UNIVERSITY OF PORT HARCOURT JOURNAL OF ACCOUNTING AND BUSINESS
DEPARTMENT OF ACCOUNTING
UNIVERSITY OF PORT HARCOURT, CHOBA
PORT HARCOURT, RIVERS STATE
NIGERIA
VOL. 8 NO. 2 JUNE 2021

THE IMPACT OF BANK INFORMATION TRANSPARENCY ON CUSTOMERS' WELL-BEING IN GHANA

MORRIS AYAA MENSAH
PhD Student, School of Business,
Valley View University,
Accra, Ghana

Abstract

Achieving transparency is becoming increasingly important for regulators and policymakers. Even in industrialized countries, transparency concerns, often founded on false pretexts, are widespread. This article argues that transparency is indispensable to the banking sector and describes the potential consequences for customers who do not benefit from relevant and timely information disclosure from banks. This study investigates the impact of bank information transparency on customers' financial well-being in Ghana. The research is a correlational research design with 125 customers conveniently sampled from a population of 184 customers from five universal banks in Ghana to answer a paper-and-pencil questionnaire. The researcher used a Bivariate (Pearson) Correlation in SPSS version 22 to analyze the data. The research concludes that there is a moderately significant positive relationship between bank information transparency and subjective financial well-being. The study recommends that banks provide timely information that facilitates customers' assessment of their financial reports and other public disclosures

Introduction

The 2007–2009 global financial crises had a significant economic impact on the financial sector and, as a result, on customer financial well-being. However, one factor that contributed to prolonged crises was the lack of bank information transparency. The crisis experience has changed our view about information transmission and transparency and raised several critical questions at the academic and policy levels on improving transparency. According to Losada-Otálora and Alkire (2019), bank information transparency is the observed quality of information banks publicly provide. According to Vishwanath and Kaufmann (2001), transparency occurs when publicly disclosed information from banks is effective in reaching the market and being adequately evaluated. Hence, transparency depends on customers' information processing capability, behavioral biases, and information needs (Losada-Otálora and Alkire, 2019). However, bank information transparency has been a tool used for customers' financial well-being (Zia-ur-Rehman et al., 2021; Ianole-calin et al., 2020).

Moreover, achieving a satisfactory level of transparency hinges on six broad categories of information that should be addressed (Fung, 2014). These include financial performance, position, risk management strategies and practices, risk exposures, accounting policies, essential business management, and corporate governance information. Bank authorities require increased transparency from the banking sector (Bushman, 2016) as a strategy to protect clients' financial well-being and forestall possible future financial crises and their related consequences (Hampson et al., 2018).

Lusardi and Mitchell (2017) argue that consumers can make informed financial decisions if they receive relevant and timely information from their financial providers. Further, achieving transparency has proven to be more problematic because of its absolute limits following the lack of adequate enforcement (Verdier, 2009). Page and van Gelder (2020) argue that broader reforms in the banking sector may predict a lack of adequate enforcement. In addition, among policymakers, Vishwanath and Kaufmann (2001) argue that there is a growing recognition of transparency to the mechanisms that sustain welfare. However, greater availability of reliable and timely information helps banking customers to make well-informed decisions about their financial matters (Fung, 2014).

On the other hand, by achieving transparency, Francis et al. (2009) argue that banks can improve resource allocation, enhance efficiency, and increase growth prospects. Therefore achieving transparency benefits not only customers but also bank stability. Further, the subject of transparency is a biblical virtue that Christians are encouraged to imbibe. The call on transparency is well addressed in (2 Corinth 1:12-14) when Paul, the Apostle, emphasized the essence of integrity and godly sincerity associated with transparency.

Similarly, the subject of financial well-being has long been of interest to many scholars. According to Kempson and Poppe (2017), it is the ability to make confident, well-informed money-related decisions that result in financial security in the short and long term decisions that result in financial security in the short and long term. Janahi (2017) argues that banks prioritizing financial well-being must justify how their products and services provide long-term value to their customers.

Ultimately, financial well-being is about making and being able to afford micro-decisions at micro-moments along the journey, rather than making massive decisions for macro times. Financial well-being can be measured objectively and subjectively (Brüggen et al., 2017). The objective method emphasizes the use of quantitative indicators such as financial data, ratios, and benchmarks (Mokhtar and Husniyah, 2017). The subjective approach, on the other hand, makes use of opinions and reactions to financial circumstances (Barnard, 2016).

However, banks in Ghana have not been effective in disclosing relevant and timely information to customers because of the perceived accompanying cost. Yeoh (2010) argues that greater transparency could have severely aggravated the savings and loans crisis in the United States. Many banks would have had to close down, cut their lendings significantly, or receive substantial equity rejections. However, despite the perceived and potential costs to banks, in the absence of information transparency, customers will be unable to make well-informed financial decisions because of the limited information they have. Lack of information transparency will allow banks to engage in excessive risk, which may later pose severe implications to customers. Hence, to meet customers' financial well-being, there is the need for bank regulators to strike a balance between information that will be relevant to improving the financial well-being of customers and that which will be relevant for the bank's operations. Relevant and timely information that gives the customer access to monitor the bank's performance must not be compromised.

Against this background, this study seeks to investigate the impact of banks information transparency on customers' well-being in Ghana. This study builds on the work of Losada-Otalora and Nasr (2018) by focusing on the subjective approach to measuring financial well-being. This study will establish the framework for future research and contribute to the formulation of banking policies.

Research Question

The research question below is answered in the study

1. Is there a significant relationship between bank information transparency and customer financial well-being?

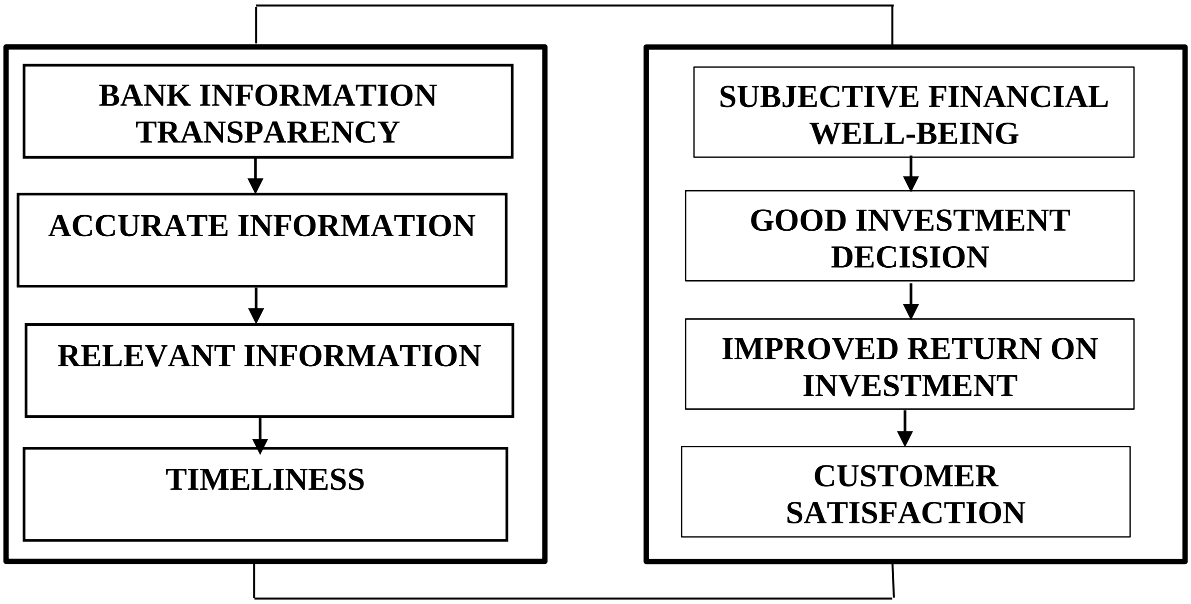
Research Hypothesis

The null hypothesis of the study includes:

1. There is no significant relationship between bank information transparency and customer financial well-being

Conceptual Framework

Figure 1 Conceptual Framework



The thesis of this research work is that Bank Information Transparency through its dimensions of accurate information, relevant information and timeliness can improve Customers Financial Wellbeing by assisting the customer to take good investment decisions, obtain improved returns on investment and enjoy robust customer satisfaction.

Literature Review

Bank Information Transparency

Disseminating all relevant information on a bank's strategy, evaluation, and policy decisions to the general public and markets define bank transparency (De Haan et al., 2005; Baraibar-Diez et al., 2017; Tiberto et al., 2020). Public disclosure of information and supervisory information (Allen et al., 2016) promote banking system safety and soundness. Bushman (2016) argues that market discipline can only be effective if market participants receive timely and trustworthy information about a bank's actions and the dangers of these activities. As a result, increased public exposure strengthens market players' ability to promote safe and sound banking practices. (Scannella, 2018). Furthermore, public disclosure is critical to the interaction's effectiveness (Malafronte, Starita & Pereira, 2018).

According to the Basel Committee on banking supervision (1988), financial performance, financial position, risk management strategies and practices, risk exposures, accounting policies, and essential business management and corporate governance information are among the six broad categories of information that should be addressed in clear terms in a bid to enhance transparency. Previous research by Maurico et al. (2018) and Nasr (2019) on the role of banks in promoting transparency indicated that being transparent by banks benefits customers' financial well-being. Conversely, Bidabad, Amirostovar, and Sherafati (2017) argued that achieving transparency may come with direct and indirect compliance regardless of the benefits associated with bank information transparency.

Financial Well-being

The subject of Financial well-being has gained much attention in recent times following its enormous impact on individuals, societies, and organizations. Policymakers, Investors, Academics, and employers have taken a keen interest in financial well-being as an area worthy of study (Brüggen et al., 2017). Similarly, financial well-being has been studied in various academic fields, including economics, financial counseling, psychology, and marketing (Sabri et al., 2020). However, many scholars have attempted to provide varying definitions for financial well-being even though there is no universally accepted definition. Financial well-being is defined as an objective and subjective concept that contributes to a person's appraisal of his or her current financial status (Lannello et al., 2021; Brüggen et al., 2017). It is the perceived ability to meet expenses, satisfaction with savings and investment (Iramani & Lutfi, 2021).

Further, a survey conducted on 400 banks to test for the impact of bank information transparency on financial well-being of customers revealed that bank information transparency can uplift the financial well-being of customers. A similar survey conducted on 120 customers on seven different commercial banks revealed that information transparency from banks positively affect financial well-being. The finding of Naveed, Farah and Hasni (2021) also revealed that a firm’s information transparency harnesses investor’s financial well-being after a survey was conducted among 310 retail investors from Pakistan Stock Exchange to test for the impact of firms’ transparency on investors’ well-being.

Based on previous studies on information transparency, it is evident that, relevant and timely information disclosure is necessary for customers to make well-informed decisions about their financial matters by monitoring the performance of banks. It is however a means by which customers’ knowledge and awareness are enhanced. On the other hand, Information transparency provides the impetus for market participants to monitor bank’s performance and to take action to limit excessive risk-taking by banks. Ultimately, the subjective approach to measuring financial well-being is the most preferred since it affords customers the opportunity to express their feelings and judgments about their financial matters.

Research Methodology

Data Collection

The study used a correlational research design. It is a quantitative study that applied bivariate analysis in SPSS version 22 to analyze data using the parametric inferential statistic. The respondents in the study were the customers of 5 universal banks: GCB Bank Limited, Eco bank Ghana Limited, Zenith Bank of Ghana, Absa Bank Ghana Limited, and Agricultural Development Bank located in the principal city of Ghana (Accra). The researcher with his team collected data through convenient sampling. In all, 184 customers of the five banks were approached for the study. Together with his team, the researcher intercepted potential respondents and sought their concerns for participation in the study. Interviewers asked a screening question to ensure that a potential respondent owned an account with the bank. A potential respondent who owned an account was issued a paper-and-pencil questionnaire to answer without an incentive. After the data collection, a sample of 125 respondents was recommended by the Raosoft sample calculator as an idle sample size for the study at a 95% confidence interval. Finally, a self-constructed questionnaire was developed with an internal consistency of 0.84 and 0.87 for bank information transparency and subjective financial well-being, respectively, where alpha obtained was more significant than 0.7 according to Nunally (1978), who considers it to be more reliable. On the scale, each construct comprised five items.

Results and Discussion

The respondents used in the study were 66 males and 59 females, of which 79 respondents fall within the category of the youth with age range (15-34) years representing 70% of the sample. Forty respondents fall within the age range (35-50) category, representing 42% of the sample. Only six respondents fall within the age range (51-65), representing 6% of the sample. One hundred and forty-four of the respondents have attained degrees, 16 have attained diplomas, a total of 46 had attained postgraduate degrees, and 19 had attained high school certificates. In the study, males were represented by 0 and females by 1 for statistical encoding for gender interpretation. Respondents were required to answer demographic questions on sex, age, and educational level in the first section of the questionnaire. Table 1 is a summary of respondents categorized by demographic factors.

Table 1: Respondents categorized by demographic factors

Gender		**Age**			**Educational status**			
males	females	Youth (15-34)	Adult (35-50)	Old (51-65)	SHS	Diploma/ HND	Degree	Post graduate
66	59	79	40	6	19	16	44	46

Table 2 is the result of the bivariate correlation between Bank Information Transparency and Subjective Financial Well-being.

Table 2: Summary of correlation

Correlations

		Bank information transparency	Subjective financial well-being
Bank information transparency	Pearson Correlation	1	.323**
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	277.160	49.824
	Covariance	2.235	.402
	N	125	125
Subjective financial well-being	Pearson Correlation	.323**	1
	Sig. (2-tailed)	.000	

	Sum of Squares and Cross-products	49.824	85.836
	Covariance	.402	.692
	N	125	125

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

The relationship between bank information transparency and subjective financial well-being was investigated by the Pearson Product-moment correlation. In the output, Pearson's r is 0.323, which indicates a moderate relationship between the two variables (Cohen, 1988). The significant level is 0.000, which means the relationship is highly significant (and therefore, it is likely that there is a relationship between the two variables in the population and the sample). On the other hand, its positive sign is an indication that customers improve their financial well-being by accessing the correct information from the bank. In conclusion, the results are r =0.323, n=125, p = 0.000

Hypothesis Testing

The null hypothesis of the study was tested using the results of the bivariate correlation between the two variables. From the result, 0.000 is significant. The study rejects the null hypothesis that there is no significant relationship between bank information transparency and subjective financial well-being. The study concludes that there is a significant relationship between bank information transparency and subjective financial well-being.

Conclusion

The study provided important information regarding the role that banks play in enhancing customers' financial well-being. Results from the bivariate correlation have shown a positive relationship between bank information transparency and customers' financial well-being. Customers improve their financial well-being by accessing relevant and timely information from banks. However, where customers cannot access this information, they are unable to monitor banks' performance. In effect, customers fall victim to wrong choices, affecting their financial well-being in the long run. On the Other hand, banks engage in excessive risk in the absence of market discipline.

The presence of transparency improves the financial well-being of customers and leads to bank stability. The study results are consistent with the findings of Losada-Otálora and Alkire (2019), who concluded that the direct path for bank information transparency to subjective financial well-being was significant. Similarly, Nasr (2018) argued that banks might use information transparency to uplift customers' financial well-being. It also complements the work of Arendt and Brettel (2010), who found that supporting customers' financial well-being helps improve the firm's image.

Recommendation

Banks serve as financial intermediaries between deposit and surplus units. However, in modern times, banks are viewed as suppliers of liquidity and transactions services that reduce costs for their customers. In this regard, however, it follows that customers form an essential purpose for bank existence, and as a result, banks must serve their customers to the point of satisfaction. According to Zia-ur-Rehman et al. (2021), enhancing customer satisfaction and financial well-being is banks' most significant competitive advantage. As such, the experience customers have with their banks gives one bank a competitive advantage over another. Fu (2020) argues that improving customer financial well-being is a vital banking strategy in today's increasingly competitive environment. Hence, bank managers must identify and improve upon factors limiting customer defection and improving financial well-being.

However, Golden and Gajendran, (2019) stressed that employee performance and professionalism, willingness to solve problems, friendliness, level of knowledge, communication skills, and selling skills, among others, are the factors worth identifying in enhancing customer financial well-being. Several scholars have also stressed the need for banks to provide relevant and timely information to customers so that customers will be informed about the performance of banks. Fung (2014) argues that the greater availability of reliable and timely information helps banking customers to make well-informed decisions about their financial matters.

On the contrary, Dandago, and Rufai (2014), in their study to examine whether timely disclosure of comparable store sales provided value, found that quarterly comparable-store sales news became less important to customers when firms provided more timely CSS information. Therefore, it is recommended that banks provide relevant and timely information to customers as this will help increase customer knowledge and awareness, enhance market discipline, and improve financial well-being.

References

Allen, F., Goldstein, I., Jagtiani, J., & Lang, W. W. (2016). Enhancing prudential standards in financial regulations. *Journal of Financial Services Research*, *49*(2), 133-149.

Arendt, S & Brettel, M. (2010). ‘Understanding the influence of corporate social responsibility on corporate identity, image and firm performance,’ Management Decision, Vol.48 No. 10 pp. 1469 - 1492

Baraibar-Diez, E., Odriozola, M. D., & Fernández Sánchez, J. L. (2017). A survey of transparency: An intrinsic aspect of business strategy. *Business Strategy and the Environment*, *26*(4), 480-489.

Barnard, A. (2016). Sense of coherence: A distinct perspective on financial well-being. *South African Journal of Economic and Management Sciences*, *19*(4), 647-660.

Bidabad, B., Amirostovar, A., & Sherafati, M. (2017). Financial transparency, corporate governance and information disclosure of the entrepreneur’s corporation in Rastin banking. *International Journal of Law and Management*.

Brüggen, E. C., Hogreve, J., Holmlund, M., Kabadayi, S., & Löfgren, M. (2017). Financial well-being: A conceptualization and research agenda. *Journal of Business Research*, *79*, 228-237.

Bushman, R. M. (2016). Transparency, accounting discretion, and bank stability. *Economic Policy Review, Issue Aug*, 129-149.

Cohen, J .W. (1988). Statistical power analysis for the behavioral science (2nd ed.). Hillsdale, NJ: Lawrence Erlbaum Associates

Francis, J. R., Huang, S., Khurana, I. K., & Pereira, R. (2009). Does corporate transparency contribute to efficient resource allocation?. *Journal of Accounting Research*, *47*(4), 943-989.

Fu, J. (2020). Ability or opportunity to act: What shapes financial well-being?. *World Development*, *128*, 104843.

Fung, B. (2014). The demand and need for transparency and disclosure in corporate governance. *Universal Journal of Management*, *2*(2), 72-80.

Golden, T. D., & Gajendran, R. S. (2019). Unpacking the role of a telecommuter's job in their performance: Examining job complexity, problem solving, interdependence, and social support. *Journal of Business and Psychology*, *34*(1), 55-69.

Hampson, D. P., Ma, S. S., & Wang, Y. (2018). Perceived financial well-being and its effect on domestic product purchases: An empirical investigation in Brazil. *International Marketing Review*.

Helliwell, J. F., Huang, H., & Wang, S. (2016). *New evidence on trust and well-being* (No. w22450). National Bureau of Economic Research.

Iannello, P., Sorgente, A., Lanz, M., & Antonietti, A. (2021). Financial well-being and its relationship with subjective and psychological well-being among emerging adults: testing the moderating effect of individual differences. *Journal of Happiness Studies*, *22*, 1385-1411.

Ianole-Calin, R., Hubona, G., Druica, E., & Basu, C. (2020). Understanding sources of financial well-being in Romania: a prerequisite for transformative financial services. *Journal of Services Marketing*.

Janahi, M. A., & Al Mubarak, M. M. S. (2017). The impact of customer service quality on customer satisfaction in Islamic banking. *Journal of Islamic Marketing*.

Kempson, E., Finney, A., & Poppe, C. (2017). Financial Well-Being.

Losada-Otálora, M., & Alkire, L. (2019). Investigating the transformative impact of bank transparency on consumers' financial well-being. *International Journal of Bank Marketing*.

Lusardi, A., & Mitchell, O. S. (2017). How ordinary consumers make complex economic decisions: Financial literacy and retirement readiness. *Quarterly Journal of Finance*, *7*(03), 1750008.

Malafronte, I., Starita, M. G., & Pereira, J. (2018). The effectiveness of risk disclosure practices in the European insurance industry. *Review of Accounting and Finance*.

Mokhtar, N., & Husniyah, A. R. (2017). Determinants of financial well-being among public employees in Putrajaya, Malaysia. *Pertanika Journal of Social Sciences and Humanities*, *25*(3), 1241-1260.

Naveed, M., Farah, M. F., & Hasni, M. J. S. (2021). The transformative role of firm information transparency in triggering retail investor's perceived financial well-being. *International Journal of Bank Marketing.*

Page, J., & Van Gelder, L. (2020). Missing Links: Institutional Capability, Policy Reform, and Growth in the Middle East and North Africa. In *The State and Global Change* (pp. 15-58). Routledge.

Sabri, M., Wijekoon, R., & Rahim, H. (2020). The influence of money attitude, financial practices, self-efficacy and emotion coping on employees' financial well-being. *Management Science Letters*, *10*(4), 889-900.

Sano, Y., Mammen, S., & Houghten, M. (2021). Well-being and stability among low-income families: A 10-year review of research. *Journal of Family and Economic Issues*, *42*(1), 107-117.

Scannella, E. (2018). Market risk disclosure in banks' balance sheets and the pillar 3 report: the case of Italian banks. In *Contemporary issues in banking* (pp. 53-90). Palgrave Macmillan, Cham.

Verdier, P. H. (2009). Transnational regulatory networks and their limits. *Yale J. Int'l L.*, *34*, 113.

Vishwanath, T., & Kaufmann, D. (2001). Toward transparency: New approaches and their application to financial markets. *The World Bank Research Observer*, *16*(1), 41-57.

Yeoh, P. (2010). Causes of the global financial crisis: Learning from the competing insights. *International Journal of Disclosure and Governance*, *7*(1), 42-69.

Zia-ur-Rehman, M., Latif, K., Mohsin, M., Hussain, Z., Baig, S. A., & Imtiaz, I. (2021). How perceived information transparency and psychological attitude impact on the financial well-being: mediating role of financial self-efficacy. *Business Process Management Journal*