

QUALITY MANAGEMENT IN BANKING SYSTEM

Dinculescu Elena Silvia

“Constantin Brancoveanu” University Faculty of Management-Marketing Pitești Pitești, Str. Petrochimiștilor, Bl.B1,Sc.C, Ap.18 nataliadinculescu@yahoo.com 0728.020.501

Micuda Ion Dan

“Constantin Brancoveanu” University Faculty of Management-Marketing Pitești, Str. Bascovului Nr. 2A dan.micuda@gmail.com 0723.387.325

Quality management banking perspective is extremely interesting, from the point of view of the activities specific, and of the permanent area competition improvement. Banks being aware of the quality problems also lead to the appearance and requirement of some area working standards. Standards imposing and issuing together with the performance measure system are to be the main elements of a quality program.

Keywords: competition, received quality, expected quality

JEL code: G21

Almost all Romanian commercial banks have focused, till recently, on certain categories of clients when presenting their products and departments, such as artificial persons (highly developed multinational and national societies with important turnovers), merely ignoring a wide category's of potential clients needs, requirements and expectations (such as SMCs, and, above all, the private individuals), but we have been recently encountering a more expansive approach, sometimes even an aggressive one, of these categories of clients. Referring to our country's situation, only a tenth of the banking system operating banks have succeeded to implement and certify some quality management system.

These ones have come to the conclusion that quality management's means and methods can and will be successfully put in practice also for banking, having as an example the international banks which have entered their way into national market. It is thus proved that the quality management can be a successful way to face the more and more soliciting concurrence from the banking market.

Only by knowing and anticipating the clients' needs and expectations throughout their dynamic, makes the success a possible one, also focusing on the achievement and maintenance of a maximum satisfaction degree and targeting to preserve clients.

Thus, the clients' behavior when coming to the acquisition of a banking product is influenced by a series of factors:

When referring to private individuals, their behavior is being influenced by:

- personal factors – associated to the age, occupation, life range, changes concerning life style, etc.;
- economic factors – referring to available incomes, savings, clients' attitude towards spending-saving money;
- cultural factors– associated to fundamental believes, morality, language, fidelity, artistic approaches, personal values and traditions etc;
- social factors – associated to the affinity to a sample group (target group, for marketing area), which has proved a certain experience and ascendancy towards the others;
- psychological factors –associated to an individual's psychological needs and to motivation and perception.

When referring to comapanies, their behavior is being influenced by:

- the company's size;
- the economical area in which they perform;

- the leadership/management;
- the company's decision maker's position;
- the company's financial and commercial outstanding;
- the company's status;
- the leaders' age and efficiency;
- the shareholders type and aspirations;
- the company's goals;
- the company's geographical location;

Banks should be aware, above all these, of the following essential aspects when interfering with artificial persons:

- this category's needs are usually more complex than the private individuals' ones, thus making them harder to be satisfied;
- successful collaborations with clients coming from the artificial persons' category can be difficult and expensive to preserve;
- certain artificial clients require a specific approach.

Theoretically speaking, for a private or artificial client to decide and acquire a certain product from a bank, it is compulsory to be both attracted to:

- interests' level (as low as possible when coming to bank credits, and higher for the active accounts), taxes and commissions;
- the serving quality including the client's way of welcoming into the bank;
- the specific product's receiving duration.

According to researches, the Romanian banks' private clients are both interested in the product's purchasing costs and also in the bank's vicinity to their homes. The added value for a bank's client also includes the following important specifications, which present one or more adequate target values and unique items, certain bank's structures being active for each of them:

- bank's accessibility – as great as possible;
- products merchandising conditions– as better as possible;
- the product's variety of the offer;
- products' purchasing costs- as low as possible;
- interests value –higher for the deposits and lower for the credits;
- staff's attitude and behavior– more turned to the client;
- products' purchasing durations –as fast as possible;
- products' and bank's security –as great as possible.

A lot of banking products have become more and more attractive, diverse and easy to achieve for the past few years, thus being able to draw attention and maintain an important number of clients and to continuously grow the main financial performances (market share, turnover, profit).

In spite of these, there are certain categories of clients (especially SMC and private individuals), reproaching to banks several products inadequacies and non-quality towards their needs and expectations.

The main Romanian SMCs complaining about banking are as it follows:

- excessive banking bureaucracy (especially imposed by laws and regulations) – useless nerves, time and money sources;
- credits excessively leveled costs (through too high interests and bank commissions – of analyzing, adjustment, risk, etc.- and many other taxes). The ratio interests/credits, interests/deposits is in our country of 4:6, comparing to only 2:3 for the UE partner states;
- required guarantee characteristics (mortgage, gage, blank cheques, collateral deposits, bank guarantee letters, transfer of debts) especially the solicitation for the guarantee value to surpass the given credit's value;
- too small duration of the reimbursement period of time (1-5 years compared to 5-15 years for the UE partners states).

SMCs in our country have had and still have low access, sometimes even impossible one, to credits, thus making difficult for the native products to properly develop. According to certain studies, only 10% of the Romanian SMCs are „bank proof” and can afford to achieve a credit from any bank, any time.

As for the private clients main claims, they refer to the fact that the present products offer does not suit to ALL their needs, demands and expectations. Taking by example, the communication approach to real and potential clients (through mass media, websites, e-mails) all data thus being partially transmitted in a truthful, accessible and useful way.

Banks should be aware of the fact that their offers’ flexibility, variety and congeniality are but a few of the advantages which attract the private clients and can make them permanent ones. Clients are more and more choosing their bank on the criteria of the relationships established with the bank’s personnel. But, there are unfortunately many situations in which clients are not at all satisfied with the staff’s attitude, especially because of the too big period of problems’ waiting to be solved time.

Public receiving programs, welcoming clients system inside the bank together with the wicket’s schedule, are other public’s discontents. They think it very normal for the bank to have an efficient flexible public receiving program, an inner orientation system and a certain accommodation.

There appear to be serious differences between the client’s „expected quality” and „ the perceived one”, after the acquisition of a banking product. There are also multiple causes for this situation, but the major one stands in the precarious interest manifested by many banks towards private clients (retail-banking) and their focusing upon certain artificial clients (corporate-banking) – who regularly undertake bigger and faster profits.

There are relatively recent items regarding banking area quality management (the start has been issued within the years 80s of the 20th century), but researches for constant improvement have proved their importance, especially for the developed states. For example, north-american and west- european banks have continuously worked for their clients’ support and the performance of their needs (also by constant evaluation of their contentment).

The adjusted number of the banks lead to an increasing competition and to the market banking services’ awareness, in order for the „ desired quality/issued by the bank” together with the one perceived by the client, to be both taken into account.

Quality management banking perspective is extremely interesting, from the point of view of the activities specific, and of the permanent area competition improvement. Banks being aware of the quality problems also lead to the appearance and requirement of some area working standards. Standards imposing and issuing together with the performance measure system are to be the main elements of a quality program.

The need of having such a program is being emphasized in case of competition, banks establishing certain standards by themselves, as it is considered to be much more important to continuously evaluate clients’ perception of the provided products and to measure their expectations and needs degree.

The initializing and maintenance of certain operations within the bank, and their permanent comparison to benchmarking, are to reach some goals for the quality area. A certain bank’s objectives, strategies and policies are main quality factors for the specific bank.

Clients’ perception can greatly be improved by using a very efficient marketing and by sustained interest for quality improvement, their needs and requirements satisfaction. A client should be given the impression he is the most important, in order for him to be willing to attend the specific bank’s services. It is considered to be much more expensive for a bank to attract new clients, than to keep the old ones, so all banks should try by any possible mean to improve clients public department.

Still, there is not considered to be a priority for most of the east-european banks, to work upon a quality management system. There are but 4 banks in Romania at the moment, which implemented under license a quality management system in accordance to family international standards ISO 9000: Romanian National Bank (meaning only the Informatics Services Department), Citi Bank Romania, Romanian Commercial Bank, EXIMBANK. As for all the other banks, they seem not to perceive the advantages offered by a quality system management and, as long as there is not imposed to them by a certain BNR regulation, they will continue to develop their activity the same way they used to do it.

Taking into account the increasing competition between commercial Romanian banks, there is a real problem to come up with new clients or to preserve the old ones. The only possible way to face this situation is to encourage potential or real clients confidence into services or products quality offered by a certain bank. Furthermore, because of the clients requirements continuous increasing, publicity is no longer reliable but in case of multicriteria, competent, objective evaluations of the banking services and products.

Thus being said, a bank's departments and different services added value becomes more and more important for the client (simultaneously created together with the one intended for other interests partners). It is to notice that each partner's shares for an added value should equally be established (also by negotiation), constantly being evaluated. Neglecting a partner for some other's interest is considered to be a non-productive behavior which tends to turn for the worst the long term business.

In conclusion, banks should, in a very near future, more and more turn their interest towards the client, as it is well-known the clients trend to own full financial services packages which are already put in practice by many banks. The competition will develop new products and services for these clients, especially in order to capture the „retail banking” market.

Bibliography:

1. Baumol, W.J. (1982). Contestable markets: An uprising in the theory of industry structure. *American Economic Review*, 72, 1-15.
2. Bikker, J.A. and Groeneveld, J.M. (1998). Competition and concentration in the EU banking industry. *De Nederlandsche Bank, Research Series Supervision*, No. 8, June.
3. Molyneux, P., Lloyd-Williams, D.M. and Thornton, J. (1994). Competitive conditions in European banking. *Journal of Banking and Finance*, 18, 445-459.
4. Mamatzakis, E, Staikouras, C and Koutsomanoli-Fillipaki, N (2005) Competition and concentration in the banking sector of the South Eastern European region - Emerging Markets Review Volume 6, Issue 2 ,Pages 192-209
5. Panzar, J.C. and Rosse, J.N. (1987). Testing for monopoly equilibrium. *Journal of Industrial Economics*, 25, 443-456.
- Shaffer, S. (1982). A non-structural test for competition in financial markets. In: *Bank structure and competition, Conference Proceedings, Federal Reserve Bank of Chicago*, 225-243.
- Shaffer, S. (2004). Patterns of competition in banking. *Journal of Economics and Business*, 56, 287-313.
- Yildirim, H.S. and Philippatos, G.C. (2002). Competition and contestability in Central and Eastern European banking markets. *University of Tennessee, Working Paper*, September