

## WHY IS FINANCIAL RESTRUCTURING A ‘MUST DO’ PACKAGE FOR ALBANIAN FINANCIAL SYSTEM

Elona Shehu<sup>1</sup>, Teuta Xhindi<sup>2</sup>

<sup>1</sup>European University of Tirana, Email: elona.shehu@uet.edu.al

<sup>2</sup>European University of Tirana, Email: teuta.xhindi@uet.edu.al

### Abstract

This study aims to analyze the factors why financial restructuring is a MustDO bailout package for the financial system in Albania. The recent financial struggle with nonperforming loans, asks for a well regulated solution platform. The dominant part of the Albanian financial market is constituted by banks, indicating that more than 90 percent of the financial system is led by banking system. The financial health of this major part of the system is very important for the country. Even though Albania dialed relatively well with the recent financial crisis, the economy is still frail and continually dealing with economic troubles. This study aims to analyze the factors that threaten the financial system in Albania and further identify the solution to bail the system out, therefore the research question discussed in this paper is whether financial restructuring is the best solution for the banking system. The hypothesis related to it, is whether equity or debt restructuring is the best platform. Financial Restructuring is the reorganization of the financial assets and liabilities of a corporation aiming to create an efficient financial environment. Past experience of Albania has shown many reasons why financial restructuring is important, such as poor financial performance, external competition, depreciation of market value, emerging market opportunities. The methodology on which this study is based is a qualitative analysis based on secondary and primary data. The data will be collected from the commercial banks of Albanian financial system. Restructuring of the financial system can be attributed to liabilities or assets, but the restructuring process indirectly includes both of them, as the balance sheet needs to be adjusted. Therefore two main components can derive: debt restructuring and equity restructuring. At the end the study will conclude whether equity or debt restructuring is the best solution for Albanian financial system.

**Keywords:** *Albania, financial system, financial restructuring, debt restructuring, equity restructuring, efficiency*