Implementation of Total Quality Management and Leadership on Islamic Banking Financial Performance

Edy Jumady

Abstract

The goal of this study is to examine the influence of overall quality management and leadership on the financial performance of Islamic banks in Makassar Region. The analysis is quantitative. The population of this research is a permanent staff member of Islamic banks, with as many as 298 workers. The sampling method used simple random sampling and a sample of 75 respondents was collected. Collection of data using a questionnaire. The data analysis methodology used multiple linear regression analyses. Study findings at a 5% level of relevance show that overall quality management and governance have a positive and important impact on financial performance. These findings clarify that the implementation of holistic quality control must concentrate on consumers, performance development, education and training, and employee engagement and empowerment. It is important to include front-line workers in decision-making at their workplaces, as they are the key actors in the development of successful results. Leaders or administrators have been in a position to defend subordinates. They have been shown to be able to increase productivity efficiency in such a way that all the work and goals given have been accomplished in compliance with the wishes of the organization.

Keywords: Total Quality Management; Leadership; Financial Performance

1. Introduction

Banking companies compete to boost efficiency in the face of global market competition and the Islamic banking sector (Nasir, 2020). In the 2015-2019 Indonesian Sharia Banking Roadmap published by the OJK, two of the seven policies to be implemented include improving service quality and product diversity and improving the quality and quantity of human resource and information technology (Komari & Djas, 2013; Purbaningsih & Fatimah, 2014). Competition in the Sharia business is currently being tightened; this is indicated by the development of the Sharia banking business, which operates in 2019. Total Quality Management (TQM) or often referred to as Integrated Quality Management (TQM) is indeed a big issue to be studied in the banking world (Choi & Eboch, 1998; Nasrun, 2018). Emphasizes services or services and is even more critical when it comes to sharia (non-conventional) banking. Current competition in the banking and financial sectors is based not only on religious sentiment, but also on the quality of service.

Islamic banking needs to generate customers who initially save their funds to traditional banks to switch to Islamic banks, resulting in Islamic banking seeking to establish a culture of high quality and international quality standardization introduced in ISO 9001:2015. Broad adoption of quality control in ISO 9001; 2015, both internal and external, impacts productivity; (Han et al., 2007). Islamic banks, like traditional banks, are currently able to thrive in difficult competition, making efficiency a strategic advantage their primary objective of achieving their goals. One way for businesses to develop their resources is through the introduction of service quality (Total Quality Management) and leadership quality, so that the organization can succeed in long-term competition.

The growth of Islamic banking in Indonesia has become an indicator of the progress of the Islamic economy (Syarifuddin, 2020). One of the accomplishments of Islamic banking is the financial success of Islamic banks in Indonesia. The Financial Ratios for Islamic Commercial Banks and Sharia Business Units in 2019 indicate that Islamic banking is still considered to be very strong. On the basis of these findings, the Islamic banking industry has seen positive developments. The positive
growth of the Islamic banking industry, particularly the Islamic Commercial Banks, has made it a common option to save money from Islamic commercial banks. Sharia banking world's prospects to initiate a Sharia-based financial program in formerly traditional banks by expanding into Sharia-based financial institutions. State-owned banks in Indonesia and Regional Autonomy Banks, which are also interested in these opportunities, have seized this opportunity. Indonesia is the largest Muslim country in the world. The majority of Muslims make Indonesia a potential market for Islamic finance (Said et al., 2019). The statement then confirms the follow-up statement that one of the items that is actually starting to grow quickly is the banks whose activities are based on the principles of sharia. This Islamic banking institution is beginning to expand and is showing its identity in the midst of many established traditional banks. Islamic banking in Indonesia is projected to increase rapidly in line with the rising rate of institutional expansion and the very high acceleration of growth in Islamic banking assets and the increasing amount of Sukuk production based on the Islamic Banking Data Finance Country Index (IFCI). As the banking regulator in Indonesia, Bank Indonesia is promoting Islamic banking establishment because, at the macro level, the expansion of Islamic banks will help to build stability in the financial system and the national economy. In this regard, the role of all instruments in the functioning of the bank, in particular the regulator, namely Bank Indonesia (BI), the controller (Syariah Advisor) of the National Sharia Board (DSN) and the Sharia Supervisory Board (DPS) of the Indonesian Ulama Council, and the management of banking operations themselves, are crucial to improving the growth and performance of Islamic banking in Indonesia. With the enactment of Law No. 21 of 2008 on Islamic banking released on 16 July 2008, the growth of the Islamic banking industry would have an appropriate legal basis. It will stimulate its development even faster. With its remarkable progress in development, which has achieved average asset growth of more than 65 per cent per year over the last five years, it is hoped that the role of the Islamic banking industry in supporting the national economy will be increasingly relevant (Yasin, 2016).

The still limited amount of Islamic banking in Makassar, which implements the universal quality standard ISO 9001, has attracted the authors to further study. After ISO 9001 quality control has been applied, how will the competitiveness of Islamic banking in Makassar City be affected? Customers are constantly demanding the standard of competitive products/services. In order to satisfy these criteria, the organization strengthens its quality and management by introducing Complete Quality Management. Total Quality Management (TQM) is a philosophy or method that emphasizes the enhancement of the quality of products, services and human resources, carried out continuously to minimize waste during the manufacturing process due to errors or lack of a maximum rate of goods services. Created to ensure that customer satisfaction can be achieved (Firman et al., 2020) Total Quality Management (TQM), according to Ishikawa in Yanti (2017), Total Quality Management (TQM) is characterized as a combination of all company functions into a holistic philosophy focused on the principles of quality, teamwork, efficiency and customer satisfaction. (Kumar et al., 2009) argues that the idea of Total Quality Management (TQM) is a term that involves the dedication and participation of management and all company managers to consistently meet customer needs or satisfaction. Indicators that assess work characteristics are 1) Customer attention, 2) Performance development, 3) Education and training, 4) Employee engagement and empowerment.

Increasingly intense global competition has prompted many companies to adopt total quality management (TQM) as a strategy to meet customer needs (Ahire et al., 1996). TQM is a management methodology that aims to achieve success in all areas of business by continuous improvement across the enterprise (Ahmad et al., 2020; Wiklund et al., 2003). It is believed that TQM will contribute to the competitiveness of the organization (Et. al Ramlawati, 2011; Reed et al., 2000; Soejono Tjirto, 2000). TQM is often seen as a framework that can be built as a business-driven approach to optimizing corporate productivity through continuous improvement of goods, services, labor force, processes and the environment. Many terms have been used to develop quality principles, like Total Quality Improvement (TQI) or Continuous Measurable Improvement (CMI) or Total Quality Management (TQM). In the 1980s and 1990s, TQM started to affect business processes in many countries and was seen as a "revolution" in management. TQM is sometimes referred to as a social movement (Kanji, 1996; www.quality-one.com, 2018). TQM focuses on increasing the efficacy and responsiveness of the company in meeting customer needs. The priorities of TQM are therefore operational performance and customer satisfaction. The goal is to increase its competitiveness, where the effect will further boost overall financial results. TQM also needs continuous improvement for customer satisfaction in the application of a systematic quality-based management pattern. Build a win-win solution for market players and customers themselves (Ramlawati & Putra, 2018).

Makassar City is a newly built industrial town. As a result, entering the era of global quality competition, the manufacturing industry in Makassar City has begun to consider obtaining quality certificates, such as ISO 9000. As regards research on the application of TQM practices with organizational efficiency or TQM practices with other consequential variables. Very small, very limited. It is therefore still necessary to carry out an in-depth review of TQM practices and their effect on business performance. The value of quality for firm efficiency and market success is widely recognized in literature and business practice (Evans, 2002; Shewhart & Deming, 1986; Weidmann & Deming, 2020). Numerous approaches to quality management are proposed to help businesses boost productivity and competitiveness through quality assurance. One of the most common and often recommended approaches is the theory of overall quality control (TQM). This holistic approach aims to incorporate all organizational roles with a view to addressing customer needs and organizational objectives.

There are several TQM concepts, but in practice, companies can adopt standard models that are recognized and accepted as guidelines for quality management (José Tari, 2005). For example, the TQM concepts expressed in the seven requirements for the Malcolm Bridge National Quality Award (MBNQA) are considered to be important for starting a good TQM system.
(Reed et al., 2000). The practice of TQM was then developed and measured using different methods in several subsequent studies. While many of the quality management methods have been identified, these practices have many similarities between measuring the dimensions of TQM practice, including process quality, human resources, strategic quality planning, and knowledge and analysis (Choi & Eboch, 1998). The metrics are community, confidence, collaboration, job consistency (Ikram et al., 2019), education and training, senior management leadership and quality improvement (Irwansyah et al., 2019; Sricharoenpramong, 2018), employee engagement, and customer loyalty or involvement (Eskildsen & Kristensen, 2008).

Based on previous study (Albers Mohrman et al., 1995; Han et al., 2007) found that the practice of TQM is directly related to competitiveness. (Hackman & Wageman, 1995) found that TQM can generate competitive advantages by improving competitive dimensions such as quality and cost. (Chong & Rundus, 2004; Terzirovski & Samson, 1999) analyzed the importance of quality management to business performance and concluded that quality management could enable businesses to gain a competitive edge by providing consumer-friendly products. Some previous studies have related overall quality control to financial performance, including the use of financial performance metrics (García-Sánchez et al., 2019). In their study, (Douglas & Judge Jr, 2001) used a measure of expectations of financial performance which suggested that the level of implementation of Total Quality Management had a positive and substantial impact on financial performance. (Azlina & Sulaeman, 2013) In her study, she found that the success of the company could be seen from the financial account. Economic performance will also improve investors' ability to invest in a business such that more firms are able to show financial performance than non-financial performance. Researchers therefore feel that the use of financial performance variables is important.

**H1: Complete Quality Control has a positive and important impact on the financial performance of Islamic banking in the city of Makassar:**

Leadership is a style used by leaders to accomplish organizational goals by manipulating other people/subordinates so that they want to do their will, even though they want to do it personally (Avolio & Gardner, 2005; Cismas et al., 2016). Meanwhile, leadership is the task of controlling subordinates (employees) so that they are guided towards the achievement of organizational objectives. Leadership is an activity carried out to control, inspire and encourage others to achieve organizational objectives (Akob et al., 2020; Kahn, 2018) on a voluntary basis. According to (e.g., Yukl, 1981, 2012; Yukl & Fu, 1999) leadership have important thing as key factor driving, guiding and organizing various other elements of the organization, leadership has been described in terms of individual characteristics, actions, impact on others, patterns of interaction, role relationship, place in an administrative position as well as other people's perceptions of validity. In this study are: 1) Result-oriented, 2) Able to provide ideas, 3) Participate with members, 4) Able to direct subordinates Khan (2014) argues that a good leader would increase his financial assets, while another leader will make things worse. The style of leadership has a strong and important effect on the financial performance. As previously study each style of leadership may have an influence on organizational effectiveness or organizational efficiency (Dalton, 2005; Markoulli et al., 2017).

**H2: Leadership has a positive and important impact on the financial success of Islamic banking in the city of Makassar:**

According to Kaizen's theory, consumer satisfaction and financial performance can be influenced by maximizing quality improvement and by the engagement and active involvement of all employees of the business. According to the Planned Behavior (PB) theory, if the behavior of an individual, both employees and managers, is viewed as positive or the outcome is positive, a positive attitude towards that behavior will be chosen. Conversely, if someone's actions, be it workers or managers, perceives something or the outcome is negative, they would choose a negative attitude towards the action.

**H3: Total Quality Management and Leadership has a positive and significant effect on the financial performance of Islamic banking in the city of Makassar**

3. Research Design and Method

The research approach uses a quantitative approach with an explanation as a type of research. The place of research is the Islamic BUMN banking in the city of Makassar. The study population was all permanent employees of Islamic BUMN banking in Makassar, as many as 298 respondents. By using the Slovin formula for sampling, the sample in this study was 75 respondents. The probability technique used is simple random sampling. Simple random sampling is a simple sampling technique because sample members from the population are carried out randomly without paying attention to the strata in the population (Ghozali, 2011). Data collection techniques are carried out in 3 ways, including 1) Deep Interview, namely conducting in-depth interviews with employees regarding the studied variables. 2) Questionnaire, which is giving directly to Islamic bank employees in the city of Makassar using a closed questionnaire. 3) Documentation, before collecting primary
data collection in this study, first performed an instrument test, namely testing the validity and reliability. Furthermore, after the validity and reliability tests were carried out, the hypothesis was tested using Multiple Linear Regression analysis tools. The goal is to find out and analyze the independent and dependent variables' influence either partially or simultaneously. The research equation model is as follows:

\[ Y = a + b_1X_1 + b_2X_2 + e \]

### 4. Results and Discussion

#### Statistical Analysis

The number of questionnaires distributed in this study was 75. Out of the total of 75 questionnaires issued, 10 questionnaires were not returned and impaired since 10 questionnaires were not completed in full or 13 per cent so that the total number of questionnaires that were born and could be continued was 65 questionnaires or 87 per cent of respondents. This is because staff are busy completing their tasks and obligations, so they do not have free time to complete the questionnaire. Test the validity of the questionnaire to measure whether or not the questionnaire is correct. The questionnaire is said to be useful if the questionnaire questions can conclude that anything calculated by the questionnaire uses the corrected item-total correlation form. Cronbach, (1988) claims that an object is considered to be accurate if it has a correlation value above 0.30.

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Corrected Item Total Correlation</th>
<th>R-Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1.1</td>
<td>0.622</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1.2</td>
<td>0.619</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1.3</td>
<td>0.638</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1.4</td>
<td>0.710</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X2.1</td>
<td>0.667</td>
<td>0.30</td>
<td>Valid</td>
</tr>
<tr>
<td>X2.2</td>
<td>0.602</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X2.3</td>
<td>0.674</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X2.4</td>
<td>0.528</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y1.1</td>
<td>0.820</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y1.2</td>
<td>0.742</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
<th>R-Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>TQM (X1)</td>
<td>0.832</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leadership (X2)</td>
<td>0.701</td>
<td>0.60</td>
<td>Reliable</td>
</tr>
<tr>
<td>Financial Performance (Y)</td>
<td>0.820</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable</th>
<th>Koeff. Reg.</th>
<th>T-hit</th>
<th>T-tab</th>
</tr>
</thead>
<tbody>
<tr>
<td>Konstan</td>
<td>1,324</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1 = TQM</td>
<td>0,534</td>
<td>4,785</td>
<td>1,782</td>
</tr>
<tr>
<td>X2 = Leadership</td>
<td>0,207</td>
<td>2,278</td>
<td>1,782</td>
</tr>
<tr>
<td>(R)</td>
<td>0,548</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Koeff. Determinasi (R²)</td>
<td>0,301</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-Calculated</td>
<td>13,323</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-Estimated</td>
<td>4,292</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sign.</td>
<td>0,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 1, namely the results of the Validity Test of Total Quality Management (TQM), Leadership and Financial Efficiency,
then of the 10 Statement Items, it turned out that all the Question Items are correct since the 10 Statement Items have a correlation value that is above 0. Uh, 30. The build reliability test in this study will use Cronbach's alpha value created by SPSS data processing. If Cronbach's alpha value is >0.60, it is said to be accurate (Ghozali, 2011). Reliability testing results can be seen in Table 2, namely the Reliability Test Results on Variable Total Quality Management (TQM) and Financial Performance Leadership at Islamic State Banks in Makassar District, showing that all of the things in question are all reliable because they have a Cronbach alpha value of more than 0.60.

This test is conducted by means of the F statistical test. This is verified to assess whether there is any impact on financial results between the TQM variable and the leadership (simultaneously). A table of variance analysis (ANOVA) can be used to evaluate multiple linear regression equations. If F-estimated > F-calculated, Ho will be rejected; if F-calculated < F-estimated, Ho will be accepted. V1 = k and V2 = nk-1 and the error-free amount is 5 percent or (5-007 = 0.05) so that Ho can be acknowledged. In the table above, the coefficient of determination (R2) is 0.301. This importance means that the differences in Islamic bank financial output (Y variable) of 0.301 can be explained by total quality management (TQM) and leadership (variable X). The magnitude of the impact of other variables not included in this analysis is 0.699, which means that the differences in the degree of organizational efficiency, in particular the financial performance of 69.9 per cent, can be explained by variables beyond total quality management (TQM) and leadership. To assess the degree to which the impact of the Total Quality Management (TQM) style and leadership on financial results (Y) can be used, a partial analysis described by the regression equation:

\[ Y = 1,324 + 0,534x1 + 0,207x2 + e \]

The constant value is 1,324, which means that if the total quality management (TQM) and the leadership is equal to or in cash, the financial output of the Makassar city Islamic State-owned banks is still 1,324. If Total Quality Management (TQM) increases by 1%, the financial performance of Islamic State-owned banks in Makassar City will increase significantly by 53.40 per cent. If leadership increases by 1%, the financial performance of Islamic State-owned banks in Makassar City will increase significantly by 20.7%.

**Discussion**

Based on the results of the study, it was found that complete quality management (TQM) had a positive and important impact on the financial performance of Islamic banks in the city of Makassar. In this analysis, the beta coefficient (β) of 0.534 indicates that the quality management (TQM) of Islamic banking in Makassar has made a positive and important contribution to improving the financial performance of Islamic banks in Makassar. That the use of TQM will bring major advantages for banks, as it will lead to an increase in organizational customer orientation and competitive advantage, as well as an increase in efficiency and competitiveness in the global marketplace. However, several studies are not in line, mostly concentrating on the four TQM metrics used in this report, such as consumer attention, quality improvement, education and training, and employee engagement and empowerment. The purpose of continuous improvement is to develop working methods, improve quality and increase efficiency of production. Continuous change, including money, efficiency and productivity, will increase consumer needs and expectations. Consumer satisfaction and aspirations would build customer loyalty, which will have an effect on improving financial results.

Based on the results of the study, it was found that leadership had a positive and important impact on the financial performance of Islamic state-owned banks in the city of Makassar. In this analysis, it can be seen from the beta coefficient (β) value of 0.207, which suggests that the leadership of Islamic banking in Makassar has been able to protect subordinates but can improve the efficiency of employees so as to have an effect on the financial performance of the organization. Aids is well done enough that it affects the high quality of work that has been done. This means that the higher the lead, the higher the financial account. The second hypothesis (H2) is therefore agreed in this analysis. The results of this study support the view that leadership is one of the core elements of effective implementation of the TQM; That a good leader would increase his financial assets, while another leader will make things worse. The style of leadership has a strong and important effect on the financial results, any style of leadership can have an impact on organizational effectiveness or organizational efficiency. Leadership Theory promotes a leader's ability to influence a group towards achieving its goals. Leadership is a task of motivating others to accomplish organizational objectives.

Based on the results of the study, it was found that TQM and leadership had a major positive impact on the financial performance of Islamic banks in the city of Makassar. These findings in this study can be seen from the value of the F-calculated > F-estimated test of 13.323 and the coefficient of impact of TQM and leadership on financial performance of 30.10 per cent. Management commitment to the implementation of integrated quality or TQM in Islamic banks meets the procedures and regulations outlined for the implementation of a high-quality culture and international quality standardization incorporated in ISO 9001:2015. Broad adoption of quality control in ISO 9001; 2015 internal and external impact efficiency and results. TQM engagement and leadership are also in line with research and have a direct impact on quality results and financial performance. The management commitment to support the efficient implementation of TQM in order to achieve high performance in product quality can be accomplished through an integrated management structure from the top management level to the lowest staff. The company is continually progressing towards the achievement of the quality
performance levels that have steadily been set together.

5. Conclusions

In the implementation of TQM, all members involved in the implementation process of TQM must concentrate on clients, quality development, training and employee involvement and empowerment. It is important to apply front-line workers to decision-making in their workplaces, as they are the key actors in the development of successful results. Leaders or managers have been able to protect their employees, but they should boost product efficiency in such a way that all work and goals given have been done in compliance with the wishes of the organization.

References


Nasrun, M. (2018). The Effect Of TQM And Budget Participation On Managerial Performance In Corporate Manufacturing. *In Industrial Area Makassar. ATESTASI: Jurnal Ilmiah Akuntansi, 3*(1), 70–84. [https://doi.org/10.33096/atestasi.v3i1.48](https://doi.org/10.33096/atestasi.v3i1.48)


