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An Analysis of Thai Commercial Banks Branch Expansion Factors Including Leadership, Location, Cost and Economics

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ABSTRACT

A bank is a financial institution which deals in debts and credits. It accepts deposits, lends money and creates money. The global financial system is the worldwide framework of legal agreements, institutions and formal and informal economic actors that together facilitate international flows of financial capital for purposes of investment and trade financing. Effects of globalization make the movement of funds a requirement for many businesses, which includes Thai commercial banks' foreign investors. Foreign influence on Thai commercial banking has affected the management, style and size of the locations and branches. Additionally, scheduled branches openings are not happening due to various factors including external economic factors affecting the organization's performance, Return On Investment (ROI), amount of loan losses and the ratio of capital to risk-weighted assets of the bank. External factors included GNP (Gross National Production), export value and the savings/spending levels of local consumers. These economic factors will affect the organization's strategy and the commercial banks' strategic planning and staffing for expansion and influence location choice, branch cost and size. Consumer behavior, population density and demographics of the selected community are also external factors. Other factors include implemented transaction technologies and the potential for future expansion. Findings of this study concluded that the location and cost did not influence the branch expansion in Thailand, but it is a factor that is influenced by corporate leaders. Banks need to add branches and more service points.

Key words: Financial, banks, branch expansion, leadership, cost, economics

INTRODUCTION

A financial system is a major mechanism of a free economy because the financial system has an important role in the allocation of resources between sectors. The financial system is complex in structure and function throughout the world, it was created in purpose to facilitate the flow of funds from savers to investors. It includes many different types of institutions, financial intermediaries (banks, insurance companies and mutual funds) and financial markets (stock and bond markets). From people, who save to those who need to borrow funds, this causes investment, production and employment, which are factors driving a country's economic growth prospects. More importantly, it must be stable and be implemented smoothly. The financial system as a critical element appears in Fig. 1 (Watanagase, 2005).

Thailand's financial system is bank-based, with the power to drive the economy over the market-based economy and currently Thailand has 14 Thai commercial banks, which resulted from

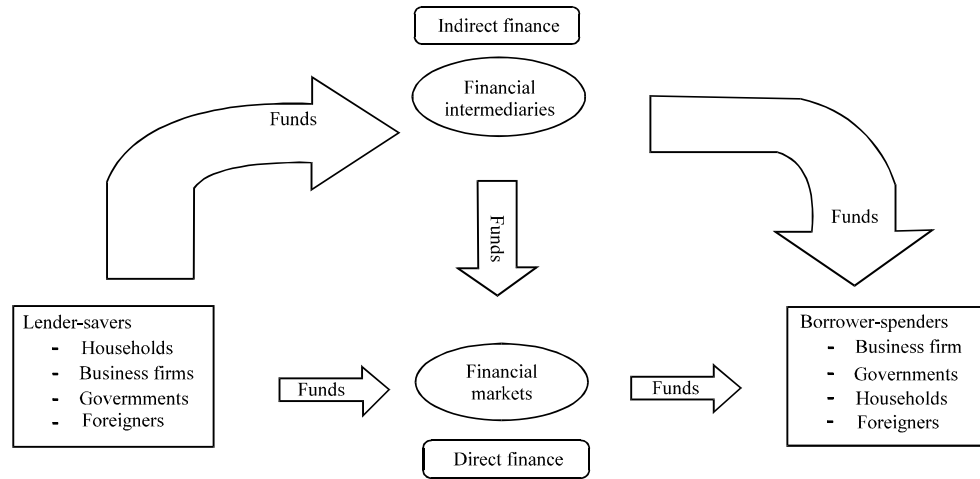


Fig. 1: Flow of funds through the financial system

the Asian economic crisis of 1997. Additionally, there are currently 15 registered foreign bank branches and one foreign bank subsidiary operating in Thailand. From 15 December 2011, these branches were allowed to form a subsidiary that would in turn be permitted to open up to 20 branches and have 20 ATM machines. The existing subsidiary would have the same rights.

Branches that are interested must have strong financial standing in Thailand, with good operating performance and expertise in international financial transactions. The parent bank must be licensed in a country that already has or has the potential to have, good relations with Thailand in the fields of finance, trade and investment. The parent must be supervised by a regulatory authority that has good relations with BOT. The Thailand branch must have a capital adequacy ratio of not less than 12%, a NPL ratio not exceeding 3.5% and have a good rating with BOT. The subsidiary when set up must have paid up capital of not less than 12 million Baht. Applications can be submitted within 2012.

BOT policy in 2013 was that it would not allow new foreign banks without a current branch in Thailand to register one. It is however, possible that this policy will change in 2014. The ASEAN free trade area that is due to come into effect in 2015 may also confer greater rights of investment upon ASEAN-based banks that may wish to establish a foreign banking presence in Thailand. But this may depend upon Thailand accepting such rights under the relevant ASEAN protocol.

It is generally accepted that although the 1997 financial crisis started from disequilibria in the currency market, it was the weaknesses within Thailand's financial system, previously masked by rapid economic growth that intensified the economic recession. Thailand has undertaken numerous policy measures to restore stability to the financial system such as closing of nonviable banks and finance companies, recapitalization of the financial institutions by both private and public initiatives, debt restructuring and resolution, asset liquidation and the consolidation of weak financial institutions with stronger ones. Complementary to these efforts, the Bank of Thailand has also engaged in dramatic internal reforms that resulted in the realignment of its organization structure with the new risk-based supervisory framework.

This resulted in changes to the existing shareholder structure which was predominantly Thai. Today, Thailand has opened its banking and financial system to foreigners. As a result, the operating policies of the banks, such as the number of bank branches, the branch formation,

branch staffing and limited services with smaller staffs such as five people have become common. Additionally, these smaller bank branches are located in non-traditional locations such as malls and are given limited customer support capability and instead are told to focus on getting customers and increasing market share. Full service operations such as loans are reserved for the larger, more traditional bank locations.

In addition, Thailand's Financial Sector Master Plan Handbook (BoT, 2006) stated that when consumers were asked about their knowledge of banking services, most respondents knew and understood basic financial services such as deposits, various types of loans, ATM card usage, money orders, fund transfers at tellers and life and non-life insurance. Yet they still lacked understanding of more complex financial services such as bonds, financial securities, promissory notes, telephone/internet fund transfers and financial advisory services. They also expected to have service branches convenient to their homes and place of work (BoT, 2006). So, if commercial banks want to increase market share, one factor affecting this increase is the number of locations and convenience for customers to support the demand and needs of the users.

With Thailand's entry into the ASEAN community, with a unified market and production base, the movement of goods, services, investment, capital and skilled labor has become freer and more open. Thailand's commercial banks need to accelerate their preparedness at providing quality, comprehensive and thorough preparations in both quantity and quality.

If a banking institution wants to open a new branch, it must comply with guidelines from the Bank of Thailand and submit them once a year. They must also requested to permission to open the branch from the Bank of Thailand and qualify in accordance with the rules and regulations. The plan must include the branches that are going to be established, their location, reasons for opening, when will the branch be open, clear financial data concerning both the bank and the branches and a map showing the location of the branch (Bank of Thailand).

However, data from the Bank of Thailand found that the bank branch expansion in Thailand between 2007 to July, 2012 happened at a slower pace than what was planned. Some commercial banks could not complete their proposed expansion as planned, thus leading to these researchers wishing to undertake more research about 'An analysis of Thai commercial banks branch expansion factors including leadership, location, cost and economics'.

The aim of this research was to study the composition and format in relation to the location, cost and economic factors influencing the expansion of bank branches across Thailand. The researchers expect these research results to be useful to policy makers in identifying problem areas in Thailand's commercial banking sector branch expansion efforts.

Additional knowledge is hopefully gained about the development and effectiveness of potential expansion of commercial banks. It can also help these commercial banks achieve their goals and increase their market share. Banking convenience also affects the financial results of banks.

With the start of the Asian Economic Community (AEC) in 2015 and the increase in financial liberalization with the freer movements of capital resources, banks must be ready and able to adjust their priorities and strategies accordingly.

CONCEPTUAL DEVELOPMENT

The Banking Companies Act of India defines Bank as, "A bank is a financial institution which accepts money from the public for the purpose of lending or investment repayable on demand or otherwise withdrawable by cheques, drafts or order or otherwise."

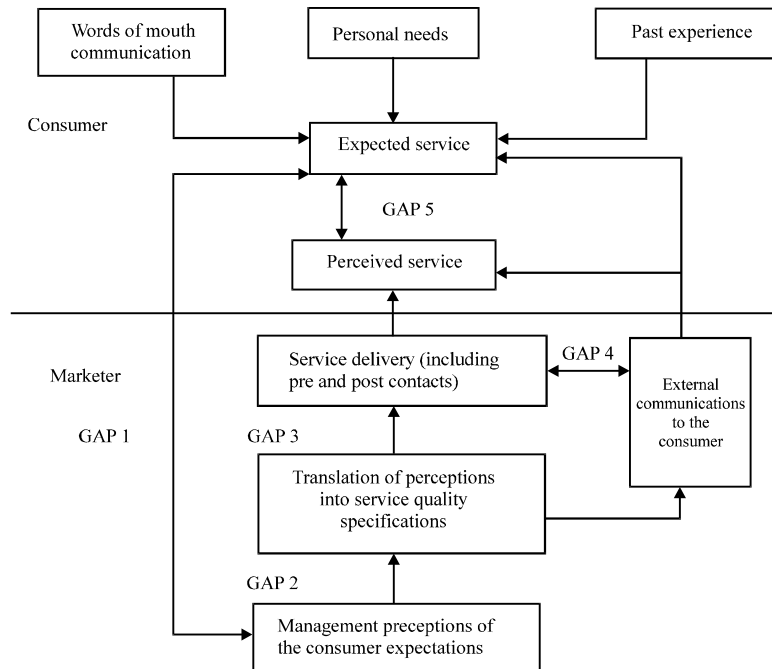


Fig. 2: Service satisfaction model

Table 1: Servqual dimensions

Dimensions	Definition	Items in scale
Reliability	Ability to perform the promised service dependably and accurately	4
Assurance	Knowledge and courtesy of employees and their ability to convey trust and confidence	5
Tangibles	Appearance of physical facilities, equipment, personnel and communication materials	4
Empathy	Provision of caring, individualized attention to customers	5
Responsiveness	Willingness to help customers and to provide prompt service	4

The widely accepted theory of business-related services by Parasuraman *et al.* (1985) and Parasuraman *et al.* (1991) demonstrated various factors. In their original formulation Parasuraman *et al.* (1985) identified ten components of service quality: (1) Reliability, (2) Responsiveness, (3) Competence, (4) Access, (5) Courtesy, (6) Communication, (7) Credibility, (8) Security, (9) Understanding/knowing the customer and (10) Tangibles (Fig. 2).

In their 1988 work, these components were collapsed into five dimensions: Reliability, assurance, tangibles, empathy and responsiveness, as defined in Table 1.

Kotler argued for broadening the field of marketing to cover not only commercial operations but also the operations of non-profit organizations and government agencies. He held that marketing can be applied not only to products, services and experiences, but also to causes, ideas, places and persons. Thus all organizations needs the marketing skills of product, price, place and promotion (the 4Ps), if it is to be successful in attracting visitors customers or visitors. Philip Kotler and Gerald Zaltman created the field of social marketing, which applies marketing theory to influence behavior change that would benefit consumers, their peers and society as a whole. They developed the idea of 'demarketing' which organizations need to use to reduce overall or selective demand when demand is too high.

The marketing mix is a business tool used in marketing and by marketing professionals. In recent times however, the concept of 'four Cs' has been introduced as a more customer-driven replacement of the 'four Ps' (Needham, 1996). Additionally, there are two 'four Cs' theories today. One is Lauterborn's four Cs (consumer, cost, communication, convenience), while another is Shimizu's four Cs (commodity, cost, communication, channel) (Kumar and Bansal, 2013). This '4C' concept is more specific as it expands the view from the producer to the perspective of the consumer.

In the inaugural issue of the *Journal of Values-Based Leadership* (Bank of Thailand, 2008), ethicist McCuddy (2008) proposed three categories of leadership styles. On opposite ends of the spectrum are "selfishness" (where egocentrism and greed are common delineators) and "selflessness" (where altruism subsumes self-interest). A third category was cited: "self-fullness", a balancing of one's objectives with due regard for the interests of others, representing a more values-oriented, egalitarian approach to decision-making.

Branch expansion plans: The Bank of Thailand is the government authority which sets conditions for opening a bank branch and commercial banks must submit both annual as well as detailed expansion plans to the Bank of Thailand. The following items must be included in these reports:

- A profile of the branches that have been approved, but have not yet opened as well as the number of branches, the reason for not opening and plans for the next stage
- Details must be submitted on a yearly basis and include branch number, locations and implementation plan and time schedule
- Banks must inform the Bank of Thailand of the branch's name, branch code, branch location and opening date not less than 15 days before the opening of the branch

Since planning and scheduling by both the Bank of Thailand and the commercial banks is so regulated, it is easy to know the number of branches and the branches which will be opened in the future.

Organizational leadership: Hind *et al.* (2009) indicated that, whilst the qualities and skills of responsible leadership can be identified, a further mediating concept deemed to be "reflexive abilities" is posited as required to explain their translation into individual managerial behaviors. Corporate leaders influence organizational culture, strategic vision, strategic goals of the organization and leadership which can be adapted to changes (Kananurak, 2011; Harrison, 1995). Corporate responsibility for the environment includes leaders with the following qualities:

- Leaders must possess good attributes
- Leaders must give direction that meets the goals and targets of the organization
- Leaders must be able to target deliverables

This vision of leadership led to the formulation of corporate strategy (Kananurak, 2011; Harrison, 1995) with a focus on, who will create opportunities to increase revenue balanced with enhancing customer loyalty to the organization. They must provide customers with a more even value proposition (Persson, 2012) with strategies that better serve business opportunity (Hagen *et al.*, 2003), because different strategies will affect different organizations as well and affect the positioning of your company (Kalafatis *et al.*, 2000).

So, it is important that organizations need to define specific objectives and strategies (Chotipanich and Lertariyanun, 2011) and meet the needs of each customer group and banks need to prepare a database of information about each type of client (Edris, 1997) and provide an analysis of opportunities and threats to the organization.

This is to determine the market position of the bank (Zineldin, 1996) and to increase long term management efficiency (Moutinho *et al.*, 1997), so it is imperative that organizations need to determine a business plan in advance because otherwise, businesses may suffer due to the crisis of change.

Because organizations can build strength by planning (Kouzes and Posner, 1995) quoted in Tang *et al.*, 2010) and planning work, it requires planning, both short term, medium term and long term (Brock, 2000) and will need to be adaptable. The plan should be modified to suit the situation every 2-3 years (Sokol, 1992).

The team leader is also a factor that needs to be inspired to co-create the vision of the organization and work towards a common goal, including mutual empowerment. The team leader also needs to encourage team cooperation of the team which will be rewarded with a positive reaction helping to achieve the goals of the organization all together (Kouzes and Posner, 1995) quoted in Tang *et al.* (2010).

Location: Selection of bank branch locations is largely based on competition and policies which must be consistent with sales strategies (Thompson, 1991) and the extent of product offerings, including location of the branches. Location is therefore, of paramount importance both to the banking organization as well as for the convenience of the customer, who opens the account which should be close to their home, work or their retail shopping.

In addition to the need for easy access to services, branches must be located near the customer (Kalafatis *et al.*, 2000), but this decision is influenced by other factors affecting the location decision. These include the community size and the number of established products and services in the area being considered for expansion (Canel and Das, 2002).

A clear model is necessary for the development of the manufacturing or production processes, as well as investment in internal human resources (Fulford, 2009) communications, customer awareness of the product or service will result in an increase in market share which increases the profitability of bank branches (Mullineaux and Pyles, 2010).

Costing: The cost of doing business is based on customer behavior. Factors that determine the behavior of clients include the client's income and past experiences as a customer.

Govender (2000) found that influencing factors are the size of the organization, materials and equipment, which affect the pricing and services for the banking business.

Research by Giokas (2008) noted that the size of the branch affects the sustainability of bank branches. The large branch has more efficient business operations while smaller branches have higher operational costs related to buildings, bank location as well as equipment installation. Small community banks with 8-10 employees can grow but they must have a strategic plan in a highly competitive market (Timmons, 1996).

Using technology for banking services will result in limitless administrative service ability (Tom, 2006) and affects the building of relationships with customers as well as creating a

competitive, low cost advantage (Durkin and Howcroft, 2003). Whether, a firm implements an electronic marketplace, internet EDI, Extended Enterprise Resource Planning (EERP) or other SCMS, choosing the right approach is a risky undertaking given the number of factors that influence the total costs and benefits (McLaren *et al.*, 2002). Technology contributes to investor confidence and is reflected by the service technology and tools (Reynolds and Wood, 2010).

Economic factors: Cheng *et al.* (2005) said that another factor to be analyzed in investing is the Return On Investment (ROI). In addition, for investors to open more branches, The Bank of Thailand criteria state that they must have a reasonable and satisfactory financial position with the ability to absorb the risks of opening new branches (BoT, 2006).

In addition to the internal factors mentioned above, there are also external factors including the economic environment, market influence, banking relationships with the customers (Ernst and Young Group, 2011).

For example, after the economic crisis in Asia, foreign banks had to expand and take on the risks of these risky markets (Ma, 2012) because when the economy is good, the consumer base is large and growing with higher spending leading to more investments and as this process increases, the need for more retail banking outlets increases, thus contributing to the growth in market share for the commercial institutions.

From the above conceptual review and development, the researchers have developed the following hypotheses for the present study:

- **H1:** Leadership influences branch expansion plans
- **H2:** Leadership influences location
- **H3:** Leadership influences cost
- **H4:** Location influences branch expansion plans
- **H5:** Location influences cost
- **H6:** Cost influences branch expansion plans
- **H7:** Economic factors influence branch expansion plans
- **H8:** Economic factors influence leadership

METHODOLOGY

Data collection: This study was conducted from a sample population of middle and senior level banking executives using both quantitative and qualitative research.

For this study, the measurement instrument or questionnaires utilized was prepared from the literature. Cronbach's α -coefficient was used to measure the internal consistency of the scale. The α -coefficient was found to be between 0.926-0.932 indicating high reliability of the questionnaire. The questionnaires were created as a measurement tool that is consistent with the research's conceptual framework and operational definitions. The 5-point (Likert, 1970a) questionnaire was utilized. The sample group was based on 220 cases (Yamane, 1973). This is considered highly reliable.

The responses to the questions capturing focal constructs used a 7-point Likert scale (rating statements 1-5; 1 = strongly disagree and 5 = strongly agree). Qualitative research was conducted with in-depth interviews of 10 senior-level executives, who were in positions that determined strategy for their respective commercial banks.

Measurement

Dependent variable

Branch expansion plans: The analytical measuring tool or questionnaire used a 5-point Likert scale as a measuring tool (Likert, 1970b) to measure number of branches and time to open (Bank of Thailand).

Independent variables

Leadership factors: The analytical measuring tool or questionnaire used a 5-point likert scale as a measuring tool (Likert, 1970a) to measure strategy, planning and team (Hind *et al.*, 2009; Kananurak, 2011; Harrison, 1995; Persson, 2012; Hagen *et al.*, 2003; Kalafatis *et al.*, 2000; Chotipanich and Lertariyanun, 2011; Edris, 1997; Zineldin, 1996; Moutinho *et al.*, 1997; Tang *et al.*, 2010; Brock, 2000; Sokol, 1992).

Location factors used an analytical measuring tool or questionnaire used a 5-point likert scale as a measuring tool (Likert, 1970b) to measure store format, customer awareness and population (Thompson, 1991; Kalafatis *et al.*, 2000; Canel and Das, 2002; Fulford, 2009; Mullineaux and Pyles, 2010).

Cost: The analytical measuring tool or questionnaire used a 5-point Likert scale as a measuring tool (Likert, 1970a) to measure size and equipment/technology (Govender, 2000; Giokas, 2008; Timmons, 1996; Tom, 2006; Durkin and Howcroft, 2003; McLaren *et al.*, 2002).

Economic factors: The analytical measuring tool or questionnaire used a 5-point likert scale as a measuring tool (Likert, 1970a) to measure bank performance and economic conditions (Cheng *et al.*, 2005; Ernst and Young Group, 2011; Bank of Thailand, 2008; Ma, 2012).

RESEARCH ANALYSIS AND RESULTS

Partial least squares has been applied for analysis of quantitative data by the researchers. It is data analysis for Confirmatory Factor Analysis (CFA) relating to the determination of manifest variable and latent variable and testing of research hypothesis exhibiting in structural model analyzed by using the applications of PLS-Graph (Chin, 2001).

According to the analysis result of scale validity and reliability, scale investigation has been conducted using internal consistency measurement coefficient alpha. (α -coefficient) of Akron BAC (Cronbach) to calculate the average value of the correlation coefficient was found that alpha coefficients ranged from 0.890-0.931, which is considered to have high reliability.

Reflective model structures were created for this research and tested for convergent validity and discriminant validity. The criteria for convergent validity are as follows; the loading value must be positive, the indicator loading values must be over 0.707 with a statistical significance of ($|t| \geq 1.96$) for all values (Lauro and Venzi, 2004; Henseler *et al.*, 2009 as cited in Boontawan and Montree (2010). The analysis results are shown in Table 2.

Leadership factors consisting of strategy, planning and team had the loading values of 0.8812, 0.8711 and 0.8818 with a statistical significance of 95% ($t\text{-stat} > 1.96$) which indicate that a particular factor had influence over the dependent variable bank expansion plans.

Location factors consisting of store format, customer awareness and population had the loading values of 0.8520, 0.8421 and 0.8624 with a statistical significance of 95 ($t\text{-stat} > 1.96$), which indicate that a particular factor had influence over the dependent variable bank expansion plans.

Table 2: Reflective statistical values indicating convergent validity of the latent variables

Construct/Item	Loading	t-stat
Leadership (Leadership)		
Strategy (Leader_strategy)	0.8812	33.2449
Planning (Leader_plan)	0.8711	25.5728
Team (Leader_team)	0.8818	30.8688
Location (Location)		
Store format (Location_form)	0.8520	37.2205
Customer awareness (Location_now)	0.8421	20.6460
Population (Location_population)	0.8624	39.9884
Cost (Cost)		
Size (cost_size)	0.8875	38.4830
Technology/equipment (cost_techno)	0.8970	28.4913
Economic factors (econ_factor)		
Bank performance (econ_in)	0.9110	58.1403
Economic conditions (econ_out)	0.9201	68.0468
Branch expansion plans (Performance branch)		
Number of branches (ser_a1)	0.7650	8.1331
Time to open (ser_a2)	0.8796	33.2926

Table 3: Results of Confirmatory Factor Analysis (CFA) for measurement model

Construct	CR	R ²	AVE	Cross construct correlation				
				Leadership	Location	Cost	Economic factors	Branch expansion plans
Leadership	0.910	0.4378	0.771	0.878				
Location	0.888	0.6371	0.726	0.798	0.852			
Cost	0.886	0.6516	0.796	0.726	0.792	0.892		
Economic factors	0.912		0.838	0.662	0.776	0.810	0.915	
Branch expansion plans	0.808	0.4542	0.679	0.654	0.572	0.553	0.553	0.824

Statistical significance level is at 0.05 and diagonal figures mean \sqrt{AVE} , CR: Composite reliability, AVE: Average variance extracted, R²: Square of the correlation

Cost factors consisting of size and technology/equipment had the loading values of 0.8875 and 0.8970 with a statistical significance of 95 (t-stat>1.96) which indicate that a particular factor had influence over the dependent variable bank expansion plans.

Economic factors consisting of bank performance and economic conditions had the loading values of 0.9110 and 0.9201 with a statistical significance of 95 (t-stat>1.96). Which indicate that a particular factor had influence over the dependent variable bank expansion plans.

Branch expansion plans consisting of number of branches and time to open had the loading values of 0.7650 and 0.8796 with a statistical significance of 95 (t-stat>1.96), which affects the intention to use the service.

Discriminant validity: Discriminant validity has been tested on scale reliability, including Composite Reliability (CR) which should not be lower than 0.60, Average Variance Extract (AVE) should not be lower than 0.50 and R² should not be lower than 0.20 and \sqrt{AVE} in the diagonal data should have a value higher than cross construct correlation of all values in the same column. The data validates that there was discriminant validity for each construct, without exception (Lauro and Venzi, 2004; Henseler *et al.*, 2009; Boontawan and Montree, 2010). Testing results of discriminate validity of this research was in accordance with all conditions shown in Table 3. Therefore, the scales of this study have been the scales with discriminant validity and reliability.

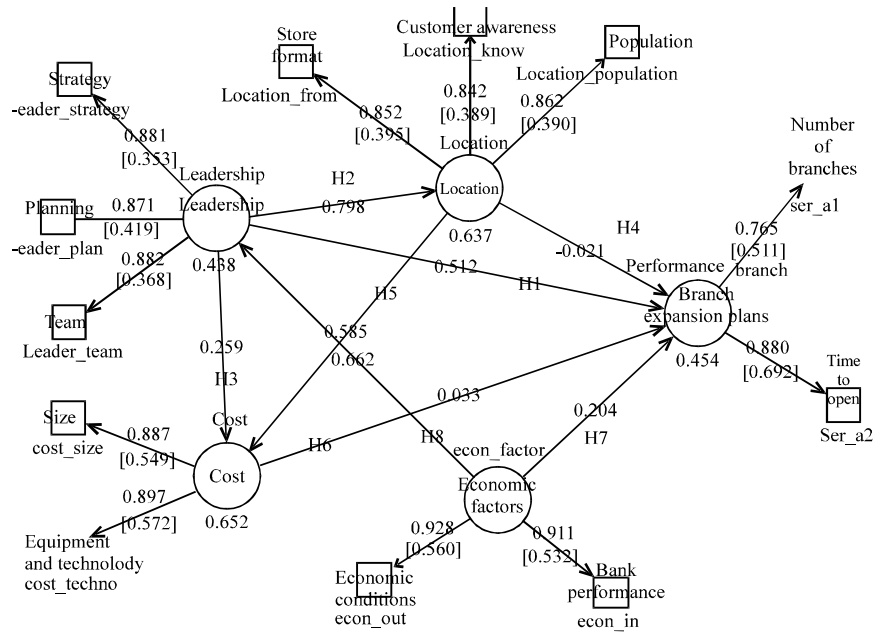


Fig. 3: Final model

Table 4: Research hypotheses test results

Hypothesis	Coefficient	t-stat	Results
H1: Leadership influences branch expansion plans	0.512	5.5534	Supported
H2: Leadership influences location	0.798	25.6200	Supported
H3: Leadership influences cost	0.259	4.1960	Supported
H4: Location influences branch expansion plans	-0.021	0.2035	Unsupported
H5: Location influences cost	0.585	10.3865	Supported
H6: Cost influences branch expansion plans	0.033	0.3113	Unsupported
H7: Economic factors influence branch expansion plans	0.204	2.1822	Supported
H8: Economic factors influence leadership	0.662	14.1597	Supported

Bank branch expansion analysis modeling of the variables that influence branch expansion found that of all the eight assumptions (Fig. 3), only hypotheses 4 and 6 were not supported, which means that location and cost do not influence branch expansion with Thai commercial banks. However, a factor that affects this decision is corporate leadership which determines strategy as well as economic factors.

Figure 3 shows the research framework and the structural model of independent variables that influence the dependent variable of branch expansion plans. Independent variables included leadership, location, cost and economic factors and their influence on 220 surveyed participants. The samples were analyzed to answer the research hypotheses criteria of the following eight assumptions (Table 3). Furthermore, the structural analysis model framework was used to research the t-test coefficients and their relationship of each path of the t-test hypothesis with significance greater than 1.96**. This explains the results obtained from analysis as shown in Table 1 and 2 as well as the test results presented in Table 4.

RESULTS DISCUSSION AND IMPLICATION

The findings from this study, 'An analysis of Thai commercial banks branch expansion factors including leadership, location, cost and economics' identified the following issues as discussed below:

- 'Leadership includes' strategic planning and team performance factors that affect the bank branch expansion rate in Thailand. This is consistent with the research of Hind *et al.* (2009) which noted that a potential leader will set the strategic direction for corporate business (Kalafatis *et al.*, 2000). The value created by marketing manifests itself in the effect of marketing actions on customer perceptions, behavior and ultimately the components of CLV, namely revenues, costs, risk and retention, as well as additional components of customer equity, such as customer acquisition (Persson, 2012). Leadership must plan for the short term, medium term and long term (Brock, 2000) and banks need to prepare a database of information about each type of client (Edris, 1997) and provide an analysis of opportunities and threats to the organization which is to determine the market position of the bank (Zineldin, 1996) and organizational leaders need to define and inspire their staff in order to have a positive attitude to work together to achieve the common goals (Tang *et al.*, 2010)
- 'Economic factors' are composed of both internal and external factors and affect Thai branch expansion. This is consistent with the research of Ma (2012) that after the economic crisis in Asia, foreign banks had to expand and take on the risks of these risky markets because when the economy is good, the consumer base is large and growing with higher spending, leading to more investments. As this process increases, the need for more retail banking outlets increases, thus contributing to the growth in market share for the commercial institutions

Banks wishing to open branches in Thailand must have a strong financial standing in Thailand as well as good operating performance and expertise in international financial transactions. The parent bank must be licensed in a country that already has or has the potential to have, good relations with Thailand in the fields of finance, trade and investment. The parent must be supervised by a regulatory authority that has good relations with the BOT.

- 'Location factors' are influenced by leadership and economic factors including banch/store format, customer awareness and population. This is consistent with the research of Moutinho *et al.* (1997), who noted that businesses need to focus marketing strategy on the needs of the customer so, if the consumer population requires more services, equipment and technology tools have to be available to support the bank branch. And banks have to develop a culture focused on the needs of the consumer. The existence of technological tools, including the recognition of marketing communications and the targeting of customer data, will result in an increase in market share and affect bank branch profitability (Mullineaux and Pyles, 2010)
- 'Cost factors' are influenced by leadership and economic factors as well as location. Location includes other components such as size and equipment/technology. This is consistent with the research of Giokas (2008) which noted that the size of the branch affects the sustainability of bank branches and large branches are efficient business operations. Small community banks with 8-10 employees can grow but they must have a strategic plan in a highly competitive market (Timmons, 1996). Using technology for banking services will result in limitless administrative service ability (Tom, 2006) and affects the building of relationships with customers as well as creating a competitive, low cost advantage (Durkin and Howcroft, 2003) which also creates confidence among the investors and service users (Reynolds and Wood, 2010)

- 'Branch expansion' plans includes number of branches and time to open. If a banking institution wants to open a new branch, it must comply with guidelines from the Bank of Thailand and submit a branch expansion plan once a year. They must also request permission to open the branch from the Bank of Thailand and qualify in accordance with the rules and regulations. The plan must include the number of branches that are going to be established, their location, reasons for opening, projected opening date, clear financial data concerning both the bank and the branches and a map showing the location of the branch

CONCLUSION

This study on 'An analysis of Thai commercial banks branch expansion factors including leadership, location, cost and economics' found that factors having both a direct and indirect influence on branch expansion included the ability of organizational leaders to determine strategies and execute planning. The competence of team performance within the organization is important as well. It was also determined that leadership branch expansion plans as well as the decision for site location and the amount budgeted for the establishment of the branch. External economic factors will affect the organization's strategy and the commercial banks' strategic planning and staffing for expansion and influence the location choice, branch cost and size. It also affects ROI and the amount of risky debt the bank is willing to take on. Consumer behavior, income, population density and demographics of the selected community are also external factors. Other factors include implemented transaction technologies and the potential for future expansion. It is therefore, wise and prudent for banks to move forward with their branch expansion plans leading to increased market share and future profitability from a larger consumer base.

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