CHAPTER –2

REVIEW OF LITERATURE

The objective of this chapter is to review the related literature in respect of TQM and Economic Performance of banks in particular and other organization in general. The end result of this review is to identify the research gap and formulate a conceptual framework regarding the selected topic of research.

2.1 The overview of the related literature is enunciated under the following headings:

2.1.1 Components of TQM

2.1.2 TQM and Economic performance.

2.1.1 Components of TQM

Kamel Mellahi & Fayeza Eyuboglu [1], authors observed the key factors that led to successful TQM implementation in the Turkish banking sector. Top management commitment was examined by exploring the following issues: the bank’s mission statement, allocation of resources toward efforts to improve quality such as training and customer services, and frequency of discussing quality issues in management meetings. They also examined customer satisfaction feed back to examine the extent to which the bank is customer focused. The results showed that successful TQM implementation requires: managements unwavering commitment to TQM and enthusiasm, formal national bodies to introduce organizations to TQM and provide assistance during and after TQM implementation, and a highly educated and

competent management team. From the review it was found that, management attitudes played strong role in shaping TQM implementation.

Khalid Al-Marri [2], they collected data from 250 banks in UAE to examine the critical success factor of TQM implementation in UAE banking sector. The ratios of critical TQM implementation success were 16 in numbers. i.e. 1) Top management support 2) Strategy 3) Continuous improvement 4) Benchmarking 5) Customer focus 6) Quality department 7) Quality system 8) Human resource management 9) Recognition and reward 10) Problem analysis 11) Quality service technologies 12) Service design 13) Employees 14) Service capes 15) Service culture 16) Social responsibility They found that, there is a lack of knowledge of the key components influencing the process of TQM implementation and the way these components should be addressed and managed.

Top management strongly encourages employee involvement and improvement activities.

Ziaul Huq [3], in his study employs a quasi qualitative case study methodology. Twenty service companies from health care, insurance, banks, financial and consulting services were studied over a period of two years to assess the change management practices for implementing TQM. Six change management issues are leadership, implementation of change and control, barriers to change communication, people culture factor and change review. Successful change requires a large

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commitment from top management. They emphasis that empowerment of lower level of employees is useless unless adequate training is provided. Problem solving tools are ineffective unless employees understand the overall purpose of TQM and the whole project is defeated if employees feel that they are working their way out of their job.

The findings point to a less than total implementation of TQM in the studied companies. They observed that, unrealistic expectations of employee commitment, absence of process focus, lack of organization around information flow, holes in education and training are contributed significantly towards failure.

Chun Hung Cheng, et al [4], in their study investigates and classifies the research on quality management in the banking industry. A proactive model for implementing quality management program and future research directions in the banking sector are discussed. The 5 stages of the model include 1) awareness and commitment 2) planning 3) programming 4) implementation 5) evaluation.

*Awareness and commitment* - develop understanding of quality management, how to achieve quality management, top management commitment. *Planning*-perform internal quality assessment; provide education to key personnel, set vision and objectives. *Programming* - name the process, state the purpose, provide training to all personnel, conduct internal and external surveys, formulate a quality council, perform competitive benchmarking, form quality improvement teams, establish measures and indicators. *Implementing* - provide ongoing education, form new committees,

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recognize and reward improvements. *Evaluation.*—evaluate program annually, redesign or revise program. The findings revealed that, the role of top management, administrative staff, other employees and customers are important in improving the quality service.

**Eldon, et al [5]**, this paper reports the result of a survey on quality management initiatives in Hong Kong banking industry from 1997 to 2000. The first survey was conducted in early 1997 and second in early 2000. The subject group for the first survey consisted of 45 banks systematically sampled from a population of 188 licensed banks in H.K. In early 2000 the same questionnaire was sent to the entire population of 156 licensed banks in H.K; to examine the critical success factors in implementing quality initiatives.

They are: Top management involvement, Employee involvement, Leadership, Training program, Good measurement method for quality improvement, Linkage with performance appraisal, Vision/mission statement, Linkage with salary or reward system, Empowerment, Separate quality team, Consultant advice.

They observed the major difficulties experienced in implementing quality initiatives, they are: barriers between departments, employee resistance to change, organizational culture resistance to change, economic pressure, lack of top management commitment, emphasis on short term goals, Middle management resistance to change. The findings revealed that, the quality management, program require long-term commitment and total involvement. They also recognize that customers are the ones who define quality, and not the banks or their staff. This

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customer centric, process oriented management approach is the essence of the TQM concept.

**Tsang, H.Y.J. & Antony, J.** [6], article 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. They found that customer focus is the most successful driven factor for TQM programs in UK service organizations.

**Yilmaz ustuner and Selim Loskun** [7], article assesses the challenges of introducing quality management in the Turkish public sector in two pioneering central institutions. A survey was conducted with the aim of exploring in particular the views of the workforce on the feasibility and prospects of quality management. Findings revealed that despite the differences in both the practice and the perceptions the workforce had a positive attitude of shared an awareness of the need for a comprehensive reform that included wide utilization of quality management. The results also imply that the success of quality management is conditioned by the approach adopted and the organizational contexts. Considering the fact that quality management necessitates long term commitment and adequate resources.

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Knights, D & McCabe D [8], their study discussed some of the inconsistencies between management actions and the underlying rationale of quality initiatives. Based on the results of six case studies during 1993-96, they discovered numerous counterproductive tendencies where management said one thing but did another. Management might encourage staff to provide customer service yet allow little time for them to do so. With the aforesaid inconsistencies a number of initiatives had been undermined to a considerable extent. Management should reflect on such inconsistencies if they are to be implementing the quality initiatives effectively.

Feruccio Bilich and Annibal Affonso Neto [9], obtained data from fifty six executives representing a universe of forty three banks actuating in Brazil were analyzed. Their study created a macro function quality model in banks consisting of five management dimensions: strategy, managerial model, organization structure, human resources and systems. They claimed that this dimensions were instrumental overall measurement for service quality for banking institutions. The rationale behind such a model is that quality improvement should engage the top decision makers of the organization in the effort for better service performance. Findings revealed that, development of information system for quality; develop culture for group work, long term outlook and innovation, creation of groups for improvement of quality, creation of mechanism for rewarding as a form of motivation, and use of mechanism for control of processes are necessary for successful quality management.


Edward, S. & Smith S [10], conducted a research in TQM in banking focused on quality performance standard setting, measuring and monitoring. The study concluded that customer care programs, action teams and improvement communication were the first step, the next step in maintaining the competitive edge was the establishment of quality performance standards and devising the system 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.

Davidson & Grieves [11], article discussed service quality initiatives in local government. Based on the result of survey conducted among one hundred and four local authorities in England and Wales, they found that quality initiatives were becoming wide spread they reflected external initiatives more than proactive and internal concern with service quality. Findings revealed that the technological infrastructure of the banks should be fully exploited and should be integrated in to the strategic planning.

Ronald, A. Frick [12], he discussed some of the key aspects of total quality management strategy for banks and provided a framework on which to build a quality

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strategy. All components are necessary but banks can build on this framework and modify it to fit for their organizations. Implementing a quality strategy is committing to fundamental change and hard work for the benefit of the customer, it is also committing long term sustained profitability of the bank. He concluded that an organizational culture based on employee involvement, effective use of systems / procedures and technology, top management commitment and involvement of all levels of management facilitates the implementation of TQM in the banking sector. 

Saraph, et al [13], propose eight critical factors of quality management, which are- the role of management leadership and quality policy, the role of quality department, training, product/service design, supplier quality management, process management, quality data reporting, and employee relation. From the above review of literature, it can be generalized that the components of TQM include - Leadership Style, Training and Development system, Human Resource Planning and Management, Quality of Work life, Employee Involvement and Development Scheme, Social Responsibility, Information and Communication, Resource Management, Strategic Quality Planning, Quality Assurance, Process Management, 5s concept and Work place Management, Customer Orientation.

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2.1.2 TQM and Economic Performance

Economic performance is an alternative term used for financial performance. There are three principal factors to improve financial performance in financial institutions. They are the institutions size, its asset management and the operational efficiency. Some useful measures of economic performance of banks are Capital Adequacy, Assets Quality, Management, Earnings, Liquidity, and Banks sensitivity to market Risks.

Maria Letcia and Santos-Vijande, [14], a case study was conducted in Greek Banks, that investigates the level of quality in Greek banks by means of questionnaires that have distributed to several bank employees. They found that, the nature of good quality practices are reflected in improved quality performance in terms of recovery of loans, deposit mobilization, customer satisfaction, housekeeping, cost of poor quality, and return on net worth.

Brah [15], from a sample of 204 bank customers a study was conducted regarding the relationship between relational benefits and customer satisfaction. They found that implementation of TQM improved business performance. The improvement in business performance could be achieved by using some of the important tools of TQM such as introduction of performance based rewards in the organization, cultural changes, invent a powerful vision and everybody in the organization must be solidly

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aligned with this vision. The organization must develop a structure for empowering relationship and interpersonal communication.

Hajji Ali [16], conducted research studies at various Jordanian companies that implement a form of ISO 9000 in which authors revealed that implementation of the quality system actually improved the performance of the organizations in terms of lower production costs, higher employee morale, improved customer loyalty, improved revenues and other related benefits.

Chen, T.Y. [17], conducted a survey consisting of 336 domestic and 39 foreign banks to identify critical success factors in adopting various business strategies in the banking industry in Taiwan in 1997. Study concluded by identifying four critical success factors such as an organizational culture based on Employee involvement, Effective use of systems/procedures, technology, Top management commitment and involvement of all levels of management facilitates the implementation of TQM in the banking sector.

Burton and Philip [18], the role of Leadership in TQM implementation was further explored by Burton and Philips in 1999. They concluded that a strong leadership commitment and long term cultural change were necessary for the implementation of TQM in any organization. The study further highlighted that the role of effective

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leader and strategic quality planning while empowering employees and concentrating on their training in different dimensions of TQM.  

**Saffron, et al [19]**, Deutsche Bank A G has introduced a quality management system based on ISO 9000 in banks payment transactions system. They found that success of Deutsche Bank quality system was based on adopting the system to new requirements like employee involvement, open communication, customer orientation and flexibility.

**Newman and Cowling [20]**, introduction of TQM in two major banks of U.K. Employee success depends upon employee empowerment, human resource department and senior management need to be involved. They found that increased competition and higher customer expectations are the main factors behind the adoption of quality program in financial services.

**Z. Rahman and J. Siddique [21]**, data was collected by questionnaires which were mailed to three hundred Indian companies, assumed to be making use of TQM in their information department. It was found to be catching fast in India as a synergy between TQM and information system accrues benefits for improving the quality of products and services – the most common ones being greater customer satisfaction,

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increased productivity of information system, personnel and enhanced quality of products and services. However the other benefits such as cost and time cutting on production and optimization of human resources too are rated well. They found that best implementation success was revised in the principles of customer centric advancements and employee enrichment by strengthening the employee base.

B.Kayis, et al [22], for their study they selected a total of 11 banks, 5 in Seoul, Korea and 6 in Sydney, Australia, were chosen, which responded positively to questionnaires distributed to both the customers and employees. Their study discussed how significantly TQM practices have influenced the various relationships between service quality, customer satisfaction, and customer loyalty and employee satisfaction.

Michelle geralis and mile Terziovski [23], in their study the questionnaire was introduced personally to the bank manager of each branch. Quantitative analysis based on multivariate analysis techniques indicates that empowerment practices when simultaneously implemented have a favorable effect on employee well being, productivity, performance and service quality. Based on the results of the study conclude that a holistic approval must be taken to implement empowerment practices into banks in order to maximize service quality improvements. The results of this


study show that empowering the work force is a powerful strategy that substantially improves service quality in the banks.

Hatice Jenkins [24], he was conducted a case study in North Cyprus being one of the smallest island economies in the world, to explore the factors that affected the penetration of internet banking services in North Cyprus over a two year period. Evidence from survey studies and from bank websites indicated that banks in North Cyprus have been consistently moving towards providing internet banking service despite a very small potential market to share. They found that, in 2004 the majority of commercial banks claimed that the potential market was too small to adopt internet banking services in North Cyprus. Yet in 2006 the same banks were in the process of introducing internet banking as an assurance to their customers, that they would be able to maintaining a competitive quality of service in the future, hence avoid losing their customers to the branches of foreign banks.

Shin, et al [25], they applied management (TQM) principles in service industries in the UK. They found that, the failure of TQM implementation is not due to external factors but in the failure of management to establish the proper system of implementation. Managers are not fully aware or perhaps ignore what it takes to implement TQM successfully and achieve high performance. They found that implementing TQM tenets like employee empowerment, effective communication,

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and customer entered strategies and continuous improvement always resulted into high level of service quality.

**Hummayun Neem and Mohammad Iqbal Saif** [26], the main objective of the paper was to develop and propose TQM model for commercial branch banking operations. The researcher developed the said model based on the following: TQM principles, the manager operation, Departments in commercial branch banking setup, the SERVQUAL model. They found that, to develop an organizational culture based on the tenets of the TQM, where everybody is involved in enhancement processes and the management is keen and fully committed to the customer satisfaction.

**Imran Ahmed Rana** [27], their article stated that, quality improvement is taking place at a revolutionary pace in banking sector too. Keeping in view the competitive environment in banking sector where bank officers are trying their best to offer high services quality to their customers, there is a need to develop a TQM model of commercial branch banking operations highlighting different departments in commercial banking and applications of TQM principles to such departments. At present guidelines 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 models on the basis of such guidelines 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.


Joseph J.M. [28], examined the implications of TQM approaches for various manufactures 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 study further suggested training for all employees regarding application of quality program. The top management must communicate its goal to all levels of employees and should ensure that all employees are convinced about both management’s commitment and the need to work towards the achievement to these goals. Suggests ways by which banks can achieve a high level of product and service quality.

Gupta, A. [29], 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 satisfactions 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 satisfactions and sustaining structures.

Pearce, J.A. & Robinson, R.B. [30], their article stated that TQM is viewed as a 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 in addition to processes and on work relationships based on mutual trust and team work. L. Krasachol, P.C., et al [31], describes the progress of quality management in Thailand. Quality management is new to Thai industry, but it has been adopted with great speed in recent years. Reports on a major survey, carried out to identify the current position, trends and attitudes within Thai industry. The implementation of total quality management (TQM) in Thailand was also surveyed. Results indicated that Thai-owned companies are accepting the challenge of ISO 9000 and looking towards TQM in the future.

Athanasopoulos, A.D. [32], attempted to assess whether there would be a gap in the service quality provided as perceived by bank management and what they though the customers had perceived. There were 2200 bank branches spread across the country of Greece including both public and private sectors. The study is the first banking survey in that country to explore how service quality is being understood among


management in the industry. It was concluded that the service provider was not in any position to differentiate between his/her own beliefs and his/her understanding about customers’ beliefs. Bank manager under the impression that the service quality they were providing was much better than what the customer perceived.

Zeph Yun Chang, et al [33], the methodology used was twofold, consisting of both the author’s personal bank operations experience and semi structured interviews with a number of senior bank managers in Singapore. The objective of the design of market quality is to provide a level of customer service that is beyond expectations. They suggested how to achieve market quality, get the right people for the organization, establish error free banking operations, and establish a separate service centre to handle customer problems.

Nelson Oly Ndubisi, et al [34], bank customers in Kota Kinabalu, Malaysia were surveyed using a questionnaire. The result show that relationship marketing, strategies namely communication, commitment, competence and conflict handling are directly and indirectly associated with customer loyalty. More over trust and relationship quality are directly associated with loyalty training should be given to the employee on a continuous basis to meet the needs of the customers.


Cole, W.E. & Mogab, J.W. [35], their article stated that, Total quality management is a structured system for satisfying internal and external customers and suppliers by integrating the business environment, continuous improvement and break through with development, improvement and maintenance cycles which changing the whole organizational culture. G.S Sureshchander, et al [36], the present study aims to investigate the Indian banking industry. Questionnaire was distributed to 422 executives from 51 different banks which were approached. Data were collected using the personal contact approach. Findings revealed that, TQM is a powerful change agent and is absolutely essential to meet the challenges of the changing environment. However, TQM effort can succeed only if there is total commitment from the entire organization. Lack of commitment at all levels will lead to poor quality in goods and services. Customer is the center of the business world and customer care and satisfaction is the most important goal of any organization. Otherwise, TQM becomes only a window dressing and no fruitful benefits can be derived.

Bradford, [37], stated that at American Express Bank, executives began by improving the way the bank's employees worked together as internal customers and suppliers. Then, the bank decided to start implementing Total quality management (TQM) at a New York base and expand it from there to reach more than 3,400 employees.


worldwide. Senior managers were put through training first, and then training was continued from the top down. An internal newsletter was started at the New York base to report on improvements in the ways employees worked together as internal customers and suppliers. Letters of commendation from outside customers are also reprinted. He found that, bank now successfully operates TQM outside the US, too.

**Gillian Rice and Essam Mahmoud** [38], framework proposed for the integration of TQM, creativity and innovation should be tested in selected Islamic financial institutions. They found that TQM is based on the general principles of continuous improvement and the involvement of all employees. The involvement of all employees occurs through a system of quality facilitators who work with cross functional teams to enhance work processes in order to improve service to both the organizations internal and external customers. Top management’s leadership and encouragement of the effort, based on the awareness of the benefits of TQM, is crucial. Training is a key part of the process and involves all employees. Communication must be open vertically, between management and staff, and horizontally between the different functions in an organization. Measurement of results in order to monitor and improve performance is another component of TQM as are rewards and recognition of employees that do well. A team of employees led by a quality facilitator could be responsible for diagramming and studying each of a customer’s contact points with the institution and considering how each contact point could be improved in some way. Internal benchmarks are based on the institution’s

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historical performance and future plans with respect to innovative activity and external benchmarks are based on competitor’s achievements.

Top managements leadership and encouragement of the effort, based on awareness of the benefits of TQM is crucial.

Ishikawa [39], stated that today, ‘Quality’ is the key word of every organization. With fast developments and changes in the market place, competition is becoming fiercer day by day and quality is given utmost importance and attention. Therefore, the successful organizations of next decade will be the ones that will make decisions quickly, act efficiently, and touch their customer in a positive way. Author is of the opinion that TQM can be conceived as an effective means to realize this potential.

Thus it is generally accepted that the components of TQM of any organization influence their Economic Performance in some proportion or the other.

2.2 RESEARCH GAP

After examining the existing literature on TQM, it is possible to point out the following gap. Majority of research studies made by individual scholars and research organization relate to a survey on the practice of TQM in manufacturing area only. In order to fill the existing gap, the present study is undertaken, where the practice of TQM in banking sector, which is an essential service industry, is studied empirically.

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2.3 CONCEPTUAL FRAME WORK

Managerial experts and researchers have defined and described TQM in different ways in different contexts. There is no unanimity in their opinions and research findings. Taking into consideration the views expressed by these experts and researchers, the term TQM can be operationally defined as involvement of everyone at all levels and across all functions in the organizations and stimulating and training them to improve the quality of the product / service / processes on a continuous basis by using statistical quality control methods in order to delight the customers and benefits to all the members of the organization and society. On the other hand Economic performance is operationally defined to include return on assets, return on equity, return on deposits, and other financial activities as credits and deposits, interest income size, asset management and operational efficiency, bank size and asset utilization.

Further, several studies have revealed different components constituting TQM and Economic performance. For the present research study, the following components shown in the model have been selected by considering the following criteria:

1. Banks should be practicing TQM for the last five years
2. Banks should obtain ISO-9000 certification

2.3. 1 Conceptual Model

A conceptual model, diagrammatically represented, explaining the influence of TQM on Economic performance, is shown in Figure 2.1 for easy and comprehensive understanding.
FIG 2.1 CONCEPTUAL MODEL SHOWING THE INFLUENCE OF TQM ON ECONOMIC PERFORMANCE
Economic Performances of Banks are dependent variables and they are influenced by a host of independent variables (TQM). In the present study, thirteen factors have been identified to study TQM practices and eight factors to study the economic performance. These factors have been selected based on two criteria: (I) repeatedly stated by several researchers and (ii) considering their relevance to the study.

2.4 OPERATIONAL DEFINITIONS

2.4.1 Components of TQM

Leadership style: For the purpose of this study, leadership style refers to the personal commitment and involvement in quality, focusing on the customer, sharing a vision, solving problems, making decisions, and develop quality based organizational culture.

Training and development system: Here training and development system used to mean continuous training and education in work related techniques to employees.

Human resource planning and management: In the present study, human resource planning and management are operationally defined as the banks overall human resource management plans and practices that support its quality and operational performance.

Quality of work life program: For the purpose of the present study, quality of work life is defined as the programs that are favorable to the well being and growth of employees.

Employee involvement and development scheme: In the present study employee involvement and development scheme is used as a criterion which measures the
scheme that promotes team spirit, creativity, improved quality and increased productivity.

**Social responsibility:** Social responsibility is defined as the integration of banks responsibility to the society, for health, safety, environmental protection and ethical business practices in its quality practices and improvement activities.

**Information and communication:** For the purpose of the present study, information and communication is defined as the availability of quality related data, timeliness of quality related data, and usage of quality related data at all levels in the organization aspects are included in the study.

**Resource management:** For the purpose of our study, resource management is defined as the ability of the bank to manage its financial resources, and other assets such as materials, buildings, equipments and technology efficiently.

**Strategic quality planning:** In the present study strategic quality planning include, policies and strategies adopted in the banks that provide the vision for the future and this is the key to keep everyone in the organization on the right track. Banks must plan the process for achieving quality leadership and must plan how to integrate quality improvement planning into overall business planning.

**Quality assurance:** In the present study, quality assurance is used to mean banks efforts in evaluating the results and deciding a course of action for improving a bank’s performance and keep the organization on track.

**Process management:** For the present study, it refers to series of techniques, skills, tools and methods used to control and manage workflow in the banks and is used as a criterion to examine: how the banks identifies, manages, reviews and improves their process.
5’s concept and work place management: For the purpose of study, this component is defined as a systematic approach to good housekeeping for cleanliness, better and safer work place, which is fundamental to productivity and quality.

Customer orientation: For the purpose of the present study, customer orientation is defined as organizations commitment to satisfy customers, the integration of customer’s satisfaction in banks vision and goals, knowledge of customer needs and expectations, usage of customer feedback in new product design, monitoring of customer satisfaction, responsiveness to customer complaints and the level of interaction with customers.

2.4.2 Components of Economic Performance

It includes:

Recovery of loans: For the purpose of the present study, recovery of loan is defined as, collection of loans lent by banks from the borrowers. It, usually takes place when a debtor is unable to pay the debt and the attempts of the creditor to take back his money have failed.

All borrowers are given a fair chance to approach the banks with specific difficulty in meeting installment of dues. If the customer still ignore to the various opportunities or does not come forward with definite plan of action to repaying the dues, the bank can go for legal proceedings.

Deposit mobilization: For the purpose of the present study, deposit mobilization is defined as, campaigning and collecting customer deposits. A bank may have a campaign with advertisements and gifts to attract deposits.

The main business of bank is accepting deposits and granting loan. The more the loan the banks disburse the more profit they make. Banks do not have a lot of their
own money to give as loans. They depend on customer deposits to generate funds for granting loans to other customers. So, deposit mobilization scheme encourage customers to deposit more cash with banks. It helps the banks to generate additional revenue.

**Customer satisfaction:** In the present study, customer satisfaction refers to meeting the customers’ expectations with banks services. Customer satisfaction is an important criterion deciding the success of the banks.

A highly satisfied and delighted customer is a very vital non-financial asset to banks. For survival and growth it is critical for a bank to align its vision, mission, products and objectives with customer’s satisfaction. For delivering quality service, it is imperative to have customer satisfaction and as a culture in the banks.

**Improvement in service level:** In the present study service level means kind of service and product that is provided by the banks, is appropriate to the needs and desires of the customers. Once good service is extended to a customer a loyal customer will facilitate the growth of banks business. The service level depends on branch location and design, variety of services, rates and charge, systems and procedures, competitive efficiency, staff skills, attitudes, and responses and computerization in banks. Improvement in service level is a basic criterion in banks.

**Housekeeping:** For the present study it refers to the tidiness in office, maintenance of a computer storage system, removal of obsolete files, documentation, security and good working environment

**Price level:** For the purpose of the present study, price level is defined as, cost of funding that is loans and deposit. Banks also consider the credit risk associated with loan and liquidity risk involved in funding long term assets with short term liabilities.
**Profit after tax:** For the present study, it refers to banks income as shown in profit and loss account after all taxes have been deducted. It also indicates how efficiently the banks use its source of funds and deliver quality services.

**Return on net worth:** For the present study, return on net worth is defined as how much profit of a bank generates with the money shareholders have invested. Net worth is an important determinant of the value of a bank. Net worth can be used to determine credit worthiness of banks.

### 2.5 QUALITY IMPROVEMENT TEAMS (QIT’S)

Quality improvement team is a group of multi-skilled bank employees charged with the responsibility of improving the quality of banks services & designing the new products & services. QIT’s consists of managers of various department and other employees of the banks. Quality improvement teams identify the causes of variation and recommend changes in the process to improve performance.

### 2.6 SUMMARY

In this chapter, a review of relevant literature has been presented. The review has focused on important aspects such as:

1. Components of TQM
2. Relationship between TQM and economic performance

The review has facilitated the development of a conceptual framework in which to carry out this research investigation. The review has also led to identification of the components of TQM and Economic Performance of banks.