

Impact of Total Quality Management Practices on the Profitability and Service Quality of Public Sector Commercial Banks in Chennai

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Abstract

In modern global economics, public sector commercial banks are facing serious challenges from domestic and international market competition. Such reason is in their limited potential in adopting new managerial methods to cope with the current challenges in the business environment. Thus, it is unlikely to see commercial banks show any sort of progress in the dynamically changing global market. As a result, public sector commercial banks tend to be more innovative and competitive to survive in such a context. However, to enable commercial banks to improve their operation systems continuously by providing a high standard of products and services, 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 Total Quality Management. This study will focus on impact of TQM practices on the performance of public sector commercial banks.

Keywords: Profitability, service quality, employee empowerment, customer Satisfaction and Global Competitiveness

Introduction

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

In the service sector, banking industry caters to the needs of the different categories of people. Notably, the service quality of commercial banks plays a dominant role in high involvement industries (1). Indeed providing the best service quality is viewed as the pre requisite 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 essential (3).

Customer satisfaction is the primary focus in public sector commercial banks. This has resulted in the exercise of value creation. Therefore, with the concept of value, customer value has become a source of sustainable competitiveness. Therefore, public sector commercial banks have adopted different platforms for value creation, and, one such strategy is total quality management (TQM). TQM represents a platform 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 there is strong relationship between TQM and market orientation in the perspective of customer satisfaction, TQM is found to have a strong and positive impact on organizational performance. Similarly, it is indicated that the impact of TQM on financial issues 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 changing organizational culture, productivity, employee morale and innovation.

Review of Literature

TQM can be defined, as “organization activities involving everyone in a company – managers and workers – in a totally systemic and integrated effort toward improving performance at every level”. (4)These integrations lead to increased client

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 efforts to achieve the objective for a customer through systematic efforts for the improvements. All employees must participate in the development of shared vision, mission, and plans and in quests for continuous improvement (5). Such participation will require efforts towards the acquisition of knowledge and skills facing day to day problems and making fast but low risk decisions.

TQM is a philosophy which emphasizes continuous improvement as a process that places premium on achievement of customer satisfaction. This requires participation of everyone in the organization in the development of shared mission, vision, plans and in the quest for continuous improvements. A lot of problems and standard situations are solved in an adhoc manner. The existing management systems are without necessary transparency and formalization (6). An increasing numbers of companies are using teams to leverage the knowledge and experience of their employees in order to improve quality, reduce costs and satisfy the customer (7). Each organization having a quality management system implemented and also plans and objectives recorded in the improving strategy of organizations should have intellectual capital resources which permit creating of quality processes and the same finished product (8). Quality management is the way firms are managed, which makes obtaining the efficiency success, effectively success and competitiveness superiority possible assuming the long term success, 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 performance, treated as an aggregate variable, the results showed positive effects for leadership, people management, process management and client 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 focus on the impact of quality on various operational aspects of the firms the academic interest about the impact of quality on the financial results is more recent. Hence, this study aims to determine the impact of TQM practices on

profitability and service quality in public sector commercial banks in Chennai.

Need for the Study

In modern global economics, public sector commercial banks are facing serious challenges from private and global competition. Such reason is in their limited potential in adopting new managerial methods to cope with the current challenges in the business environment. Customer satisfaction is the driving force behind quality improvement and quality management is achieved by proper strategies. Public sector commercial banks are required to adopt the TQM approach to meet global competitiveness.

Research Objectives

The objectives of the study are

- To determine the impact of the employee empowerment on profitability and service quality in public sector commercial banks.
- To determine the impact of employee training and education on profitability and service quality in public sector commercial banks.
- To determine the impact of customer satisfaction on profitability and service quality in public sector commercial banks.

Research Design- Nature of the Study

This is an empirical study based on the survey method.

Sources of Data

The Secondary data was collected from relevant journals, books, magazines, records and websites. Primary data was collected from employees of public sector commercial banks in the city of Chennai.

Variables used in the Study

The Independent variable, Total Quality Management comprises three factors namely, employee empowerment employee training and education and customer satisfaction and the dependent variable consists of profitability and service quality.

Sample and Statistical Techniques

Public sector commercial banks like Indian Bank, Indian Overseas Bank and Canara Bank were selected and employees from three branches under these three commercial banks were taken as samples. A structured and comprehensive questionnaire was

used in the study to collect the required data. The respondents were asked to answer 36 questions related to TQM in general. The questions were built on five points of the Likert scale (1. Strongly agree; 2. Agree; 3. Neutral; 4. Disagree; 5. Strongly disagree). Multiple regression analysis was used to test the effect of the independent variable (TQM factors) on the dependent variables (profitability and service quality),

Reliability of the Data

Cronbach’s Alpha was used to measure internal consistency; the result shows that the questionnaire has relatively high internal consistency with .977.

Research Hypothesis

- There is a significant relationship between employee empowerment and profitability & service quality in public sector commercial banks.
- There is a significant relationship between employee training and education and profitability & service quality in public sector commercial banks.
- There is a significant relationship between customer satisfaction and profitability & service quality in public sector commercial banks

Results and Discussion

The results of the TQM factor employee empowerment on the dependent variable profitability and service quality are presented in Table 1 and Table 2.

**Table 1
Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.550	.302	.224	.51446

**Table 2
Anova**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	13.094	10	1.414	4.826	0.000
Residual	29.847	95	.300		
Total	42.940	105			

- a. Predictors-Employee Empowerment
- b. Dependent Variable: profitability

Multiple regression analysis was used to test the impact of TQM on profitability of the select commercial banks. The calculated value P= .000, F= 4.826 is significant at .05 level, with moderate Pearson correlation with R= .550. This clearly indicates that Hypothesis 1 is accepted. This result shows that there is a significant relationship between

TQM factor employee empowerment and Profitability & service quality of public sector commercial banks in Chennai.

The results of the TQM factor employee training and education on the dependent variable profitability and service quality are presented in Table 3 and Table 4.

Table 3

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.835	.586	.524	.51403

Table 4

Anova

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	10.098	10	1.11	10.06	0.000
Residual	4.333	39	0.100		
Total	14.431	49			

- a. Predictors- Employee training and education
- b. Dependent Variable: Profitability & Service Quality

Multiple regression analysis was used to determine the impact of TQM on service quality of Indian Bank, Indian Overseas Bank and Canara Bank. The calculated value $P = .000$, $F = 10.06$ is significant at .05 level, with moderate Pearson correlation with $R = .835$. This result shows that there is a significant relationship between TQM factor employee training and education and profitability & service quality of

public sector commercial banks in Chennai. Hence, Hypothesis 2 is accepted.

The results of the TQM factor customer satisfaction on the dependent variable profitability and service quality are presented in Table 5 and Table 6.

Table 5

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.513	.306	.229	.51046

Table 6

Anova

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	12.212	09	1.01	11.26	0.000
Residual	15.114	19	0.111		
Total	27.326	28			

- a. Predictors- Customer satisfaction
- b. Dependent Variable: Profitability & Service Quality

Multiple regression analysis was used to determine the impact of customer satisfaction profitability & service quality of Indian Bank, Indian Overseas Bank and Canara Bank. The calculated value $P = .000$, $F = 11.26$ is significant at .05 level, with moderate Pearson correlation with $R = .513$. This result shows that there is a significant relationship between TQM factor customer satisfaction and profitability & service quality of public sector commercial banks in Chennai. Hence, Hypothesis 3 is accepted.

Conclusion

Customer satisfaction is important for public sector commercial banks and implementation of TQM in commercial banks helps improving customer satisfaction. Human resource management department in public sector commercial banks should enhance training, motivation and retention of good employees, combined with support management about the concept of TQM. This would encourage public sector commercial banks to improve their competitive advantage, which will create a competitive business environment in the banking sector leading to high service quality. As suggestion to future studies, it would be interesting to replicate this work with a larger sample. Further research might focus on the measurement of TQM implementation in other service sectors and might also focus on the comparative study of public sector and private sector commercial banks. It would be interesting also to broaden the scenario presented here, by using exploratory researches, with primary data, in order to identify and validate the causes associated to the results obtained.

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