



## Role of total quality management in banking sector

Anita Rani

M.com net. KUK University Haryana, Haryana, India

### Abstract

Now-a-days, in modern global economics, public sector commercial banks are facing serious challenges from domestic and international market competition. Such reasons are limited potential in adopting new managerial methods to handle with the present challenges in the business environment. Thus, it is rare to see commercial banks showing any sort of progress in the dynamically changing global market.

Consequently, public sector commercial banks tend to be more innovative and competitive to survive in such a conditions. However, to make commercial banks to improve their operation systems continuously, one should provide a high standard of products and services, and organizations have to provide their employees with the proper tools and techniques, especially those individuals involved in the process of continual improvement and one such technique is known as Total Quality Management. This study will focus on impact of TQM practices on the performance of public sector commercial banks.

**Keywords:** bank, TQM, quality, service

### Introduction

Total Quality Management (TQM) considered as a main tool that leads to the strategy of developing work and improving performance in order to achieve profitability through good services and quality products. It can be defined as the continuous improvement of administrative and productive processes through reviewing and analysing the results achieved, and searching for other means and methods to raise the level of performance and try to reduce the time and effort for the completion of production processes by eliminating all unnecessary functions for consumers and for the productive process to reach the required level of total quality<sup>[1]</sup>.

Globalization, industry development and technological change interact to make alternative environments with changing levels of dynamism and complexity requiring realignment of operation strategies. Customer focus is a competitive importance to adapt fitting operation methods proactively in changing environments. Regardless of the effort by managers of such environments to increase their performance; they still face major challenges in how to implement such strategic initiatives for company business excellence. Effective strategy formation can be assumed as one good way to make such initiatives successful. However, in spite of all effort made in the different fields in adapting new strategies and implementation procedures, continual development in service sectors has become a major concern in the last decade, particularly in Banking sector.

In order to achieve the competitive quality level, it is necessary to use many methods and skills of quality's science. Choosing the appropriate method or the effective and useful tool is related to many factors and circumstances of the establishment internally and externally. Continuing Quality Improvement can be considered as the only way to improve the performance of organizations and banks. Quality's

sciences and its various methods helps to achieve gains for banks by ensuring distinguished and constantly evolving services using quality improvement techniques, to reduce problems and errors through the quality control methods to detect any defect in inspection to prevent its development and to detect the causes and remove them as soon as possible, It even can avoid the error or problem before it happened, which helps the bank to maintain its basic customers and gain the largest possible number of new customers.

In service sector, banking industry caters to the needs of the different categories of people. Mainly, the service quality of commercial banks plays a major role in high involvement industries (1). Indeed providing the best service quality is viewed as the precondition for the success of service organizations like banks (2). The organizational performance of commercial banks is positively related to the service quality and to provide both internal and external service quality in commercial banks, the total quality service is highly necessary (3). Customer satisfaction is the primary importance in public sector commercial banks. This has resulted in the exercise of value creation. Therefore, with the approach of value, customer value has become a source of sustainable competitiveness.

Therefore, public sector commercial banks have opted different areas for value creation, and, one such strategy is total quality management (TQM). TQM represents a area for marketing potentialities, and synergistic in facilitating efficient management of process for value creation and delivery in the highly dynamic and competitive market. In another dimension, although TQM and market orientation is strongly related in the aspect of customer satisfaction, TQM is found to have a strong and positive impact on organizational development. Similarly, it is indicated that the impact of TQM on financial concerns such as profits, earning, and market

share and growth rate is the outcome of the strong and direct impact of TQM on non-financial issues such as varying organizational culture, productivity, employee morale and innovation.

### **Review of related literature**

TQM can be explained, as “organization activities involving everyone in a company – managers and workers – in a totally requisite and integrated effort toward improving performance at every level”. (4) These integrations lead to increased customer satisfaction by controlling quality, costs and product developments. TQM is a journey and it never ends.. TQM is a philosophy and strategy minded customer. The word total implies that all members of the organization make consistent attempts to achieve the objective for a customer through systematic efforts for the improvements. All employees must associate in the development of shared vision, mission, and plans and in quests for continuous improvement (5). Such association will require attempts towards the acquisition of knowledge and skills facing day to day problems and making quick but low risk decisions.

TQM is a philosophy which emphasizes continuous improvement as a process that places premium on achievement of client satisfaction. This requires participation of everyone in the organization in the development of shared mission, vision, plans and in the quest for continuous developments. A lot of problems and standard situations are solved in an adhoc manner. The present management systems are without necessary transparency and formalization (6). An increasing numbers of companies are using teams to power the knowledge and experience of their employees in order to increase quality, reduce costs and satisfy the client (7).

Each organization having a quality management system executed and also plans and objectives recorded in the improving strategy of organizations should have intellectual capital resources which allow creating of quality processes and the same finished product (8). Quality management is the way firms are managed, which makes achieving the efficiency success, effectively success and competitiveness superiority possible assuming the long term achievement, meeting customers and workers needs and financial results (9)

A meta-analysis regarding the impact of quality on performance, by using data from other 23 published studies was done. In terms of financial improvement, treated as an aggregate variable, the results showed positive effects for leadership, people management, process management and customer focus practices. Nonetheless, positive effects were not found for product management, design, supplier management and quality data analysis practices (10).

Despite the existence of a consolidated line of research with concentration on the impact of quality on various operational aspects of the firms the academic interest about the effect of quality on the financial results is more recent. Hence, this study aims to determine the effect of TQM practices on profitability and service quality in public sector commercial banks.

### **TQM implementation in banking sector**

Achieving a competitive quality level requires using many methods, tools, and skills of quality science which may differ

from bank to bank according to its conditions internally and externally and it may need to change over time. Implementation of TQM necessitates introducing quality systems that meets the constantly changing requirements of the customers. Quality management systems focus on quality planning by setting quality policy and objectives which will help to choose the appropriate quality techniques and methods. These systems must be created in particular and it needs training programs, including senior management, middle management and the rest of the employees. Once specific objectives have been reached, new improvement targets are set to keep continuously upgrading of performance level. It is worthy to mention the necessity of having a high professional management team that can successfully manage the whole process of improving the quality.

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### **Need of the study**

In modern world economics, public sector commercial banks face serious challenges from private and global competition. Such reason is within their restricted potential in adopting new managerial ways to deal with the present challenges in the business environment. Client satisfaction is that the drive behind quality improvement and quality management is achieved by correct ways. Public sector commercial banks are needed to adopt the TQM approach to satisfy global competitiveness.

### **Impact of total quality management in banking sector**

The benefits and effects of the TQM on organization performance have encouraged the banks to focusing in the quality of services that they provide and how it will help them to succeed. The quality of services plays an important role and primary factor in ensuring the survival of the bank with the other competitors in the market. Customers have a wide range from banks and they would only choose the banks that provide best services in terms of quality, reliability, and profitability and bank which is at par with international standards.

Quality of service is considered as critical issue in preserving and propagates business in the competitive marketplace. In the current trend of trade globalization, service-based companies like banks must provide excellent service to their customers to

get a sustainable competitive advantage. [9] Quality in banks does not mean to just satisfy customers' expectation but exceeding their expectations since the customer's perception about the quality has been changing over the years. Today, there are many aspects of banking services quality like technology based services, improved and new product services and e-services. Therefore, the Banks have to commit towards continuous improvement of their service that provided to customers.

The main factor in assessing the performance of banks is the quality of their services (quality: customer or client satisfaction). A common definition, proposed by Parasuraman, Zeithaml and Berry "is that customer service quality is the deference between the bank's performance as perceived by the customer and the level of performance that the customer expected "[11] The current global trend is to satisfy the client's expectations in terms of quality is to achieve his satisfaction, and to ensure continuous improvement of quality to keep the outstanding performance against competitors.

In the era when technology can facilitate the intense competition, it is necessary for the banks to focus on improving, controlling and measuring their service quality continuously. Therefore, any bank that seeks excellence must achieve a distinguished level of service that meets the ever-changing requirements of its customers to satisfy them. This can only be achieved through the introducing of quality systems that initially required training program for senior management, middle management and the rest of the employees. In addition, the banks should emphasize deeper permeation of the current customers' database since the data about customers and their needs can help the industry to identify the existing key customers, future customer and building relationship with them.

The growth of internet and information system led to appearance of the eservices concept, therefore the way of interaction between the bank and the customer changed. Cost reduction and delight customers through automation are the basic reason behind development of online service.

## Conclusion

Banks and its privacy, sensitivity and how it can be affected by the mistakes is in dire need of applying the quality with its systems, methods and tools which helps to detect errors in a timely manner to address them, avoid repetition by knowing the root causes of errors, and take necessary to remove these reasons by controlling all internal processes. The quality tools and methods can help the banking institutions to develop and improve their performance continuously and this is necessary in the current competitive environment which is characterized by striving for the best. Quality is not a concept that is seen as a single unit, but a multidimensional concept and aspects, These dimensions must be first identified, then focused on, studied and analyzed to ensure that they are available in the desired form to achieve the best service to avoid neglecting of any dimension that may affect the reputation of the institution and its competitive position.

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