

The importance of improving the financial performance Via Quality cost Management of commercial banks

أهمية تحسين الأداء المالي من خلال إدارة تكاليف الجودة في البنوك التجارية

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تاريخ استلام البحث 2024/2/23 تاريخ قبول النشر 2024/5/2 تاريخ النشر 2024/7/5

Abstract

Commercial banks are always developing strategies to improve their financial performance, and an important way to achieve this is by managing quality costs effectively. Adopting strategies to improve the quality of services helps banks achieve profitability and enhance their competitiveness in the volatile banking market. Improving quality enhances customer satisfaction and retention, and reduces long-term costs by reducing errors and claims. The questionnaire was used to collect the opinions of a specific sample of commercial banks in Baghdad, namely the Bank of Baghdad and the Commercial Bank of Iraq. In our current research, a questionnaire was used, and its questions were designed based on previous research to be compatible with the objectives of the current study. Statistical methods and a five-point Likert scale were used. 60 questionnaires were distributed and retrieved from the research community, which includes (the Bank of Baghdad and the Commercial Bank of Iraq), and 53 were analyzed. questionnaire and 7 of them were excluded due to incompleteness. The questionnaire questions were divided into two axes: improving profitability and managing quality costs. The study concluded that improving the quality of products leads to improving the financial performance of commercial banks. The study recommended that banks should invest in innovation and develop new services for customers to enhance and improve their profitability and competitive position. Attention should also be paid to providing training and development programs for bank employees and enhancing their capabilities in managing quality costs in a manner Effective.

Keywords: *improving profitability, managing quality costs, analyzing operational processes*

المستخلص

تعمل البنوك التجارية دائماً على تطوير استراتيجيات لتحسين أدائها المالي، والطريقة المهمة لتحقيق ذلك هي إدارة تكاليف الجودة بشكل فعال. إن تبني استراتيجيات لتحسين جودة الخدمات يساعد البنوك على تحقيق الربحية وتعزيز قدرتها التنافسية في السوق المصرفية المتقلبة. يؤدي تحسين الجودة إلى تعزيز رضا العملاء والاحتفاظ بهم، ويقلل التكاليف طويلة المدى عن طريق تقليل الأخطاء والمطالبات. وتم استخدام الاستبيان لجمع آراء عينة محددة من المصارف التجارية في بغداد وهي مصرف بغداد والمصرف التجاري العراقي. تم في بحثنا الحالي استخدام استبانة،

وتم تصميم أسئلتها بناء على الأبحاث السابقة لتتوافق مع أهداف الدراسة الحالية. وتم استخدام الأساليب الإحصائية ومقياس ليكرت الخماسي. وتم توزيع واسترجاع 60 استبانة من مجتمع البحث الذي يضم (مصرف بغداد والمصرف التجاري العراقي)، وتم تحليل 53 منها. استبيان وتم استبعاد 7 منهم لعدم اكتماله. وقد تم تقسيم أسئلة الاستبيان إلى محورين: تحسين الربحية وإدارة تكاليف الجودة. وخلصت الدراسة إلى أن تحسين جودة المنتجات يؤدي إلى تحسين الأداء المالي للبنوك التجارية. وأوصت الدراسة البنوك بضرورة الاستثمار في الابتكار وتطوير خدمات جديدة للعملاء لتعزيز وتحسين ربحيتهم ووضعهم التنافسي. وينبغي الاهتمام أيضاً بتوفير برامج التدريب والتطوير للبنك

الكلمات المفتاحية: تحسين الربحية ، إدارة تكاليف الجودة ، تحليل العمليات التشغيلية

Introduction

Improving profitability is a major goal for any financial institution, and in an era of intensifying competition and changing regulatory structure, commercial banks are constantly seeking to rationalize costs and enhance operational efficiency. Improving quality cost management is a critical strategy for achieving this goal. Quality costs are directly related to operational processes and services provided to customers, which play a major role in enhancing profitability by maintaining customer satisfaction and reducing waste and errors. And When we talk about the quality of banking services, we are referring to the standards and procedures that banks provide to meet customers' needs and expectations. Providing outstanding service is pivotal not only to attracting new customers but also to retaining them. Consistent quality helps the bank build trust with its customers and reduce operational risks, which ultimately leads to improved financial performance.

First: the study methodology

1) Study problem

1. What are the most prominent quality cost management strategies adopted by commercial banks?
2. How can the impact of quality cost management on profit in commercial banks be measured?
3. Which are the hurdles that banking establishments encounter when seeking profitfulness through control over costs pertaining to quality?
4. Which elements do play a role in how effectively management practices towards cost concerning quality operate within firms of bankness commercially?

2) Study hypothesis

The suppositions made `erein this investigatory endeavor stand henceforth:
The premier proposition: There does exist an impactful tie amidst regulating expenditures linked with goodness and the betterment at financial doing for business-like money houses.

The second hypothesis: There is a significant, statistically significant effect between strategies for improving the quality of banking services and achieving a competitive advantage that enhances profitability.

3) Objectives of the study

1. Study the impact of quality cost management on profitability in commercial banks.
2. Analyze how to improve the financial performance of banks by adopting strategies to improve the quality of services.
3. Identify the main factors that affect the effectiveness of quality cost management in banks.
4. Providing practical recommendations that enhance the ability of commercial banks to achieve profitability by effectively managing quality costs.

4) The importance of the study

1. Highlight the importance of managing quality costs as a tool to enhance profitability and achieve competitive advantage.
2. Providing a practical framework for commercial banks to understand how to achieve profitability by implementing service quality strategies.
3. Raising consciousness about the significance of enhancing service quality in banking institutions and its influence on financial outcomes.
4. Offering actionable advice to bank financial specialists and managers for optimizing results through the adoption of cost management strategies focused on quality.

5) Study variables

- A- The independent variable: is quality cost management
- B- Dependent variable: achieving profitability

6) Previous studies

1- Study by Gul, Bilal, Maduki, & Youssef. (2014). Total quality cost management and its role in reducing quality costs.

The organization's adoption and application of the modern economic strategy of the ISO 9000 quality management system are strategic options that help them find mechanisms that enable them to develop and improve their performance, by taking the competitive context in serving customers and meeting their needs and desires in a way that links long-term relationships with them that will create loyalty to the organization and differentiation for their products. Since the customer is the customer. The center of all organizational strategies. However, total quality management does not only aim at customer satisfaction and continuous improvement of the service element, but also contributes significantly to reducing the organization's costs, even if there is difficulty in detecting and knowing its causes. Rather, it is a control system and reliance on methods for detecting quality centers and intrusion episodes. Mentally, and by using statistical methods in dealing, your organization can reach and achieve its goal of customer satisfaction at the lowest possible cost. The knowledge was achieved through a comprehensive theoretical analysis of total quality management and the costs associated with it, an applied study of the case of the National Iron Mine Corporation in the state of Tebessa, and an attempt to clarify the role of total quality management in reducing the cost of quality.

2- Study by M. M. Muhammad Karim Hamid. (2019). Triumphant Edge Through Complete Management Quality.

Industrial and service companies in global markets face challenges imposed on them by competitive factors, and these challenges stimulate their response in order to improve their ability to retain customers and achieve competitive advantages that enhance continuity in the long term. Among these challenges are cost reduction and continuous improvement of quality, ignoring quality and the lack of management concerned with planning and control. On quality, it will lead to an increase in costs, which is represented by a loss of sales. Also, a low level of quality in value chain activities may lead to an increase in quality costs, and thus producing and delivering a product to the customer with a low quality level will lead to a reduction in sales and revenues, thus reducing market share and losing part of The competitive advantage of the economic unit in the market.

3- Study by Qayed, Yahyush, & Hussein. (2011). Total quality management in banking institutions.

The study aimed to examine the role of total quality management in enhancing the performance of banking institutions and developing the quality of services provided. The study concluded that applying total quality management can effectively and efficiently improve the operations of banking institutions, through developing operations and improving the quality of services provided. The results also showed that adopting total quality management principles in banking institutions can contribute to improving customer satisfaction and building a positive reputation in the financial market. It is clear that banking institutions must constantly train their employees and promote a culture of quality and innovation in all their departments, to ensure the continued application of the principles of total quality management and improved performance in a sustainable manner.

4- Merisi, H. Q. A., & Muhammad, F. s. (2021). Measuring the costs of quality in Yemeni private universities and its relationship to achieving competitive advantage: “A field study on a sample of private universities operating in the capital, Sana’a.”

The study aimed to analyze the costs of quality in Yemeni private universities in the capital, Sana'a, and how they affect achieving competitive advantage. The study attempted to answer the question: Is there a relationship between measuring quality costs and achieving competitive advantage in these universities? The study also examined a hypothesis indicating that there is no relationship between quality costs and achieving competitive advantage in Yemeni private universities. The results showed many conclusions, including that Yemeni private universities pay attention to implementing quality and prevention costs by providing continuous training courses and improving infrastructure. These universities also work to enhance communication and exchange of knowledge among faculty, and apply new methods in providing educational services. Despite the additional investment required for this, they believe that this contributes to achieving a strong competitive advantage.

Secondly : Theoretical Framework

1) The concept of quality cost management and its types

Quality cost management is a management approach that focuses on identifying, analyzing, and reducing all costs associated with quality. These costs include prevention, evaluation, internal failure, and external failure costs. (ASQ, 2023:1)

Also known as quality cost management, it is an administrative system for measuring, evaluating and analyzing all costs related to quality at all stages of the product life cycle. It aims to reduce overall quality costs and improve the quality of products and services. (Juran, 1999:2)

The concept of quality costs refers to the expenses incurred by a company in relation to maintaining and improving the quality of its products or services. These costs can be divided into four types: prevention costs, evaluation costs, internal failure costs, and external failure costs. Prevention costs are incurred by the economic unit to prevent defects from occurring in the first place. These costs include training employees, implementing quality control procedures, and conducting quality assurance activities. The goal of prevention costs is to identify potential problems and take preventive measures to avoid them, which ultimately reduces the likelihood of defects and errors occurring. (Crosby, 2003:3)

The researchers hold the belief that managing costs of quality is a philosophical approach in management focusing on balancing expenditure related to quality and non-quality aspects. Its central aim lies in minimizing mistakes and wastage while enhancing procedures to attain superior quality with minimal expenses.

Conversely, costs associated with evaluation pertain to the assessment and surveillance of product or service quality, encompassing undertakings such as inspections, trials, and examinations. These expenditures are crucial for identifying and amending flaws prior their escalation to consumers, guaranteeing the provision of only premium products or services. Costs due to internal failures emerge upon detecting defects before they're dispatched to buyers. This encompasses expenses linked to redoing work, mending defects, and squandering resources. Such costs might stem from flawed operations or subpar routines for controlling quality. These costs highlight the importance of dealing with problems internally to avoid negative impacts on the customer. External failure costs arise when defects are passed on to the customer. These costs can include warranty claims, customer returns, and loss of reputation. The costs of external failure not only lead to financial losses, but they damage a company's reputation and customer loyalty. It is necessary for banks to reduce the costs of external failure by focusing on prevention and evaluation activities. (The Balance Small Business, 2023:4-7)

The researchers believes that the concept of quality costs recognizes that maintaining and improving the quality of a product or service involves various expenses. By understanding and categorizing these costs into prevention, assessment, internal failure, and external failure costs, banks can better analyze and monitor their quality-related expenses. Adopting a proactive approach towards quality management can result in significant cost savings, improved customer satisfaction, and a competitive advantage in the market.

2) The importance of managing quality costs in banks

Quality cost management plays a vital role in the effective and efficient operations of banks, ensuring their ability to provide high quality services and products to their customers. This article aims to explore the importance of quality cost management in the banking sector and its impact on various aspects such as cost control, customer satisfaction, regulatory compliance, profitability, process improvement, competition, and reputation.

1. Cost control and efficiency

- Quality cost management helps banks identify and control costs related to quality problems (**Burgess et al., 1985:10**).

-By reducing errors, defects and redoing, banks can reduce costs associated with quality-related inefficiencies (**Quality-Related Issues, 2013:136**).

Effective quality cost management enables banks to optimize resource utilization and enhance overall cost efficiency in their operations.

2. Customer satisfaction and loyalty

- Quality cost management ensures that customers receive high quality services and products (**Burgess et al., 1985:10**).

- Banks that prioritize quality always meet and exceed customer expectations, leading to higher satisfaction levels (**Quality-Related Issues, 2013:136**).

- Satisfied customers are more likely to stay and recommend the bank to others, contributing to long-term profitability. (**Marshak, 2008:2**)

3. Comply with regulations and reduce risks

- Quality cost management emphasizes compliance with regulatory requirements, which reduces the risk of penalties and fines (**Burgess et al., 1985:11**).

- By maintaining high quality standards, banks reduce the risk of non-compliance, which enhances their reputation and credibility (**Quality-Related Issues, 2013:137**).

4. Improving profitability and financial performance

- Effective quality cost management contributes to improving financial performance and profitability (**Burgess et al., 1985:11**).

-By reducing costs, reducing errors, and satisfying customers, banks can enhance net profit and achieve sustainable growth (**Quality-Related Issues, 2013:137**).

5. Improve operations and reduce costs

- Quality cost management enables banks to identify areas where they can improve and reduce costs (**Burgess et al., 1985:11**).

- By analyzing quality-related data, banks can make informed decisions to streamline operations and reduce gaps (**Quality-Related Issues, 2013:137**).

6. Competitive advantage in the market

Banks that prioritize quality cost management are better able to provide high-quality services, which gives them a competitive advantage (**Burgess et al., 1985:11**).

-By meeting and exceeding customer expectations, banks attract and retain customers in a highly competitive market (**Marshak, 2008**).

7. Build a positive reputation and trust

- Quality cost management helps banks build a positive reputation and trust among customers (**Burgess et al., 1985:11**).

-By consistently providing high-quality services and products, banks establish themselves as reliable institutions, attracting more customers and strengthening their position in the market (**Quality-Related Issues, 2013:137**).

The researcher believes that managing quality costs is of great importance in banks. By effectively managing quality costs, banks can control costs, enhance customer satisfaction, ensure regulatory compliance, improve profitability, identify areas for improvement, and build a strong reputation in the market. By prioritizing this practice, banks can achieve sustainable growth and maintain an advantage. Competitiveness in the dynamic financial services industry.

3) Managing quality costs and profitability

In today's competitive business world, organizations seek to maintain and increase profitability. One of the key factors that plays an important role in achieving this is effective quality cost management. Quality expense control entails pinpointing and overseeing the expenditures linked with guaranteeing a good or service's quality. The balance between profitability and quality cost management is considered a major challenge in the work of commercial banks. On the one hand, banks must continuously manage costs to enhance their competitive position and profitability levels. On the other hand, investing in quality can lead to greater long-term profitability by maintaining a loyal customer base and reducing the costs of failure.) (**Sturm et al, 2019 : 1441**) To achieve a balance between these two concepts, commercial banks follow some strategies and best practices, including: (**Kiran,2017:100**)

1. Invest in information technology to improve efficiency and reduce errors.
2. Focus on continuous training for employees to increase efficiency and improve performance.
3. Measure and monitor customer satisfaction as part of quality improvement efforts.
4. Applying strict internal control and auditing standards to reduce risks.
5. Adopting a comprehensive quality management system that includes all departments of the bank.

Banks can leverage modern data analysis techniques and artificial intelligence to more accurately track and analyze quality costs. These technologies make it possible to identify patterns and trends and then make proactive decisions to avoid errors and reduce associated costs. Investing in integrated financial information systems that link financial and quality data is vital to provide a comprehensive view of quality performance and its impact on profitability. Successful banking institutions are those that have been able to integrate quality cost management into their overall strategies. Examples can be provided of banks that have adopted comprehensive quality programs and rigorous monitoring tools to track quality costs and have succeeded in achieving significant improvement in

profitability levels. To achieve profitability by effectively managing quality costs, commercial banks must adopt a holistic approach that covers all aspects of service delivery. Investing time and resources in preventing errors, improving monitoring and evaluation processes, and objectively analyzing the causes of failure will lead to reducing waste and enhancing financial performance. Ultimately, the quality of banking services and their cost management are as important as marketing strategies and innovative products in determining the success and profitability of commercial banks. (Logothetis, 1997 : 1) .

By managing quality costs appropriately, banks can reduce defects, improve customer satisfaction and reduce unnecessary expenses, ultimately improving financial performance. From an accounting perspective, considering quality costs in financial analysis provides a comprehensive view of profitability and facilitates informed decision-making. Therefore, organizations must recognize the importance of quality cost management as a strategic initiative to achieve long-term profitability and success (RLE Accounting, 2014:25-28).

The researcher believes that quality cost management greatly affects profitability from both operational and financial perspectives. Organizations that prioritize effective quality cost management can achieve higher levels of profitability, outperform competitors and create sustainable business success. By incorporating quality cost management practices into financial analysis, banks can gain valuable insights and make informed decisions to improve their financial performance. As banks continue to operate in a dynamic and competitive market environment, prioritizing quality cost management will remain fundamental to sustainable profitability and growth.

Quality cost management plays a pivotal role in enhancing the profitability of any organization. It is considered an effective strategy to improve financial performance through the following: (Antony & Antony, 2001:53-54). , (Gunasekaran & Ngai, 2005:234)

1. Reducing production costs: through the following:

- Prevention: Investing resources in preventing errors and defects from occurring from the beginning, such as implementing quality control systems and training programmes.
- Evaluation: Conducting regular tests and evaluations of products or services to ensure their quality before putting them on the market.
- Failure: Slash the expenses linked with blunders and imperfections causing do-overs or rejections.

2. Increasing customer satisfaction: This is through the following: -

- Supplying products or services of superior grade that fulfill the wishes and anticipations of clients.
- Diminishing grievances from consumers, alongside requests for returns.

3. Enhancing the company's reputation:

One of the basic points in managing quality costs is the emphasis on preventing errors rather than focusing only on treating them. Reducing waste and costs resulting from reproduction or service has a significant impact on preserving resources and increasing profitability. Therefore, when the customer realizes that the company does not compromise on quality standards, he has a positive impression that contributes to enhancing the company's overall image. Quality cost management plays a leading role in companies' self-marketing, as commitment to quality is an implicit message that confirms that the company puts the customer's interest at the forefront of its concerns. In addition, quality practices support innovation and continuous development, which is an essential factor in raising the level of competitiveness and sustainability..

4. Improving financial performance: through the following:

Quality cost management helps reduce waste, improve productivity, and increase customer satisfaction. To achieve the best financial results, companies must follow several strategies, including periodically analyzing quality costs to identify opportunities for improvement and taking appropriate measures to reduce waste and increase production efficiency. It must also invest in error prevention programs and product and process inspection as part of a comprehensive quality management system. Companies can achieve effective improvements by implementing practices such as investing in qualitative employee training with the aim of reducing errors and enhancing process efficiency. In addition, companies must adopt modern technologies and quality control tools that help monitor and improve processes, which reduces quality costs in the long term. Managing quality costs is one of the basic pillars of enhancing the financial performance of any organization., in addition to the costs of preventing the occurrence of defects resulting from non-conformity with these standards. Quality cost management plays a major role in controlling and reducing costs, as these costs can be a significant burden on financial resources if they are not dealt with effectively. Thus, it shows the importance of several aspects managed by this administration, including prevention costs, evaluation, and internal and external failures. Prevention costs are concerned with measures to prevent errors before they occur, through training and good design of products and processes. As for the evaluation costs, they include inspection and tests to ensure that the final products conform to the required standards. Internal failure costs include expenses that arise when defects are detected within the company before products are delivered, due to wasted production capacity, materials and time. As for external failure costs, they include the costs incurred by the customer due to defects he discovers after purchase. By managing quality costs effectively, companies can maximize profits and improve financial performance. Investing in quality is a smart investment that increases the company's competitiveness and sustainability in the long term. In conclusion, quality cost management plays a critical role in the success of companies, by achieving cost efficiency and effectiveness, which benefits financial performance and customer satisfaction.(Süklüm, 2017:3)

4) Analyzing how managing charges related to quality could pave paths towards enduring gainful outcomes .

Evaluating the management of cost quality within banks is crucial for grasping its potential effects on profit sustainability. This analysis includes evaluating the strategies and practices adopted by banks to manage costs without compromising quality. Insights of value can be

extracted by examining the cost management methods implemented by prosperous banks, shedding light on the processes that support continuous financial success. The impact of quality cost management on profitability is significant. By managing costs effectively, banks can boost their bottom lines and improve financial performance. This is achieved through operational efficiency, reduced overhead, and improved resource allocation. By managing costs strategically, banks can achieve higher profits and thus achieve sustainable profitability (**Kiran, 2017:100**).

Realizing the importance of quality cost management in the banking industry cannot be ignored. In an environment of strong rivalry amongst banks, it's crucial to consistently seek methods to boost effectiveness and slash expenditures. Implementing a meticulous plan for cost quality management aids in sustaining competitiveness and financial viability over extended periods. Strategies for the implementation of quality cost management within banking institutions hold imperative significance for triumph acquisition. Through formulating and enacting potent strategies, banks manage to unearth avenues for expenditure reduction, operation simplification, and overall performance enhancement. Deploying technology advancements, making processes leaner, and judicious resource utilization constitute these strategies. Diminishing expenses alongside augmenting efficiency stand as the twin central objectives behind quality cost management endeavors. By prioritizing expense curtailment, banking entities can allocate assets more aptly whilst amplifying their procedural efficacy. This leads to improved profitability and a sustainable business model. Risk management is closely linked to quality cost management in banks. Effective risk management practices can reduce losses, Reduce potential liabilities and improve profitability. By integrating risk management into quality cost management initiatives, banks can mitigate potential risks and improve overall financial performance. The relationship between quality cost management and customer satisfaction cannot be ignored. By managing costs efficiently, banks can provide superior services and products to their customers. This in turn leads to improved customer satisfaction, increased customer loyalty, and hence sustainable profitability. (**Bharti & Singh, 2023:180**)

Managing quality costs provides various long-term benefits to banks. These benefits can include improved financial stability, enhanced reputation, and increased market share. By investing in quality cost management, banks can ensure they stand out as reliable and profitable institutions, attracting more customers and investors. The role that accounting plays in managing quality costs is of great importance. Accounting provides the tools and techniques necessary to monitor and control costs and provide reports in banks. Enabling banks to make informed decisions and monitor the effectiveness of their quality cost management strategies. The mechanisms through which quality cost management can lead to sustainable profitability in banks are multifaceted and interconnected. From cost reduction to risk management, customer satisfaction to long-term benefits, quality cost management plays an essential role in driving sustainable profitability. This article will explore each of these mechanisms and their impact on the financial performance of banks,

which subsequently leads to improved profitability and a sustainable business model. (Hanley, 2011:7)

- Risk management and quality cost management in banks: Risk management is closely linked to quality cost management in banks. Effective risk management practices facilitate minimization of potential losses, liabilities and costs. Banks can integrate risk management into quality cost management initiatives to mitigate risks and improve overall financial performance.
- The relationship between quality cost management and customer satisfaction: The relationship between quality cost management and customer satisfaction is crucial. By managing costs effectively, banks can provide high-quality services and products to customers, leading to improved satisfaction, increased customer loyalty, and thus sustainable profitability(**Bharti & Singh, 2023:180**)

The researcher believes that managing quality costs in banks represents a vital strategy to ensure sustainable profitability. This management involves implementing strategies to reduce costs without affecting the quality of services provided. Risk management is an essential part of this process, as it contributes to reducing losses and improving profitability by monitoring and reducing potential risks. Customer satisfaction is also closely linked to quality cost management, as low costs and high quality of services can enhance customer loyalty and trust, leading to increased revenues in the long term.

5. The long-term benefits of quality cost management in banks

Quality cost management provides many long-term benefits to banks. By investing in such practices, banks can achieve improved financial stability, enhanced reputation, and increased market share. These benefits contribute to sustainable profitability by attracting more customers and investors. Accounting plays an important role in managing quality costs by providing tools and techniques needed to monitor and control costs in banks. Enabling banks to make informed decisions and monitor the effectiveness of their strategies to manage quality costs and achieve sustainable profitability. (Hanley, 2011:7)

6) Tools for managing quality costs in banks

Effective cost management is crucial to ensuring the profitability and sustainability of a business. One aspect that has received significant attention is quality cost management – the process of identifying and analyzing quality-related costs and implementing strategies to reduce them. This article aims to explore the tools and techniques used in managing quality costs and their application in a commercial banking environment. In addition, you will analyze the effectiveness of these tools in enhancing financial performance and customer satisfaction. The PDCA (Plan-Act-Check-Improve) cycle is a widely recognized tool in quality management. It involves applying the PDCA cycle specifically to testing **processes (Yang 2016:282).**

explores modern risk management tools and their applications, focusing on the need for sound risk management practices in the banking industry. This resource will contribute to

the discussion by highlighting the importance of incorporating risk management techniques into quality cost management. By understanding and managing risks effectively, commercial banks can improve their quality control procedures and reduce associated costs. Although not directly directed at commercial banks, Hanley's (2011) study provides insights into environmental cost benefit analysis and water quality management. This resource provides a broader perspective on benefit-cost analysis techniques that can be applied to quality cost management. Understanding the environmental aspect of cost-benefit analysis can help evaluate the long-term impact of quality costs and the potential benefits that arise from managing them effectively (Hanley, 2011:7).

Quality cost management tools and techniques play a vital role in accounting. Applying these tools, such as PDCA and DMAIC techniques, can significantly enhance the efficiency, effectiveness and profitability of a business. In the context of the commercial banking environment, these tools gain greater importance. The ability to identify and analyze relevant quality costs and implement strategies to reduce them can have a significant impact on financial performance and customer satisfaction within the industry. By analyzing the tools in quality cost management, organizations in the commercial banking sector can gain valuable insights into areas for improvement and identify opportunities to reduce costs. This, in turn, contributes to the overall success and competitiveness of commercial banks in the market. There is likely to be a wealth of research and literature available supporting the importance and application of these tools in the commercial banking sector. Quality cost management tools, when applied effectively, have the potential to improve financial performance, enhance customer satisfaction, and promote sustainable growth in the commercial banking environment. It is recommended that commercial banks actively integrate these tools into their operations to leverage the many benefits they offer (Yang, 2016:282).

The researcher believes that effective cost management is crucial to ensuring the profitability and sustainability of the business. Quality cost management is an essential part of it, focusing on analyzing and reducing quality costs effectively. The article explores the tools and techniques used in this context and analyzes their effectiveness in improving financial performance and customer satisfaction. The PDCA cycle is an important tool in quality management, and its application to Testing processes are an essential part of it. Quality cost management tools and techniques provide vital support to accounting, increasing business efficiency and effectiveness.

Thirdly : The practical Aspect

1- Data collection tools

In this investigative effort, a questionnaire was used to gather views from a distinct group of financial institutions in Baghdad, focusing on the Bank of Baghdad and the Commercial Bank of Iraq specifically. The questionnaire was designed in a subjective manner based on previous academic work to ensure its suitability and compatibility with

the objectives of the study. The wording of the questionnaire was based on a Likert scale covering five points; Participants were instructed about the research intentions and given ample opportunity to address each question after consent. Of the 60 answers collected, 53 questionnaires were subjected to analysis after excluding 7 incomplete questionnaires, and thus the final number of questions within the questionnaire was adjusted to 34 questions that were divided between two main axes: profitability and quality cost management.

2- Testing the validity and reliability of the questionnaire

In our quest to achieve the highest degrees of accuracy in scientific research, we rely on statistical methods to measure the validity and reliability of the tools used, including the questionnaire. In this context, descriptive statistics tools, including the arithmetic mean and standard deviation, were used to analyze the data of the targeted sample of accountants and employees in three commercial banks. To verify the reliability of the questionnaire, the Cronbach Alpha test was adopted, which measures the consistency of responses, indicating the coherence and extent of homogeneity of the items. In addition, the validity of the questionnaire was refined through its review and evaluation by five accounting professors with deep experience in universities, whose valuable opinions contributed to enhancing the validity and accuracy of the questionnaire content. The results shown in Table (1), which present the Cronbach alpha test and split-half values for various aspects of the study, reflect the high quality level of the measurements used and confirm their efficiency in accommodating the viewpoints required of the study population.

Table (1) Cronbach's alpha and Item-Total Statistics for each axis

Axis	Axis name	Number of paragraphs	Alpha values	Pearson correlation coefficient	Spearman corrective equation
First	Profitability	17	0.854	0.777	0.880
Second	Quality cost management	17	0.876	0.785	0.891

Source: Prepared by researchers based on the outputs of the SPSS program

The statistical program (SPSS) was used to analyze the questionnaire that expresses the opinions and positions of the research sample, with the aim of estimating the relative importance of the research variables. Arithmetic averages, relative importance measures, and standard deviations were calculated, and the details of these values are shown in the following table:

Table 3: Description of the research variables

Variables	arithmetic mean	standard deviation	relative importance
Quality cost management	4.82	0.769	84.65

Profitability	4.69	0.661	83.84
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Source: Prepared by researchers based on the outputs of the SPSS program

Table No. (3) displays the values of the arithmetic mean, standard deviation, and level of relative importance for the two variables related to the analysis of “Achieving Profitability through Effectively Managing Quality Costs in Commercial Banks.” A sample was used in this table, where the arithmetic mean values ranged between (4.82-4.69), which indicates a high agreement between the two variables with an acceptable standard deviation ranging from (0.769-0.661). The degree of relative importance for the independent variable was 84.65, while it was 83.84 for the dependent variable.

3- Normal distribution test

The following table shows the values of the Skewness coefficient, which is used to test the distribution of data if it follows a normal distribution. When skewness coefficient values are within the range (-1, +1), this indicates that the data follows a normal distribution.

Table 4: Skewness Coefficient Test

Variables	Skewness Coefficient
Quality cost management	0.27
Profitability	0.29

Source: Prepared by researchers based on the outputs of the SPSS program

The results in Table No. (4) show that the skewness coefficient in the questionnaire was extremely excellent. The value of the skewness coefficient for applying quality cost management was (0.27), while it reached (0.26) for achieving profitability. It should be noted that these values fall within the range between (-1, +1), which indicates that the data follows a normal distribution, which is the acceptable value for the skewness coefficient.

4- Results of the study

Results related to Hypothesis 1: “There is a significant relationship between managing quality costs and improving the financial performance of commercial banks.

Table (5): Results of statistical analysis: “There is a significant relationship between managing quality costs and improving the financial performance of commercial banks.”

Paragraph	arithmetic mean	standard deviation
There is a positive relationship between the quality of services provided by commercial banks and customer satisfaction	4.42	0.55
Quality cost management plays an important role in improving the financial performance of commercial banks.	4.73	0.59
Reducing costs associated with quality can positively impact the financial performance of commercial banks	4.68	0.62

However, improving the quality of banking services can lead to improving the financial performance of commercial banks	4.71	0.48
Effectively allocating resources to improve quality can lead to increased profitability for commercial banks	4.90	0.40
There is a positive relationship between the quality of services provided by commercial banks and their financial performance	4.88	0.59
Investing in improving quality can contribute to achieving greater profits for commercial banks	3.31	0.68
Applying good quality cost management practices does not contribute to improving the financial performance of commercial banks	2.28	0.71
Improving the quality of services can lead to increased customer loyalty and thus increased income for commercial banks	4.79	0.53
Reducing costs related to quality can increase the efficiency of operations within commercial banks	4.67	0.57
Improving the quality of services can increase the growth and expansion opportunities for commercial banks	4.77	0.61
Effectively managing quality costs can be key to achieving excellent financial performance for commercial banks	4.89	0.44
Improving the quality of services can lead to reducing the overhead costs of commercial banks	4.69	0.59
Improving quality can increase the brand value of commercial banks and thus increase customer preference for them	4.78	0.60
Improving the quality of services can positively affect customers' evaluation of commercial banks	4.87	0.49
Applying quality cost management principles can lead to increased efficiency and productivity within commercial banks	4.78	0.51
Improving the quality of services can increase the period of use of banking services by customers	4.76	0.55

Source: Prepared by researchers based on the outputs of the SPSS program

From the previous table it is clear that: The response averages for the axis paragraphs were recorded because there is a statistically significant relationship between the application of green accounting in companies and institutions and students' environmental awareness in a range between (2.85) and (4.93). Based on this, the degree of agreement was High for all paragraphs of

this axis. It was also noted that the members of the study sample expressed strong agreement on paragraphs (1, 2, 3, 4,7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17), Which indicates the importance of applying quality cost management and its role in achieving and enhancing profitability. The researcher attributes this result to the research sample's feeling of the importance of applying quality cost management and the awareness of bank employees about it, as it enhances efficiency and performance, which helps in increasing banks' profitability.

The answers of the sample members also came in agreement to paragraph No. (7), where the arithmetic mean was 3.31. Finally, the answers of one of the sample members came in disagreement with paragraph No. (8), where the arithmetic mean was (2.28). Based on the above, the hypothesis was accepted.

• **Results related to Hypothesis 2: There is a statistically significant effect between strategies for improving the quality of banking services and achieving a competitive advantage that enhances profitability.**

Table (6) Results of statistical analysis: There is a statistically significant effect between strategies for improving the quality of banking services and achieving a competitive advantage that enhances profitability.

Paragraph	arithmetic mean	standard deviation
Strategies to improve the quality of banking services enhance profitability by achieving a strong competitive advantage.	4.69	0.60
Strategies to improve the quality of banking services affect the achievement of a competitive advantage for banks	4.78	0.44
Improving the quality of banking services can increase banks' opportunities to gain a competitive advantage	4.78	0.59
Strategies to improve the quality of banking services can make banks more competitive in the banking services market	4.89	0.69
Improving the quality of banking services can contribute to achieving a sustainable competitive advantage for banks	4.13	0.64
Strategies to improve the quality of banking services can affect the ability of banks to better compete in the market	4.88	0.68
Improving the quality of banking services can have a positive impact on profitability by achieving a competitive advantage	4.79	0.53
Strategies to improve the quality of banking services enhance banks' ability to attract new customers and thus increase profitability	4.87	0.64

Improving the quality of banking services can contribute to achieving a competitive advantage that increases profitability	4.76	0.51
Strategies to improve the quality of banking services affect the ability of banks to achieve outstanding employee satisfaction	3.55	0.69
Improving the quality of banking services can contribute to increasing revenues and thus increasing profitability	4.78	0.41
Strategies to improve the quality of banking services affect the ability to achieve a strong competitive advantage	4.36	0.65
Improving the quality of banking services can lead to an increase in market share and an increase in profitability	4.76	0.46
Strategies to improve the quality of banking services can be a catalyst for increasing profitability	4.89	0.44
Improving the quality of banking services can contribute to improving bank performance and increasing profitability	4.46	0.59
Strategies to improve the quality of banking services affect the ability to achieve superiority over competitors and thus increase profitability	4.91	0.43
Improving the quality of banking services can have a positive impact on profitability by achieving a competitive advantage	4.67	0.66

Source: Prepared by researchers based on the outputs of the SPSS program

- From the previous table, it is clear that there is a statistically significant effect between strategies for improving the quality of banking services and achieving a competitive advantage that increases profitability. Response averages ranged between 4.13 and 4.91, indicating a high degree of agreement with all items of this axis. In addition, it was noted that participants showed strong agreement on items (18, 19,20, 21, 22, 23, 24, 25, 26, 28, 29, 30, 31, 33, 34), which confirms the importance of quality improvement strategies. Banking services and achieving a competitive advantage that increases profitability.

- Also from the table, the following points can be noted:

Participants demonstrate good knowledge of the concepts of improving the quality of banking services and their impact on achieving a competitive advantage that increases profitability, as the arithmetic mean for this paragraph was 4.76 out of 5, and the low standard deviation (0.51) indicates consensus among the participants in this regard.

Participants strongly believe that strategies to improve the quality of banking services affect the ability to achieve superiority over competitors and thus increase profitability, as

the arithmetic mean for this paragraph was 4.91, and the low standard deviation (0.43) indicates agreement with the participants' opinions in this context.

- On the other hand, participants believe less strongly that strategies to improve the quality of banking services affect the ability of banks to achieve excellent employee satisfaction, as the arithmetic mean for this paragraph was 3.55. It is worth noting that the standard deviation of this item is relatively high (0.64), which indicates that there is a large variation in participants' opinions on this issue.

5- Hypothesis testing

• **Hypothesis 1: “There is a significant relationship between managing quality costs and improving the financial performance of commercial banks.”**

In order for the researchers to test the hypothesis “that there is a significant relationship between managing quality costs and improving the financial performance of commercial banks,” they used a simple linear regression equation to estimate this effect, and the results are shown in Table (7)

Table (7)

Results of the correlation coefficient and t-test of the correlation coefficient between managing quality costs and improving the financial performance of commercial banks

correlation coefficient value	T test	degree of freedom	tabular t value at a level of (5%)	Indication
0.81	12.29	71	1.90	Presence of correlation

Source: Prepared by researchers based on the outputs of the SPSS program

Based on the previous table, the t value was calculated as (12.29). This value exceeds its tabular value for the level of significance (0.05) and the degree of freedom (71), as it amounts to (1.90). Based on this, the null hypothesis is rejected and the alternative hypothesis is accepted, which indicates that there is a statistically significant correlation between managing quality costs and improving the financial performance of commercial banks. The correlation coefficient value was calculated and amounted to (0.81). This value is positive and indicates that there is a direct relationship between managing quality costs and improving the financial performance of commercial banks.

• **Testing the second hypothesis, which states (there is a statistically significant effect between strategies for improving the quality of banking services and achieving a competitive advantage that enhances profitability).**

Table (8)

Simple linear regression results of the impact of strategies for improving the quality of banking services on achieving a competitive advantage that enhances profitability

independent variable	dependent variable	Constant value	t-value for beta coefficient	Test of determination %	value of the coefficient of determination %,	Value of calculated F	significance
Quality cost management	Achieving profitability	0.21	0.38	2.85	0.79	90.83	

Source: Prepared by researchers based on the outputs of the SPSS program

After analyzing the previous table and calculating the F value, which amounted to 90.83, it appears that this value exceeds the table value for the level of significance (0.05) and the degree of freedom (71). Therefore, this indicates an impact of strategies for improving the quality of banking services on achieving a competitive advantage that enhances profitability. Based on the positive beta coefficient, it can be said that the effect is positive, that is, there is a direct relationship between the two variables. The value of the coefficient of determination was 0.79, which indicates that 79% of the changes in the application of quality cost management can be explained by achieving competitive advantage and achieving profitability. The value of the beta coefficient was 0.38, which is a positive and significant value. The t value for achieving a competitive advantage that enhances profitability was 2.85, and this value is greater than the table value for the level of significance (0.05) and the degree of freedom (71), which is 1.90. Therefore, the regression equation can be written as follows:

$$Y = 0.21 + 0.38X$$

Y: Represents the fulfillment of spirituality

X: Quality cost management

Based on the aforementioned results, it can be accepted that there is a significant, statistically significant effect between strategies for improving the quality of banking services and achieving a competitive advantage that enhances profitability.

Third: Conclusions and recommendations

1- Conclusions

1. Banks that follow appropriate strategies to improve the quality of banking services will achieve a competitive advantage and enhance profitability.
2. Deepen understanding of the relationship between quality cost management and the quality of banking services and their impact on profitability.
3. Improving the quality of products or services can improve the financial performance of organizations.
4. The importance of integrating strategies to improve the quality of banking services with competitive strategies to achieve competitive advantage and increase profitability.
5. The importance of investing in quality cost management as a means of achieving basic institutional goals.

2- Recommendations

Based on the previous conclusions, the following recommendations can be proposed:

1. Commercial banks should develop and implement effective quality cost management to reduce costs and improve the quality of services provided, which contributes to achieving improved financial performance.
2. Banks and financial institutions must develop strategies to improve the quality of banking services to outperform competitors and achieve a competitive advantage that increases profitability.
3. Banks must integrate strategies to improve the quality of banking services with other competitive strategies to ensure maximum effectiveness and efficiency in financial performance.
4. Commercial banks should invest in innovation and develop new products and services that meet customer needs and contribute to enhancing profitability and competitiveness.
5. Banks must provide continuous training and development programs for employees to enhance their capabilities in managing quality costs and effectively implementing strategies to improve the quality of services.

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