

Analyzing the Effectiveness of Value Propositions in The Rural Banking Industry: A Case Study of Gm Bank of Luzon, Inc.

Roldan Q. Almazan¹, Kanra Buena B. Hipolito², Caironnisah P. Madale³, and Felipe E. Balaria⁴

^{1,2,3,4}Nueva Ecija University of Science and Technology, Sumacab Campus, Philippines

Abstract— In the ever-evolving landscape of the banking industry, the effectiveness of value propositions stands as a key determinant of customer engagement and organizational success. This research undertakes a comprehensive analysis of the effectiveness of value propositions in the banking sector. The study employs a mixed-methods approach, combining quantitative assessments of financial performance metrics with qualitative investigations into customer perceptions and preferences. With a focus on understanding how value propositions resonate with diverse customer segments, the research aims to identify the factors that contribute to or hinder the effectiveness of these strategic offerings. Special attention will be given to the role of technology in shaping contemporary value propositions, as digital innovations continue to transform the way banking services are delivered and perceived by customers. The study also delves into the impact of regulatory frameworks on the formulation and implementation of value propositions within the banking industry. By exploring the regulatory landscape, the research seeks to uncover the opportunities and constraints that financial institutions face in crafting compelling value propositions while ensuring compliance with industry regulations. Anticipated outcomes include insights into the alignment of value propositions with customer expectations, the influence of technological advancements, and the regulatory nuances that shape the effectiveness of value propositions in the banking sector. These findings will be invaluable for banking executives, marketing strategists, and policymakers as they seek to refine and optimize value propositions for enhanced customer satisfaction and sustained competitiveness in the dynamic banking environment.

Keywords— Rural Banks, SWOT Analysis, dynamic banking environment, regulatory landscape, value propositions.

I. INTRODUCTION

The rural banking sector is a crucial element in the broader financial framework, playing a central role in nurturing economic development and promoting financial inclusion in rural locales. In contrast to their urban counterparts, rural regions face distinctive challenges, including lower income levels, limited access to financial services, and a reliance on traditional livelihoods like agriculture. As financial institutions extend their services to these underserved areas, understanding the intricacies of the rural banking industry becomes imperative.

The GM Bank of Luzon, Inc. (GM Bank) envisions having the economic resources in its areas of operation be enjoyed not only by the wealthy but also by the poor majority of the community. It is compelled by its mission and vision

to reach the rural areas of the region where delivery of credit facilities is difficult; to stay side by side with farmers and rural folks who cannot obtain financial services from commercial banks; and to remain as an able partner in the agro-industrial growth of the far-flung areas of the region. GM Bank, Inc was established in 2004, following the consolidation of the Community Rural Bank Inc. (CRBI) and the Muñoz Rural Bank Inc. (MRBI) in Nueva Ecija. It later acquired the Small and Medium Enterprises Bank (SME) in 2008. With its head office in Cabanatuan City, it currently has branches in Nueva Ecija, Bulacan, Tarlac, Pangasinan, and Pampanga. It also has an affiliate bank, the Bangko Luzon Inc., based in San Isidro, Nueva Ecija, with branches at Cabanatuan, Cabiao, San Antonio, Sta. Rosa and Gapan. Effective 1 December 2010, the banking activities and transactions of GM Bank, Inc. and Bangko Luzon, Inc. have been consolidated under the corporate name GM Bank of Luzon, Inc. It has 43 Branches and three Branchlites situated across the North and Central Luzon area. It also had a sister rural bank that was merged in November of 2021, the Rural Bank of Limay, Inc. which had one Head Office situated in Limay, Bataan and four branches in Bataan (Balanga and Limay) and Pampanga Areas (Porac and Lubao).

II. OBJECTIVES

This study is conducted to analyse GM Bank's management strategies and propose a strategic plan that will align all its business core functions and processes.

A. General Objective

To come up with a Strategic Plan that will align GM Bank's core business functions to achieve maximum profitability.

B. Specific Objectives

1. To review and understand the bank's history, organizational background and goals;
2. To analyze the background and struggles of the sector or industry the company belongs to;
3. To assess the bank's Strengths and Opportunities by analyzing its internal environment through its functional areas of management;
4. To assess the bank's Weaknesses and Threats by analyzing its external environment;
5. To develop strategies arising from the company's SWOT analysis and matrices; and
6. To formulate a strategy to GM Bank of Luzon, Inc. and recommend a crafted implementation plan.

III. SCOPE AND DELIMITATION

This study primarily aims to help GM Bank identify its primary strengths and weaknesses; threats and opportunities that will help it regain its momentum as an aggressive rural bank that can maximize its resources and market share.

A. Scope

The scope of the study will focus on GM Bank's core functions which are Marketing, Finance, Information Technology, Bank Operations and Human Resources and determine key factors that are holistically affecting each aspect to identify the best strategy for company dynamics.

The study also aims to analyze the external environment and influences of GM Bank to maximize the opportunities and effective management of threats that may further affect the financials of the bank.

B. Delimitations

The primary limitation of this study is the weight the BSP puts on Data Privacy and Information Security of Bank's information such as but not limited to the Bank's Core Banking System and information related to its employees and clients.

Furthermore, the scope of the study is only enclosed to the GM Bank Organization and may not include/disclose information from the related party transactions from Directors, Officers, Stockholders and Related Interests (DOSRI).

IV. METHODOLOGY

A. Research Design

The researcher will aim to use Qualitative Analysis of Data from both primary and secondary sources. Primary sources will be gathered by the researcher through interviews for in-depth information from key officials of the bank.

To expound on the qualitative approach of the researcher the following specific methods will be used to achieve objectives:

1. One-on-one Interview. Through this process, the researcher will be able to gather first-hand information from key bank officers and employees to validate the internal assessment of the study.
2. Observation Process. The researcher being a part of GM Bank's community, and has been with the company for a significant number of years (7 Years), it is just to gather information based on the bank's management strategies over the past years.
3. S-W-O-T Analysis. The researcher will utilize the use of SWOT analysis to have a better understanding of the organization and its business environment

V. RESULTS AND DISCUSSION

The Researcher conducts interviews with 15 Key officers of GM Bank of Luzon to support this study. This section will showcase how the data gathered affects the value propositions of the GM Bank through the SWOT Analysis.

Part 1. Respondents' Profile

Table 1: Respondents' Distribution Based on Age

Age	Frequency	Percentage
25-35	4	26.67
36-45	9	60

46-55	2	13.33
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The table above shows that the ages 36 to 45 is the largest group of respondents, while smaller percentages are distributed across ages 46 to 55 with 13.33%.

Table 2: Respondents' Distribution Based on their Gender

Gender	Frequency	Percentage
Male	9	60
Female	6	40

The majority of respondents, 60%, are male, while 40% are female, indicating a higher representation of males as presented in the table above.

Table 3: Respondents' Distribution Based on their Gender

Designation	Frequency	Percentage
Supervisory to Assistant Manager	2	13.33
Manager and above	13	86.67

The table above shows the respondents' distribution based on their designation, among the entire population, 86.67% of the respondents are from Manager and above, while 13.37% are from supervisor to assistant managers.

Table 4: Respondent's' Distribution Based on their Department

Department	Frequency	Percentage
Marketing (Branch Banking, Microfinance, and Remedial)	6	40
Administrative Support (Human Resources, Financial and Accounting, Treasury, and IT)	4	26.67
Branch Support (Loans Administration, and Credit)	2	13.33
Oversight Operations (Compliance, and Internal Audit)	3	20

Table4 shows the respondents' distribution based on their departments, where 40% of them are from the Marketing group, 26.67% are from Administrative Support, 13.33% are from Branch Support, and 20% are from Oversight Operations.

Table 5: Respondents' Distribution Based on their Length of Service

Tenure	Frequency	Percentage
5-9 years	10	66.67
10 years and above	5	33.33

Table 5 represents the respondents' distribution based on their length of service within GM Bank, 66.67% of the respondents are in 5-9 years while respondents who are serving 10 years and above are 13.33%.

Part 2. Survey Questionnaires

The respondents will rate the Strengths, Weaknesses, Opportunities, and Threats of the GM Bank identified by the researcher. The Interpretation guide as follows:

Weighted Mean	Interpretation	Weight
4.20 – 5.00	Strongly Agree	5
3.40 – 4.19	Agree	4
2.60 – 3.39	Neutral	3
1.80 – 2.59	Disagree	2
1.00 – 1.79	Strongly Disagree	1

Figure 01: Interpretation guide

Table 6.1: Strengths

Strengths	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total	Weighted Mean	Result
Established and stable corporate history.	12	3	0	0	0	15	4.8	Strongly Agree
Strong organizational structure.	2	9	3	1	0	15	3.8	Agree
Mix of an experienced and fresh breed of branch managers.	3	6	6	0	0	15	3.8	Agree
Branch locations strategically placed in key cities and municipalities.	5	6	3	1	0	15	4	Agree
Established website.	10	5	0	0	0	15	4.6	Strongly Agree
Competitive loan products.	8	6	0	1	0	15	4.4	Strongly Agree
High resiliency of bank officers.	12	3	0	0	0	15	4.8	Strongly Agree
Compliance to regulatory agencies.	15	0	0	0	0	15	5	Strongly Agree

Table 6.2: Weaknesses

Weaknesses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total	Weighted Mean	Result
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Tedious loan processing (No defined process; process/ guidelines tend to be subjective; problem on precise/uniform process	1	4	5	0	5	15	2.73	Neutral
Varying cultures across regions.	0	1	3	8	3	15	2.13	Disagree
Aging bank officers/ retirement of key officers.	5	4	2	4	0	15	3.67	Agree
Impression of closing banks.	1	2	0	3	9	15	1.87	Disagree
Absence of an incentive policy.	6	4	3	2	0	15	3.93	Agree
Distorted Salary Structures	10	5	0	0	0	15	2.73	Neutral

Table 6.3: Opportunities

Opportunities	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total	Weighted Mean	Result
Available resources for social media and web engagement.	4	6	5	0	0	15	3.93	Agree
Absence of a Nueva Ecija-based Rural Bank with a strong brand.	10	5	0	0	0	15	4.67	Strongly Agree
Pool of competitive applicants for job opportunities.	5	5	4	1	0	15	3.93	Agree
Benchmark of the employment package	8	5	2	0	0	15	4.4	Strongly Agree

Capacity building and training for key personnel.	9	5	1	0	0	15	4.53	Strongly Agree
Investment in technology.	6	6	3	0	0	15	4.2	Strongly Agree

Table 6.3: Threats

Threats	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total	Weighted Mean	Result
Decreasing market share.	5	6	1	3	0	15	3.87	Agree
Emerging competition in the market-expansion of Rural and Commercial Banks.	8	3	0	4	0	15	4	Agree
Shorter turnaround time of loan processing of competitors.	8	2	5	0	0	15	4.2	Strongly Agree
Job functions of Branch Managers in competitor banks.	1	1	2	3	8	15	1.93	Disagree
Weak customer loyalty- client is more loyal to the manager than the products of the company.	5	2	3	0	5	15	3.13	Neutral

VI. CONCLUSION

In conclusion, the researcher reveals a solid and dependable presence within the banking sector, underpinned by a well-established corporate history and a stable organizational framework. The integration of experienced and innovative branch managers has fostered a dynamic leadership structure, while the strategic placement of branches in key cities and municipalities has enhanced accessibility and customer outreach. The bank's robust online presence and competitive loan offerings further strengthen its market position. Moreover, the high resilience of its bank officers and rigorous adherence to regulatory standards highlight GM Bank's commitment to

operational excellence and regulatory compliance. These strengths collectively affirm GM Bank's strong foundation and its potential for sustained long-term growth in a competitive financial landscape.

However, the researcher also identifies several notable weaknesses that warrant attention. The current loan processing system, characterized by undefined procedures and subjective guidelines, may lead to inefficiencies and inconsistencies, potentially impacting customer satisfaction and operational effectiveness. Additionally, the aging workforce and potential retirement of key officers pose risks to continuity and institutional knowledge. The absence of an incentive policy and distorted salary structures could undermine employee motivation and retention, affecting overall performance and morale. Addressing these challenges by streamlining loan processes, implementing structured incentives, and recalibrating salary structures will be crucial for GM Bank to enhance operational efficiency and sustain its competitive edge.

Furthermore, GM Bank is positioned to leverage several promising opportunities for future growth. Enhancing social media and web engagement can improve market presence and customer interaction. The lack of a strong rural bank presence in Nueva Ecija presents a unique opportunity for GM Bank to establish a significant foothold in this region. Additionally, attracting competitive job applicants and benchmarking employment packages can aid in retaining top talent. Investing in capacity building, training for key personnel, and advanced technology can further strengthen the bank's human resources and operational capabilities. Pursuing these opportunities strategically can reinforce GM Bank's market position and drive sustainable growth.

Nevertheless, the researcher also highlights significant threats that could impact GM Bank's market position and operational effectiveness. The decreasing market share and the expansion of rural and commercial banks intensify competition, challenging the bank's ability to retain its customer base. Competitors' quicker loan processing times and more efficient branch management practices add to this challenge by offering more attractive services. Furthermore, the observed weak customer loyalty, where clients are more attached to individual managers than to the bank's products, points to a vulnerability in maintaining long-term customer relationships. Addressing these threats will require GM Bank to enhance its competitive edge through improved service efficiency, stronger brand loyalty initiatives, and adaptive strategies to counter emerging competition.

VII. RECOMMENDATIONS

Based on the comprehensive analysis of GM Bank's current situation, several key recommendations can be made to address its weaknesses, capitalize on opportunities, and mitigate threats:

1. **Streamline Loan Processing:** Develop and implement standardized procedures for loan processing to reduce inefficiencies and subjectivity. This can be achieved by establishing clear guidelines and training staff to ensure uniformity and improve customer satisfaction.
2. **Address Workforce Challenges:** Implement a strategic succession plan to manage the aging workforce and potential retirements. Investing in training and development programs will help in preparing a new generation of leaders and preserving institutional knowledge.

3. **Enhance Employee Motivation:** Introduce an incentive policy and address salary structure distortions to boost employee motivation and retention. Competitive compensation packages and performance-based rewards can enhance overall employee morale and performance.
4. **Leverage Digital and Social Media:** Increase investment in digital and social media engagement to strengthen market presence and improve customer interaction. Utilize these platforms for targeted marketing and customer feedback to enhance brand visibility.
5. **Expand Regional Presence:** Capitalize on the opportunity in Nueva Ecija by establishing a strong brand presence in the region. This involves opening new branches and tailoring services to meet the needs of the local population.
6. **Attract and Retain Talent:** Benchmark employment packages to attract competitive job applicants and ensure that GM Bank remains an employer of choice. Offering comprehensive training and development opportunities will also help in retaining top talent.
7. **Invest in Technology:** Invest in advanced technology to improve operational efficiency, streamline processes, and enhance customer experience. Technological upgrades can also support faster loan processing and better service delivery.
8. **Strengthen Customer Loyalty Programs:** Develop and implement strategies to build stronger customer loyalty by focusing on creating value through personalized services and relationship management. This can help shift loyalty from individual managers to the bank's overall brand and offerings.
9. **Monitor Competitive Landscape:** Continuously monitor the competitive environment and adapt strategies to address emerging threats. Stay abreast of industry trends and competitors' practices to maintain a competitive edge.

By addressing these areas with targeted strategies, GM Bank can enhance its operational effectiveness, strengthen its market position, and achieve sustainable growth.

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