

The Role of Information in the Process of Increasing the Transparency of Economic Entities

Georgiana Maria Lungu
georgianalungu@ymail.com

Abstract

The information sector has been influenced by recent technological advances, data monetization, the availability of data services, and changes in the way information is consumed. In addition, the literature states that the lack of control over the dissemination of such information on social media platforms has led us into a post-fact era. The accessibility of new information and innovative technology have also revolutionized the way individuals consume information. Consumers of information have access to a variety of sources that are not always checked for accuracy and adherence to accepted scientific practices for producing statistics. In this article we propose to analyze a series of economic entities and to observe their progress over a period of 5 years.

Key words: information, influences, economic indicators

JEL classification: A11, F64, Q56

1. Introduction

Our ability to receive and organize information in our brains is influenced by a variety of factors, including the group we belong to, our beliefs, our past experiences, the source of the information, its format, and our mental state. The fact that these factors are ingrained in the way our brains work means that we may not be aware that they affect the way we process information when reading news or articles.

In the modern world, a company's reputation is its most valuable asset. Your reputation is an indicator of your credibility and value in the eyes of the public. Each digital platform fosters relationships, evaluates the veracity of information, and sorts events by importance. Intelligence authority has advanced because of its emphasis on symmetry, proximity and "liquidity". Even trusted sources have to work to earn and maintain their reputation. The yearly financial statements are a crucial instrument in the process of validating and communicating the decisions made by the management structures to guide the company's present and future activities (Avram et al., 2017).

2. Theoretical background

The interdependence of the environment in which a company operates, which is influenced by a system of economic, social, political and legal-institutional variables, is what distinguishes one enterprise from others. According to Cho et al. (2019), due to society's confidence in a company, it may be anticipated that it will develop sustainably.

Any organization's management is defined by at least three core functions: thinking, decision-making, and communication (Avram, 2017). Planning goals and how to use resources, creating strategies, approving choices, and initiating activities are all parts of financial communication. The process of communication is continuing changing and will call into question a variety of non-financial facts that, up until recently, would not have been included in quarterly financial reports. Plans and decisions are modified by the presence of elements, including the diversity of objectives, the complexity of interests, the unpredictability of events, and the unforeseen responses of the environment. Through the coordination role, managers have the responsibility to coordinate and harmonize the time and space of activities, desires and realities.

According to Hernandez (2022), communication is "one of the most neglected management skills".

The information they provide to the market is either required in the form of legal and regulatory information (Depoers, 1999) or voluntary in the form of meetings with financial analysts and press releases. Also, the most useful means of data communication is represented by the consolidated financial statements which are essential for both internal and external information, because their purpose is to provide relevant information for decision-making (Curagău & Cușmăunsă, 2019).

Based on the differences in the maturity of economic entities, the financial and non-financial communication of companies remains a difficult problem to solve. If information is abundant and standardized, there may be subsequent discrepancies between the expectations of investors and analysts and the facts provided by corporations. In our opinion, we consider that, regardless of the size of the economic entity, the financial and non-financial communication of companies is a subject closely related to visibility and trust in the market. In the specialized literature, Onnée and Chekkar (2006) stated that the process of financial communication allows the economic entity to stand out against other listed companies, especially those in its sector, in a "benchmarking" logic, and this is especially true as the environment of the economic entity becomes more competitive.

3. Research methodology

We will focus on a case study made by analyzing financial indicators. The purpose of this research is to follow the evolution of financial indicators during 5 years. Since the CoVid19 pandemic has left its mark not only on the social environment, but also on the economic environment, I want to analyze the impact of the pandemic on these economic entities.

Therefore, we considered several questions from which this analysis started:

- Which areas were most seriously affected by the Covid19 crisis?
- What elements have had the greatest impact?

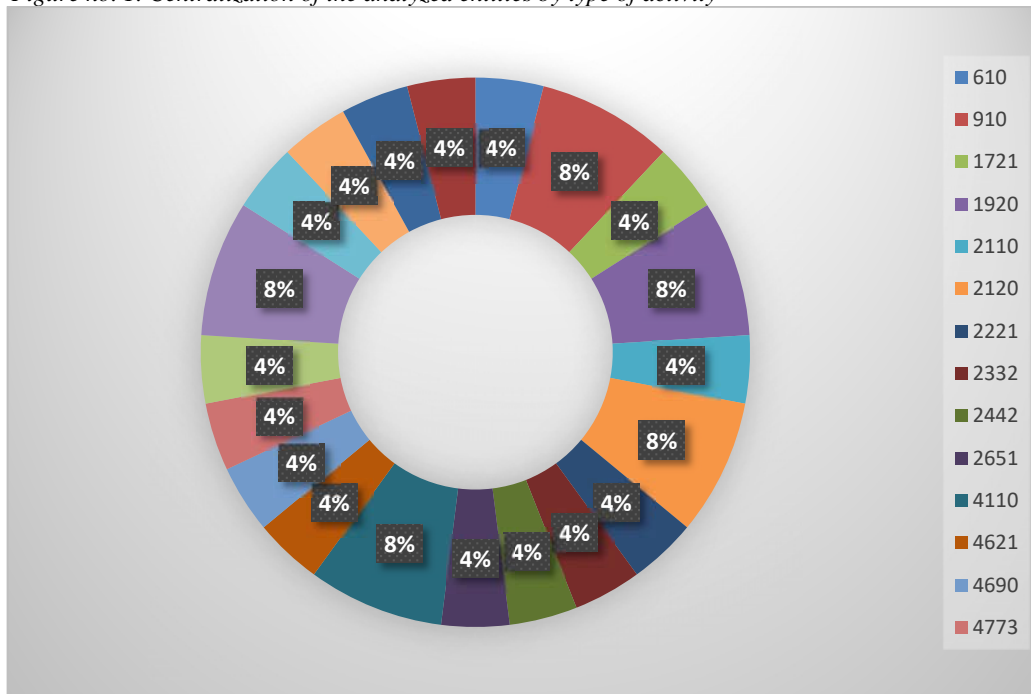
The answers to the proposed questions will help us outline an image of the business environment in Romania and its ability to adapt to the needs imposed by external factors.

To carry out this research we established a sample of 25 economic entities. These were selected from the database of the Bucharest Stock Exchange according to the number of shares issued on 22.10.2022.

4. Findings

In the first phase of the study, we made a centralization of the companies analyzed according to the field of activity and observed the diversity of the entities researched, where the most common fields of activity register the CAEN code 910 "Activities of libraries, archives, museums and other cultural activities", CAEN code 1920 "Manufacture of products obtained from crude oil processing", followed by CAEN code 5510 "Hotels and other similar accommodation facilities" and CAEN code 2120 "Manufacture of pharmaceutical preparations. The results are presented in Figure no. 1.

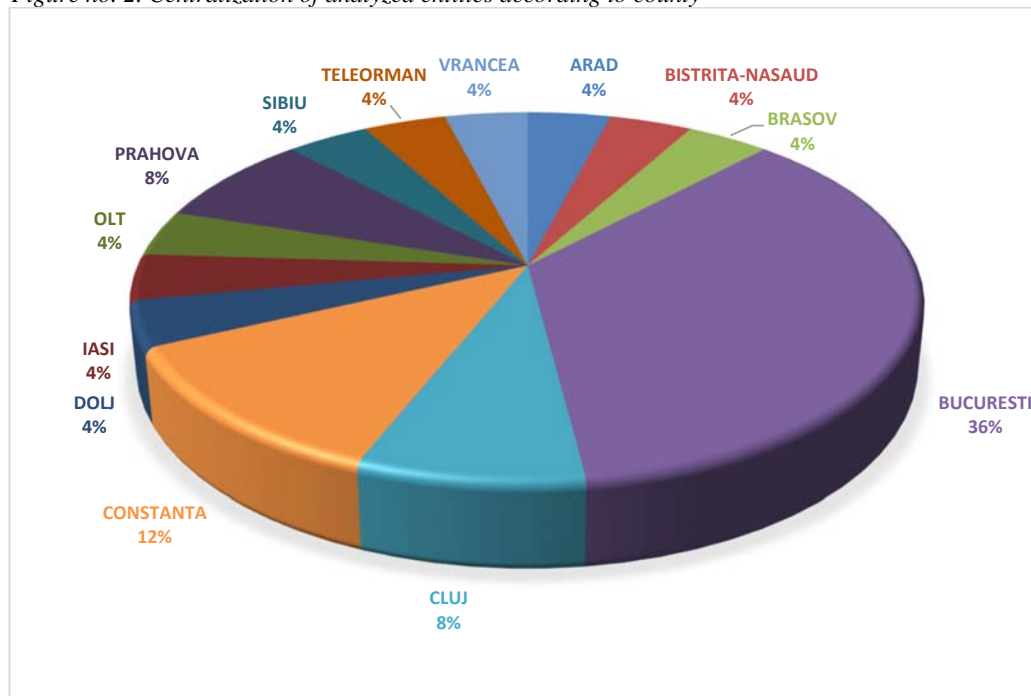
Figure no. 1. Centralization of the analyzed entities by type of activity



Source: Own processing

In Figure no. 2, we structured the analyzed entities according to the area where they are based. Thus, we observe that 36% of the entities studied are located in Bucharest, followed by Constanța County with a percentage of 12%.

Figure no. 2. Centralization of analyzed entities according to county

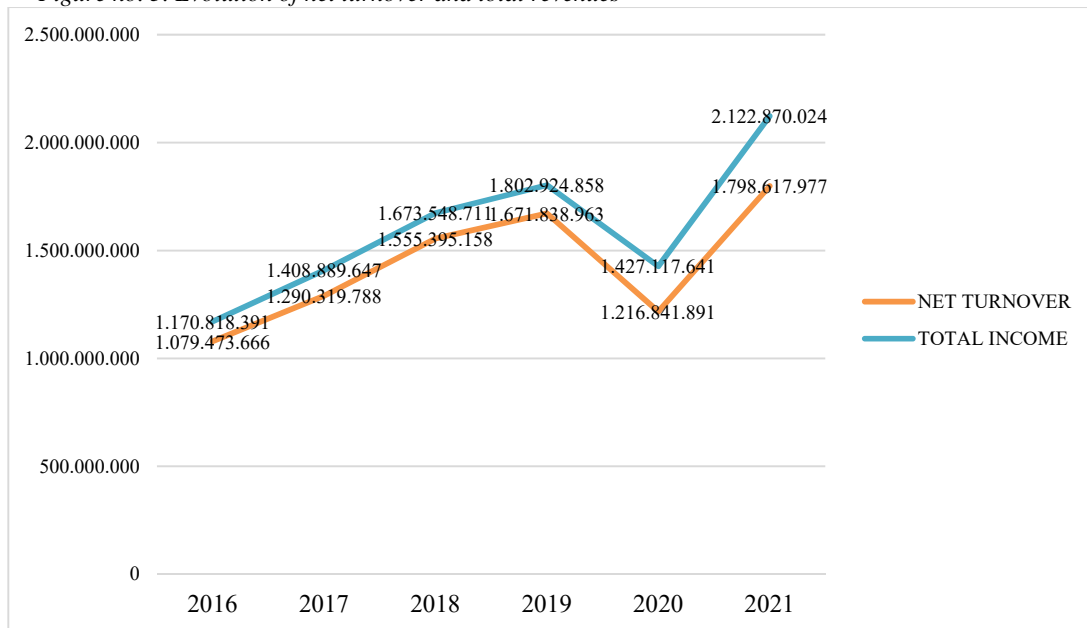


Source: Own processing

I propose to observe the evolution of turnover and total income during the studied years, and for the creation of the graphs, I used average values.

In Figure no. 3, an upward trend can be observed until 2019. As expected, the measures taken at the beginning of the situation generated by the Covid19 pandemic, left their mark on the economic environment by the significant decrease of the analyzed indicators in 2020, followed by an increase in the year 2021.

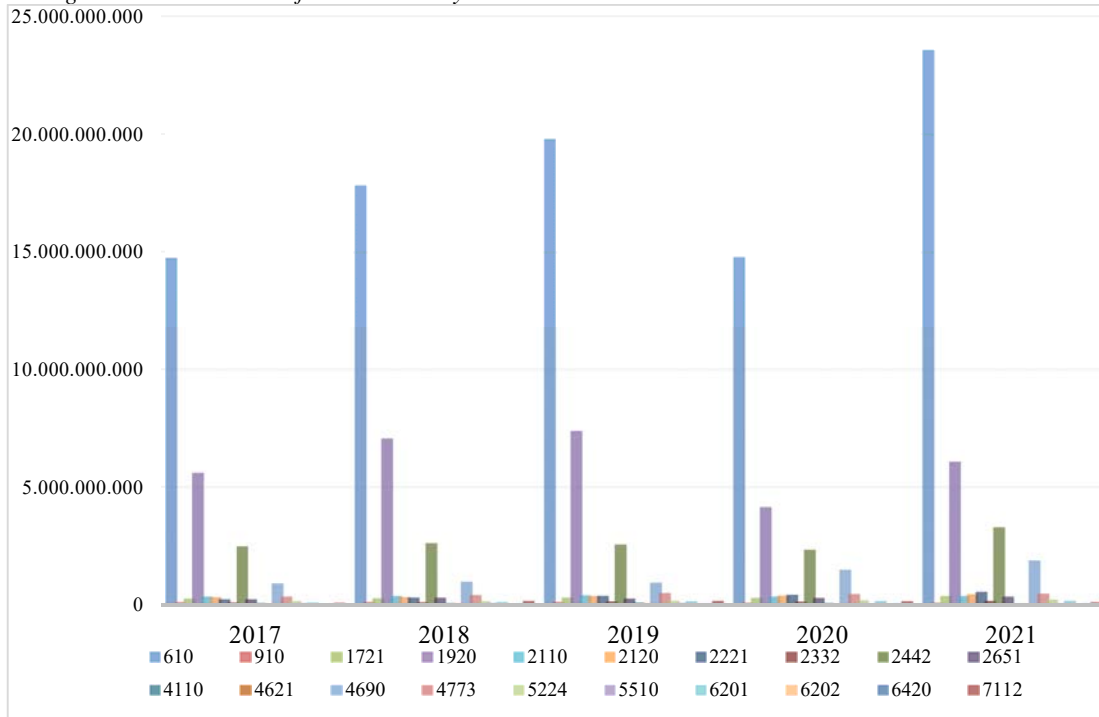
Figure no. 3. Evolution of net turnover and total revenues



Source: Own processing

In Figure no. 4, we analyzed the net turnover. As it emerges from the examination of the data presented, the branches that recorded decreases in the last two years analyzed, are in the field of cultural activities, real estate development, grain wholesale trade and information technology consulting activities. On the other hand, there are also economic entities that show successive increases over the analyzed period. They carry out activities in areas such as: the manufacture of paper and corrugated cardboard and paper and cardboard packaging, the manufacture of pharmaceutical preparations, the manufacture of plates, foils, tubes and profiles from plastic material, non-specialized wholesale trade, custom software creation activities (customer oriented software) and activities of holding companies. *I consider it important to mention that the field of making custom software experienced significant increases in the period 2019-2021, which indicates the orientation of the economic environment towards digital development.*

Figure no. 4. Evolution of net turnover by CAEN codes



Source: Own processing

5. Conclusions

Consumers of information are affected by the image given on the basis of annual financial statements, so the financial-accounting information provided by organizations must satisfy the qualitative aspect for a choice to be effective. It is not just about how to provide statistical information using new methods; the importance is given to creating the best means of communication for various consumers. To help people, businesses and institutions make decisions, it is essential to change existing attitudes and practices, expose citizens to official statistics, make data available and increase knowledge about their analysis process. How to be knowledgeable and rigorous in the information industry is the main issue.

6. References

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