



The Influence of Compliance With Bank's Credit Guidelines on Profitability of Commercial Banks in Uganda

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Abstract

The study investigated the influence of compliance with the bank's credit guidelines on the profitability of the commercial bank in Uganda. Using Stanbic Bank as the case study, the study utilized a correlational cross-sectional survey design. Semi-structured questionnaires and interviews were used to collect data from a sample of employees and clients. Data were analyzed using the narrative, descriptive, Pearson correlation, and linear regression analyses. Findings revealed that compliance with the bank's credit guidelines significantly influences the profitability of the Stanbic bank. A bank which insists on payment under agreed credit guidelines and which is prepared to take action to recover the debts is most likely to be paid in full and on time and this promotes profitability and a need to have well-set bank credit guidelines. It is the flexibility of the credit guidelines agreeable to both the client and the bank that results into increased customer base and a timely payment which improves the bank's profitability.

Keywords: Compliance with bank's credit guidelines, profitability, commercial banks, and Uganda.

1. INTRODUCTION

Due to the importance of economic resource allocation, the performance of commercial banks has been one of the issues that have recently captured the attention of many researchers. Throughout the world, the banking industry plays a major role in economic growth and development through the provision of credit to execute economic activities (Kibor, Ngahu&Kwasira, 2015). Lending is the principal business activity for most commercial banks, and as such all of them must have well-defined credit guidelines and comply with them for their safety and soundness. The bank's credit management practices involve all activities carried out by a bank to ensure that customers pay for the products or services rendered to them based on the trust that payment will be made in the future (Warsame, 2016). These practices focus on a bank implementing all the methods and strategies that ensure that it maintains an optimal level of credit and its effectiveness. These practices include all methods carried out in credit analysis, credit rating, credit classification, and credit reporting. This study however analyzed just those related to enforcing compliance with credit guidelines.

Beyond the intermediation function, the financial performance of banks has critical implications for the economic growth of countries. Good financial performance rewards the shareholders for their investments. This in turn encourages additional investment and brings about economic growth. On the other hand, poor banking performance can lead to banking failure and crisis which have negative implications on economic growth (Okoth- Ongare, Gremechu, 2013). This shows how important financial performance especially the profitability of commercial banks is, and studying factors that affect the profitability of commercial banks and how they become profitable becomes imperative if their objectives are to be achieved.

In the early 1990s, Uganda embarked on banking sector reforms, focusing on improving bank performances, 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 performance has been poor, characterized by low levels of private credit, high-interest rate spreads, high level of non- performing loans, poor asset quality, operational inefficiencies, and banks have suffered a massive decline in their profitability (Mpuga, 2002).

There is a declining trend in average profits (Bank of Uganda, 2016). Particularly Stanbic bank the largest bank in the country, being reported on in this study has failed to meet its profitability targets for the last four years (Bank of Uganda, 2016). Stanbic Bank has over 80 branches and over 170 ATMs spread in strategic locations both 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, 2016). The bank has been operating an increasing loan portfolio, but its portfolio at risk has also been rising and the realized profitability has been steadily declining over the years. Thus, to take precautionary and mitigating measures, there is a dire need to understand the performance of commercial banks in Uganda and their determinants. One way to expedite the profitability of these banks is to identify factors affecting them, which factors can be manipulated to positively influence profitability in question.

A bank whose profitability is declining calls for an investigation into the underlying factors. This study, therefore, sought to investigate whether enforcing compliance with credit guidelines is among these factors. Accordingly, its objective was to examine the influence of compliance with the Bank's credit guidelines on the profitability of Stanbic bank. The null hypothesis tested in this study was that "there is no statistically significant influence of

compliance with the bank's credit guidelines on the profitability of commercial banks in Uganda."

2. THEORETICAL FRAMEWORK

In commercial banks, there is the board as the main organ of the bank to minimize conflict between shareholders and managers and sub-committee like an audit committee and credit committee. The audit committee plays the role not only as a bridge between board and management but also as a safeguard to all stakeholders and ensures that there is compliance with all policies and guidelines approved. The credit committee handles the loan process in line with approved policies and credit guidelines. An effective credit committee improves the bank's loan portfolio quality and enhances its profitability since the loan activities constitute the biggest business of these banks (Buwule, 2016).

The issue of effectiveness and practices of these organs (Board of directors, audit committee, and credit committee) and their impact on the organization's value is covered in some accounting, finance, and corporate governance theories, for example, agency theory. In the discussion of the agency relationship and cost, Jensen & Meckling (1976), describes agency relationship as a contract under which one or more person(s) principal(s) engage another person (agent) to perform some services on their behalf, which involves delegating some decision making authority to the agent. In order to better align agent-principal interests, earlier agency theorists (Jensen & Meckling, 1976), suggested having an effective governance system which among other things involves the appointment of the board and other sub-committees. The agency theory suggests that managers be monitored by those organs to ensure that they discharge their duties in the best interests of all stakeholders. An agency relationship is a delegation of power by owners to management (Muth & Donaldson, 1998). It is a contractual process whereby owners delegate some of their authority and responsibilities to a team consisting of expert members and expect them to exercise their expertise in the best interest of the firm's operational success.©

The extent of agency conflicts varies across the firms depending on the level of discretionary power applied by management (Mohiuddin & Yusuf Karbhari, 2010). For accountability purposes, management decisions, and other organizational activities, there is a need to have close monitoring in banks. The board assumes an oversight role of monitoring the Chief Executive Officer (CEO) and other staff approving the institution's strategies, policies, and operating guidelines and evaluating control systems. The board delegates some of its loan management responsibilities to the credit committee. The audit committee is another organ under the corporate governance framework in banks and supervises all the financial activities of the bank and ensures compliance with all approved policies and guidelines of the bank. These bank's organs (board of directors, audit committee, and credit committee) as documented by previous studies, if effective, can resolve the agency problems (Chen, Duh & Shiue 2008, Dey, 2008). These organs can act as a bridge where distance in terms of trust might exist due to the communication gap between managers and stakeholders (Mohiuddin& Yusuf Karbhari, 2010). Using the agency theory, the board of directors, audit committee and credit committee practices are expected to reduce on the agency problems and costs by enforcing compliance and therefore can be used to describe, explain, understand and predict profitability in banks, since they improve quality of accounting information and accountability and increase on these institutions returns and profitability.

3. LITERATURE REVIEW

Profitability

Profitability is the ultimate end that every bank strives to attain from all the practices it carries out (Noman, Pervin, Chowdhury, and Banna, 2017). It refers to the degree at which any firm such as a bank realizes a financial gain after deducting its expenses and taxes (Noman et al., 2017). Profitability is the business's ability to generate earnings as compared to its expenses/costs incurred. Profitability refers to the number of profits received relative to the amount invested often measured by the rate of profit or rate of investment. It answers the question of whether one is making enough money for the efforts invested in the business (Nabaasa, 2009). Profitability is the primary goal of all business ventures. Without profitability; the business will not survive in the long run (Buwule, 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, 2000). 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 can reward its owners with a large return on investment (Buwule, 2017).

A sound profitable banking sector can withstand negative shocks and contribute to the stability of the financial system (Athanasoglou, Sophocles & Matthaios, 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 within 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 assess 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 most common measures of profitability are the return on assets, which reflect the organization's ability to use its assets productively and return on equity which measures the returns produced for the owners.

Compliance with bank's Credit Guidelines and Profitability

Credit guidelines are stipulations under which a firm grants credit to its clients and include areas such as credit period, credit limits of special terms, etc. The more liberal the credit guidelines, the higher are likely to be the level of credit sales and receivables because more customers will be willing to take credit sales. Credit guidelines neither need to be relaxed nor strict but should be moderate to minimize risks in receivables and to optimize cash flows (Aketch, 2017, Buwule, 2004). Ralton (2004), also aver that sound lending procedures in retail financial institutions involve identifying high-risk applicants and modifying loan to achieve a balance between the institution's social objectives of improving loan accessibility so that members can attain lifestyle goals and the possibility of reducing the institution's viability through loan default. Banks enforce clients' compliance with credit guidelines to minimize default risks while maximizing the benefits from credit (stinglitz & Weiss, 1981). The objective

of this enforcement is to ensure optimal credit recovery and subsequently, realize planned profitability.

Compliance with the bank's credit guidelines is a set of policy actions designed to minimize costs associated with credit while maximizing the benefits from it. The objective of these terms is to have optimal recovery from debtors as a firm may follow a lenient or stringent credit management practices. It is in the interest of banks that for surplus funds to be invested credit-issuing procedures must be adhered to, to achieve efficiency in the institution's management hence, the need for compliance to bank's credit guidelines.

Stiglitz and Weiss (1981), aver that credit guidelines are part of a general exercise to help determine the risk for each borrower (that is, the screening problem). It is partly designed to ensure that borrowers take action and facilitate payments. Relating to credit guidelines, the study by Kakuru (2003), substantiated that a bank that insists on payment under agreed credit guidelines and which is prepared to take action to recover due debts is most likely to be paid in full and on time and this promotes growth and sustainability. He however notes that there is a challenge of losing slow-paying customers to competitors.

There is a need to have well-set bank credit guidelines within the credit management practices that are agreeable to both the client and the firm. According to Van Horne (2002), there is a proportional relationship between credit guidelines and financial performance in that if credit guidelines are agreeable to both parties, the better the management of credit and as such financial performance. Similarly, Ndagire (2012) found out that there exists a moderate positive relationship between credit guidelines and financial performance. Further, but still, on credit guidelines and financial performance, Mwangi (2012) found that different categories of customers need different credit guidelines depending on credit history, the volume of business transactions and that it is the flexibility of credit guidelines that results into increased customer base and timely payment which improves the firm's financial performance. Literature indicates that enforcing compliance with credit guidelines enhances the profitability of commercial banks. However, literature does not indicate how compliance with guidelines is conducted at Stanbic Bank in Uganda and how they affect this bank's profitability. This is the gap that this study covered.©

4. METHODOLOGY

The study used a correlational, cross-sectional descriptive survey design. The correlation design was used because the problem in this study was mainly identifying the relationship between the two variables (compliance with bank's credit guidelines and financial performance especially profitability). 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" concerning 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 center of Entebbe town, Uganda. 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 of Managers, Banking

officers, loan officers, clients, credit administrators, accountants, auditors, and account clerk. Managers were involved because of their information about loans through periodical reports from loan officers. Loan officers and credit administrators were consulted because they are the ones involved in the loan process (including client appraisal). Accountants, auditors, and account clerks were involved because they access bank loan records including write-offs made by the bank. They are part of 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 stratified sampling techniques 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 to be sampled. The population is divided into sub-population such that the elements within each sub-population are homogeneous (Amin, 2005).

After the stratified sampling method, several sampling methods were used as follows to select the sample from each category: Census sampling method was used to select managers and credit administrators as well as loan officers on the 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 where each respondent has an equal chance of being selected in order to participate in the study (Amin, 2005).

Sample size

A sample size of 50 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.

Data collection sources, methods and instruments

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

Data collection sources

Data was 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 the large number of respondents and they are also easier to analyze especially when they are made of closed-ended items. Qualitative data were obtained through open-ended questions in the questionnaire and by interviewing key informants using an interview guide.

Internally, secondary data was 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 the 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, 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 because of the objective of the study and literature reviewed and advised accordingly. They rated questions/ items as very relevant, relevant, 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. The content validity index for the whole questionnaire was 0.87 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 compliance with the bank's credit guidelines was 0.90 and financial performance (profitability) was 0.93, which were all above 0.70 recommended for Social research (Amin, 2005).

Data Processing and Analysis

The researchers used the computer for data entry, cleaning, editing, coding, and summarization 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 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, respectively.

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 (Fontana & Frey, 1994)

5. FINDINGS

The objective of the study was to investigate the influence of compliance with the bank's credit guidelines on the profitability of commercial banks in Uganda. The findings are organized and presented according to the hypothesis stated in the introduction section. The presentation starts with a descriptive analysis regarding the study variables (compliance with the bank's credit guidelines and profitability). Compliance with credit guidelines in the study is operationalized by variables such as credit committee granting loans consistent with bank's approved credit guidelines, loan officers ensuring that each problem loan is different and no routine is universally applicable, complying with all loan terms, and resolving problem loans according to acceptable bank's guidelines. Profitability in this study is operationalized by 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. Descriptive statistics for compliance with credit guidelines and profitability on all aspects included in the model is given in Table 1

Table 1: Descriptive statistics of compliance to credit guidelines and profitably

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	0.52	7.654
Compliance with the bank's credit guidelines			
Loan committees grant loans consistent with the authority given	3.77	1.24	3.040
Requirements for the credit reference bureau are considered	4.13	1.15	3.591
Lending procedures are properly followed	3.67	1.38	2.659
Loan officers ensure that each problem	4.00	0.93	4.301

loan is different and that no routine is universally applicable			
All loan terms are complied with	4.10	1.02	4.020
Terms of payment are always observed and obligation complied with	4.27	1.00	4.270
Problem loans are always resolved according to acceptable bank guidelines	4.06	1.24	3.274
Average on compliance with bankers credit guidelines	4.00	0.54	7.407

Descriptive results in Table 1, indicate that respondents rated themselves high on average on all aspects of compliance to bank's credit guidelines (mean = 4.00, SD = 1.14 and $t = 3.509$) at 0.01 significance level, suggesting that there was compliance to bank's credit guidelines.

Further, results indicate that again respondents rated themselves high on average on all aspects of profitability (mean = 3.98, SD = 1.12 and $t = 3.554$) at 0.01 significance level. Other aspects or dimensions of profitability and compliance with banker's credit guidelines were also rated high and were significant as reflected in Table 1. The corresponding standard deviations for compliance with the bank's credit guidelines (0.54) and profitability (0.52) respectively were numerically small, suggesting low dispersion in the sample. In other words, responses given by the majority of the selected participants as individuals did not deviate much from their average as a whole sample. To establish whether there was an associative relationship between compliance to banker's credit guidelines and profitability of Stanbic bank, a bivariate analysis was conducted using the Pearson correction method. Compliance with the bank's credit guidelines was considered as the independent variable and profitability as the dependent variable. The findings are presented in Table 2.

Correlation results

Table 2, shows the associative relationship between compliance with the bank's credit guidelines and profitability of Stanbic bank.

Table 2: Correlation between compliance with bank's credit guidelines and profitability

		compliance with bank's credit guidelines	Profitability
compliance with bank's credit guidelines	Pearson correlation	1	0.776**
	Sig (2-tailed)		0.000
	N		140
Profitability	Pearson correlation	0.776**	
	Sig (2-tailed)	0.000	
	N	140	

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

Correlation results in Table 2, show that there is a relatively strong positive significant associative relationship between compliance with the bank's credit guidelines and profitability ($r = 0.776$, Sig = 0.000). The positive relationship if predictive means that if bank officers increase complying with the bank's approved credit guidelines, the profitability of the bank will also increase. There was however a need to run a simple regression model to determine whether the relationship was predictive or not. Regression results are presented in Table 3.

Table 3: Regression results of compliance with the bank's credit guidelines and profitability.*

Model		Sum of squares	df	Mean square	F	Sig
1	Regression	39.000	1	39	118.654	0.000
	Residual	19.000	139	0.198		
	Total	58.000	140			

R = 0.776, Adjusted R square =0.582 Predictors (constant) Compliance with bank's Credit guidelines Predicted: profitability

Regression results Table 3, indicate that compliance with bank's credit guidelines is collectively explanatory variables of profitability of Stanbic bank (F= 118.654, Sig = 0.000).

R square which shows the explanatory power of the model was 0.586. According to Amin (2005), R square above 0.5 is acceptable. The probability of getting the same results, if the researchers went back to the field was high. Compliance with the bank's credit guidelines explains 58.2 percent to variations in the profitability of the bank (adjusted R square = 0.582). This was also supported by the regression value of 39.000, compared to the residual value of 19.000. The hypothesis tested in this study was therefore rejected. There is thus a statistically significant influence of compliance with the bank's credit guidelines on the profitability of Stanbic bank. Findings consist of prior studies. For example, Ndagire (2012), who found out that there exists a moderate positive relationship between credit guidelines and financial performance. In the same vein, findings concur with Mwangi (2012), who opined that different categories of customers need different credit guidelines depending on credit history, the volume of business transactions and that it is the flexibility of credit guidelines that results into increased customer base and timely payment which improves the bank's financial performance. Further, findings have proven true the view of Van Horne (2002) who aver that there is a proportional relationship between credit guidelines and financial performance because if credit guidelines are agreeable to both parties, the better the management of credit and as such financial performance. Findings are also at par with Stiglitz & Weiss (2007) who stipulate that credit guidelines are part of a general exercise to help determine the risk for each borrower and are designed to ensure that borrowers take actions and facilitate payment and Kakuru (2002) who observe that a bank which insists on payment under agreed credit guidelines and which is prepared to take action to recover due debts is mostly likely to be paid in full and on time which promotes growth and sustainability. Although he notes that there is a challenge of losing slow-paying clients to competitors.

6. CONCLUSIONS AND RECOMMENDATIONS

The study focused on investigating the influence of compliance with the bank's credit guidelines on the profitability of the Stanbic bank. The hypothesis tested in line with the study objective was that, there is no statistically significant influence of compliance with the bank's credit guidelines on the profitability of the Stanbic bank. From the study findings, it can be concluded that, compliance with the bank's credit guidelines is a statistically significant influential factor in the profitability of the Stanbic bank. A bank that insists on payment following agreed credit guidelines and which is prepared to take action to recover due debts is most likely to be paid in full and on time and this promotes profitability, growth, and sustainability. There is a need to have well-set bank credit guidelines within the credit management practices that are agreeable to both the client and the bank. If credit guidelines are

agreeable to both parties, the better the management of credit and as such profitability of banks increases. Different categories of clients need compliance to different credit guidelines depending on credit history, the volume of business transactions, etc. It is the flexibility of credit guidelines that result in an increased customer base and timely payment which improves the bank's profitability. The study has some limitations, although it has contributed to our understanding of determinants of profitability of commercial banks in Uganda. Findings, therefore, should be used with caution bearing in mind the following limitations:

There were few variables of compliance with the bank's credit guidelines included in the model and the profitability of commercial banks could also be measured with other variables. The study was carried out at a point in time to examine the influence of compliance with the bank's credit guidelines on the profitability of commercial banks. It was essentially a cross-sectional study. The nature of sampling units under study cannot be generalized on all banks as only one bank and which is international was considered among over 25 commercial banks in Uganda both domestic and international ©

Given the above-mentioned limitations, the study opens up areas for further research. One, more variables should be included in the model based on literature and tested empirically to increase our understanding of the influence of compliance with the bank's credit guidelines on the profitability of commercial banks. Second, future studies should consider other appropriate econometric methods that may improve the understanding of the profitability of commercial banks. Thirdly, a large sample size could be used for more accurate findings and which are more generalized on all banks countrywide.

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