The relationship between the implementation of quality management practices and service quality in the South African Financial Service Industry

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***Abstract*—The purpose of this study is to evaluate the effect of quality management practices on customers, employees and service quality in the financial service industry. The sample of 30 customers and 30 employees were selected based on stratified and snowball sampling procedures respectively. This research used a mixed approach to collect data. The study was conducted by engaging with customers (business owners, students and the working class) in the form of interviews and questionnaires, and by using secondary data. The main quality principles was mainly based on employee satisfaction, customer focus and continual improvement to establish how customers choose the bank they bank depending on their different classes. The results reveal that employee satisfaction had a direct relationship with the level of quality the organization produced. In addition, business owners and the working class were more likely to consider the service quality of the organization before they decide to bank with them. This research shows the significance of the implementing quality practices in the financial service industry in order to gain or retain customers**

Keywords- Quality management, service quality, financial service industry

I. Introduction

Quality management is the demonstration of regulating all activities expected to keep up a perfect level of enormity. Setting up an approach, implementing quality planning, quality control, quality assurance and quality improvement are significant aspect of Quality management [1].

Quality management is mostly known for its impact in the manufacturing industry, where it is primarily used to improve the procedures. Literature recommends that the effective utilization of the quality management philosophy in manufacturing supported supervisors in different areas to likewise investigate it. The usage of TQM in banking division lately shows better performance after execution [1]. TQM, which is about client support and proceeds with consumer loyalty, is applicable to practically all service sectors [1]. Cambridge dictionary defines the service sector as the part of the country's economy that is made up of organizations that offer types of assistance. Examples include housekeeping, tours, nursing, teaching and banking [2]. Unlike in manufacturing, the service sector doesn't make a substantial item which would be utilized by customers rather a service is produced and expended [2]. Also, stock may not be material. It might be virtual or in general be data, which would then have the option to be dealt with and transformed into a service. In this manner, the client is part of the procedure [3]. Likewise, since the service is elusive, customers may measure quality reliant on virtual properties, for instance, security, legitimacy, correspondence, ability, steady quality, and responsiveness [3].

A. Problem Statement

Services are intangible, consequently customers experience issues evaluating their service quality. This causes the service sector to feel like they are facing challenges since they are not sure about the quality and how to measure it. Service providers additionally battles with advancing and estimating quality and along these lines experience issues setting the price for their services. The immaterial thought of services causes difficulties for both the clients and suppliers [4].

Services are hard to characterize and improve. This is on the ground that they are produced and consumed simultaneously, dissimilar to the manufacturing business where the maker have the chance to test and improve their item. In the service sector, the client is available when the service is being created, thusly it is a test to guarantee client's loyalty [4].

B. Aim

The aim of the study is to evaluate the impact of quality management practices on customers, employees and service quality in one branch of the financial industry in Johannesburg.

C. Objectives

This study is aiming at achieving the following objectives:

- *Establishing whether the use of quality management practices affect customer satisfaction in the banking industry.*
- *Uncovering the reasons behind the customer's choice of financial service organization.*
- *Evaluate the relationship between employee satisfaction and service quality.*

D. Research Questions

The research questions of this study are defined as follows:

- What is the relationship between implementing quality management practices and customer satisfaction?
- *Are customers consciously selecting a financial institution based on their service quality?*
- *What is the relationship between employee satisfaction and service quality?*

E. Hypothesis of the study

The null hypotheses (Ho) are defined as follows:

Ho1: The decision of the clients to use one bank is independent of class.

***Ho2*:** Having previous experience with a different bank is independent of class.

Ho3: Clients having a specific reason for selecting who they bank with is independent of class.

The alternative hypotheses (Ha) are defined as follows:

Ha1: Clients' decision to use one bank has to do with the class they fall under.

Ha2: Clients having previous experience in a different bank has to do with the class.

Ha3: Clients having a specific reason for selecting who they bank with is dependent of class

F. Scope of the study

The investigation endeavored to see whether clients are choosing who they bank with, with respect to service quality. In addition, the study concentrated on the relationship of representative/employee fulfillment and service quality, and quality management practices in the service sector. Lastly, managers, Employees and Customers were part of the study.

G. Limitation of the study

Representatives of the bank consented to a non-revelation arrangement and could not share some data because of confidentiality. The data collection relied on the working hours of the representatives of the bank, and subsequently it was challenging to talk with employees because of the nature and time of their work.

This study was conducted in a branch of a South African bank located in Johannesburg.

II. LITERATURE REVIEW

A. Total quality management and service quality

In recent years, the relationship between Total Quality management and Service Quality in financial sectors was more based on customer relationship and customer satisfaction in Banks in Pakistan. The focus was more on customer relationship management (CRM) where the centre business technique that coordinates internal processes and functions and external networks, to convey value to focused customers at a benefit. It is grounded on great quality customer data [5].

B. Customer relationship management and Customer satisfaction

According to customer relationship management's importance has hugely expanded during late years mostly on the ground that it doesn't just gives the competitive edge to an organisation by building up the drawn out relationship with the customer but it also has turned into a fundamental device for the endurance/ presence of the organisation. Service quality is considered as customer organisation and fulfilment with respect to the organisation they receive from their organization. Therefore, accomplishment of any assistance related organisation is really founded on the organisation quality and fulfilment of their customer with the service gave to them. Service quality and customers satisfaction are considered as two terms that can be used for one another and organization quality guarantees customer satisfaction or dissatisfaction [5].

Buttle states that customer relationship management being considered as an establishment of organization system, which consolidates interior procedure just as reason notwithstanding internal network, towards conveying quality service alongside an incentive to the focused-on customers. Business for example banks, insurance companies and other service providers understands the importance of CRM and its latent capacity assist them with getting new customers and extend their lifeline esteem [6]. Customer relationship management in the financial segment includes understanding the clients, changing requirements and creating services to fulfill these necessities by building long haul relationship with the clients, by underlining on client relationship .Customer relationship management is the best approach to decrease expenses and increment the organization performance and quality, which implies benefit results through client loyalty [7].

C. Improve quality of employees

One analyst expresses that worker's information capacity implies the ability towards recalling or towards actualizing the financial procedures, approaches, items and services. This knowledge capacity comprises of both specialized abilities just as psychological capacities. The degree of mindfulness and comprehension of products and services offered by the organization is its information capacity. Bedford pointed out that information and skills of employees, particularly forefront workers, is critical to accomplish service quality desires for the customers and increment the performance of the organization [8]. Banks give more resources to improve the quality of their representatives, as these representatives are the key counsel to clients and primary source of information, and in this manner their quality just as level of information ought to be similar. Another examination by Bedford, depicted that the information and knowledge of on forefront representatives speaks to the degree of perceived quality of the bank. Through broad and appealing data, information and aptitude, bank workers can help guarantee that customers are successfully and proficiently in conducting their money related dealings and dynamics with respect to their budgetary issues [8].

The financial sector (service sector) is tangible, inseparable and imperishable making it difficult to separate production from “consumption” since the customers is involved in both productions and consuming. It is therefore difficult to measure quality with set standards for conformance as opposed to manufacturing [9].

D. Continuous improvement

Quality management or rather total quality management focuses more on continuous improvement, ensuring that and organization remains competitive in the field and accommodates customers and attract more customers, thus growing. It is important to understand the expectations of customers and how customers and employees perceive quality. This makes managers be able to close the employee-customer gap. It also ensures that managers are able to meet and exceed expectations [9].

Employees are the front office people and the face of the organization, they are the first people customers interact with, therefore responsible for building relationships with customers. It is thus imperative that they deliver good quality of work. QWL (quality of work life) refers to different methods of increasing employee satisfaction as opposed to focusing much on the service they provide. Organizations should focus on the development of its employees and ensure that they are happy in the job, make sure there is a balance between performance on the job and personal life. Employees' main concerns in all sectors are appropriate and fair compensation, safe and healthy environment, skills development, employees' rights, etc. Should these factors be fulfilled the organization is likely to succeed. Management should also include employees in decision making process in order to make them feel that quality and success is everyone's mission [9].

E. Relationship between Employee satisfaction and service quality

Employee satisfaction has an impact on organization' performance, thus it improves service quality and customer satisfaction. Research shows that profitability comes from satisfied employees therefore the success of the organization depends on employees. Managers should motivate and empower employees so that the services provided are improved. Employees should be giving proper training and knowledge so that they understand what is required of them to ensure effectiveness and success in the organization [10].

Literature also suggests that service product quality, online service quality, banking service product quality, online service quality (e-banking) and automated service quality (technology based) [11].

F. Check sheet

The check sheet is a basic record that is used for gathering data continuously at the area where the data is generated. The report is normally a blank form that is intended for the fast, simple and productive recording of the idea information which can be either quantitative or qualitative. At the point when the data is quantitative, the check sheet is called a Tally sheet [12].

G. Quality control chart

Quality control charts are statistical technique tools which have a wide application in logical research in industry and even in everyday life. This idea uses control charts as significant as cost control and material control [13].

The X-bar chart, where the y-axis on the graph tracks how much the fluctuation of the tested attribute is accepted. The X-axis tracks the sample tested, analyzing the example of variance described by a Quality Control Chart can help decide whether if defects are occurring randomly or deliberately [13].

Control chart can be used in internal auditing whereby the extent to which an organization procedure and policies are being followed, that can be determined. Internal auditors can use control chart to evaluate accounting procedure such as invoice payment, revenue, collection and payroll accounting. This helps in performing the root cause analysis and in improving service quality [14].

III. Methodology

A. Research design

The research is intended to take into consideration objectivity in the evaluation of the impact of quality practices on banking service, and the degree to which they influence the acknowledgment of quality service and customer's satisfaction. This suggest the TQM factors are examined to see the nature and enormity of their commitment to the customer discernment level of banks. The research embraced a field overview approach for data collection, which took the analyst to bank offices as a method for contacting the focused on individual. However, the study receiving a deterministic approach by method for reaction weighing most prominent likelihood extraction and impact model for its analysis. The objective evaluation questionnaires were the rule instrument used for essential data collection. Given the idea of the issue under study, the head office branch of the entire twenty-four banks at the hour of the study were studied. The question contained in the polls were sorted out as per the like it scale reaction. This gives the respondents the flexibility of multiple-choice responses [15].

Primary and secondary data were collected. Primary data is first-hand data. It is collected directly from participants. Primary data is collected by conducting surveys. Secondary data is available for the public to use. Secondary data include government statistic research reports, journal, conference papers, annual report...etc. This method is inexpensive and not time consuming as information is readily available. Secondary is a food foundation for any research project as it enables the researcher to gain more insight and knowledge about the topic at hand and generate better questions based on the enhanced understanding [16].

B. Data collection

Data collection can be done in various ways [17]. This study collected quantitative and qualitative data. Random sampling was used for customers and non-random sampling for the bank staff.

Quantitative data: might come as a type of Questionnaire ordered into dichotomous (YES or NO), Multiple decision questions or checkbox, and can be replied with a basic yes or no [18]. Interim/Ratio Questions that comprise of rating – scale Likert-scale or lattice questions and include predefined estimation of decision from on a fixed scale [18]. This study used a questionnaire that was made available in pdf (emailed) and hardcopy according to the preference of the customers.

Quantitative data: One on one interview where data is collected directly from the interviewee and this is done when needed to gather high personalized data [18]. The interviews were conducted over the phone and face to face.

C. Population and sample size

The population of this study are all customers of the financial institution branch located in Johannesburg. The samples selected for this study are 30 customers and 30 employees of the bank.

D. Sampling.

The qualitative approach used the snowball sampling technique to collect data from the bank staffs. Snowball is based on referrals from other survey respondents. This technique gives the researcher an easier way to gain information [19].

The quantitative approach used the stratified sampling to collect data from the customers. Stratified sampling refers the population being separated in groups or strata and a sample is chosen from each group. It is done in a manner that groups do not overlap, each group is represented equally in the sample and a simple random sample is taken from each group or stratum [20]. The customers were divided into variables such as employed students, working class, and business.

IV. DATA ANALYSIS

A. Statistical analysis

This research used descriptive statistical tools such as frequency tables, percentage, bar charts, and summarize and present the results. Inferential statistics were used to draw conclusions about the data by testing the hypothesis. Statistical Package for Social Science (SPSS) software version 25 was employed to analyze and present the data through descriptive and inferential analysis.

Qualitative analysis was analyzed by coding and using Creswell's data analysis spiral which follows the following steps: organization, Perusal, Classification, and Synthesis [21].

B. Reliability analysis

Reliability relates to the consistency of a measure. An instrument should approximately produce the same responses each time the test is completed [22].The Cronbach Alpha coefficient (α) was calculated in order to assess the internal reliability of the questionnaire. Table I presents the result of Cronbach's alpha coefficient. A measuring instrument is classified as reliable if ($\alpha \geq 0.70$). The greater the Cronbach Alpha coefficients, the greater the internal reliability of the items will be [25].

TABLE I. CASE PROCESSING SUMMARY

Cronbach's Alpha	***Number of items***
0.739	7

C. Quantitative Data analysis

Question 1: 30% of the participants use more than one bank and 70% utilizes only one bank

Question 2: 46.6% of the participants have changed banks and 53.3% have never changed banks. This result reveals that more than a half of the participants have no experience with a different bank. It is possible that they probably will not experience what other banks have to offer. Therefore implying that their decision to choose who they bank with may have been a conscious one.

Question 3: 40% of the participants selected who they currently bank because of their previous experience with other banks. 60% were not influenced by their previous experience with other banks. This results can be confirm with question one and two results. Most participant indicated that they do not have any previous experience with other banks and most are using only one bank.

Question 4: 66.7% of the participants have a reason why they selected which bank they bank with, and 33.3% do not have a reason why they picked the bank they bank with. This implies that two third of the customers are conscientiously deciding who they bank with.

D. Inferential statistics

1) Hypothesis Testing

Hypothesis testing is a statistical tool used to test whether given model ought to be dismissed or not. It is a procedure that is use to test whether two categorical variables are related [23]. The hypotheses testing of this study is presented as follows:

a) Chi Square test if Ho_1 1 is independent of class

TABLE V: CHI-SQUARE TESTS

	Value	***df***	***Asymptotic significance (2 sided)***
Pearson Chi-Square	6.667*	2	.036
Likelihood Ratio	6.682	2	.035
Linear-by-linear Association	.230	1	.631
N of Valid Cases	0		

TABLE VI: SYMMETRIC MEASURES

		Value	***Approximate Significance***
Nominal by Nominal	***Phi***	.471	.036
	Cramer's V	.471	.036
N of Valid Cases		30	

b) Chi Square test if Ho_2 is independent of class

TABLE VII. CHI-SQUARE TESTS

	Value	***df***	***Asymptotic significance (2 sided)***
Pearson Chi-Square	7.500*	2	.024
Likelihood Ratio	7.979	2	.09
Linear-by-linear Association	6.991	1	.008
N of Valid Cases	30		

TABLE VII: SYMMETRIC MEASURES

		Value	*Approximate Significance*
Nominal by Nominal	*Phi*	.500	.024
	Cramer's V	.500	.024
N of Valid Cases		30	

c) Chi Square test if Ho_3 is independent of class

TABLE VIII. CHI-SQUARE TESTS

	Value	*df*	*Asymptotic significance (2 sided)*
Pearson Chi-Square	11.100*	2	.004
Likelihood Ratio	13.756	2	.001
Linear-by-linear Association	10.658	1	.001
N of Valid Cases	30		

TABLE IX. SYMMETRIC MEASURES

		Value	*Approximate Significance*
Nominal by Nominal	*Phi*	.608	.004
	Cramer's V	.608	.004
N of Valid Cases		30	

Ho_1: The p-value =0.036 < α =0.05, Therefore the null hypothesis is rejected. This implies there is a statistical significance relationship between customers deciding to use one bank only and the class they fall under

Ho_2: The p-value =0.024 <α= 0.05, Therefore the null hypothesis is rejected. This implies that there is a statistically significant relationship between customers having experience with a different bank and the class they fall under

Ho_3: The p-value =0.004< α = 0.05, Therefore the null hypothesis is rejected. This implies that there is a statistical significance relationship between customers having a reason for choosing who they bank with, and class they fall under.

E. Qualitative data analysis

30 employees of bank X were interviewed.

Question 1: All respondents specified that their organization has a quality department

Employees are aware of their quality department

Question 2: The employees valued customer relationship management most. They emphasized customer care (friendliness, empathetic, making sure they meet their customers need etc). They further noted that there's continual improvement as the continuously attend workshops and training to help them improve

The responses gathered from question 2 indicated that the bank values customer needs and continuous improvement

Question 3: This question indicated that feedback from customers is valued. Feedback is analyzed and used to ensure that good service quality is provided. This is done by service ratings, surveys etc. the respondents also mentioned that they have internal and external audits for service quality. They have targets sets and these targets indicate good service

Question 4: Respondents indicated that the organization monitors its processes to ensure they are effective and they better the outcomes. Teamwork was brought up; respondents indicated that working as a team ensures that the work is done and is of quality

Question 5: Respondents indicated that being competent after training made them confident to attend to customers' needs at first attempt. Communication was also a response and noted as important by employees as they felt with bad communication, results poor quality service

Question 6: Most of the employees said they were not satisfied with their jobs

Question 7: Most of the respondents believe that most of their colleagues are unsatisfied with their job

Question 8: Respondents mentioned that the organization provides employees with career development opportunities, bursaries and training. Employees are also recognized and rewarded for the good service they provide (performance bonuses), respondents also felt that the organization does not make efforts to improve employee satisfaction

Question 9: Responses included friendly, fair, respectful, professional and fulfilling. Question 9 showed that though employees were unsatisfied with their jobs, they still provide good customer service

Question 10: 70% of the respondent felt the setting at their workplace affects the way they interact with customers. Meaning that they are more chances to give poor service

V. DISCUSSION

The study shows that service quality can be considered as a significant indicator of the satisfaction and loyalty of customers. With regards to this study, the management has taken proactive actions to screen, plan and maintain their services to customer dependent on the expansive strategies and methods built up by their partners. Most of the responses were that service quality levels, the satisfaction and loyalty of customers are high.

This circumstance depicts that the ability of specialist organizations to roughly actualize substantial, dependability, responsiveness, confirmation and empathy which may prompt more prominent satisfaction and loyalty form customers in the organization [24].

The research methodology's credibility is kept up by guaranteeing that the questionnaire utilized in this study good met the adequate standards of legitimacy and unwavering quality examinations. This condition may prompt delivered precise and dependable findings. In cases of practical contribution, the findings of this study can be utilized as a significant rule by management to improve the usage of service quality in Johannesburg.

VI. CONCLUSION

The study presents the utilization of quality management frameworks practices and their effects on the financial sector (bank). The study revealed that the customer core interest, employee satisfaction and continual improvement were the focus in terms of QMS. The study also uncovered that with effective quality management system tools comes with both employee and customer satisfaction. Employee satisfaction drives the success of the organization as employees are the front desk people in the organization and their actions or how they perceive quality affects the service quality provided by the organization. Customers (entrepreneurs, students and average workers) based their banking choice with the service quality the organization provides. Overall good and effective QMS practices and employee satisfaction results in the success of the business thus retaining customers and gaining new customers

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