

## Implementation of TQM in Banking Sector of Bangladesh: A Comparative Study between Public and Private Sector Banks in Bangladesh.

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**Abstract:** Banks are the foundation of the monetary system of any developing country like Bangladesh and an effectively running monetary system requires a successful and efficient banking system. Besides, Total Quality Management (TQM) is the new philosophy of management that lead to successful and efficient banking system in globalized and radically changing business environments. In this regard, the study has been conducted on Implementation of TQM in Banking Sector of Bangladesh: A Comparative Study between Public and Private Sector Banks in Bangladesh which leads to analyze the standard, quality, development and growth of selected private and public commercial banks of Bangladesh. The objective of this study is to evaluate the TQM practices in the banking sector of Bangladesh and compare the service quality of public and private commercial banks. The implementation of Total Quality Management in banking services all over the world is surveyed through literature review, both from theoretical and practical perspectives. Then the implementation of Total Quality Management in the banking sector of Bangladesh is investigated by selecting different branches of two private and two public commercial banks. Collected data from survey has been processed through detailed analysis where a relationship is attempted to establish between performances of bank, namely competitive advantage. However, the service qualities of selected commercial banks are at moderate level with respect to process management for securing competitive advantages. And there is a very good prospect for commercial banks of Bangladesh to implement philosophy of TQM.

**Keywords:** Implementation, Quality, Management, Competitive, Philosophy,

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### I. Introduction

In the dynamic changing business environment influenced by globalization, organizations are paying more attention to developing and optimizing their management practices. The ability to identify what is changing in the environment and respond appropriately by choosing the convenient strategy and management approach is seen as a key element for business success. One form of operation management practices is Total Quality Management (TQM), which has garnered attention over the last three decades. Cases cited in literature show that many organizations achieved success through implementing TQM principles. TQM is also cited as a source of a firm's competitive advantage (Korankye, 2013).

On the other hand, human resource management (HRM) is another crucial operation management practice that deals with the most vital resource of organizations. It has become more important, because of its role in enhancing performance, securing and developing talents of employees, and enhancing cooperation among them to support organizational development (Elarabi, Johari, 2014). Managers get things done through the efforts of people who require effective HRM; therefore, HRM practices should be integrated with the overall strategy of organization to ensure effective use of people and provide better performance.

At first, Japanese has been started the TQM philosophy in various organizations. They got positive result in their organizations. So, their product quality and Management system (Japanese Management System) is adopted in the whole world. As a result, all other developing countries like Bangladesh are following their TQM philosophy. Sound banking sector of Bangladesh is a key factor of economic development. So, both public and private banks are giving special emphasize on this modern TQM philosophy. Government of Bangladesh is also emphasizes on this point.

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## **II. Literature review**

According to the concerts, performances and quality of service sector in commercial banks, foreign and national experts and renowned researchers commenced many studies. Some of the outstanding revisions are deliberated below:

Rawashdeh (2014) conducted a survey on ‘TQM as a source of bank performance and competitive advantage: an empirical study in Jordanian Banking sector’; TQM is considered as a process of managing to enhance the flexibility, efficiency, competitiveness and effectiveness of the entire firm. He stated that the implementation of total quality management practices may directly improve the firm long run financial and marketing performance and may provide the firm with competitive advantage on cost, time to market, innovation, and dependability dimensions. It may provide the firm with variety of advantages such as improved people efficiency and machines, fewer errors & defects, continuous improvement of processes and products, better problem solving, improved customer satisfaction, better customer understanding, cost saving and profitability improvement, and improved internal communication. Thus, the effective implementation of TQM practices is a valuable asset in any organization and may produce positive corporate performance and become as a great source of competitive advantage.

Mwaniki and Okibo (2014) in a study on ‘Effects of total quality management of financial performance in the banking sector: a case study of national bank of Kenya (NBK)’ stated that there is a positive relationship between top management involvement, process and supplier relationship and financial performance focuses on four pillars based on eight pillars of TQM according to Islam and Haque (2012) which are: creation of quality management environment; development of teamwork; practice of quality control tools and techniques; focus on customer; focus on supplier relationship; benchmarking; continuous improvement of processes; and involvement of employees. They found that top management plays a crucial role in TQM implementation, their support through providing staff with clear visions, resources, training and encouraging team work will translate into improved financial performance of NBK including process and supplier relationship.

Faizur, et al. (2012), conducted a study on ‘Quality Management in Garment Industry of Bangladesh’. They analyzed that; TQM is a journey not destination. TQM aims at zero defects in each functional area viz. operations, quality, marketing, utility, service, etc. The customers want to get high quality products with lower price. The products should reach the customers with right quality depends on the cost. They identified certain quality related problems, often seen in garment manufacturing like sewing, color, sizing, and finished garment defects. Basically, two methods are used for garments quality control: a. Testing and b. Inspection. In Bangladesh, most of the garment factories use different tools for quality management but not in organized way. When needs, they use these tools haphazardly.

Sajjad and Amjad (2012) conducted a study on ‘Role of benchmarking in TQM in Telecom Service Sector in Pakistan’ and found that TQM practices or implementation has positive effects on quality benefits for overall business performance. Benchmarking is the decisive factor in determining the success of organizational overall business performance. In this study, they have identified eight basic pillars of TQM through literature review and role of benchmarking in TQM and its impact on organizations. These are benchmarking, top management commitment, strategic quality planning process, quality information and analysis, Human Resource Development (HRD), quality assurance, customer focus and satisfaction, public responsibility.

Barua (2011) conducted a research on ‘Prospect of Implementing TQM Approach in Commercial Banks of Bangladesh’ based on Return on Equity (ROE) as dependent variables and each of the factors for six performance measure categories as independent variable are leadership, strategic planning, customer focus, information and analysis, human resources, and process management. The study reveals that top management of the banks has potentiality to demonstrate leadership in terms of active involvement in communicating quality goals to employees, and establishing strategic quality planning group in the organization. It is also found that even though banks in Bangladesh have not implemented TQM approach systematically in their operations, yet banks are practicing some of the norms of such kind of program.

## **III. Objectives**

The objectives of this study is:

1. To assess the existing status of TQM factors on overall performance in banking sector in Bangladesh;
2. To find out the gap of TQM between public and private commercial banks in Bangladesh;
3. To recommend for ensuring TQM practices to the selected private and public commercial banks in Bangladesh.

## **IV. Methodology**

Methodology means the basic doctrines, guideline and rules organizing a certain system or technique. It shows the way to accomplish the ultimate goals of a research in an orderly way. It is also considered as a standard for a systematic research work. Selection of proper methodology depends on the objectives, research

questions and the nature of the source of data of the research. (Yusuf: Job Satisfaction, May, 2019). Research methodology also deals with a systematic and scientific methods that can be embraced to solve research difficulties. Methodology is a critical step in any study because it directly influences the whole research and its findings. A personal in-depth interview by using unstructured and open ended questionnaire was used to collect primary data.

**Data collection:** This study is basically based on the information from the primary sources of data. Data from secondary sources have also been used. The sources are discussed below:

1. *Secondary sources:* secondary sources of data are as below:

- a) Annual reports, recorded data and different publications of Sonali Bank Limited and Janata Bank Limited.
- b) Different books, articles, magazines, manuals etc. related to the topic.
- c) Websites of Sonali Bank Limited and Janata Bank Limited, Bangladesh Bank and relevant others.

2. *Primary sources:* Primary sources of data are as below:

- a) Interviewing 200 customers by questionnaires of the uttered bank. Respondent were selected equally. 25% respondents were female.

b) Open ended questions:

One open ended question was asked mentioned to solve the problems.

### V. Data Analyses

**Table- 1:** Survey results and mean value based on TQM factor: Management Commitment

Name of the Bank	Top management communicates quality goals integrated with mission and vision statement to every employee in your organization					Mean	Total
	<i>Not at all Satisfied</i>	<i>Less Satisfied</i>	<i>Pretty Satisfied</i>	<i>Quite Satisfied</i>	<i>Fully Satisfied</i>		
SBL	00	00	02	11	12	4.440	25
JBL	00	00	02	12	11	4.370	25
IBBL	00	00	01	11	13	4.550	25
DBBL	00	00	00	09	16	4.590	25
Total	00	00	05	43	52		100
Public Bank vs. Private Bank							
Public Bank	00	00	04	23	23	4.405	50
Private Bank	00	00	01	20	29	4.570	50
Total	00	00	05	43	52		100

The above Table in case of “Management Commitment” shows that out of 100 respondents 25 for each Bank. On the other hand 50 are for State Owned Bank and 50 for Private Sector Bank. Where customers are highest satisfied in State Owned Bank and Less Satisfied in Private Sector Bank. Individually, DBBL is in highest and comparatively IBBL is in second position.

**Table- 2** Survey results and mean value based on TQM factor: Focusing on customer

Name of the Bank	This Organization uses quality method and tools to control process and satisfy external and internal customers					Mean	Total
	<i>Not at all Satisfied</i>	<i>Less Satisfied</i>	<i>Pretty Satisfied</i>	<i>Quite Satisfied</i>	<i>Fully Satisfied</i>		
SBL	00	01	03	12	09	4.241	25
JBL	01	01	40	09	10	4.221	25
IBBL	00	00	10	12	12	4.481	25
DBBL	00	01	20	06	16	4.501	25
Total	00	03	05	43	52		100
Public Banks vs. Private Bank							
Public Bank	00	00	04	23	23	4.231	50
Private Bank	00	00	01	20	29	4.491	50
Total	00	00	05	43	52		100

The above Table in case of “Focusing on Customer” indicates that out of 100 respondents 25 for each Bank. On the other hand 50 are for State Owned Bank and 50 for Private Sector Bank. Where customers are highest satisfied in State Owned Bank and Less Satisfied in Private Sector Bank. Individually, DBBL is in highest and comparatively IBBL is in second position.

**Table- 3** Survey results and mean value based on TQM Factor: Employee involvement and utilization

Name of the Bank	Top managers in your organization promote all staff involvement in quality management and improvement					Mean	Total
	<i>Not at all Satisfied</i>	<i>Less Satisfied</i>	<i>Pretty Satisfied</i>	<i>Quite Satisfied</i>	<i>Fully Satisfied</i>		
SBL	00	00	01	14	10	4.330	25
JBL	00	01	02	13	09	4.221	25
IBBL	00	00	01	06	18	4.705	25
DBBL	00	00	03	05	17	4.621	25
Total	00	01	07	38	54		100
Public Bankvs. Private Bank							
Public Bank	00	01	03	27	19	4.276	50
Private Bank	00	00	04	11	35	4.663	50
Total	00	01	07	38	54		100

The above Table in case of “Employee involvement and utilization” expresses that out of 100 respondents 25 for each Bank. On the other hand 50 are for State Owned Bank and 50 for Private Sector Bank. Where customers are highest satisfied in State Owned Bank and Less Satisfied in Private Sector Bank. Individually, IBBL is in highest and comparatively DBBL is in second position.

**Table- 4** Survey results and mean value based on TQM factor: Continuous improvement

Name of the Bank	The Bank is always aware and tries for the continuous improvement of service quality					Mean	Total
	<i>Not at all Satisfied</i>	<i>Less Satisfied</i>	<i>Pretty Satisfied</i>	<i>Quite Satisfied</i>	<i>Fully Satisfied</i>		
SBL	00	00	02	11	12	4.390	25
JBL	00	01	03	10	11	4.250	25
IBBL	00	00	01	11	13	4.470	25
DBBL	00	00	02	04	19	4.670	25
Total	00	1	8	36	55		100
Public Bankvs. Private Bank							
Public Bank	00	01	05	21	23	4.320	50
Private Bank	00	00	03	15	32	4.570	50
Total	00	01	08	36	55		100

The above Table in case of “Continuous improvement” shows that out of 100 respondents 25 for each Bank. On the other hand 50 are for State Owned Bank and 50 for Private Sector Bank. Where customers are highest satisfied in State Owned Bank and Less Satisfied in Private Sector Bank. Individually, DBBL is in highest and comparatively IBBL is in second position.

**Table- 5** Survey results and mean value based on TQM factor: Partnership with supplier

Name of the Bank	The bank works closely with supplier towards long term partnership and quality improvement					Mean	Total
	<i>Not at all Satisfied</i>	<i>Less Satisfied</i>	<i>Pretty Satisfied</i>	<i>Quite Satisfied</i>	<i>Fully Satisfied</i>		
SBL	00	01	01	10	13	4.460	25
JBL	00	01	04	09	11	4.260	25
IBBL	00	00	01	10	14	4.530	25
DBBL	00	01	02	04	18	4.590	25
Total	00	03	08	33	56		100
Public Bankvs. Private Bank							
Public Bank	00	02	05	19	24	4.360	50
Private Bank	00	01	03	14	32	4.560	50
Total	00	03	08	33	56		100

The above Table in case of “Partnership with supplier” indicates that out of 100 respondents 25 for each Bank. On the other hand 50 are for State Owned Bank and 50 for Private Sector Bank. Where customers are highest satisfied in State Owned Bank and Less Satisfied in Private Sector Bank. Individually, DBBL is in highest and comparatively IBBL is in second position.

**Table- 6** Survey results and mean value based on TQM factor: Inspection & performance measure

Name of the Bank	There is a regular and effective inspection in measuring the quality of the service based on 360-degree feedback					Mean	Total
	<i>Not at all Satisfied</i>	<i>Less Satisfied</i>	<i>Pretty Satisfied</i>	<i>Quite Satisfied</i>	<i>Fully Satisfied</i>		
SBL	00	01	01	08	15	4.520	25
JBL	00	01	02	09	13	4.320	25

IBBL	00	01	01	10	13	4.480	25
DBBL	00	00	01	05	19	4.660	25
Total	00	03	05	32	60		100
Public Bank vs. Private Bank							
Public Bank	00	02	03	17	28	4.420	50
Private Bank	00	01	02	15	32	4.570	50
Total	00	03	05	32	60		100

The above Table in case of “Inspection & performance measure” shows that out of 100 respondents 25 for each Bank. On the other hand 50 are for State Owned Bank and 50 for Private Sector Bank. Where customers are highest satisfied in State Owned Bank and Less Satisfied in Private Sector Bank. Individually, DBBL is in highest and comparatively IBBL is in second position.

**Table- 7:** Survey results and mean value based on customer perception: Performance

Name of the Bank	How would you rate the quality performance of the bank to meet your actual demand?					Mean	Total
	Poor	Not Very Good	Adequate	Good	Excellent		
SBL	00	2	16	7	00	3.222	25
JBL	00	2	4	16	03	3.842	25
IBBL	00	1	2	19	03	3.940	25
DBBL	02	0	2	17	04	4.019	25
Total	02	05	24	59	10		100
Public Bank vs. Private Bank							
Public Bank	00	04	20	23	03	3.532	50
Private Bank	02	01	04	36	07	3.976	50
Total	00						100

The above Table in case of “Performance” expresses that out of 100 respondents 25 for each Bank. On the other hand 50 are for State Owned Bank and 50 for Private Sector Bank. Where customers are highest satisfied in Private Sector Bank and Less Satisfied in State Owned Bank. Individually, IBBL is in highest and comparatively DBBL is in second position.

**Table- 8:** Survey results and mean value based on customer perception: Features

Name of the Bank	How does the bank give modern banking service like ATM, Mobile banking, internet banking and so on?					Mean	Total
	Poor	Not Very Good	Adequate	Good	Excellent		
SBL	05	11	05	02	02	2.241	25
JBL	01	07	10	06	01	2.930	25
IBBL	00	00	01	18	06	4.211	25
DBBL	00	00	01	12	12	4.442	25
Total	06	18	17	38	21		100
Public Bank vs. Private Bank							
Public Bank	00	18	15	08	03	2.586	50
Private Bank	00	00	02	30	18	4.237	50
Total	00						100

The above Table in case of “Features” denotes that out of 100 respondents 25 for each Bank. On the other hand 50 are for State Owned Bank and 50 for Private Sector Bank. Where customers are highest satisfied in Private Sector Bank and Less Satisfied in State Owned Bank. Individually, DBBL is in highest and comparatively IBBL is in second position.

**Table- 9:** Survey results and mean value based on customer perception: Conformance

Name of the Bank	How are you getting more service than other State owned or private bank?					Mean	Total
	Poor	Not Very Good	Adequate	Good	Excellent		
SBL	00	06	08	09	02	3.241	25
JBL	00	03	07	13	02	3.583	25
IBBL	01	01	01	17	05	4.111	25
DBBL	01	00	02	18	04	4.061	25
Total	02	10	18	57	13		100
Public Bank vs. Private Bank							
Public Bank	00	09	15	22	04	3.412	50
Private Bank	02	01	03	35	09	4.086	50
Total	02	10	18	57	13		100

The above Table in case of “Conformance” indicates that out of 100 respondents 25 for each Bank. On the other hand 50 are for State Owned Bank and 50 for Private Sector Bank. Where customers are highest

satisfied in Private Sector Bank and Less Satisfied in State Owned Bank. Individually, IBBL is in highest and comparatively DBBL is in second position.

**Table- 10:** Survey results and mean value based on customer perception: Reliability

Name of the Bank	How do you trust and rely on the banker or this bank?					Mean	Total
	Poor	Not Very Good	Adequate	Good	Excellent		
SBL	00	02	07	11	05	3.822	25
JBL	01	01	10	10	03	3.763	25
IBBL	00	00	01	17	07	4.062	25
DBBL	00	01	07	13	04	3.841	25
Total	01	04	25	51	19		100
Public Bank vs. Private Bank							
Public Bank	01	03	17	21	08	3.792	50
Private Bank	00	01	08	30	11	3.952	50
Total	01	04	25	51	19		100

The above Table in case of “Reliability” shows that out of 100 respondents 25 for each Bank. On the other hand 50 are for State Owned Bank and 50 for Private Sector Bank. Where customers are highest satisfied in Private Sector Bank and Less Satisfied in State Owned Bank. Individually, IBBL is in highest and comparatively DBBL is in second position.

**Table- 11:** Survey results and mean value based on customer perception: Durability

Name of the Bank	To what extent have the ability of the bank to attract and keep customer for long time?					Mean	Total
	Poor	Not Very Good	Adequate	Good	Excellent		
SBL	00	05	12	08	00	3.082	25
JBL	00	02	09	13	01	3.481	25
IBBL	00	01	04	18	02	3.842	25
DBBL	00	01	08	13	03	3.721	25
Total	00	09	23	52	06		100
Public Bank vs. Private Bank							
Public Bank	00	07	21	21	01	3.282	50
Private Bank	00	02	12	31	05	3.782	50
Total	00	09	23	52			100

The above Table in case of “Durability” expresses that out of 100 respondents 25 for each Bank. On the other hand 50 are for State Owned Bank and 50 for Private Sector Bank. Where customers are highest satisfied in Private Sector Bank and Less Satisfied in State Owned Bank. Individually, IBBL is in highest and comparatively DBBL is in second position.

The above Table in case of “Price” indicates that out of 100 respondents 25 for each Bank. On the other hand 50 are for State Owned Bank and 50 for Private Sector Bank. Where customers are highest satisfied in Private Sector Bank and Less Satisfied in State Owned Bank. Individually, IBBL is in highest and comparatively DBBL is in second position.

**Findings of the Study**

- ❖ Efficiency of service, quality of activity, and amount of profit are gradually improved according to regular practices of TQM.
- ❖ It is clearly observed that private banks of Bangladesh are giving more stresses on practices of TQM than that of public banks.
- ❖ As a private commercial bank DBBL is giving more priority to provide quality service for satisfying customers than IBBL.
- ❖ As a public commercial bank SBL are trying more to provide quality service for customers than JBL
- ❖ Continuous improvement, Benchmarking, Inspection & Performance measure, Partnership with supplier, and Management Commitment are the major key factors for quality service.
- ❖ The public commercial banks are less interested to take part in market research in order to satisfy customers with quality products and services.
- ❖ The public commercial banks are using very few modern banking technologies and devices for providing service than private commercial banks like ATM, Mobile banking, internet banking, VISA Card, Credit Card, Debit Card and so on.
- ❖ Public banks’ employees are more satisfied than private banks’ employees due to job security, work stress and other facilities

## VI. Conclusion

Bangladesh is a developing country. The whole development of our country depends on sound banking sector. On the other hand, banks' improvement depends on its customers and quality service. To ensure the quality service banks should emphasize on Total Quality Management (TQM). TQM is going to be popular and well adopted over the years in the banking sector of Bangladesh. Management commitment, customer focus, continuous improvement, supplier partnership, employee involvement, performance appraisal are the major focuses that encompass in the TQM attitude which leads to secure the competitive power of the banks. Undoubtedly it is seemed that the contribution of total quality management is a key factor for banks success. Through the successful implementation of TQM philosophy, banking industry can focus on meeting customer needs and enhance competitive advantages. The study assesses total quality management as a source of bank performance and competitive advantage in banking sector of Bangladesh. The objective of this study has been tested based on the relationship between total quality management practices, corporate performance and competitive advantage in the organization performance. This study asserted a positive and significant effect of total quality management on organizational performance and competitive advantage in banking sector of Bangladesh. The public banks of Bangladesh are not able to practice the TQM philosophy like private banks of Bangladesh due to lack of modern technology, skilled manpower, enough knowledge, and ethics and zero defect mentality and so on. As a result, the private commercial banks are securing more competitive advantages than public banks in Bangladesh.

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