

**IMPACT OF TOTAL QUALITY MANAGEMENT REQUIREMENTS
ON BANKING FINANCIAL PERFORMANCE IN IRAQ**

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ON BANKING FINANCIAL PERFORMANCE IN IRAQ**

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By

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ABSTRACT

This study aims to examine the impact of total quality management and its variables, represented by customer focus, continuous improvement, and leadership on financial banking performance. The study is concerning financial performance, takes two dimensions; the first is represented by increasing profitability which includes three indicators: profit margin, return on assets, and return on equity. The second is represented by decreasing risks and included two indicators: liquidity risks and capital risks to know the impact of the requirements of total quality management. Data collection was based on questionnaire and annual reports from 2006 until 2010. The results showed that the total quality management requirements (customer focus, continuous improvement and leadership) have a positive and significant influence on the bank financial performance. Meanwhile, the analysis of banks annual report recorded and supported that the bank performance was increased by adapting the total quality management requirements during the period between 2006-2010. Findings for the research will support the literature review of total quality management and bank performance, as well as the banks management to make the better decision to enhance the bank performance.

Keywords: Customer Focus, Continuous Improvement, Leadership, Bank Performance.

ABSTRAK

Kajian ini bertujuan mengkaji kesan Pengurusan Kualiti Sepenuhnya dan pembolehubah ia yang diwakili oleh fokus pelanggan, peningkatan yang berterusan dan kepimpinan atas prestasi kewangan dan perbankan. Terdapat dua dimensi di dalam kajian mengenai prestasi kewangan. Yang pertama diwakili oleh peningkatan keuntungan yang termasuk tiga penunjuk iaitu: margin keuntungan, pulangan atas aset dan pulangan atas equiti. Yang kedua diwakili oleh pengurangan risiko yang termasuk dua penunjuk iaitu: risiko kecairan dan risiko modal untuk mengetahui impak keperluan Pengurusan Kualiti Sepenuhnya. Pengumpulan data adalah bergantung kepada soal selidik dan laporan tahunan dari tahun 2006 sehingga 2010. Keputusan menunjukkan keperluan Pengurusan Kualiti Sepenuhnya (fokus pelanggan, peningkatan yang berterusan dan kepimpinan) mempunyai positif dan signifikan ke atas prestasi kewangan bank. Sementara itu, penganalisis laporan tahunan membuktikan prestasi bank telah meningkat dengan mengguna Pengurusan Kualiti Sepenuhnya dalam tempoh 2006 sehingga 2010. Penemuan penyelidikan akan menyokong kajian literatur Pengurusan Kualiti Sepenuhnya, prestasi bank dan juga pengurusan bank untuk membuat keputusan yang lebih tepat untuk meningkatkan prestasi bank.

Kata Kunci: Fokus Pelanggan, Peningkatan yang Berterusan, Kepimpinan, Prestasi

Bank.

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List of Abbreviations

| Abbreviations | Full Term |
|----------------------|---|
| CPA | Coalition Provisional Authority |
| GDP | Growth Domestic Product |
| H | Hypothesis |
| IBC | Iraqi Banking Sector |
| ID | Iraqi Dinar |
| ISE | Iraqi Stock Exchange |
| MOPIC | Ministry of Planning and Development Cooperation (Iraq) |
| ROA | Return on Assets |
| ROE | Return on Equity |
| SMEs | Small and Medium Sized Enterprise |
| TQM | Total Quality Management |
| TQS | Total Quality Service |

CHAPTER ONE

INTRODUCTION

1.1 Background

The banking sector has seen strong competition and change in customers' expectations over the last few years especially after the world's economic slowdown. The importance and increasing attention to service quality in financial institutions is to be accredited to the socio-political changes that have arisen (Anderson & Elizabeth, 1997). One of these changes, this study can attribute to the Economic Globalization, which has caused consumers to reverse their habits for banking services (Cook, 2002). Amongst the indirect effects of these changes which bring about a new form of bank customer attitude we can point to greater demands and financial culture. These behaviors cause attitudes amongst customers with respect to the banks which subsequently affect these customers' evaluation of the banking services and products offered (Dimitriades, 2001).

At this particular point, the quality of service will be the key factor in guaranteeing the survival of the service provider in the global market (Easton, 1998). The emergence of economic reforms has opened up to Iraqi stock exchange market to private sector and foreign share-holder (Hedhhts, 2000). These firms with the state of the art service systems and excellent quality service constitute a real danger on the Government owned public sector banks (Kumar, 2002). In such a situation, organizations have to follow a more realistic, market orientated approach if they have to succeed in winning and retaining customers (Lee, 1999). At this point, the quality of service will be the primary factor to ensure the sustainability of the service provider in the global market (Soteriou, 2000). The services aimed at customer care have the

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