



Quality initiatives on customer satisfaction in banks

Antony PT¹, Dr. R Saravanan²

¹ Research and Development Center, Bharathiyar University, Uttar Pradesh, India

² MBA, PhD, FDP (IIM-K) Principal Sree Narayana Guru Institute of Management Studies Palakkad Main Road, Tamil Nadu, India

Abstract

The development and phenomenal success of Quality Initiatives such as TQM, Six Sigma was applied outside the industrial sectors to service organizations, such as banks. The study investigates the application of Quality Initiatives to a service organizations using Indian banking sector as a model example. Banking is an important sector in India. The government has introduced several laws and constitutions aimed to further develop this sector, improve its ability to compete within a global market and encourage investment in the country. However, little work has been done to measure and control quality in this sector. The work will show that the use of Quality Initiatives can be of great benefit to the Indian banks, as it will lead to an increase in the organization customer orientation and competitive edge. Quality Initiatives and Customer Satisfaction is measured using a standardized questionnaire. The relationship of Quality Initiatives with Customer Satisfaction is studied. The data collected from 100 customers and 50 employees, and correlation and regression analysis was used to analyze the data.

Keywords: customer satisfaction, quality initiatives, TQM

1. Introduction

The concept of Customer Satisfaction has drawn the interest of academics and practitioners for more than three decades in the light of the fact that Customer Satisfaction, Service Quality and Perceived Value of customers are the primary source of most firms' revenue. Customer satisfaction is a necessary precondition for customer loyalty, which is in turn a key driver of profit growth and performance (Reichheld 1993; Heskett *et al.* 1997). Churchill and Surprenant (1982) define customer satisfaction as an outcome of purchase and use resulting from the buyers' comparison of the rewards and costs of the purchase in relation to the anticipated consequences. It has also been viewed as an emotional state that occurs in response to the evaluation of a service (Westbrook 1981). Consistent with this view, customer satisfaction is defined as an emotional response that results from a cognitive process of evaluating the service received against the costs of obtaining the service (Woodruff *et al.* 1991; Rust and Oliver 1994).

2. Research theoretical frame work

Customer satisfaction is a well known and established concept in several areas like marketing, consumer research, economic psychology, welfare-economics, and economics. The most common interpretations obtained from various authors reflect the notion that satisfaction is a feeling which results from a process of evaluating what has been received against what was expected, including the purchase decision itself and the needs and wants associated with the purchase (Armstrong & Kotler, 1996). Bitner & Zeithaml (2003) stated that satisfaction is the customers' evaluation of a product or service in terms of whether that product or service has met their needs and expectations. According to Boselie, Hesselink, and Wiele (2002) satisfaction is a positive, affective state resulting from

the appraisal of all aspects of a party's working relationship with another.

3. Quality initiatives

Quality Initiatives refers to a broad set of management and control processes designed to focus an entire organization and all of its employees on providing products or services that do the best possible job of satisfying the customer (Talha, 2004). Quality Initiatives means that the organization's culture, which is defined by, and supports the constant attainment of customer satisfaction through an integrated system of tools, techniques, and training. Recent research justifies that Quality Initiatives directly as well as indirectly affects inventory, quality, and financial performance of the organizations (Kaynak, 2003). The combined effect of marketing and Quality Initiatives on organizational performance (motivation, marketing, productivity and societal) is also found to be significant (Lai and Cheng, 2005). Almost in all these research studies, Quality Initiatives practices are assessed using the Malcolm Baldrige National Quality Award (MBNQA) criteria which consist of six decisive factors of organizational practices and one criterion of organizational performance. The organizational practices embody six criteria, viz., (1) leadership; (2) strategy and planning; (3) customer focus; (4) information and analysis; (5) people management; and (6) process management.

In today's world, organizations are facing the growing challenges from global competition and more sophisticated customers in terms of what they want and their changing needs. Most organizations are starting to apply the Japanese methods of production and philosophies in the hope of achieving the required growth in the markets increasing profit. One of the main ideas that came from the Japanese industry is

Quality Initiatives, which means that all workers within a given organization must participate in improving the product or service quality, an activity that was previously the concern of the quality control department employees. Feigenbaum defines Quality Initiatives as “An efficient system that aims to achieve total quality through the combined effort of all the employees within the organization in order to produce a product/service that will meet the needs and expectations of the customer with minimum cost”

Due to the large success of Quality Initiatives in manufacturing companies, service organizations have started to follow in their footsteps and consider the application of Quality Initiatives. This was mainly due to the nature service industries in terms of its customer orientation. Thus Quality Initiatives was applied to banks, hospitals, hotels and education. In order to apply Quality Initiatives to a service sector it is important to decide on how to evaluate the quality of service. Service can be evaluated according to cost, flexibility, acquirability, totality, and response time. The study will concentrate on the effects of applying Quality Initiatives to the service industry and will use banks in Jordan as a model company (or organization).

Most bankers would like to believe that banks are in the finance sector, and not in the service industry. Thus they tend to compete in terms of financial prowess (e.g. Asset base, amount of loans released, cash flow) rather than service quality. However, banks depend on customer satisfaction to continue business. This classifies them as a service company. When the customer interacts with the front line personnel and requires a certain service, it is this moment of truth that decides whether the customer will come back or shift to the next-door competitor. The study considered the application of TQM to the service sector from the customer, employee and managers points of view. In this first stage, a survey was conducted regarding the current state of application of TQM in banks, study the effect of the introduction of TQM to the sector and the factors that prevent the implementation of TQM. In future work, a TQM implementation framework will be developed that is targeted toward the banks. Ramadan (1995) considered the nature of services that the banks provide. Setting the quality aspects for these services is an aspect that was discussed by Dusseav (1997) [5] considered the effect of applying TQM on the financial capability and return of a given organisation.

He concluded that there is a strong correlation between these two issues, however it may take from four to eight years to see such an improvement depending on the organisation nature and business. Eriksson (2003) considered the winners of the Swedish quality awards and showed that their financial performance using several indices exceeds their competitors on most of the studied indicators. Yeu-Shiang (2002) [7] investigated the application of the TQM philosophy in Taiwanese service and manufacturing organizations, and concluded that the Taiwanese economy survival in the current economic regional decline was due in part to the impact of using quality management techniques in these organizations. Other researchers considered the implications of applying TQM to organizations in different countries and concluded that large gains can be achieved if the momentum of TQM application can be maintained. Belbissi (2000) considered the

application of TQM in the Jordanian banking sector from the banks managers' point of view.

The study aimed to identify the relationship between TQM principles and the banks performance. It concluded Jordanian banks adapted TQM concepts and that there is a relationship between the banks accommodation of TQM principles and organizational performance. The study recommended that more research on the banking sector in Jordan should be done where both banks customer and employees viewpoints. Maala (1998) [8] has attempted to measure quality in the banking sector in Jordan. The research considered the customer point of view as a benchmark to the effect of the implementation of TQM. It concluded that there is a big gap between the level of service expected by the customer to that offered by the bank, and recommended that banks should try to improve their services.

4. Methodology

The sampling technique used for this study is convenience sampling. Convenience sampling was used because it is fast, inexpensive, easy and the subjects are readily available.

Primary data is collected through questionnaires.

Secondary data was collected through research articles, research journals, past dissertation reports.

Correlation analysis of the variables

Table 1: Correlations

		Customer satisfaction	Quality initiatives
customer satisfaction	Pearson Correlation	1	.154
	Sig. (2-tailed)		.0012
	N	100	50
quality initiatives	Pearson Correlation	.154	1
	Sig. (2-tailed)	.0012	
	N	50	50

Correlation Analysis between Customer Satisfaction and Quality Initiatives

There is a positive co-relation between the quality initiatives and customer satisfaction

Regression analysis on the variables

Tested at 0.05 level of significance

Hypothesis: Accept hypothesis if $p < 0.05$, else reject.

H1: There is a positive relationship between quality initiatives and customer satisfaction

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.744 ^a	.554	.534	13.30290

a. Predictors: (Constant), quality initiatives

b. Dependent Variable: customer satisfaction

Interpretation

The coefficient of determination is 0.534, which means 53.4% of the variation in the customer satisfaction is explained by the

employee questionnaire and the rest is explained by other variables. Since $R = .554$ there exists a positive relationship between these variables.

5. Findings

The study revealed that there is a general approval of the study sample that the level of Quality Initiatives implementation is moderate. This indicates that there is a high awareness from the top management to adapt the Quality Initiatives concept as important guide to the local and national competition. The attitudes of the respondents regarding the principles of the Quality Initiatives were within a high mean. The results show that the mean is 3.8, which is nearly equal adaptation from the bank to all principles of Quality Initiatives. The evaluation of bank customers to the provided services quality level was positive although the general feeling of customers were moderate

On the customer side, the study showed that customer's evaluations regarding the provided financial services quality differs, and this gives to the management an indication of the need of giving high priority to develop quality approaches. The modern techniques equipments available in the bank have nearly the highest importance in customer evaluation, so the banks should give it most priority in their development process. There is a relationship between the evaluation of bank customers to the actual provided services quality level and the number of dealing frequency with the bank. Frequent dealing with the bank make a strong relationship between the customers and the bank employees and this affect the customer's evaluation. The evaluation of bank customers to the actual provided services quality level differs depending on dealing with other banks. This give a true customer evaluation to actual services quality level provided by the evaluated banks compared to other banks they deal with.

6. Conclusion

This study has investigated the customer satisfaction in the Banks of Kerala. The effects of the quality initiatives are also analyzed. This will provide the bank the behavior of the consumer and useful findings for their future perusal. The study revealed that there is a high rational relationship between all the quality initiatives and customer satisfaction. Hence it can be concluded that there is positive relationship between the Bank and customers to the actual provided services quality level. There is a tremendous increase in the quality of service provided by the bank, this can be mainly attributed to increase in competition and rise of private sector banks. The management must focus on further improving the service quality provided in the areas of finance and customer satisfaction.

7. References

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