

# caja espana: managing branches to sell essay sample

[Economics](#), [Money](#)



Gradedefs more profitable than Madrid-Barrio branch. Using adjustment rates can help better measure performance of value creation. 3. The financial margin is based on the calculation below:

Financial Margin

= ITDY-ICDY

= ICLX-ITLX

Based on the information in the Question 1, the checking account is most profitable (margin= 4. 01%-0. 1%). Thus, the branches may try their best to attract customers to deposit money in the branch. Also, because the ITLX is based on the condition of loan and the risk of the client, loan with good quality customers will require less payment to the pool of funds and therefore bring in better return to the branches. In this way, branches may have more motivation to do credibility detection on the customers. 1. Branches will accept the client as more as possible without taking their credibility into consideration.

Branches will know which product will bring in more profit for them and also focus more on the customers' credibility.

If the adjustment rate is updated monthly, regarding the loan to the clients, when interest rate increases, the branch managers will be penalized even if he made the best decision for la Caja in the past. On the other hand, when it comes to the deposit of the clients, when interest rate decreases, the branch managers will also be penalized. Therefore, we suggest the Caja to update the adjustment rate just for the new product since the IT system can deal with multiple rates by attaching a rate to each product.

Owing to the unattractive high interest rates on mortgage, it is now difficult for Caja Espana to build a large enough portfolio of long-term fixed rate mortgage. (B) Apparently that branch managers will not sell mortgage aggressively because customers are fixated on low variable rate and managers cannot control product pricing. Once ALC decides to sell fixed-rate mortgage more, all of the measures mentioned here have to be used: to subsidize adjustment rate by SIC, to set a volume target with incentives (c. f. commission) to the branch managers, to authorize branch managers to control product pricing at certain ranges, and also to develop a attractive hybrid mortgage product to the customers.