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ROLE OF TOTAL QUALITY MANAGEMENT IN ENHANCING FINANCIAL PERFORMANCE

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ABSTRACT

Total Quality Management (TQM) is an all-encompassing strategy for boosting efficiency and happiness at work by focusing on the needs of both employees and customers. The study's goal was to identify the bank's TQM procedures and analyze how they contributed to the bank's bottom line. The scope of this research was narrowed to determine the connection between financial performance and the four tenets of Total Quality Management (Supplier relationship, Customer relationship, Processes, and Top Management Involvement). In this analysis, financial performance served as the dependent variable, while the four TQM principles served as the independent variables. People working in banks were the focus of the research. Respondents were selected using a stratified random sampling method. The research showed a favorable correlation between financial results, process and supplier relationships, and the engagement of senior management. However, interactions with customers have a deleterious effect on profits.

Keywords: Management, Financial performance, Customer Relationship, Banking, Process

I. INTRODUCTION

Total Quality Management (TQM) has emerged as a powerful management philosophy and a strategic tool that holds the potential to revolutionize various industries, including the banking sector. In the fiercely competitive landscape of the financial services industry, banks are continually striving to enhance their financial performance, profitability, and customer satisfaction while maintaining operational efficiency. TQM provides a comprehensive approach that aims to improve organizational processes, reduce errors, and enhance customer experience through continuous improvement and employee involvement. The implementation of TQM principles in the banking sector can lead to substantial improvements in various

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financial performance indicators, such as profitability, cost reduction, revenue generation, and overall financial health.

The banking sector plays a pivotal role in the global economy, serving as a critical intermediary between depositors and borrowers, facilitating capital allocation, and contributing to economic growth. However, with increasing globalization, technological advancements, and changing customer expectations, the landscape of banking has become more complex and demanding. Banks face numerous challenges, such as fierce competition, changing regulatory environments, disruptive technologies, and demanding customers who seek seamless and personalized banking experiences.

In this highly dynamic environment, banks must continuously innovate, optimize their operations, and maintain a strong financial footing to stay ahead in the market. Total Quality Management, originally developed in manufacturing industries, has proven its effectiveness in service-oriented sectors as well. Adopting TQM principles in the banking sector can lead to significant improvements in financial performance by streamlining processes, increasing operational efficiency, and fostering a culture of continuous improvement.

One of the key aspects of TQM in the banking sector is its focus on customer-centricity. Customer satisfaction and loyalty play a crucial role in the success of any bank. Satisfied customers are more likely to remain loyal to the bank, make repeat transactions, and recommend the bank's services to others. By embracing TQM principles, banks can gather valuable customer feedback, identify pain points, and improve their products and services accordingly. This can lead to enhanced customer satisfaction, higher customer retention rates, and ultimately, increased revenues.

Moreover, TQM emphasizes the importance of involving employees at all levels of the organization in the decision-making process and empowering them to take ownership of their work. In the context of the banking sector, this means that employees are encouraged to provide innovative solutions, identify inefficiencies, and suggest improvements in processes. Empowered employees are more engaged, committed, and motivated to deliver high-quality services to customers. This, in turn, can lead to reduced errors, faster processing times, and improved service quality, which positively impact financial performance indicators.

Additionally, TQM principles promote a culture of continuous improvement, where banks are constantly seeking ways to optimize processes and eliminate waste. By focusing on process efficiency and effectiveness, banks can reduce operational costs, minimize errors, and improve productivity. Cost reduction is particularly important in the banking sector, as operating costs often have a direct impact on the bottom line. The savings generated through TQM initiatives can be channeled into strategic investments, product development, and customer acquisition efforts, further contributing to financial performance.

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Furthermore, TQM fosters a culture of data-driven decision-making and performance measurement. Banks that implement TQM principles tend to establish robust performance metrics to monitor progress and measure the impact of improvement initiatives on financial outcomes. By gathering and analyzing data, banks can identify trends, patterns, and potential areas for improvement. These data-driven insights enable banks to make informed strategic decisions that align with their financial goals and objectives.

The effects of Total Quality Management on financial performance in the banking sector are significant and far-reaching. Embracing TQM principles enables banks to enhance customer satisfaction, reduce operational costs, optimize processes, and drive continuous improvement. By fostering a customer-centric culture and empowering employees, banks can strengthen their competitive position, attract new customers, and improve customer retention rates. Moreover, the data-driven approach of TQM enables banks to make informed decisions that align with their financial objectives, ultimately contributing to improved financial performance and long-term sustainability in an ever-evolving banking industry. As the global economy continues to evolve, the implementation of Total Quality Management is likely to become even more critical for banks seeking to thrive in a competitive and dynamic market.

II. REVIEW OF LITERATURE

Maswadeh, Sanaa & Al Zu'mot, Rania (2021) The purpose of this research is to understand how organizational culture moderates the relationship between the Total Quality Management aspects of top-level management support, customer focus, process management, employee participation, employee empowerment, and continuous improvement and financial performance. Nine transportation businesses trading on the Amman Stock Exchange as of the end of 2019 make up the study population. We didn't include Alia Company or Royal Jordanian Airlines since their numbers were so much out of line with the rest of the group. Multiple Linear Regression is used to examine the study's assumptions. Top management support, customer focus, employee participation, and empowerment were found to moderate the effect of return on asset on financial performance for Jordanian transport companies listed on the Amman Stock Exchange. This was found at the 0.05 level of statistical significance. Several recommendations were made in light of the study's statistical findings, the most important of which was for top management to become more invested in fostering a profound organizational culture of learning, development, mastering performance, and improving the quality of the organization's services in order to attract customers and set the organization apart from its competitors.

Shafqat, Tehmeena et al., (2021) The purpose of this study is to investigate whether or not there is a correlation between Total Quality Management (TQM) and either financial or non-financial success in Pakistan's higher education system. In this light, an empirical investigation and analysis of the relationship between the many facets of overall quality management, such as deliverables, dependability, responsiveness, assurance, and empathy, and financial and non-financial performance, was conducted. Using SPSS version 20.0's regression and correlation tools, this research looked at how TQM correlates with both quantitative and qualitative outcomes. Quantitative research methods were used to acquire the study's data, and a directly administered survey was used to collect responses from 220 workers at prestigious universities in Islamabad and Rawalpindi. The findings corroborate a causal relationship between TQM and business success, both monetary and otherwise. The results show that TQM in the higher education sector of Pakistan significantly improves both financial and non-financial performance of service firms. The study's implications: The higher education sector is vital to the development of any country. TQM techniques may have a significant impact on the higher education sector in developing nations like Pakistan, which has been struggling with quality difficulties. The findings of this research may help policymakers in the field of higher education make adjustments that will foster the industry's continued success. The impact of Total Quality Management (TQM) techniques on the financial and non-financial performance of higher education institutions in Pakistan, a developing country where TQM is relatively new, is the focus of this study. TQM procedures were proven to significantly affect both financial and non-financial outcomes.

Eltahir, Omer & Ben Abdallah, Nizar (2019) The primary objective of this research was to determine the impact of total quality management (TQM) dimensions such as (support and commitment of senior management philosophy of total quality, continuous improvement, education and training for workers, the participation of employees, customer satisfaction) on the financial and occupational performance of the Sudanese French Bank in the state capital of Khartoum, Sudan. Answering this key research question is the challenge of this investigation. In the Sudanese French Bank, how do overall quality management and its aspects (components) affect worker and financial output? Each component of Total Quality Management (TQM) has been analyzed in detail via follow-up inquiries. This research employed a descriptive analytical approach to data collection and analysis. All employees of Sudanese French Bank served as potential participants; 120 employees from all levels of the organization in Khartoum State were randomly chosen to participate in the research. Findings from this study show that there is a statistically significant relationship between the overall quality, liquidity ratio, profitability ratio, and financial performance elements in the Sudanese French Bank, all of which were achieved through the application of Total Quality Management.

Samir Lleshi and Lirim Lani (2017) Financial institutions are under pressure to differentiate themselves from the competition and strengthen their position in the market by developing and enhancing the quality of the services they provide. Faith, activities that make the client satisfied, and, most importantly, the goodness and assistance of the employees with whom customers will come into contact by providing accurate and clear information with discipline and a long-term approach are all part of the modern quality management system in the financial and banking sectors. The research team in Kosovo set out to learn how implementing a quality management system impacted the banking industry's bottom line. Simultaneously, it is difficult

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to identify the precise meaning of the idea of quality, leading to misunderstanding and misinterpretation. People are first and, more often than not, final consideration when discussing quality is the quality of the product or service itself. Promotional materials often use the term "quality" to mean "complying with the requirements of the standards or level of excellence." We employed empirical techniques to address the issue, which should provide reliable results for our article. The paper's findings show no statistically significant correlation between banking services and the efficiency of Kosovo's banking industry.

Al-Basheer, Ameen et al., (2015) In the face of modern global challenges like globalization, information technology, and other factors that compel economic institutions to adopt a scientific approach to these threats, businesses of all stripes have come to recognize the importance and role of applying the concept of total quality management (TQM) in gaining a competitive edge. No longer is quality limited to the quality of goods only, but also to satisfying the wishes of the customers, and many service organizations have given considerable attention to the efforts to improve the quality of their services to customers by employing an after-quality dimension strategy. Customer happiness has become a key measure of a company's success or failure, and the quality of the services they get is a key component of this idea. Total quality management services, which aim to improve the standard of banking operations and customer satisfaction, are vital to the success of any business, but especially those in the financial industry. The current research aimed to analyze the connection between Jordan Islamic Bank in Irbid Province's adoption of the whole quality management concept and the bank's improved financial performance.

Rawan Al-Ettayyem and Zu'bi Al-Ettayyem (2015) The purpose of this research is to analyze how the implementation of Total Quality Management (TQM) methods in the Jordanian banking industry affects organizational performance (both monetary and qualitative). There is a dearth of service-related academic articles in Jordan. The services industry is crucial to Jordan's economy, hence improving it via study is important. Methods include surveying 11 commercial banks and analyzing the results using the statistical program for the social sciences (SPSS) to test hypotheses. Based on the findings of this study, implementing TQM procedures may boost an organization's success in monetary and non-monetary ways.

Awolusi, Olawumi (2013) This study looks at how the key success factors (CSFs) of total quality management (TQM) have impacted customer service management (CSM) in the Nigerian banking sector. Six of the 22 banks in Nigeria that have adopted TQM as a result of the Central Bank of Nigeria's (CBN) consolidation effort in 2004 were surveyed for the empirical research. Customer service management and TQM success characteristics were regressed using the Malcolm Baldrige National Quality Award (MBNQA) framework from 2001. According to the findings, there are a number of factors that need to be in place before TQM can be successfully implemented, including: allowing employees to set goals and monitor their own performance; clear and compelling TQM vision; careful alignment of corporate

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strategy with TQM strategy; constant review of TQM implementations to align with plans and budgets; effective process review and controls; quality improvement measurement systems and IT infrastructures; and effective communication, commitment, and support from top management. The model's prognostic implications for better CSM stem from the actions of TQM-thriving CSFs. Therefore, banks might manage their TQM initiative to boost CSM.

Hummayoun Naeem, et al. (2011) the research was conceived with the goal of discovering how far down the quality implementation path commercial banks in Pakistan are. We reached out to the head offices of all commercial banks operating in Pakistan and inquired as to where they were in terms of TQM implementation, namely whether they were at the beginning, in the middle, or at the end of the process. According to the statistics, most financial institutions in Pakistan are still in the pilot phase, while around 20% assert complete TQM implementation. This circumstance sheds light on the dedication of Pakistan's banking industry's upper echelons and the measures they've done to improve quality management. Researchers may share their study's results with the Central Bank to prompt any required follow-up.

III. METHODOLOGY

The researcher used a case study approach for this descriptive study. Getting such current and accurate information straight from the source, the respondents themselves, is the technique of choice. Since the anticipated field data included factual components best described by descriptive statistics, a quantitative approach was used. All levels of management and employees throughout the bank's departments were included in this analysis. Respondents were selected using a stratified random sample method for this investigation. A total of 120 workers took part in the research.

A questionnaire was employed as the research tool. There were a total of 120 structured questionnaires sent out to the different divisions. This research relied on secondary sources such as recently released TQM journals and books, as well as a company's Strategic Plan and Annual Report.

IV. DATA ANALYSIS AND INTERPRETATION

Table 1 Top Management Involvement

Variable	Not at all	Less Extent	Moderate extent	Large extent	Very large extent

Creating clear vision and mission	0%	0%	25%	75%	0%
Setting achievable and realistic targets	2%	5%	18%	15%	60%
Providing staff with required resources & training	5%	10%	0%	25%	60%
Encourage teamwork and performance appraisal	0%	0%	0%	80%	20%
Reward best performing employees	0%	5%	5%	50%	40%

(Responses were based on a scale of 1= not at all, 2 = Less Extent, 3= Moderate extent 4= Large extent, 5= Very large extent)

Seventy-five percent of respondents agreed that establishing a clear vision and purpose would have a significant impact on the bank's bottom line. Sixty percent of those polled said financial performance would significantly improve if senior management established goals that were both reasonable and attainable. Sixty percent of survey takers said upper management had an obligation to provide the necessary resources and teach employees on how to do their jobs; this, in turn, would have a major impact on financial results. These results suggest that senior management has a significant impact on the success of TQM initiatives, with their support translating into better financial results for the bank via the provision of clear visions, resources, training, and encouragement of teamwork.

Table 2 Process

Variable	**Not at all**	**Less Extent**	**Moderate extent**	**Large extent**	**Very large extent**
24 hour working ATM and simple banking	0%	0%	0%	10%	90%
Fast processing of loans	0%	0%	0%	30%	70%

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Breakdown of systems	10%	5%	0%	85%	0%
Increase in number of loan defaulters	0%	5%	5%	10%	80%
Offsite ATMs and agency banking	0%	5%	15%	60%	20%

Based on the data, 90% of participants believe that a bank's financial performance would improve significantly if it provides consumers with easy-to-use banking services and ATMs that are available around the clock. Eighty-five percent of respondents agreed that a disruption in the central banking system would significantly impact business results. The success of a bank is greatly enhanced when customer loans are processed quickly. Eighty percent of those polled said the bank's financial performance would be negatively impacted if more consumers stopped paying their debts.

This study suggests that a bank's financial success is highly dependent on its procedures. The bank has to guarantee its systems are always reliable and productive. Since a surge in loan defaulters would be detrimental to the bank's financial performance, procedures should be in place to verify that all loan recipients are making their payments on time.

Table 3 Customer Relationship

Variable	**Very dissatisfied**	**Dis-Satisfied**	**A little satisfied**	**Satisfied**	**Very Satisfied**
determine customer satisfaction	0%	0%	10%	50%	40%
Systems to handle customer complaints	0%	0%	30%	70%	0%
Training customers to use new bank products	25%	50%	0%	25%	0%
Inclusion of customer feedback	0%	40%	25%	25%	10%
Organization understands customer needs	0%	0%	20%	0%	80%

(Responses were based on a scale of 1=Very dissatisfied, 2= Dissatisfied, 3=A little satisfied, 4=satisfied, 5=Very satisfied)

Half of those surveyed were content with the methods the bank used to gauge client happiness. Seventy percent of survey takers felt the bank did a good job of resolving their problems. Eighty percent of respondents are highly happy with the bank's ability to understand their demands, suggesting that the bank has produced products that meet their needs. Half of those surveyed said the bank did not make an effort to teach its clients how to utilize its new services, such as internet banking. Despite the fact that the bank has systems in place to collect client feedback, forty percent of respondents felt that their opinions were ignored. The results demonstrate that, despite the banks best efforts to collect client feedback, it has taken almost no action in response to that input.

Table 4 Supplier Relationship

Variable	**Not at all**	**Less extent**	**Moderate extent**	**Large extent**	**Very large Extent**
Select supplier on basis of quality	0%	10%	35%	0%	55%
Select supplier on basis of price	0%	0%	20%	80%	0%
Capacity of supplier	15%	2%	5%	23%	55%
Quality control measures used by supplier	0%	10%	0%	50%	40%
Lead time taken by supplier	0%	0%	10%	25%	65%

The results showed that more than half of respondents believed the bank's performance would be significantly impacted by the vendors it chose. Eighty percent of those who took the survey agreed that choosing suppliers based on pricing had a significant impact on bottom line results. Sixty-five percent of those polled said supplier lead times would have a major impact on the bank's bottom line. This conclusion suggests supplier selection is a critical element influencing a bank's bottom line. The bank should only do business with vendors that can deliver the goods on schedule, as per the terms of the purchase agreement.

Table 5: Descriptive Statistics

Variable	**MEAN**	**SD**

Top Management Involvement	3.85	0.85
Process	3.99	0.72
Customer Relationship	3.90	0.69
Supplier Relationship	3.95	0.77
Financial Performance	3.40	0.75

Findings showed widespread consensus that top-level management's engagement affects company profits. (μ = 3.85, σ = 0.85). Evidence also pointed to the procedures involved in service delivery having an impact on financial results (μ = 3.99, σ = 0.72). Further evidence pointed to the importance of client relationships in determining business success (μ = 3.90, σ = 0.69). The same was with the case of supplier relationship (μ = 3.95, σ = 0.77). Although workers were divided on whether or not financial results were satisfactory, (μ = 3.40, σ = 0.75).

Table 6: Regression analysis

	Coefficient	**Std. Error**	**T-Ratio**	**P-Value**
Constant	4.3046	0.5353	8.045	2.00e-011
Top Management Involvement	0.2063	0.2347	0.8803	0.3821
Process	-0.0498	0.2601	-0.1917	0.8482
Customer Relationship	-0.4370	0.3197	-1.369	0.1758
Supplier Relationship	0.0445	0.2190	0.2012	0.8410
R-Squared	0.0608			
Adjusted R-squared	0.0050			

Financial performance was used as the dependent variable in a regression study that also included Top Management Involvement, Process, Customer Relationship, and Supplier Relationship as independent factors. There was no statistical significance in the whole regression, and only 6.65% of the variance in financial performance could be attributed to differences in the independent variables.

V. CONCLUSION

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As the global financial landscape continues to evolve, the role of TQM in the banking sector is likely to become even more crucial. The integration of emerging technologies, such as artificial intelligence and blockchain, with TQM practices can further revolutionize banking operations, customer interactions, and risk management. By staying adaptive, forward-thinking, and committed to continuous improvement, banks can embrace the full potential of TQM to enhance financial performance and sustain long-term success in an increasingly competitive environment. The effects of Total Quality Management on financial performance in the banking sector are evident and substantial. By embracing TQM's principles and implementing them effectively, banks can secure their position as trusted financial partners, consistently deliver value to customers, and thrive in a dynamic and evolving banking industry.

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