Business Strategies Among Rural Banks in Relation to Their Performance

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ABSTRACT

The study aimed to look into the business strategies among Rural Banks in relation to their performance in Zamboanga del Norte calendar year 2017-2018. The study utilized the descriptive method of research. The top management or branch managers and the employees were the respondents of the study. The statistical tools used were Pearson r Product Moment Correlation of Coeffecient and Analysis of Variance.

The study revealed that some of the rural banks in Zamboanga Del Norte been in operation for years and have employed more than 400 employees. Strategies in general were always employed particularly on technology specifically the Private Commercial Banks (PCB) System and marketing while innovation was often done by the rural banks. Corporate strategies that relate to top management, vision and mission were always apply among the rural banks. Cost leadership was often employed while differentiation and focus were always applied in the rural banks.

The average profitability of one bank has a very high level of return on equity while they were comparable enough in terms of expense to income ratio as well as the other ratios. Banks differed in other ratio and portfolio-at-risk ratio. There was no significant difference on the strategies and financial performance of the rural banks though banks mastered the art of strategizing. Rural Banks may improve their execution of their strategies and that would lead towards higher level of financial performance.

Keywords: business, strategies, rural banks, performance

INTRODUCTION

Business Strategies play a crucial role in shaping organizational direction and achieving competitive advantage. As emphasized by Porter (2010) and Nickols (2016), strategic approaches such as general, corporate, and competitive strategies enable organizations to align their resources and capabilities with market demands. However, the effectiveness of these strategies is not universal—it often varies depending on internal organizational factors such as size, structure, and maturity.

In the context of rural banks, these variations become particularly important. Rural banks operate in unique environments characterized by limited resources, varying customer bases, and regulatory constraints. As noted by Samad et al. (2009), their role in local economic development makes strategic decision-making even more critical. Larger or older rural banks may have more established governance structures and operational systems, allowing them to adopt and implement comprehensive corporate and competitive strategies more effectively. In contrast, smaller or newer rural banks may rely more heavily on basic general strategies due to limited capital, infrastructure, and experience.

This variation in strategic capacity has a direct impact on performance. Performance indicators such as profitability, liquidity, and loan recovery ratios can differ significantly depending on how well a bank's strategy fits its context. As Barney (2013) suggests, internal capabilities greatly influence strategic execution and, ultimately, financial outcomes. A comparative analysis between different types of rural banks can reveal how contextual differences—such as age and size—affect strategy adoption and financial performance, offering richer insights beyond aggregated data.

The significance of this study lies in its potential to provide a contextualized understanding of strategic effectiveness in the rural banking sector. By identifying how strategy execution varies between different categories of banks, the research can offer more practical, tailored recommendations that reflect the real conditions faced by rural financial institutions. This contributes not only to the academic literature on strategic management but also offers direct value to practitioners and policymakers aiming to enhance rural financial sustainability.

The objectives of the study are therefore expanded to not only assess the relationship between business strategies and financial performance but also to compare how these strategies are adopted and implemented across rural banks of different sizes and ages. Specifically, the study aims to (1) evaluate the impact of general, corporate, and competitive strategies on key performance indicators; and (2) conduct a comparative analysis to determine how strategy effectiveness may vary between large vs. small and newer vs. older rural banks.

Significance of Study

1. Providing essential baseline data for understanding the operational scope and institutional characteristics of rural banks in Zamboanga Del Norte.
2. Offers insight into their strategic management practices and responsiveness to market demands.
3. Evaluate stability, profitability, and overall efficiency in financial operations.
4. Allow stakeholders to determine which strategic approaches contribute most to rural bank success.

Objectives of the Study

1. To determine the profile of the rural banks in Zamboanga Del Norte.
2. To determine how often rural banks apply the business strategies in terms of strategy in general, corporate strategy, and competitive strategy.
3. To determine the financial performance of a bank in terms of profitability, liquidity, and other ratios.
4. To determine the significant relationship between strategy in general to profitability, liquidity, and other ratios.
5. To determine the significant relationship between corporate strategy to profitability, liquidity, and other ratios.
6. To determine the significant relationship between competitive strategy to profitability, liquidity, and other ratios.

REVIEW OF LITERATURE

According to Bateman and Zeithman (2008), a strategy is a pattern of actions and resource allocations designed to achieve the goals of the organization. The strategy an organization implements should be directed toward building strengths in areas that satisfy the wants and needs of consumers and other key actors in the organization's external environment. It therefore forms a comprehensive modern plan that states how the organization will achieve its mission and objectives, maximizes competitive advantage and minimizes competitive disadvantage. Several authors have defined strategy in different ways. According to Mintzberg (2009) strategy is a plan; a pattern in actions over time; a position reflects decisions to offer products or services in particular markets or a perspective that provides vision and directives. Other experts also refer it to directional decisions made by an organization or purposes and missions of organizations. Porter (2010) also defined strategy as being different. It is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. That means deliberately choosing a different set of activities to deliver a unique mix of values. In addition, good strategy is concerned with the structural evolution of the industry as well as with the firm's own unique position within that industry. Moreover, good strategy makes the company different, giving the company a

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unique position, involving the delivery of a particular mix of value to some array of customers, which represents a subset of the industry.

Over the last few years, the rural banking sector has continued to grow in assets, deposits, profitability and product offered. This growth has mainly been characterized by wide branch network expansion strategy. The key areas identified in the strategy revolved around the banking infrastructure, quality of customer service, innovative products to capture the targeted market, and the acquisition of the right skills and creating new organizational structure.

So long as the organization direction and strategy are well matched to the market, high performance is experienced. Each perspective of performance of the organization is distinctive, making measurements of performance fundamentally situational (Cameron and Whetton, 2010). According to Carton R and Hofer C (2012), the importance of performance is value creation. Where the value received from the assets provided by the shareholders is greater than the alternative investments options, the assets in terms of capital will continuously be provided to the organization resulting in the continued existence of the organization. In a situation where the shareholders feel that they are not getting the value they expect from the capital they have contributed to the business and if they also feel and see that the business is not working well based on their financial performance, the shareholders will withdraw the money contributed and the organization will cease to exist. Therefore, every rural banking company must show to their stockholders and investors their good performance so that they will not pull out their investment that can affect the capitalization and portfolio of the company. Rural Banks should then use business strategies that will help them improve their performance.

Corporate strategy is distinct from the strategy in general and competitive strategy because corporate strategy defines the firm's strategic intent and how the firm should be structured and administered (Thompson 2012). Corporate strategy is a series or pattern of consistent and systematic decisions over time made at the corporate level of a firm that integrates an organization's major goals, policies, and action sequences into a cohesive whole (Quinn, Mintzberg & James, 2011). Corporate strategy encompasses decisions, guided by a vision and more specific goals and objectives, company's mission and about the scope of the firms in terms of their businesses, resources, and the leveraging of those resources across business, as well as the role of corporate leaders or top management for the organizational structure, systems, and processes. Corporate strategy includes the commitments of their mission and vision; decisions and actions of their top management requiring a firm to achieve strategic competitiveness and earn above average returns. Thus, corporate strategy has implications for corporate governance and the control of the work of the top management. Corporate level decision makers included the top management team or the Chief Executive Officer and the Board of Directors. These two represent the level of corporate strategy decision making. Corporate strategy decision making skills can provide an explanation of heterogeneous corporate strategy decisions. Corporate strategy decision makers are inherently different as each decision maker possesses heterogeneous knowledge and experience. These characteristics are thought to shape the perceptions and values of a decision maker (Ebert & Mitchell, 2008; Streib, 2008).

A mission statement is a way of expressing the overall philosophy of the organization, which is in line with the values and expectations of its stakeholders, in those groups or individuals who have stake in, or expectations of, the organization's performance. Mission statements represent the overall reasons why the organization exists. It should be defined before we develop the strategy. The mission defines the space in which we create a strategy. The role of strategic mission includes stating the scope and boundaries of the organization. It is important that members of the organization fully support its mission; if they do not, real problems can arise in respect of the strategic direction the organization is trying to pursue. The mission statement of any organization needs to take account of some points like it should be general in its content so that it covers the organization's reasons for existence, it should describe the position the organization hopes to attain in its sector, it should state the key values of the organization, taking account of the expectations and values of its stakeholder, and it should be such that the organization has both the intention and the capability of living up to it. The importance of the organization's mission statement is that it gives out information to its stakeholders about its intentions and what it is hoping to achieve. In terms of strategic planning and thinking, the mission statement helps to direct planners towards specific organizational objectives, policies and strategies. Organizations can use their mission statement to explain what they are all about, in terms of their products or service, customer needs, geographical scope, etc., and in this way to determine their strategic direction. Mission should be a very important influence on strategy because it may concentrate on employees' perception of their customers and the utility of the service. It also sets the boundaries within which they see the business developing. Thus, the mission statements are related to focusing strategy rather than deciding when it has been achieved.

Strategic vision is an important addition to a strategic mission in that it looks to the future state of the organization. A clear strategic vision enables an organization to remain focused over a period and protects it from strategic drift. Having a challenging strategic vision, such as becoming a market leader in a particular dimension, helps to keep a company on course and therefore successful. Strategic vision acts as a motivating factor for employees and as a means of strategy selection. A vision statement is a vivid idealized description of a desired outcome that inspires, energizes and helps you create a mental picture of your target. It could be a vision of a part of your life, or the outcome of a project or goal. The vision statement communicates both the purpose and values of the organization. For employees, it gives direction about how they are expected to behave and inspires them to give their best. Shared with customers, it shapes customers' understanding of why they should with the organizations. A vision is a statement about what your organization wants to become. It should resonate with all members of the organization and help them feel proud, excited, and part of something much bigger than themselves. A vision should stretch the organization's capabilities and image of itself. It gives shape and direction to the organization's future.

There is no one formula to develop a vision. What matters is its appropriateness and the direction it sets for the institution. A vision should be inspirational, ambitious, realistic, creative, descriptive, clear, and consistent. Vision statements must also be easy to understand, easy to remember, positive, motivational, inspiring, attractive, challenging, and future oriented. Vision is generally seen as a picture of the future. It is a picture of excellence, something that the person, team or organization wants to create in its best possible future. Vision guides and perpetuates corporate existence. Vision is viewed as a mental picture of a compelling future situation. It originates from creative imagination, the act or power of perceiving imaginative mental images, sort of foresightedness. The organization and its employees should be identified with the vision statements. Great visions not only need visionaries but also leaders who can communicate the vision to others and get support from partners. Vision that allows us determine direction and indicates where we want to get to while mission defines the space in which the company will operate.

Nelson (2011) asserts that there are three main types of business strategies. The first category is the cost strategies where the firm chooses strategies that can create efficiency. These include outsourcing and efficient operations. The second category relates to differentiated products and services strategies. In this case the firm engages in creating products and services with special features. The third category involves focus strategies where a firm adopts strategies that involve a combination of both cost and differentiation strategies. This strategy states that in some ways, a firm is good about managing costs; and in other ways, this firm is really good at differentiating products or services. Competitive strategy is concerned with gaining competitiveness in each of an organization's individual business units. According to Michael Porter, this may be achieved by a cost leadership strategy, differentiation strategy, and focus strategy.

Cost leadership strategy is to become the lowest cost producer. This is difficult to sustain because competitors often copy them, and the advantage is therefore only short term. A possible alternative to being the individual lowest cost supplier is to join a co-operative with others in the same market and take part in a collective purchasing scheme to obtain economies of scale and such a policy has helped many small general stores. Some companies seek to obtain a competitive advantage by reducing prices, while, at the same time, attempting to maintain the quality offered by others. The major disadvantage of this strategy is that it is easily copied by competitors and can result in price wars, such as those recently seen between the supermarket food chains and the petrol retail sector. A company needs to be the cost leader to successfully pursue this strategy. Low-cost strategy has two factors like no frills and hybrid. No frills are a part of a low-cost strategy based on products or offerings which have no additional features, design elements, service back up and so on. They represent the most basic of products and therefore the lowest perceived added value. However, this strategy also allows the lowest prices to be charged.

Differentiation strategy is to be unique in its market with respect to potential competitors. Some organizations can offer something to their customers who enable them to charge more for their products or services. This is often associated with brand names that customers feel are superior. These strategies are an attempt to offer perceived added value over competitors at a similar, or even at a higher price, thus giving the company better margins whilst remaining competitive through differentiated products. The key to success in this strategy is that the basis for differentiating the product or service must be of value to the customer and must also be based on sustainable competencies which are difficult for competitors to copy or match. Differentiation is aimed at the broad market that involves the creation of a product or service that is perceived throughout its industry as unique. The company or business unit may then charge a premium for its product. This specialty can be associated with design, brand image, technology, features, dealers, network, and customer service. Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty towards customer’s sensitivity to price. Increased costs can usually be passed on to the buyers. Buyer’s loyalty can also serve as an entry barrier. New firms must develop their own distinctive competence to differentiate their products in some way to compete successfully.

The focus strategy has two variants, first, in focus, a firm seeks a cost advantage in its target segment, and second, is differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser’s target segment and other segments in the industry. The target segment must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments. The pitfalls of each strategy are, first, risk of cost leadership where positioning a firm as a low cost manufacturer or service provider places a severe burden on the firm. Cost leadership is vulnerable to risks such as technological change that erases past investments and outdates past learning. Second pitfall is risk of imitation the past learning.

Competitive strategies of an organization attract buyers, withstand competitive forces and advance its market standing (Thompson and Strickland, 2010). Porter (2010) stated that organizations that have a precise strategy outdo the ones without a strategy. Porter (2011) argued that higher performance would be attained in an industry that is filled with competition through pursuing strategies which include being a leader in terms of low cost, strategy for differentiating products and services and strategy on focusing on a particular segment. If an organization is not following any of the strategies, it will be caught in between resulting in achievement of lower performance in comparison to firms following a strategy. Competitive advantage in an organization is also founded in the company’s capability to take care of resources it owns internally (Das and Teng, 2009). Porter (2011) contended that higher performance can be attained in a competitive industry through the pursuit of a generic strategy, which includes development of an overall cost leadership strategy, differentiation strategy, or focus or niche strategy to industry competition. The above strategies if pursued results in the performance of an organization.

According to Thompson and Strickland (2010), a company is competitive if it has an edge over the rivals in safeguarding the consumers and countering competitive pressure. Organizations are an association of productive assets which are physical and capital in nature combined to attain the purpose for existence of the organization (Simon, 2010). If an organization generates enough returns or as much as what is being generated by the industry, that organization is in competitive parity to the industry. If an organization is making losses, it will find the shareholders withdrawing the capital and that organization will find it hard to survive. The ability for a company to constantly make profit is key to the survival of an organization (Drucker, 2009). On this basis therefore, measures of profitability are the most used to represent a firm’s performance.

Arasa (2014) carried out a study on the competitive strategies and firm performance relationship: a case of mobile telecommunication companies in Kenya. Competitive strategy is an indispensable tool for an organization’s success. A well taught out strategy may not be fully executed as expected due to several obstacles, such as vision, people, resource and management. That is why it is needed that strategies should be clearly define and objectives should also be clear so that in formulating and implementing strategies, it will be surely effective and efficient that can increase organization’s higher performance.

Rural banks play an important role in the economy, it is important that for them to survive, the whole process of strategy formulation and implementation needs to be successful. The key areas identified in strategy revolve around banking infrastructure, quality of customer service, innovative products to capture the target market, and the acquisition of the right skills and creating new organizational structure. Several studies have been done on the strategies that the banks have employed over time (Aaltonen and Ikåvalko, 2011). However, no study has been done to examine the relationship between business strategies and its relationship to the performance of rural banks in Zamboanga Del Norte.

Today, the business environment and almost all industry are facing some level of competition and indeed the competition has become so stiff. That is why firms need to come up with appropriate strategies to counter the ever-evolving challenges. Rural Banks are not an exception to this competition. As Thompson and Strickland (2010) asserted business strategies consist of the tactics that an organization has and takes to attract buyers, stand strategic forces and advance its market standing. According to Porter (2010), the organizations that have defined strategies outpace the ones without. To survive during turbulent times and achieve maximum level of performance, Rural Banks would therefore need to realign their business strategies and competencies. It then addresses who, where, when, and how to carry out organizational activities successfully to achieve better results (Kotler et al. 2009). Implementing strategic change is a double-edged sword because it simultaneously generates expected performance gain and unexpected performance loss (Brown 2013; Kennedy, Goolsby, and Arnould 2013).

In the banking industry the performance measures include: profits, market share compared to other banks, increase in customer base, increase in network of branches, sales made by the banks, turnover, innovativeness, market standing, a strong market base, return on investment, total assets, customer satisfaction index, employee satisfaction index, overall competitive position and average economic profitability (Bahaee 2015).

The literature and studies herein discussed were part in the conceptualization of the study. These helped the researcher in the entire research process. The literature and studies all dealt with the subject matter on strategies, rural banks, and financial performance of banks, similar subject matter of the present investigation. However, they differed in time, respondents since this study was conducted to rural banks in Zamboanga Del Norte while the on presented in this chapter were foreign in setting and other places in the Philippines.

Conceptual Framework

The study is anchored on the General, Corporate and Competitive Business Strategies of Fred Nickols (2016) which states that in the business environment, strategy is sure to crop up on a regular basis and an important driver to the higher performance of the organization. Nickols (2016) said that there are at least three strategies in the business world that help business go and these strategies are: general strategy, corporate strategy, and competitive strategy. Ajagbe (2014) contended that effective business strategy has positive contribution to the over-all performance of organizations. Moreover, General Strategy dimension draws from Johnson and Scholes (2009), McCarthy (2009), and Janki (2012), encompassing organizational approaches that leverage technology, marketing, and innovation to meet strategic objectives. These concepts were operationalized in the survey through items measuring the extent to which rural banks utilize long-term planning, resource allocation in marketing and technology, and innovation-driven practices. The Corporate Strategy construct, grounded in Ajagbe's (2014) and Grant's (2009) views, reflects top management's involvement in aligning strategic decisions with the organization's mission and vision, resource distribution, and structural planning. Corresponding survey items assessed strategic leadership, organizational alignment with vision, and inter-divisional coordination. Lastly, Competitive Strategy was rooted in Porter's (2010) framework on cost leadership, differentiation, and focus strategies. Survey items under this construction evaluated the extent to which rural banks pursue pricing strategies, develop unique services, or target niche markets as part of their competitive positioning.

General Strategy according to Jansi, McCarthy (2009) refers to how objective are achieves using some existing strategies. Strategy in general is concerned with the relationships between ends and means, between the result the organizations seek and the resources at disposal using some strategies. Every company or firm has an objective to achieve. In achieving those objectives, they must employ some strategies using resources in technology, marketing, and innovations.

Technology strategy according to Janki (2012) is the translation of the overall strategy of the organization into a coherent set of long-term instructions for investments for the sub-organizations that are active in technology development. Be it through product or process development or through the development of more general technological knowhow that can be used in product and process development. But at the same time, it is also the development of technology-based opportunities or options for the organization to steer future developments and provide the capabilities that enable the organization to shape its future.

On the other hand, marketing strategy according to Riaz (2011) is the direct way in which an organization tries to reach its public. This is performed through the nine elements of the marketing mix. Effective marketing strategies are the keys to frontline sales performance. Marketing strategy is the fundamental goal of increasing sales and achieving a sustainable competitive advantage (Silva, 2010). Marketing involves product, price, promotion, place, packaging, positioning, people, processes, and physical evidence. In other words, marketing strategies are growth strategies for new product categories, services or business models that change the situation and generate significant new value for consumers, customers and the corporation.

Meanwhile according to Cabral (2014), innovation is a new element introduced in the network, which changes, even if momentarily, the costs of transactions between at least two actors, elements or nodes in the network. Innovation means new ways of doing something. It may refer to incremental, radical, and revolutionary changes in thinking products, processes or organizations (Mckeown, 2008). In other words, innovation is the successful introduction of a new thing or method. Innovation is the embodiment, combination or synthesis of knowledge in original, relevant, valued new products, processes or services (Luecke and Katz, 2008).

Corporate Strategy according to Ajagbe (2014) involves the overall firm. This is the strategic decision taken at the top management level. Ajagbe (2014) opined that it would be compared with the firm's mission and vision, the segment of the market the organization belongs to and the consolidation of their business activities. It also involves the overall scope of the organization, its operation in structural or financial terms, and the allocation of its resources throughout its various business or divisions. This level involves top management, the mission, the vision in determining the key activities of the company in terms of the nature and extent of the product markets in which it operates.

Top management teams are critical to organizations' performance. Top leaders formulate a collective purpose, instill values, influence culture, and determine the strategic plan for an organization, so they have significant influence on organizational outcomes. The mission statement is concerned with the reason the organization exists. It tells the stakeholders what they is doing and why. It must be capable of determining the organization's strategic intent. Vision statement is a vivid idealized description of a desired outcome that inspires, energizes and helps one create a mental picture of one's target. It could be a vision of a part of one's life, or the outcome of a project or goal. Vision statements are often confused with mission statements; however, they serve complementary purposes.

Competitive strategies according to Porter (2010) is a game plan in running the business to attain higher performance. Competitive industry in the pursuit of a competitive strategy, includes development of an overall cost leadership strategy, differentiation strategy, or focus strategy to industry competition. Cost leadership strategy focuses on gaining competitive advantage by an organization having the lowest cost in comparison to the industry (Hyatt, 2010). To achieve low-cost advantage, an organization must have a low-cost leadership strategy, low-cost production, and a workforce committed to the low-cost strategy (Malburg, 2011). The organization must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing them to other organizations with a cost advantage.

According to Hill, C. W (2010). Differentiation strategy aimed at the broad market that involves the creation of a product or services that is perceived throughout its industry as unique. The company or business unit may then charge a premium for its product. This specialty can be associated with design, brand image, technology, features, dealers, network, or customer service. Differentiation is a viable strategy for earning above average

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returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Increased costs can usually be passed on to the buyers. Buyer’s loyalty can also serve as entry barrier-new firms must develop their own distinctive competence to differentiate their products in some way to compete successfully.

Chandler (2011). The focus strategy is concentrating on satisfying a small section within its target population. This strategy involves selling what is considered a better-quality product at a higher price than other similar ones. In this strategy the firm concentrates on a select few target markets. It is also called a focus strategy or niche strategy. It is hoped that by focusing the market efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market.

For Johnson and Scholes (2009) strategy is the direction and scope of an organization that ideally matches the results of its changing environment and in particular its markets and customers to meet stakeholder expectations. Mintzberg and Quinn (2010) perceives strategy as a pattern or a plan that integrates organization’s major goals, policies and action into a cohesive whole. Porter (2010) defined it as a creation of a unique and vulnerable position of tradeoffs in competing, involving a set of activities that neatly fit together, that are simply consistent, reinforce each other and ensure optimization of effort.

Strickland (2012) highlighted strategy to include deciding what business the company will be in and forming a strategic vision of where the organization needs to be headed. In effect, this is infusing the organization with a sense of purpose, providing long-term direction, and establishing a clear mission to be accomplished, converting the strategic vision and mission into measurable objectives and performance targets, crafting a strategy to achieve the desired results, implementing and executing the chosen strategy efficiently and effectively, evaluating performance, reviewing new developments, and initiating corrective adjustments in long-term direction, objectives, strategy, or implementing in light of actual experience, changing conditions, new ideas, and new opportunities.

About this perspectives Barney (2013) asserted the first thing that comes to mind is about business strategy Strengths, weaknesses, opportunities and threats (SWOT) Analysis. Performing SWOT involves describing and analyzing a firm’s internal capability, its strengths and weaknesses, relative to the external opportunities and threats of the competitive marketplace.

Strategic clarity (Parnell *et al.*, 2015) and strategic combination (Zamani *et al.*, 2013) return to better performance. Often managers think that an outstanding strategy alone guarantees effective performance and competitive advantage for the organization. Strategy is about making choices (Porter, 2010). It is a way to ensure a sustainable competitive advantage by investing the resources needed to develop key capabilities leading to the long-term superior performance (Lin *et al.*, 2014). Slater and Olson (2014) posit that no matter how super a strategy is, it must be implemented to achieve the desired results.

It is noteworthy to cite Thompson (2013) who mentioned that the most important elements of development which would influence greatly the strategies, structure and performance of the future companies include: economic relations would be performed in the direction among trade blocs instead of countries, business performance would be more and more a matter of strategic joint venture, which would be integrated into a world economy, restructuring of business would be intensifying and more globalizing, it would be important to have information and knowledge, strategic management of companies would be decisive for a competitive success, intensive market orientation of companies would be a core advantage for achieving a competitive advantage over competitors. Thompson and Strickland (2013) contended that competitive strategies assist an organization to describe its business at present and tomorrow, and determine the industries or marketplaces to participate in.

Ajagbe (2014) explained that performance remains the main yardstick to measuring prosperity of the organization and this is demonstrated in both empirical and theoretical models showing that performance of firms can be determined in terms of sales growth, employment growth, changes in profitability, and in relation to competitors. Strategies are a tool to enhance performance. Strategy being a game plan strengthens the organization’s position, pleases customers, and achieves performance targets. Strategy includes the goals and major policies of the organization. Strategies are grounded in the array of competitive moves and business management of an organization concerned of producing successful performance. Manager's device strategies to guide how the company's business will be conducted and to help them make reasoned, cohesive choices among alternative courses of action.

Armstrong & Barron (2010) put forward that organizational performance is a strategic and an encircling technique to deliver continued prosperity to businesses by enhancing performance of the people who are employees and by building the capability of the teams and individual contributions. It involves running the organization, everyone in the organization, improving commitments to duties, employee development, stakeholders‟ satisfaction and finally, communication and involvement (Maduenyi et al., 2015). Organizational performance leans on the philosophy of management by acceptance or agreement rather than management by command. The focus is on building and introducing self-improved learning processes as well as the integration of individual and corporate goals. It is also a process for determining outcomes in the form of delivery of performance in comparison to expectations expressed via objectives, targets, standards and performances indicators. Organizational performance is a chain that links organizational vision, missions, values and strategic goals to divisional, departmental and individual goals, objectives and tasks/ targets together (Henekom et al., 2008; Armstrong, 2008; Hughes, 2008).

Pryol et al. (2013) stressed that effective performance should begin with a clear understanding of the organization's strategic process. They added that organizational performance is a critical success factor for a flawless implementation of strategy. This implementation is achieved by linking the organization's strategic goals and objectives with its budget and operational systems to achieve organizational efficiency, effectiveness and accountability. Long et al. (2012) believed that organizational activities involve methods, processes, structures and widely embraced strategies carried out by managers to achieve set objectives. Mandal et. al. (2008) maintained that the most suitable organizational activities yield high outcomes. There is proof that as business organizations continue to find proper avenues of achieving competitive edge and objectives. They also endeavor to achieve competence in every valuable area of their businesses to boost business operations which often times result in enhanced business performance. In addition, Pushpakumari and Wijewickrama (2008) reported the same performance. Since, strategies will play a crucial role in the banking industry that will step up one rural bank from the other rural banks.

According to Schermerhorn (2015), strategies must be well formulated and implemented to attain organizational objectives. Therefore, the ability of strategy to lead a firm to success in performance starts way before implementation; therefore, during formulation. According to Pride and Ferrell, (2014) implementation is an important component of the strategic planning process. It has been defined as "the process that turns strategies and plans into actions to accomplish organizational objectives. Strategies that involve strategies in general, corporate strategy, and competitive strategy is used to help improve the performance of rural banks. Understanding these types of strategies separately will provide a deep insight into every rural bank and how those strategies will greatly affect their company's performance.

The indicators of the variables of the study were provided by Fred Nickols namely: strategy in general, corporate strategy and competitive strategy.

General Strategies is the long-term direction which organizations adopt to gain competitive edge in the dynamic business environment by using resources and core competencies to fulfill stakeholder expectations (Johnson Scholes & Whittington 2009). A company's general strategy consists of the business approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position. These strategic responses provide opportunities for the organization to respond to the various challenges within its operating environment.

Meanwhile, **Corporate strategy** deals with the ways in which a corporation manages a set of businesses together (Grant, 2009). It sought to assess the relative importance of industry, business, and corporate factors in determining profitability differences between firms. The best-known works in the field of strategy (Rumelt, 2009) revealed that effects specific to individual businesses explain the largest portion of the variance of business-level profitability, followed by much smaller industry effects.

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However, **competitive strategy** has advantage, and it grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. Competitive strategies can help the organization to cope with the competitive forces in the industry and do better than other organizations in the industry.

Rural banks play a crucial role in supporting financial markets and have a substantial bearing on the success of an economy (Samad A. et al., 2009). Adusei (2015) argued that the collapse of one bank has a widespread impact on the financial system and a country's economy. It is therefore important to design an indicator framework for monitoring vulnerability in the financial sector. One of the most important indicators is bank profitability. According to Athanasoglou et al. (2008) a banking sector that is profitable has a higher capability to meet adversaries and enhance the financial system's strength.

The scheme of this study is shown on the next page. The independent variables on this study are strategy in general, corporate strategy, and competitive strategy, while the dependent variable is rural bank performance.

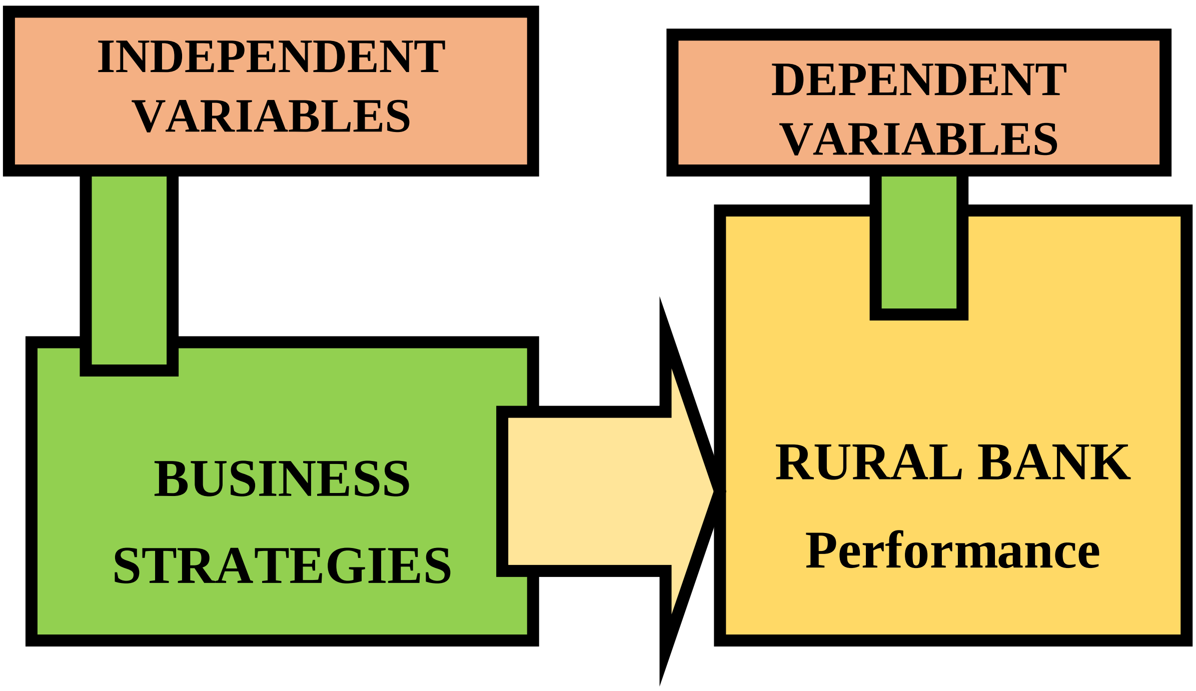

Figure 1. Schema of the Study

METHODOLOGY

The study utilized descriptive methods of research. It allows the description of the correlation between the problems under investigation and a relationship analysis was made to determine the relationship between the sets of data in the study of business strategies among rural banks and their performance in Zamboanga del Norte during the calendar year 2017-2018. Furthermore, presenting Cronbach's alpha for each set of items used to measure the constructs—such as general strategy, corporate strategy, and competitive strategy—would provide evidence of internal consistency and reliability, ensuring that the items reliably reflect the intended theoretical dimensions. Additionally, conducting and reporting **regression analysis** would allow the researcher to go beyond mere correlation by examining the **predictive power** of strategic variables on financial performance outcomes such as profitability, liquidity, and loan performance ratios. This would help quantify the extent to which each strategy dimension independently influences performance metrics while controlling for the effects of others, thereby offering deeper insights into causal or contributory relationships.

Research Settings

There are 87 Rural Banks operating in all over the Philippines under the supervision of Bangko Sentral ng Pilipinas. Eight of these Rural Banks are operating in Zamboanga Del Norte. These are Rural Bank of Salug

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(Zamboanga Del Norte), Inc., Katipunan Bank, Rural Bank of Liloy (Zamboanga Del Norte, Inc.), Rural Bank of Rizal (Zamboanga Del Norte), Inc., Rural Bank of Labason (Zamboanga Del Norte), Rural Bank of Manukan (Zamboanga Del Norte), Banco Dipolog, Inc. and Community Rural Bank of Dapitan City, Incorporated. Rural Banks efforts and costs to survive the competition used to meet the demands of the market, including the regulatory requirements that are greater than before. Though they find it difficult to compete with the superior products and efficiency offered by bigger banks, rural banks continue to grow and try to join the competition. Along this light, Rural Banks face increasingly stiffer challenges coming from smaller and bigger players. As more commercial banks, cooperatives and NGOs or Non-Government Organizations now operate in the countryside, with relatively lower cost than the most rural banks. These entities also acquire some portions in the market. Yet, the Philippine Rural Banking sector continues to grow and expand, as indicated by key performance indicators, including consolidated assets, deposits, and loans. However, because of strong pressures in all dimensions of the environment Rural Banks continue to struggle to prove their relevance in the society.

In the country, all Financial Institutions are under the supervision of the Bangko Sentral ng Pilipinas, BSP promoting some of their best practices like oversight of the board. The board must be active, management must be guided with a lot of policies, strategies, and guidelines. Since BSP has regulatory requirements and some of their practices should also be followed by all financial institutions, especially the Rural Banks, they are forced to adapt to the new and prudent ways of running the banks, and those who will not follow will suffer some penalties they implement. BSP program for rural banks called Strengthening Program for Rural Banks or SPRB, is a joint undertaking of BSP and PDIC or Philippine Deposit Insurance Corporation that was launched in 2010. The objective is to strengthen rural banks and to minimize bank closures. This program encourages more mergers, consolidations, and acquisitions of eligible rural banks and thrift banks by strategic third-party investors. As of June 30, 2014, seven merger consolidation applications involving 15 banks have been approved by the PDIC and are being processed by the BSP. There are five other applications for consolidation and acquisition that are in the pipeline. However, rural banks' fortunes are not dependent just on upsizing to stay competitive, but they are also using their best strategy to deal with the challenges in the market and continue to survive and sustain their operations in the long run.

Research Respondents

There are two sets of respondents in this study, one set of respondents were those on the top management or the branch managers and the second set were the employees of rural banks in Zamboanga del Norte. The eight respondents represent the top management and 80 respondents representing the employees of the rural banks.

RESULTS AND DISCUSSIONS

Problem No. 1 What is the profile of respondents in terms of years of operation, number of branches, number of employees and products and services?

Years in Operation

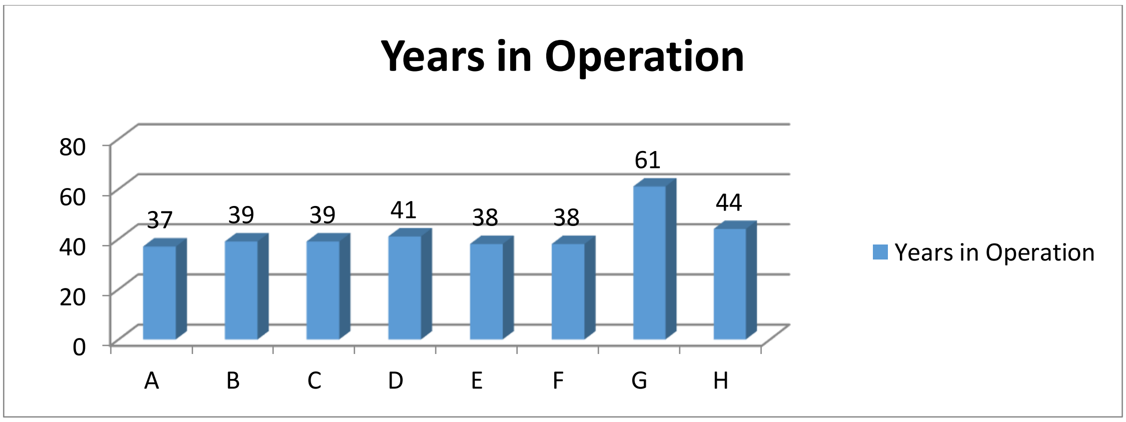

Figure 1 Profile of the Rural Banks in Terms of Number of years in operations

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Figure 1 shows the profile of the rural banks in terms of number of years of operation. The figure shows that Bank G has the longest existence in the rural bank business, having been into rural banking for 61 years. Next to Bank G is Bank H, which has existed for 44 years while Bank D has been into business for 41 years. The rest of the banks included in the study were into business for more than 35 years but less than 40 years. This means that these banks have been existing for more than 3 decades and the number of years of operation has proven that these banks have been tested over time. This implies that the rural banks understudy has overcome the test and challenges in the environment and development in the sector.

The length of existence of these banks proves that they have been into strategizing over the years and these strategies have worked well for them, making them exist for more than 3 decades in business. Strategizing to gain competitive advantage over time shows that these banks know their strengths, weaknesses, threats and weaknesses and have learned to play well with competition making them exist together with other rural banks and stay in long time Barney (2013) asserted that performing SWOT involves describing and analyzing a firm's internal capability, its strengths and weaknesses, relative to the external opportunities and threats of the competitive marketplace.

Number of Branches

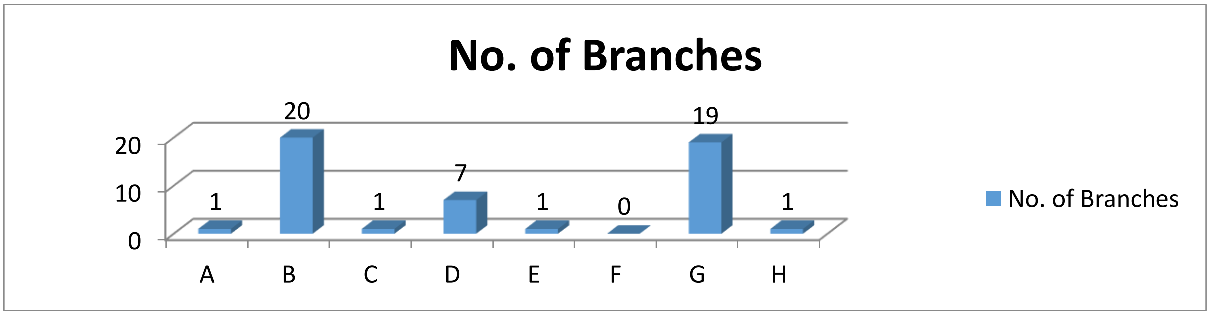

Figure 2 Profile of Rural Banks in Terms of Number of branches

Figure 2 is on the profile of the rural banks in terms of their number of branches. Bank B has 20 branches while Bank G has 19 branches. Next in rank is Bank D with 7 branches and the rest have either one branch or no branch at all. The data on the table shows that Bank B, which existed for about three decades, has grown so fast and it has overtaken Bank G, which has been into business for more than seven decades.

Looking at business strategies vis-vis growth of the rural banks in terms of number of branches, one could safely conclude that Bank B is the fastest growing bank over other banks included in the study while Bank F is conservative enough to make at least one branch. It then is safe to say that Bank B employs the best strategies over other rural banks and may have taken so much risk for them to grow in magnitude for a shorter period. This growth and expansion in terms of the number of branches has proven that the management strategies of Bank B are more effective than other banks.

Number of Employees

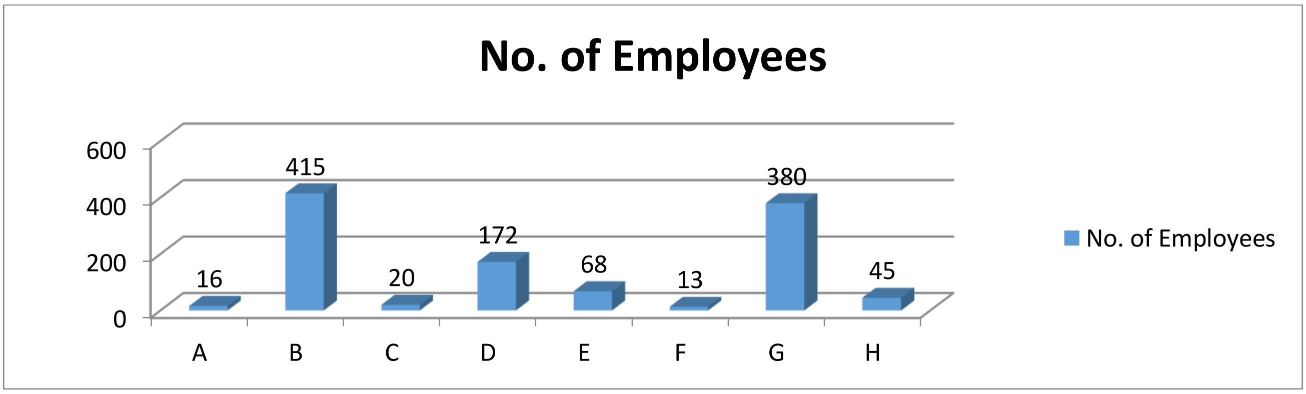

Figure 3 Profiles of Rural Banks in Terms of Number of Employees

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Figure 3 presents the data on the number of employees of the rural banks understudy. The data on the table show that Bank B has the greatest number of employees, reaching 415 followed by Bank G with 380 employees and Bank D with 172 employees. The rest of the rural banks have less than 100 employees with Bank F having the least number of employees. This means that Bank B being the fastest growing rural bank, has also the greatest number of employees. Their number of employees grew in parallel with the growth in number of branches of the rural bank. Bank G, also, being the second highest number of branches, has also the second highest number of employees.

The trend in the growth of the number of employees implies that these rural banks have created a socio-economic impact on society. These rural banks have generated employment and may have innovated products and services that are clearly needed by the community people. This indicates that these rural banks help drive the Philippine economy to a better perspective. With the rural banks taking part in economic growth, micro and small businesses can eventually grow as well.

Number of Products and Services

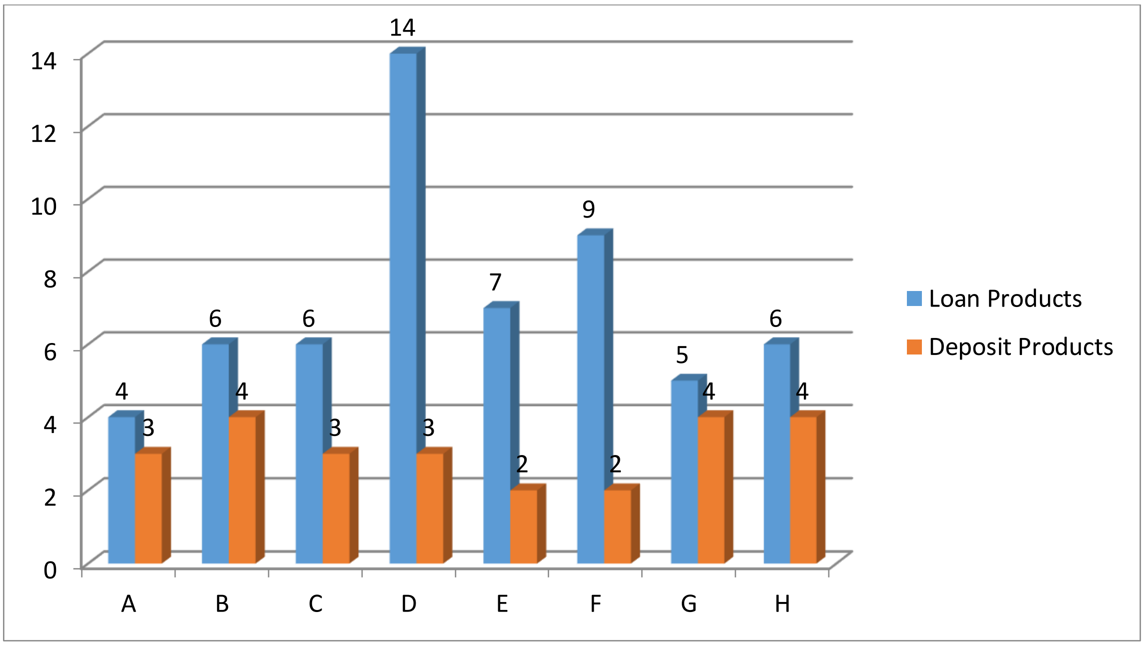

Figure 4 Profile of Rural Banks in Terms of Number of Products/Services

The profile of rural banks in terms of number of products/services is shown in Figure 4. Bank D has the greatest number of loan products followed by Bank F and Bank E. As to deposit products, banks B, G and H have the same number of deposit products. The rest of the rural banks have either 2 or 3 deposit products.

Looking at the profile of the banks as to their deposit and loan products, it could be noticed that loan products are more popular compared to deposit products. This means that more of the customers of the rural banks are engaged in loans rather than on savings. This has gone out of the ideal situation wherein savings should be made first prior to spending.

This is the Filipino way of life. Spending comes first for most and only very few get into savings prior to spending. Most of Filipinos also are more aware of the loan products than the deposit products which simply get into the idea that Filipinos do not mostly save for future use because of the availability of a lot of loan products coming from rural banks and other microfinance institutions, both formal and informal. This is the current economic landscape in the country. Only very few people are conscious about saving but a lot are after spending and engaging in a loan even until and beyond retirement. On the part of the bank, this is a favorable since the banks can benefit from interest revenue and other chargeable amounts against the loan incurred by borrowers. This makes the banks grow richer and better performers. It is also a part of their strategy to bury people into debt and eventually improve their business performance.

Problem No. 2 How often do rural bank apply the following business strategies in terms of:

Table 2 Strategy in General in Terms of Technology

Technology		**Top Management**		**Employees**	
		AWV	**D**	**AWV**	**D**
1	How often does technology provides efficient and effective work and service to both employees and customers.	4.38	A	4.52	A
2	How often technology does helps organization speed up the work of employees.	4.38	A	4.07	O
3	How often technology does serves as a vehicle for the progress of the organization.	4.25	A	4.44	A
4	How often is the upgrade of the technology so that it will lead to smooth and speed operation.	4.00	O	4.11	O
5	How often is the maintenance of technology to avoid operation malfunction.	4.13	O	4.2	O
	Mean	4.23	A	4.27	A

Table 2 shows the business strategy of the rural banks in terms of technology

Looking at the figures, investments in technology as a strategy are always visible among the rural banks except for constant upgrading of technology and its maintenance. However, the mean obtained at 4.23 reveals that technology has been a part of the business strategy having to note that with technology, things are made easier and faster if one rural bank is to get into competition with other rural banks.

The description given by the top management in technology as speeding up the work of employees is always visible since they are confident enough that technology helps a lot from the lower rank in file to the highest rank in file of the organization, but the employees has a description of often it is because they observed from their colleague that some of them gets lazy and using “mayana” habit for they know that using technology can easily get their job done. Some of the employees forgot that with the help of technology they will not get the backlog of their work and always get ready for the next day transactions.

Today, if businesses would not engage and invest in technology, they will be left behind the others because technology is fast paced and is facilitating most of the businesses and speed up its growth and development. Noting that technology has replaced manual jobs, it also makes life easier for those employees in rural banks who know how to utilize and maximize the use of technology. One cannot afford to be left behind and be a loser in the field of business competition, that is why top management formulated and implemented strategies that suit them. Rural banks kept on merging to expand the range of their operation, and technology is part of it. Therefore, rural banks need to invest in technology as part of their business strategy if they want to be at par with other rural banks that are already in place and are doing well in banking business. It cannot be overemphasized that technology has made it possible for business to become much more responsive to consumers. Further, it makes saving time and money possible (Nickols and McHugh, 2016).

Table 3 Strategy in General in Terms of Marketing

Marketing		**Top Management or Manager**		**Employees**	
		AWV	**D**	**AWV**	**D**
1	Bank marketing leads to customer’s patronage, retention, and satisfaction.	4.25	A	4.51	A
2	Product meets the demand of the customers.	4.50	A	4.18	O

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3	Place or location of business accessible to the customers.	4.75	A	4.53	A
4	Promotional activities catch customer's attention.	4.13	O	4.31	A
5	Commissions/Incentives to both employees and customers help achieve company's goals.	4.13	O	4.17	O
	Mean	4.35	A	4.34	A

Table 3 reflects the business strategy of the rural banks in marketing. Looking at the results would tell that the rural banks utilize marketing to attract and retain customers. Rural banks believe that marketing their products and services entices the customers and attracts them to get involved in the rural banks through entering a loan or making a deposit. The promotional activities of the rural banks were readily accessible and available. With rigorous marketing strategies, more customers are invited and, expectedly, these customers will become loyal customers to the rural bank.

As the top management who formulated and implemented the strategies, it is easier for them to give always visible to the product meets the demand of the customers because they make sure that every strategies or products they innovated should fit the demand of the clients, but the employees give a description of often in product meets the demand of the customer since as front liners of the organization they are the one who look those clients that can fit the requirements of their products. Since competition is stiffer and competitors also offer the same variety of products it is very hard for them to convince them to avail themselves of a loan from their company.

However, marketing plays a great role in the success of business. Strategizing in marketing creates a great impact on the success of the business because the primary role of marketing is making products and services popular and if these products and services become popular, it engages the business into a more mutual relationship with the customers, making the business grow in magnitude and eventually gain success in its day-to-day operation.

Table 4 Strategy in General in Terms of Innovation

Innovation		**Top Management or Managers**		**Employees**	
		AWV	**D**	**AWV**	**D**
1	Bank introduced a new or significantly improved product in the market before the competitors.	3.63	O	4.13	O
2	Bank introduced a new or significantly improved product in the market that was already available from the competitors.	3.63	O	3.91	O
3	Innovation meets the demand and supply of both the customers and organization.	4.13	O	4.27	A
4	Innovation increase organizational competitiveness in the market.	4.38	A	4.03	O
5	Innovation created with much knowledge and relevance to satisfy customers.	4.38	A	4.12	O
	Mean	4.03	O	4.09	O

Table 4 reveals the data in terms of innovation as a strategy in general. Looking at the figures on the table would tell that innovation is often visible in the rural banks. This is proven through the weighted means of visible in the rural banks. This is proven through the weighted mean of 4.03 described as often.

This shows that innovation takes place in the rural banks, but these innovations do not happen most of the time. Innovation is at a slower pace. In relation to adoption of technology as a strategy, the rural banks may have adopted technology, but their innovation does not go with the flow of technology advancement.

The top management gives a description of often innovation as meets the demand and supply of both the customers and organization. According to Mcckeown (2008) innovation is the successful introduction of a new thing or method. Innovated products and services created by rural banks are just copied from the bigger banks, they then modified it best suits and complimented the needs of the clients. Innovation takes time and effort that it needs thorough deliberation. It needs thorough deliberation because aside from the time and effort it also needs money if the company innovate their products and services. Meanwhile, the employees give it a description of always since they knew that top management are always finding ways on how an organization gain and generate profit.

However, a lot of things can crop up with one's mind considering innovation in relation to technology. While other businesses utilize technology as a way of life and an avenue for innovation, the rural banks in the study did not live up to technology advancement as an innovation. Innovations grow slower than technology does. This makes rural banks behind in terms of a more innovative offer of a product or service to the customer. Innovation can change the mindset of both the businessmen and the customers for the satisfactions of their desire wants. With constant innovation, customers would view such an aggressive approach of the business that leads to their competitive advantage and being at the advantage creates the view of being on top over others.

Table 5 Corporate Strategy in Terms of Top Management

Top Management		**Top Management or Manager**		**Employees**	
		AWV	**D**	**AWV**	**D**
1	Top management formulated and implemented effective strategies.	4.13	O	4.51	A
2	Top management easily identifies key threats and opportunities to the business.	4.13	O	3.98	O
3	Top management immediately responds to the organizational needs.	4.38	A	4.5	A
4	Top management directs the organization to the organizational objectives.	4.25	A	4.16	O
5	Top management decisions aligned with the vision and mission of the organization.	4.38	A	4.21	A
	Mean	4.25	A	4.27	A

Table 5 reflects the data on the corporate strategy of the rural banks with the top management as the frontline. Looking at the figures, it would show that the top management does what they intend to do, and these accomplishments are visible down to their subordinates. These strategies include formulating and implementing effective strategies, identifying key threats and opportunities, responding to organizational needs, directing the organization to the accomplishment of its objectives and aligning decisions with the vision and mission of the business.

These claims were proven through the mean of 4.25 which shows that top management always strategize properly for them to lead the actions of the business to accomplish their vision, mission and objectives. This seemingly happens in businesses as proven in their years of existence and the growth that these rural banks have manifested over the years. If not with the proper action of the top management, these businesses should not have survived for more than decades. These businesses should have gone bankrupt and may have merged with other rural banks or, worse is, sell the rural bank to other investors. Looking at top management and their creativity would tell that these people in the top management really know what they need to do and know the

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way of doing it. Strategizing is a difficult part of operating a business because it investigates vague and chops these vague matters into specifics so that these bits and pieces of objectives could lead back to the vision and mission of the business. Strategizing on the part of the top management, beside the fact that it is their job, can be tasking and mind consuming because of the details needed, however, the top management of the rural banks under study have proven themselves worthy of being in the top management, having ushered the rural banks over the years and bringing success to the rural bank as it continues to grow over the years of operation.

However, the branch manager, as one of the members of the top management, can say then that top management formulated and implemented effective strategies are often because per observation of some of the members of the board who are afraid of taking risks in disposing the available funds. Branch managers' behavior then is affected and influenced by the behaviors of some of the members of the top management afraid of taking risks. Meanwhile, employees give a description of always in top management as the ones who formulated and implemented effective strategies because they are confident enough in the leadership given by the top management. As so many years of existence are striving hard in competition but still, they manage to bring the company to life saving not only the bread and butter of employees' dependence on their work but also give an opportunity to the small and big-scale clients.

Moreover, the top management has given a description of always visible in top management directing the organization to the organizational objectives because they ensure that every action they take can bring good benefit to their company. While the employees give a description of often visible because they observe that top management forgot the mission and vision of the company, that the firm exist not only to generate profit but also to help those people in need.

It is said that vision acts as a motivating factor for employees and communicates both the purpose and values of the organization.

Table 6 Corporate Strategy in Terms of Vision

Vision		**Top Management or Managers**		**Employees**	
		AWV	**D**	**AWD**	**D**
1	Vision enables the organization to remain focus over time and protects from strategic drift.	4.38	A	4.63	A
2	Vision helps keep organization on course and therefore successful.	4.50	A	4.26	A
3	Vision acts as a motivating factor for employees.	4.50	A	4.51	A
4	Vision helps employees create a mental picture of organization's target.	4.38	A	4.48	A
5	Vision statement communicates both the purpose and values of the organization.	4.50	A	4.25	A
	Mean	4.45	A	4.43	A

Table 6 presents the data on the corporate strategy of rural banks in terms of attaining its vision. Looking at the data on the table reveals that the actions of the rural banks are aligned with their respective vision. The vision allows them to focus over time and protects them from strategic drift. Their vision helps keep their organization on the course and it helps motivate the employees and other members of the organization. Their vision basically is a form of communication on their courses of action including the pacing of their actions towards attaining the vision.

The above contentions were concretized by the average weighted values and the mean that fall within the range 4.21 – 5.00, described as "always". This goes to show that visioning has become a part and is a culture of the rural banks. They do strategic planning that is based on the vision of the organization, and they organized all their action towards attainment of the vision.

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The vision of the organization is very important because it gives a picture of the organization at a designated time, and it unveils a presentation of the organization and the courses of action to be taken to attain the vision. A clear vision enables an organization to remain focused over a period and protects it from strategic drift. Vision acts as a motivating factor for employees and as a means of strategy selection.

Morato (2012) clearly emphasized the importance of fundamentality of visioning. In the Vision Mission Objectives Key Result Areas Performance Indicator Strategy Programs Activities Tasks Resources (VMOKRAPISPATRES) framework for planning, V which stands for vision is very basic and fundamental; that every action of the organization is always anchored on the V.

Table 7 Corporate Strategy in Terms of Mission

Mission		Top Management or Branch Manager		Employees	
		AWV	D	AWD	D
1	Decisions, policies, and strategies aligned with the mission of the organization.	4.38	A	4.58	A
2	Mission statement influence customer buying behavior.	3.88	O	4.06	O
3	Officers and staff fully support the organization's mission.	4.50	A	4.38	A
4	Employees portray the key values indicated in the mission statement.	4.00	O	4.18	O
5	Mission statement directs the path through success.	4.50	A	4.23	A
	Mean	4.25	A	4.29	A

After visioning the organization, the next part in corporate strategizing is missioning and the data are presented in Table 7. As shown on the table, the figures show an average weighted value of 3.88 for the item "mission statement influence customer buying behavior" and 4.00 for the item "employees portray the key values indicated in the mission statement", with a qualitative description of "often". This shows that the customers buying behavior are always not guided by the mission of the organization. On the other hand, the rest of the items bear average weighted values that are well within the range 4.21 – 5.00. The meaning of 4.25 says that the mission of the organization is aligned with the vision. The mission statement reveals that core values of the organization and the pathway towards attaining the goals of the organization. It is very evident in the results of the study that missioning has always been a part of the organization's strategy and that the actions of the members of the organization are centered in ways that would lead the organization to the pathway of the organization geared towards its vision.

Morato (2012) averred that the mission of the organization is equally important with that of the vision because the mission clears out the delivery of basic services of the organization that paves the road towards attaining the vision.

Table 8 Competitive Strategy in Terms of Cost Leadership

Cost Leadership		Top Management or Branch Manager		Employees	
		AWV	D	AWV	D
1	Cost leadership of products/services meets customer satisfaction.	4.13	O	4.41	A
2	Cost leadership influence the buying behavior of the customer.	4.13	O	3.92	O
3	Cost leadership increase income portfolio of the organization.	4.25	A	4.4	A
4	Organization's cost leadership sustain and than competitors	4.00	O	3.98	O

	cost leadership.				
5	Cost leadership strategy is found to be an effective strategy an organization.	4.13	O	4.17	O
	Mean	4.13	O	4.18	O

Table 8 shows that competitive strategy of the organization in terms of cost leadership. Cost leadership shows how much the organization tries to come up with the best cost of products and services to be offered to its customers and consumers. Along this line, cost leadership is seen to be often visible in rural banks. This could be proven through the average weighted values and the mean that fall within the range 3.41 – 4.20. This means that the oftentimes, cost meets the customers level of satisfaction and that it influences that customers' buying behavior. It is also expected that oftentimes it leads to an increase in income and is made to sustain the organization's operation. In most cases, cost leadership is seen to be one of the effective strategies of the organization, being the most investigated and primarily considered before the customer or consumer avails that product or services.

Furthermore, the top management gives a description of often in cost leadership of products/services meets customer satisfaction because in banks every single cent should be investigated by the cash department. The cash department ensures that they will balance their transactions at the end of the day, and they will not go home unless their transaction gets balanced. The employees, however, give a description of always being because most people nowadays are exposed to loans and if they need money, they don't care anymore how much interest and other charges the banks have imposed.

Organizations can compete in different ways but competition in terms of cost seems to be the most fundamental among all other competitive strategies. Cost in the first place is the most glaring component of marketing. Figures attract and distract customers and consumers and comparison in figures cannot just be held on one side. Competition in cost must be primarily addressed as figures can easily be compared.

Khan (2017) claimed that cost leadership is a very basic source of competition and as such, costing of products and services should be done in the most efficient way to pave the way for organizations to grow without losing its composure to the consumers and customers. Cost leadership is a possible alternative and a collective purchasing scheme that obtains economies of scale and such policies help business in the country.

Table 9 Competitive Strategy in Terms of Differentiation

Differentiation		**Top Management or Branch Manager**		**Employees**	
		AWV	**D**	**AWV**	**D**
1	Differentiation of organization's products/services meets customer satisfaction.	4.25	A	4.45	A
2	Differentiation of organization's products/services aligned with the organizational objectives.	4.38	A	4.07	A
3	Differentiation of products/services catches customer attention.	4.25	A	4.48	A
4	Differentiation strategy is based on sustainable competency which is difficult for competitors to copy.	4.00	O	4.13	O
5	Differentiation strategy aimed in a broader market that involves creation of products/services that perceived throughout the industry as unique.	4.38	A	4.22	A
	Mean	4.25	A	4.27	A

Table 9 presents the differentiation strategy of the rural banks. Looking at the figures reveal that differentiation is common among rural banks. This is proven by the weighted mean of 4.25, described as "always". The data show that differentiation is a strategy commonly employed among the rural banks.

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Product and service differentiation can happen in different ways and at different levels. However, the most important thing to consider is that these product and service differentiation is aligned with the corporate vision and mission. It should lead towards broadening or increasing the market coverage of the organization. As a competitive strategy, product differentiation allows the organization to tell its customers the way in which their products and services are different from those of others and how their products and services are better than others.

In rural banks, differentiation can happen along charging of interests and other fees. While there are banks having hidden charges, there are also banks that reveal it openly or transparently. There are banks that offer low interest rates on loans while others charge higher on a similar loan. While most of the rural bank's products and services are almost similar, they intend to differentiate along customer service, promotion and processes.

Table 10 Competitive Strategy in Terms of Focus

Focus		Top Management or Branch Manager		Employees	
		AWV	D	AWV	D
1	Focus strategy meets income portfolio of the organization.	4.38	A	4.5	A
2	Focus strategy meets the needs of the customer.	4.38	A	4.1	O
3	Organization looks to gain a competitive advantage through effectiveness rather than efficiency.	4.00	O	4.43	A
4	Focus strategy sensitively created with higher quality to meet the objectives of both the customer and organization.	4.38	A	4.28	A
5	Focus strategy aligned to the mission and vision of the organization.	4.50	A	4.3	A
	Mean	4.33	A	4.32	A

Presented in Table 10 are the data on the competitive strategy of rural banks in terms of focus. Looking at the results on the table would reveal that the rural banks placed much attention to their focus strategy as they manifested these most of the time. This claim is concretized by the mean of 4.33, described as "always".

This means to show that focus is given emphasis by the rural banks. Their focus strategy is employed in a way that meets the needs of the customers and the income desired. Further, focus strategy is sensitively made with high quality to meet the objectives of both the customers and the organization. The mission and vision were also considered by the rural banks when making the focus strategy.

The top management gives a description of what is often visible in an organization looking to gain a competitive advantage through effectiveness rather than efficiency because what they wanted for their employees is to bring money to the organization whatever it may be. Once the account is past due the company will then confiscate collaterals from their clients. The employees have a description of always being visible because they are always following whatever command from the higher management, afraid of losing their job. The good scenario is they are taking their actions into legal and with due process.

Looking at the overall result, giving focus is made as a competitive strategy by the rural banks. Their focus is aimed towards the accomplishment of the objectives, the mission and vision of the organization. Customer satisfaction was not lost in the scenario as well as the organization's aim for profit.

In totality, focus strategies were really maximized to gain competitive advantage over the other rural banks. Each of the focus strategies of the rural banks were unique enough that it really points out the strengths and the advantages of one rural bank over the other. Morato (2012) averred that strategic focus is one of the things that should be given prime importance by the organizations because it is where efficiency and effectiveness in the use of the organization's resources come in. With focus, the utilization of available resources is maximized since actions are really based on strategic direction. Accordingly, an organization that lacks clear acts and direction has vague performance and cannot execute a strategy competently. Obviously, the result is the financial performance is placed at risk.

Problem No. 3 What is the financial performance of rural banks?

Profitability Ratio

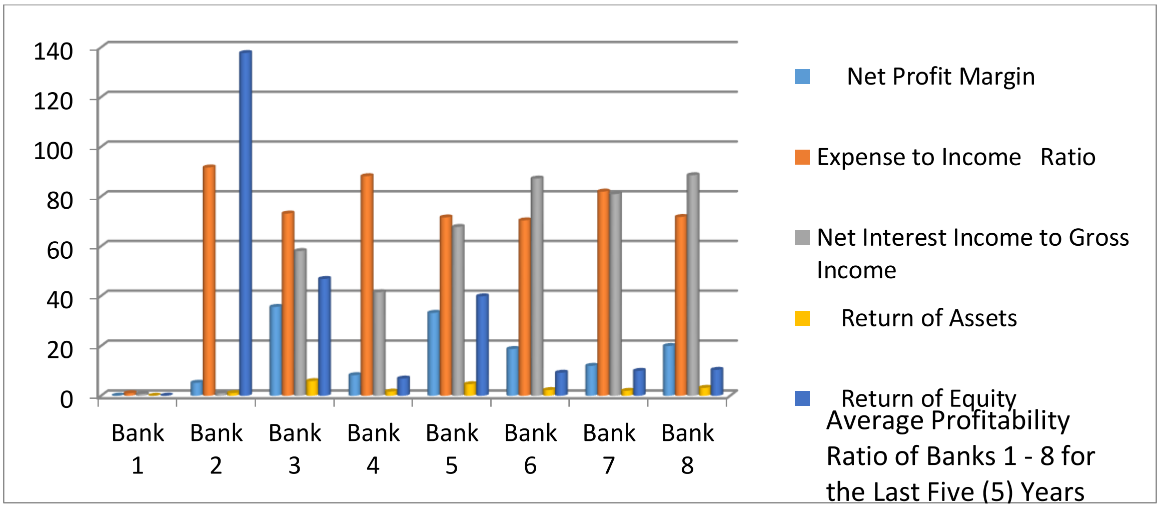

Figure 5 Average Profitability Ratio of Banks 1 – 8 for the Last Five Years

Figure 5 shows the profitability ratio of the eight rural banks included in the study. This profitability ratio includes net profit margin, expense to income ratio, net interest income to gross income ratio, return on assets, and return on equity.

Looking at the figures it would tell that Bank 2 has the highest net return on equity ratio, reaching far beyond 100 percent. This means that the higher the return on equity the higher the capacity of the bank to pay dividends to their shareholders. This simply implies that Bank 2 has more capacity to give dividends to their shareholders.

There are lot of sources of income on banks, we have the interest rate, the service charges, some hidden charges, and the penalties imposed when the client missed payments especially past due accounts. From there, those penalties collected will be added to their income that makes them capable of paying their liabilities including them

obligations on giving dividends to their shareholders.

As to the net profit margin, Bank 3 still ranks 1st followed by Bank 5 with the highest profit percentage among all banks. They were followed by Banks 8, 6 and 7. These show that these banks are making the most profit from their sales. Meanwhile, Bank 2, marked as second with the lowest percentage, simply implies the result after deducting all the operating expenses incurred including the taxes and dividends. Though they are second among other banks when it comes to net income, what is important is there is the remaining income left after deducting all the necessary expenses.

On expense to income ratio, Bank 2 and 4 ranks first among other banks with over 80 percent followed by bank 7. This implies that there are banks with high level of expenses but remain profitable. This can happen when the bank has a very high level of gross sales and gross margin. Though they may incur expenses which may be quite higher than those of other banks, they still do well in terms of profitability, granting that other banks perform less than they do. It should be noted that profit and profitability are not the same. When a company incurs a high profit, it doesn't mean it's profitable. A company is profitable when there is a big profit left after deducting all expenses incurred in the operation.

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In terms of interest income against the gross income, Banks 6 and 8 topped in the list while Bank 7 ranks 2nd. This shows that interest income is quite higher for these Banks compared to other banks. As to return on assets, Bank 3 has the highest slot followed by Bank No. 5 which means that these banks made much on their investment in assets. Banks 3 and 5 were followed by Banks 7 and 8. Return of assets simply means the capacity of every peso of the asset used to generate profit.

Looking at the overall picture does not mean that the highest return on equity is the best rural bank because expenses and other charges affect the performance of the business. There are businesses that have been existing for quite a few years but eventually are not the best performing banks.

Liquidity Ratio of Banks

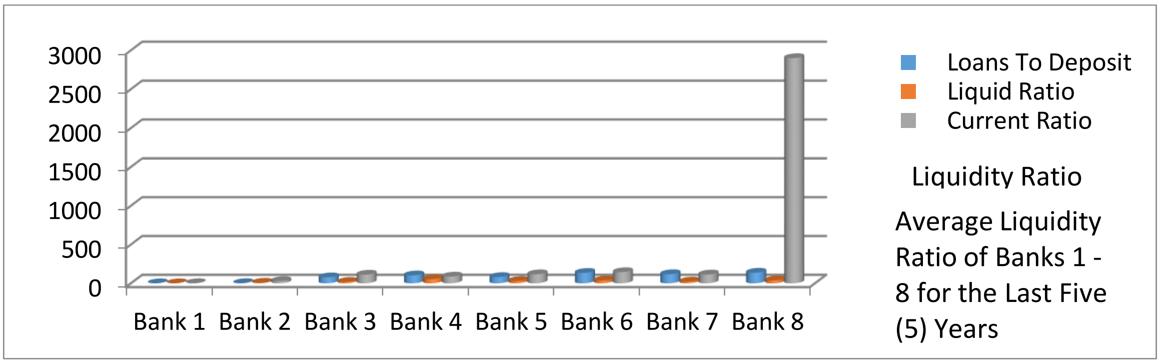

Figure 6 Average Liquidity Ratio of Banks 1 – 8 for the Last Five Years

Figure 6 shows the liquidity ratio among the 8 rural banks included in the study. The data show that Bank 8 has the highest current ratio, which basically means that they are the most liquid bank. This means that Bank 8 has more capacity to pay their short-term obligations. Though other rural banks are liquid too, Bank 8 is more capacitated when it comes to paying their short-term liabilities. As to liquidity ratio, Bank 4 is the most liquid considering that Bank 4 has the highest ratio compared to other banks. When we say liquid, it is the capacity of the banks to pay not only for their short-term obligation but as well as their long-term liabilities.

As to the loans of customers to deposit ratio, the highest ratio comes to Bank 6 followed by Bank 8, 7 and 4. This means that they offered a variety of loans to various clients and clients availed from it. Though Bank 6 has only one branch, this simply means that they are confident enough of the money being disposed will come back with interest because their staff can greatly focus on their assigned areas.

Looking at the overall picture of the rural banks, the banks are generally liquid. They can supply the money at times when they are needed by their clients and customers. They have available cash and ready the other current assets which can be easily converted to cash just in case there is a dire need by their depositors and debtors, and investors.

On the other hand, Bank 8 has the highest current ratio, current ratio includes cash and cash equivalents, short – term investments, accounts receivable and inventories. The very high current ratio of Bank 8 does not present a good scenario because it simply means that the assets are not properly invested and converted into possible income of the rural bank. It is not healthy for a bank to have a high current ratio because it simply implies that the surplus funds are not properly utilized. They are made idle by the rural bank. The general concept about having a very high liquidity ratio is that it is a failure of the rural bank to put their money in use for maximization of profit. The assets are just resting in the treasury of the bank instead of earning interest income for the organization. This money could be invested in a lot of ways. This money should either be deposited to other banks which offer high interest in their time deposits or invested in a short term only since the fund is allocated to pay on their short-term liabilities. Investing in money market is also the best thing to do since it is short in term in nature but though low in interest that can be generated from it. Dead investments should never happen in a rural bank if they want to maximize their profitability.

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Other Ratios of Banks

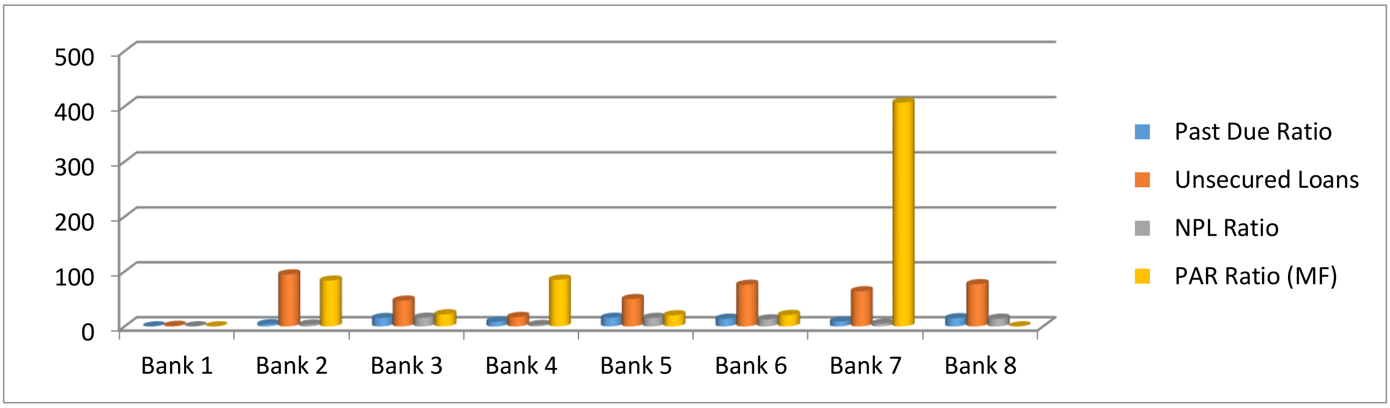

Figure 7 Average Other Ratios of Banks 1 – 8 for the Last Five Years

Figure 7 shows the other ratios descriptive to the rural bank's financial performance. Looking at the figure Bank 7 has the highest portfolio-at-risk ratio. This means that there is a very high rate of past due accounts followed by Banks 2 and Bank 4 with more than 80 percent PAR. The rest of the banks have a low PAR rate of around 20 percent or less. Going further, looking at Bank 1, ratios are almost zero which simply indicates that this rural bank is more efficient and effective compared to the others. On the other hand, the other banks generally had figures which are worth noticing, especially that these figures denote inefficiency in business operation. Banks 2 and 8 have higher ratios that almost reach 100 in terms of unsecured loans while Banks 6 and 7 have a little more than 50 percent of unsecured loans. The rest of the banks have less than 50 percent. The non-performing loans of the banks are almost at around less than 20 percent or less, which may not be so glaring but they are worth considering because they entail amounts of money which, when collected and converted into cash can greatly help the rural banks grow and become more effective and efficient in their operations.

Generally, banks have different levels of effectiveness and efficiencies. They can also be more effective while others are in danger, especially when they are unable to collect the loans granted to the customers. This is where collection strategies should play a greater role.

Problem No. 4 Is there a relationship between the Business Strategies among Rural Banks and Their Performance?

Table 11 Test of Relationship Between Strategies and Financial Performance

Strategies	Values	Financial Performance		
		Profitability	**Liquidity**	**Other Ratio**
Strategy in General	r-value	0.273^{ns} (p = 0.462, ns) NOT SIGNIFICANT	0.253^{ns} (p = 0.456, ns) NOT SIGNIFICANT	0.729^{*} (p = 0.042, *) SIGNIFICANT
Corporate Strategy	r-value	0.258^{ns} (p = 0.545, ns) NOT SIGNIFICANT	0.505^{ns} (p = 0.169, ns) NOT SIGNIFICANT	0.478^{ns} (p = 0.225, ns) NOT SIGNIFICANT
Competitive Strategy	r-value	0.207^{ns} (p = 0.612, ns) NOT SIGNIFICANT	-0.205^{ns} (p = 0.632, ns) NOT SIGNIFICANT	0.558^{ns} (p = 0.143, ns) NOT SIGNIFICANT

Table 11 shows the test of the relationship between the strategies and financial performance of rural banks. The results on the table showed figures that do not warrant significant relationships considering the probability coefficients that were above 0.05 which led to the non-rejection of the null hypothesis except for strategy in general and how ratios were the computed value is 0.749 with a P-value of 0.042 rejecting the null hypothesis. There is therefore a significant relationship between strategies in general and financial ratios and other ratios.

This means that the more the employees facilitate work especially on loans the better is collections of receivables.

On the other hand, the rest of the ratios showed that there is no significant relationship between strategies and the financial performance of the rural banks. This goes to show that the strategies made and performed by the rural banks do not lead to their financial performance. While rural banks invest more, others do not. While they perform well in profitability, they also incur high risks in other ratios.

According to Schermerhorn (2015), strategies must be well formulated and implemented in order to attain organizational objectives. However, according to Pride and Ferrell (2014) Strategies formulated should be competently executed to have a positive impact on revenue growth and earning.

Generally, the strategies employed by the banks do not influence their financial performance. In a way, it could be said that reputation may also have served as the factor that leads to financial performance. Rural banks that are more friendly seem to be performing well while those which do not deliver the services well tend to be more conservative in terms of their financial performance. This finding is refuted by Thompson et al (2010), that the better conceived an organization's strategy and the more competently it is executed, the more likely that the organizations will stand out in the marketplace.

CONCLUSIONS

Based on the findings of the study, the researcher hereby concludes that the banks are using the business strategies but did not execute competently. Strategies formulated should be competently executed to have a positive impact on revenue growth and earning. Most of the rural banks have different levels of financial performance in terms of profitability, liquidity and on other ratios. The low liquidity ratio of the banks denotes that they have lower capacity to pay their short and long-term obligations. The higher the liquidity of the bank, the higher is also their capacity to pay back their liabilities when creditors demand for payments either short-term or long-term. High level of portfolio-at-risk denotes high level of risk and non-performing loans denote inefficiency of the rural banks to collect what they lend to customers and consumers. Having more than 50 percent ratio on unsecured loans denote laxity among the rural banks to lend money to people without securing their debts. Strategies formulated and implemented are not executed competently, that did not influence financial performance of the rural banks understudy except on the ratios that relate to loans performance and collection efficiency.

Limitations and Future Research

While the findings of this study provide valuable insights into the strategic practices and financial performance of rural banks, there are certain limitations that should be acknowledged. The research was confined to a specific group of rural banks, which may limit the generalizability of the results to the broader banking sector, particularly urban or larger commercial banks. Additionally, the study focused primarily on quantitative performance indicators such as profitability, liquidity, and loan performance ratios, without incorporating in-depth qualitative data that could provide a richer understanding of the organizational or managerial factors affecting strategy execution. Future research may consider exploring the underlying reasons for the incompetent execution of strategies, such as gaps in leadership, inadequate training, or resource limitations. Further studies could also compare high- and low-performing rural banks to identify the best practices in strategy implementation. Moreover, it would be beneficial to examine the influence of external factors—such as economic conditions, regulatory frameworks, or digital banking innovations, financial performance and strategic outcomes. Expanding the scope and methodological approaches of future research could offer a more comprehensive view of how business strategies affect the sustainability and growth of rural banks.

RECOMMENDATIONS

Based on the findings and conclusions, the following recommendations are hereby offered:

1. Rural Banks should competently of their strategies that would lead towards higher level of financial performance especially on profitability.
2. Rural banks reduce products that are not secured by collateral in order for their investments to be more secured.

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3. Banks that are more conservative are encouraged to explore more on investment so that assets especially those assets that can be invested can work well for the organization.
4. Banks may venture to a research study to determine what factor would really influence financial performance among banks.

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