

# Sustainability in Microfinance Institution through the development of Total Quality Management

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**Abstract:** *Microfinance has demonstrated its potential to assist the poor to make significant strides towards reducing their vulnerability, improving their livelihoods, paying for basic health care and financing their children's education. Many Microfinance Institutions (MFIs) have demonstrated an ability to provide financial services to poor people on a sustainable, profitable basis. Together, these facts have attracted a great deal of donor of money and a wide variety of organizations into the Microfinance sector. As a result, a growing number of markets are becoming extremely competitive and clients have an ever-widening choice of financial service providers to choose from. The empirical study involved a questionnaire, a sample and statistical analysis adapted to solve the main and sub-problems of the study.*

**Key words:** *Microfinance Institution, Total Quality Management, Organisational Culture, Financial Sector.*

## 1. INTRODUCTION:

The extensive competition within the sector has in fact made each MFI to re-examine their products and delivery systems to respond better to clients' need. Furthermore, the growth in competition between MFIs in many markets indicates that growing numbers of MFIs are responding better to understand their clients' demands and preferences and thus taking a market-led approach in their business.

The main objective of this study is to investigate how a total quality management organisational culture can be developed in an organization delivering services. To realize it, the current organisation was analysed to determine what should be done. A literature review was conducted to determine the components of a total quality management organisational culture. All this information was used to formulate an approach for the development of a total quality management organisational culture.

## 2. LITERATURE REVIEW:

Governments around the world are under tremendous pressure to control their costs and improve their services. In response to chronic fiscal constraints, local governments are considering management tools used in the private sector such as activity based costing and management, total quality management (TQM), benchmarking, process re-engineering and the balanced scorecard (Naidoo, 2007: 68).

Quality has become one of the main methods by which increasing economic pressures on public expenditure have been challenged. Restructuring of a government organisation along the lines of TQM is believed to increase customer orientation, timeliness and service performance while reducing costs. According to Naidoo (2007: 68), taxpayer revolts and growing demands for higher quality public services have increased pressure on government to deliver quality services in a cost effective manner.

Van Amsterdam (1999: 13), argues that the quality of service delivery in South African cities is questionable, given the high expectations created by urban and economic growth. Fragmentation of city structures, poor management and lack of public participation are but a few of the problems. The adoption of TQM with its focus on managed process improvement is a necessary strategy in addressing, overcoming and improving these problems. Municipal management deals with the effective and efficient administration of an entire municipality using a variety of strategic themes to encourage investment, promote economic development, integrate and manage growth, create institutions for delivery and build habitable and safe environments.

It is generally known that municipalities are not able to meet these demands due to a host of either inherited or created problems. It is postulated that the main obstacle to any improvement in service delivery is the monopolistic position that municipal governments currently hold (Naidoo, 2007: 690)

Quality assurance and management at the urban interface is one of the means to deliver improved value for taxpayers' money. However, efficiency enhancement is only one step along the road to a better quality of urban life in general (Naidoo, 2007: 69).

Business executives from the private sector, trained in management techniques, could have a great deal to offer the public sector to make it more productive and promote organisational change.

The TQM philosophy can make the connection between the needs for efficiency in production and for greater efficiency in municipal management and can thereby make great strides towards improving the quality of life for all in the 21st century (Naidoo, 2007: 69).

TQM is a complex process of organisational change for virtually all government organisations. It demands visionary leadership, organisation-wide skills development and, above all, sustained commitment (Naidoo, 2007: 71). Managing quality at local government level implies an enormous upheaval in organisational culture. It includes the improvement of internal communication, the joint training of civil servants, leadership by political and executive management and the design and introduction of an incentive system to encourage the evaluation of quality (Naidoo, 2007: 72).

Esterhuysen (2003: 7) argues that employee participation is the best way of getting people to buy-in to changes in their organisations. Newstrom and Davis (1997: 3 44), further describe organisational culture as a set of assumptions, beliefs, values, and norms that are shared by an organisation’s members

Public sector undertakings are constantly accused of inefficiency, wastefulness and remoteness from those whom they are supposed to serve. The environment it is operating in, is changing due to an increasingly hostile public, a growing number of mandates, reduced funding and conflicting goals and the desires of various stakeholders.

The changing environment calls for new approaches to meeting the organisation’s mission. TQM is one of the tools government organisations are embracing to meet the growing demand of a changing environment. Through the approach of TQM an organisational culture will be established to satisfy and exceed agreed internal and external customer requirements at the lowest overall cost to increase institutional performance (Oschman, Ströh & Auriacombe, 2005: 177).

Quality should become part of the culture of an organisation as well as part of the personal lives of employees. This paper will discuss the quest for service excellence and continuous improvement and the role of employees in TQM and how this can be maximized by managers. It will also focus on cultural transformation principles that are useful in promoting quality processes and output and consequently service excellence in an organisation (Matlhape & Lessing, 2002: 22).

**3. PURPOSE OF THE RESEARCH STUDY:**

To identify the nature of the current organisational culture at a public sector organization and identify the various components/variables of a TQM organisational culture

**4. RESEARCH DESIGN AND METHODOLOGY:**

The sample group included officials who are employed in the organisation. The sample size is 40. A convenience sampling method is used.

A structured questionnaire was used to collect primary data consisting of the following sections:

- obstacles to the implementation of a TQM organisational culture;
- assessment of the current status of quality management
- assessment of the status of the current organisational culture

Secondary data was obtained from a number of literature sources, including published articles.

**5. ANALYSIS AND INTERPRETATION OF TOTAL QUALITY MANAGEMENT :**

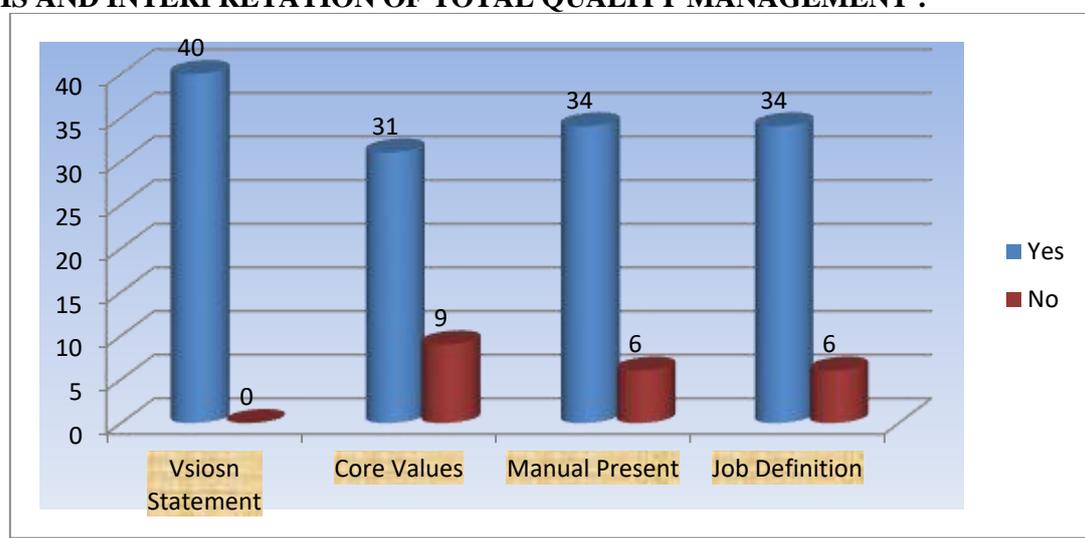


Figure 1

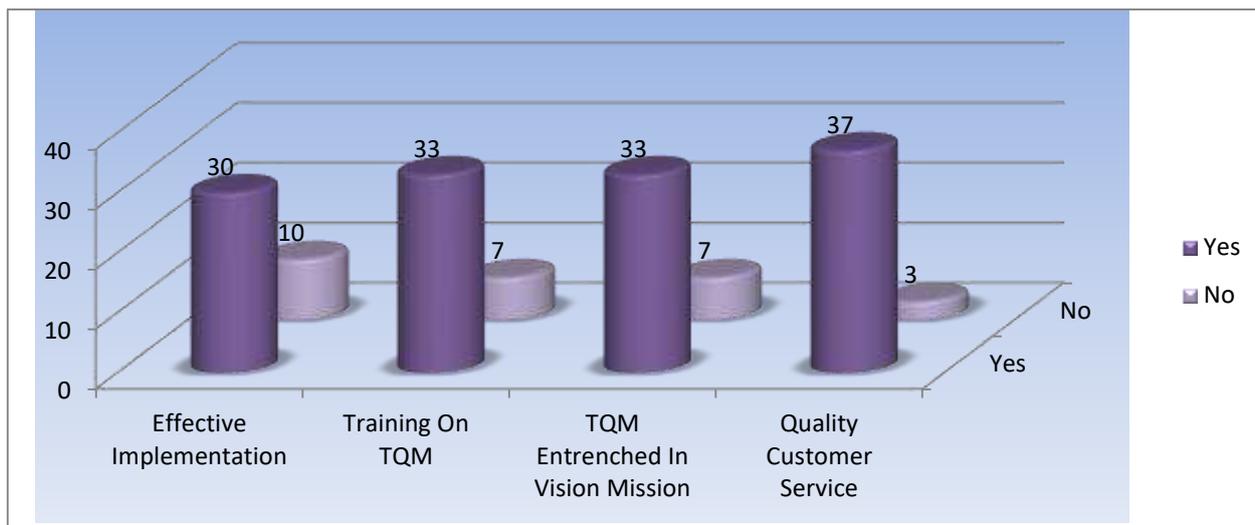


Figure 2

### MECHANISM FOR QUALITY IMPROVEMENT

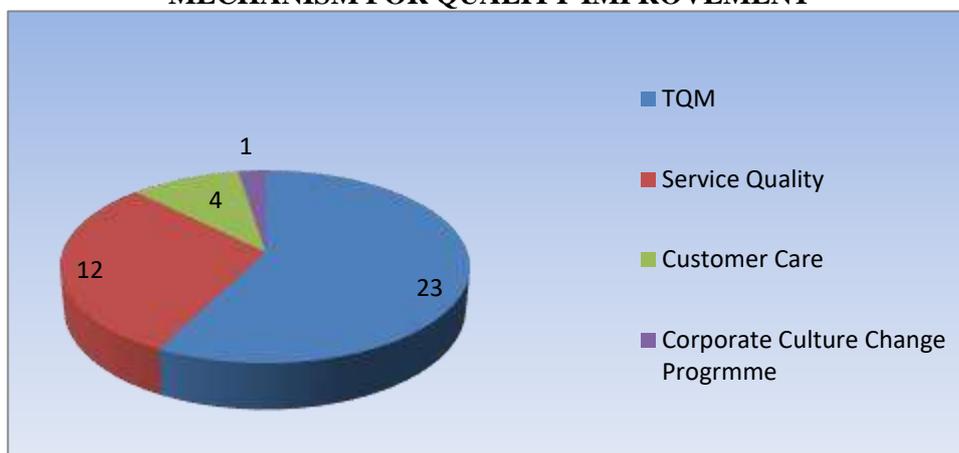


Figure 3

**Table 1** below presents responses to the TQM tools questions. The table indicates the following:

- only 12 respondents (30 per cent) are of the opinion that employees are encouraged to make suggestions for quality and safety improvements in the workplace and that there is a system in place for employees to put their suggestions in suggestion boxes;
- two respondents (5 per cent) indicated that there are visible charts in the working environment which are used to record the standard of performance in TQM so that everybody knows when the standard is achieved or not;
- only one respondent (2 per cent) indicated that they received rewards and recognition for best performance in their jobs.

It is quite clear that the TQM tools that are available are not optimally utilized. Twenty eight respondents (70 per cent) indicated that there are no suggestion boxes or visible charts in the workplace.

TQM TOOLS				
Description of closed questions	No of Yes Responses	No. of No Responses	Total Responses	% of Yes Responses
Workers are encouraged to make suggestions. Suggestion boxes are in place for improvements in quality and safety	12	28	40	30%

Visible charts to record the standard of performance in TQM	2	38	40	5%
Rewards and recognition for best performance	1	39	40	2%
<b>Average</b>	<b>5</b>	<b>35</b>	<b>40</b>	<b>12%</b>

Table. 1

The employees of the Organisation were asked regarding the aim of the quality improvement Programme:

- 36 respondents out of 40 said that the Quality Improvement Programme was done to improve quality services
- 18 respondents out of 40 said that it was done to improve customer satisfaction
- 11 respondents out of 40 said that it was done to streamline work practices
- 10 respondents out of 40 said that it was done to support organizational culture change
- 5 respondents out of 40 said that it was done to reduce cost
- 4 respondents out of 40 said that it was done to improve competitive advantage

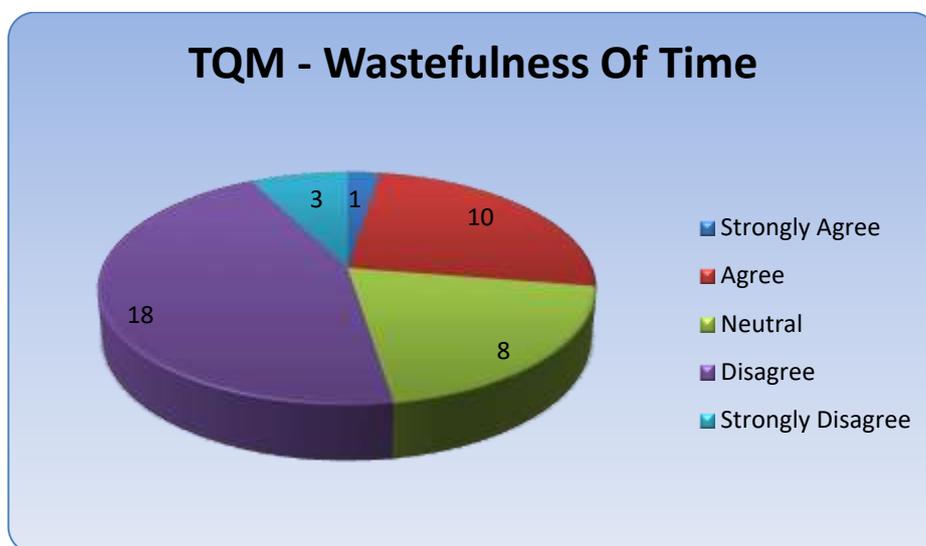


Figure 4



Figure 5

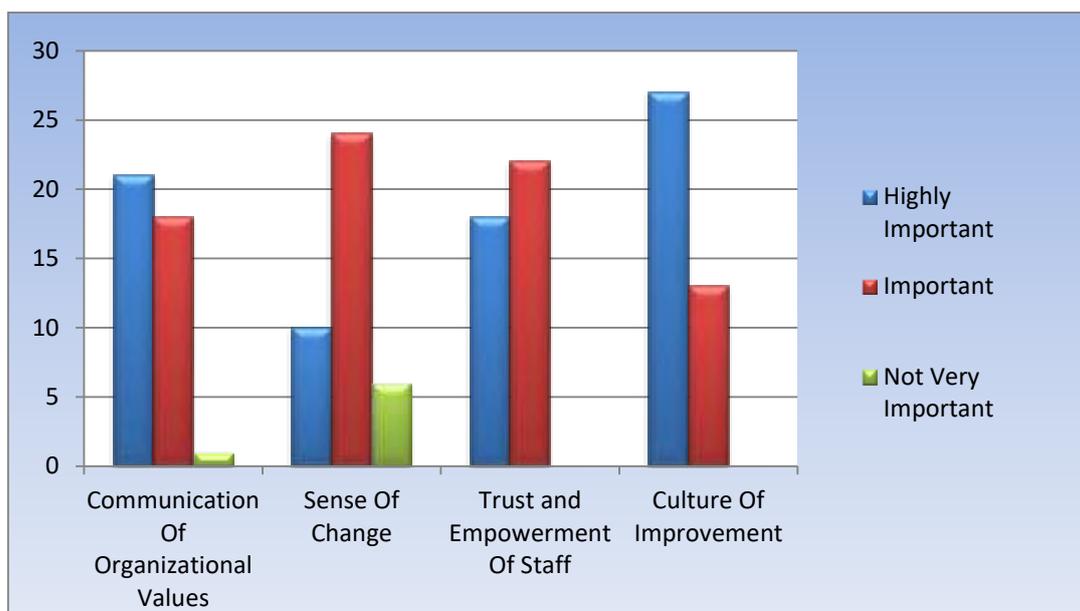


Figure 6

**Techniques for Quality Initiatives**

Name of the Technique	No. of Respondent	Total No. of Respondents
Quality Circle	23	40
Customer Care Training	4	40
Customer Satisfaction Surveys	8	40
Management Workshops	3	40
Team Building	10	40
Awareness Training	6	40
Quality Improvement Projects	6	40

Table 2

Table 3 tabulates the respondent’s view of how important competencies and responsibilities of TQM leaders are. The table indicates that of the combined responses 98 per cent indicated that the five competencies and responsibilities are either highly important or important. Four respondents (2 per cent) are of the opinion that the commonalities are not very important.

COMPETENCIES AND RESPONSIBILITIES OF TQM LEADERS					
Competencies and responsibilities	Highly important	Important	Not very important	Of no importance	Total no. of respondents
Communicate the Organisation’s values	30	10			40
Create a sense of change urgency	17	21	2		40
Trust subordinates and empower staff	29	10	1		40
Develop a culture of continuous improvement	33	6	1		40
<b>Total responses</b>	<b>109</b>	<b>47</b>	<b>4</b>		
<b>% Responses</b>	<b>68%</b>	<b>30%</b>	<b>2%</b>		
<b>Combined responses</b>	<b>98%</b>		<b>2%</b>		

Table. 3

**ANALYSIS AND INTERPRETATION OF TQM COMPONENTS**

TQM COMPONENTS					
Description of components	Highly important	Important	Not very important	Of no importance	Total no. of respondents
Leaders must create a culture of quality	30	9	1		40
Employee participation	24	15	1		40

Formation of quality circles	14	21	4	1	40
Following a systems approach	21	17	2		40
Benchmarking and best practices	18	21	1		40
Training and development	30	9	1		40
<b>Total responses</b>	<b>137</b>	<b>92</b>	<b>10</b>	<b>1</b>	
<b>% Responses</b>	<b>58%</b>	<b>38%</b>	<b>4%</b>	<b>0%</b>	
<b>Combined responses</b>	<b>96%</b>		<b>4%</b>	<b>0%</b>	

Table. 4

## 7. CONCLUSION:

An evaluation of the literature highlighted the importance of TQM in government, why it is a complex process of organisational change and explains why government is slow in its commitment to quality improvements.

TQM is everyone's responsibility in the workplace, but it is mainly the responsibility of management, because strong leadership and commitment is needed from their side to lead a TQM organisation.

- A framework inclusive of the vision, mission and strategy should then be developed
- Establishes a quality department with a quality manager who will be responsible for the planning and implementation of TQM. A further extension of the quality department should be the formation of quality circles where groups of workers doing similar work meet on a regular basis.
- The implementation of TQM should be approached by way of the continuous improvement cycle.

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