Quantifying geographical and macroeconomic effects on bank branch deposits using linear mixed models

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Abstract:
The assessment of performance and potential is central to decisions pertaining to the location of bank branches. A common method for evaluating branch performance is data envelope analysis in which in-branch variables are typically considered. This paper adopts an alternate methodology that quantifies the influence of local socio-economic variables on bank deposits (a common measure of performance) using linear mixed models (LMM). It also illustrates the potential of using LMM to build a predictive model to support branch location decisions.

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