

TOTAL QUALITY MANAGEMENT ON ORGANISATIONAL PERFORMANCE IN SELECTED MICROFINANCE BANKS IN LAGOS STATE

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ABSTRACT

This study aimed at examining the effect of total quality management on organisational performance of microfinance banks in Lagos State. The study adopted a descriptive survey research design. The Purposive sampling technique was used in selecting 20 license microfinance banks in Lagos State. The total number of employees of the microfinance banks selected was 1085. Taro Yamane formula was used in determining a sample size of 490. The study made use of primary source of data. The research instrument was a structured closed-ended questionnaire. The reliability and validity of the research instrument was assured. The data were analyzed using descriptive statistics and inferential statistics through Statistical Package for Social Sciences (SPSS). Out of the 490 respondents to whom the researcher sent the questionnaire, 451 completely filled and returned theirs and was deemed usable for further analysis. The stated hypotheses were tested and the results revealed that total quality management had a significant and a very strong relationship with organisation performance. The study concluded that total quality management needs to be given adequate attention in Lagos State microfinance banks. It was recommended that total quality management be highly integrated as part of the organisation culture.

Keywords: Total Quality Management (TQM), Organisation Performance, Continuous Improvement, Benchmarking, Leadership style, Financial Performance, Employee Involvement.

INTRODUCTION

Competitive pressure around the globe has led to an increase in demand for quality products (Ogbu, 2015). There has been competition in terms of product innovation, improved business processes, customer focus strategies, and aggressive promotion strategies developed by firms. Developing countries have been experiencing fierce competition in their business environment, especially in the last two decades. For emerging firms to survive such competitive pressure, the need to improve on business operations has become paramount. They have to provide quality products; focus on a cost reduction and ensure sustainable customer satisfaction. One-way organisations can improve their operations and performance is perhaps by adopting Total Quality Management (TQM). Researchers argue that the adoption of TQM can assist organisations to have better quality products (Abuo & Ezeokonkwo, 2018). In addition, total quality is used to describe organisation's effort to improve their products and services. A TQM programme focuses on ensuring constant improvement in all aspects of an organisation's activities, especially product delivery, meeting customers' expectations and creating competitive

advantage (Al-Qudah, 2012). Microfinance Banks (MFBs) provide micro-credit services to individuals and small business in society. Their focus is to improve the economy of those who cannot gain access to conventional banks credit facilities. Unlike conventional banks, MFBs provide credit facilities and savings opportunities for small business operators to grow their business gradually. MFBs need to improve on their performance if they must continue to function.

LITERATURE REVIEW

Concept of Total Quality Management

Total Quality Management (TQM) has been defined variously. TQM as the all-employee commitment towards continuity and improved business processes for customer satisfaction. This definition is similar to Spacey (2018) in which TQM is defined as a total pathway to continuous improvement in organisation offerings and processes. These definitions tend to view TQM as organisation “*processes*”, whereas earlier views of TQM use terms such as “*factors*” (Powell et al., 2001). The above points of view may be harmonized to imply that TQM is a philosophy that is integrated on the entire organisation with emphasis on continuous improvement in every aspect of an organisation. It seeks to ensure the production and delivery of products in a relatively better way through the involvement of all organisation members and the provision of adequate leadership (Al-Qudah, 2012). It is used to describe an approach adopted by business organisations to improve their processes, and systems with the ultimate aim of achieving customer satisfaction (Ehigie & Clement, 2016; Jabeen et al., 2015).

Concept of Organisation Performance

The term “*Performance*” is used to describe how a task is being carried out with respect to the requirements of the task. It involves how a task is being completed or implemented as a result of the application of one’s knowledge, skills and attitude (Shields et al., 2015). Trivedi (2010) describes it as the execution, accomplishment and fulfillment of a task measured against pre-set standards. Shaibu (2014) views performance as a term that is generally applied to the way the activities of an organisation are carried out and ascertaining the degree at which the goals, objectives or purpose of the activity has been actualized in terms of quality and compliance. These definitions suggest that performance can be connected to different activities in the organisation. This may consist of activities going on in each of the functional or departmental areas in the organisation. In other words, performance can be organisation based or individual based. organisation-based performance will comprise of the performance of the organisation as a whole which is often a reflection of the performance of each department in the organisation.

Concept of Financial Performance

Financial performance can be defined as the relationship between the revenue and resources used (Arshadi & Hayavi, 2013). The financial performance of an organisation is often measured in terms of certain measures. The measures help organizations track and analyze how healthy the financial system of an organisation is (Shaibu, 2014). Important measures of financial performance, also described as key financial performance include, profitability (Obiekwe et al., 2019); liquidity (such as current ratio, working capital and acid test ratio); solvency (such as

leverage, debt-to- equity); valuation and efficiency (such as inventory turnover, total asset turnover) (Shaibu, 2014). The literature shows that investors and firms' management prefer using profitability measures to measure financial performance than other measures (Dahlgaard-Park et al., 2013). This is because many organizations' are more concerned about their profitability than other considerations.

METHODOLOGY

In carrying out this research, descriptive survey research design was employed. The study made use of descriptive survey research design which is a technique for gathering data on a population in which the direct contact is made with the unit of study through the means of quantitative instrument (questionnaire). The questionnaire was administered to the staff of the selected MFBs in Lagos state Nigeria. Since the entire population of staff of MFBs could not be accessed, purposive sampling method was used in selecting twenty (20) MFBs across Lagos State. The total number of employees in these MFBs stands at 1085. The population of study consists of all the staff of MFBs in Lagos State. The justification for using Microfinance Banks (MFBs) in Lagos State is due to the perceived lack of TQM practices noticeable among employees in Lagos State. In determining the sample size, the selected Microfinance banks (MFBs) has a total of 1085 employees in Lagos, Nigeria.

Validity and Reliability Procedures

To ensure that the questionnaire is valid for this study, the questionnaire was presented to the researcher's supervisor and some experts in operations management. The aim was to ascertain its face validity. They reviewed and criticized the statements in the questionnaire. This helped in the modification of the statements in the questionnaire. The reliability procedure in Statistical Package for Social Sciences version 25 was used to calculate the Cronbach Alpha in order to test the internal consistency of the questionnaire items.

Table 1 RELIABILITY TEST	
Cronbach Alpha	No of Items
0.722	32

Source: Researcher's Field Survey Result (2021)

For this study, the reliability score of the construct in Cronbach alpha is $r=0.722$ as shown in the Table 1 above.

HYPOTHESES TESTING AND RESULTS

The hypothesis raised in this study was tested using regression analysis. The Table 2 below presents the result of regression analysis for the hypothesis.

H_0 : *Total Quality Management has no significant effect on financial performance in an organisation.*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	0.970 ^a	0.941	0.941	0.50591		
Coefficient						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	0.461	0.099	0.970	4.647	0.000
	TQM	0.584	0.007		84.940	0.000

Note: a. Predicators: (Constant), total quality management

b. Dependent Variable: financial performance

Source: Researcher's Field Survey Result (2021)

Decision Rule

Null hypothesis should be rejected when the significant value is below 0.05. Null hypothesis should be accepted when the significant value is greater than 0.05

Interpretation

The constant $B=0.461$ is the intercept in the regression equation. This meant that when total quality management was at point 0, financial performance was 0.461. B value for total quality management is 0.584 which is the slope of the regression equation. This indicated that every unit increase in total quality management will lead to a 0.584 (58.4%) change in financial performance. Table 2 indicated that total quality management has an effect on financial performance with level of significance of 0.000 ($\beta=0.970$; $t=84.940$; $p=0.00$).

Decision Rule

Since the significant level of the model was less than 0.05, the null hypothesis was rejected. Hence it was inferred that there is a significant relationship between total quality management and financial performance.

DISCUSSION OF FINDINGS

The findings from the hypotheses stated that there is no significant relationship between total quality management and financial performance. The finalized results subjected to a Statistical test revealed a very strong relationship between total quality management and financial performance as indicated by the R-value of 0.970. Total quality management and financial performance was statistically significant at p value of 0.000 which was lesser than 0.05. This led to the rejection of the null hypotheses and acceptance of the alternate hypotheses. Also, total quality management has a positive relationship with financial performance with $\beta=0.584$. This finding was consistent with Ogbu (2015) in the study of the implementation of TQM in Guaranty trust bank. It was revealed that a positive and significant relationship exist between TQM (proxy by continuous improvement) and performance. The study was also consistent with another study on TQM practices and organisation performance (proxy by customer satisfaction).

CONCLUSION

Competition around the world has necessitated the need for organisations to pay adequate attention on the quality of their products. The findings of the study showed that the adoption of TQM is crucial to organisation performance. MFBs play an important role in the provision of micro-credit services to individuals and small business in the society. Their adoption of TQM promises to improve their performance. MFBs need to improve on their performance if they must continue to function. The current study was conducted as a result of a dearth of studies on the relationship between TQM and performance of microfinance institutions in Nigeria. The results have shown that TQM practices play significant role in the performance of MFBs. It is therefore necessary that measures be put in place that will enhance sustainable TQM and performance of MFBs.

RECOMMENDATIONS

Based on the findings of the current study, the following are the recommendations:

1. Microfinance banks should consider the adoption of TQM practices as the crucial issues in their operations. When this is done, it will enable them to pay adequate attention to quality issues.
2. The top management should be concerned about quality, they should be interested in employees' wellbeing, and they should recognize the creativity of employees and pay enough attention on quality.
3. At all levels of an organization, TQM approaches should be thoroughly recognized, planned, and implemented.

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