

Assessment of the Transparency of Information Submitted to Business Enterprises By Lithuanian Commercial Banks

Rita Remeikiene¹, Ligita Gaspareniene² & Alius Sadeckas²

Abstract

Due to extremely high degree of responsibilities, bank activities have to be by far the most transparent in comparison to other enterprises or finance institutions since any participant of the finance market may become a bank customer. Considering this reason, activities of commercial banks have to be supervised by particular authorities. What is more, requirements for banking activities must be clearly defined; banks must be obliged to capture particular data and publically submit the required information, ensuring its transparency. This article is aimed at assessment of the transparency of information submitted to business enterprises by Lithuanian commercial banks. The results of the empirical research have revealed that the key problems related to commercial banking include bank activity supervision gaps and insufficiency of legal requirements. In addition, since, with reference to the experts' opinion, reliance on commercial banks is, to the largest extent, determined by staff competence, service quality, quantity of submitted information and bank image, to ensure information transparency, commercial banks should focus on the submission of truthful and comprehensive information without concealment of any essential data.

Keywords: Lithuanian commercial banks, transparency, business enterprises, information, commercial bank activities

1. Introduction

The problem of banking transparency has become extremely topical in Lithuania during the last few years as a result of bankruptcies of two commercial banks – “Snoras” (bankruptcy proceedings were initiated five years before) and “Ūkio bankas” (bankruptcy proceedings were initiated three and a half years before). Avoidance to submit truthful information on real activities, non-transparent processes as well as disregard of the supervising authorities' warnings and recommendations led to the loss of the situation control. In spite of the problems emerged, information on the real situation was announced only when hardly any improvement measures could be taken.

Thus, prevention of similar situations in other banks is a key objective since non-transparent bank activities may not only cause huge material losses for finance market participants, but also undermine the stability of the entire finance system in the country. Introduction of euro in Lithuania in 2015 has also contributed to the topicality of banking transparency. Due to the reasons explicated above, it is purposeful to establish which information has the key importance to finance market participants, which information has to be submitted by Lithuanian commercial banks following the regulations of Lithuanian laws, and what measures have to be anticipated to ensure the transparency of banking activities and information submission.

¹ Institute of Economics, Faculty of Economics and Finance Management, Mykolas Romeris University, Vilnius, E-mail: rita.remeikiene@mruni.eu, +370 616 24114

² JSC “Ekskomisarų biuras”, e-mail: alius@biuras.lt

This article covers the problem on whether the information currently submitted by Lithuanian commercial banks is sufficiently transparent to ensure smooth banking activities in the finance market and whether business enterprises rely on the information submitted by Lithuanian commercial banks. The object of the article is transparency of information submitted to business enterprises by Lithuanian commercial banks.

The purpose of the article is to assess the transparency of information submitted to business enterprises by Lithuanian commercial banks. The objectives of the research. In order to fulfil the defined purpose, the following objectives have been raised: 1) to analyse the issues of commercial banking regulation and the requirements for banking information transparency in Lithuania; 2) to present the methods that enable to assess the transparency of information submitted by Lithuanian commercial banks; 3) to introduce the results of the empirical research on significant criterions of bank transparency and reliance on Lithuanian commercial banks from business customers' position.

The methods of the research include scientific literature analysis, analysis of legal documents and expert evaluation.

Limitations of the research. Preparing the review of the scientific literature, the problem of the lack of information was faced. The topic of commercial banking transparency has been comprehensively researched neither by foreign nor by Lithuanian scholars.

Business enterprises were selected as the subject of the research since, following the data of the Central Bank of the Republic of Lithuania (2014), total amount of the loans newly granted to business enterprises (juridical entities) far exceeded total amount of the loans newly granted to physical entities during the period of 2004 – 2014 (total amount of the loans newly granted to juridical entities composed 62947.2 million Litas whereas total amount of the loans newly granted to physical entities composed 35035.5 million Litas from October 2004 to October 2014). What is more, in comparison to physical entities, juridical entities more frequently perform e-banking operations, dispose larger amounts of money, and invest in higher value projects. In order to ensure the quality of the empirical research, the following aspects were considered: juridical entities, unlike randomly selected physical entities, have competences in finance report analysis (finance report information is considered to be the key source while judging about transparency of banking activities); professionals in business enterprises are familiar with the main legal regulations on banking activities (ratios, bank control requirements, etc.) Thus, considering the factors explicated above, business enterprise representatives may be referred to as more objective assessors of banking information transparency.

1. The criterions of commercial banks' transparency and credibility: theoretical aspects

Activities of Lithuanian commercial banks are supervised by the Bank of Lithuania - the Central Bank of the Republic of Lithuania. This is a global practice – the research on what institution should supervise banking sector revealed that the smallest possibility of instability and non-transparency in the banking sector emerges when commercial banks are supervised by the central banks of the countries (following the data collected in 78 researched countries (Khan and Dewan, 2013). Considering the fact that banks assume all the responsibility for accumulated and lent funds as well as crediting risk, the measures must be taken to ensure that the overall banking system operates smoothly and transparently.

Due to extremely high degree of responsibilities, bank activities have to be by far the most transparent in comparison to other enterprises or finance institutions since any participant of the finance market may become a bank customer. Considering this reason, activities of commercial banks have to be supervised by particular authorities. What is more, requirements for banking activities must be clearly defined; banks must be obliged to capture particular data and publically submit the required information, ensuring its transparency. The basic legal acts that regulate the activities of commercial banks in Lithuania include the Law on Finance Institutions of the Republic of Lithuania (The Parliament of the Republic of Lithuania, 2002), the Law on Banks of the Republic of Lithuania (The Parliament of the Republic of Lithuania, 2011), the Law on Limited Liability Companies of the Republic of Lithuania (The Parliament of the Republic of Lithuania, 2000), resolutions of the Board of the Bank of Lithuania and others.

What is more, the scopes of internal activities of every bank are defined in the articles of association. All legal acts regulating commercial bank activities are issued only in consistency with the directives of the European Union (Masilionis, 1998). The Law on Banks of the Republic of Lithuania (The Parliament of the Republic of Lithuania, 2011) is aimed at regulation of the terms of establishment and licencing of commercial banks and other financial institutions; it also defines the order of financial institutions' restructuring and liquidation to ensure the stability, credibility and efficiency of the overall finance system in the country. The aims detailed above are complemented with the objectives to reduce systematic risk, promote finance markets, act legally and efficiently, protect customers and investors' rights, and mitigate regulatory burden by increasing effectiveness and optimising costs (Kropas, et al., 2013).

The laws also anticipate monitoring and control measures to ensure transparent activities of the banks as well as risk reduction in finance markets (Bulir, et al., 2014). For this purpose, particular requirements, i.e. bank activity risk reducing norms, have been established (Poomjai, et al., 2012; Buckiūnienė, et al., 2003). The Law on Banks of the Republic of Lithuania (The Parliament of the Republic of Lithuania, 2011) sets the following normative limits (normative ratios and calculation methodologies have been established by the resolutions of the Board of the Bank of Lithuania): *capital adequacy* – it is expressed as the ratio between capital and assets non-balance liabilities, estimated by risk (Buckiūnienė, et al., 2003). According to Masilionis (1998), “because banks perform the function of an intermediary, at least theoretically they should possess smaller amounts of long-term tangible assets” (p. 13); *liquidity* – it refers to the ratio between bank liquid assets and current liabilities (Buckiūnienė, et al., 2003; Ehrmann, 2009).

In accordance with the rules of normative calculation, established by the Board of the Bank of Lithuania, liquidity ratio must not lower than 30 per cent. According to Masilionis (1998), banks must follow the requirements of liquidity considering their unstable revenue, which determines the necessity of reasonable investment to avoid the problem of insolvency. Kropas, et al. (2013) emphasise that each bank must possess sufficient amounts of liquid assets to deal with problems of insolvency without interference of the state. Furthermore, different crediting terms must be applied, i.e. crediting for short and long terms without capturing long-term assets to short-term liabilities; *maximal opened positions in foreign currencies and precious metals* – in accordance with the resolution issued by the Board of the Bank of Lithuania, normative limit of a general maximal opened position must not exceed 25 per cent of bank capital, and the normative limit of a position in single currency or precious metals must not exceed 15 per cent of bank capital; *maximal amount of loans issued for one debtor* - the resolution issued by the Board of the Bank of Lithuania anticipates that the total value of loans, guarantees, warranties, irrevocable bank liabilities to provide a credit line and discounted bills (after the distraction of special suspension) issued for one debtor in local currency and foreign currencies must not exceed 25 per cent of bank capital.

The normative limits introduced above are necessary for the control of banking activities since they simplify monitoring, i.e. as far as the above mentioned normative limits are observed, bank risk remains minimal, which, in turn, ensures stable and reliable bank performance. Bank reports refer to another aspect determining reliance on banks. The normative limits would have no sense and could not be accurately calculated in case banks did not publically announce financial reports on their performance, which were not recognized as truthful. “In coordination with the Department of Credit Institutions Supervision under the Bank of Lithuania, up to May 1, commercial banks have to publically announce the following annual reports: balance statement, profit (loss) statement, and cash flow statement. Publication of the assessment of independent auditors concerning the statements mentioned above alongside with an explanatory note is also compulsory” (Masilionis, 1998, p. 13). The structure of the statements does not diverge from the statements prepared by business enterprises. However, unlike the majority of business enterprises, banks have to announce their statements publically. After audit assessment and conclusions submitted to the Bank of Lithuania, information on commercial bank stability and credibility is publically announced. The data is also engaged for determination of bank rankings.

Assessing transparency of the performance of commercial banks, ranking serves as one of the key criterions reflecting reliability of a particular commercial bank. In accordance with the data of the Central Bank of the Republic of Lithuania (2015), 7 licensed commercial banks were operating in Lithuanian finance market at the time of the research. The data, presented in Table 1, shows rankings determined for 5 them in 2013.

Table 1: Ranking of Lithuanian commercial banks

Lithuanian commercial bank	Standard & Poor's ranking	Moody's ranking	Fitch ranking
Joint-stock company <i>SEB bank</i>	A+	A1	A+
Joint-stock company <i>Citadele bank</i>		B2	
Joint-stock company <i>DNB bank</i>	A+	A1	-
Joint-stock company <i>Siauliu bank</i>		B1	
Joint-stock company <i>Swedbank</i>	A+	A1	A+

Source: compiled by the authors

The rankings presented in Table 1 reveal that the most credible commercial banks currently operating in Lithuania include joint-stock company *SEB bank*, joint-stock company *DNB bank* and joint-stock company *Swedbank*. Unfortunately, as it was aptly observed by Fons (1999), when information transparency is insufficient, ranking analysts have to rely on poor-value data, which, in turn, leads to making the decisions based on the criterions obtained from indirect averages. It is obvious that the decisions of this kind are more subjective and can be relied upon on condition that the data is confirmed by other credible sources or further research. Nevertheless, the sense of inaccuracy determines collapse of the reliance and alongside damages the image of bank credibility.

Since commercial banks refer to the institutions that have the licence to perform operations with large amounts of money, which they do not actually possess, they must comply with high operational requirements. Legal acts that regulate activities of commercial banks define the requirements of liquidity, capital adequacy, maximal opened positions in foreign currencies and precious metals, maximal amount of loans issued for one debtor, and public announcement of the reports. Compliance with latter requirement ensures availability of the data on bank performance to both physical and juridical entities. In addition, financial reports can be engaged for the establishment for bank rankings. On the other hand, the risk of inaccuracy and insufficiency of the data and data-based rankings may always emerge.

With reference to Titarenko (2002), the criterions relevant to the analysis of the information submitted by commercial banks include precise definition of the requirements on banking activities in legal acts, frequency of information submission, promptness, information contents, variety of sources, and transparency of the supervising institution. The author follows the presumption that information submitted by Lithuanian commercial banks must be improved considering all of the criterions mentioned above since Lithuanian legal acts do not contain well-defined requirements on information announcement. What is more, contents of the submitted information are not comprehensive or intelligible; sources of information submission also have to be reviewed. In his research on the transparency of central banks, Vinkus (2000) established four following criterions for the assessment of bank activity transparency:

1. *Clearly defined aims and strategies.*
2. *Opened process of monetary policy decision making.*
3. *Availability of prompt and timely information on monetary policy to society, which includes different groups of stakeholders, i.e. physical and juridical entities.*
4. *Accountancy to an authorised institution and public announcement of financial reports.*

Due to the fact that commercial banks do not perform the function of monetary policy formation, the last of the criterions listed above is non-applicable. In this case, the significance of information submission, announcement of the reports, activity legitimation and clear operational purposes are considered. In numerous scientific studies, bank transparency is linked to credibility, which refers to not only information submission, but also to staff competence as well as unblemished reputation of the bank. While analysing the problem of bank credibility and transparency, Waller and de Haan (2005) note that credibility is a significant factor seeking for price stability.

With reference to the authors, the best way to prove credibility is consideration of bank's history. Drūteikienė and Marčinskas (2000) point out that "the success of commercial banks is basically determined by their image and public opinion on the quality of the services provided. In other words, since the majority of the services do not have any physical expression, a consumer cannot directly observe them. Thus, quality of the services is assessed leaning on the image of the bank itself" (p. 38).

It is important to highlight not only the factors that contribute to recognition of bank transparency, but also reveal when transparency is the most visible. The examples of Lithuanian commercial banks led to the conclusions that situations cannot be reversed when true information is announced with a delay. Thus, transparency is extremely significant during crisis periods. According to Neuenkirch (2013), although public announcement of bank problems as well as higher level of transparency would not eliminate a possibility of bank crisis, these factors may significantly contribute to crisis cost reduction, even if transparency is not considered as a direct measure of bank crisis prevention.

Summarising, it can be stated that a bank is considered transparent when it operatively, frequently and widely submits information about its performance, and this information is explicit and easily available to all stakeholders. Then a bank is able to earn a reputation of a credible, qualitatively operating financial institution.

2. The methodology of the research

In order to select the most suitable method enabling to assess the transparency of information submitted to business enterprises by Lithuanian commercial banks, the results of previous scientific research on this point have been systematised (see Table 2).

Table 2: The research on information transparency among the participants of finance markets

Author(s), country, year	Research	Research results
Blinder, USA, 1999	<i>Questionnaire</i> : (questionnaires were sent to the managers of 127 central banks, 64 of them responded). <i>Purpose</i> : to find out whether central banks assess credibility and whether credibility and price stability are interrelated.	The managers of central banks accurately assess credibility; the results of the research propose that credibility has an extremely strong link with price stability.
Titarenko, Lithuania, 2000	<i>Questionnaire</i> (55 physical and 45 juridical entities participated in the research); the survey was anonymous; questionnaires were sent to 3 Lithuanian commercial banks; responses from two of the banks were obtained. <i>Purpose</i> : to establish whether commercial banks operating in Lithuania submit comprehensive information on their performance, and whether this information is sufficient for bank customers to assess financial state of the banks. <i>Questions</i> : How long has a respondent been using bank services? Does a respondent rely on the bank? From which sources does a respondent acquire information on the financial state of the bank? Is acquired information on the activities of all the banks operating in the country sufficient for the selection of a credible bank? Are Lithuanian banks opened to customers? To which bank would a respondent trust his/her funds in case of expansion of foreign bank activities in Lithuania? What deposit insurance system, in the opinion of a respondent, would be more reliable and efficient?	Having systematised the results of the survey, the author makes the conclusion that "the level of Lithuanian banks' openness and information submission is insufficient" (p. 35).
Waller, de Haan, Germany, 2005	<i>Survey</i> (questionnaires were sent to 200 private sector economists, 45 % of whom responded); the survey was related to Blinder (1999) research. <i>Purpose</i> : to establish by which extent credibility of central banks and price stability are interrelated.	Following the opinion the economists, credibility of central banks has an extremely strong link with price stability.
Čihak, et al., USA,	<i>Survey</i> (the survey included 143 countries, 37 of which are referred to as advanced economies, 106 - underdeveloped or developing	In comparison to pre-crisis period, capital rate has grown up, deposit

2012	<p>economies); central bank supervision department managers or heads of independent supervision institutions were involved as respondents.</p> <p><i>Purpose:</i> to analyse the state of the current bank supervision and control in the number of countries and, since the surveys of this kind are periodically carried out starting from 2008, to compare the results of the current research with the results of the surveys carried out before the global economic crisis.</p> <p><i>Questions:</i> the questionnaire included over 270 questions to cover 14 wide dimensions: entrance in banking; management; capital; activities; requirements of external audit; bank managers; requirements for liquidity and diversity; deposit (savings) protection schemes; asset classification, reserves and write-offs; accounting and information announcement; disciplines/problems institution/solution; monitoring, observation; features of the bank sector; customers' protection.</p>	protection schemes have become more efficient, and bank management reforms have turned out to generate positive effects.
Ummad, Cheick, 2014	<p><i>Expert discussion:</i> (with 80 participating countries); the data for the period of 1998-2007 was accumulated.</p> <p><i>Purposes:</i> to establish whether transparency of monetary policy processes has the impact on the stability of production output; to determine whether different aspects of transparency are qualitatively and quantitatively variant in relation to instability of production outputs.</p>	The results have revealed the stabilizing impact of transparency on production output.

The data presented in Table 2 reveals that the topic of transparency is widely analysed not only in relation to the activities of commercial banks, but it also covers the other finance market participants, particularly central banks, transparency of which is even more determining and directly influencing operation of commercial banks. The results of previous surveys show that banks are not treated with a complete reliance. Lack of information submission serves as one the key reasons for the incomplete reliance. It should be noted that commercial banks announce their performance results not only in their financial reports, which consequently are engaged for bank rankings, but this data is also included in the general report prepared by the Bank of Lithuania, reflecting the overall state of the banks. Unfortunately, investing their funds in bank deposits or other kinds of financial products, customers have to rely only on this source of information, which, in turn determines incomplete reliance. In business sector, where commercial banks serve as intermediaries transferring enormous amounts of money to partners, suppliers, customers, etc., staff have more competences to realise what quantities and contents of information are necessary for a complete reliance on the bank. With reference to the results obtained after the analysis of the scientific literature, the empirical research will be aimed at confirmation of the lack of information submitted to business enterprises by Lithuanian commercial banks. The analysis of the scientific literature enabled to define the hypothesis of the research: information submitted by Lithuanian commercial banks is considered by business enterprises to be insufficiently transparent or reliable.

To research the level of the transparency of information submitted to business enterprises by Lithuanian commercial banks, the method of expert evaluation was engaged. Representatives of business enterprises were involved in the research as experts. The experts were selected for the research leaning on two criterions: long-term experience and appropriate activity field i.e. work in business sector with active co-operation with banks for business crediting, acquisition of derivatives, etc. The experts, meeting the criterions mentioned above, were considered competent to assess whether the problem of bank information transparency and reliability really exists. Participants of the survey - representatives of 9 business enterprises – were supplied with the questionnaire consisting of three structural parts. The first part was designed for the assessment of information transparency significance, and covered two following statements: 1) transparency of information submitted by Lithuanian commercial banks is the main criterion determining selection of the bank for crediting, opening an account, account management, wage payments, e-banking services, etc.; 2) Lithuanian commercial banks submit sufficient quantity and quality of information on their performance.

The second part of the questionnaire was designed for the assessment of regulation of commercial banks, and covered four following statements: 1) requirements for the activities of commercial banks defined in currently available Lithuanian legal acts are a sufficient basis to ensure transparency of the activities of Lithuanian commercial banks; 2) normative limits defined in the Law on Banks of the Republic of Lithuania (The Parliament of the Republic of Lithuania, 2011) are sufficient for the assurance of smooth and transparent banking activities; 3) the requirements defined in the legal acts regulating the activities of Lithuanian commercial banks are clear and detailed (no gaps for possible interpretations have been left); 4) the system of supervision of Lithuanian commercial banks is reliable and efficient. Finally, the third part of the questionnaire was designed for the assessment of the criteria of information announcement, and covered four following statements: 1) the contents of the information submitted by Lithuanian commercial banks on their activities are sufficiently clear and understandable; 2) all the information required is submitted promptly, without a delay; 3) Lithuanian commercial banks submit the newest information rather frequently; 4) engagement of the financial reports submitted by Lithuanian commercial banks is enough to assess transparency of banking activities. The statements presented in the questionnaire had to be ranked from 1 (I completely disagree with the statement) to 5 (I completely agree with the statement) in Likert evaluation scale. In order to research experts' personal experience in reliance on the transparency of information submitted by Lithuanian commercial banks, the experts were also asked to point out whether they rely on transparency of the information submitted by the bank(s), with which their enterprises co-operate. If the experts expressed any doubts concerning transparency of the information, they were asked to specify the reasons, which determine the lack of reliance. The results of the research were processed and generalized engaging SSPS and Microsoft Excel software.

3. The results of the empirical research

The expert evaluation involved 9 experts, 56 per cent of whom had ten-year or longer experience in business sector, 33 per cent - five-to-ten-year experience, and 11 per cent – three-to-five-year experience. Duration of the co-operation between involved business enterprises and commercial banks is equal to the duration of the overall performance of the enterprises, which proposes that the experts have sufficient competence in the researched field (see Fig. 1).

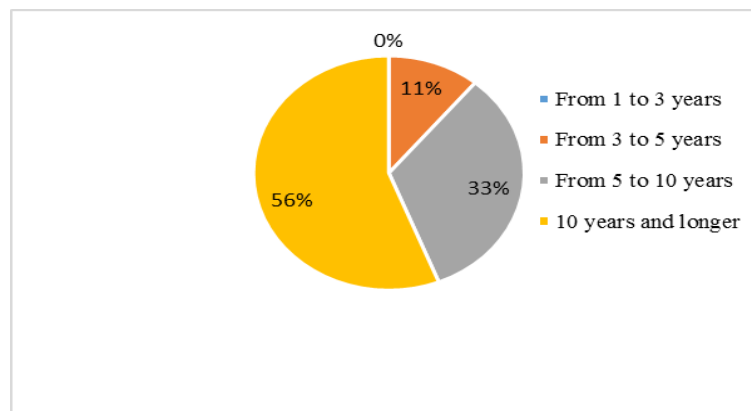


Fig. 1: Experts' experience in co-operating with commercial banks

Source: the results of expert evaluation

The averages of the experts' evaluations for each of the statement presented in the questionnaire have been summarized in Table 3.

Table 3: Summary of the results of the expert evaluation

Statement	Average value
1. Transparency of information submitted by Lithuanian commercial banks is the main criterion determining selection of the bank for crediting, opening an account, account management, wage payments, e-banking services, etc.	3.56
2. Lithuanian commercial banks submit sufficient quantity and quality of information on their activities.	3.44
3. Requirements for the activities of commercial banks defined in currently available Lithuanian legal acts are a sufficient basis to ensure transparency of the activities of Lithuanian commercial banks.	2.33
4. Normative limits defined in the Law on Banks of the Republic of Lithuania are sufficient for the assurance of smooth and transparent banking activities.	3.78
5. The requirements defined in the legal acts regulating the activities of Lithuanian commercial banks are clear and detailed (no gaps for possible interpretations have been left).	2.67
6. The system of supervision of Lithuanian commercial banks is reliable and efficient.	2.22
7. Engagement of the financial reports submitted by Lithuanian commercial banks is enough to assess transparency of banking activities	2.44
8. All the information required is submitted promptly, without a delay.	3.33
9. Lithuanian commercial banks submit the newest information rather frequently.	4.11
10. The contents of the information submitted by Lithuanian commercial banks on their performance are sufficiently clear and understandable.	3.89

With reference to the data introduced in Table 3, the empirical research has disclosed the following tendencies: bank transparency is a significant criterion for the experts, nevertheless, it is insufficient to ensure information transparency (average values calculated for statements 1 and 2 are slightly higher than 3 (respectively 3.56 and 3.44)); legal acts lack the requirements defined for the activities of commercial banks (average value 2.33), and the available requirements lack of clarity (average value 2.67); nevertheless, the key requirements – defined normative limits – are considered to be satisfactory (average value 3.78); engagement of the financial reports submitted by Lithuanian commercial banks is not enough to assess transparency of banking activities (average value 2.44), but this information is assessed as understandable and rather frequently submitted (average values are respectively equal to 3.89 and 4.11), although it should be noted that the need of more comprehensive information may not always be promptly satisfied (average value 3.33).

Further in the research, the experts were asked to specify the barriers for information transparency in Lithuanian commercial banks. With reference to the expert evaluation, the most urgent problem related to this issue is supervision of Lithuanian commercial banks (average value 2.25), which proposes that lack of reliance on Lithuanian commercial banks is determined by the current system of commercial banks' supervision, when the function of supervision is performed by the single institution (the Bank of Lithuania). Legal regulation of the requirements for banks is considered an equally important issue (average value 2.3), which proposes that tougher requirements defined in legal regulation acts would enable to increase overall reliance on Lithuanian commercial banks. Frequent and clearly presented information currently submitted by Lithuanian commercial banks is interpreted as one of the advantages in the researched field (average value 4.2.) The fact that the majority of the experts (6 experts) admitted relying on Lithuanian commercial banks, has enabled to have a deeper insight in the criteria following which business enterprises assess the bank as reliable (see Table 4).

Table 4: Criteria of reliance on Lithuanian commercial banks

Criteria	Average values
Development of bank activity supervision and control system	3.78
Indicators of financial reports	3.44
Quantity of the information on bank activities	4.44
Simplicity/complexity of information search	4.33
Clarity and intelligibility of information contents	4.33
Sources announcing information on bank activities	3.00
Information on new opportunities and services in the bank	4.00
Staff competence	4.56
Bank image	4.33

The average values presented in Table 4 show that development of bank activity supervision and control system is a significant criterion determining general reliance on commercial banks. This confirms the results, introduced in Table 3, which revealed that namely bank supervision and control system contains the largest gaps, thus determining lack of reliance on Lithuanian commercial banks. Indicators of financial reports are considered sufficiently significant, which proposes that pure financial indicators included in financial reports do not determine reliance on commercial banks. The criterion of quantity of the information on bank activities is acknowledged significant considering the fact that the lack of information submitted by commercial banks does not promote customers' reliance. According to the experts, banks must ensure simple, clear and intelligible submission of information on their activities and performance. The sources, via which the information is announced, are not considered extremely significant. Nevertheless, personal informing about new opportunities and bank services is recognized as a significant criterion. Staff competence has been found an extremely significant criterion – in this case, there emerges the risk that incompetent staff may announce inaccurate information or distort it. Alongside with staff competence, unblemished bank image may also substantially contribute to customers' reliance on commercial banks.

Summarising the results of the empirical research, it can be stated that the most urgent problems in the field of transparency of information submitted to business enterprises by Lithuanian commercial banks cover poor supervision and control of the banks, and inadequate and leaky requirements on commercial bank activities defined in Lithuanian legal acts.

4. Conclusions

Systematic and comparative analysis of the scientific literature proposes the following conclusions: the basic requirements defined for commercial banks in Lithuanian legal regulations include liquidity, capital adequacy, maximal opened positions in foreign currency and precious metals, maximal amount of loans issued for one debtor and public announcement of the reports. The other requirements cover information announcement frequency, timeliness and contents, variety of sources, and transparency of the activities of bank supervision authorities. The criterion of reliability complements the list of reliability criteria – if a bank acts transparently, it is relied on. What is more, reliance is also determined by bank image, quality of the provided services, staff competence. For the assessment of the transparency of information submitted to business enterprises by Lithuanian commercial banks, the method of expert evaluation was selected. This method was engaged since it allows involving the experienced finance market participants who have sufficient competence to correctly interpret legal regulations, analyse financial and activity reports, assess the adequacy of information quantity and quality. The results of the empirical research have revealed that the key problems related to commercial banking include banking activity supervision gaps and insufficiency of the requirements. The first problem can be solved by engaging a larger number of competent authorities for banking supervision, i.e. this function should not be limited within the responsibilities of a single authority – Lithuanian Central Bank.

Another problem can be solved by introducing the amendments of the Republic of Lithuania Law on the Bank of Lithuania, i.e. higher requirements on banking information announcement could be defined, and current regulations could be reviewed and adjusted to eliminate possible inaccuracies and interpretations. With reference to the opinion of the experts, reliance on commercial bank is, to the largest extent, determined by staff competence, service quality, quantity of submitted information, and bank image. To ensure information transparency, commercial banks should focus on the submission of truthful and comprehensive information without concealment of any essential data.

References

- Blinder, A. S. (1999). Central bank creditability: why do we care? How do we build it? [Online]. Working paper 7161. Available at: <http://www.nber.org/papers/w7161.pdf> [Accessed 02 February 2016].
- Buckiūnienė, O., Meidūnas, V., Puzinauskas, P. (2003). *Lietuvos finansų sistema*. Teisinės informacijos centras, 167 p.
- Bulir, A., Cihak, M., Jansen, D. J. (2014). Does the Clarity of Inflation Reports Affect Volatility in Financial Markets? IMF Working Paper No. 14/175, International Monetary Fund.

- Cihak, M., Demirgüç-Kunt, A., Peria, M. S. M., Mohseni Cheraghlou, A. (2012). Bank Regulation and Supervision around the World. *A Crisis Update*. [Online] *Policy Research Working Paper*. Available at: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/12/05/000158349_20121205130523/Rendered/PDF/wps6286.pdf [Accessed 01 March 2016].
- Drūteikienė G., Marčinskas A. (2000). Lietuvos bankų įvaizdis ir jo kūrimas. *Pinigų studijos*. Lietuvos bankas, 4, 38-48.
- Ehrmann, M., Eijffinger, S., Fratzscher, M. (2009). The Role of Central Bank Transparency for Guiding Private Sector Forecasts. CEPR Discussion Paper No. 7585, C.E.P.R. Discussion Papers.
- Fons, J. S. (1999). Improving Transparency in Asian Banking Systems. *The Asian Financial Crisis: Origins, Implications, and Solutions*. Kluwer Academic Publishers, 305-319.
- Khan A. H., Dewan, H. (2013). Who should supervise banks for the banking sector stability? *Applied Economics Letters*. – Kamloops: Thompson Rivers University, 20(17), 1531-1537.
- Kropas, S., Čiapas, L., Šidlauskas, G., Vengraitis, D. (2013). Banko finansų valdymas: krizės pamokos ir reguliavimo priemonių poveikis. *Vilniaus Universiteto leidykla*, 350 p.
- Masilionis, D. (1998). Banko finansinės ataskaitos. Lietuvos bankininkystės, draudimo ir finansų institutas, 112 p.
- Neuenkirch, M. (2013). Central Bank Transparency and Financial Market Expectations: the Case of Emerging Markets. *Economic Systems*, 37(4), 598-609.
- Poomjai, N., Kritchaya, J., Suparit, S. (2012). Economic Rationales for Central Banking: Historical Evolution, Policy Space, Institutional Integrity, and Paradigm Challenges. Working Paper No. 2012-04, Economic Research Department, Bank of Thailand.
- The Central Bank of the Republic of Lithuania (2015). The list of commercial banks operating in Lithuania. [Online] Available at: <https://www.lb.lt/bankai> [Accessed 01 March 2016].
- The Central Bank of the Republic of Lithuania. (2014). Suteiktos naujos paskolos nefinansinėms korporacijoms ir namų ūkiams ir jų palūkanų normos. [Online] Available at: http://www.lb.lt/stat_pub/statbrowser.aspx?group=8279&lang=lt [Accessed 02 May 2016].
- The Parliament of the Republic of Lithuania. (2000). The Law on Limited Liability Companies of the Republic of Lithuania, No. VIII-1835. [Online] Available at: http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=259448 [Accessed 02 May 2016].
- The Parliament of the Republic of Lithuania. (2002). The Law on Finance Institutions of the Republic of Lithuania, No. IX-1068. [Online] Available at: http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=245489 [Accessed 02 April 2016].
- The Parliament of the Republic of Lithuania. (2011). The Law on Banks of the Republic of Lithuania, No. IX-2085. [Online] Available at: http://www3.lrs.lt/pls/inter3/dokpaieska.rezult_l?p_nr=IX-2085 [Accessed 01 January 2016].
- Titarenko, J. (2000). Rinkos disciplinos vieta bankų priežiūros sistemoje. *Pinigų studijos* 4, 25-37.
- Titarenko, J. (2002). Lietuvos bankų veiklos skaidrumo tyrimas. *Ekonomika: mokslo darbai*. Vilniaus Universiteto leidykla, 58, 143-153.
- Ummad, M., Cheick, K. M. (2014). Does Forecasts Transparency Affect Macroeconomic Volatility in Developing Countries? Evidence from Quasi-Natural Experiments. Working Paper No. 1410, Centre national de la recherche scientifique (CNRS), Lyon University.
- Vinkus, M. (2000). Centrinų bankų veiklos skaidrumas. *Pinigų studijos*. Lietuvos bankas, 3, 17-31.
- Waller S., de Haan J. (2005). Credibility and Transparency of Central Banks: New Results Based on Ifo's World Economic Survey. *Info Survey Data in Business Cycle and Monetary Policy Analysis*, 203-223.