

Excellence of Banking Services - A Multidimensional Approach

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The paper highlights the various dimensions of Quality Management and their applications to different departments of commercial bank. Banking services such as Account Opening, Remittances (inward and outward), Clearing and Collection (inward and outward), Accounts and Safe Custody, Cash Handling (receipts and withdrawals), Customer Services and Professional Advisory Services, International Trade (imports and exports), Credit Operations and Term Deposits were covered. The quality aspects associated with these services have also been highlighted. The proposed approach might be helpful in the development of a tool that is helpful in assessing the level of quality in banking services.

Keywords: TQM, branch banking operations, efficient customer services, branch management / leadership, various departments in branch banking like Account Opening, Funds Transfer, Cash, Credits and Foreign Trade

Banks being financial intermediaries are the backbone of any economic system involve in channeling funds from those having surplus to those having its shortage (Lockett, 1994, p. 36). The objective of this fund channeling is to earn profit. In order to reach maximum customers, banks develop a network of branches. Branches are the points where banks offer their products. Banking products are almost the same in a country but what matters is the way the product is offered and the quality aspects associated with those products. Total Quality Management (TQM), a buzzword phrase of the modern age is based on the assumption that quality can be managed that every business entity tries to get into. Total Quality Management is viewed as virtually a new organizational culture and a way of thinking. So the approach has an intense focus on customer satisfaction, accurate measurement of every critical variable in business operations, continuous improvement of products, services and processes and on work relationships based on mutual trust and teamwork (Pearce & Robinson, 2005).

Total Quality Management is a structured system for satisfying internal and external customers and suppliers by integrating the business environment, continuous improvement, and breakthroughs with

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development, improvement, and maintenance cycles while changing the whole organizational culture (Cole & Mogab,1999). This is the comprehensive approach towards quality management covering all areas of business.

Banks are not left behind in quality race. In today's highly competitive environment, success of banking is based upon the satisfaction of both internal and external customers. The philosophy of Total Quality Management guides towards this direction i.e. satisfaction of both internal and external customers that is the best sales people around. In order to achieve that objective, there is a need to develop a Total Quality Management Model of Commercial Branch Banking Operations guiding the bank manager to indicate the areas to make bank-wide improvement in quality performance. Like other industries, quality improvement is taking place at a revolutionary pace in banking sector too (Rana, 2005). Keeping in view the competitive environment in banking sector where bank officers are trying their best to offer high quality services to their customers, there is a need to develop a TQM model of commercial branch banking operations highlighting different departments in commercial branch banking and applications of TQM principles to such departments. At present, guide lines covering the application of TQM principles to branch banking in general are available in the body of knowledge and trainers in banks develop their own training modules on the basis of such guide lines and impart training. There is no such comprehensive model available in the body of knowledge covering all departments of commercial branch banking and TQM principles related to these departments.

Literature Review

The researcher presents the previously conducted studies relevant to the present research.

Newman and Cowling (1996) conducted an empirical study as major quality improvement initiatives undertaken by two British banks. Tool for data collection was developed on the basis of SERVQUAL model. The model measured 10 aspects of service quality: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding or knowing the customer and tangibles. It measured the gap between customer expectations and experience. The study indicated a considerable improvement in service quality and that was an evidence in support of the SERVQUAL model.

A TQM study by Burton and Philip (1999) discovered if the organization had a track record of effective responsiveness to the environment, and if it had been able to successfully change the way it operated, the TQM will be easier to implement. Implementing TQM essentially involved organizational transformation: beginning to operate in new ways, developing a new culture. The study also concluded that implementation of TQM would inevitably face resistance, to be addressed directly by change agents coming up according to the expectations of external customers. The study concluded that

leadership styles and organizational culture must be congruent with TQM. TQM is a powerful technique for unleashing employee creativity and potential, reducing bureaucracy and costs, and improving service to clients and the community.

Saffran and Vogt (1999) studied the implementation of quality management system based on ISO 9000 at Deutsche Bank AG. To establish the quality system, a structural plan was divided into four steps: determination of tasks and responsibilities; studies; implementation; and certification. A major component of the second step was the quality manual, the creation of which followed three guidelines: simple language, understandable illustrations, and focusing on the essentials. Guidelines for this documentation included: outcome-based planning; uniform methods of describing procedures; readability; and employee focus. Documentation was the basis for evaluation during the registration audit, which found no nonconformities. Therefore, Deutsche Bank earned a three-year registration without limitation. Implementation of the quality management system cost Deutsche Bank about 3,975,000 DM, not including registration costs. Benefits of implementation included improved clarity and motivation for employees, increased customer satisfaction, and higher productivity. Success of the Deutsche Bank quality system initiative was based on factors such as employee involvement, open communication, customer orientation, and flexibility in adapting the system to new requirements.

Edwards and Smith (1999) conducted a research on TQM in Banking focusing on quality performance standard setting, measuring and monitoring. The study concluded that customer care programs, action teams and improved communications were the first step; the next step in maintaining the competitive edge was the establishment of quality performance standards, and devising systems for measuring and monitoring their effectiveness. The best way to institute quality into an organization, particularly a bank, was to train employees to do their job better through a top down training structure.

Brah et al. (2000) conducted a research on TQM and business performance in service sector in Singapore. A clear evidence was found that TQM implementation improved business performance in the service sector of Singapore. The study found that while accrued benefits could be attributed to some of the tools of TQM, such as, customer focus and quality improvement rewards, the key to the success of TQM lied in its intangible and behavioral features such as top management support, employee empowerment and employee involvement.

A TQM study by Tsang and Antony (2001) analyzed TQM practices in UK. The results focused on 11 critical factors of quality management. Continuous improvement, teamwork and involvement, customer focus, top management commitment and recognition, training and development, quality systems and policies, supervisory leadership, communication within the company, supplier partnership or supplier management, measurement and feedback and cultural change. It was found that customer focus is the most successful driven factor for TQM programs in UK service organizations.

Joseph (2001) examined the implications of Total Quality Management approaches for various manufacturers in the State of Maine, USA. Information was gathered through a written questionnaire. The research utilized various quality tools such as measurement of external customer satisfaction, employee involvement and team building. The data strongly indicated that the larger firms were more likely to have a quality initiative in place. The study suggested further areas of inquiry, indicating a need for additional information and including training for small firms regarding application of a quality program.

Zia ul Haq (2005) conducted a study on TQM Implications in Financial Sector, focusing on change management issues that addressed quality management practices in the service sector, difficulty in taking a holistic approach to total quality management (TQM) implementation in the service environment, and the challenges of delivering organizational reform through TQM. The study employed a quasi-qualitative case study methodology. Twenty service companies from health care, insurance, consulting, and banking and financial services were studied over a period of two years to assess their change management practices for implementing TQM. The study found that unrealistic expectations of employee commitment, absence of process focus, lack of information flow, holes in education and training, and failure to create a continuous improvement culture contributed significantly towards failure. The study concluded that when real and actual approaches to change management follow academic models and techniques of change management, the ability to develop and implement organization-wide change progresses more smoothly.

Gupta et al. (2005) conducted a study on Quality management in service firms: sustaining structures of total quality service. The research proposed a conceptual model may be developed that may be used in understanding the relationships between sustaining structures that support the total quality service (TQS) philosophy and customer satisfaction. Integrating the SERVQUAL instrument and other work in the service quality literature, especially the Deming management model, the investigation developed a model for understanding the interactions between customer satisfaction and sustaining structures. This model developed three constructs: leadership, organizational culture and employee commitment, which are very important in achieving total quality service objectives. The proposed model linked these three constructs with business processes and total quality service. This study provided an important conceptual framework for evaluating the relationships between customer satisfaction and sustaining structures.

Samat and Saad (2006) conducted a study on TQM practices, service quality, and market orientation. The main purpose of this study was to explore the relationship between total quality management (TQM) practices and service quality as well as the relationship between TQM practices and market orientation. Structured questionnaires were distributed to managers of 175 service organizations in the northern region of Malaysia. The results showed that employee empowerment, information and communication, customer focus, and continuous improvement had a significant effect

on service quality whereas only employee empowerment and customer focus had a significant effect on market orientation.

The review helped the researcher in developing the understanding that

- after the successful implementation of TQM in manufacturing, it is now the turn of service industry.
- TQM implementation is a cultural change aiming at employee creativity, reducing costs and improving services to clients and the community.
- success of TQM program in financial sector is associated with strong leadership emphasizing strategic and tactical planning.
- the top-down training programs need to be started in order to attain desired quality level in banking industry.
- service quality standards in banking sector need to be set logically first then their measurement and controlling requires attention.
- TQM implementation with commitment of top management and employee empowerment improved customer services successfully.
- TQM application is possible in larger firms as they have established processes and procedures, further the academic TQM models along with the techniques of change management facilitate organization wide change progress. In this scenario, the customer becomes the focus and the most successful driven factor for TQM program in banking sector. There is a need to develop a TQM conceptual framework for application to real life banking business. What could be a TQM Model equally applicable in all commercial banks for their branch banking operations?

Methodology

The researcher carried out a through review of the literature, relevant to the study. i.e. quality management in banking sector and developed a TQM Model that covers all departments of general commercial branch banking and TQM principle related each department. After an extensive literature review, the researcher developed the model based on the following:

- a. TQM principles (Nagware et al., 2006).
- b. Branch banking departments: Account Opening, Funds Transfer, Cash, Lockers, Foreign Trade, Advances, Accounts and Admin, and Customer Services.

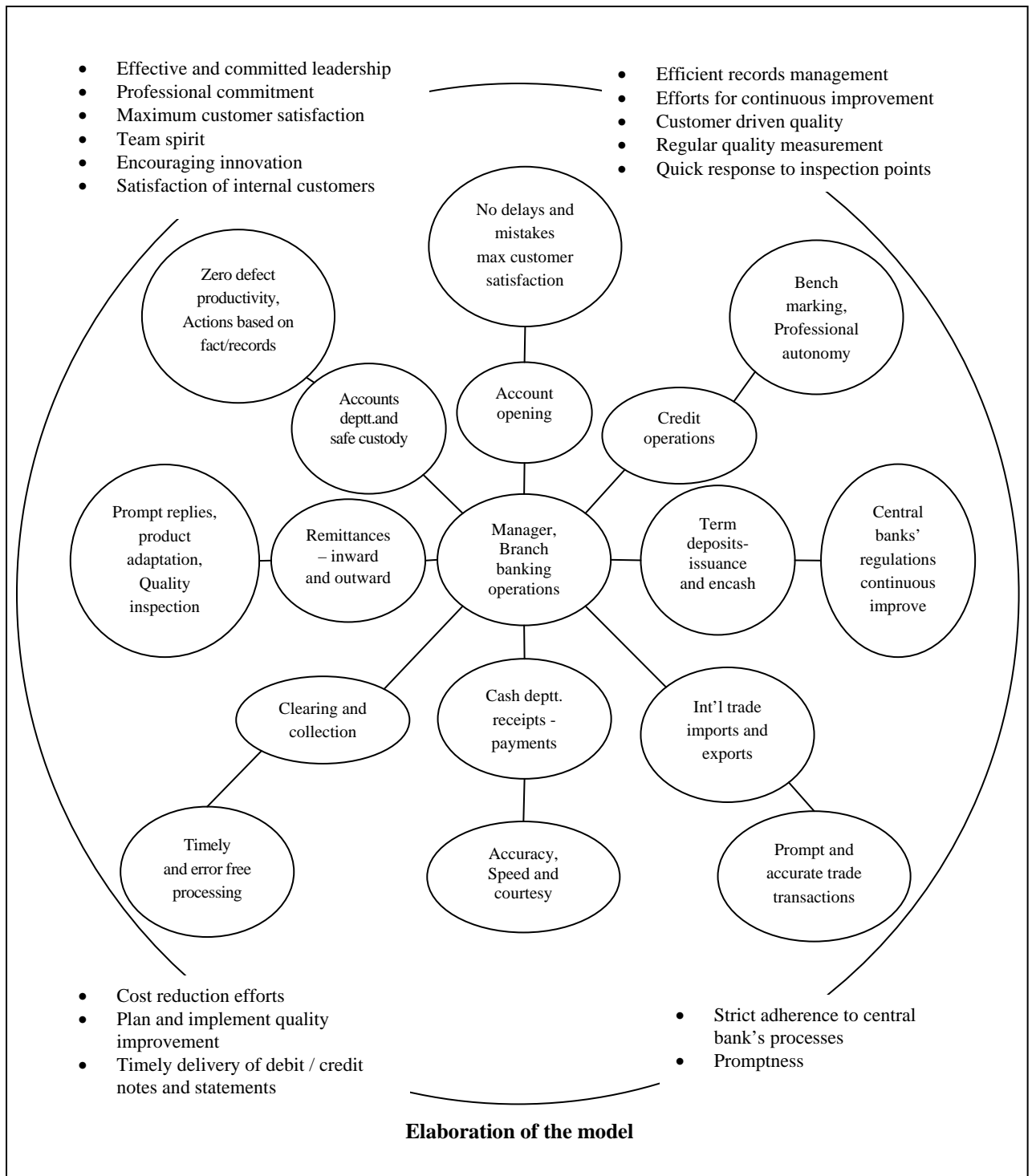


Figure 1. Quality Management Model for a bank.
Source: Ngware et al., 2006; Ziethmal & Bitner, 1996.

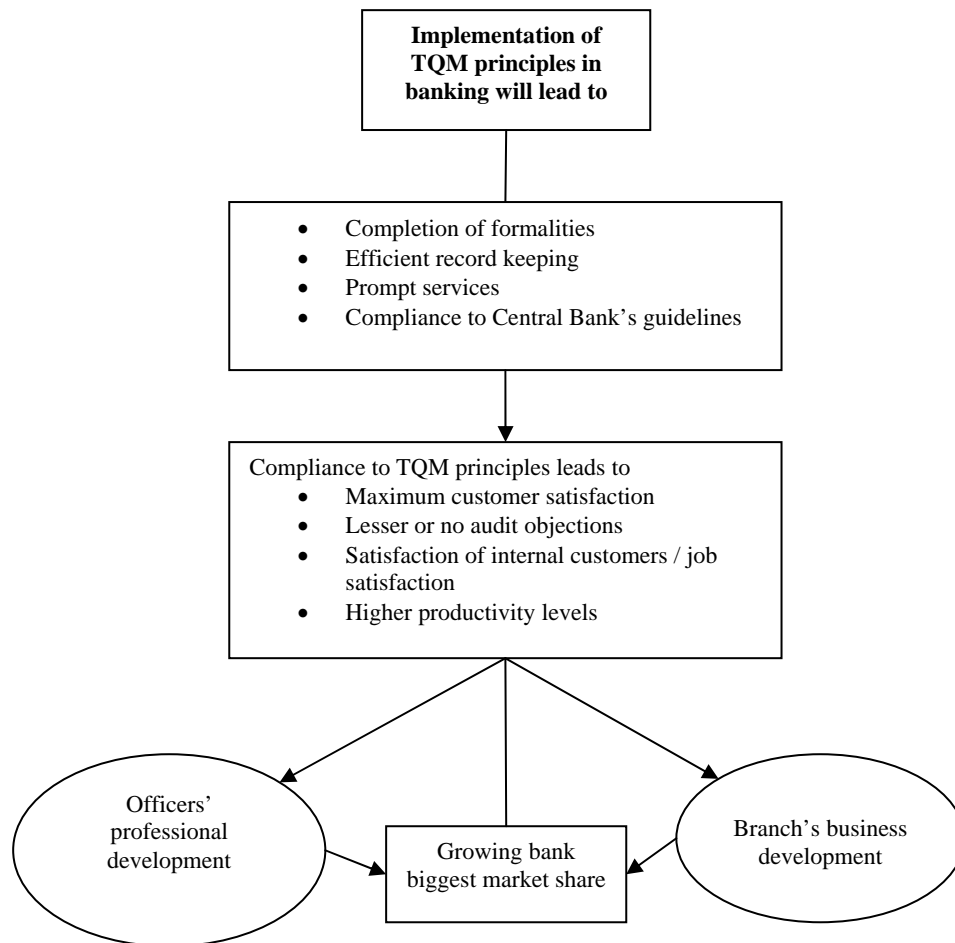


Figure 2. Elaboration of the model.

Source: Nagware et al., 2006; Deming's TQM Model and Crosby's 14 points of TQM Model; Janakiraman & Gopal, 2006.

c. Attributes of service quality presented by Zeithaml and Bitner (1996).

Discussion

One of the main objectives of the study was to develop and propose a Quality Model for Commercial Branch Banking Operations generally applicable to any banking set up. The model developed for the research is an original contribution to the body of knowledge has numerous applied aspect. Literature review indicates that whatever model is available in order to measure quality implementation is either about management and employees or quality issues related to customer services. And they are general in nature. The proposed model combined simultaneously:

- a. TQM principles (Nagware et al., 2006).
- b. Branch banking departments: Account Opening, Funds Transfer, Cash, Lockers, Foreign Trade, Advances, Accounts and Admin, and Customer Services.
- c. Attributes of service quality presented by Zeithaml and Bitner (1996).

Department-wise Application of the TQM Model to Commercial Branch Banking Operations

The Leadership in Commercial Branch Banking

Branch Manager is the leader, responsible for the smooth running of day to operations and also for the business growth at branch level. He should present himself as a dedicated and committed role model to be followed by other staff members. He should be able to

- motivate staff for quality services ;
- encourage innovation ;
- promote group decision making ; and
- supervise the satisfaction level of both internal and external customers.

Account Opening Department

The Officer Incharge of Account Opening Department is responsible of opening new accounts and activating the dormant ones. He should be able to

- serve the customers promptly ;
- make the account opening process the pleasant experience ;
- exercise relationship marketing ;
- leave no stone unturned to satisfy customers ;
- efficient record keeping ; and
- error free processing.

Accounts Department

The Officer Incharge of Accounts Department is responsible for book keeping (profit / loss accounts, accruals, depreciations etc.) of the branch transactions and also for budgetary aspects. He should be able to

- base his work on facts which means having more realistic approach towards branch activity and business growth ;
- develop procedures resulting full monitoring and control over branch activity ; and
- manage records efficiently.

Remittances (Inwards and Outward), Clearing and Collections (Inward and Outward)

The Officer Incharge of Remittances Department is responsible for processing customers requests for funds transfer. He should be able to

- maintain efficient documentation ;
- speedy and error free processing ;
- serve customers with smile ;
- reply promptly to corresponding branches and Head Office ; and
- adhere to laid down procedures of Central Bank.

Cash Department

The Officer Incharge of Cash Department is responsible for cash receipts and payments. He should be able to

- serve customers with smiling face and due courtesy ;
- process cash receipts and withdrawals accurately and efficiently ;
- make additional arrangements on cash tills in case of long queue ; and
- dispose off excess cash on hand as per the laid down policy of the bank converting the non performing asset into a profit generating one.

Term Deposits – Issuance and Encashment

The Officer Incharge of Term Deposits is responsible for the issuance and encashment of Term Deposits. He should be able to

- process the applications timely ;
- exercise due vigilance while disbursing profit on deposits ;
- work on the processes and procedures to lessen the time required for the issuance and encashment of term certificates ; and
- zero defect production.

International Trade and Credit Operations

The Officer Incharge is responsible for Import, Export and Credit Operations. He should be able to

- follow the relevant industrial bench marking ;
- work with required professional autonomy and spontaneity ;
- improve continuously procedures for quicker and accurate processing of transactions ;
- timely deliver debit – credit advice to customers ; and
- update the departmental processes and record keeping according to latest international industrial practices.

Diagnostic Nature of the Proposed Model

The proposed model is diagnostic in nature and has the capacity to diagnose problems in the following areas :

- While taking the model as operationalization of TQM in banking, the level of implementation may be checked with an appropriate scale.
- The model may be taken as an independent variable. Strict adherence to TQM principles may lead towards higher customer satisfaction (dependent variable) and financial performance (dependent variable).

Conclusion

In this competitive age, the survival of a business mainly depends upon the quality associated with the product. Similarly, in order to succeed in commercial banking, there is a need to develop an organizational culture based on Quality Management approach where every body is involved in quality enhancement processes and the bank management is keen and fully committed to the satisfaction of both internal and external customers.

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