

## BANK COMPLIANCE WITH THE TRUTH IN LENDING ACT (RA 3765)

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### Abstract

This study examined the level of bank compliance with the Truth in Lending Act of the Philippines (Republic Act No. 3765) as assessed by loan borrowers in a component city in Central Philippines. Using a descriptive-comparative research design, data were gathered from thirty (30) loan borrowers through a researcher-made survey questionnaire. Bank compliance was evaluated across four key areas: disclosure of interest rates, disclosure of total loan cost, clarity of terms and conditions, and timeliness and completeness of information provided before loan approval. Results revealed that overall bank compliance with the Truth in Lending Act was rated at a very high level, indicating that borrowers generally perceived banks as transparent and compliant with disclosure requirements mandated by law. However, variations in ratings across specific indicators suggest areas for improvement, particularly in enhancing borrowers' understanding of loan obligations. The findings highlight the importance of sustained regulatory implementation, consumer education, and institutional compliance mechanisms to strengthen financial transparency and consumer safety. The study underwrites empirical evidence to public administration and financial governance discourse by emphasizing the role of regulatory compliance in promoting knowledgeable financial decision-making and accountable banking and lending practices.

**Keywords:** Truth in Lending Act, bank compliance, loan disclosure, consumer protection, financial transparency

### Bio-profiles

**Daniela Marie C. Salmete** has been in the banking industry for more than seven (7) years. She is currently connected with BDO Network Bank, Inc., holding the rank of Junior Assistant Manager I (BSP). She earned her Bachelor's degree in Business Administration, major in Marketing Management, from the University of St. La Salle–Bacolod in 2018. She is currently pursuing a Master's Degree in Public Administration at STI West Negros University in Bacolod. Her research interests focus on the Truth in Lending Act, bank compliance, loan disclosure, consumer protection, and financial transparency, which strongly motivate her to conduct this study.

**Assoc. Prof. Yasmin Pascual-Dormido, LPT, DPA**, is a distinguished broadcast journalist, educator, and published researcher with academic training in Mass Communication and licensure in



Secondary Education–English. Her research on “Integrating Cybercrime Prevention into Sustainable MSME Practices and Business Education” earned the Best Paper Award at the Philippine Association of Collegiate Schools of Business 5th International Research Conference in Vietnam on October 14, 2025. She teaches Public Administration, Management, Research, and Communication and Media in the undergraduate and graduate programs of STI West Negros University in Bacolod City, Philippines, where she also serves as Director of External Affairs and Linkages and International Relations Officer. She has established research collaborations with scholars from universities and colleges in the Philippines, Indonesia, Vietnam, and Thailand, and has delivered international lectures in the Philippines, Taiwan, and Indonesia aligned with the United Nations Sustainable Development Goals, particularly in digitalization, communication, sustainable enterprises, education and culture, politics and governance, environmental, social, and governance (ESG), and research.

## Introduction

### Rationale

Accurate financial transparency and transparent lending procedures are universally recognized as essential components of responsible and ethical banking. Studies conducted both locally and internationally highlighted that when borrowers clearly understand the terms of their loans, they are less prone to encountering uncertainty or disputes. Adams et al. (2021) found that transparent loan information facilitates prudent financial decision-making, while Wang and Burke (2022) emphasized that transparency remains a primary factor influencing borrower satisfaction, even in digital lending. The Consumer Financial Protection Bureau (2017) also stressed that disclosing the total cost of credit at the outset of the loan process protects borrowers against unforeseen expenses.

The Philippines enacted Republic Act No. 3765, also known as the Truth in Lending Act, on June 22, 1963, to ensure that loan borrowers are fully informed of the total cost of credit before signing and accepting loan agreements. The Act requires lending institutions to disclose all financing-related expenses, including interest rates, service fees, and insurance costs, to protect the loan borrowers from hidden fees or deceptive loan terms. According to Vicencio (2022), some borrowers remained unaware of certain charges because these were not clearly discussed by lending personnel. Similarly, Orenca (2023) noted that confusion often arises during loan restructuring when the details of fees are not adequately explained. These results raise doubts about the extent of compliance with RA 3765 among banks, particularly in less urbanized areas.

Proponents of fiscal education and consumer advocacy administrations also draw attention to these relevant concerns, including fees, unclear amortization schedules, and unaccounted or unreported deductions. According to Agarwal and Mazumder (2013), older individuals tend to have a harder time understanding complex financial data, which leaves them more vulnerable to disclosures that are either inadequate or poorly explained.

In Central Philippines, similar issues have been reported anecdotally. In component cities, many loan clients or borrowers primarily rely on verbal explanations from bank staff or loan officers. This creates room for misunderstanding when information is incomplete or when assumptions are made about the borrower’s financial literacy. This gap in local literature highlighted the need for studies that focus on local bank disclosure policies and borrower experiences.

This study was a result of the researcher’s interest in the belief that financial safety starts with sound information and lending practices. This study aimed to evaluate the compliance of a private



commercial bank operating in a component city in Central Philippines, and to examine whether the bank complies with the law's requirements. Along with promoting transparency, safeguarding loan borrowers, and upholding moral lending practices with the local banking industry, it also seeks specific areas where compliance can be truly addressed.

The study also contributed to Sustainable Development Goal 8: Decent Work and Economic Growth, by analyzing the degree of bank compliance and pinpointing areas that need improvement, particularly its advocacy for equitable and inclusive financial systems. Strengthening disclosure practices is not only a legal requirement; it helps protect borrowers, promotes trust in financial institutions, and contributes to economic stability at the local level.

### Theoretical Underpinnings

Good governance and consumer protection are central to sustaining public trust in financial institutions, particularly within regulated sectors such as banking. Scholars emphasize that transparency, accountability, and ethical conduct are foundational to effective financial governance and institutional legitimacy (Brillantes & Fernandez, 2018). In the Philippine context, the Truth in Lending Act (Republic Act No. 3765) was enacted to address information asymmetry between lenders and borrowers by mandating full disclosure of interest rates, finance charges, and total loan costs before loan approval. Despite this regulatory framework, concerns persist regarding borrowers' understanding of loan terms and the consistency of disclosure practices across banking institutions.

International literature highlights disclosure compliance as a critical determinant of borrower satisfaction and trust. The Consumer Financial Protection Bureau (2017) emphasized that clear and standardized presentation of total loan costs enhances consumer decision-making and reduces financial misinterpretation. Gabriel et al. (2021) similarly observed that transparent disclosure of fees strengthens borrower confidence and mitigates disputes. Adams et al. (2021) further demonstrated that improved financial disclosure positively influences borrower behavior by reducing confusion and enhancing responsible credit use. These findings underscore the role of compliance not merely as a legal requirement but as a governance mechanism that safeguards consumer welfare.

Local studies reinforce these observations within the Philippine banking environment. Orenca (2023) found that proper documentation and explanation of loan costs, including insurance and service fees, foster borrower trust and reduce complaints. Vicencio and Villanueva (2022) highlighted that consistent and timely communication of loan terms strengthens transparency and reinforces institutional credibility. However, Rasulov (2025) cautioned that incomplete or undisclosed restructuring terms may lead to borrower dissatisfaction and misunderstanding, indicating that compliance breaches can persist even within regulated financial systems.

Technological advancements and changing service delivery modes also influence borrower perceptions of compliance. Brailovskaya et al. (2024) and Wang and Burke (2022) noted that digital loan platforms and automated banking systems can improve satisfaction only when paired with complete, comprehensible, and timely information. In the Philippines, the rapid expansion of digital banking and loan processing has increased access to credit but has also heightened the importance of clear disclosure to prevent misapprehension among borrowers with varying levels of financial literacy.

Despite the growing body of literature on financial disclosure and consumer protection, a notable research gap remains in examining bank compliance with the Truth in Lending Act from the borrowers' perspective, particularly at the local level. Existing studies tend to focus on institutional



compliance audits, policy analyses, or national-level data, leaving borrower-based assessments underexplored. Moreover, limited empirical work examines how borrower characteristics—such as age, income level, and type of loan availed—influence perceptions of compliance and satisfaction.

Anchored in Expectancy Disconfirmation Theory, borrower evaluations of bank compliance can be understood as outcomes of the comparison between expected and actual disclosure practices. When banks meet disclosure expectations, positive disconfirmation occurs, reinforcing trust and satisfaction; when expectations are unmet, dissatisfaction and mistrust may result. By adopting this theoretical lens, the present study situates bank compliance within a broader framework of service evaluation and institutional accountability.

Framed within the United Nations Sustainable Development Goals, particularly SDG 8 (Decent Work and Economic Growth), these insights highlight the broader significance of transparent lending practices. Effective compliance with RA 3765 contributes to accountable financial institutions, informed citizen participation, and inclusive economic growth. By empirically assessing borrowers' perceptions of bank compliance, the study addresses a critical gap in the literature and provides policy-relevant evidence to strengthen consumer protection and ethical governance in the Philippine banking sector.

### **Objectives**

This study aimed to determine the level of Bank Compliance with the Truth in Lending Act (Republic Act 3765) in a private commercial bank in a component city in Central Philippines for the Calendar Year 2025. Specifically, this study sought to determine 1) the profile of the respondents in terms of Age, Type of Loan Availed, and Monthly Income; 2) the level of Bank Compliance with the Truth in Lending Act (RA 3765), according to Disclosure of Interest Rates, Disclosure of Total Loan Cost, Clarity of Terms and Conditions, and Timeliness and Completeness of Information Provided before Loan Approval; and 3) the level of Bank Compliance with the Truth in Lending Act (RA 3765) when grouped according to the aforementioned variables; and 4) If there is a significant difference in the level of Bank Compliance with the Truth in Lending Act (RA 3765) when grouped and compared according to the aforementioned variables.

### **Methodology**

This section presents the research methodology used, the subjects and respondents of the study, the research instrument used, the reliability of the instrument, the procedure for data gathering, and the statistical tools and data analysis procedures.

### **Research Design**

The study utilized a descriptive-comparative research design to assess the level of bank compliance with the Truth in Lending Act (RA 3765) from the perspective of loan borrowers in a private commercial banking institution located in a component city in Central Philippines during the calendar year 2025. Descriptive-comparative research is appropriate when the objective is to systematically describe existing conditions, practices, and perceptions without manipulating variables (Creswell and Creswell, 2018). This design enabled the study to examine borrowers' assessments of disclosure practices as they naturally occurred within the banking environment.





Specifically, the design allowed for the measurement of bank compliance across key disclosure dimensions mandated under RA 3765, namely: disclosure of interest rates, disclosure of total loan cost, clarity of terms and conditions, and timeliness and completeness of information before loan approval. In addition, the descriptive approach facilitated the comparison of perceived compliance levels across borrower profile variables, providing insights into how expectations and evaluations may differ according to age, income level, and type of loan availed (Amory and Becker, 2023). The findings generated practical, evidence-based implications for improving transparency, accountability, and consumer protection in lending practices.

### **Locale of the Study**

The research was conducted in a component city in a province in the Central Philippines, located on Negros Island. According to the Philippines Statistics Authority via PhilAtlas, the city has a land area of 367.04 km<sup>2</sup> and a population of 116,240 as recorded in the 2020 Census. The city comprises 19 barangays, arranged into puroks and sitios, characterizing the mix of rural and semi-urban societies that make up its area. In addition, the Local Government was one of the top Child-Friendly Local Government Units (CFLGU), with a 98.97% rating in the national DILG Child-Friendly Local Governance assessment.

The study concentrated on a private commercial bank in the same city, rated by loan borrowers, for its compliance with the Truth in Lending Act (RA 3765). The banking institution offers a variety of credit products (including MSME loans, salary loans, and micro credit). It aims to reach marginalized communities that need easily accessible credit, which presents a viable candidate for evaluating compliance with the law regarding lending activities.

### **Respondents of the Study**

The respondents of the study consisted of loan borrowers who had availed of credit services from a private commercial banking institution in a component city in Central Philippines. Due to confidentiality and data privacy protocols observed by the bank, the total population of borrowers could not be disclosed. Consequently, thirty (30) loan borrowers were identified through direct personal contact and purposive screening to ensure that all participants had completed loan transactions covered by the disclosure requirements of RA 3765.

The respondents included both male and female borrowers, representing varying age groups, income levels, and types of loans availed, such as personal, business, and salary loans. A purposive sampling technique was employed, as it allowed the selection of respondents who possessed direct experience with loan disclosures and were therefore capable of providing informed assessments of bank compliance (Magnone & Yeziarski, 2024; Nyimbili & Nyimbili, 2024). This approach was deemed appropriate for an exploratory compliance assessment.

### **Data Gathering Instrument**

A researcher-made survey questionnaire was used as the primary data-gathering instrument to measure the level of bank compliance with the Truth in Lending Act (RA 3765). The questionnaire was composed of two parts. Part I gathered the demographic profile of the respondents in terms of



age, monthly income, and the type of loan availed. Part II measured the level of bank compliance across four disclosure areas: (1) disclosure of interest rates, (2) disclosure of total loan cost, (3) clarity of terms and conditions, and (4) timeliness and completeness of information provided before loan approval.

Responses were rated using a five-point Likert scale, where 5 indicated a “Very High Level,” 4 a “High Level,” 3 a “Moderate Level,” 2 a “Low Level,” and 1 a “Very Low Level” of compliance. Before administration, the instrument underwent content validation by three subject-matter experts and reliability testing through pilot administration to ensure clarity, consistency, and appropriateness of the items.

### **Instrument Validity and Reliability**

The face and content validity of the researcher-made questionnaire were established through evaluation by a panel of three (3) experts: A Bank Manager (Manager 3, BSP) from the Sales Division of a private commercial bank with more than fifteen (15) years of banking experience, a lawyer and law professor serving as an Election Officer IV, and a PhD holder currently designated as Officer-in-Charge Education Program Supervisor of the Department of Education–Negros Island Region.

A pilot study was conducted among loan borrowers who were not included in the main study to assess the suitability and reliability of the research instrument. Using a dry run involving thirty (30) respondents, the Cronbach’s Alpha method was applied to measure the internal consistency of the scale, with 0.70 set as the acceptable threshold for reliability (Izah, 2023). The instrument yielded a Cronbach’s Alpha coefficient of 0.947 for the “Bank Compliance with the Truth in Lending Act (R.A. 3765)” scale, which was interpreted as “Excellent,” indicating very high internal reliability. This result is consistent with recent psychometric findings (Edelsbrunner et al., 2025); thus, the researcher proceeded with the actual data collection.

### **Data Gathering Procedure**

The study followed a systematic data-gathering procedure to ensure accuracy, ethical compliance, and reliability of responses. After validating and reliability testing the survey instrument, the researcher sought approval from the relevant bank management. Eligible respondents were then identified and personally approached by the researcher. The purpose of the study, the nature of participation, and the procedures for completing the questionnaire were clearly explained.

In accordance with ethical research standards, respondents were informed that participation was voluntary and that their responses would be treated with strict confidentiality. The questionnaires were personally administered and retrieved by the researcher to ensure completeness and to address any clarifications raised by the respondents. Accomplished questionnaires were then checked, coded, tabulated, and prepared for statistical analysis.

### **Research Ethics Protocol**

The study was conducted in full compliance with the Data Privacy Act of 2012 (Republic Act No. 10173) and established ethical research standards. Informed consent was obtained from all participants before data collection, clearly stating their right to participate and withdraw at any stage



without penalty. Respondents were assured that their identities would remain anonymous and that all information provided would be used solely for academic purposes.

Access to raw data was restricted to the researcher, and findings were reported in aggregate form to prevent the identification of individual respondents or the participating institution. Adherence to these ethical protocols ensured the credibility, integrity, and trustworthiness of the study.

### Analytical and Statistical Schemes

Objective 1 utilized frequency counts and percentage distribution to describe the profile of the respondents in terms of age, monthly income, and type of loan availed. Objective 2 employed descriptive statistical measures, particularly the weighted mean, to determine the level of bank compliance with the Truth in Lending Act (RA 3765) across the four disclosure areas. Objective 3 used a comparative-analytical scheme and the Mann–Whitney U test to determine whether there was a significant difference in the level of bank compliance when respondents were grouped according to selected profile variables.

### Results and Discussion

This section presents, analyzes, and interprets the data that were gathered consistent with its predetermined objectives.

#### Profile of the Respondents in Terms of Age, Type of Loan Availed, and Monthly Income

Table 1

*Profile of the Respondents*

Variable	Category	Frequency	Percentage (%)
Age	Younger (Below 43 years old)	15	50.0
	Older (43 years old and above)	15	50.0
	Total	30	100
Type of Loan Availed	Salary	7	23.3
	Personal	8	26.7
	Business	15	50.0
Monthly Income	Total	30	100
	Lower (Below Php 48,000)	11	36.7
	Higher (Php 48,000 and above)	19	63.3
	Total	30	100

Table 1 breaks down the data, revealing the profiles of respondents by Age, Type of Loan Availed, and Monthly Income.

The demographic distribution of the respondents offers crucial context for analyzing the results of the level of Bank Compliance with the Truth in Lending Act (RA 3765). The study involved 30 respondents, evenly distributed across age groups: 15 (50%) belong to the younger age group (below 43 years old), while the remaining 15 respondents (50%) belong to the older category (43 years old and above). The result confirms that both age groups were given equal opportunities to apply for bank loans, indicating that the bank adheres to fair lending practices. This finding supports





the perspectives of Orenca (2023) and Alejandrino et al. (2023), who found that while age may influence financial decision-making, loan eligibility is primarily based on the borrower's legal and financial capability. Similarly, Vicencio (2022) emphasized that most financial institutions assess loan applications not by age but on the borrower's ability and capacity to meet repayment obligations. When classified by the type of loan availed, half of the respondents (15, or 50.00%) obtained business loans, followed by personal loans with eight (8) respondents (26.7%), and salary loans with seven (7) respondents (23.3%). This result indicates that most respondents were business proprietors seeking financial support for business development or inventory expansion. However, personal and salary loans were less common, possibly reflecting the preference of individuals who borrow primarily to meet short-term needs, such as educational expenses or loan consolidation. (Ingale and Paluri, 2022) supported the study's claim, stating that most loan borrowers, especially those who would choose high-cost loans such as business mortgages, were preferred more by business owners for capital growth. Moreover, Urooj et al. (2025) also emphasized that borrowers occasionally resort to short-term loans, such as salary or personal loans, to cover the cost of major life events or emergency crises.

In terms of monthly income, most respondents belonged to the higher income group, comprising 19 respondents (63.3%), while 11 respondents (36.7%) had a lower monthly income. This distribution suggests that individuals with higher income are more likely to obtain loans, possibly to maintain liquidity and optimize tax efficiency. (Barr et al., 2021) Moreover, Ichise (2025) supported this perspective, which suggests that most borrowers, specifically those with higher incomes, tend to take out these loans in advance for future expenses and reduce their overall tax liability, as most loans are not considered taxable income.

The results of the respondent distribution were consistent with those of the researcher, supporting the applicability of the Bank's compliance with the Truth in Lending Act (RA 3765), which requires full and fair disclosure by lenders, as well as the variability of borrower profiles. Control for age is used as a proxy for the borrowers' "cultural capital," representing their appraisal of the value of education. The diversity of our sample highlights the crucial importance of providing clear, comprehensible, and transparent information disclosure, enabling individuals with varying levels of formal education to make informed decisions about loans. There is empirical evidence to support this implication. The Consumer Financial Protection Bureau (2017) has provided evidence that the use of well-designed disclosure forms has a large effect on borrowers' understanding of loan terms and reduces misconceptions about fees and repayment obligations.

In the Philippines, Gabriel et al. (2021) found that both borrower satisfaction and financial performance are enhanced when borrowers have access to microfinance institutions that offer transparent, accurate, and comprehensive information. This finding again implies the significance of transparency for all borrower constituencies. Similarly, the study by Vicencio and Villanueva (2022) supports the notion that client satisfaction in microfinance is predominantly determined by the extent to which financial information is provided clearly and consistently. There is also evidence that poor or vague loan terms can lead to risk. Hall (2025) noted that vagueness in documentation raises borrower vulnerability and puts the institution at risk, thus underscoring the relevance of firm adherence to disclosure standards.

Moreover, research into digital banking adoption also highlights the importance of being transparent and clear in terms of information, which serves as a key driver of borrower trust and decision-making, even among younger communities (Kurniawan et al., 2025). Further, Damayanthi et al. 124 (2022) found that clear communication and transparent restructuring options during financial



disruptions (e.g., the COVID-19 pandemic) increased borrower confidence and reduced financial distress. Taken together, these empirical findings are consistent with the suggestion that rigid compliance with the disclosure requirement of the Truth in Lending Act (RA 3765) is critical for all borrowers to be allowed, regardless of which side of the poverty line they may fall under, to enter into fair, secure, and well-informed credit arrangements.

**Level of Bank Compliance with the Truth in Lending Act (RA 3765), in the Areas of Disclosure of Interest Rates, Disclosure of Total Loan Cost, Clarity of Terms and Conditions, and Timeliness and Completeness of Information Provided before Loan Approval**

**Table 2**

*Level of Bank Compliance with the Truth in Lending Act (RA 3765), in the area of Disclosure of Interest Rates*

<b>Disclosure of Interest Rates Items</b>	<b>Mean</b>	<b>Interpretation</b>
<i>As a borrower, I am aware that the bank...</i>		
1. disclose the monthly interest rate during loan processing	4.90	Very high level
2. states the annual interest rate in the loan documents	4.63	Very high level
3. explains the interest rates in a way that borrowers can easily understand	4.83	Very high level
4. presents the interest rates without hidden or misleading terms	4.57	Very high level
5. explains the difference between flat and effective interest rates	4.50	Very high level
6. discloses changes in interest rates promptly to me	4.60	Very high level
7. explains the interest rates match what is written in the documents	4.80	Very high level
8. discloses the promotional rates with full conditions and timelines	4.73	Very high level
9. shows the interest computations clearly upon request	4.80	Very high level
10. entertains questions about interest rates	4.87	Very high level
Overall Mean	4.72	Very high level

Table 2 shows the level of Bank Compliance with the Truth in Lending Act (RA 3765), in the area of Disclosure of Interest Rates. The overall mean score is 4.72, which indicates a “very high level” of borrowers’ ratings of bank compliance with the Truth in Lending Act (RA 3765) in the area of Disclosure of Interest.

Item 1, “disclose the monthly interest rate during loan processing,” got the highest mean rating of 4.90, interpreted as a “very high level” of

Bank Compliance with the Truth in Lending Act (RA 3765) in the area of Disclosure of Interest Rates from the bank.

Item 5, “explains the difference between flat and effective interest rates,” got the lowest mean score of 4.50, interpreted as a “very high level” of borrowers’ ratings of bank compliance with the Truth in Lending Act (RA 3765) in the area of disclosure of interest rates from the bank.

Although still rated as “very high level”, it implies a minor area for improvement. This suggested that while the bank provides the necessary information on interest computations, some borrowers may not fully grasp the technical distinctions between “flat” and “effective” interest rates. (Trital et al., 2025) supported the implications that standardizing disclosure methods and continuing improvement for all types of interest computations enhances borrowers’ understanding and prevents misinterpretation.

The results suggested that the bank may consider enhancing the financial communication skills of its officers and staff, ensuring that explanations of technical terms, such as “flat” and



“effective” interest rates, are provided so that all borrowers can understand them more easily. By doing so, the bank not only maintains high compliance with The Truth in Lending Act (RA 3765), but also promotes informed borrowing and ethical financial practices.

By improving this area, the bank will not only maintain its compliance with the Truth in Lending Act (RA 3765) but also ensure that all borrowers understand the real cost of their loans, which helps promote transparency and responsible borrowing. (San Jose, 2023) Debuque-Gonzales and Corpus (2024) stated that early and clear communication of loan details fosters borrower trust and accountability, strengthening ethical lending practices. Banks should practice better communication to ensure that they adequately disclose interest rates to borrowers, preventing misleading information and minimizing risk (Garsuta et al., 2025; Republic Act 3765, 1963).

**Table 3**

*Level of Bank Compliance with the Truth in Lending Act (RA 3765), in the area of Disclosure of Total Loan Cost*

<b>Disclosure of Total Loan Cost</b>		
<b>Items</b>	<b>Mean</b>	<b>Interpretation</b>
<i>As a borrower, I am aware that the bank...</i>		
1. provides a precise computation of the total amount payable over the loan term	4.53	Very high level
2. discloses additional charges (e.g., service fees, documentary stamps)	4.67	Very high level
3. explains loan insurance costs as part of the total loan cost to me	4.73	Very high level
4. differentiates between principal and interest portions of payments to me	4.70	Very high level
5. Avoids hidden charges	4.47	High level
6. provides the full breakdown of the monthly amortization before I sign	4.73	Very high level
7. discloses loan prepayment charges upfront to me	4.80	Very high level
8. shows in writing the penalties for late payments to me	4.70	Very high level
9. explains about total loan cost is consistent between verbal explanation and the official documents	4.80	Very high level
10. gives me the summary sheet of all charges before approval	4.77	Very high level
Overall Mean	4.69	Very high level

Table 3 presents the level of Bank Compliance with the Truth in Lending Act (RA 3765) in the area of Disclosure of Total Loan Cost. The overall mean is 4.69, which indicates a very high level of bank compliance with the Truth in Lending Act (RA 3765).

Item 7, “discloses loan prepayment charges upfront to me,” and Item 9, “explains that total loan cost is consistent between verbal explanation and the official documents,” both received the highest mean rating of 4.80, signifying very high levels of compliance. Meanwhile, Item 5, which “avoids hidden charges,” recorded the lowest mean score of 4.47, although it is still interpreted as a high level of compliance.

The slightly lower average to avoid hidden charges suggests that some borrowers may still harbor concerns or confusion over small fees or add-on costs. This suggests that although the bank is transparent about its costs, there may be rare circumstances in which borrowers are uncertain about add-on prices. This applies to RA 3765 because you are required to disclose all charges in a loan so that the borrower is not deceived.

These findings suggested that the bank should enhance its loan cost disclosures to consumers, especially by clearly indicating all fees they owe prior to signing the loan. This enhanced compliance with the observance of RA 3765 and reinforced the legislative intent that laws be interpreted in a manner that promotes transparency, truth in lending, and equity in all commercial transactions.



The results were consistent with those reported by Gabriel et al. (2021), who noted that when lending transactions are transparent, especially if fees are fully disclosed, borrower trust and satisfaction are created. Likewise, the Consumer Financial Protection Bureau (2017) stated that transparent disclosure of total loan costs will help consumers grasp the actual amount they need to repay. In a local setting, Orenca (2023) stated that accurately determining total borrowing costs, including insurance or service charges, fosters borrower confidence and compliance with Republic Act No. 3765.

**Table 4**

*Level of Bank Compliance with the Truth in Lending Act (RA 3765), in the area of Clarity of Terms and Conditions.*

<b>Clarity of Terms and Conditions</b>		
<b>Items</b>	<b>Mean</b>	<b>Interpretation</b>
<i>As a borrower, I am aware that the bank...</i>		
1. explains the terms and conditions in plain and simple language	4.73	Very high level
2. defines the key terms (e.g., maturity date, grace period) to me	4.87	Very high level
3. loan conditions are free from vague or technical terms	4.73	Very high level
4. informs me about my right to refuse the loan if terms are unclear	4.70	Very high level
5. discloses to me the consequences of defaulting on the loan	4.80	Very high level
6. informs me about loan restructuring options	4.47	High level
7. ensures that I understand the consequences of early or late payment	4.60	Very high level
8. makes a clear perspective that the loan contract reflects all verbal agreements	4.80	Very high level
9. explains the terms both orally and in writing	4.77	Very high level
10. checks my understanding about the terms and conditions before finalizing agreements	4.70	Very high level
Overall Mean	4.72	Very high level

Table 4 shows the level of Bank Compliance with the Truth in Lending Act (RA 3765) in the area of Clarity of Terms and Conditions. The overall mean score is 4.72, indicating a very high level of compliance with the Truth in Lending Act (RA 3765) by the Bank.

Item 2, “defines the key terms (e.g., maturity date, grace period) to me,” got the highest mean rating of 4.87, interpreted as a very high-level borrowers’ ratings of bank compliance with the Truth in Lending Act (RA 3765) in the area of Clarity of Terms and Conditions.

Item 6, “informs me about loan restructuring options,” got the lowest mean score of 4.47, interpreted as a very high-level borrowers’ ratings of bank compliance with the Truth in Lending Act (RA 3765) in the area of Clarity of Terms and Conditions.

Meanwhile, the lower average score for Item 6, “informs me about loan restructuring options,” implies that borrowers are not entirely informed about what happens when it is necessary to adjust or renew a loan. The Truth in Lending Act (RA 3765) requires complete disclosures covering every phase of the credit transaction, including any option or condition that limits payment, to be made.

These results suggest that the bank can enhance its adherence to the Truth in Lending Act (RA 3765) by making alternative options more user-friendly, perhaps by providing more explicit descriptions or handouts during loan orientation. By doing this, borrowers will have a total exposure to all state loan-related parameters and decisions, thereby ensuring the fairness of banking transactions based on the principle of transparency.

Without clear information on how bank repayment plans work, borrowers are likely uninformed about their rights and resources in the event of financial difficulty. This is also supported by Vicencio and Villanueva (2022), who note that clear and consistent terms of communication



prevent borrowers from feeling deceived while enhancing trust between borrowers and lenders. Similarly, Rasulov (2025) argued that poorly defined or unclear risk-free terms could confuse borrowers and lead to disputes.

**Table 5**

*Level of Bank Compliance with the Truth in Lending Act (RA 3765), in the area of Timeliness and Completeness of Information Provided before Loan Approval.*

<b>Timeliness and Completeness of Information Provided before Loan Approval</b>		
<b>Items</b>	<b>Mean</b>	<b>Interpretation</b>
<i>As a borrower, I am aware that the bank...</i>		
1. provides all necessary loan documents before I sign anything	4.77	Very high level
2. discloses loan information as early as I inquire	4.70	Very high level
3. gives me enough time to review and understand the loan terms	4.80	Very high level
4. gives verbal explanations alongside the written loan agreement before approval	4.70	Very high level
5. makes sure that all disclosures are made before any money is released or committed	4.80	Very high level
6. provides me with the updated information if there are delays or changes in the process	4.67	Very high level
7. personnel avoids rushing me into signing loan documents	4.63	Very high level
8. responds promptly to my questions before the loan is finalized	4.70	Very high level
9. ensures that complete documentation is available to me before loan approval	4.77	Very high level
10. ensures that I sign documents only after all questions are addressed	4.77	Very high level
Overall Mean	4.73	Very high level

Table 5 displays the level of Bank Compliance with the Truth in Lending Act (RA 3765) in providing timely and complete information before loan approval. The overall mean is 4.73, indicating a very high level of compliance with the Truth in Lending Act (RA 3765) in the area of Timeliness and Completeness of Information Provided before Loan Approval.

Item 3, “gives me enough time to review and understand the loan terms,” and Item 5, “makes sure that all disclosures are made before any money is released or committed,” both received the highest mean rating of 4.80. The lowest-rated item is Item 7, “personnel avoids rushing me into signing loan documents,” with a mean of 4.63, but still categorized as a very high level of Bank Compliance with the Truth in Lending Act (RA 3765), in the area of Timeliness and Completeness of Information Provided before Loan Approval.

The item with the lowest mean score suggests that some consumers felt the process was rushed. The Truth in Lending Act (RA 3765) provides that debtors must be afforded ample time to



study all terms and conditions before concluding any loan contract. When the process is hurried, there is a risk that borrowers may miss important information about their financial responsibilities. Hence, the result suggested that the bank has an unyielding obligation under the Truth in Lending Act (RA 3765) to allow borrowers more time to review and explain statements before signing. This encourages fully informed consent and enhances adherence to the law's intent, promoting fairness and full disclosure.

This finding is consistent with the experimental literature, which demonstrates that more transparent and timely disclosure increases consumer confidence and compliance. Adams et al. (2021) show that more transparent consumer financial disclosure significantly affects consumer behavior and confusion. Empirical studies in digital credit markets (Brailovskaya et al., 2024; Wang & Burke, 2022) suggest that fast processing times for a digital loan increase borrower satisfaction only when combined with complete and comprehensible information sharing. From a policy perspective, global assessments of financial inclusion programs (World Bank IEG, 2023) also indicate that the timing and accuracy of disclosures are crucial for increasing the supply of safe loans and preventing misunderstandings among borrowing parties.

**Comparative Analysis in the Level of Borrowers’ Ratings of Bank Compliance with the Truth in Lending Act (RA 3765), in the areas of Disclosure of Interest Rates, Disclosure of Total Loan Cost, Clarity of Terms and Conditions, and Timeliness and Completeness of Information Provided before Loan Approval, when grouped and compared according to Age, Type of Loan, and Monthly Income**

**Table 6**

*Difference in the Level of Bank Compliance with the Truth in Lending Act (RA 3765), in the area of Disclosure of Interest Rates when grouped and compared according to Variables.*

<b>Disclosure of Interest Rates</b>								
<b>Variable s</b>	<b>Categories</b>	<b>N</b>	<b>Mea n Rank</b>	<b>Mann Whitney U-test</b>	<b>Kruskal -Wallis H-test</b>	<b>Sig. Level</b>	<b>p-value</b>	<b>Interpretation</b>
Age	Younger	15	16.57	96.50			0.496	Not Significant
	Older	15	14.43					
Type of Loan Availed	Salary	7	12.79	102.00	1.075	0.05	0.584	Not Significant
	Personal	8	17.31					
	Business	15	15.80					
Monthly Income	Lower	11	15.27	102.00			0.912	Not Significant
	Higher	19	15.63					

Table 6 examines the differences in the level of Bank Compliance with the Truth in Lending Act (RA 3765) in the area of Disclosure of Interest Rates when grouped and compared according to Age, Type of Loan Availed, and Monthly Income.



For the variable age, younger borrowers obtained a higher mean rank (MR = 16.57) compared to older borrowers (MR = 14.43). However, the computed p-value of 0.496 is greater than the 0.05 significance level, indicating that the difference is not statistically significant. Therefore, the null hypothesis stating that “There is no significant difference in the level of bank compliance in the disclosure of interest rates when grouped according to age” is hereby accepted.

For the variable type of loan availed, borrowers of salary loans (MR = 12.79), personal loans (MR = 17.31), and business loans (MR = 15.80) showed slightly varying mean ranks. However, the computed p-value of 0.584 is also greater than 0.05, which means that the difference is not statistically significant. Hence, the null hypothesis stating that “There is no significant difference in the level of bank compliance in the disclosure of interest rates when grouped according to type of loan” is hereby accepted.

For the variable monthly income, borrowers with lower income had a mean rank of 15.27, while those with higher income had a mean rank of 15.63. The computed p-value of 0.912 is significantly higher than 0.05, indicating that the difference is not statistically significant. Therefore, the null hypothesis stating that “There is no significant difference in the level of bank compliance in the disclosure of interest rates when grouped according to monthly income” is hereby accepted.

The findings indicated that, regardless of their age, loan type, or income level, borrowers perceive the bank’s interest rate disclosure similarly. This consistency indicates that there is no deviation from uniform compliance with RA 3765, specifically in clearly stating the charges and interest computations. Uniformity has the added benefit of preventing any group of borrowers from being misled or exploited by knowledge of loan terms.

This agreement aligned with the findings of Ali et al. (2023), which suggest that standardized disclosure within financial institutions can enhance borrower confidence and fairness. Likewise, Debuque-Gonzales and Corpus (2024) reiterated that providing equal access to unambiguous and transparent loan information assures borrower confidence while minimizing the propensity for disagreements. Moreover, Lawenko (2025) noted that having uniform compliance measures, despite the existence of different borrower profiles, strengthens consumer protection and adheres to the mandates of transparency embodied in RA 3765.

**Table 7**

*Difference in the Level of Bank Compliance with the Truth in Lending Act (RA 3765), in the area of Disclosure of Total Loan Cost when grouped and compared according to Variables.*

Disclosure of Total Loan Cost								
Variables	Categories	N	Mea n Rank	Mann Whitney U-test	Kruskal -Wallis H-test	Sig. Level	p- value	Interpretation
Age	Younger	15	14.43	96.50			0.495	Not Significant
	Older	15	16.57					
Type of loan Availed	Salary	7	12.21		1.493	0.05	0.474	Not Significant
	Personal	8	17.44					
	Business	16	16.00					



Monthly Income	Lower	11	14.68				
	Higher	19	15.97	95.50	0.690	Not Significant	

Table 7 examines the differences in the level of Bank Compliance with the Truth in Lending Act (RA 3765) in the area of Disclosure of Total Loan Cost when grouped and compared according to Age, Type of Loan Aailed, and Monthly Income.

For the variable age, younger borrowers obtained a mean rank of 14.43, while older borrowers had a mean rank of 16.57. The computed p-value of 0.495 is greater than the 0.05 significance level, which indicates that the difference is not statistically significant. Therefore, the null hypothesis stating that “There is no significant difference in the level of bank compliance in the disclosure of total loan cost when grouped according to age” is hereby accepted.

For the variable type of loan aailed, borrowers of salary loans (MR = 12.21), personal loans (MR = 17.44), and business loans (MR = 16.00) showed slight variations in mean rank. However, the computed p-value of 0.474 is also higher than 0.05, suggesting that the difference among the groups is not statistically significant. Hence, the null hypothesis stating that “There is no significant difference in the level of bank compliance in the disclosure of total loan cost when grouped according to type of loan” is hereby accepted.

For the variable monthly income, borrowers with lower incomes had a mean rank of 14.68, while those with higher incomes had a mean rank of 15.97. The computed p-value of 0.690 is greater than 0.05, indicating that the difference is not statistically significant. Therefore, the null hypothesis stating that “There is no significant difference in the level of bank compliance in the disclosure of total loan cost when grouped according to monthly income” is hereby accepted.

The results suggested that the bank's compliance in the area of Disclosure of total loan cost is clear and consistent for all borrower groups. This means that compliance processes under the Truth in Lending Act (RA 3765) are uniform within the bank, such that regardless of the type of clientele involved, they are all informed of their total obligation on any lending contract settlement before signing it.

These findings are supported by Urooj et al. (2025), who argue that making full borrowing costs clearer reduces the danger of misunderstanding and encourages borrowers to take on more responsibility. Similarly, Garsuta et al. (2025) argued that the homogenization of cost disclosure practices will help clarify issues for borrowers and improve financial literacy levels in general. Furthermore, Orenicia (2023) states that strict adherence to disclosure rules promotes ethical and fair lending operations among banks in the Philippines, thereby strengthening the ideals of RA 3765.

**Table 8**

*Difference in the Level of Bank Compliance with the Truth in Lending Act (RA 3765), in the area of Clarity of Terms and Conditions, when grouped and compared according to Variables.*

Clarity of Terms and Conditions								
Variable s	Categories	N	Mea n Rank	Mann Whitney U-test	Kruskal -Wallis H-test	Sig. Level	p-value	Interpretation



Age	Younger	15	13.10	76.50		0.126	Not Significant
	Older	15	17.90				
Type of loan Availed	Salary	7	13.43	1.284	0.05	0.526	Not Significant
	Personal	8	14.00				
	Business	15	17.27				
Monthly Income	Lower	11	14.73	96.00		0.708	Not Significant
	Higher	19	15.95				

Table 8 presents the differences in the level of Bank Compliance with the Truth in Lending Act (RA 3765) in the area of Clarity of Terms and Conditions when grouped and compared according to Age, Type of Loan Availed, and Monthly Income.

For the variable age, younger borrowers obtained a mean rank of 13.10, while older borrowers had a higher mean rank of 17.90. The computed p-value of 0.126 exceeds the 0.05 significance level, indicating that the difference between the two groups is not statistically significant. Hence, the null hypothesis stating that “There is no significant difference in the level of bank compliance in the clarity of terms and conditions when grouped according to age” is hereby accepted.

For the variable type of loan, salary loan borrowers had a mean rank of 13.43, personal loan borrowers had a mean rank of 14.00, and business loan borrowers had a mean rank of 17.27. The computed p-value of 0.526 is greater than 0.05, which means that the difference in their perceptions is not statistically significant. Therefore, the null hypothesis stating that “There is no significant difference in the level of bank compliance in the clarity of terms and conditions when grouped according to type of loan” is also accepted.

Lastly, for the variable monthly income, borrowers with lower incomes obtained a mean rank of 14.73, while higher-income borrowers had a mean rank of 15.95. The computed p-value of 0.708 is greater than 0.05, implying that there is no significant difference between these groups. Thus, the null hypothesis stating that “There is no significant difference in the level of bank compliance in the clarity of terms and conditions when grouped according to monthly income” is likewise accepted. The findings indicated that all borrowers (younger or older borrowers, secured and unsecured loans, and low-to-high income) have the same beliefs about clarity in loan product experiences. This suggests that the bank provides standardized explanations, uses simple wording comprehensible to all, and offers uniform disclosure in its loan contracts. The uniformity will mean that both first-time takers and experienced businessmen have the same rights, duties, and loan obligations under the Truth in Lending Act (RA 3765).

The results are consistent with Tan (2021), who highlights that clear and simplified language of financial terms is necessary as it will lead to transparency, enhance borrower confidence, and reduce misunderstandings between banks and clients. In addition, based on Tan (2007), plain language and dual-mode explanations (combining verbal and written explanations with numerical presentations) are more likely to improve comprehension of complex loan agreements in consumer credit transactions. With the same perspective, Debuque-Gonzales and Corpus (2024) noted that loan clarity is a prerequisite for ethical banking practices to be followed. Compliance with RA 3765, as suggested, is not just for regulatory purposes, but it also empowers people to liberate themselves financially. Understanding the deal allows borrowers to assess what they are getting and whether it is something they can afford. In addition, Rasulov (2025) stated that uniformity in the translation of



contract explanations for all borrower categories is important for strengthening trust in an institution and increasing legal compliance. He concluded from his research that the understanding of loan contracts by clients is crucial for achieving satisfied clients and responsible repayment behavior; clear loan terms promote responsible borrowing through reduced loan delinquencies.

**Table 9**

*Difference in the Level of Bank Compliance with the Truth in Lending Act (RA 3765), in the area of Timeliness and Completeness of Information Provided before Loan Approval, when grouped and compared according to Variables.*

Timeliness and Completeness of Information Provided before Loan Approval								
Variable s	Categorie s	N	Mea n Rank	Mann Whitney U-test	Kruskal -Wallis H-test	Sig. Level	p- value	Interpretatio n
Age	Younger	15	13.37	80.50			0.172	Not Significant
	Older	15	17.63					
Type of Loan Availed	Salary	7	13.64		2.008	0.05	0.366	Not Significant
	Personal	8	13.00					
	Business	15	17.70					
Monthly Income	Lower	11	15.32	102.50			0.929	Not Significant
	Higher	19	15.61					

Table 9 presents the differences in the level of Bank Compliance with the Truth in Lending Act (RA 3765) in the area of Timeliness and Completeness of Information Provided before Loan Approval, when grouped and compared according to Age, Type of Loan Availed, and Monthly Income.

For the variable age, younger borrowers recorded a mean rank of 13.37, while older borrowers had a higher mean rank of 17.63. The computed p-value of 0.172 is greater than the 0.05 level of significance, indicating that there is no statistically significant difference between the two age groups. Thus, the null hypothesis stating that “There is no significant difference in the level of bank compliance in the timeliness and completeness of information provided before loan approval when grouped according to age” is hereby accepted.

For the variable type of loan, salary loan borrowers obtained a mean rank of 13.64, personal loan borrowers 13.00, and business loan borrowers 17.70. The computed p-value of 0.366 exceeds the 0.05 significance level, indicating that there are no significant differences among the three groups. Therefore, the null hypothesis stating that “There is no significant difference in the level of bank compliance in the timeliness and completeness of information provided before loan approval when grouped according to type of loan” is likewise accepted.

For the variable monthly income, borrowers with lower incomes had a mean rank of 15.32, while those with higher incomes obtained a mean rank of 15.61. The computed p-value of 0.929 is



also greater than the 0.05 significance level, signifying no significant difference between income groups. Hence, the null hypothesis stating that “There is no significant difference in the level of bank compliance in the timeliness and completeness of information provided before loan approval when grouped according to monthly income” is accepted.

Taken as a whole, these findings suggest that all respondents believe that the bank provides timely and sufficient information before the loan is approved. This indicates that the bank has standardized requirements for the disclosure and documentation of loan terms, fees, and conditions that are fair to all parties, regarding both first-time and repeat borrowers' rights and responsibilities. These practices promote transparency and adherence to the Truth in Lending Act (RA 3765), which requires full disclosure of credit terms so that borrowers are not misled or deceived regarding any hidden charges.

These results aligned with San Jose (2023), who emphasizes that timely information disclosure significantly increases borrowers' trust and satisfaction, especially in credit transactions where decision-making depends on precision and timeliness. The earlier borrowers have complete information, the better they can evaluate how much they are responsible, but ultimately, it is also potentially risky. Similarly, Belmonte et al. (2024) noted that regular and timely communication between financial institutions and borrowers reduces errors, thereby minimizing misunderstandings, disputes, and a lack of trust. They found that customers seek both effectiveness and transparency in pre-approval procedures, leading to stronger relationships between banks and borrowers. Moreover, Lawenko (2025) stressed that the early and complete disclosure requirement is the operational norm, as also observed in the synecdoche of ethical adherence in Philippine banking.

## Conclusion

Truth in Lending Act (RA 3765). It evaluates borrowers' perceptions of its implementation to inform stakeholders effectively.

The Bank complied with the provisions of the Truth in Lending Act (RA 3765). The investigation found that lenders presented borrowers with loan information, including interest rates, total loan costs, terms, and fees, clearly and transparently. This demonstrates the Bank's commitment to transparency, which should reassure stakeholders of its integrity and foster trust in its practices. The borrowers believed that the lending organization was forthcoming with all information before the loan was committed, suggesting that its lending practices were ethically and legally compliant. The lenders were largely compliant, but some areas could be improved to ensure that borrowers not only received information but also understood it. Improving communication to enhance borrower understanding can foster a sense of responsibility and care among staff, emphasizing the importance of clear, accessible explanations that prioritize borrower needs.

The findings also revealed that the Bank adopted a symmetric enforcement approach across all borrower groups. Borrowers, whether millennials, Gen X, or Baby Boomers; VA, FHA, or rural housing customers; and those with low and high incomes alike gave comparable impressions of how the Bank performed. That would demonstrate that the firm had consistent disclosure policies and treated all clients equitably. This even-handedness aligns with the announced objective of RA 3765, the Truth in Lending Act, of affording all borrowers equal protection and an equitable process for obtaining credit information.

Finally, the decision reaffirmed the importance of the Truth in Lending Act (RA 3765) as a formality that warranted protection of both interests. Transparency was not the only value it served;



in its financial transactions section, it also built confidence and accountability. The Bank's relatively smooth fulfillment of its commitments was also a reminder of how easily compliance and oversight, reinforced by straightforward communications with the public and ethical service, could help build trust in the financial system. However, this could happen only if the rule were a continuum, with constant measurement, staff training, and borrower education as a matter of course in every lending episode, to ensure that all transparency principles are observed.

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### **Authorship Contribution Statement**

**Salmete:** Concept and design, literature review, data collection, analysis, and interpretation.  
**Dormido:** Editing, reviewing, supervision, and material support.

### **Conflict of Interest**

The authors declare the absence of any conflict of interest that could have influenced the content or conclusions of this paper. They affirm that no financial, personal, or professional relationships with other individuals or organizations have compromised the objectivity, integrity, or impartiality of the research work. As a final point, no external parties influenced the study design, data collection, analysis, or interpretation.

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