

## A STUDY ON TOTAL QUALITY MANAGEMENT (TQM) OF BANKING SECTORS IN MADURAI CITY

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### **Abstract**

*Banking sector has undergone intense competition and a change in customers' expectations over the last few years especially after the recession. The importance and increasing attention to service quality in financial institutions is fully justified by the socio-political changes that have arisen. Amongst these changes, we can point to the economic globalization, which has brought about a reversal in consumer habits for banking services. In recent years, banking institutions have been subjected to intense competition too. Quality Management is the mechanism that can be used by banks to gain the competitive advantages. Banks can become stronger and effective only if they come out with better customer service, quality, costs, and innovation. Today, customers have a wide choice of service providers and they would opt for only the best service providers in terms of quality, reliability and profitability and who are at par with international standards. Therefore, the quality of service plays a dominant role and is a primary factor in ensuring the survival of the service provider in the global market. The whole focus is now concentrated on providing services to customer beyond his expectations. This concept is applicable to all service industries and has given birth to the concept of TQM in service sector. TQM starts with leadership committed to quality. Hence, the present study focused on the Total Quality Management (TQM) of Banking Sectors in Madurai City.*

**Keywords:** *Customers' Expectations, Quality Management, Choice of Service Providers, International Standard and Leadership.*

### **Introduction**

Quality refers to a parameter which decides the superiority or inferiority of a product or service. Quality can be defined as an attribute which differentiates a product or service from its competitors. Quality plays an essential role in every business. Business marketers need to emphasize on quality of their brands over quantity to survive the cut throat competition. Total quality management (TQM) practices are the key enablers for the successful implementation of TQM program in any organization whether manufacturing or service. TQM is a management approach which is widely accepted and adapted by managers and practitioners in almost all areas. But, from the past two decades, available literature on TQM has showed that implementation of TQM has been more inclined towards service sector. Service managers and practitioners are continuously making their full efforts to adopt TQM in their organizations and achieve maximum benefits and competitive advantage to sustain in global market. Several studies on TQM in manufacturing sector have been conducted since 1989 but the survey of existing literature on TQM have indicated that frequency of research publications in service sector have evolved tremendously from year 2000 onwards covering wide range of service industries such as information and

communication technology (ICT), banking, real estate, aviation, healthcare, education, insurance, and many other. Researchers further observed that implementation of TQM leads to enhanced performance like improved business, industrial growth, quality products and services, financial performance, innovative performance, and above all customer satisfaction.

In Tamil Nadu, Madurai is one of the largest districts. It is endowed with human resources, minerals and materials for starting various agro-based industries. There are 43 banks operating with total number of 284 branches in Madurai Region.

### **Objectives of the Study**

The present study mainly conducted with the following objectives

1. To study about the Total Quality Management (TQM) and its Principles.
2. To know the TQM in Banking Sector.
3. To test the null hypothesis framed with the respondents' perspective towards their personal factors and TQM of their banks.
4. To suggest and recommend views and ideas for successiveness of TQM in Banking Sector.

### **Operational Definitions**

Total quality management (TQM) consists of organization-wide efforts to install and make permanent a climate in which an organization continuously improves its ability to deliver high-quality products and services to customers.

Total Quality management is defined as a continuous effort by the management as well as employees of a particular organization to ensure long term customer loyalty and customer satisfaction. Remember, one happy and satisfied customer brings ten new customers along with him whereas one disappointed individual will spread bad word of mouth and spoil several of your existing as well as potential customers.

### **Total Quality Management (TQM)**

Total quality management is a management approach centred on quality, based on the participation of an organisation's people and aiming at long term success (ISO 8402:1994). This is achieved through customer satisfaction and benefits all members of the organisation and society. In other words, TQM is a philosophy for managing an organisation in a way which enables it to meet stakeholder needs and expectations efficiently and effectively, without compromising ethical values.

### **Principles of TQM**

**Be Customer focused:** Whatever you do for quality improvement, remember that ONLY customers determine the level of quality. Whatever you do to foster quality

improvement, training employees, integrating quality into processes management, only customers determine whether your efforts were worthwhile.

**Insure Total Employee Involvement:** You must remove fear from work place, then empower employee, provide the proper environment.



**Figure 1: Total Quality Management (TQM) Principles**

**Process Centered:** Fundamental part of TQM is to focus on process thinking.

**Integrated system:** All employee must know the business mission and vision. An integrated business system may be modeled by MBNQA or ISO 9000

**Strategic and systematic approach:** Strategic plan must integrate quality as core component.

**Continual Improvement:** Using analytical, quality tools, and creative thinking to become more efficient and effective.

**Fact Based Decision Making:** Decision making must be only on data, not personal or situational thinking.

**Communication:** Communication strategy, method and timeliness must be well defined.

### TQM in Banking Sector

Implementing a total quality management program is an ongoing process consisting of many different components. Banks that have begun such a journey say it is an intense learning process that spans a lifetime. "It is a process that works backwards to the absolute heart of the organisation," says Bill Placke, president and chief operating officer at Center bank, Waterbury, Conn. The six elements identified as crucial to successful TQM implementation are:

**Quality of personnel:** The degrees of personnel employed by the banks will go a longway to determining the extent of TQM application. If the quality is high, there is the probability that they will quickly grasp the training in TQM and vice versa.

**Computerization:** This is said to hasten the processing of data and transactions suchthat customers spent less time on questions as opposed to the ledger cards that were used hitherto. Computerization engenders fast service time.

**Attitude to work by employees:** The attitude to work by employees also goes a long way to influencing the TQM implementation. If the attitudes of the workers are negative, it is not likely that the TQM will be successfully implemented.

**Awareness of organization objectives:** If the employees are aware of organizations objectives they will work towards achieving the objectives. But a situation where the objectives are not communicated to the employees, the employees will only believe that whatever they are doing is the right thing.

**Level of Motivation:** This factor is about reward compensation for hard work and promotion as the case may be. The higher level of motivation the greater the commitment of the employees

**Participation and involvement in decision-making:** This refers to the extent to which jobs are delegated to the employees.

### Hypothesis of the Study

Following NULL hypothesis were framed for the study and analysed:

$H_0^1$  - There is no association between the Gender and the Level of Satisfaction of the Respondents towards TQM of their Bank.

$H_0^2$  - There is no association between the Age and the Level of Satisfaction of the Respondents towards TQM of their Bank.

$H_0^3$  - There is no association between the Educational Qualification and the Level of Satisfaction of the Respondents towards TQM of their Bank.

$H_0^4$  - There is no association between the Occupation and the Level of Satisfaction of the Respondents towards TQM of their Bank.

$H_0^5$  - There is no association between the Income and the Level of Satisfaction of the Respondents towards TQM of their Bank.

### Analysis Part of the Study

$H_0^1$  - Chi-square analysis between Gender and Level of Satisfaction of the Respondents

**Table 1: Gender and the Level of Satisfaction of the Respondents towards TQM**

O	E	(O-E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> / E
10	10.8	-0.8	0.64	0.05
14	10.4	3.6	12.96	1.24
10	14.8	-4.8	23.04	1.55
6	4	2	4	1
17	10.8	6.2	38.44	3.55
12	10.4	1.6	2.56	0.24
27	14.8	12.2	148.84	10.05
4	4	0	0	0
<b>Total</b>				<b>17.68</b>

*Degree of freedom* = (r-1) (c-1) = (2-1) (4-1) = 3

The table value of chi-square for degree of freedom 3 at 5% level of significance is 7.815. The calculated value of  $\chi^2$  is 17.68 which is more than the table value, therefore the null hypothesis is rejected. Hence it is inferred there is a significant association between the Gender and the Level of Satisfaction of the Respondents towards TQM of their Bank.

$H_0^2$  - Chi-square analysis between Age and Level of Satisfaction of the Respondents  
**Table 2: Age and the Level of Satisfaction of the Respondents towards TQM**

O	E	(O-E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> / E
27	20.52	6.48	41.99	2.04
8	19.76	-11.76	138.29	6.99
31	28.12	2.88	8.29	0.29
10	7.6	2.4	5.76	0.75
18	4.68	13.32	177.4	37.9
6	2.22	3.78	14.28	6.43
<b>Total</b>				<b>54.4</b>

Degree of freedom = (r-1) (c-1) = (3-1) (4-1) = 6

The table value of  $\chi^2$  for degree of freedom 6 at 5% level of significance is 12.592. The calculated value of  $\chi^2$  is 54.4 which is more than the table value, therefore the null hypothesis is rejected. Hence it is inferred there is a significant association between the Age and the Level of Satisfaction of the Respondents towards TQM of their Bank.

$H_0^3$  - Chi-square analysis between Educational Qualification and Level of Satisfaction of the Respondents

**Table 3: Educational Qualification and the Level of Satisfaction of the Respondents towards TQM**

O	E	(O-E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> / E
1	1.62	-0.62	0.384	0.237
1	1.56	-0.56	0.313	0.201
2	2.22	-0.22	0.048	0.021
2	0.6	1.4	1.96	3.26
13	19.98	-6.98	48.72	2.43
20	19.24	0.76	0.577	0.030
34	27.38	6.62	43.82	1.60
7	7.4	-0.4	0.16	0.021
12	1.32	10.68	114.06	84.49
4	4.16	-0.16	0.025	0.006
1	1.08	-0.08	0.0064	0.005
1	1.04	-0.04	0.0016	0.001
1	1.48	-0.48	0.230	0.155
1	0.4	0.6	0.36	0.9
<b>Total</b>				<b>93.357</b>

Degree of freedom = (r-1) (c-1) = (4-1) (4-1) = 9

The table value of  $\chi^2$  for degree of freedom 9 at 5% level of significance is 16.919. The calculated value of  $\chi^2$  is 93.357 which is more than the table value, therefore the null hypothesis is rejected. Hence it is inferred there is a significant association between the Educational Qualification and the Level of Satisfaction of the Respondents towards TQM of their Bank.

$H_0^4$  - Chi-square analysis between Occupation and Level of Satisfaction of the Respondents

**Table 4: Occupation and the Level of Satisfaction of the Respondents towards TQM**

O	E	(O-E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> / E
1	0.52	0.48	0.23	0.44
1	0.74	0.26	0.06	0.08
1	1.08	-0.08	0.006	0.0055
3	1.04	1.96	3.84	3.69
1	1.08	-0.08	0.006	0.0055
1	1.04	-0.04	0.001	0.0009
1	1.48	-0.48	0.23	0.15
1	0.4	0.6	0.36	0.9
25	24.3	0.7	0.49	0.02
21	23.4	-2.4	5.76	0.24
35	33.3	1.7	2.89	0.086
9	9	0	0	0
<b>Total</b>				<b>5.6179</b>

Degree of freedom = (r-1) (c-1) = (4-1) (4-1) = 9

The table value of  $\chi^2$  for degree of freedom 9 at 5% level of significance is 16.919. The calculated value of  $\chi^2$  is 5.6179 which is less than the table value, therefore the null hypothesis is accepted. Hence it is inferred there is no significant association between the Occupation and the Level of Satisfaction of the Respondents towards TQM of their Bank.

$H_0^5$  - Chi-square analysis between Income and Level of Satisfaction of the Respondents

**Table 5: Income and the Level of Satisfaction of the Respondents towards TQM**

O	E	(O-E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> / E
10	7.56	2.44	5.95	0.78
4	7.28	-3.28	10.75	1.47
10	10.36	-0.36	0.12	0.012
4	2.8	1.2	1.44	0.51
9	7.83	1.17	1.36	0.17
10	7.54	2.46	6.05	0.80
10	10.73	-0.73	0.53	0.04
8	11.61	-3.61	13.03	1.12
12	11.18	0.82	0.372	0.06
17	15.92	1.09	1.18	0.07
6	4.3	1.7	2.89	0.67
<b>Total</b>				<b>5.702</b>

Degree of freedom = (r-1) (c-1) = (4-1) (4-1) = 9

The table value of  $\chi^2$  for degree of freedom 9 at 5% level of significance is 16.919. The calculated value of  $\chi^2$  is 5.702 which is less than the table value, therefore the null hypothesis is ACCEPTED. Hence it is inferred there is NO SIGNIFICANT association between the Income and the Level of Satisfaction of the Respondents towards TQM of their Bank.

### **Suggestions and Recommendations**

On the basis of the summary highlighted above the following suggestion are recommended to strengthen the achievement of the quality goals in each of the banks.

- Employees' quality awareness and involvement through well-developed programme should be given wide publicity.
- External consultants can be employed on the criteria to be used for the international standard for measuring the quality of service of the banks.
- International Quality standard like the ISO 9000 could be invented to judge the acceptability of the service of the commercial banks.
- Quality improvement strategy should be evolved to cover all the aspect of banking transaction.
- Review procedures should be established in each of the banks.
- The banks should initiate a companywide awareness of TQM through seminar and workshop.
- The content of training of bank employees should be such that will enhance the implementation of the TQM.
- Top management should be involved in continuous monitoring of the progress of TQM at different department of the banks.

### **Conclusion**

Total Quality Management (TQM) in the Indian banking scenario can do a lot in improving the present conditions, in rendering it more useful to the people and in improving the profitability. The Indian banking system though lauded by the global experts, especially in the time of the recession has got a long way to develop, especially in the matter of customer relation. Training the employees, fine-tuning the product mix, improving the top management commitment to quality, fine-tuning of the processes of ensuring quality top-bottom and bottom-top, reduction of retirement age, introducing employee development programmes with the nature of an academic course, monitoring of the performances and proper rewarding based on achievements, empowering the employees professionally and personally, ensuring the customer satisfaction in everything etc. are the ways suggested as a aspects of Total Quality Management in Banking.

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