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## TQM Implementation and Its Effectiveness in Private Commercial Banks in Bangladesh

Anila Ali

Lecturer, Department of Management,  
Bangladesh Institute of Bank Management (BIBM), Mirpur, Dhaka, Bangladesh

### **Abstract:**

*Total Quality Management (TQM) has a key role to make an effective, wellbeing finance and financial market. The main objective of the study is to investigate the TQM model implementation and its effectiveness in private commercial banks in Bangladesh. The study also finds out impact of TQM on organizational development, employee management and their job satisfaction and service improvement for customer from the private commercial banks. The study is imperial in nature. Data has been collected from the secondary source with an unstructured interview process. Then a model has been developed for justifying TQM implementation in the private commercial banking sector in Bangladesh. The study finds out that the banks which have used the TQM model are sustainable and profitable rather than those who are not using it. Finally, the study recommends some key suggestions for private commercial banks to implement the TQM model.*

**Keywords:** TQM, Effectiveness, Employee Management, Private Commercial Banks, Job Satisfaction, Sustainability and Profitability

### **1. Introduction**

TQM highlights a management approach to long-term success through ensuring satisfaction of customer. In a TQM process, each member of an organization participates in improving procedures, products, services and the culture in their workplace (Ali Al-Damen, R.,2017). Customer focused, employee involvement, process oriented, combined system, strategic and systematic approach, continual improvement, fact-based decision-making, and communications all are the key elements of TQM model (Al-Shobaki, SD, Fouad, RH & Al-Bashir, A, 2010).In today's world, TQM is accepted and adopted by many organizations and institutions around the world as a management philosophy that embodies a set of generic core principles which are unconstrained by industry unique considerations (Chandra Shil, N., &Rashed Osman, A., 2007).In banking sectors soft elements of TQM which are customer focus, leadership, involvement, empowerment, and cultural elements of TQM that have facilitated a more successful and beneficial implementation of TQM(Zahid, Mohammad, Bhuiyan, H., Rahman, A., et al., 2014).By creating continuous customer delight, banks and financial service industries must pay attention to paradigm shift which is the emerging need of quality management implementation in the financial service industry and start developing strategies for providing high quality products and services to customers(A., Lubem, E., C.A, A., & S.M, T. 2019).Now the governing body of banks need to determine where improvement is needed for their development; how services can be improved and where business process interruptions occur inside and outside of the banks and why they occur and how they can be avoided(Balci, A ,2002).Most of the studies have shown that the level of TQM practices and quality performance are not significantly different between manufacturing industries and service sectors industries except forhuman resource management(HRM) and also in which service firms have showna higher score significantly(Brocka, B &Brocka, S,1992).

Competitions in financial institutions in Bangladesh have been increasing in an unpredictable way. The numbers of banks are increasing in a rapid way and them trying to capture the market share and customers (Rugami, D., 2019). In that context, banks and other type of financial service provider institutions are now interested more than before in adopting TQM techniques, TQM models, TQM tools and process to survive as a market leader (Tamang, G., 2015).The real success of bank is totally depending on high quality service to customers and employee satisfaction; these can happen only when TQM tools and techniques are properly implemented. High quality of customer service depends on how banks can understand the need of customers and new product development for the customers.If the banks can improve their processing time of key products and services(giving loans, creating new accounts, ATM, credit cards, cheque), minimizing waiting and queuing time, solving customer complaints,creating a friendliness and efficiency in service, making accuracy in statements of accounts and records, interest rates and hidden charges then the profit margin and market share will be increased in a rapid way. For this to happen, banks should be needed to implement the TQM and TQM model, tools and techniques. TQM tools, models and techniques are depending on several key factors such as - banks should be more responsive that means the internal audit should be clear, evaluation systems of employee performance and efficiency will be done thoroughly and properly, all models will be in high quality that means banks should use the value analysis process for their activities, banks may use Cycle Time Reduction (CTR) method for introducing their new products and service (Carroll, J,1995). When these will be in action and in place then all models, tools and techniques of TQM will be properly implemented.

## 2. Literature Review

TQM has become a powerful tool in the development of financial industry specially in the banking sector of Bangladesh. In some studies (Bashir, A. A., et al., 2010), it was found that communication and management style are the two most significant issues that need to be changed to enable an effective TQM implementation in banking industry (Hashmi, K, 2007). But this study has been done in England so there is a clear gap in Bangladesh to do such kind of research for our banking industry (Ali, Smy. et al., 2019).

'TQM implementation can have great influence in the performance of financial institutions' this was the key assumption in many financial institutions in Bangladesh. Some studies found that TQM raises quality awareness among management and staff in banking sector (Deressa, A., & Ababa, A., 2020). In the same way this awareness reflects positive customer satisfaction with the quality of financial product introduced and the way it is delivered by the employees of the banks in the developing countries (Asenge, Lubem, et al., 2019).

TQM implementation and financial service has a great influence among the quality, profitability, cost-effectiveness and teamwork inside of organizations (Abdelsalam, A., & Elfaituri, A., 2012). But studying this literature there is a clear gap that there is no formal study which can find out the fact that TQM and its implementation can have a great influence on the service-oriented industry specially in the private commercial banks in Bangladesh (Haque, A., Sarwar, A. et al., 2014). There were some researches on the issue of people and quality of the product but most of the research are based on manufacturing industry (Chandra Shil, N., & Rashed Osman, A., 2007). Though there are some researches conducted in banks but these are mostly based in the developed countries (Deressa, A., & Ababa, A., 2020). So, there is a clear gap that a lack research in this field for a Developing country like Bangladesh is now a crying need.

Brocka and Brocka (1992) has stated that TQM is a continuous management process where a whole lot of deliberation is needed in improving the performance of every level of operation by proper management of the both resources; human as well as capital in the sector of banking and insurance. Some of the studies in the past developed and validated by the TQM critical factors practicing in both manufacturing and service industries (Al-Shobaki, Fouad & Al-Bashir, 2010; Balci, 2001; Cartin, 1993; Hashmi, 2007; Lezotte, 1992).

Zahid, Bhuiyan et al. (2014), they stated in their paper - what TQM practices in manufacturing companies in Bangladesh, how employees' involvement and TQM practice, how can organization successfully implement the TQM in this industry. Here there is a gap of research that the banking industries are not included in their study. The managing body and management of the banks are thinking that banks are in the finance sector so they literally ignored that bank as a service sector and that's why they focused on tending of financial terms and process such as asset management (Lezotte, LW, 1992), loan management, cash flow management. But now a days the banks are trying to establish banking as a service industry. On that ground the TQM model, tools, technique and process are being used in various steps in banks (Qadeer, S., 2013).

Asenge, Emmanuel Lubem et al., (2019) stated in their study that there is a positive relationship between employee and performance of the banking industry and they also have found a relationship between banks performance and TQM practice. There is a gap in this study that there is no specific study in Bangladesh that can give such kind of data for banking industry (Rashid, F., & Taibb, C. A., 2016).

### 2.1. Research Objectives

The key objective of this study is finding out the implementation and effectiveness of Total Quality Management (TQM) in private commercial banks in Bangladesh. Moreover, the study will find out how the private commercial banks are being used by TQM and its elements. A comparison will be also drawn from those banks who are using TQM and who are not. Finally, a conclusion will be concluded TQM implementation and its effectiveness.

## 3. Methodology of the Study

The study is imperial in nature and secondary data are being used for preparing and analyzing the study. Secondary data was collected from the relevant literatures published in various newspapers, journals, books, authorized documents, official websites of banks. An unstructured interview of the employee was arranged for better analyzing the data from private commercial banks in Bangladesh.

A model that is developed for justifying TQM implementation in private commercial banking sector in Bangladesh. This model will justify all the components of TQM and then it will be analyzed how TQM will be implemented in banking sector.

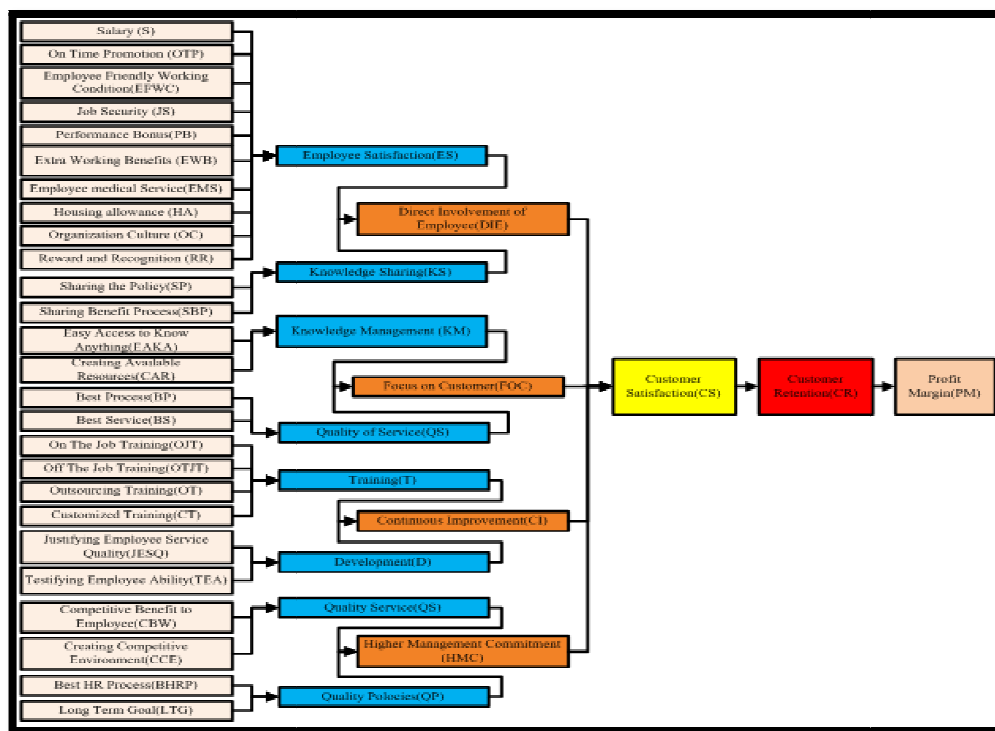


Figure 1: Model of TQM implementation.

The model has three main objectives which are customer satisfaction, customer retention, and profit margin. The main elements of TQM model are direct involvement of employment (DIE), focus on customers (FOC), continuous improvement (CI) and higher management commitment (HMC). Based on this TQM model all the data will be analyzed.

### 3.1. Data Analysis

TQM has some critical factors that can create more effective and smooth operation in the private commercial banks in Bangladesh. This study has developed a four stage TQM elements implementation model which has been presented in the figure 2. In this model there are four stages; in the first stages there are some micro level elements that can directly and indirectly affect the key objective of the private commercial banks. In the second stages there are some TQM elements which are called primary elements that can help to reach the main elements. On the third stage there will be the main elements for TQM model implementation in commercial banks. The last and fourth stage contained the ultimate goals of commercial banks.

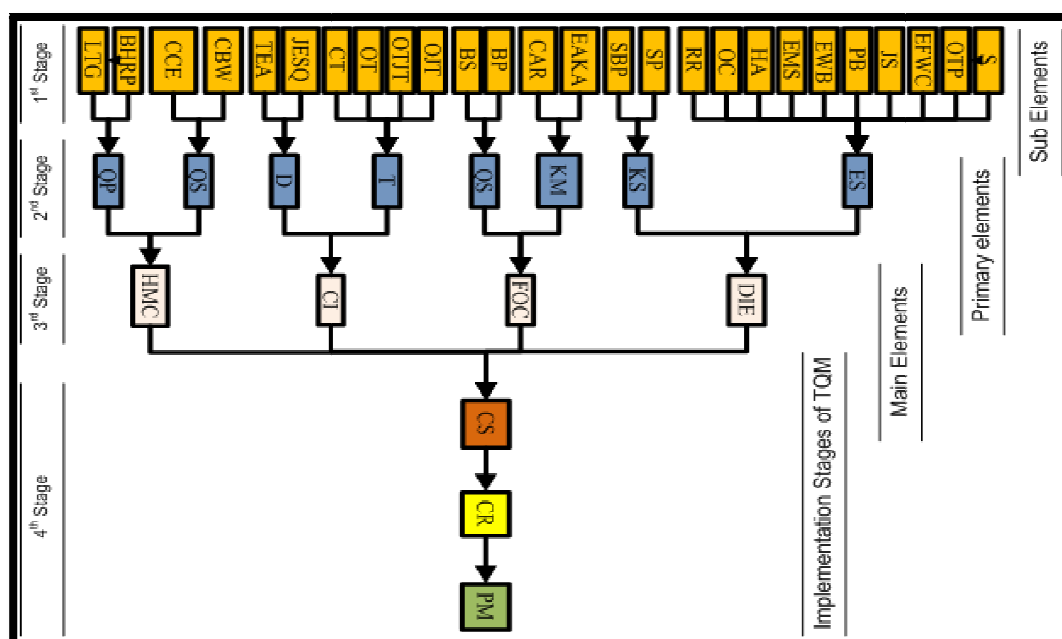


Figure 2: Four Stages TQM Model for Private Commercial Banks

From the figure 2 it was shown that, in DIE there are salary (S), on time promotion (OTP), employee friendly working condition (EFWC), job security (JS), performance bonus (PB), extra working benefits (EWB), employee medical

services (EMS), housing allowance (HA), organizational culture (OC), reward and recognition (RR), sharing policy (SP), sharing benefit process (SBP). In FOC there are easy access to know anything (EAKA), creating available resources (CAR), best process (BP), best services (BS), knowledge management (KM), quality of services (QS). In CI there are training (T), development (D), on the job training (OJT), off the job training (OTJT), outsourcing training (OT), customize training (CT), justifying employee service quality (JESQ) and testifying employee ability (TEA). In HMC there are some elements which are quality services (WS), quality policies (QP), competitive benefit to employee (CBE), creating competitive environment (CCE), best HR process (BHRP) and long term goal (LTG). The study justified this TQM implementation model for private commercial banks in Bangladesh. In the beginning of the study, it was being analyzed how much success private commercial banks in Bangladesh would have without the implementation of TQM elements or not using any TQM model. Out of 42 commercial banks the study will collect the data from 10 commercial banks randomly.

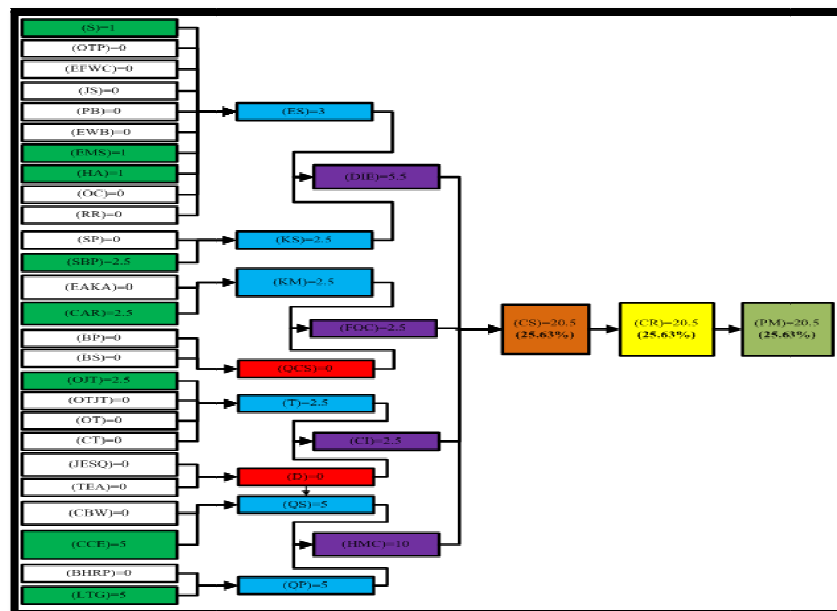


Figure 3: Commercial Banks Performance without Implementation of TQM Model

In the figure 3 it is shown that when commercial banks in Bangladesh can't implement the TQM implementation in the first stage of TQM model, they have not fulfilled all the requirements. From the figure 3, it has shown that in ES they scored only 30%, in KS they scored only 25%, in KM they scored only 25%, in QCS they haven't scored any, in T they scored only 25%, in D they haven't scored any, in QS they scored 50% and in QP they scored 50%. So, the overall performance in CS, CR and PM is 25.63% that is the below the average. So, the private commercial banks which are not implanting the TQM model are less profitable and less sustainable banks in Bangladesh.

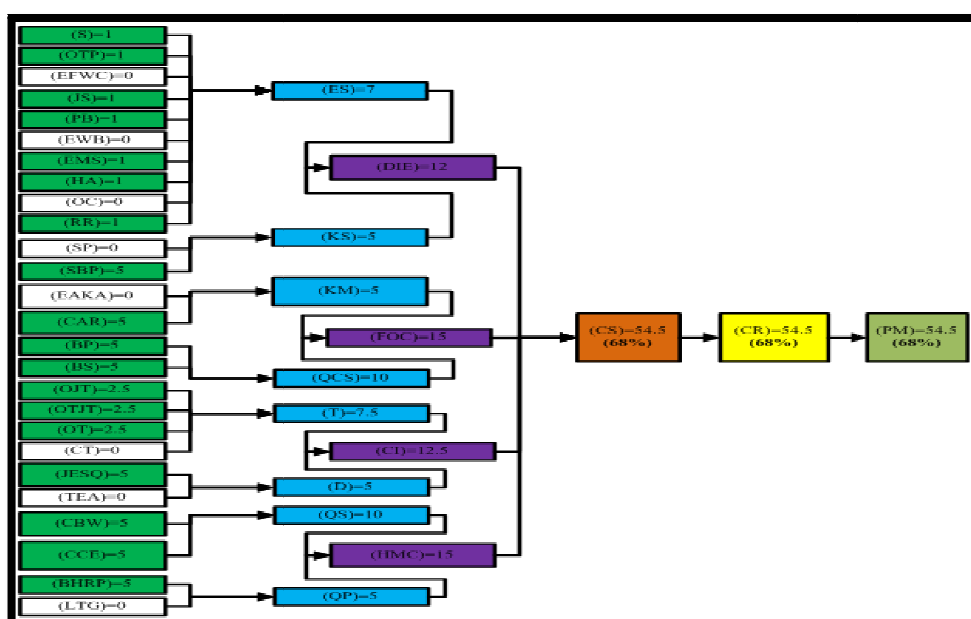


Figure 4: Commercial Banks Performance with Average Implementation of TQM Model

In the figure 4 it is shown that in the DIE or third stage of TQM implementation which the commercial banks are moderately following the TQM elements; included salary (S), on time promotion (OTP), employee friendly working

condition (EFCW), job security (JS), performance bonus (PB), extra working benefits (EWB), employee medical services (EMS), housing allowance (HA), organizational culture (OC), reward and recognition (RR), sharing policy (SP), sharing benefit process (SBP) scored 60%. In the OFC stage of TQM implementation which is followed by banks moderately follow the TQM elements; easy access to know anything (EAKA), creating available resources (CAR), best process (BP), best services (BS), knowledge management (KM), quality of services (QS); scored 75%. In the CI stage of TQM implementation shows that the commercial banks who moderately follow the TQM elements; training (T), development (D), on the job training (OJT), off the job training (OTJT), outsourcing training (OT), customize training (CT), justifying employee service quality (JESQ) and testifying employee ability (TEA); scored 63%. In the same way the CI stage of TQM implementation which is moderately followed by commercial banks moderately follow the TQM elements; quality services (WS), quality policies (QP), competitive benefit to employee (CBE), creating competitive environment (CCE), best HR process (BHRP) and long-term goal (LTG); scored 75%. So, here is the overall performance of private commercial banks in Bangladesh who partially used the TQM implementation model for operating their banks and banking activities and their score level is 68%. This score is above the average and nearest to 70% score of their performance. It is clear that if the private commercial banks start using TQM element for their operation, they can get their desired goals in Bangladesh.

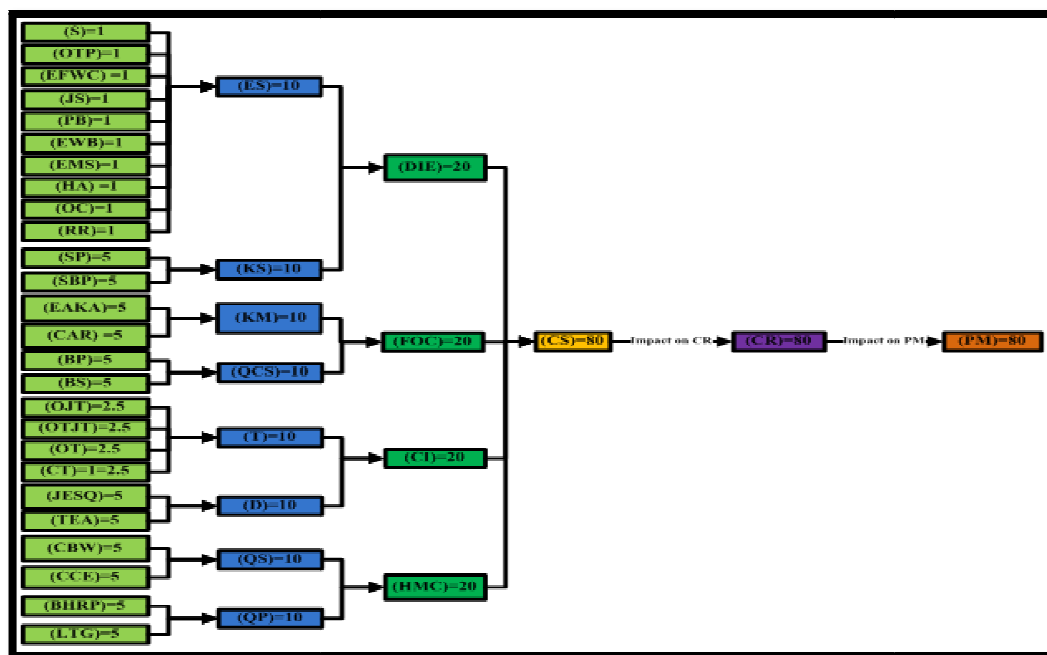


Figure 5: Commercial Banks Performance with Full Implementation of TQM Model

In the figure 5 it is shown that in the DIE or third stage of TQM implementation the commercial banks have fully followed the TQM elements; included salary (S), on time promotion (OTP), employee friendly working condition (EFCW), job security (JS), performance bonus (PB), extra working benefits (EWB), employee medical services (EMS), housing allowance (HA), organizational culture (OC), reward and recognition (RR), sharing policy (SP), sharing benefit process (SBP); scored 100% that means 20 of 20. In the OFC stage of TQM implementation the commercial banks who fully follow the TQM elements like having easy access to know anything (EAKA), creating available resources (CAR), best process (BP), best services (BS), knowledge management (KM), quality of services (QS); scored 100%. In the CI stage of TQM implementation the commercial banks have fully followed the TQM elements; training (T), development (D), on the job training (OJT), off the job training (OTJT), outsourcing training (OT), customize training (CT), justifying employee service quality (JESQ) and testifying employee ability (TEA); scored 100%. In the same way, in the CI stage of TQM implementation where commercial banks strongly followed the TQM elements; quality services (WS), quality policies (QP), competitive benefit to employee (CBE), creating competitive environment (CCE), best HR process (BHRP) and long-term goal (LTG); scored 100%. So, here is the overall performance of private commercial banks in Bangladesh those who used strongly the TQM implementation model for operating their banks and banking activities and their scored level is nearest to 100%. That means they are clearly ahead of others by customer retention and making more profit.

#### 4. Findings & Recommendation

The study was conducted on various private commercial banks in Bangladesh for investigating the implementation and impact of TQM model for smooth operation. The study finds out some key points and also recommends some suggestions which are presented as follows:

- Most of the private commercial banks in Bangladesh don't want to follow the TQM model but they want to make profit in a short time. This is very suicidal decision for the banks. The study also found that very few banks are willing to follow the TQM model. So, all banks should change their decision-making mind set up which leads to highest profit margin.

- Few banks willing to take TQM implementation model but not in full range, they only want to take few elements of TQM implementation model. That was another problem for commercial banks in Bangladesh. This study finds out that those who implemented the TQM model are better than the non-TQM implemented banks. So, they should come forward to take and implement the TQM model's all elements.
- The study found that commercial banks get 25.63% in profit margin, customer retention and overall performance those who not implemented the TQM model. Most of the customers and even employees of these commercial banks are not willing to work for long time. So, from here it was proved that without TQM implementation model no commercial banks in Bangladesh can't make a sustainable business.
- The banks who partially implement TQM model, got 68% sustainability in profit margin and customer retention. That means they are clearly ahead from others, their employees are satisfied, customers are sustain, employee works in a group for development, customers invest for long run. For all the reasons, partially TQM implemented commercial banks are more sustainable. In Bangladesh, a large number of banks are partially using TQM implementation model.
- The study found that, a few numbers of commercial banks are using TQM implementation model. The success rate for fully implemented TQM model is nearest to 100%. So, commercial banks which are implementing TQM implementation model fully they can get full profit margin and customer retention.
- There are no clear guidelines from regulatory authority for making and implement inTQM model in private commercial banks in Bangladesh. So, the government and regulatory authority should make guidelines how commercial banks will introduce TQM model elements properly and which elements will be implemented on priority basis.

## 5. Conclusion

TQM and its main element will create a huge impact on performance of private commercial banks. Bangladesh private commercial banks are too aggressive to make profit without following any wellbeing of customers and their employees. The study finds out that the banks who are following the TQM model are much more profitable and sustainable in the financial sector of Bangladesh. If most of the private commercial banks start to follow the TQM model then it will create a positive impact on financial market in Bangladesh. The monitoring body and the government should take proper steps for creating and maintaining the balanced financial market. The scope of future research will be the measurements of TQM model implementation and its impact on financial market.

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