

# [Rural bank of suares case study](https://assignbuster.com/rural-bank-of-suares-case-study/)

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Case #1 Rural Bank of Suares I. Point of View We would take the point of view of a controlling stockholder of Rural Bank of Suares. By using this point of view, we would have a more cautious in the process of decision making because it would be like our money which would be put on the proposed investment.

Having a role playing would give us a feel of what it feels like to be involved in these kinds of situation. II. Analysis of the Case Situation MacroEnvironment ? Economic Growth (assuming that the P2, 000, 000 investment had given good returns) Industry/Environment ? No competition in the town of Suares ? Market pportunities for loans and deposits in the capital city ? Stable demand for bank services ? Existence of huge and small bank players in the capital city Company ? Catering small loans ? 23 years of existence ? Numerous current borrowers are residents of the capital city ? Location is 25KM away from the capital city III. Problem Statement Expansion in banking and other activities in Suares is no longer feasible. There are uncollected loans.

Larger market for loans and deposits in the capital city The bank is too far from the capital city where some customers are living The main problem: What actions/development ust be implemented for the bank’s 23 years of existence in the town of Suares? IV. SWOT Analysis STRENGTHS ? has built a good reputation in Suares ? caters small loans ? has been in the business for 23 years ? loyalty of customers ? good service WEAKNESS ? has no other branch ? limited loanable funds ? nameless in the capital city ? no readily available funds for expansion OPPORTUNITIES ? Many borrowers are residents of the capital city ? Huge bank players don’t entertain small loans ? Available market niche ? Larger market/population in the capital city THREATS ? Existence of competitors in the capital city big banks in terms of credibility; small banks in terms of catering small loans) ? 25 kilometers away from the capital city \*Refer to Table1 for the SWOT Matrix V. Formulation and Evaluation of Alternative Solutions to the Problem No Expansion. Focus all resources on RBS i. Advantage 1.

No expenses 2. No risks 3. No problems related with expansion ii. Disadvantage 1. No improvement 2.

Customers may no longer patronize RBS and shift to competing banks in the capital city No Expansion but the bank’s name would be changed to “ Development Bank of Mindanao” or something more attractive i. Advantage 1. Attract new ustomers 2. Create new market niche due to changing of image of the bank 3. No huge expenses 4.

No problems with expansion ii. Disadvantage 1. Have to establish new name and reputation 2. May lose loyal customers 3. People may question the stability of the bank 4. Arranging of legal documents with DTI, SEC, PDIC, and other related institutions 5.

Customers may no longer patronize the bank and shift to competing banks in the capital city despite the change of business name Expansion. Renting a building in the capital city. Maintain the name i. Advantage 1. Lower initial cost 2.

May easily get out (if business ould be unstable) 3. The building is already available, no more need for making plans for the appearance and structure of the building 4. Business operation would start faster 5. Availability of market niche 6. Customers from Suares who lives in the capital city would be the starting market 7.

Creation of employment opportunities 8. Small loans would be catered ii. Disadvantage 1. Possibility of increase in rental 2. Rent will depend on the business type.

Since banking is profitable, rent would be higher. 3. Limited choice of location 4. Limited parking space (for customers) 5. More complicated managing system compared to only one branch) Expansion. Renting a building in the capital city.

Change the name to “ Development Bank of Mindanao” or something more attractive i. Advantage 1. Lower initial cost 2. May easily get out (if business would be unstable) 3. The building is already available, no more need for making plans for the appearance and structure of the building 4.

Business operation would start faster 5. Creating a new market niche due to changing the name of the bank 6. Will have a more attractive and inviting name 7. Chance of having a new image 8. Small loans would be catered 9.

Creation of employment pportunities in the capital city ii. Disadvantage 1. Possibility of increase in rental 2. Rent will depend on the business type. Since banking is profitable, rent would be higher.

3. Limited choice of location 4. Limited parking space (for customers) 5. More complicated managing system (compared to only one branch) 6. Have to establish a new name/reputation 7. May lose loyal customers 8.

People may question the stability of the bank 9. Arranging of legal documents with DTI, SEC, PDIC, and other related institutions Expansion. Buy a lot. Create a building. Maintain the name.

i. Advantage 1. RBS will be able to elebrate its 25th year with a new building 2. Better image to customers 3. Extra space could be a source of additional income 4. Land appreciates faster (good investment) 5.

Customers from Suares who lives in the capital city would be the starting market 6. Able to design their dream building 7. Creation of employment opportunities in the capital city ii. Disadvantage 1. High initial cost/investment 2.

Hard to find an ideal location for the business (urban area) 3. Risky investment 4. Hiring more man-­? power= additional cost (engineers, architect etc. ) 5. Business operation would take longer time to start . Customers may be intimidated 7.

Could stimulate banking competition 8. More complicated managing system (compared to only one branch) Expansion. Buy a lot. Create a building. Change the name to “ Development Bank of Mindanao” or something more attractive.

i. Advantage 1. RBS will be able to celebrate its 25th year with a new building 2. Better image to customers 3. Extra space could be a source of additional income 4. Land appreciates faster (good investment) 5.

Able to design their dream building 6. Creation of employment opportunities in the capital city 7. Creating a new market niche due to changing the ame of the bank ii. Disadvantage 1. High initial cost/investment 2. People may question the stability of the bank 3.

Arranging of legal documents with DTI, SEC, PDIC, and other related institutions 4. Have to establish a new name/reputation 5. May lose loyal customers 6. Hard to find an ideal location for the business (urban area) 7. Risky investment 8.

Hiring more man-­? power= additional cost (engineers, architect etc. ) 9. Business operation would take longer time to start 10. Customers may be intimidated 11. Could stimulate banking competition 12.

More complicated managing system (compared to only one ranch) VI. Decision and Recommendation Option #4 – Expansion. Rent a Building. Change the name to “ Development Bank of Mindanao” or something more attractive. ? Having a new name will give a fresh start to the bank since they will have a branch in the city. By this, the new bank, together with its name, will attract new customers while maintaing the old and loyal ones because they know that it’s still the same bank that they are patronizing.

? The main goal of creating a branch is expansion. Renting a building is just the first step. With this action, we will be able to know how the banking system in a city orks without putting a lot of our assets on the line. Instead of hastily investing our money into creating a new building of our own, it would be better to check first the status of banking industry in that particular location. Then if it shows a good sign, maybe we have to consider taking the next step, which is buying a lot and creating a new building.

But as of now, knowing only so much about the market, we must test the waters because of some uncertainties. VII. Implementation Plan Start organizing and implementing this plan ASAP (including the paper works, hiring of employees, canvassing of available uildings, etc.. ) A P2M fund to be generated internally After five years, asses the performance of the establishment. If the business is doing well and creating a new building shows feasibility, then make a new plan.

VIII. Contingency Plan Option #1 – No expansion. Maintain the name. ? If things would get unsteady during the process of expansion, maybe the best thing to do is to maintain the current situation. We will just have to think of better alternatives and actions. After all, we won’t be losing anything if we would do expansion.

Table1. SWOT Matrix STRENGTHS • OPPORTUNITIES Existing borrowers in the ity would be a good start for the market in the city. Market niche on the small loans. Use the nearing 25th anniversary to advertise the credibility of the bank. Use the good service of the bank to gain more customers through advertisements and promotions. Get a loan on the huge bank players in the city for the expansion project.

Market niche to establish name in the city. Start the market by catering the usual borrowers from the city. • • • THREATS Increase promotions Use the good reputation of the bank as a weapon in the stiff competition in the city. Put up a branch in the city to give a better service o the residents of the city. • • • • • • Put up a branch in the city Secure loans from the huge bank players to cover up for RBS’s limited funds. Increase promotion WEAKNESS • • • CASE STUDY #1 Rural Banks of Suares A case study submitted to Mr.

Zapata as partial fulfilment of the requirements in MGT101 (Fundamentals of Management) First Semester 2009-­? 2010, University of the Philippines Los Banos, College, Laguna Submitted by Group2 on August 11, 2009 Arbie Jay J. Briones Ciara Claire V. San Buenaventura Jovelle G. Dimaculangan Jeriah R. Hintay Jonathan David L. Movillon Juan Miguel Paolo C.

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