Total Quality Management and Organizational Performance of Deposit Taking Micro Finance Institutions in Nyandarua County, Kenya

Beatrice Wamaitha Wanjogu[1], Paul Waithaka[2]

[1]*MBA Student, School of Business, Kenyatta University, Kenya*
[2]*Lecturer, Department of Business Administration, School of Business, Kenyatta University, Kenya*

ABSTRACT

In Kenya, micro finance institutions have continued to grow though most of them continue to face serious financial difficulties and poor performance. The micro finance institutions have barely been able to grow the customer base and have faced stiff competition from other players in the financial sector. The firms have experienced internal inefficiencies in customer focus as the financial sector transforms powered by innovations with a change customer demand. While studies indicate that total quality management is important for businesses, there still exists a dearth of information on its effect on the organizational performance of deposit taking microfinance institutions in Nyandarua County. The study adopted a descriptive survey research design. The target population comprised 86 managers of 11 micro finance institutions in Nyandarua County, Kenya. A census approach was adopted. Primary data was collected through semi structured questionnaire and administered through the drop and pick method. Secondary data was extracted from the managements and financial reports and corporate handbooks. The study findings indicate that all the four Total Quality Managements practices (management commitment, customer focus, employee engagement and continuous improvement) affected the performance of micro finance institutions in Nyandarua County. Continuous improvement had a significant effect on the micro finance institutions performance. However, the effect of management commitment, customer focus and employee engagement on micro finance institution performance were lowly rated. The study thus concluded that among the Total Quality Management practices under considerations, continuous improvement had the most significant effect on the performance of the micro finance institutions in Nyandarua County. The study recommended that the micro finance institutions should re-evaluate the policies for quality improvements to ensure that management is fully supported to influence desired total quality. Clear guidelines on quality goals achievement should be fully disseminated to the managers to ensure that the right strategies are adopted and implemented.

Key Words: *Total Quality Management, Management Commitment, Organizational, Performance, Micro Finance*

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1. Introduction

The Micro finance sector continues to play a central role in enhancing financial inclusion key to achievement of Kenya's vision 2030. Financial inclusion is a prerequisite to economic development which is the principal goal of developing economies. Microfinance institutions (MFIs) therefore seek to enable low income people access financial services. Omwanza and Jagongo (2019) indicate that even though renowned examples like BancoSol of Indonesia and Grameen Bank were originally replicated as a collateral-free, simple credit delivery system', current microfinance sector comprises a large variety of institutional profiles which have product offerings, methodologies and mission statements that vary. According to Reed (2014) in the last two decades, adoption of microfinance is a wide financial tool addressing poverty reduction. According to the microfinance barometer report (2014), globally, the micro finance sector has experienced significant growth in the last few years with global figures showing significant growth levels with a portfolio of $87 billion in 2014 and an estimated growth of 10% in outstanding portfolio in 2015.Microfinance clients have increased to more than 204 million by 2012 from 16.5 million in 1997. However, rapid revolutionary change in global business environment has pushed MFIs to innovate internal competitive strategies for sustainability.

Regionally, the micro finance sector continues to play a critical role to the continents development offering financial services to those who are sidelined by the traditional banking system. Shu and Oney (2014) found out that in Cameroon the population's 70% rely on agriculture for their livelihood at a subsistence level and it was a clear indication that they were poor and could not access financial services hence need for micro finance institutions. According to the National Bank of Ethiopia report (2013), the number of MFIs in the country were 33 in 2013 with MFIs total capital and total asset being 5.7 billion and 24.5 billion respectively from 0.5 billion and 1.9 billion in 2005. Similarly their deposit mobilization and credit extension have witnessed a significant growth. The establishment of the micro finance system in Africa has not been without its share of shortcomings. The reserve bank of Zimbabwe reported a decrease in average net income of microfinance institutions from $ 57,646.98 in March 2015 to $ 54,467.00 in March 2016.

Microfinance institutions' barriers in developing countries relating to various microfinance initiatives' impact, outreach, sustainability and scalability can be curbed by adopting innovative strategies for maximizing sustainability and outreach (Wanyoike, 2016). Locally, the micro finance sector continuous to play a pivotal role in economic growth but their growth and performance has of late been on a downward trend. According to the Central bank report (2016), the registered micro finance banks in Kenya reported a growth of total assets as 5% which was a lower growth rate as compared to 22.1 % in 2015 and 38% in 2014. Several micro finance banks also experienced losses with Rafiki Micro Finance Bank incurring a loss of 298 million, Smep 134 million, Caritas 74 million, Remu 12million, Daraja 28million, Maisha 31million, Century 41 million and Choice Micro Finance Bank 35million.

According to Omwanza and Jagongo (2019), the downward trend in MFI growth may be due to a plethora of constraints in business operations. However, they posit that innovation in MFIs may give a provision to easily access activities that are accurate e.g money transfer, withdrawals, deposits, repayments and disbursements hence better controlling and fastening their completion with minimal room for mistakes. However, within the microfinance industry, standard format relating to the innovation set of indicators does not exists. Therefore, output approach or input approach can be used to measure innovation whereby the input approach examines happenings within an institution stimulating or innovation like the staff's experience level, staff's education level, development and research investments among others. An MFI' performance assessment is concerned with its development examination towards achieving goals. The programs' practitioners and sponsors promote impact assessment in order to understand whatever is being achieved and improve their activities' effectiveness and efficiency. The performance concept that relate to MFIs is an issue that is crucial and vital to ensure investors and donors concerning efficient and affective utilizing of Micro Finance Institution programs injected funds and aids regulators to control and monitor the MFIs.

MFIs that are ineffective posit a major constraint on microfinance industry development and therefore, for managing MFIs, performance measurement is an important tool and a requirement for sustainability. According to Iqbal, Huq andBhutta (2018), the adoption of TQM has been heralded to enhance organizational performance of the organizations. In ensure the firms' peak performance, total quality management in the institutions have indicated to be a key strategic approach. Microfinance institutions have not been performing well in the global setting. The same problem of poor performance cascades down to the regional and African micro finance institutions. Nyandarua County is among Kenya's 47 counties and is located in the defunct central province of kenya. It borders Nakuru to the west and south west, Lakipia county to the north and north east, Muran'ga and Nyeri to the east, and Kiambu to the south. The agriculturally rich county' coverage is 3,245.3 square kilometers and has a population of about 596,200 people. The county is clustered into five administrative units (constituencies) namely OlKalou, Kinangop, Kipipiri, Ndaragwa and OlJoroOrok. The county has a total of 11 active micro finance institutions operating within its borders. Reports have indicated that MFIs in the county have not been performing very well in the recent period. This is despite the county being highly production especially in agriculture as farmers are the main clientele for MFIs.

2. Statement of the Problem

Microfinance institutions have continued to play an instrumental role in growing economy of Kenya enabling the low income class to have access to financial services (Aduda and Kalunda, 2012). In Kenya, micro finance institutions have continued to grow though most of them are facing financial difficulties and experiencing losses. In the financial year 2015/2016, most of the micro finance players experienced losses with Rafiki Micro Finance Bank incurring a loss of 298 million, Smep 134 million, Caritas 74 million, Remu 12million, Daraja 28million, Maisha 31million, Century 41 million and Choice Micro Finance Bank 35million (CBK report 2016). Mutua and Kiruthu (2014) observes that while studies have been done on this subject, there still exists a lot of unresolved issues on the role played TQM practices implementation on organizational performance. Mukonyo (2014) studied total quality management practices and micro finance institution performance. Nevertheless, the study focused narrowly on at employee commitment customer focus and leadership as the variables of TQM practices and established a positive relationship.

Wanyoike (2016) researched on quality management practices and Kenyan manufacturing firms' performance and found a positive correlation. The study targeted manufacturing firms thus need to shift focus to the service sectors which is inadequately covered. Min, Homaid, Minai, and Zain (2016) researched on TQM practices and microfinance institutions' performance in Yemen and concluded that MFIs' performance was significantly affected by TQM. As noted, there is a diminishing growth trend among MFIs in Kenya. However though, studies have not conclusively illuminated the internal environment contributory challenges. Further, limited studies on TQM relationship with MFIs organizational performance indicate a dearth of information on the subject matter, presenting a contextual gap on the need to conduct evidence based research. To effectively provide empirical evidence for corporate decision making on this area, the current study sought to establish the relationship between total quality management and micro finance institutions' performance in Nyandarua County.

3. Objectives of the Study

To determine the effect of total quality management .on performance of micro finance institutions in Nyandarua County, Kenya.

The study was guided by the following specific objectives.

i) To determine the effect of management commitment on performance of micro finance institutions in Nyandarua County, Kenya
ii) To establish the effect of customer focus on performance of micro finance institutions in Nyandarua County, Kenya.
iii) To determine the effect of employee engagement on performance of micro finance institutions in Nyandarua County, Kenya.
iv) To establish the effect of continuous improvement on performance of micro finance institutions in Nyandarua County, Kenya.

4. Theoretical Literature Review

A highlight of existing theories that guided the study is provided here. The study was underpinned on the following theories: Deming's quality improvement theory, Crosby theory and Juran's quality theory.

4.1 Deming's Theory

It was proposed by Deming (1986) and provides a framework for planned quality improvement in an organisational setting. Among the key work contributions of the theorists are; the fourteen principles of management, the Shewart Cycle (Plan-Do-Check-Act) and the profound knowledge system. In the system of profound knowledge, four main components of quality improvement are discussed; psychology knowledge- understanding of human nature, knowledge theory (understanding of what can be known), variation knowledge (the understanding of the variations and its causes) and finally system appreciation (understanding of how the company system works).

Thus as Boaden, Harvey, Moxham and Proudlove (2008) highlight, the organizational management therefore needs to appreciate the significance of each of the four basic pillars to impact on the quality management system's success. The system of profound knowledge contributions are considered key in transforming individuals in organizations and as a result positively influence the quality improvement efforts. The system appreciation pillar seems to advocate for implementation of employee engagement programs and inculcation of the organizational learning culture. In essence, the system appreciation proposition holds that the organizational teams needs to appreciate or understand the total quality management system and integral parts in order to effectively make contribution to continuous improvement (Antony &Preece, 2002).

On knowledge about variation, proponents of the theoretical framework suggest that the organizational leaders should be empowered to detect what causes system variation, whether common or special causes which can help them device ways to eliminate variations and enhance quality (Kulak & Li, 2017). The theory of knowledge is about constant search for factual understanding of the present conditions and creative pursuit of better solutions for continuous improvement. The knowledge approach affirms the need to fix challenges and observations as a continuous process rather than as a onetime end which is a prerequisite for system failure. On knowledge of psychology precinct, the theorists assert that managers require knowledge of psychology in order to effectively implement quality improvement initiatives. They need to recognize the drivers of motivation among team members and have outstanding conflict management skills. Thus, the precinct is about management support and commitment (Ross, 2017).

According to Chvala and Johnson (2017), the theory of profound knowledge is intertwined with Deming's fourteen principles of management widely applied in improving the quality of organizations based on unique ideas which include: new philosophies, continuous production, leadership, departmental integration, quality based goals and employee training and support. Application of the fourteen principles the theorists hold, have a ramification in shaping the direction of a firm's performance. Another product of the theorists is the Plan-Do-Check-Act (PDCA) which is a cycle formulated for constant improvement where objectives are outlined, implemented, checked and acted on before returning to the planning stage (Johnson, 2016). The theory informs on the effects of improvement strategies on operation as within an organization. The introduction of TQM is likely to create disruption and new approaches that employees must adhere to. This thus theory was important in the analysis of different aspects of total quality management including continuous improvement, employee engagement, management commitment, customer focus, organisational learning and how they affect performance of Micro Finance Institutions.

4.2 Juran Theory

Juran (1964) proposed the theory which presents methods that if effectively applied, would enhance the quality management process and ultimately organizational performance. The theory is focused on management responsibility for quality, issues in organizations, planning and the need for improvement. An emphasis is laid on need for quality planning as the key element in achieving successful quality control and quality improvement (Neyestani, 2017). The fundamental tools or methodologies designed by the theorists for quality improvement include the Juran's Trilology, Juran's Three Steps to Progress and Juran's Ten Points of Quality Improvement. The Quality Trilogy associated with Juran (1986), is founded on the premise that quality management comprises of three key quality focused processes which are: quality improvement, quality control and quality planning (Beckford, 2016). Further, it is indicated that in order to achieve quality planning, the following steps should be involved; assessment of customer needs, involvement of key stakeholders, making quality goals, setting measurements of quality, inputting a planning process and producing improved market share results (Kiran, 2016).

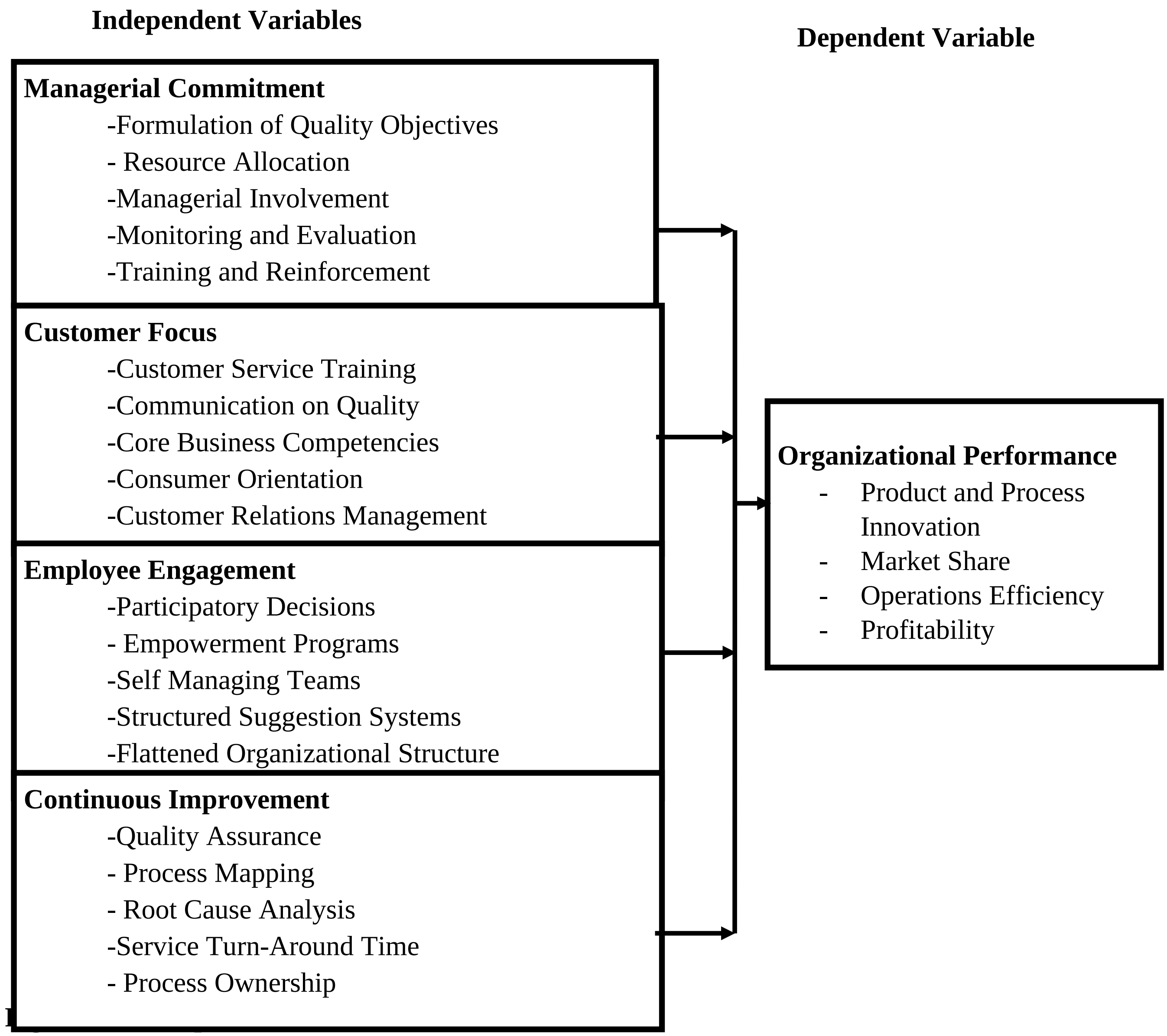
Neyestani (2017) observes that the theory blames poor quality on management and not employees for poor performance arguing that in order to achieve desired quality results, management must set specific goals, establishing plans to achieve the goals, assign responsibilities equitably and rewarding achievements. According to Langabeer (2018), the theorists further advocate for continuous training to start at the management level. While focusing on planning, issues in organizations, management responsibility for quality and the need for improvement, this theory triggers thoughts on how management commitment and employees stewardship may be crucial determinants of effective TQM implementation. End effects on the performance of organization are underpinned through this theory on management effectiveness. This theory thus helped in understanding deeply the effect TQM variables on performance.

4.3 Crosby Theory

The theory was proposed by Crosby (1984) and sets emphasis on the standard of doing things right, right from the first go. The theorists popularised this theoretical foundation as 'Doing It Right the First Time' which they regarded as the solution to the quality crisis. Based on Goetsch and Davis (2014), quality presentation is as the faultless conformity of the firm's product to customer tastes and demands. Thus, customer focus plays a significant role to the realisation of not only TQM success but also overall organizational performance. Crosby presented the fourteen steps for improving quality and the four quality management absolutes (Neyestani, 2017). Androniceanu (2017) presents quality as the conformity to certain specifications set by management where specifications are set according to customer need and wants. The theory presents the fourteen steps for quality improvement which include; management total commitment, quality measurement, evaluation of quality costs, ensuring zero defects, supervisors and employee training, goal setting schedules, error eradication, providing incentives to employees and holding quality control meetings. According to Dale, Y-Wu, Zairi, Williams and Van der Wiele (2001), the four absolutes to quality management as; quality measured by the nonconformity price, zero defects is the performance standard for quality, prevention is the best way of ensuring quality and defining quality as adherence to requirements. Beckford (2016) views management commitment as the key element to improvement of quality as their commitment would be viewed as being role models in the organization and consequently the other employees would follow suit. The theorists also give special emphasis on employee engagement as providing the right training and education would lead to efficiency and hence improved quality and reduction of human resource wastages (Gupta, Starr, & Robertson, 2017).The management should be committed to undertake swift corrective action for problems highlighted in the system (Langabeer, 2018). The theory focus on quality empowered formulation of constructs for organizational performance based on quality and customer

5. Conceptual Framework

It is a diagrammatic expression representation of the relationship that exist among the variables in the study. The hypothesized relationship between TQM variables and Organizational Performance is illustrated.



Source: *Researcher (2019)*

The conceptual framework indicates how the dependent variable (organizational performance) relate with the independent variables the TQM factors of employee engagement, customer focus, management commitment and continuous improvement. Performance metrics revolve around operations efficiency about product quality development to suit customer needs. Further measure is on whether new products create higher demand and revenues for the organization transcending to business profitability, sustainability and growth of the firms. TQM factors affecting organizational performance of MFIs were evaluated. Management commitment is critical in providing stewardship in TQM implementation. How leadership styles, decision making, teamwork management as well as monitoring and evaluation of TQM implementation and effect on performance of MFIs shall be evaluated. Customer focus effect on organization performance shall be evaluated with a focus on quality management change strategy to ensure customer satisfaction. The employees are significantly engaged in TQM implementation. Their capacity, engagement levels as well as the firms' organizational culture factors shall be evaluated to establish effect on organizational performance. Continues improvement is a major tenet of TQM and is expected to enhance product quality based on market needs. Its influence on organizational performance was assessed along factors of process development and quality assurance.

6. Research Methodology

Descriptive survey research design was applied. According to Jackson (2015) descriptive survey research design answers descriptive research questions of what, how and where. The research design helps to acquire information regarding the phenomena current status and describes the variables in the study. Descriptive survey research requires the researcher to observe the variables relationship without changing anything in that environment (Sekaran & Bougie, 2010). The primary aim of descriptive design is to represent validly and precisely the factors relating and that are relevant to the research objectives and questions (Saunders, Lewis & Thornhill, 2009). Through descriptive design, the study provided data on actual situations, that were describe as they are by respondents. This was social study and the design was suitable as participants were expected to give an explanation of the aspects total quality management and deposit taking MFIs' organizational performance in Nyandarua County.

The target population was 11 micro finance institutions in Nyandarua County, Kenya. The respondents comprised of Branch Managers, Operational Managers, Credit Managers, Risk Managers, Human Resource Managers, Finance Managers, Marketing Managers and Customer Relationship Manager. Hence, 86 respondents were targeted. A census approach was adopted to subject all deposit taking MFIs to study. The current research used primary data resources. Data was collected using semi-structured questionnaires which comprised of close-ended and some open-ended questions since the study was a quantitative one. Descriptive and inferential analysis was adopted by the current study. Means and standard deviations were applied for the descriptive statistics. Inferential analysis techniques included multiple regression analysis and Pearson correlation analysis. Descriptive statistics, in isolation do not allow the researcher to generalize or inferences to the entire population. As such, the application of inferential statistics helped in making inferences and effectively explain the relationship between variables.

7. Data Analysis Results

The relationship between the variables was established using correlation and regression analysis. The variables' association was measured through correlation analysis. Cohen, Manion and Morrison (2011) indicate that the correlation coefficient values are always -1 to +1. -1 correlation coefficient is an indication that two variables are related perfectly in a negative linear sense; a +1 coefficient shows that two variables are related perfectly in a positive linear sense, and a 0 coefficient value is an indication that the two variables have no linear association.

Table 1 Correlation Analysis

		Management Commitment	Customer Focus	Employees Engagement	Continuous Improvement	rmance of MFIs
Management Commitment	**Pearson Correlation**	0.00				
	Sig. (2-tailed)					

		Management Commitment	Customer Focus	Employees Engagement	Continuous Improvement	rmance of MFIs
Customer Focus	**Pearson Correlation**	.53	0.00			
	Sig. (2-tailed)	.000				
Employees Engagement	**Pearson Correlation**	.71	.77	0.00		
	Sig. (2-tailed)	.000	.000			
Continuous Improvement	**Pearson Correlation**	.81	.69	.88	0.00	
	Sig. (2-tailed)	.000	.000	.000		
	Sig. (2-tailed)	.000	.000	.000	.000	
Performance of MFIs	**Pearson Correlation**	.55	.53	.71	.83	
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	85	85	85	85	

Source: Survey Data (2019)

The correlation findings indicate that the dependent variable and independent variables positively relate. All of them were significant at a confidence level of 95%. The correlation analysis shows that management commitment had a fair and a 0.55 positive correlation coefficient with a p-value at 0.000 < 0.05. This reveals that increase in management commitment leads to significant improvement in MFIs performance. Employee engagement and continuous improvement had a positive correlation coefficient of 0.71 and 0.83 with p-values p value 0.000 < 0.05 respectively. These results indicate a positive relationship between total quality management and organizational performance of MFIs in Nyandarua County.

Table 2 Determination Coefficient

Model	R	R Square	Adjusted R Squared	The Estimate's Std. Error
1	0.805	0.767	0.744	0.32587

Source: Survey Data (2019)

The above findings indicate that the adjusted R squared value was 0.744, meaning that organizational performance of MFIs in Nyandarua County had variation of 74.4 % as a result of changes on independent variables at confidence interval of 95%. This is an indication that 74.4% changes in MFIs' organizational performance in Nyandarua County could be accounted to changes in total quality management under study. This implies that the total quality management aspects (management commitment, customer focus, employee's engagement and continuous improvement) are very critical to organizational performance of MFIs in Nyandarua County.

ANOVA test was conducted to determine t the significant relationship between TQM and MFIs' organizational performance.

Table 3 ANOVA Analysis

Model		Sum of Squares	d.f	Mean Square	f	Sig.
1	Regression	8.884	4	2.221	22.210	0.000
	Residual	4.615	46	0.100		
	Total	**13.499**	**50**			

Source: Survey Data (2019)

The ANOVA analysis shows that the 0.000 significance value is less than 0.05. The implies that in predicting the extent to which management commitment, continuous improvement, employee's engagement and customer focus affected MFIs' organizational performance in Nyandarua County, the model was statistically significant.

Multiple regression analysis was done in order to determine the effects of total quality management on MFIs' organizational performance in Nyandarua County. In testing the influence among predictor variables, multiple regression analysis was used. In coding, entering and computation of the multiple regression measurements, SPSS V 21.0 was used.

Table 4 Model Coefficients

Model	Un standardized Coefficients		Standardized coefficients	T	Sig
	B	Std. Error	Beta		
Constant	0.508	1.131		1.333	0.001
Management Commitment	0.393	0.117	0.203	2.513	0.045
Customer Focus	0.347	0.147	0.277	2.398	0.033
Employees Engagement	0.351	0.141	0.274	2.492	0.002
Continuous improvement	0.394	0.107	0.397	3.675	0.021

Source: Survey Data (2019)

The results indicate that holding the independent factors constant at zero, organizational performance of MFIs in Nyandarua County would be at 0.508. Further, an increase in MFI performance by a factor of 0.393 would result from a unit increase in management commitment, a unit increment in customer focus by a 0.347 factor, a unit increment in employee's engagement by a 0.351 factor, and a unit increment in continuous improvement by a factors of0.394. Generally, the study established a positive and significant relationship between total quality management and performance of the MFIs in Nyandarua County. Continuous improvement was found to highly affect the MFIs performance. Thus, continuous improvement would initiate a greater increase in organizational performance upon change management implementation in the firms. Notably, the variables had less than ($p<0.05$) values hence they were all significant. The results support the descriptive statistics and thus establish that total quality management of management commitment, customer focus, employee's engagement and continuous improvement affect the organizational performance of MFIs in Nyandarua County. The results concur with past studies by Panuwatwanich and Nguyen (2017), Onyango (2016) and Keinan and Karugu (2018) that firms' performance was influenced positively by total quality management. Thus, in enhancing organizational performance, TQM was and is a significant factor as it improves efficiencies along business operations of the MFIs in Nyandarua County, Kenya.

8. Conclusions

The concepts and philosophy of TQM have been accepted by many successful organizations and is recognize as a tool that continuously generating the improvements in quality and hence, provide the competitive advantage to the organization. Through quality management, organizations may strategize on re-adjustments to improve organizational performance. MFIs are mandated to attain some performance conditions that are designed to woe investors. With external conditionality‘s in place, there is a great likelihood of the organizations to drift from their original mission of alleviating poverty. The focus of the leader is key in ensuring quality management enhance achievement of the financial and social goals of the MFIs. The study findings indicate that all the four TQM factors (management commitment, customer focus, employee engagement and continuous improvement affected the performance of MFIs in Nyandarua County. Continuous improvement had a significant effect on the MFIs performance. However,the effect of management commitment, customer focus and employee engagement on MFIs performance were lowly rated. Institutional factors inhibited management commitment to quality initiatives. Customer focus was constrained by ineffective external communication channels as well as stakeholder capacity building. The engagement of employees in quality improvements initiatives was constrained by low involvement of the staff in quality management formulation process and team building initiatives among the MFIs. The study thus concludes that among the TQM factors under considerations, continuous improvement has the most significant effect on the performance of the MFIs in Nyandarua County.

9. Recommendations

Upon findings and conclusions, the study recommends that first; the MFIs should re-evaluate the policies for quality management to ensure that management is fully supported to effect desired quality improvements. Clear guidelines on quality goals achievement should be fully disseminated to the managers to ensure that the right strategies are adopted and implemented. Secondly, the MFIs should allocate sufficient resources for research and development to enable managers undertake surveys on quality needs in the organizations. Further, the managers should be facilitated to learn from best practices locally and abroad to enable effective quality processes. Sufficient funds should also be availed for implementation, monitoring and evaluation of quality improvements processes to ensure achievement of set quality goals. Thirdly, the MFIs should invest in the best information dissemination channels that ensure effective outreach and communication with the customers and other stakeholders. With modern technological innovations in ICT, the MFIs may be able to enhance external communication. Enhancing communication shall enable the firms to improve brand image, customer feedback, delivery times and customer satisfaction. Fourthly, MFIs should invest in employee's capacity building to ensure that quality tasks are effectively undertaken with matching skills of the staff. In case of developing technologies, management may organize trainings for the staff to enable quick implementation of the quality and to the precise expectations. Further, managers should adopt team-work initiatives that ensure the employees work together in effecting quality improvements. Last but not least, MFIs should prepare all stakeholders for quality improvement to mitigate resistance to change effects in the implementation stages. This would ensure that quality is timely, owned by all stakeholders, and willingness to effective implementation of quality programme.

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