

# **IMPACT OF TOTAL QUALITY MANAGEMENT PRACTICES ON THE PROFITABILITY AND SERVICE QUALITY OF PUBLIC SECTOR COMMERCIAL BANKS**

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

## **I. INTRODUCTION**

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 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.

## **II. REVIEW OF 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.

### **III. NEED FOR 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.

### **IV. RESEARCH OBJECTIVES**

The objectives of the study are to determine the impact of the employee empowerment on profit and service quality in public sector commercial banks. to determine the impact of employee training and education on profit and service quality in public sector commercial banks. To determine the impact of client satisfaction on profit and service quality in public sector commercial bank

### **V. RESEARCH DESIGN- NATURE OF THE STUDY**

This is an empirical study based on the survey method.

### **VI. SOURCES OF DATA**

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

### **VII. VARIABLES USED IN THE STUDY**

The independent variable, Total Quality Management includes three factors specifically, employee authorization employee training and education and client satisfaction and therefore the dependent variable consists of profit and service quality.

### **VIII. SAMPLE AND STATISTICAL TECHNIQUES**

Public sector commercial banks like Indian Bank, Indian Overseas Bank and canara Bank were chosen and employees from three branches beneath these three commercial banks were taken as samples. A structured and comprehensive form was utilized in the study to gather the specified knowledge. The respondents were asked to answer thirty six queries associated with TQM generally. The queries were designed 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 check the impact of the independent variable (TQM factors) on the dependent variables (profitability and service quality),

**IX. RELIABILITY OF THE DATA**

Cronbach's Alpha was used to measure internal consistency; the result shows that the questionnaire has comparatively high internal consistency with

**X. RESEARCH HYPOTHESIS**

- There could be an important relationship between employee empowerment and profit & and service quality in public sector commercial banks.
- There could be an important relationship between employee training and education and profit & and service quality in public sector commercial banks.
- There could be an important relationship between client satisfaction and profit & and service quality in public sector commercial banks

**XI. RESULTS AND DISCUSSION**

The results of the TQM factor employee empowerment on the dependent variable profitability and service quality are presented in Table1 and 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 check the impact of TQM on profit of the choose commercial banks. The calculated value P= .000, F= 4.826 is important at .05 level, with moderate Pearson correlation with R= .550.This clearly indicates that Hypothesis 1 is accepted. This result shows that there's a major relationship between TQM factor employee empowerment and profit & service quality of public sector commercial banks.

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 verify 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 important at .05 level, with moderate Pearson correlation with  $R = .835$ . This result shows that there's a major relationship between TQM factor employee training and education and profit & service quality of public sector commercial banks. Hence, Hypothesis two 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 verify the impact of client satisfaction profit & service quality of Indian Bank, Indian Overseas Bank and Canara Bank. The calculated worth  $P = .000$ ,  $F = 11.26$  is important at .05 level, with moderate Pearson correlation with  $R = .513$ . This result shows that there's a major relationship between TQM factor client satisfaction and profit & service quality of public sector commercial banks in. Hence, Hypothesis three is accepted.

## XII. CONCLUSION

Customer satisfaction is very important for public sector commercial banks and implementation of TQM in commercial banks helps rising client satisfaction. Human resource management department in public sector commercial banks ought to enhance training, motivation and retention of excellent employees, combined with support management regarding the concept of TQM. This may encourage public sector commercial banks to enhance their competitive advantage, which can produce a competitive business atmosphere within the banking sector resulting in high service quality. As suggestion to future studies, it might be interesting to replicate this work with a larger sample. More analysis may concentrate on the measurement of TQM implementation in other service sectors and may additionally concentrate on the comparative study of public sector and private sector commercial banks. It would be interesting also to broaden the situation given here, by using exploratory researches, with primary knowledge, so as to spot and validate the causes associated to the results obtained.

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