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The Influence of Restructuring of Loan Recovery on Profitability of Commercial Banks in Uganda

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Abstract

This study investigated the influence of restructuring of loan recovery on the profitability of commercial banks in Uganda, using Stanbic Bank as one of the International and largest commercial bank as the case study. The study utilized a correlational cross-sectional survey design. It was also designed as a case study mixed methods approach in the collection and analysis of data. A specially designed semi-structured questionnaire with likert scale was used to collect data from a sample of 140 respondents including bank employees and clients. Data was analyzed using the narrative, descriptive, Pearson correlation, and, simple linear regression analysis. Findings indicate that restructuring of loan recovery is an influential factor in the profitability of Stanbic bank. Findings suggested that restructuring of the loan recovery culminates into significant improvements in the profitability of Stanbic bank. The study recommended that; senior managers and loan officers should conduct the necessary follow up actions through visiting clients' businesses to monitor and evaluate how the businesses are performing and what adjustments or changes need to be made to fully recover the loans without distressing the businesses.

Keywords: Restructuring of loan recovery, profitability, and commercial banks.

INTRODUCTION

Uganda's financial system is composed of formal institutions including commercial banks. However, with regard to financial access, 62% of Uganda's population has no access to financial services. The number of the population holding accounts in banks is 4 million or 33 % of 12 million who are bankable. The savings to GDP ratio is still low at 16%. Also, financial intermediation is poor as indicated by the stock of private sector credit of 11.8 percent of GDP (ABC capital bank, 2012). The numbers above indicate that Uganda's financial system is still shallow. Only a limited number of financial instruments are available for savings mobilization, liquidity management, and portfolio diversification.

In the early 1990s, Uganda embarked on banking sector reforms: focusing on improving the performance of banks through liberalization and strengthening prudential regulations (Bategeka & Okumu, 2010). Despite the extensive reforms of the financial sector in Uganda during the 1990s, the financial depth in the country has remained very low and hasn't improved over the years. Commercial bank performance has been poor, characterized by low levels of private credit, high level of non-performing loans, poor asset quality, and banks have suffered a massive decline in their profitability (Mpuga, 2002). There is a declining trend in average profit (Bank of Uganda, 2016). In the country where the financial sector is dominated by commercial banks, any failure in the sector has implications on the economic growth in the country. This is because; any bankruptcy that would happen in the sector has a serious effect that can lead to bank runs, crises, and economic problems.

Given that the financial performance of commercial banks has critical implications to the economic growth of countries and, rewards the shareholders for their investment, one of the compelling objectives of commercial banks is to remain profitable, if they are to survive. This, therefore, motivated this study to evaluate the profitability of commercial banks in Uganda particularly, Stanbic Bank. Stanbic Bank is the largest commercial bank in Uganda, This is not only in terms of the number of branches it operates, but also in terms of a number of savings, current and investment accounts, loan portfolio size, and rural and urban outreach. The bank has over 80 branches and over 170 ATMs spread in strategic locations in urban and rural areas. The Bank's loan portfolio stood at 4.46 trillion as of 31 December 2016, and its total accounts were 665,417 (265,000 deposit accounts and 400,417 loan accounts) (Stanbic Bank Uganda, 2017). The bank has been operating an increasing loan portfolio, although this bank's portfolio at risk has also been rising and the realized profitability has been steadily declining over the years. This situation is even more worrying when the underperforming bank is the largest in the country.

The largest bank's rising portfolio is at risk and the declining profitability is a subject of concern for both macroeconomic managers (due to its implications on the economy) and the managers and owners of the bank itself. This is because this trend threatens not only the survival, growth and sustainable success of the role the bank is expected to play in facilitating the savings and investment transactions that facilitate the production, distribution and consumption activities on which the efficiency, performance, and effectiveness of any economy rely (Badun, 2009).

Thus, to take precautionary and mitigating measures, there is a dire need to understand the performance of banks and their determinants. One way to expedite the performance of these banks is to identify factors affecting them, which factors can be manipulated to positively influence performance in question.

A bank that has control over the volume of credit collection strategy incorporated in its credit policy is most likely to realize profits through granting credit and becomes financially sustainable (Ross & Westerfield, 1988). Debt collection strategy such as restructuring the loan in debt collection ensures that clients pay and lead to financial sustainability (Aketch, 2017). Slow paying

debtors need to be handled cautiously to avoid collection errors, especially where long term patronage of business is desirable. Legal procedures should not be used as they tend to make a final point of business dealing between the two parties. One available strategy is to restructure loan recovery. This study, therefore, was interested in investigating the influence of restructuring the loan recovery on the profitability of commercial banks in Uganda. While the identification process of determinants of profitability can be approached from several theoretical perspectives, in this study, the researchers opted to use the bank performance theory of anticipated income theory as explained in the literature review.

LITERATURE REVIEW

Theoretical framework

This study was guided by anticipated income theory. This theory points that, regardless of the nature and character of a borrower's business, a bank plans the liquidation of the term loan from the anticipated income of the borrower (Maghana, 2016). At the time of granting a loan, the bank not only takes into consideration the security but also the anticipated earnings of the borrower, which ensures that the loan gets repaid in installments using the future income of the borrower (Maghana,2016). The theory suggests that the bank has to appraise the ability of the project for which a loan is extended to repay and where need arises, to restructure loan recovery in a manner that enables the borrower to repay according to his/her business' earning capacity. The emphasis of this theory is the ability of the loans so granted to generate enough cash flows for the liquidation of the facility. It stipulates that the liquidation of term loans is not by sale of assets (security) of the borrower, but rather, it is through the anticipated income of the borrower. Restructuring of loan recovery can act as a bridge to ensure the borrower pays in order to get the anticipated income. The anticipated income theory can therefore be utilized to explain and predict commercial banks' profitability. The loan restructuring strategy ensures that debt collection leads to financial sustainability. Slow paying debtors need to be handled cautiously to avoid collection errors, especially where long term patronage of business is desirable (Aketch 2017).

Profitability

Profitability is the business's ability to generate earnings as compared to its expenses/costs incurred. Profitability refers to the amount of profits received relative to the amount invested often measured by the rate of profit or rate of whether one is making enough money for the efforts invested in the business ventures. Without profitability, the business will not survive in the long run (Buwule & Nameere, 2017). Profits are the most important measure of the firm's performance. It is also the major issue, which is important to shareholders because most of them are interested in seeing how their resources are used, which is possible by looking at the profits made at the end of the business accounting period (Pandey, 1996). Whether you are recording profitability for the past period or projecting profitability for the coming period, measuring it is the most important measure of success of the business. A business that is not profitable cannot survive. On the other hand, a highly profitable business has the ability to reward its owners with a large return on their investment.

It is obvious that a sound profitable banking sector is able to withstand negative shocks and contribute to the stability of the financial system (Athanasonglou, Sophocles & Mattthaios, 2005). Poor banking performance has a negative repercussion on the economic growth and development. Poor performance can lead to runs, failures, and crises. Thus, to avoid the failures due attention in this study was given to banking profitability.

In this study, profitability is measured in terms of Return on Assets (RoA) and Return on Equity (RoE). Return on assets falls under the domain of performance measures and tracks financial institution's ability to generate income based on its assets. Return on assets provides a broader perspective compared to other measures as it transcends the core activity of financial institutions namely, providing loans, and tracks income from operating activities including investment, and also assesses profitability regardless of the bank's income structure. Return on assets is expected to be positive as a reflection of the profit margin of the bank. Return on equity measures the returns produced for the owners. Therefore, in banks and other commercial institutions, the commonest measures of profitability are the return on assets, which reflects the organization's ability to use its assets productively and return on equity which measures the returns produced for the owners.

Restructuring of Loan Recovery and Profitability

The objectives of credit management practices in commercial banks can be stated as safeguarding the bank's investment in debtors and optimizing operational cash flows. Policies and procedures must be applied for granting credit to clients, collecting payment, and limiting the risk of non-payments. Myers & Brealey (2003) describe credit management practices as methods and strategies adopted by a firm to ensure that they maintain an optimal level of credit and its effective management. It is an aspect of financial management involving credit analysis, credit rating, credit classification, credit reporting, etc. Nelson (2002), views credit management as simply the means by which an entity manages its credit sales. The higher the amount of accounts receivables and their age, the higher the financial costs incurred to maintain them. If these receivables are not collectable on time and urgent need arises, a firm may result in borrowing and the opportunity cost is the interest expense paid (Aketch, 2017). In the same vein, Nzotta (2004) aver that credit management greatly influences the success or failure of commercial banks and other financial institutions. This is because the failure of deposit banks is influenced to a large extent by the quality of credit decisions and thus the quality of the risky assets.

Credit management provides a leading indicator of the quality of the deposit bank's credit portfolio. A key requirement for effective credit management is the ability to intelligently and efficiently manage customer credit lines. To minimize exposure to bad debts, over-reserving and bankruptcies, companies, must have greater insight into customer financial strength, credit score history, and changing payment patterns (Aketch, 2017).

Restructuring loan recovery as a credit management practice ensures that customers will pay for the products delivered or the services rendered. This strategy ensures that debt collection leads to financial sustainability. According to Aketch (2017), slow-paying debtors need to be handled cautiously to avoid collection errors, especially where long term patronage of business is desirable. Legal procedures should not be used as they tend to mark a final point of business dealing between the two parties.

Available literature clearly shows that banks that have control over collection strategies incorporated in their credit policies are likely to register their targeted profitability through granting credit. The control as (Preethi, 2017), observe is in one way through loan recovery restructuring. The financial institutions make changes in their loan collection policies and strategies (Preethi, 2017). Kibor et al., (2015) aver that some of the changes may be administrative where senior managers team up with loan officers to conduct the necessary follow-up actions by visiting clients' business to monitor and evaluate how the businesses are financially performing to fully recover the loans without distressing the business for example, through continuing with the same credit terms. (Chatterjee, Mukherjee & Das, 2016). Furthermore, administratively, loan restructuring may involve bank asset managers, contacting guarantors to pay in case of clients'

non-payments, and extending the loan repayment period for clients experiencing difficulties in loan repayment due to changes in the market (Kaur & Singh, 2012).

In other cases, loan restructuring may involve reviewing interest rates to match with changes in inflation and exchange rates and writing off non- performing loans to avoid overestimation of targeted profitability (Stijepovic,2014) Changes furthermore, may be initiated by clients applying and holding negotiation meetings with bank managers to have their loan servicing and repayment periods rescheduled in a manner that does not distress in the market due to lack of operating capital and closing down. In this case, as Vohra & Dhamn (2012) aver, it enables clients to continue in business, allow them to service and repay the loans and consequently enable the financial institutions to realize their profitability within the rescheduled time frame. Literature does not show how the restructuring of loan recovery is conducted at Stanbic Bank in Uganda and how it affects this Bank's profitability.

Several studies exist on several factors and performance of commercial banks. For example, Linda, 2014; Ayodete & Alabi, 2014; Kibor , Ngahu & Kwasira, 2015. Linda (2014) found a significant relationship between loan policy, provision for bad and doubtful debts, and declining default rates and financial performance of commercial banks in Kenya. Ayodete & Alabi (2014) when examining the impact of credit policy on the performance of Nigerian commercial banks found out that having a good credit policy in place goes a long way in minimizing the incidence of bad debts. Kagoyire & Shukla (2016) found out that the collection policy had a higher effect on the financial performance of equity bank in Rwanda. Kibor et al., (2015) found a moderately positive relationship between lending policy and loan performance in commercial banks in Kenya.

While the majority of the above studies were on performance of commercial banks, the determinants of performance of these institutions were on other variables especially lending policy and not a restructuring of loan recovery as it influences the profitability of commercial banks. The studies are different in terms of variables in explaining the profitability of commercial banks. Further, banking education and credit payment habits in Uganda are still low which might affect financial performance differently. The impact of the general economic, social, legal, and political conditions prevailing in Uganda may also be different compared to other countries. This, therefore, necessitated a new study on the influence of restructuring of loan recovery on the profitability of commercial banks in Uganda, focusing on Stanbic bank. In this regard, the study tested the following hypothesis: "That there is no statistically significant influence of restructuring of the loan recovery on the profitability of Stanbic bank in Uganda"

METHODOLOGY

The study used a correlational, cross-sectional descriptive survey design. The correlational design was used because the problem in this study was mainly identifying the relationship between the two variables (restructuring of loan recovery and financial performance). The study used a cross-sectional design which is the most commonly used design in social research, because of the need to collect data at a single point in time. The cross-sectional design did not necessitate the researchers to make a follow-up on respondents (Amin, 2005). It was thus, used on account of its rapid turnaround in data collection as Creswell (2003), advises. Descriptive design was used to obtain information concerning the current status of the phenomena to describe "What exists" with respect to variables. The survey design enabled the collection of data from a large number of respondents. Surveys are also amenable to rapid statistical analysis and comparatively easy to administer and manage (Ahuja, 2005 & Shajahan, 2005).

Study Area and Population

The study was carried out at the head office of Stanbic bank located in the middle of Entebbe town. This area was chosen because of its convenience to the researchers in terms of costs and time while collecting the data. The study population comprised Managers, Banking officers, loan officers, clients, credit administrators, accountants, auditors, and account clerks. Managers were involved because of their information about loans through periodical reports from loan officers. Loan officers and credit administrators participated because they are the ones involved in the loan process (including client appraisal, monitoring, and loan recovery). Accountants, auditors, and account clerks were involved because they access bank loan records including write-offs made by the bank. They are part of the line managers who implement a variety of bank activities. Lastly, clients were involved because they are the ones who receive the credit services.

Sampling procedures, Design and Sample size

The researchers used the following sampling procedures, design, and sample size as explained below:

Sampling Procedures and Design

To attain the respective sample size from the population, the researchers followed the following procedures and sampling techniques. The target respondents were divided into categories using a stratified sampling technique to ease the collection of relevant data from each category most efficiently and effectively (American statistical Association, 1999). A stratified sampling technique takes into consideration the heterogeneous nature of the population. The population is divided into sub-population such that the elements within each sub-population are homogeneous (Amin, 2005).

After the stratified sampling method, a number of sampling methods were used as follows to select the sample from each category: Census sampling method was used to select managers and credit administrators and loan officers on account of their knowledge concerning the operation, supervision, and management of credit functions especially the loan process. Clients were selected using convenience and random sampling method. The banking officers, accountants, auditors, and account clerks using the sampling frames which were available at the bank were selected using a random sampling technique. Random sampling is used in a situation when each respondent has an equal chance of being selected to participate in the study (Amin, 2005).

Sample Size

A sample size of 140 was selected based on the criteria set according to Roscoe's rule of thumb, in conformity with Sekaran, (2003), who aver that a sample size larger than 30 and less than 500 is appropriate for most studies. So the sample of 140 respondents including Branch managers, banking officers, credit administrators, loan officers, Accountants, Auditors, and Accounts clerk and clients, was considered sufficient for this study. All these groups of respondents were aware of the bank loan process.

Data Collection Source, Method and Instruments

The study used the following data collection sources, methods, and instruments.

Data Collection Sources

Data were collected from both primary and secondary sources. Primary data was collected mainly using self-administered questionnaires on account of their quick turn-around in collecting data from a large number of respondents because they (respondents) needed some time to give their considered opinions given their busy schedules. Questionnaires were also preferred because there was a need for consistency given a large number of respondents and they are also easier to analyze especially when they are made of closed-ended items. Qualitative data was obtained through open-ended questions in the questionnaire and by interviewing key informants using an interview guide.

Internally, secondary data were collected from existing sources such as financial and other reports, minutes, financial and other operating policies, management reports, etc. For external sources, the researchers used documents such as published journals, financial databases, magazines, textbooks, the internet, former students' dissertations, etc.

Data Collection Methods

Administering of questionnaires was used as the main method for data collection simply because it was convenient in administering for both the researchers and intended respondents. Additionally, questionnaires give the respondents time to read the questions, critically analyze them freely, and answer them willingly without fear or any bias. Furthermore, the researchers used formal interviews as well for clarity and classification of the information provided by the respondents in the questionnaires as was necessary.

Data Collection Instruments

Self-administered questionnaires and interview guides were employed as the main data collection instruments. These instruments were utilized on account of the reasons explained above. A self-administered questionnaire was developed to address the objective of the study.

Data Quality Control

The validity and reliability of the research instruments were established as illustrated below.

The validity of the Instrument

The validity of the instruments was established using both construct and content validity tests. Construct validity was established through the help of research experts who looked at the relevance of questions/ items given the objective of the study and literature and advised accordingly. They rated questions/ items as either very relevant, relevant only to a small extent, irrelevant and very irrelevant. Content validity was established using the content validity index. That is, taking the questions which were rated as very relevant and relevant and dividing them by the total number of questions/ items$(\frac{R+VR}{VI+RS+R+VR})$ The content validity index for the whole questionnaire was 0.91 which was greater than 0.7 as recommended by (Amin, 2005). Hence, the instruments were considered valid for data collection.

Reliability of the instruments

Amin (2005), defines reliability as the extent to which the applied data collection instruments provide consistent findings. Reliability is an important test for assessing the accuracy and objectivity of the study. The reliability of instruments was established using Cronbach's Alpha method as provided by SPSS. The Cronbach's Alpha value for the restructuring of loan recovery was 0.84 and financial performance was 0.85, which were all above 0.70, recommended for Social research (Amin,2005). They accurately measured the scales used in the study. The scales for the main variables of the study were the only ones that were considered.

Data Processing and Analysis

The researchers used the computer for data entry, cleaning, editing, coding, and summarization in order to ascertain the accuracy, consistency, uniformity, proper arrangement, and completeness of the data, after which analyses and interpretations were made. During the editing, obvious errors were detected and whenever possible eliminated (e.g self-administered questionnaires not at least three quarter filled were dropped). After capturing the information, it was analyzed using SPSS to summarize data into frequency tables. Descriptive statistics, Pearson correlation, and regression analyses were utilized to describe the variables, get an associative relationship between the variables, and determine whether the relationship was predictive or not.

Ethical Considerations

An introduction letter was obtained from Graduate school, Ndejje University, to commence on a collection of data, and permission to conduct the survey was sought from Stanbic bank. Respondents were then requested to fill the questionnaires and prior consultations were made in case of interviews. Anonymity and confidentiality of the respondents were observed by not asking them to put their names on the questionnaire. The researchers were much more careful about how the study was conducted especially when interviewing the subjects and as such personal biases were maximally avoided. As objects are human beings extreme care must be taken to avoid doing any harm to them (Fontona & Frey, 1994)

FINDINGS AND DISCUSSION

The objective of the study centered on investing the influence of restructuring of loan recovery on the profitability of commercial banks in Uganda, focusing on Stanbic bank. The presentation starts with a descriptive analysis regarding study variables. Restructuring of loan recovery was the independent variable and was operationalized by variables such as to whether credit management, monitoring all outstanding loans in the portfolio and ensure their final recovery, as to whether the decision to reschedule a loan is only taken by a loans committee, whether clients with difficulties in loan repayment are usually given a period extended and whether loan recovery meetings are held to review all loans. Profitability is the dependent variable and in this study was operationalized as return on assets and return on equity and measured by variables such as the market value of shares always increasing, shareholders getting adequate returns, profits increasing every year, bank covering all operating costs from generated income, assets of the bank being productive and capital base of the bank increasing. The presentation of findings ends with inferential analysis and discussion of the findings.

Descriptive Analysis

Descriptive statistics on how respondents rated themselves on all aspects of the dependent variable (profitability) and the independent variable (restructuring of loan recovery) included in the model are given in Table 1:

Table 1: Descriptive Statistics of Profitability and Restructuring of Loan Recovery

Profitability	**mean**	**standard deviation**	**t values**
The market value of shares is always increasing	3.97	1.12	3.545
Shareholders get adequate returns	3.93	1.32	2.978
Bank compares budget with actual performance and takes corrective action as necessary	4.30	0.98	4.388
Bank's profits increase every year	3.53	1.41	2.504
The bank covers all the costs from generated income	4.00	1.04	3.846
The bank has a large capital base	3.99	0.97	4.113
Return on equity increases every year	4.17	0.97	4.299
Average on profitability	3.98	1.12	3.554
Restructuring of loan recovery			
Credit management monitors all outstanding loans in the portfolio	3.84	1.25	3.072
Credit management ensures the final recovery of loans	3.97	1.28	3.102
Guarantors are called upon to pay in case of clients non-payments	3.20	1.20	2.667
The decision to reschedule a loan is only taken by a loans committee	4.27	0.73	5.849
Loans are restructured more than twice	3.60	1.21	2.975
Clients with difficulty in loan payments are usually given an extension period	4.23	0.76	5.566
Loan repayment performance reports are monitored timely	4.24	0.96	4.417
Interest rates are restructured in case of need	2.97	1.36	2.184
Loan recovery meetings are held to review all loans	4.03	1.02	3.951
Non- performing loans are written off	3.87	1.09	3.550
Average on restructuring of loan recovery	**3.82**	**1.07**	**3.570**

Descriptive results in Table 1, illustrate that respondents on a scale of 1-5 (one for strongly disagree and five for strongly agree) rated themselves high on all aspects of profitability (mean = 3.98, SD = 1.12, t = 3.554) at 0.01 significance level. Further, results indicate that again respondents rated themselves high on average on all aspects of restructuring of loan recovery (mean = 3.82, SD = 1.07 and t = 3.570), significant at 0.01, significance level, suggesting that the bank was practicing highly restructuring of loan recovery. All other dimensions of both profitability and restructuring of loan recovery were significant as reflected by the t values in Table 1. To establish the extent to which restructuring of loan recovery is linked to the profitability of the bank, a bivariate analysis was conducted using the Pearson correlation method.

Inferential analysis (testing of the hypothesis)

Different quantitative analytical techniques were employed to analyze data collected. Pearson's correlation between restructuring of loan recovery and profitability of Stanbic bank was conducted to determine the associative relationship between the two variables. Simple regression analysis between components of restructuring of the loan recovery and profitability of the bank was carried out to determine whether components of restructuring of loan recovery were influential factors of profitability of Stanbic bank, that is, whether the relationship was predictive or not.

Correlation analysis

Correlation results between the restructuring of loan recovery and profitability of Stanbic bank are given in Table 2.

Table 2: Correlation between Restructuring of Loan Recovery and Profitability

		Restructuring of loan recovery	Profitability
Restructuring of loan recovery	Pearson correlation		0.666**
	Sig (2-tailed)		0.000
	N		43
Profitability	Pearson correlation	0.666**	
	Sig (2-tailed)	0.000	
	N	140	

**Correlation is significant at the 0.01 level (2-tailed)

Correlation results in Table 2, illustrate that there is a significant moderate positive associative relationship between restructuring of loan recovery and profitability of Stanbic bank. The positive relationship, if predictive means that if restructuring of loan recovery is increased, the profitability of the bank will also increase. However, there was a need to run a simple regression analysis to confirm whether the relationship is predictive or not as illustrated in Table 3.

Table 3: Regression results of the restructuring of loan recovery and profitability

Model		Sum of squares	Df	Mean square	f	Sig
1	Regression	32	1	32	123.654	0.000
	Residual	14	41	0.167		
	Total	46	42			

R = 0.666, Adjusted R square =0.439 Predictors (constant) Restructuring of loan recovery Predicted: profitability of Stanbic bank

Regression results in Table 3, illustrate that restructuring of loan recovery aspects is collectively explanatory variables of profitability of Stanbic bank (F = 123.654, sig = 0.000). Restructuring of loan recovery explains almost 44% to variance in the profitability of the Stanbic bank (adjusted R square = 0.439). This is also supported by a regression value of 32 compared to the residual value of 14. The hypothesis tested in this study that there is no statistically significant influence of restructuring of loan recovery on the profitability of Stanbic bank was therefore rejected. There is thus a statistically significant influence of restructuring the loan recovery on profitability of Stanbic bank in Uganda.

Findings are consistent with the theory used and previous studies, for example, Maghana (2016) who aver that the bank plans the liquidation of the term loans from the anticipated income of the borrower. At the time of granting a loan, the bank takes into consideration not only the security but also the anticipated earnings of the borrower. Findings are further at par with Preethi (2017) who indicated that banks that have control over their collection strategies (like restructuring of loan recovery) incorporated in their credit policies are likely to realize their targeted profitability. Further Kaur & Singh (2012) affirm that loan restructuring may involve bank asset managers monitoring all outstanding loans in the portfolio, contacting guarantors to pay in case of client's non-payments, and extending the loan repayment period for clients experiencing difficulties in loan repayment due to changes in the market.

CONCLUSION AND RECOMMENDATIONS

The study centered on investigating the influence of restructuring of the loan recovery on the profitability of commercial banks in Uganda. The hypothesis tested in line with this objective was that, there is no statistically significant influence of restructuring of loan recovery on the profitability of stanbic bank. From the study results, it can be concluded that restructuring of loan recovery is a significant influential factor in profitability of Stanbic Bank. A bank that has control over the volume of credit and collection strategy incorporated in its credit policy is likely to realize it's targeted profitably through granting credit. One of the ways of exercising this control is through restructuring of loan recovery. Administratively, senior managers and loan officers should conduct the necessary follow-up actions through visiting businesses to monitor and evaluate how they are financially performing and what adjustments or changes need to be made in order to fully recover the loans without distressing the businesses. Bank asset managers should always monitor all outstanding loans in the portfolio and where possible and appropriately extend the loan repayment period for clients experiencing difficulties in loan repayment due to changes in the market. The emphasis should be placed on the ability of the loans so granted to generate enough cash flows for the liquidation of the facility. The liquidation of term loans should not be by the sale of a security of borrower, but rather, through the anticipated income of the borrower. The loan restructuring strategy should ensure that debt collection leads to profitability and consequently to financial sustainability. Slow paying debtors need to be handled cautiously to avoid collection errors, especially where long term patronage of business is desirable.

Although the study has increased our understanding of factors that determine profitability of commercial banks in Uganda, it has some limitations. Findings should be used with caution due to some of the following limitations:

The study was carried out at a point in time to examine the influence of restructuring of loan recovery on the profitability of commercial banks. It was essentially a cross-sectional study. There were also a few variables included in the restructuring of loan recovery and profitability of commercial banks. Further, the nature of the sampling units under-study cannot be generalized on all banks because only one bank (Stanbic bank) was considered among over 25 commercial banks in Uganda.

Given the above-mentioned limitations, the study opens up areas for further research. One, future studies should consider other appropriate economic methods that may improve our understanding of the profitability of commercial banks. Second, more variables should be included in the model based on literature and be tested empirically to increase our understanding of the influence of restructuring of loan recovery on the profitability of commercial banks in Uganda. Thirdly, a large sample size could be used for more generalizability on all commercial banks in Uganda.

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