

# Haengbok bancorp essay sample

Finance



**ASSIGN  
BUSTER**

Bonuses are based off of accounting profits. Managers might see this as a problem, because they are being charged with the expenses being incurred for loans, but also includes the cost of funding the loans. The managers have no direct control over these costs, because the costs are heavily influenced by the rates that HB head office sets in Korea. Recommendation: The bonuses should be based on each managers ability to attract new customers and a percentage of revenue HB makes. The managers should operate as a revenue center. Managers had free reign to go out and approach potential clients and try to get their business as long as they booked good deals. Managers may try to focus on issuing loans under \$5mil, because those have a greater chance of being approved, and not have to be approved by HB in Seoul. Managers will be able to earn a bonus by issuing many smaller loans, as oppose to fewer big loans.

When HB is looking at criteria that are not part of the loan process, managers may become discouraged. They are doing their job correctly, but are not being rewarded for it, because outside factors are discouraging management to approve loans. Goals are incongruent, and perhaps will lead to lack of direction from top management to managers. The multiple committees represent a preaction review. With approval at more than one level and then rejection of loan at the final committee hearing is not motivational. DEFINITION of ' Cost of Funds'

The interest rate paid by financial institutions for the funds that they deploy in their business. The cost of funds is one of the most important input costs for a financial institution, since a lower cost will generate better returns when the funds are deployed in the form of short-term and long-term loans to

borrowers. The spread between the cost of funds and the interest rate charged to borrowers represents one of the main sources of profit for most financial institutions.