

## The Use of Banks' Financial Statements by Depositors and the Impact on Their Decision-Making: A Case from Lebanon

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### Abstract

*The objective of financial statements is to provide financial information that is useful to users in making informed decisions about an organization. In this respect, this study aims to assess the usage of financial information provided in banks' financial statements by their customers and to what extent these financial statements are influencing their decisions in dealing with banks. This research adopts a quantitative-deductive approach. It draws on data from a structured questionnaire administered to a sample of 133 customers in various Lebanese banks. Statistical analysis included descriptive statistics, correlation analysis and hypotheses testing with Chi-square, and analysis of variance methods, to analyze the collected data. Findings show that bank account holders trust the information of the bank's financial statement and their investment decision is not impacted by the bank's financial Statements results. However, after the economic downturn in Lebanon, bank account holders are more likely to study bank's financial statements.*

**Keywords:** Banks, financial statements, depositors, decision making, Lebanon

### 1. Introduction

Lebanon started on October 17, 2019, to experience a broad series of economic crises, which led to the deterioration of the economic, financial, political, and social conditions (Hubbard, 2021). More specifically, the banking system has come to a near halt due to the crisis. The banking problem made depositors feel extremely worried about losing their savings (Geldi, 2021). This led people to storm the banks and demand immediate withdrawal of their money. Subsequently, depositors became skeptical about how banks managed their money and they started to reconsider their dealing with the banks (Saoud, 2021). Indeed, the crisis has brought forward the process of decision-making, and how to assess the financial situation by people who own bank accounts. Relying on qualitative assessment creates confusion since outcomes are difficult to measure accurately in numerical terms (Horngren et al., 2012, p.394). Hence, both quantitative and qualitative information is important and necessary for business decision-making (Dečman et al., 2013). In addition, most of the information is not suitable to take a work-related decision, so the best way is to rely upon and use an accounting information system. Accounting provides quantitative data that are used in a business decision-making process (Vitasović, 2012, p.565). Accounting is the information system that identifies, records, and communicates the economic events of an organization to interested users (Kimmel et al., 2011, p. 5). In fact, Hejase et al. (2012) contend that "informed objective decisions are based on facts and numbers, real, realistic and timely information" (p. 129). Accounting information supports the making of accurate decision-making, enriches planning and understanding of the financial position of any business, and helps managers reduce and manage risks (Žager, 2006). Also, the analysis of financial statements helps financial institutions including banks to determine the operational trends and operational decision-making.

Accounting information allows the bank to have the opportunity of an attractive business. Zager & Zager (2006) contend that the management of a company "is the most significant user of financial statement analysis to recognize strengths as well as weaknesses" (p. 37). Moreover, MahfujUllah (2020) asserts, "The significance and necessity of accounting information in the bank activity are extremely important in the direction of bank management towards successful policies & strategies" (p. 29). Consequently, by using financial statements published transparently by law, banks generate useful accounting information for the customer and bank management. Furthermore, the bank accounting information help in attracting the resource in structure and terms to satisfy the opportunities offered by clients. Furthermore, financial statements are both historical and forward-looking. They "focus on past performance but also provide clues about a company's future performance. Accountants collect relevant financial information and then communicate them to various stakeholders. This information is communicated through financial statements, including the balance sheet, the income statement, and the cash flow statement" (Buckle, Seaton, & Thomas, 2014, p. 195).

## 2. Literature Review

Banks and all reporting entities are generally required to prepare financial statements in accordance with the conceptual framework of accounting by complying with accounting standards and other generally accepted accounting principles (Chapman, 2018). The aforementioned aim is to produce financial statements that are useful for decision-making by the users of financial statements. That usefulness can only be achieved if the information is both relevant and provide a faithful representation of what it represents (Gartenstein, 2018; CFI, 2022).

Several researchers contend that financial information must have certain qualities (Hasan et al., 2014, p. 24; Gjonikarameta et al., 2021, p. 37). In fact, for information to be relevant, it must have a confirmatory value (by providing feedback value to past events) and a predictive value (by providing the ability to predict the prospects and anticipated cash flows and going concerns). Also, faithful representation is achieved if the information is complete, neutral, and free from error. Completeness means that all the information that is necessary for the user is provided. Neutrality means that the information is presented by the organization without any bias or subjective selection. Free from error means that the information has been accounted for accurately, objectively, professionally and without any subjectivity. In addition to relevance and faithful representation, Gartenstein (2018) and CFI (2022) recommend that the conceptual framework requires another four 'enhancing qualitative characteristics' for financial information to be useful. These are "Comparability that measures the degree of constant application of accounting standards and policies from one period to another; verifiability or the degree of reproducibility of knowledge provided the same data and assumptions; timeliness or how fast the accounting information is accessible to users; and understandability whereby users are provided with the appropriate understandable knowledge of any business" (ibid).

### 2.1 Users of Accounting Information

Stakeholders rely on accounting information to make informed decisions (Chapman, 2018) by various users. Each of them has different concerns about the organization (Malhotra, 2021). For example, internally, management assesses financial information to take informed decisions and form a judgment about the earning capacity of the business and set performance indicators and benchmarks. Externally, there are various stakeholders including creditors, investors, competitors, government and tax authorities, regulatory agencies, researchers, suppliers, customers, external auditors, and public and media" (Chapman, 2018; Malhotra, 2021). However, in the banking sector, depositors are the main group of users of financial statements. Depositors, ideally, are interested in ensuring their deposits and investments with the banks are safe and that banks are profitable and solvent to pay their investments and returns when needed. Hence, depositors are interested in the following three benefits: "[1] Profitability: Financial information is used to assess a bank's ability to generate profits over time. Profit is the purpose and motivation of a bank's survival and development. Krause et al. (2017, p. 119) describe that profitability refers to the bank's ability to earn profits and is related to the ultimate realization of the interests of the various groups of the bank; [2] Liquidity: It measures how the bank can pay its debts. And it shows how its assets cover its liabilities. Liquidity analysis gives investors an idea of the operating effectiveness of a company. Liquidity measures also demonstrate how the bank is managing its cash flows (Quesada, 2019, p. 7); and [3] Solvency: Most important to depositors as it refers to the ability of the bank to pay their deposits and interests as they fall due (Kashif et al., 2016, p. 2). The ability to pay debts on time is an important indicator of the financial position of a bank. Accordingly, by analyzing solvency, the ability to operate a business and avoid risk can be demonstrated and help predict the future profit of the bank. The solvency of a bank includes both short-term solvency and long-term solvency.

### 2.2 Financial Statements

Financial statements provide information on the performance of an organization's activities, financial position, and cash flow (Buckle et al., 2014; Franklin et al., 2019). According to Bragg (2021), "the income statement tells about a business's profitability, shows the volume of sales, and the nature of the various types of expenses; and is used, when reviewed over multiple time periods, to analyze trends in the company's operating results. The balance sheet tells, as of the date specified in the balance sheet, about the current state of the company, its liquidity, financing, and debt position, and is the basis for a number of liquidity ratios. Finally, the cash flow statement shows the nature, by a variety of categories, of cash receipts and disbursements" (Para 1-2). Moreover, Ketola et al. (2017) stated that "Financial statements form a formal record of an entity's financial activities. Those are written reports quantifying a company's financial strength, performance, and liquidity. Financial statements reflect the entity's financial impacts of business transactions and events" (p. 69). Their purpose is to convey an understanding of some financial aspects of a business firm.

### **2.3 Financial Statements and Investor's Decision-Making**

The banking sector, as part of the economy of any country, is critical and necessary. Saleh & Alghusain (2018) contend that the banking sector's vitality is manifested "either through the various banking operations or through financial and economic indicators provided by the annual financial statements of financial companies and banks" (p. 20).

The aforementioned are part of the main information resource for a large number of economic sectors including investors (Vestine & Kule, 2016). In fact, data generated by the banks including financial statements are important primarily due to their reliability and validity, in addition to their clarity and availability in due time (Frolov, 2004; Gjoni-Karameta et al., 2021, p. 37). Therefore, any error or bias in the data leads to non-official decisions which affect the interests of the investors and their economic and financial projects (Saleh & Alghusain, 2018). Thus, the country's monetary authorities including the Central Bank and other regulatory departments and organizations, need to emphasize due diligence and apply pertinent standards to ensure that banks and financial firms properly include their data (Barth et al., 2002). Moreover, the financial statements are important to make investment decisions as these focus on presenting the necessary financial information about the accounting unit including the management's efficiency in carrying out its work. Nevertheless, when investors are not literate in financial analysis, they seek help from financial experts and financial analysts (Shun & Chyan, 2011).

### **2.4 Current Research in Lebanon and the Region**

The subject of using financial statements for Lebanese stakeholders' decision-making including investors is scarce. However, topics such as the quality of financial reporting affecting stakeholders' (internal and external) decisions are popular. Examples abound and numerous types of research are performed aiming to provide confirmation concerning the determinants that have contributed to Financial Reporting Quality (FRQ) (Abdul Majid and Ismail, 2008; Ahmed Haji and Ghazali, 2013; Chakroun and Hussainey, 2014; Suryanto and Thalassinou, 2017). These researchers identified the firm's characteristics such as - size, profitability, industry, leverage, age, liquidity, auditor type, and listing status—and certain attributes of corporate governance (p. 709). Metlej et al. (2021) researched the impact of banking risk management on the quality of disclosure in the financial reports of a sample of Lebanese commercial banks and its relationship with internal and external auditing (p. 61). Moreover, the demand and need for sufficient transparency and quality reporting (the truthfulness of the information disclosed by the financial reporting process) are indispensable (Fung, 2014; Ivanova et al., 2016). Furthermore, other studies concluded that accounting information systems (AIS) are of great importance to companies in the process of administrative decision-making, internal control, and quality of financial reports (Al-Ja'di & Al-Haj, 2010; Hla & Teru, 2015).

Examining Lebanese works, Rkein and Rkein's (2020) conference paper is the only work in progress applied directly to the research herein. Their outcomes are based on a questionnaire distributed to conveniently selected participants from 50 businesses and 70 educated individuals. Businesses were represented by owners of small Accounting firms who were members of the Lebanese Association of Certified Public Accountants (LACPA). The authors examined the use of financial information by Lebanese banks' clients. Also assessed the extent of decisions' adjustment based on the financial information reported by banks. They found that better quality and more transparency in the analytics of financial statements leads to more trust and increased satisfaction of clients and investors. Moreover, Sujud & Hachem (2019) researched the effect of the quality of AIS's outputs on the satisfaction of Lebanese commercial banks' customers. The quality characteristics of the banking service adopted were: relevance, reliability, comparability, and consistency. Indeed, accounting information is essential to attract investors or other stakeholders. As for the impact of the chaos in the economy and financial and banking practices in Lebanon, Alaaraj & Bakri (2020) advise "investors to improve and develop their financial literacy based on its effects on the investment decision-making, and recommend that investors analyze the investment elements wisely using their financial literacy before making an investment decision" (p. 42). Moreover, Barbuscia (2021) reports that based on the current banking situation and the chaos in financial reports, Lebanese are faced with the choice of leaving their savings stuck in the bank or investing them at a huge loss, some Lebanese are opting to take risk in entrepreneurial activity. For them, it is the only sensible option in a financial system amid a crisis.

### **2.5 Research Objectives**

The purpose of the use of accounting information is to reduce risk, failure, and uncertainties and stay ahead of competitors, and analyze the situation related to the use and adoption of accounting information system and its impact on the decision-making process (Porter, & Millar, 1985; AICPA, 2021). The financial statements provide financial information to the bank and potential entity investors, lenders, and other creditors in making a decision about providing resources to the entity (Deloitte, 2022). This research aims to assess the usage of financial information provided in banks' financial statements by their customers and to what extent these financial statements are influencing their decisions in dealing with banks. More specifically, this research aims to: (1) Assess the role of accounting information in customers' decision-making; (2) identify and assess customers' moves and attitudes to continue dealing with banks based on the information provided by financial statements; and (3) assess the impact of the Lebanese crisis on the relationship between customers and banks.

## 2.6 Significance of the Study

This study adds more insights into the reported literature on the impact of accounting information on depositors' decision-making. In fact, few references exist on the topic in Lebanon and the surrounding countries. Therefore, this research shall close the gap and enrich the reservoir of knowledge of secondary data.

In addition, it will also add to the empirical research whereby results and findings shall shed light on current practices in Lebanese banks amid the crisis caused by COVID-19 as well as the extremely damaging political, economic, social, and financial conditions of Lebanon. Therefore, lessons learned may be extracted in the context of chaos in the economic and financial conditions of a nation.

## 2.7 Research Questions

Based on the objectives of this research, the following research questions are addressed:

- To what extent the bank's financial statements are important?
- Following the economic downturn in Lebanon, would you be more interested in knowing more about banks' financial statements?
- Do you still trust the information in the bank's financial statements?

## 2.8 Research Hypotheses

RQ1. To what extent the bank's financial statements are important?

H<sub>01</sub> Bank account holders believe that the bank's financial statements are important.

H<sub>a1</sub> Bank account holders believe that the bank's financial statements are not important.

RQ2. Following the economic downturn in Lebanon, would you be more interested in knowing more about banks' financial statements?

H<sub>02</sub> Following the economic downturn in Lebanon bank account holders are more likely to study bank's financial statements

H<sub>a2</sub> Following the economic downturn in Lebanon, bank account holders are less likely to study bank's financial statements

RQ3. Do account holders still trust the information in the bank's financial statements?

H<sub>03</sub> Following the economic downturn in Lebanon, bank account holders are less likely to trust bank's financial statements

H<sub>a3</sub> Following the economic downturn in Lebanon, bank Account holders are more likely to trust bank's financial statements

## 3. Research Methodology

This study is based on a positivism philosophy (Saunders et al., 2019), in which according to Hejase & Hejase (2013), the researchers neither act as objective analysts, independent, and neither affect nor are affected by the subject of the research (p. 77). Moreover, this research is quantitative and deductive. Its research instrument is a structured questionnaire.

### 3.1 Sampling and Sample Size

The questionnaire was administered to 133 Lebanese working individuals in the different marketplace sectors chosen conveniently based on their willingness and free will participation. Questionnaires were distributed by the researchers and a group of trained students. 150 questionnaires were distributed however 133 were collected back. Actually, 17 questionnaires were not filled adequately therefore the researchers discarded them and only 133 questionnaires were valid with a response rate of 88.67%.

### 3.2 Questionnaire Design

The questionnaire is divided into three sections. The first and second sections included nine questions. These focused on the respondent's ownership of a personal as well as business bank account, respectively. Common to sections one and two, there is a 9<sup>th</sup> question that had eight statements to be assessed using a 4-level Likert scale with coded responses [1 = Strongly Disagree, 2 = Disagree, 3 = Agree, and 4 = Strongly Agree]. The eight common questions covered the following: Reading financial statements, the reason for reading, availability of the financial statement, checking the financial statement before depositing, trust, the importance of components, and continuity following the Lebanese economic downturn. All other questions were either dyadic or multiple choice. Section three includes four demographic questions: age, gender, number of years owning a bank account, and work status.

### 3.3 Reliability Analysis

The Internal Reliability of the 16-item scale is assessed using Cronbach's Alpha technique. Results show that the 16-item scale produced a Cronbach's Alpha = 0.715, while those of sections one and two are 0.698 and 0.744, respectively. These Cronbach's alpha values fall in the range 0.6-0.7 and 0.7-0.8 labeled "Moderate" and "Good", respectively (Burns & Burns, 2008, p. 481). In fact, Hejase & Hejase (2013) contend that "the generally agreed upon lower limit for Cronbach's alpha is 0.70, although it may decrease to 0.60 in exploratory research" (p. 570).

The aforementioned indicates a moderate and acceptable “strength of association and proves that the selection of the questions is suitable for the questionnaire purpose” (Chehimi et al., 2019, p. 1915).

### **3.4 Data Analysis**

Data collected were processed and analyzed using the Statistical Product and Service Solutions, IBM SPSS version 25. Both descriptive and inferential statistics were used. Therefore, this study analyzed data collected with descriptive statistics such as frequencies and percentages supported with data tables for clarity. Inferential statistics were used to test the research hypotheses using correlational analysis, followed by a Chi-square test for independence analysis and analysis of variances (ANOVA) to compare the means of more than two groups.

## **4. Results and Findings**

### **4.1 Demographics**

Results show that there are 48.12% males and 51.88% females. Moreover, 26.5% were between 18 and 24 years of age, 43.9% were between 25 and 31 years, 19.7% were between 32 and 38 years, 8.3% were between 39 and 45 years and 1.5% were above 45 years. Furthermore, a large majority of respondents (84.98%) have a bank account, whereas 15.04% did not. In addition, 73.45% (83 out of 113) own their personal bank account, and 26.55% (30 out of 113) own a business bank account.

### **4.2 Reading the Details of the Bank Financial Statements and Language Used**

Results show that respondents who own a personal bank account do read the details of their bank financial statement (26.55%; 30 out of 113), whereas 6.20% (7 out of 113) of them who own a business bank account do read the details of their bank financial statement. Thus, this means that both personal and business bank account owners do not give importance to reading the bank financial statements when opening their account, i.e., 46.90% (53 out of 113) and 20.35% (23 out of 113), respectively.

Moreover, 12.39% (14 out of 113) of the respondents who own a personal bank account use the Arabic language to read their financial bank statements, while 14.16% (16 out of 113) use English. Whereas 2.65% (3 out of 113) of the respondents who own a business bank account use the Arabic language to read their financial bank statements, while 3.56% (4 out of 113) use English. This means that owners of both business and personal bank accounts are not interested in the details of their bank's financial statements, which may imply that they feel safe with their money upon opening a new account due to the trust that they have.

### **4.3 Availability & Location of the Bank Financial Statements**

Results show that 48.15% of the personal bank account owners said that they do not know where to find the banks financial statements, 35.80% said that these are available inside the bank and only 16.05% said that these are available on the website. On the other hand, 73.33% of the business bank account owners said that the financial account statements are available inside the bank, 23.33% said that they do not know where to find these, and only 3.333% said that these are available on the website. Thus, one observes that the results were differing between the personal and business account owners. Moreover, one observes that a high percentage of personal account owners do not know where to find the bank financial statements because 39.8% do not read their bank's financial statements. While 17.3% of the owners of the business accounts do not read their details in the bank, because the owners of the business accounts are accurate and usually perform daily checkups.

### **4.4 Checking on the Bank's Financial Health before Depositing Money**

Further results show that 64.2% of the personal bank account owners do not check on their bank's financial health before depositing money, whereas 35.8% do that. On the other hand, 80% of the business bank account owners do not check on their bank's financial health before depositing money, where 20% do that. This means that there is a feeling of safety toward the banks because being a popular place means there is trust, even if problems occur, the sense of trust increases knowing that the government will protect banks from bankruptcy.

### **4.5 Trusting Banks**

Results show that 87.5% of the respondents who own a bank account said that they trust the information of the bank's financial statement, whereas 12.5% don't trust it. On other hand, 96.67% of those who own a business bank account, trust the information of the bank's financial statement, whereas 3.333% don't trust it.

### **4.6 Importance of Financial Information**

Owners of both types of accounts namely, 83 respondents who have a personal bank account and 30 respondents, who have a business bank account, were asked: “Which type of financial information do you give more importance?” They responded as follows:

**Owners of personal bank accounts:** 41.0% (34 out of 83) selected cash flow followed by 36.10% (30 out of 83) selected income statement. Moreover, 15.7% (13 out of 83) selected the balance sheet, and the remaining 6 (out of 83) 7.2% selected retaining earnings.

**Owners of business bank accounts:** 80.0% (24 out of 30) selected cash flow followed by 10% (3 out of 30) selected balance sheet. Moreover, 6.7% (2 out of 30) selected income statements and among the remaining respondents (1 out of 30) 3.3% selected retaining earnings.

Therefore, results show that both types of bank account owners gave the highest significance in financial information within the financial statement to the cash flow. Because the importance of the cash flow statement is that it is used to measure the cash position of the business i.e., the inflow and outflow of cash and cash equivalents in the business for an accounting year, and also help the business to know the availability of cash in their business.

#### 4.7 Knowing more about Bank's Financial Statements following the Economic Downturn

Worth noting that Lebanon continues to suffer from severe economic and financial problems in all sectors including the banking sector (Barbuscia, 2021; Hubbard, 2021). In fact, a personal interview with two Lebanese economists confirmed that Lebanon is suffering its worst economic and financial sustainability since its independence in 1943 (Prof. Bassam Hamdar, Dean of the Faculty of Business Administration at Al Maaref University, and Dr. Ali Termos, Professor of Economics, American University in Bulgaria). 74.10% of the respondents had a personal bank account and 86.70% of business bank account owners confirmed their interest to know more. The fact that currently, the Lebanese Central Bank has imposed a 'hair cut' policy, a crisis became apparent between banks and clients (Rached, 2021). Actually, "Since late 2019, the term 'haircut' has become an everyday term in Lebanon, as the feud between banks and depositors gradually escalates" (Yassin, 2020, para 1). Therefore, as days pass, respondents like any other Lebanese account holder do not feel safe with their money and they feel afraid of banks' bankruptcy. In order to feel safe, they are interested to know more about banks' financial statements.

#### 4.8 Cross Tabulation and $\chi^2$ Analysis

The next step is to study the dependency as well as the relationship between selected variables using  $\chi^2$  test and Cross Tabulation. These relationships form a statistically significant base to discuss how the banks' customers deal with financial statements' information and description as well as customers' trust and decision-making approaches i.e., if the relationships are dependent as to be tested by Chi-square analysis, then the crosstabs are valid.

##### $\chi^2$ Test Analysis

Table 1 reports the calculated  $\chi^2$  values to be larger than 9 which when compared to the critical  $\chi^2$  value [df=1, p=0.05] = 3.84, the following test applies:  $\chi^2$  test of independence asserts that the Null Hypothesis that the two tested variables are independent is rejected when  $\chi^2[\text{Calculated}] > \chi^2[\text{Critical}]$  (Hejase and Hejase, 2013, p. 553). Therefore, the six pairs of variables depicted in Table 1 are statistically dependent. Consequently, the cross-tabulations are valid and can be interpreted.

**Table 1: Summary of Accepted Cross Tabs**

Cross Tabs	$\chi^2$	Asymp. Sig.	Result	Pearson's R	Type of relation
"Read the details of your bank financial statements" & "Trust the auditors' opinion so I do not read financial statements"	18.000	0.000	Accept	0.452	Moderate
"Read the details of your bank financial statements" & "Read the bank financial statements is useless because I do not understand them"	14.685	0.002	Accept	0.319	Weak
"Checked on the bank's financial health before depositing your money in the bank" & "Trust the auditors' opinion so I do not read financial statements"	9.801	0.020	Accept	0.337	Weak
"Checked on the bank's financial health before depositing your money in the bank" & "Read the bank financial statements is useless because I do not understand them"	10.896	0.012	Accept	0.339	Weak
"Trust the information in the Bank's financial statements" & "Banks Financial statements provide all needed information for me to make an investment decision"	15.179	0.002	Accept	-0.222	Weak
"Following the economic downturn in Lebanon, would you be more interested in knowing more about banks' financial statements?" & "Financial statements are highly important for banks stockholders to make investment decisions"	16.670	0.001	Accept	-0.446	Moderate

Table 1 shows both the chi-square and the Pearson's R Asymp. Sig. is 0.000 ( $< 5\%$  standard error), which means that there is a statistically significant moderate relation ( $R=0.452$ ) between "read the details of your bank financial statements"&"trust the auditors' opinion so I do not read financial statements". The fact that banks are governed by strict governance requiring the use of both internal and external auditors (Hejase et al., 2021), adds trust to clients and account holders. Therefore, this probably justifies the above-mentioned relationship (Fung, 2014; Saleh, & Alghusain, 2018). The next relationship assessed is "Read the details of your bank financial statements"&"Reading the bank financial statements is useless because I do not understand them". Results show that the chi-square and Pearson's R are both statistically significant (Asymp. Sig. = 0.002 and 0.004, respectively, and  $< 5\%$  standard error). That means that there is a statistically significant weak relation ( $R = 0.319$ ) between the two statements. In fact, Alaaraj & Bakri (2020) stressed the effect of financial literacy on investment decision-making. Actually, they found that reading and understanding the results of financial analysis impact positively decision-making. Therefore, it is not strange to find a positive relationship between the two assessed statements.

Moreover, results show a statistically significant though weak relationship ( $R = 0.337$ ) between "checked on the bank's financial health before depositing your money in the bank"&"trust the auditors' opinion so I do not read financial statements". Actually, the chi-square and Pearson's R are statistically significant at 5% (Asymp. Sig.  $\chi^2 = 0.020$  & Prob. For  $R = 0.002$ ). This relationship is supported by descriptive statistics that have shown that 64.2% of the personal bank account owners and 80% of the business bank account owners do not check on their bank's financial health before depositing money. However, they trust the bank auditors' reports, so they tend not to read the bank financial statements as depicted in the first relationship assessment, herein. In addition and related to the second relationship assessed above, the cross-tabulation of the statements, "checked on the bank's financial health before depositing your money in the bank"&"Reading the bank financial statements is useless because I do not understand them" showed that both relations are statistically significant (Asymp. Sig.  $\chi^2 = 0.012$  & Prob. For  $R = 0.002$  both  $< 5\%$  standard error) but with a weak relationship ( $R = 0.339$ ). The majority of both bank account owners do not check on their banks' financial health, a fact that may be due to two factors: trusting banks' auditors' reports (Fung, 2014; Hejase et al., 2021) or simply do not understand financial analysis details (Alaaraj, & Bakri, 2020). Moreover, the next cross-tabulation is between "trust the information in the Bank's financial statements" &"Banks Financial statements provide all needed information for me to make an investment decision". Results show that both relations are statistically significant (Asymp. Sig.  $\chi^2 = 0.002$  & Prob. For  $R = 0.048$ , both  $< 5\%$  standard error) but negative and weak ( $R = - 0.222$ ). The second statement is strongly supported in the literature (Vestine, & Kule, 2016; Saleh, & Alghusain, 2018; Bragg, 2021). Furthermore, respondents who are owners of both types of bank accounts trust the bank auditors' reports. As for the first statement, descriptive statistics have shown that 87.5% of the respondents who own a personal bank account and 96.67% of those who own a business bank account, trust in information of the bank's financial statement. As for the negative sign, it pertains to the fact that respondents have chosen cash flow as the most important among the different financial information content of financial statements and have less trust in the other forms. Such a fact produces certain weaknesses in understanding fully the resultant financial information needed for decision-making.

The last cross-tabulation assessed is between "Following the economic downturn in Lebanon, would you be more interested in knowing more about banks' financial statements"&"Financial statements are highly important for banks' stockholders to make investment decisions". Results show that both relations are statistically significant (Asymp. Sig.  $\chi^2 = 0.001$  & Prob. For  $R = 0.000$ , both  $< 5\%$  standard error) though negative and moderate ( $R = - 0.446$ ). The second statement is strongly supported in the literature (Vestine, & Kule, 2016; Saleh, & Alghusain, 2018; Bragg, 2021). Moreover, respondents who are owners of both types of bank accounts trust the bank auditors' reports. As for the first statement, descriptive statistics have shown that 74.10% of the respondents have a personal bank account and 86.70% of business bank account owners confirmed their interest to know more following the Lebanese economic downturn. However, as has been explained earlier, stockholders and investors got disappointed with their banks' behavior during the economic downturn, a fact that created negative feelings (Yassin, 2020; Saoud, 2021; Barbuscia, 2021; Rached, 2021) justifying the negative sign of Pearson's R.

#### 4.9 Hypotheses Testing

Hypotheses testing is carried out using the Chi-Square test of independence and One-Way Analysis of Variance (ANOVA) test to study the means. Each hypothesis is represented by statements and questions from the questionnaire. Analyzing these statements leads to the testing of the hypotheses. Tables 2 to 4 show all the findings of the aforementioned tests.

##### Hypothesis 1:

Relationship between "Is your bank account personal or business?" & "Financial statements are highly important for banks stockholders to make investment decisions"

**Table 2: Hypothesis 1 Testing**

Cross Tabs	$\chi^2$ [Cal]	Asymp. Sig. (2-sided)	df	$\chi^2$ [Crit]	Result
<b>Hypothesis 1</b> H0: Bank account holders believe that bank's financial statements are not important. Ha: Bank account holders believe that bank's financial statements are important.					$\chi^2$ [Calc.] > $\chi^2$ [Crit.] Asympt. Sign < 5%
Holders of Personal Bank Accounts	9.024	0.003	1	3.84	Reject H0
Holders of Business Bank Accounts	24.643	0.000	1	3.84	Reject H0

Therefore, the alternative Hypothesis 1 is not rejected, and the bank account holders assert that their bank's financial statements are important.

**Hypothesis 3:**

Relationship between "Following the economic downturn in Lebanon, would you be more interested in knowing more about banks' financial statements?" & "Trust the information in the Bank's financial statements"

**Table 3: Hypothesis 3 Testing**

<b>Hypothesis 3</b> H0 Following the crisis in Lebanon, bank account holders are less likely to trust bank's financial statements Ha Following the crisis in Lebanon, bank account holders are more likely to trust bank's financial statements					$\chi^2$ [Calc.] < $\chi^2$ [Crit.] Asympt. Signif. > 5%
Holders of personal bank accounts	0.152	0.696	1	3.84	Accept H0
Holders of business bank accounts	0.159	0.690	1	3.84	Accept H0

Therefore, the null Hypothesis 3 is not rejected, and therefore, following the crisis in Lebanon, bank account holders are less likely to trust Bank's financial statements.

**Hypothesis 2:** Dependent Variable: "Is your bank account personal or business?" Independent Variable: "Following the economic downturn in Lebanon, would you be more interested in knowing more about banks' financial statements?"

**Table 4: Hypothesis 2: ANOVA Testing**

<b>Hypothesis 2</b> H0: Following the economic downturn in Lebanon bank account holders are more likely to study bank's financial statements Ha: Following the economic downturn in Lebanon, bank account holders are less likely to study bank's financial statements						Asympt. Signif. < 5%
<b>ANOVA</b>						
		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Bank Account	Between Groups	.823	1	.823	4.782	.032
	Within Groups	13.422	78	.172		
	Total	14.245	79			
						Accept Ha

Therefore, the null Hypothesis 2 is rejected and therefore, "Following the economic downturn in Lebanon, would you be more interested in knowing more about banks' financial statements" is likely to have a significant effect on average "Is your bank account a personal or business?"

Therefore, the alternative hypothesis, "Following the economic Downturn in Lebanon, Bank Account holders are less likely to study Bank's financial statements" is accepted.

**5. Conclusion**

This research aims to assess the usage of financial information provided in banks' financial statements by their customers and to what extent these financial statements are influencing their decisions in dealing with banks.

Findings show that 73.45% of the respondent own their personal bank account and 26.55% own a business bank account. In addition, 35.8% and 20% of the personal bank account and business bank account owners do check on their bank's financial health before depositing money.



This means that there is a feeling of safety toward the banks because being a popular place means there is trust, even if problems occur, the sense of trust increases knowing that not only the government but abiding by world governance standards as well will protect banks from the bankruptcy (Saleh, & Alghusain, 2018; Hejase et al., 2021). Moreover, 87.5% and 96.67% of the respondents who own a bank account and a business bank account, respectively trust the information of the Bank's Financial Statement. Furthermore, 74.10% of the respondents had a personal bank account and 86.70% of business bank account owners confirmed their interest to know more following the Lebanese economic downturn. However, as has been explained earlier, stockholders and investors got disappointed with their banks' behavior during the economic downturn, a fact that created negative feelings (Yassin, 2020; Saoud, 2021; Barbuscia, 2021). Finally, this research has three hypotheses that were tested. Findings show the following:

Hypothesis 1 shows that the bank account holders believe that the bank's financial statements are important. In fact, respondents do understand that financial statements inform them about their banks' position, progress, and prosperity and help stakeholders to appreciate the degree of safety of their investment. This result is in harmony with assessments by Chapman (2018) and Malhotra (2021).

Hypothesis 2 shows that following the economic downturn in Lebanon, bank account holders are less likely to study bank's financial statements. This is asserted by the resultant descriptive statistics that 74.10% of the respondents had a personal bank account and 86.70% of business bank account owners confirmed their interest to know more following the Lebanese economic downturn. However, as has been explained earlier, Lebanese stakeholders including stockholders and investors got disappointed with their banks' behavior during the crisis, a fact that created negative feelings (Yassin, 2020; Saoud, 2021; Barbuscia, 2021) justifying the hypothesis, that is, decreasing their interest to follow up on their banks' financial statements' details.

Hypothesis 3 shows that following the economic downturn in Lebanon, the bank account holders are less likely to trust the bank's financial statements. This hypothesis follows on the impact of hypothesis 2, that is, due to the severe relations between stakeholders and banks following the downturn of the Lebanese economy and the negative behavior of the banks' to respect their social responsibility endeavors (Barbuscia, 2021). Actually, Hassanein and Yeşiltaş (2022) assert that "Customer expectations and bank performance are two widespread factors that are critical for business success as well as the interactions between businesses and society are important, as they generate more positive externalities and minimize negative ones within the businesses operating in the Lebanese market" (p. 280), however because of the current 'Haircut' banking policy, the aforementioned relationships and expectations deteriorated as Yassin (2020) contends, "Since late 2019, the term "haircut" has become an everyday term in Lebanon, as the feud between banks and depositors gradually escalates" (para 1).

The findings of this research enrich the secondary data depositary about the importance of financial statements for investors amid times of crisis like the Lebanese current economic and financial downturns. Therefore, both the financial sector as well as the research community could benefit from the findings that open the horizon for further research and for comparative analyses with similar case countries around the globe. It is clear from this research that government intervention may reestablish trust upon creating win-win solutions for the banking sector and the stakeholders at large.

Limitations include the small sample of the research for the context of the subject at hand and therefore results may not be generalized but rather may be used as insights into the situation in Lebanon or a similar country amid economic and financial downturns. Another limitation is the sensitivity of the subject to Lebanese banks' clients who were selected conveniently based on their willingness to participate. Maybe if the financial problem would have been solved, more clients would have participated.

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