisions toward proxy accounting services.

Hypotheses

Based on the specific objectives identified, the following null hypothesis was developed:

Ho. There was no significant relationship between service quality and retention decisions toward proxy accounting services.

Theoretical Framework

This study was based on the theories of service quality management and customer relationship management, and constructed an integrated theoretical framework to explore how perceived service quality influenced customer retention decisions in the proxy accounting context. The framework included the following core theoretical elements:

(1) Proxy Accounting Services

The outsourcing accounting business abroad was often referred to as "Compilation engagement" or "Accounting services". The related industry emerged earlier and developed rapidly, and various services had become mature. In 1985, scholar Benston proposed that in order to improve the competitiveness and operational flexibility of enterprises, small and medium-sized enterprises could outsource their financial and accounting services, thereby making their operations more efficient. However, discussions about proxy accounting services were rarely conducted in the field of accounting, and related research mostly appeared in service and marketing journals (Azzari, V., Mainardes, E. W., & da Costa, F. M. 2020). As a commercial service and a profit organization, the discussion of service marketing strategies for accounting agencies was essential. In related research, accounting service quality was often mentioned. After conducting multiple interviews with accounting service providers, clients, scholars, and accounting firms, Kozinets, R. V. & Gretzel, U. (2021) proposed six dimensions of accounting service quality: consulting perspectives, capabilities, efficiency, communication, technological innovation, and credibility. This provided theoretical opinions that were in line with the characteristics and background of accounting services for accounting agencies to improve service quality and develop marketing strategies.

The impact of proxy accounting services on corporate financial management was profound. Firstly, through professional accounting services, enterprises could optimize their financial management processes and improve the efficiency and accuracy of financial management. Secondly, proxy accounting services could help businesses reduce operating costs and avoid various risks and losses caused by poor financial management. Finally, proxy accounting services could also provide personalized financial management solutions for enterprises, helping them better cope with market changes and risk challenges.

The theory of proxy accounting services provided a comprehensive framework for understanding and applying proxy accounting services. Under the guidance of this framework, proxy accounting services could be better utilized to optimize the financial management process of enterprises, enhance their competitiveness and market adaptability.

(2) Service Quality Management Theory (SERVQUAL Model)

On the basis of Total Quality Management, numerous scholars had conducted research on service quality management, with the SERVQUAL model proposed by Parasuraman et al. (1988) being one of the most famous. Its core was the difference between users' expectations of service and their actual perception of service level. This difference in perception was mainly reflected through five levels: tangible facilities, reliability, responsiveness, security, and emotional investment. Ultimately, the real thoughts of users were obtained through questionnaire surveys, reflecting issues with service quality, and corresponding improvements were made accordingly (Cheng Xiao, 2024).

The SERVQUAL model was widely used in various service industries and other industries for evaluating service management quality. The advantage of this model was that it was not based solely on users' ratings of service quality, but rather on separate statistics from two dimensions: service experience and service expectations. This avoided the situation where some service users had high evaluation scores and the company mistakenly believed that this service did not need improvement, but actual users were not satisfied with this service. Through years of research and practice, SERVQUAL theory was widely applicable to various industries, and the SERVQUAL model was also an effective tool for evaluating service quality and determining actions to improve service quality (Liang Yang, 2023).

This study adopted the SERVQUAL model as the basis, but applied it to the professional characteristics of proxy accounting services, forming four key dimensions:

a. Competence: The professional knowledge and skill level of an accountant
b. Service Assurance: The credibility and security of a service
c. Empathy: The understanding and care of service providers
d. Responsiveness & Reliability: The timeliness and accuracy of services

(3) Customer Relationship Management Theory (CRM Theory)

Customer Relationship Management (CRM) theory was a comprehensive business management strategy aimed at enhancing customer satisfaction and loyalty by understanding and responding to customer needs, thereby driving long-term success for businesses. The implementation of CRM involved using technological tools to manage and analyze customer data, as well as developing strategies to better meet customer needs, ultimately achieving a closer and more beneficial long-term relationship between the enterprise and customers (Huang, 2024).

Customer relationship management had undergone an evolution from initial contact to comprehensive management, with its core being customer-centric and relying on advanced technology to achieve precise marketing and personalized services. In the future, driven by technological innovation, enterprises would continuously explore new methods and technologies to optimize customer relationship management, adapt to rapidly changing market demands, and create greater value (Liu Jiaqi, 2024).

Based on the theory of customer relationship management, customer retention decisions were regarded as outcome variables of service quality evaluation, and their formation process was influenced by both cognitive evaluation (professional competence, response reliability) and emotional evaluation (service assurance, emotional resonance).

Conceptual Framework

Figure 1 shows the paradigm of this study. This study constructed a theoretical framework of "service quality → retention decisions", in which perceived service quality (covering four dimensions: professional competence, response reliability, service assurance, and emotional resonance) was used as the independent variable to affect customers' retention decisions (manifested as renewal intention and recommendation intention). This framework aimed to verify the predictive effect of service quality on retention decisions, providing targeted theoretical explanations for the agency accounting industry.

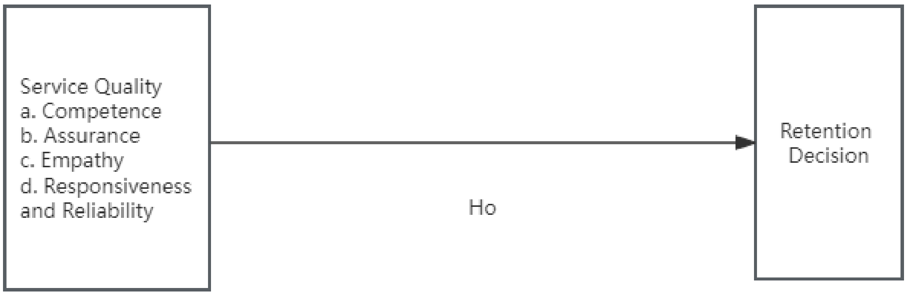

Fig1. Paradigm of the study

REVIEW OF RELATED LITERATURE

Quality of Proxy Accounting Services

Proxy accounting services were a rigid demand in the development process of enterprises. Small and medium-sized enterprises, accompanied by the proxy accounting industry, had become an indispensable force in economic and social development from birth to growth. With the development of the industry and the continuous application of new technologies and methods, the service capabilities and levels of the industry were constantly improving. Choosing a proxy accounting agency was no longer just about saving costs and providing simple accounting services, but also about leveraging the professional strength of professional institutions to provide more professional and standardized financial management services, helping enterprises strengthen internal control management, and providing support for company management and decision-making (Wang, 2025).

The first variable to be measured by the study was the perceived quality of proxy accounting services of the respondents. Perceived quality referred to the actual experience and cognition of customers towards the quality of outsourced accounting services throughout the entire process of receiving accounting services. Perceived quality referred to the actual level of quality perceived by customers during the use of a product, which was an evaluation of the product based on their own experience (Li & Li, 2024). The service quality perception model was based on the evaluation of service quality by the service purchaser or consumer, which was actually the result obtained by comparing their actual feelings during the service acceptance process with their expected quality before accepting the service. This was relevant especially in the increasingly competitive market for proxy accounting services, and could contribute in further improving customers' service perception (Huang, 2020). The service quality was measured using the SERVQUAL-based instrument developed and validated by Zaman Groff et al. (2012). The original version of the SERVQUAL instrument was developed by Parasuraman et al. (1988) and consisted of sub-constructs including tangibility, reliability, responsiveness, assurance, and empathy. However, aligning it to the accounting field, Zaman Groff et al. (2012) consolidated the sub-constructs into competence, responsiveness/reliability, empathy, and assurance.

Competence

Mulyadi (2013) defined competence as having and maintaining the necessary knowledge and understanding that enabled a member or institution to deliver services smoothly and creatively. Moreover, Edison et al. (2016) asserted that competence was the ability of an individual to deliver a job correctly and was greatly connected to matters relating to knowledge, skills, and attitudes. Similarly, Wibowo (2016) described competence as a person's capability to perform job tasks using their skills and knowledge, underpinned by the appropriate work attitude.

Job competence referred to a set of knowledge, skills, and abilities that were required to perform a specific job. It was a widely accepted criterion for evaluating the adequacy of an individual's performance in a particular role (Cai & Qun, 2025). A combination of professional spirit and technical ability was often used to describe a person's "professional competence." The concepts of professional competence were highly associated with scientific management theory, person-job fit theory, and iceberg model.

Scientific management was a theory developed by the American management theorist Frederick Winslow Taylor in 1911. It could be considered the first model of professional competence. According to Taylor's theory, in order to achieve higher efficiency, the organization should make the best use of the talents of each individual. This required the organization to place the right person in the right position and to fully develop the potential of each person (Li & Wei, 2024).

In order to provide professional services in the proxy accounting services, professional skills must be made tangible. By providing external evidence, the service provider could make their skills and ability more visible and easier to verify. Therefore, it could help the firm reduce the uncertainty of intangible services and enhance clients' perception of service quality. Companies could encourage employees to learn new skills outside of work, provide them with more resources, and help them continuously improve their professional abilities (Zhang & Yu, 2024).

In the context of this study, the competence sub-construct was measured through items that described respondents' views of their proxy accountant's expertise and trustworthiness by evaluating whether the accountant was familiar with relevant legislation and accounting standards, whether firm staff could competently address specialized and industry-specific questions, whether the accountant actively engaged in professional training, and whether the accountant was dependable.

It was of great importance to explore the competence of proxy accounting agencies or institutions because it could influence both their reputation and performance. Previous studies had identified competence as a crucial factor influencing job performance or productivity (Nofriyanti & Kuswantoro, 2019; Oh & Novita, 2016; Rani et al., 2018). Thus, a competent work force contributed to good performance which in turn would lead to good service quality (Anggraeni & Muhsin, 2020).

Assurance

According to Parasuraman et al. (1988), the assurance dimension of service quality indicated employees' competence, knowledge and courtesy, and the ability to build bridges of trust with customers. Further, it was defined as the ability of employees, with the help of the knowledge they possessed, to inspire the trust and confidence that would strongly influence the level of customer satisfaction.

Assurance encompassed the skills and competencies applied when rendering services to the customers. According to Wu et al. (2015), the competence of the employees in skills and expertise inspired trust and confidence in the customer, thus arousing their feelings of safety and comfort during the service production. Customers would return to the services if they were certain about the employees' ability to perform their duties. Elmadağ et al. (2008) asserted that factors influencing assurance to the customers included competence, politeness, positive attitude and effective communication. In addition, other elements in this factor included the operational security of the facilities as well as the proven quality of the service to the customers.

Ramya et al. (2019) described the assurance dimension as employee's knowledge, courtesy and the ability of the firm and its employees to inspire trust and confidence in their customers. It was an important dimension in banking and insurance services because customers were often left in doubt as to the ability to evaluate the outcome. In some cases, such as insurance and stock broking services, the firm attempted to create a relationship of trust and loyalty between the key contact personnel such as insurance agents, brokers, etc., and the individual customers. In banking services, this was referred to as the role of a "personal banker" as the key contact person. This dimension centered on job knowledge and skill, accuracy, courtesy, etc. of the employees and security provided by the firm.

Assurance had been defined as the knowledge and good manners or courtesy of the employees (Kant & Jaiswal, 2017). The assurance function of social agency firms lay primarily in their proactive and positive problem-solving approach (Liang et al., 2024). By establishing a dedicated after-sales service department, a firm could maintain good relationships with users, strengthen its corporate image, and promptly collect feedback on product usage. Continuous communication with users and satisfaction surveys helped identify key areas for improvement and drive the ongoing development of the after-sales support system (Zheng, 2024). Assurance meant that service personnel demonstrated not only professional technical competence but also enthusiasm and courtesy during service delivery (Zhao, 2022). It emphasized that providers possessed the appropriate knowledge, skills, and reputation to deliver services effectively and build clients' trust and confidence in service quality (Zhang, 2024).

In the context of proxy accounting services, assurance was ensured when a financial company used intelligent accounting software to guarantee service quality and enhance clients' sense of security. Assurance reflected the provider's ability to take ownership of its service work, the staff's positive attitude and enthusiasm, and the customer's experience of professionalism and respect during service consumption. This, in turn, increased client satisfaction and security, thereby strengthening the firm's overall assurance capacity.

In the context of this study, the assurance sub-construct was described through clients' perceptions of their proxy accounting firm's assurance by measuring the degree to which clients felt secure and trusting in their interactions, believed that their privacy was rigorously protected, perceived the accountant's adherence to relevant standards and regulations, and had confidence in the formal contractual framework that clearly defined each party's responsibilities. In summary, these five items gauged clients' perceptions of their proxy accounting firm's assurance by assessing how secure and trustworthy they felt in their transactions, how rigorously the firm respected their privacy, the accountant's careful adherence to accounting standards and regulations, and the clarity provided by a formal agreement that defined each party's duties and responsibilities.

Empathy

Customers should get the feeling that they were an organization's priority when getting service from it. Empathy was the expression of care, personal attention, and services provided for customers (Parasuraman et al., 1988). The essence of empathy lay in conveying the idea that the customer was unique and special. The researchers Ennew et al. (2013) claimed that the empathy dimension of service quality meant being attentive in communicative situations, being able to understand the needs of customers, friendly behavior, and an individual approach to the care of a customer's needs. Navaratnaseel and Periyathampy (2016) defined empathy as the ability to take care of customers and pay personal attention to them individually, especially when providing services.

Ramya et al. (2019) described empathy as the caring, individualized attention provided to the customers by their banks or service firms. This dimension tried to convey the meaning through personalized or individualized services that customers were unique and special to the firm. The focus of this dimension was on a variety of services that satisfied different needs of customers, individualized or personalized services, etc. In this case, the service providers needed to know customers' personal needs or wants and preferences.

Empathy meant that a company could better personalize the services needed by its customers (Zhao, 2022). It was that service providers paid enough attention to customers and that all customers' specific needs and expectations were met (Zhang, 2024). Financial firms could start from the customer's perspective and get in touch with clients in depth to discover their true needs and quickly identify their additional needs. They could provide services that were tailored to these personalized needs and bring additional value to client organizations, solve their core problems, and meet their need for care, thus strengthening customer trust and customer loyalty.

Empathy could be defined as the degree of personalized attention extended to the customers. The care providers put in additional efforts to make the clients feel special and appreciated during the period of service provision (Bahadur et al., 2018). Empathy involved picturing the needs of the customers by putting oneself in the client's position (Murray et al., 2019). The characteristics that promoted empathy included courtesy and friendliness of the staff, understanding the particular needs of the client, giving the client special attention, and taking time to explain the practices and procedures that would be followed in the process of providing the services.

In the context of this study, the empathy sub-construct was measured through items that described respondents' views of their proxy accounting firm's empathy by evaluating whether the firm showed genuine interest in their financial reporting process and offered personalized attention, consistently strived to resolve their problems and understood their needs, chose accounting methods that served the client's best interests, proactively tracked and reported company performance, communicated information clearly and understandably, and carefully considered relevant accounting standards and regulations in its work. In summary, these eight items evaluated a proxy accounting firm's empathy by measuring how well it understood and responded to clients' individual needs, demonstrating genuine interest in their financial reporting, offering personalized attention, proactively resolving issues, choosing accounting approaches that benefited the client, regularly updating on performance, communicating clearly, and carefully adhering to relevant standards and regulations.

Responsiveness/Reliability

In accordance with the proponent of the SERVQUAL model (Parasuraman et al., 1988), reliability was the extent to which the service was performed correctly the first time by the organizations. Furthermore, it was the extent to which organizations tried to provide the service to meet the promises they had given and the extent to which they paid attention to the result of the service. Reliability had been placed in the first dimension in the SERVQUAL service quality model.

Building on a foundation of service quality and operational capability, the responsiveness of an agency could be used to enhance its core competitiveness (Liang et al., 2024). Reliability referred to an organization's commitment to meeting its service promises and providing high-quality services with enthusiasm and within a specified timeframe. Reliability emphasized the service provider's ability to perform the promised services accurately and dependably. This included aspects like timeliness, precision, and consistency of service. Responsiveness, on the other hand, referred to an organization's ability to provide services quickly to meet various customer needs (Zhao, 2022). It referred to the speed and efficiency with which a provider responded to customer requests or problems. It encompassed staff attitude, speed of problem resolution, and flexibility in service delivery (Zhang, 2024).

Setiono and Hidayat (2022) described reliability as the ability of the firm to accurately handle the interaction with the customers. On the other hand, responsiveness was an important component of service quality, that was considered to be high if the firm had well-structured and various programs, had defined waiting time, offered the services quickly, and offered the customers precise and complete information. Tjiptono and Chandra (2011) defined reliability as a dimension of service quality associated with the knowledge, courtesy and ability of company employees to provide self-confidence and have no doubt about the existence of the company. The attributes of this dimension were: providing services as promised, reliable in handling customer service, providing services correctly at first time, providing services according to promised time and storing documents without errors. Moreover, responsiveness was a dimension of service quality associated with the willingness of service providers to assist and provide services quickly. The attributes of this dimension were: informing the customer about the certainty of the delivery time of services, serving promptly to the customers, willingness to help the customers and readiness to respond to customer requests.

Zygiaris et al. (2022) stated that reliability was linked to accountability and quality, whereas responsiveness could be explained as the institution's capacity to provide rapid and high-quality service in a particular time. Nambisan et al. (2016) argued that responsiveness was one of the ways of promoting a customer's perception of service quality. Instead, the institution should offer a fast and professional reaction to the failure and give recommendations to other potential activities that could help address the needs of the customer (Lee et al., 2000).

In the context of this study, the responsiveness/reliability sub-construct was measured through items that described respondents' views of their proxy accountant's professionalism, reliability, and responsiveness: they asked whether staff maintained a professional relationship, behaved in line with their profession, and treated clients with friendliness and courtesy; provided services promptly, demonstrated a willingness to help, and responded quickly to questions and requests; delivered services by agreed deadlines and as specified in client agreements; and proactively informed clients of expected service completion times. Taken together, these nine items asked clients to evaluate the professionalism, courtesy, reliability, and responsiveness of their proxy accounting agency through their assessment of the behavior of the firm's staff, the timeliness of the firm's service, the firm's adherence to service agreements and timetables, and the firm's initiation of communication about the completion of service.

Retention Decision

Customer retention was a critical outcome of service quality and satisfaction. Studies across various industries, including professional services, had established that high perceived service quality led to greater customer satisfaction, which in turn fostered loyalty and retention (Salamah et al., 2022; Zhou et al., 2019). Delightful and engaging service experiences encouraged clients to continue using the service and make repurchase decisions (Gawron & Strzelecki, 2020).

In proxy accounting, retention was influenced by multiple factors, including the perceived reliability, professionalism, and empathy of the service provider. Clients who experienced consistent accuracy in financial reporting, proactive communication on regulatory matters, and reliable client support were more likely to develop loyalty and become less price sensitive, thereby reducing their likelihood of seeking alternative providers.

In this study, retention decision was measured using a multi-item scale assessing clients' intentions to continue using their proxy accounting firm regularly in the future and their willingness to recommend the firm's services to others. This approach aligned with established practices in service marketing and customer behavior research.

Relationship Among Variables

Relationship between the Perceived Quality of Proxy Accounting Services and Retention Decision

Previous research had consistently demonstrated that perceived service quality significantly influenced retention decisions, both directly and indirectly through customer satisfaction. In the proxy accounting context, high-quality services—characterized by professional competence, reliability, assurance, and empathy—enhanced client satisfaction, which in turn strengthened retention intention (Salamah et al., 2022). Harriet et al. (2025) noted a positive relationship between service quality and customer loyalty, and between loyalty and retention, though the direct link between service quality and retention was not always statistically significant, suggesting the presence of mediating or moderating factors.

Future Research Perspectives

Several research gaps had led to the current study. The first research gap could be seen in the fact that there had not been a study conducted that explored the association between service quality and retention in the specific context of proxy accounting services in China. To this effect, earlier studies may have examined these two variables in other service industries; however, they did not test them within the unique regulatory and market environment of China's proxy accounting sector, and this was where the current study filled the gap. Additionally, there was also a limited scope of evidence that was available from research that was done in foreign settings and that was not specific to the proxy accounting service industry, which led to a gap in the context of this relationship. The existing research lacked a local context that would be representative of the current situation, for example, the one in the Chinese setting and the proxy accounting services market. In addition, a large number of previously done studies were based on a smaller sample size and lacked the necessary statistical rigor that would be capable of empirically testing such a relationship. As a result, the current study built on them by conducting research that was capable of addressing these gaps.

Hence, the first suggested direction for future research was the assessment of trust and loyalty as potential moderators in the relationship between service quality and the retention decision. In this regard, while service quality may have a positive impact on satisfaction, retention could be influenced to a larger extent by the trust that a client placed in a proxy accounting agency. To this end, structural equation modeling or multi-group analysis could be used in future studies to determine how a change in the level of trust would influence the strength of the relationship between service quality and retention. For instance, those with a high level of trust may be more likely to tolerate a service lapse as they would be more focused on the relationship and the history of the outcomes in general. Loyalty could also have a similar moderating effect on this relationship. In this case, it could be suggested that the loyalty of a client to an agency would not be an outcome but a behavioral moderator since its impact was seen to be directly on the decision to repeat the purchase in the future or leave a positive word of mouth. For future studies, this could be addressed by combining all the variables to determine the strongest influence on a customer's retention. This way, in the context of the proxy accounting industry, it would be possible to provide new insights into the client-agency relationship, which would be useful for both current and future clients.

METHODS

Study Design and Locale

This study employed a quantitative design using descriptive-correlation methods to examine the relationship between perceived service quality and retention intention. Through this method, this study aimed to quantify the strength and direction of the relationship between perceived service quality and retention intention in proxy accounting. A structured survey questionnaire was used to collect empirical data. Data processing and analysis were conducted using SPSS software, including descriptive analysis, correlation analysis, and regression analysis. This study comprehensively investigated the relationships among perceived service quality dimensions and retention intention.

This study was conducted in Fuzhou, the capital city of Fujian Province, China. Fuzhou was strategically selected as the research setting due to its significant economic stature and its representative profile as a thriving hub for Micro, Small, and Medium-sized Enterprises (MSMEs) in a major Chinese coastal economic zone. Fuzhou was a key node in the economic landscape of the Yangtze River Delta and the West Coast of the Taiwan Strait. As a central city within the Fujian Pilot Free Trade Zone, it benefited from progressive economic policies and a vibrant business ecosystem. According to official data from the Fuzhou Municipal Bureau of Statistics (2024), the city was home to over 400,000 MSMEs, which constituted a substantial portion of its economy and were critical drivers of local employment, innovation, and economic growth. The choice of Fuzhou was particularly pertinent to the proxy accounting industry. As reported by the State Administration of Taxation (2025), there were 1,355 tax-related professional service agencies in Fuzhou employing 6,578 service personnel and serving 98,430 clients. This dense concentration of both service providers (proxy accounting firms) and service consumers (MSMEs) created a highly competitive and mature market for proxy accounting services. Clients in such a market had diverse choices, forcing agencies to differentiate themselves based on service quality and professional credibility. This environment provided an ideal and rich context for investigating the interplay between service quality and client retention decisions.

Study Participants

Sample Size

According to the Supervision Report on Tax-Related Professional Service Institutions released by the Fujian Provincial Taxation Bureau of the State Administration of Taxation (2024), a total of 98,430 micro, small, and medium-sized enterprises (MSMEs) in Fuzhou were currently availing of proxy accounting services. These enterprises had been included in the real-name management system of tax authorities for enterprise service monitoring as of December 31, 2024. The data were obtained from the Tax-Related Professional Service Supervision System of the State Administration of Taxation and verified through publicly available records on the official website of the Fujian Provincial Taxation Bureau.

Given this population of 98,430 MSMEs, the sample size was determined using the G-Power Analysis:

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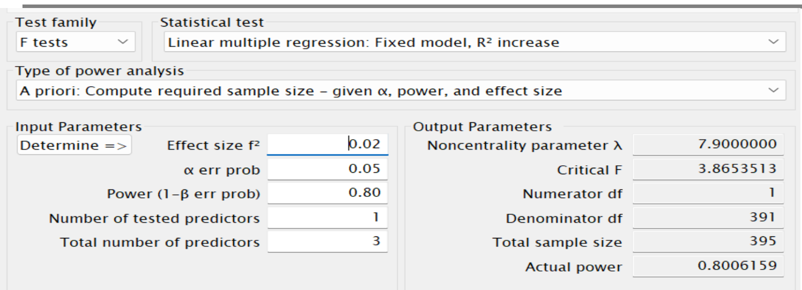

Using these parameters, the calculated minimum effective sample size was 395. This sample size ensured a 95% confidence level with a ±5% margin of error, which was statistically sufficient to represent the target population.

Sampling Method

The study employed a stratified convenience sampling method to ensure representativeness across different enterprise categories and accounting service providers within Fuzhou City. The entire population of MSMEs utilizing proxy accounting services was considered.

To minimize sampling bias, the researcher included the list of districts in the screening questions to ensure representation of the whole Fuzhou City and ensured that the collected responses accurately reflected the diversity of enterprises in Fuzhou's proxy accounting service sector. A total of 395 valid questionnaires were collected and analyzed to represent the entire population of MSMEs engaged in tax-related professional service institutions.

District	No. of MSMEs	%	Sampling Size
Gulou District	25026	25.43	100
Taijiang District	22469	22.83	90
Cangshan District	9547	9.70	38
Jin'an District	9125	9.27	37
Mawei District	755	0.77	3
Changle District	2872	2.92	12
Lianjiang County	1286	1.31	5
Luoyuan County	1240	1.26	5
Minqing County	313	0.32	1
Yongtai County	475	0.48	2
Pingtan	4247	4.31	17
Fuqing	21075	21.41	85
	98430	100.00	395

Inclusion and Exclusion Criteria

Inclusion Criteria

a) The enterprise was an MSME in Fuzhou City.

b) The enterprise had availed the services of a proxy accounting firm for at least two years.

c) The respondent was the owner/manager of the MSME, or the designated Finance/Accounting Officer/Staff who directly oversaw and interacted with the proxy accounting firm.

Exclusion Criteria

a) The respondent was not willing to participate in the study.

b) The respondent failed to complete the questionnaire in its entirety.

Research Instruments

This study employed a survey questionnaire adapted from existing studies to gather quantitative data that described the study variables. The instrument had two main parts, namely ACCOUNTQUAL-based instrument and retention decision.

Part 1 of the instrument was the perceived service quality section. This section was an ACCOUNTQUAL-based instrument developed and validated by Zaman Groff et al. (2012). The base study identified ACCOUNTQUAL as including the following sub-constructs: competence (8 items), responsiveness/reliability (9 items), empathy (8 items) and assurance (5 items). This part of the instrument was a 5-point Likert scale and consisted of 30 items.

Part 2 of the instrument was the retention decision. This section was also adopted from Zaman Groff et al. (2012). This part of the instrument was a 5-point Likert scale and consisted of four items, assessing clients' intentions to maintain and advocate for their proxy accounting service by measuring their plans to continue using the firm regularly in the future and their willingness to recommend its services to others.

To improve convenience and flexibility of answering the survey questionnaire, the tool was converted into an online questionnaire, specifically the Wenjuan Xing of the Wechat application. This expedited the gathering of data. Overall, the respondents were expected to complete the survey questionnaire in 10 to 15 minutes.

Furthermore, the computed mean score of the two subscales, referring to the two constructs, was interpreted using the description shown in the table below.

Table 1 Interpretation for Likert Scale

Mean	Score Range	Interpretation
1	1.00-1.80	Strongly Disagree (SD)
2	1.81-2.60	Disagree (D)
3	2.61-3.40	Neutral (N)
4	3.41-4.20	Agree (A)
5	4.21-5.0	Strongly Agree (SA)

Specific Procedures

This study checked on the list of MSMEs in the publicly available database of the city government. After identifying the MSMEs, the study sent communication to 450 MSMEs in the city of the different districts. The study ensured equal distribution of participating MSMEs across the districts of the city. Screening questions were added to ensure that the 395 MSMEs had availed services of proxy accounting firms. In case that the number of MSMEs which passed the screening questions was less than the desired minimum sample size, the study went back to the master list of MSMEs and checked which city district needed more participants until it had reached the desired minimum sample size. The approach of selecting MSMEs was convenience sampling.

The study used Wenjuanxing to send questionnaires, monitored data quality during data collection, and cleaned at least 395 valid samples after excluding invalid or incomplete questionnaires. All encrypted data were cleaned and analyzed by SPSS 26.0 to provide a specific analysis of the sample characteristics of this study. The entire data collection process took 10-12 weeks, and quality assessment meetings were held during this period to ensure the authenticity and reliability of the research results and strict compliance with the personal information protection regulations. By implementing the above systematic data collection program, this study laid a good foundation for the subsequent part's in-depth analysis on the impact of service quality on customer retention.

Ethical Considerations

In the conduct of this study, the researcher adhered to the guidelines ascribed by the University's Ethical Review Committee. The author likewise regarded the intellectual property rights of previous scholars and, in any case that an instrument needed to be modified, permission from the original author was sought or any changes made in the instrument were appropriately cited.

Informed Consent Process, Duration of Participation, and Withdrawal Criteria

In the questionnaire survey, it was explained to the respondents that their participation in this study was completely anonymous and voluntary, and would not involve their personal privacy. The questionnaire survey sought the informed consent of the respondents and made them aware of the research they were participating in. They answered the questions in the survey instrument according to their actual situation, and there was no right or wrong answer. It took them about 10 to 15 minutes to fill out the entire questionnaire. Paper survey forms were distributed through various school offices. In the questionnaire survey, respondents could choose to refuse to participate or withdraw from the study at any time without any obligation.

Risks and Inconveniences

This study only asked the participants to fill out one survey questionnaire. The research did not collect other information from the respondents, so there was no serious risk of participating in this study. In addition, the analysis of questionnaire data was only for academic research and did not involve other purposes.

On average, it only took about 10 to 15 minutes to complete the questionnaire. The questionnaire was distributed in person and via email.

Benefits of the Study

This study systematically examined the impact mechanism of service quality on customer retention decisions in the proxy accounting context, which brought multiple values to theoretical development and practical applications. At the theoretical level, the research could enrich the theoretical framework of service quality in professional service marketing and provide new empirical evidence for the study of customer decision-making behavior in the accounting service industry. At the practical level, the research results would directly help accounting agencies optimize their service quality management strategies, while providing scientific references for small and medium-sized enterprises to choose service providers, ultimately promoting the standardized development of the accounting industry and overall service efficiency improvement. In addition, the quantitative research methodology and strict quality control procedures adopted in the study provided replicable technical route references for subsequent research in related fields.

Privacy, Confidentiality, and Data Management

In accordance with the Data Privacy Act of 2012 of the Philippines, the researcher ensured that the identity of the participants was kept confidential, and that the personal information of the participants and the answers to the questionnaire questions were strictly confidential. The questionnaire data was only used for the purpose of this study. The survey questionnaire data was retained for one year and properly discarded. The original forms of all survey questionnaires were permanently deleted one year after the completion of the study.

Conflict of Interest

The research team had no direct interest relationship with the Fuzhou financial agencies, ensuring the objectivity and impartiality of the research.

Statistical Analysis Of Data

This study gathered quantitative data through a survey questionnaire. To address the identified research objectives, various quantitative data analysis methods were employed, including descriptive statistics, reliability analysis, and regression analysis. All analyses were conducted using SPSS.

Descriptive Statistics

The study employed descriptive statistics to address the first two study objectives. Using frequency distributions, percentages, mean, and standard deviation, the study described the respondents' perceived quality of proxy accounting services and their retention decisions toward proxy accounting services.

Reliability Analysis

The study used Cronbach's alpha to measure the internal consistency of the questionnaire's subscales. Below is the qualitative interpretation of Cronbach's alpha values.

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable
$0.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Unacceptable

The reliability of the instrument was evaluated using the internal consistency approach. Cohen (1960) suggested that Cronbach's alpha was an appropriate statistic to assess how consistently the items in a scale measured a construct. An alpha value equal to or exceeding 0.7 implied that the items were closely interrelated and that the scale demonstrated high internal consistency. Values below 0.7 indicated that the instrument's reliability was questionable or unacceptable (Statistics HowTo, 2025).

Regression Analysis

For the third study objective, the study employed regression analysis to establish a significant relationship between the service quality of proxy accounting services and retention decisions. Regression analysis was a set of statistical processes for estimating the relationships among variables. It included many techniques for modeling and analyzing several variables, when the focus was on the relationship between a dependent variable and one or more independent variables. Regression analysis required that the roles of the variables involved be clearly defined. The variable that was being modeled or was believed to depend on other variables was the dependent, response, or outcome variable. The variable that was used to make predictions or was believed to influence the dependent variable was the independent, explanatory, or predictor variable.

In the context of this study, Retention Decision was the outcome variable and Service Quality (with its four dimensions: Competence, Assurance, Empathy, and Responsiveness/Reliability) was the predictor variable.

The regression yielded coefficients that indicated the strength and direction of the hypothesized effects, and an R-squared value showing the proportion of variance in the outcome explained by the predictor(s). This approach also supported the prediction of client retention based on measured service quality perceptions.

Correlation and moderation Analysis

To address the third study objective, correlation analysis was employed to determine the relationship between service quality and retention decisions toward proxy accounting services. Pearson correlation coefficients were computed to examine the strength and direction of the relationships between the four service quality dimensions (competence, assurance, empathy, and responsiveness/reliability) and the retention decision variable.

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The correlation matrix provided an overview of how the different service quality dimensions related to each other and to the outcome variable. This analysis helped identify which aspects of service quality were most closely associated with clients' intentions to continue using their proxy accounting firm. Furthermore, multicollinearity diagnostics were conducted to ensure that the independent variables were not highly correlated with each other, which could have posed issues for subsequent regression analysis. Variance Inflation Factor (VIF) values were examined to confirm that the regression model assumptions were met.

RESULTS AND DISCUSSIONS

Descriptive Statistics of Research Variables

Demographic Characteristics of the Sample Population

This study included a total of 395 valid responses collected from MSMEs across Fuzhou City. The demographic characteristics of the sample were systematically described below across five dimensions: regional distribution, company size, business type, tax type, and years of service engagement. The distribution of these characteristics was presented in Table 2.

Table 2. Distribution of Demographic Characteristics among the Sample Population

Variable	Option	Frequency	Percentage (%)
Region	Gulou District	100	25.43
	Taijiang District	90	22.83
	Cangshan District	38	9.70
	Jin'an District	37	9.27
	Mawei District	3	0.77
	Changle District	12	2.92
	Lianjiang County	5	1.31
	Luoyuan County	5	1.26
	Minqing County	1	0.32
	Yongtai County	2	0.48
	Pingtan	17	4.31
	Fuqing	85	21.41
Company Size	Less than 20 people	146	37.0
	20–50 people	120	30.4
	51–100 people	75	19.0
	Over 100 people	54	13.7
Business Type	Manufacturing	114	28.9
	Wholesale	68	17.2

	Merchandising	122	30.9
	Others	91	23.0
Tax Type	General Taxpayer	220	55.7
	Small-scale Taxpayer	175	44.3
Service Years	1–3 years	169	42.8
	3–5 years	136	34.4
	More than 5 years	90	22.8
	Total	395	100.0

Regional Distribution. From the administrative division perspective, the sample covered 12 districts (counties/cities) under the jurisdiction of Fuzhou City, indicating a broad survey scope with good spatial representativeness. The specific distribution presented a distinct pattern of central urban concentration with peripheral county dispersion. Gulou District (25.3%), Taijiang District (22.8%), and Fuqing City (21.5%) collectively accounted for nearly 70% (69.6%) of the total sample, constituting the core source of respondents. Gulou District, as the political, economic, and cultural center of Fuzhou, had a high density of enterprises, and the largest sample size aligned with reality. Taijiang District, as the traditional commercial core area, had active commercial enterprises. Fuqing City, as a strong county-level economy, had a developed private sector with numerous enterprises. Cangshan District (9.6%) and Jin'an District (9.4%) had similar proportions, both being urban expansion areas with moderate enterprise counts. Pingtan County (4.3%) and Changle City (3.0%) had relatively lower proportions, possibly related to a singular industrial structure or a smaller overall enterprise base. Minqing County (0.3%) had the lowest proportion, with only one enterprise included, suggesting either lower participation enthusiasm or a limited number of eligible enterprises within the county. The imbalance in regional distribution was a normal phenomenon; however, it should be noted that in subsequent inferences, the characteristics of enterprises in Gulou District, Taijiang District, and Fuqing City might exert greater influence on the overall conclusions.

Company Size. Enterprise scale, measured by the number of employees, exhibited a decreasing pyramid-shaped distribution. Micro-enterprises with "less than 20 people" accounted for the highest proportion (37.0%), consistent with China's current market structure dominated by micro, small, and medium-sized enterprises, reflecting the active private economy and vibrant entrepreneurial atmosphere in the Fuzhou region. Enterprises with "20–50 people" accounted for 30.4%, and together with the former category, they constituted 67.4% of the sample, indicating that more than two-thirds of the sampled enterprises were small-to-medium scale. This structure aligned with the operational characteristics of the study's target industries (likely involving services and trade), which were predominantly asset-light and team-based operations. Enterprises with "51–100 people" accounted for 19.0%, while those with "over 100 people" represented only 13.7%, indicating that large-scale enterprises constituted a minority in the sample. This distribution suggested that the analytical conclusions of this study possessed stronger applicability and explanatory power in the context of small-to-medium scale enterprises, while caution should be exercised when generalizing to large enterprises.

Business Type. The business type distribution was relatively balanced, with retail being the most prevalent. Retail (30.9%) had the highest proportion, consistent with Fuzhou's positioning as a regional commercial and trade center; as the final consumer link, retail enterprises were numerous with broad coverage, making sample acquisition relatively convenient. Manufacturing (28.9%) followed closely, reflecting that Fuzhou still maintained a solid industrial foundation in sectors such as electronics and information, textile and chemical fibers, and machinery manufacturing. The "Others" category (23.0%), encompassing services, construction, transportation, and other diverse business activities, had a relatively high proportion, indicating strong business diversity in the sample, though this might increase the complexity of cross-category comparisons. Wholesale (17.2%) was relatively lower, possibly related to the blurring of traditional wholesale enterprise statistical boundaries under the recent trend of "wholesale-retail integration." The relatively uniform distribution across business types facilitated subsequent cross-industry comparative analyses to verify the robustness of research hypotheses across different industry contexts.

Tax Type. The sample consisted of 55.7% General Taxpayers and 44.3% Small-scale Taxpayers, with a relatively close proportion and approximately an 11-percentage-point gap. The slight majority of General Taxpayers indicated that more than half of the enterprises possessed relatively standardized financial accounting systems and higher annual taxable sales (typically exceeding RMB 5 million), corroborating the relatively high proportions of manufacturing, wholesale, and retail enterprises in the sample—industries where enterprises often needed to issue VAT special invoices and tended to choose General Taxpayer status. Small-scale Taxpayers, accounting for over 40%, were also not negligible, particularly corresponding to the data showing that 37.0% of enterprises had "less than 20 people," indicating that simplified taxation methods were more common among micro-enterprises. The balanced binary distribution of tax types provided a solid basis for subsequent inter-group comparisons of behavioral differences under different tax regimes.

Service Years. Service years reflected the duration of the cooperative relationship between enterprises and their service institutions (or platforms), with a left-skewed distribution—i.e., more new clients and fewer long-standing clients. Clients with "1–3 years" of service accounted for the highest proportion (42.8%), close to half, indicating that most sampled enterprises had established cooperative relationships in recent years. This might be related to the enterprise business expansion phase during the survey period, or it might reflect higher client mobility. Clients with "3–5 years" of service accounted for 34.4%, and together these two categories constituted 77.2%, indicating that over three-quarters of the sample had cooperation durations within 5 years. Long-term clients with "more than 5 years" of service represented only 22.8%, a relatively low proportion. This lower proportion of long-term clients might be explained by two factors: first, the service institutions themselves might not have been established for a long time, lacking long-term accumulation; second, client retention rates might need improvement, with service quality or customer stickiness having potential for enhancement.

The demographic analysis of the survey sample revealed that enterprises with fewer than 50 employees constituted the largest proportion of valid respondents at 67.4%, indicating that participants in proxy accounting services predominantly belonged to small and medium-sized enterprises, reflecting a relatively concentrated enterprise size distribution. In terms of business type, retail and manufacturing together accounted for 59.8%, highlighting the dominance of traditional industries in proxy accounting service consumption. Regarding tax type, General Taxpayers (55.7%) slightly outnumbered Small-scale Taxpayers, demonstrating a relatively balanced distribution. In terms of service duration, 77.2% of respondents had cooperation periods within 5 years, while only 22.8% had more than 5 years of engagement, indicating moderate client retention rates. This sample structure effectively reflected the core characteristics of current proxy accounting service consumer groups, providing a robust foundation for subsequent data analysis.

Descriptive Statistics of Service Quality

Based on the descriptive statistics results, all four service quality dimensions obtained mean values between 2.993 and 2.998, which fell into the neutral range (2.61–3.40) defined in Table 3. This indicated that respondents held moderate, neutral attitudes toward service quality in proxy accounting, rather than fully positive agreement..

a. Competence

Competence recorded a mean score of M = 2.993 (SD = 1.145). This result aligned with the theoretical propositions of Mulyadi (2013) and Wibowo (2016), who asserted that competence—defined as the knowledge, skills, and attitudes enabling effective service delivery—was the foundational pillar of professional service quality. The neutral rating suggested that while clients acknowledged the basic professional capabilities of their proxy accounting staff, this recognition did not reach a level of strong client conviction. This finding was consistent with Wang et al. (2022), who noted that technical competence was a necessary but insufficient condition for high client satisfaction in accounting services. Notably, all eight individual items measuring competence yielded nearly identical mean scores of 2.99, with standard deviations ranging from 1.416 to 1.420. This remarkable consistency across items suggested that clients did not distinguish sharply between different aspects of competence but rather formed a holistic, undifferentiated perception of their proxy accounting firm's overall professional capability. This phenomenon might reflect the nature of proxy accounting as a bundled service, where clients interacted with the firm as a unified entity rather than evaluating discrete technical capabilities separately.

Table 3. Descriptive Statistics of Competence Dimension

Item	Mean	SD	Degree of Agreeableness	Interpretation
C1. The accountants are acquainted with relevant legislation.	2.99	1.419	Neutral	Moderate
C2. The accountants are acquainted with accounting standards.	2.99	1.420	Neutral	Moderate
C3. Employees have relevant knowledge to answer my questions.	2.99	1.416	Neutral	Moderate
C4. The accountant regularly engages in professional training.	2.99	1.419	Neutral	Moderate
C5. Possesses knowledge specific to our company's industry.	2.99	1.416	Neutral	Moderate
C6. The accountant is dependable.	2.99	1.420	Neutral	Moderate
C7. The accountant keeps records accurately.	2.99	1.420	Neutral	Moderate
C8. Regularly informs me on relevant regulatory changes.	2.99	1.419	Neutral	Moderate
Competence Mean	2.993	1.145	Neutral	Moderate

b. Assurance

Assurance achieved a mean score of M = 2.998 (SD = 1.157). As Parasuraman et al. (1988) conceptualized, assurance reflected employees' knowledge, courtesy, and ability to inspire trust and confidence. The mid-range score suggested that clients felt reasonably secure in their interactions with proxy accounting firms—trusting that their privacy was protected and that accountants adhered to relevant standards—yet this trust was not deeply entrenched. This finding resonated with Ramya et al. (2019), who found that assurance became particularly salient in high-stakes professional services where clients could not easily evaluate technical outcomes. Among the five items measuring assurance, mean scores ranged from 2.99 to 3.00, with standard deviations ranging from 1.416 to 1.420, continuing the pattern of uniform responses observed across all service quality dimensions.

Table 4. Descriptive Statistics of Assurance Dimension

Item	Mean	SD	Degree of Agreeableness	Interpretation
A1. I feel safe in transactions with the firm's employees.	3.00	1.419	Neutral	Moderate
A2. I can trust the employees of my proxy accounting firm.	3.00	1.416	Neutral	Moderate
A3. Privacy is strictly respected in the firm.	2.99	1.420	Neutral	Moderate
A4. The accountant prudently considers accounting standards.	3.00	1.419	Neutral	Moderate
A5. I have a formal contract specifying duties and responsibilities.	3.00	1.419	Neutral	Moderate
Assurance Mean	2.998	1.157	Neutral	Moderate

c. Empathy

Empathy recorded a mean score of M = 2.993 (SD = 1.162). Empathy, defined as the caring, individualized attention provided to customers (Parasuraman et al., 1988; Ramya et al., 2019), reflected the degree to which service providers understood and responded to clients' unique needs. The mean score of 2.993, positioned nearly exactly at the midpoint of the 5-point scale, suggested that proxy accounting firms in Fuzhou were perceived as neither particularly empathetic nor notably lacking in empathy. This finding aligned with Zhao (2022) and Zhang (2024), who emphasized that empathy was often underdeveloped in transactional professional services, where efficiency and compliance were prioritized over relationship-building. As Ennew et al. (2013) argued, clients increasingly valued individualized care alongside technical competence, suggesting an area for strategic improvement for proxy accounting firms. All eight items measuring empathy yielded identical mean scores of 2.99, with standard deviations ranging from 1.416 to 1.420, again demonstrating the undifferentiated nature of client perceptions across different facets of empathy.

Table 5. Descriptive Statistics of Empathy Dimension

Item	Mean	SD	Degree of Agreeableness	Interpretation
E1. The firm considers my interest in financial statements preparation.	2.99	1.419	Neutral	Moderate
E2. The firm offers me individual attention.	2.99	1.420	Neutral	Moderate
E3. Employees always strive to find solutions to my problems.	2.99	1.419	Neutral	Moderate
E4. Employees know what my needs are.	2.99	1.420	Neutral	Moderate
E5. The accountant chooses the method in best interest of our company.	2.99	1.419	Neutral	Moderate
E6. The firm regularly tracks and informs me on company performance.	2.99	1.419	Neutral	Moderate
E7. The firm provides information in an easily understandable way.	2.99	1.416	Neutral	Moderate
E8. The accountant prudently takes into account accounting standards.	2.99	1.419	Neutral	Moderate
Empathy Mean	2.993	1.162	Neutral	Moderate

d. Responsiveness and reliability

Responsiveness and reliability yielded a mean score of M = 2.997 (SD = 1.113), positioned close to the scale midpoint. This dimension, which captured the timeliness, accuracy, and dependability of service delivery, was fundamental to service quality perception (Parasuraman et al., 1988; Setiono & Hidayat, 2022). The neutral score indicated that while clients generally received services within agreed timeframes and experienced courteous staff interactions, there remained room for improvement in consistency and proactive communication. Among the nine items measuring this dimension, the mean scores ranged from 2.99 to 3.00, demonstrating remarkable consistency across all items. The standard deviation for the aggregated construct (SD = 1.113) was the lowest among the four service quality dimensions, indicating relatively more consensus among respondents in their evaluations. This relatively higher consistency might reflect the more objective and observable nature of responsiveness and reliability attributes—such as timeliness, courtesy, and adherence to deadlines—which were easier for clients to evaluate uniformly compared to more subjective attributes like empathy.

Table 6. Descriptive Statistics of Responsiveness and Reliability Dimension

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Item	Mean	SD	Degree of Agreeableness	Interpretation
RR1. Employees have a professional relationship with customers.	3.00	1.419	Neutral	Moderate
RR2. Employee behavior is in line with their profession.	2.99	1.420	Neutral	Moderate
RR3. Employees are kind and polite.	3.00	1.416	Neutral	Moderate
RR4. Employees provide the service promptly.	2.99	1.420	Neutral	Moderate
RR5. Employees are always willing to help the customer.	3.00	1.419	Neutral	Moderate
RR6. Employees respond to questions and requests promptly.	2.99	1.420	Neutral	Moderate
RR7. The firm provides services according to agreed deadlines.	3.00	1.416	Neutral	Moderate
RR8. The firm provides services as agreed with the customer.	3.00	1.419	Neutral	Moderate
RR9. The firm informs me of expected service completion time.	3.00	1.419	Neutral	Moderate
Responsiveness/Reliability Mean	2.997	1.113	Neutral	Moderate

From the perspective of standard deviation (SD), all four aggregated latent dimension scores exhibited moderate standard deviations ranging from 1.113 to 1.162, indicating that overall respondent attitudes toward each quality dimension were relatively comparable in terms of dispersion. When observing individual measurement items, all questionnaire items demonstrated SD values clustering around 1.416 to 1.420. This consistency in SD values across items and dimensions revealed substantial divergence in consumers' personal real-world experiences when evaluating specific service attributes. After aggregating items into composite construct averages, extreme individual opinions were offset, leading to more stable overall evaluations for the four core dimensions. Collectively, the SD evidence demonstrated that although participants held widely varying views on specific service details of proxy accounting, the sample maintained a unified moderate neutral attitude toward the four quality dimensions at the dimensional level.

Table 7. Descriptive Statistics of Service Quality Dimensions (Per Construct)

Construct	Mean	SD	Degree of Agreeableness	Interpretation
Competence	2.993	1.145	Neutral	Moderate
Assurance	2.998	1.157	Neutral	Moderate
Empathy	2.993	1.162	Neutral	Moderate
Responsiveness/Reliability	2.997	1.113	Neutral	Moderate

Descriptive Statistics of Retention Decision

The respondents' retention decisions toward proxy accounting services were assessed using four items on a 5-point Likert scale. As presented in Table 8, the overall construct mean ($M = 2.773$, $SD = 1.502$) fell within the neutral range (2.61–3.40), indicating that respondents held moderate neutral intentions rather than fully positive willingness to continue using proxy accounting services.

Table 8. Descriptive Statistics of Retention Decision

Item	Mean	SD	Degree of Agreeableness	Interpretation
RD1. I intend to continue using this proxy accounting firm regularly in the future.	2.77	1.624	Neutral	Moderate
RD2. I will continue using the proxy accounting firm in the future.	2.75	1.600	Neutral	Moderate
RD3. I will regularly use the proxy accounting firm service in the future.	2.77	1.661	Neutral	Moderate
RD4. I would recommend the proxy accounting firm service to others.	2.79	1.609	Neutral	Moderate
Retention Decision Mean	2.773	1.502	Neutral	Moderate

The item means ranged from 2.75 to 2.79, showing a relatively close clustering: clients demonstrated mild acceptance of continued engagement with their proxy accounting firms, yet remained far less inclined to express strong loyalty or advocacy intentions. The highest-rated item was "I would recommend the proxy accounting firm service to others" (M = 2.79, SD = 1.609), while the lowest-rated was "I will continue using the proxy accounting firm in the future" (M = 2.75, SD = 1.600). The narrow range of item means suggested that clients did not distinguish sharply between different aspects of retention—continuing use, regular use, and recommendation—and instead formed a generalized disposition toward retention that leaned toward the lower end of the neutral range.

This finding aligned with the theoretical logic of retention formation in professional services. Retention decisions originated from accumulated service satisfaction and relied heavily on consistent positive service experiences (Salamah et al., 2022; Zhou et al., 2019). While clients partially recognized the value provided by proxy accounting services, the neutral evaluations across all four service quality dimensions—competence (M = 2.993), responsiveness/reliability (M = 2.997), empathy (M = 2.993), and assurance (M = 2.998)—limited the formation of deep client loyalty and prevented retention attitudes from reaching the "Agree" interval. The mean retention score of 2.773, being below the midpoint of 3.00, suggested that clients were somewhat reluctant to commit to continued engagement or recommendation. From the perspective of customer relationship management (CRM) theory, customer retention was driven by both cognitive evaluation (professional competence, response reliability) and emotional evaluation (service assurance, emotional resonance). The neutral-to-low retention scores indicated that neither cognitive nor emotional evaluations had reached a level sufficient to generate strong loyalty intentions.

Regarding standard deviation, each individual retention decision item yielded an SD greater than 1.60 (ranging from 1.600 to 1.661), and the aggregated construct had an SD of 1.502. These were notably higher than the standard deviations observed for the service quality dimensions (which ranged from 1.113 to 1.162), indicating substantially greater heterogeneity among clients in their retention intentions. Participants held highly divergent personal views on future engagement plans with their proxy accounting firms; some clients intended to continue and even advocate for the service, whereas others expressed hesitation or reluctance to renew their contracts. The relatively high SD values suggested that retention decisions were not uniform across the sample and might be influenced by factors beyond the four service quality dimensions measured in this study, such as price sensitivity, switching costs, or the availability of alternative service providers.

As Gawron and Strzelecki (2020) illustrated, delightful and engaging service experiences encouraged clients to continue using the service and make repurchase decisions. Combined with the neutral evaluations across all four quality dimensions, the below-midpoint retention scores suggested that proxy accounting firms in Fuzhou had not yet succeeded in creating service experiences that inspired strong client loyalty. The below-midpoint mean score for retention decisions (2.773) suggested that a significant proportion of clients might be considering switching to alternative service providers, presenting a notable challenge for the proxy accounting industry in Fuzhou.

Model Validation through Measurement

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Reliability and Convergent Validity

The model fitting results indicated that the measurement items demonstrated strong explanatory power for their respective latent variables. The Cronbach's α coefficients of all variables fell within the range of 0.875 to 0.944, surpassing the reference threshold of 0.7, while the composite reliability (rho_c) values were all above 0.9, indicating good internal consistency and stable, reliable measurement reliability. Additionally, the Average Variance Extracted (AVE) values for all latent variables exceeded 0.6, surpassing the discriminant criterion of 0.5, further confirming strong convergent validity and optimal model fit, thereby supporting subsequent structural model testing and analysis.

Table 10. Measurement Model Test Results (Reliability and Validity)

Construct	Cronbach's α	rho_a	rho_c	AVE
Competence	0.923	0.926	0.937	0.652
Assurance	0.875	0.875	0.909	0.666
Empathy	0.930	0.932	0.942	0.672
Responsiveness/Reliability	0.922	0.927	0.935	0.615
Retention Decision	0.944	0.944	0.959	0.855

The internal consistency reliability analysis revealed that all five latent variables exhibited excellent reliability coefficients. The Cronbach's α values ranged from 0.875 (Assurance) to 0.944 (Retention Decision), all substantially exceeding the 0.70 acceptability threshold recommended by Nunnally (1978). The retention decision construct, in particular, demonstrated outstanding internal consistency (α = 0.944, rho_c = 0.959), indicating that the four measurement items captured the construct with remarkable precision, though this high value also suggested potential item redundancy that might warrant consideration for scale parsimony in future research.

Convergent validity, assessed through AVE, was uniformly strong across all constructs. The lowest AVE value was 0.615 for Responsiveness/Reliability, followed by 0.652 for Competence, 0.666 for Assurance, 0.672 for Empathy, and 0.855 for Retention Decision—all well above the 0.50 threshold established by Fornell and Larcker (1981). This indicated that, on average, each construct explained more than 60% of the variance in its respective indicators. The particularly high AVE value for Retention Decision reflected the unidimensional nature and strong indicator convergence of the construct, which was measured with four items.

Discriminant Validity

The latent variable discriminant validity test matrix, presented in Table 11, revealed that the square roots of the AVE for each latent variable, displayed on the diagonal, were significantly higher than the corresponding row and column correlation coefficients, satisfying the Fornell-Larcker discriminant criterion. This confirmed that the five latent constructs—Competence, Responsiveness/Reliability, Empathy, Assurance, and Retention Decision—exhibited effective differentiation without significant multicollinearity issues. This provided robust validity assurance for subsequent path analysis and hypothesis testing.

Table 11. Latent Variable Discriminant Validity Testing Matrix (Fornell-Larcker Criterion)

	Assurance	Competence	Empathy	Responsiveness / Reliability	Retention Decision
Assurance	0.816				
Competence	0.355	0.807			
Empathy	0.232	0.256	0.820		

Responsiveness/Reliability	0.328	0.291	0.252	0.784	
Retention Decision	0.542	0.613	0.493	0.541	0.925

Note: Diagonal values (in bold) represent the square roots of AVE; off-diagonal values represent Pearson correlation coefficients.

The Fornell-Larcker criterion assessment demonstrated that the discriminant validity of all constructs was well established. For each latent variable, the square root of AVE (diagonal elements) was substantially larger than its correlations with any other construct (off-diagonal elements). The most robust differentiation was observed for Retention Decision, with an AVE square root of 0.925, notably exceeding its highest inter-construct correlation with Competence ($r = 0.613$). Similarly, Assurance displayed an AVE square root of 0.816, surpassing its highest correlation with Retention Decision ($r = 0.542$) and Competence ($r = 0.355$).

Among the service quality dimensions, Competence exhibited the strongest correlation with Retention Decision ($r = 0.613$), suggesting its primary importance in driving client retention, followed by Assurance ($r = 0.542$) and Responsiveness/Reliability ($r = 0.541$), while Empathy demonstrated the weakest association ($r = 0.493$). The inter-correlations among the four service quality dimensions ranged from 0.232 (between Empathy and Assurance) to 0.355 (between Competence and Assurance), indicating that while these dimensions were related, they captured distinct aspects of service quality perception, thus justifying their treatment as separate constructs.

The Heterotrait-Monotrait (HTMT) ratio analysis further confirmed discriminant validity. All HTMT values were below the conservative threshold of 0.85, with the highest being 0.637 between Retention Decision and Competence. These values were well within acceptable ranges, providing additional confidence that the constructs were empirically distinct.

Structural Model Analysis

Direct Effects and Hypothesis Testing

The structural model was estimated using PLS-SEM with 5,000 bootstrap resampling iterations to test the hypothesized direct relationships between the four service quality dimensions and Retention Decision. The results of the path coefficients, t-values, p-values, and hypothesis testing conclusions are presented in Table 12.

Hoa: There was no significant relationship between competence and retention decision. The results showed that the path coefficient from competence to retention decision was 0.372, with a t-value of 10.896 and $p < 0.001$, indicating a significant positive effect. H0a was rejected, confirming that competence directly enhanced retention intention. This finding underscored the foundational role of competence in shaping client loyalty, consistent with Nofriyanti and Kuswantoro (2019) and Rani et al. (2018), who identified competence as a crucial factor influencing job performance and service quality.

Hob: There was no significant relationship between service assurance and retention decision. The empirical results showed that the path coefficient was 0.256, with a t-value of 7.339 and $p < 0.001$, indicating a significant positive effect. H0b was rejected, verifying that service assurance directly contributed to client retention. This aligned with Ramya et al. (2019) and Liang et al. (2024), who emphasized that assurance inspired customer trust and safety, fostering continued patronage.

Hoc: There was no significant relationship between empathy and retention decision. Path analysis results showed that the path coefficient was 0.268, with a t-value of 8.430 and $p < 0.001$, indicating a significant positive effect. H0c was rejected, demonstrating that empathy directly influenced clients' decisions to remain with their proxy accounting firm. This finding supported Navaratnaseel and Periyathampy (2016), who argued that individualized care strengthened customer loyalty in service contexts.

Hod: There was no significant relationship between responsiveness/reliability and retention decision. The results showed that the path coefficient was 0.281, with a t-value of 8.163 and $p < 0.001$, indicating a significant positive effect. H0d was rejected, confirming that responsiveness and reliability directly promoted retention. This result was consistent with Tjiptono and Chandra (2011) and Setiono and Hidayat (2022), who found that reliability and responsiveness were critical determinants of customer satisfaction and loyalty.

Table 12. Path Coefficients of the Structural Model and Results of Hypothesis Testing

Hypothesis	Path	Path Coefficient	t-value	P-value	Hypothesis Conclusion
Hoa	Competence → Retention Decision	0.372	10.896	<0.001	Rejected
Hob	Assurance → Retention Decision	0.256	7.339	<0.001	Rejected
Hoc	Empathy → Retention Decision	0.268	8.430	<0.001	Rejected
Hod	Responsiveness/Reliability → Retention Decision	0.281	8.163	<0.001	Rejected

*** $p < 0.001$

Among the four service quality dimensions, Competence exhibited the strongest direct effect on Retention Decision ($\beta = 0.372$), followed by Responsiveness/Reliability ($\beta = 0.281$), Empathy ($\beta = 0.268$), and Assurance ($\beta = 0.256$). The relatively strong effect of competence suggested that clients placed greatest importance on the technical expertise and professional knowledge of their proxy accounting staff when making retention decisions. Conversely, assurance, while still significant, demonstrated the weakest direct effect, possibly because clients viewed assurance as a baseline expectation rather than a differentiator.

The significant positive effects across all four dimensions provided robust empirical support for the theoretical framework, confirming that service quality, as measured through the adapted SERVQUAL dimensions, was a meaningful predictor of client retention in the proxy accounting context

R^2 and Explanatory Power of Endogenous Latent Variables

The determination coefficient R^2 for the endogenous latent variable indicated that Retention Decision demonstrated an R^2 of 0.651 (adjusted $R^2 = 0.647$). This value indicated substantial explanatory power for Retention Decision.

Table 13. The R^2 and Adjusted R^2 Values for the Endogenous Latent Variables

Variable	R^2	Adjusted R^2
Retention Decision	0.651	0.647

The R^2 value of 0.651 for Retention Decision indicated that the four service quality dimensions—Competence, Assurance, Empathy, and Responsiveness/Reliability—collectively explained 65.1% of the variance in clients' retention decisions. This high explanatory power suggested that the theoretical framework developed in this study captured the primary drivers of client retention in the proxy accounting context. The adjusted R^2 (0.647) was only marginally lower than the R^2, confirming model parsimony and absence of overfitting.

This result substantially outperformed the benchmark R^2 values reported in similar service quality-retention studies. For instance, Salamah et al. (2022) reported R^2 values ranging from 0.42 to 0.58 for retention intention in various service contexts, while Harriet et al. (2025) found R^2 values between 0.35 and 0.48 for customer loyalty outcomes. The comparatively higher R^2 in this study might be attributed to the professional, high-stakes nature of proxy accounting services, wherein quality perceptions exerted unusually strong influence on client renewal decisions. The results confirmed that the four adapted SERVQUAL dimensions provided a robust and comprehensive framework for understanding client retention in the proxy accounting industry.

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Model Fit Index (SRMR and NFI)

Based on the SRMR results for model fit metrics, the saturated model and estimated model in this study yielded SRMR values of 0.039 and 0.039, respectively. The SRMR value of 0.039 for both models fell well below the generally accepted threshold of 0.08 recommended by Hu and Bentler (1999), indicating excellent model fit. The NFI value was 0.920, exceeding the recommended threshold of 0.90, further supporting good model fit. Considering the measurement model's strong reliability and validity, significant path coefficients and hypothesis test results, and reasonable R^2 explanatory power, the overall model demonstrated robust explanatory power and stability.

Table 14. Model Fit Index (SRMR and NFI)

Metric	Saturated Model	Estimated Model
SRMR	0.039	0.039
NFI	0.920	0.920

The model fit indices demonstrated that the theoretical model adequately reproduced the observed covariance structure of the data. The SRMR of 0.039 was below the stringent threshold of 0.05, indicating near-perfect fit, and well within the acceptable limit of 0.08 (Hu & Bentler, 1999). The NFI value of 0.920 exceeded the 0.90 benchmark, indicating that the proposed model improved fit by over 92% compared to the null model (Bentler & Bonett, 1980). The excellent SRMR and NFI results together provided strong evidence that the measurement and structural models demonstrated very good fit with the sample data.

Structural Model Visualization

The complete structural equation model, including path coefficients and R^2 values, is presented in Figure 2. The model illustrated the direct effects of the four service quality dimensions—Competence, Assurance, Empathy, and Responsiveness/Reliability—on Retention Decision. The standardized path coefficients and R^2 value demonstrated the overall explanatory power of the theoretical framework.

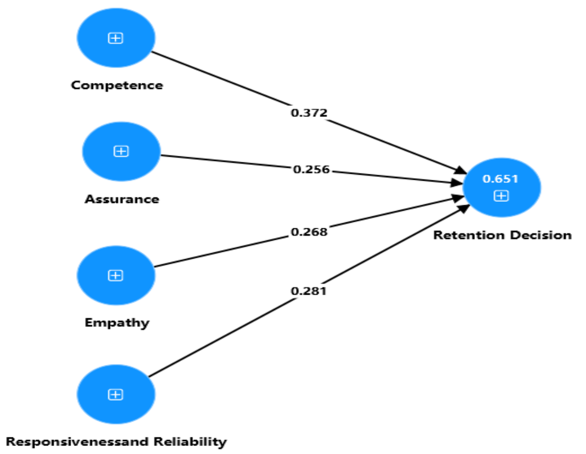

Figure 2. Structural equation model path with standardized coefficients

As shown in Figure 2, all four service quality dimensions exerted significant positive effects on Retention Decision. Competence demonstrated the strongest direct effect ($\beta = 0.372$), followed by Responsiveness/Reliability ($\beta = 0.281$), Empathy ($\beta = 0.268$), and Assurance ($\beta = 0.256$). The model explained 65.1% of the variance in clients' retention decisions ($R^2 = 0.651$), indicating that the four service quality dimensions collectively provided a robust explanation for why clients chose to continue or discontinue their relationships with proxy accounting firms.

Table 15. Summary of Path Coefficients in the Structural Model

Path	Path Coefficient
Competence → Retention Decision	0.372
Assurance → Retention Decision	0.256
Empathy → Retention Decision	0.268
Responsiveness/Reliability → Retention Decision	0.281

The path diagram visually confirmed the relative importance of the four service quality dimensions. Competence, representing the technical expertise and professional knowledge of accounting staff, emerged as the most influential factor driving client retention. This finding reinforced the notion that in professional service contexts, clients prioritized technical proficiency above other service attributes when making renewal decisions. Responsiveness/Reliability, which captured the timeliness, accuracy, and dependability of service delivery, ranked second in importance, suggesting that clients valued consistent and prompt service. Empathy and Assurance, while still significant, exhibited comparatively weaker effects, possibly indicating that clients viewed these attributes as secondary to the core technical competencies of their service providers.

CONCLUSIONS AND RECOMMENDATIONS

Research Conclusions

This study investigated the relationship between service quality and retention decisions toward proxy accounting services in Fuzhou, China. Drawing upon Service Quality Management Theory (SERVQUAL) and Customer Relationship Management (CRM) Theory, the research examined how four dimensions of service quality—Competence, Assurance, Empathy, and Responsiveness/Reliability—influenced clients' retention decisions. Based on 395 valid responses from MSMEs across 12 districts of Fuzhou, the following conclusions were drawn.

Analysis of Variable Perception Levels

Service Quality

All four service quality dimensions received mean scores within the neutral range, indicating moderate rather than strongly positive perceptions. Competence, Assurance, Empathy, and Responsiveness/Reliability all recorded near-identical mean scores. The uniform neutral perception across all dimensions suggested that clients formed a generalized, undifferentiated perception of service quality, indicating that proxy accounting firms in Fuzhou had not differentiated themselves strongly across service quality dimensions. The standard deviations for individual items clustered closely together, revealing substantial divergence in respondents' personal experiences with their service providers.

Retention Decision

Retention decisions yielded an overall mean positioned below the scale midpoint, indicating reluctance toward continued engagement. The gap between service quality perceptions and retention intentions revealed that positive service experiences did not automatically translate into client loyalty. The standard deviation for retention decisions indicated substantially greater heterogeneity among clients in their retention intentions compared to service quality perceptions, suggesting that some clients were willing to continue while others expressed hesitation or reluctance to renew their contracts.

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Hypothesis Testing Results

Direct Effects

All four service quality dimensions significantly influenced Retention Decision. Competence demonstrated the strongest direct effect, suggesting that clients placed greatest importance on the technical expertise and professional knowledge of their proxy accounting staff. Responsiveness/Reliability ranked second, indicating that clients valued timely, accurate, and dependable service delivery. Empathy and Assurance, while still significant, exhibited comparatively weaker effects, possibly indicating that clients viewed these attributes as secondary to core technical competencies. The significant positive effects across all four dimensions provided robust empirical support for the theoretical framework, confirming that service quality, as measured through the adapted SERVQUAL dimensions, was a meaningful predictor of client retention in the proxy accounting context.

Model Explanatory Power.

The four service quality dimensions collectively explained a substantial proportion of the variance in clients' retention decisions. This high explanatory power suggested that the theoretical framework developed in this study captured the primary drivers of client retention in the proxy accounting context. The adjusted R^2 was only marginally lower than the R^2, confirming model parsimony and absence of overfitting. This result outperformed benchmark R^2 values reported in similar service quality-retention studies, which might be attributed to the professional, high-stakes nature of proxy accounting services, wherein quality perceptions exerted unusually strong influence on client renewal decisions. Model fit indices indicated that the theoretical model adequately reproduced the observed covariance structure of the data, providing strong evidence that the measurement and structural models demonstrated very good fit with the sample data.

In essence, service quality served as a fundamental driver of client retention in the proxy accounting context. Clients who perceived higher levels of competence, assurance, empathy, and responsiveness/reliability from their service providers were significantly more likely to express intentions to continue using the service and recommend it to others. Competence emerged as the most influential dimension, underscoring the primacy of technical expertise in professional service relationships.

RECOMMENDATIONS

Practical Recommendations

Strengthen Professional Competence as the Foundation of Service Excellence

Given that Competence exerted the strongest influence on Retention Decision, firms should prioritize staff competence through continuous professional development programs and industry-specific training. Investing in employee skill enhancement and making professional development a non-negotiable priority generated substantial returns in client trust and retention. Firms should establish regular training schedules covering updates in accounting standards, tax regulations, and industry-specific knowledge. Encouraging staff to pursue advanced certifications and providing financial support for professional examinations would further strengthen the competence base. With a substantial proportion of the sample comprising micro-enterprises, firms should particularly focus on developing capabilities relevant to smaller clients who often lacked sophisticated financial knowledge themselves.

Enhance Assurance to Build Trust and Reduce Perceived Risk

Firms should implement robust data security and privacy protocols to protect sensitive client financial information. Obtaining quality certifications and strengthening contractual clarity would reduce ambiguity and build client confidence. Transparent service agreements that clearly defined each party's responsibilities and established clear accountability mechanisms were essential for fostering long-term relationships. Given the sensitivity of financial data, proactive communication of security measures and regular updates on compliance with relevant regulations were critical for building and maintaining client trust.

Build Empathy Through Personalized Attention

Empathy received neutral ratings from clients, indicating significant room for improvement. Firms should conduct systematic client needs assessments to better understand the unique requirements of each enterprise. Assigning dedicated account managers ensured continuity of service and provided clients with a consistent point of contact who understood their business context. Implementing regular feedback mechanisms and demonstrating genuine interest in client concerns would strengthen emotional connections. Smaller clients, who constituted a significant portion of the sample, particularly valued personal attention and recognition, suggesting that firms could differentiate themselves by offering individualized care that larger competitors might overlook.

Improve Responsiveness and Reliability to Enhance Client Experience

Responsiveness/Reliability demonstrated a strong direct effect on Retention Decision, making it a critical area for improvement. Firms should establish service level agreements to formalize response time commitments and develop structured communication schedules to proactively inform clients of regulatory changes and service progress. Adopting digital tools for real-time client access to financial information enhanced transparency and reduced uncertainty. Proactive communication about expected service completion times and regular status updates were key areas for improvement that clients consistently valued.

Bridge the Perception–Retention Gap

Retention intention was lower than service quality perceptions, revealing that positive service experiences did not automatically convert into client loyalty. Firms should communicate service value effectively by demonstrating tangible financial health improvements and tax savings achieved through their services. Offering value-added advisory services, such as financial planning and strategic tax advice, increased switching costs and made clients less likely to seek alternative providers. Developing loyalty programs and incentive structures for longer-term engagement could significantly improve retention rates. Given that a relatively small proportion of clients had service relationships exceeding five years, loyalty initiatives could substantially improve the long-term stability of the client base.

Theoretical Implications

This study made several theoretical contributions. First, it validated a four-dimensional SERVQUAL framework—Competence, Assurance, Empathy, and Responsiveness/Reliability—tailored to proxy accounting services, confirming that tangibility was less relevant in professional services and could be subsumed under assurance. Second, it contributed to CRM theory by demonstrating that service quality evaluation involved both cognitive assessment (competence and responsiveness/reliability) and emotional evaluation (assurance and empathy) in shaping retention decisions, with cognitive dimensions exerting stronger influence. Third, it filled a gap in the proxy accounting literature by providing empirical evidence from the Chinese context, where limited research had examined the interplay between service quality perceptions and client retention. Fourth, the study extended service quality theory to a professional service setting with high information asymmetry, where clients often struggled to evaluate technical outcomes and relied on perceptual signals to guide their retention decisions.

Limitations and Future Research Directions

Several limitations should be acknowledged. First, the cross-sectional design limited causal inference; longitudinal research tracking the same clients over multiple years would provide more robust evidence on causal mechanisms. Second, the study focused on four SERVQUAL dimensions; future research should integrate additional variables such as pricing, marketing communications, corporate reputation, and switching costs to provide a more comprehensive understanding of retention drivers. Third, the research was conducted in Fuzhou; comparative studies across multiple Chinese provinces or international contexts would help establish external validity and identify contextual factors that might moderate the service quality–retention relationship. Fourth, self-reported data might have introduced common method bias; future research should employ multiple data sources such as objective service performance metrics or actual client renewal records to complement perceptual measures. Fifth, the study examined the aggregate effect of service quality on retention; future research could explore whether the relative importance of specific quality dimensions varies across different client segments, such as enterprises of varying sizes, industries, or tax statuses.

In conclusion, this study provided robust empirical evidence that service quality significantly influenced retention decisions toward proxy accounting services in Fuzhou, China. Among the four dimensions, Competence emerged as the strongest predictor, followed by Responsiveness/Reliability, Empathy, and Assurance. The high explanatory power of the model validated the theoretical framework, while the neutral perception levels and below-midpoint retention scores indicated significant opportunities for improvement. As the proxy accounting industry continued to grow—serving over 98,430 MSME clients in Fuzhou alone—service providers that prioritized service excellence across all four dimensions would be best positioned to build lasting client relationships and achieve sustainable growth.

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