

# Viability of Constructing a Commercial Bank Building

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**Introduction.** The banking system plays a critical role in the modern economic world. Banks facilitate the flow of funds in the economy and ensure the efficient allocation of financial resources. As the business grows, expansion in the form of opening new branches becomes imminent. The R. B. Bank is in its tailwinds to meet its branch operations' growth and curtail the lease's fast-rising cost. In response, the management has considered a new location site for its expansion and built a bank building that could cater to the diverse needs of its growing clientele. Hence, the study determined the viability of constructing a commercial bank building and assess its financial performance for the years 2016-2018 as the basis for making financial projections for the years 2021 to 2025. It also ascertained the cost-

benefit analysis of leasing out its unused portion and explored the challenges and opportunities associated with the project.

**Methods.** The study used a descriptive and comparative research design. Through a validated and reliability-tested researcher-made survey questionnaire, data were collected from a total of 20 bank personnel, including bank management representatives, officers, and employees. Secondary data were used from the management to determine the project's financial aspect. Descriptive analysis was utilized to analyze the data to assess the viability of constructing a commercial bank building in terms of management, marketing, technical, financial, and socio-economic aspects. Also, descriptive analysis was employed to determine the challenges and opportunities associated with the project. Financial ratio analysis was utilized in determining the bank's financial performance in terms of profitability, liquidity, and solvency for the years 2016-2018 and the projected financial performance of the bank for the years 2021-2025 in terms of its internal rate of return, net present value, discounted payback period, and payback period. Mean, standard deviation, frequency count, percentage distribution, and ratios were employed to process the data.

**Results.** The proposed construction of a commercial bank building is highly viable in all aspects. The financial performance of R. B. Bank from 2016-2018 indicates the profitability in the use of the total assets or total capital and both borrowed and invested. The bank is liquid and solvent due to its capability of paying its short-term obligation when due as indicated by its quick ratio, which is 98.53% in the first year and remains consistent in the following year. Regarding the bank's projected financial performance (2021 to 2025), if the bank will secure a loan at 5% per annum and the Internal Rate of Return (IRR) is 85.11% financing, the construction is worth an investment. Concerning the cost-benefit of leasing a portion of the building, most of its valued and loyal bank clients did not consider renting the unused space. On challenges, the employees were apprehensive that the cost of labor and materials and the delivery of construction equipment might cause delays in the project implementation. Likewise, the arrival of equipment, furniture, and fixtures posed a challenge, considering that the bank practices centralized equipment purchases. The employees believed that the construction would provide financial savings from tax deductions, depreciation, and rental expenses. Further, the proposed site may give the bank a competitive advantage due to its prime or strategic location, which may increase opportunities to capture more depositors.

**Conclusion.** The construction of the R. B. Bank building is highly viable. The city may benefit from the new location of the bank. The project deserves the people's trust to generate enthusiasm and attract more clients. R. B. Bank commits to provide allocation aligned with market practice. It encourages the bank to develop relevant impact indicators and detailed reporting through its website on an

annual basis. Moreover, the bank promotes the pursuit of pollution prevention and environmental protection through the bank's lending and technical assistance programs and pursues environmental management practices.

**Practical Value of the Paper:** The study significantly contributes to the existing literature on the retail banking industry operations in the Philippines, particularly in the Province of Negros Occidental. The study's findings may also be relevant to top-level management in making the right decision to construct a new branch building and formulate bank strategies that may improve client satisfaction, retention, and loyalty to help them operate more efficiently.

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