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Theoretical and practical aspects of economic information transparency

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Summary. Information and knowledge and ways of transferring them are some of the most valuable and rudimentary components of today's world. The article aims at presenting the idea of economic information and possibility of verifying it as regards its transparency. Information is used as a basis for determining the scope of business activity of a given entity and its organizational units (departments or divisions). Additionally, it is a basis for decision making both operational (current) and strategic, expanding to the future and aimed at improving management and reducing risk. For this reason, economic information offices play an important role in the flow of information. They help verifying the status of consumers and companies as regards their credit-worthiness and effective cooperation.

Introduction

Information has always been tremendously important for the economy since the beginning of the civilization. Information and knowledge and ways of transferring them are some of the most valuable and rudimentary components of today's world. The article aims at presenting the idea of economic information and possibility of verifying it as regards its transparency.

1. Idea of information

The notion of information is not unambiguous. It refers to a number of areas of social, business and scientific life. The notion of information has been examined since Shannon and Weaver created the model of communication (Shannon, 1948; Shannon, Weaver, 1964).

Luciano Floridi pointed to the following definitions of information, which need to be considered the most significant (Floridi, 2008, pp. 118–119):

- communication theoreticians, including Shannon and Weaver, have defined information in stochastic terms,
- model approach which treats information conveyed by p as a set of possible worlds excluded by p ,
- algorithmic approach represented, inter alia, by Kolmogorov and Chaitin, defines x -a information content as the length (expressed in number of bits) of the smallest program with output x ,
- probabilistic approach, typical for Bar-Hillel and Carnap, assumes that information contained in p is inversely proportional to the probability of p ,
- system approach, shared by Barwise, Perry and Devlin, defines information as space categories of states attributable to a system,
- supporters of the inferential approach claim that information depends on final conclusion regarding the knowledge of a given person.

Selected definitions of information are presented in table 1.

Increasing needs and requirements of customers, increasing awareness economic and IT, as well as growing competition (Drab-Kurowska, 2013), make information, being a product of information technology, it is a necessary condition for achieving non-price competitive advantage (Drab-Kurowska, 2011). Human decides about the value of information since he is capable of assessing its reliability, using information available, identifying a problem and taking actions (Budziewicz-Guźlecka, 2013, p. 88). Already in 1967, Ackoff drew attention to excessive number of data and inadequate information (Ackoff, 1967, pp. 147–156). The excessive number of data makes it difficult to find relevant information, especially when it is needed in the decision making process.

One solution is to use various types of IT tools in information management, very often supported by the use of wide area networks (Matulewski, 2015, pp. 913–920). The commonly occurring problem of information asymmetry is also important. (Czyżycki, 2016, pp. 117–129). Information and possibility of utilizing it is related to knowledge.

Table 1. Selected definitions of information

Author	Definition
Galland (1982)	Information is that which results when some human mental activity (observation, analysis) is successfully applied to data to reveal its meaning or significance
Clare and Loucopoulos (1987)	A pre-requisite for a decision to be taken. Information is the product of the meaningful processing of data
Maddison (red.) (1989)	Understandable, useful, relevant communication at an appropriate time; any kind of knowledge about things and concepts in a universe of discourse that is exchangeable between users; it is the meaning that matters not the representation
Knight and Silk (1990)	Human significance associated with an observable object or event
Laudon and Laudon (1991)	Data that have been shaped or formed by humans into a meaningful and useful form
Martin and Powell (1992)	Information comes from data that has been processed to make it useful in management decision making
Hicks (1993, 3rd ed.)	Data that has been processed so that it is meaningful for a decision maker to use in a particular decision
Avison and Fitzgerald (1995)	Information has meaning... [it] comes from selecting data, summarizing it and presenting it in such a way that it is useful to the recipient

Source: Checkland, Holwell (2002).

Differences between information and knowledge in the Data, Information, Knowledge and Wisdom hierarchy (DIKW). Despite different definitions of particular parts of the hierarchy, supporters of the idea accept the relation between them (Dunn, 2008, p. 582):

- statement that all data or sets of data comprise information is false – information is data that someone registers and interprets,
- it is also false that every information is knowledge – knowledge is information which complies with requirements of a classical definition of knowledge, namely it is a true and justified conviction,
- it is also false, as one may expect, that every knowledge resource is wisdom.

For businesses and individuals, it is important to obtain economic information. Economic information in its broad sense, consists of exhaustive data pertaining to businesses operating in the economy (Czaplewski, 2011, 2012).

It is assumed (Oleński, 2001) the economic information includes:

- according to the information scope criterion – information about objects, systems, processes and occurrences in the economy as a socio-economic system. Very often, it includes detailed data referring to properties, location, area and scope of activity, except information which is protected as a commercial secret or protected under any other legal scheme,

- according to the information user criterion – information used by economic entities (people, companies and other organizational units) to make business decisions,
- according to information user criterion – information used to manage processes or economic systems,
- information effect in the economic system criterion – information circulating in economic systems necessary to exist and operate,
- information role in the economic system criterion – information producing economic effects that are an integral part of the economic system.

Economic information also includes data that can be used for identification, i.e. it enables to identify a company, debtor or existing outstanding payment.

A definition of economic information which is most often quoted is the one included in the Law on providing economic information and exchange of economic data of 9th April 2010. According to that law, economic information includes data pertaining to four entities or situations:

- economic information includes data pertaining to an entity which is a legal person or an organizational unit without legal personality, e.g. its designation; registered office and address; registration number, designation of the court of registration; tax number; statistical number (*pl.* REGON); names of members of management bodies; proxies or authorized representatives; and the main business activity,
- economic information includes data pertaining to a natural person, e.g. name; domicile address or correspondence address; statistical number (*pl.* PESEL); ID number; designation; seat and address; tax number; statistical number (*pl.* REGON); registration number, designation of court of registration; names of legal representatives, if established; main business activity,
- economic information includes data pertaining to a liability: legal title; amount and currency; amount due; liability date; status of procedures instigated, including information about court decisions; information about debtor questioning the whole or a part of liability; date of sending a payment request that contains warning about the intention to notify the authority, including name and address of that authority; other information provided according to a procedure and rules specified in the law,
- economic information includes data pertaining to the use of forged or other person's document, e.g. name of document; serial number; issue date; designation, seat and address of entity specified in the document as an issuing party; name of a person; circumstances in which the document was used; indication of a person or a body which determined that the document has been falsified or belonged to a different person.

3. Economic information offices

Economic Information Offices (*pl.* BIG) play a crucial role in reducing risk related to cooperation with dishonest or insolvent entities. There, entrepreneurs may verify the solvency of a contracting party. The financial capacity of that party is a major criterion checked by prudent businessmen before commencing cooperation. Information about the history and timely payments and the level of debt is a basis for verification that aims at reducing business risk. Since delays in payment are quite common, they necessitate to verify the credibility of a potential client. This enables to reduce risk related to collecting receivables for product sold or services provided.

The Economic Information Office verifies economic information about a business entity on request of an entrepreneur. The object of verification may also include the entrepreneur themselves. Moreover, there is a possibility of verifying information about consumers. However, this can be done after obtaining their written consent. A consumer may also verify economic information pertaining to any business entity – without limitation and free of charge once every 6 months. Apart from collecting information about adverse financial occurrences by companies and consumers, the Economic Information Office also collects positive economic information once an overdue payment has been made.

It should be emphasised that the availability of such databases is strictly regulated to avoid any misuse of information and deterioration of a good name of companies and consumers. The main law which defines rules for collecting information about companies having problems with timely payment of their liabilities and supervision of the process is the Law on providing economic information and exchange of economic data of 9th April 2010 (JoL of 2014 item 1015 as amended.; further Economic Information Law, or EIL). Considering major risk of misusing information collected in databases on debtors and creditors, the EIL lists strict requirements applicable to entities which intend to run such an activity. According to Art. 5.1 of the EIL, the Economic Information Office can be operated solely as a share company of equity at least PLN4 million.

4. Analysis of entities collecting economic information

As previously mentioned, Economic Information Offices (*pl.* BIG) are institutions established based on the Economic Information Law and their scope of operation is presented in figure 1.



Figure 1. Activity of Economic Information Office

Source: own elaboration.

The ownership structure of those entities is worth highlighting. They are commercial entities having a legal form of a share company. Thus, they are not state or local government owned institutions. According to the market analysis, there are five such offices in Poland, namely:

1. BIG InfoMonitor.
2. ERIF Biuro Informacji Gospodarczej.
3. Krajowy Rejestr Długów BIG.
4. Krajowa Informacja Długów Telekomunikacyjnych (KIDT).
5. Krajowe Biuro Informacji Gospodarczej (KBIG).

The main area of activity for those entities has been defined in the Economic Information Law (Art. 7). The amendment of the law, which became effective at the end of 2017, defines in greater detail the scope of business to be covered by the Economic Information Office.

BIG InfoMonitor

InfoMonitor Spółka Akcyjna – is an economic information office collecting, storing and disclosing economic information about indebtedness and timely payments by consumers and companies. To be registered in the system, the indebtedness of a consumer should be at least PLN200, and a company at least PLN500. In both cases, 60 days need to elapse from the payment date. Other regulations obligated debtors of courts and municipalities (especially those who fail to pay child support, and whose debt is paid by Child Support Fund). A major change has been introduced by adopting the Creditor's Package designed to improve collectability in Poland. The new regulation enables to register debtors in the BIG database already 30 days after the payment date. The Creditor's Package, or the Law on changing certain laws to improve debt collection of 7th April 2017 became effective on 13th November 2017.

ERIF

ERIF BIG S.A. is an economic information office collecting, storing and disclosing information about debtors who are in arrears and those who pay their debt timely. Solutions and tools provided by ERIF improve safety of financial transactions and promote building of creditworthiness in relations between various parties.

Additionally, ERIF Biuro Informacji Gospodarczej SA offers as follows:

- access to comprehensive, functional platform for the exchange of economic information,
- reduction of risk to conclude a transaction that may lead to a loss or delay in payment,
- improved tools and procedures of debt recovery,
- application of a clear strategy for communication with clients as regards the status and structure of the economic information database,
- broad support at each and every stage of cooperation,
- compliance with the principle of individual approach to each client while taking into consideration their business needs and technological expectations.

The Office provides services for the largest institutions in Poland operating on the mass market, as well as small and microbusinesses.

Krajowy Rejestr Długów BIG/National Debt Register

The National Debt Register is the Poland's first economic information office established on 4th August 2003. The Office deals with collecting, storing and disclosing economic information. Information covers such areas as indebtedness and timely debt servicing by businesses and consumers. Similar to other offices, information about debtors can be registered with the office not only by companies, but also local governments and their organizational units, and individuals who already obtained an enforcement notice.

National Telecommunication Debt Information (*pl.* KIDT)

National Telecommunication Debt Information (KIDT BIG SA) is the least known economic information institution. It provides services just as any other economic information office would do, i.e. collecting, storing and disclosing economic information about individuals and companies in the telecommunication industry. The register of debtors run by the KIDT includes information on indebtedness of individuals and companies in the telecommunication sector. Requirements for registering debts in the KIDT are the same as for other offices.

Krajowe Biuro Informacji Gospodarczej SA

Krajowe Biuro Informacji Gospodarczej SA (National Economic Information Office, or *pl.* KBIG) is yet another Polish economic information office. It provides collecting, processing and disclosing both positive and negative economic information about companies and individuals. The KBIG is a part of the international Group Delta-vista which has its economic information offices in Austria, Switzerland and Germany. A distinguishing feature of the KBIG is the international data exchange with entities running a similar business in German speaking countries. It should be emphasised that the KBIG is the only economic information office that enables Polish companies to access economic information about individuals and companies available in Austria,

Germany and Switzerland. The flow of information is bidirectional, and economic information disseminated registered by Polish companies with the KBIG about foreign and domestic business partners and such information is available also on foreign markets. This is particularly important in the case of information about indebtedness.

5. Activity of economic information offices abroad

The analysis of foreign markets has showed rapid growth of companies in that area. Growing trends have been recorded among companies collecting and processing of information about credits and loans. The main pillar in this sector comprises American companies which collect information from all over the world. Major companies include the following:

1. EXPERIAN – offers information from over 30 countries, including the US, majority of European countries, Argentina, Brazil, Chile, SRA, Japan, China, Australia.
2. EQUIFAX – provides information from 14 countries.
3. TRANSUNION – manages information from such countries as: Chile, Canada, Costa Rica, Dominican Republic, Colombia, Ecuador, USA, Mexico, Venezuela, Czech Republic, Croatia, Slovakia, Italy and Russia. The company is considered the global leader specializing in information and credit service management.

Europe also has a number of active players managing economic information. Below presented are major European organizations. KSV has been established in Austria. It deals with collecting positive and negative information exchanged between financial institutions and companies in the sector of insurance and leasing. Companies comprising the KSV Group pay annual fee the level which depends on the actual company size. The Austrian economic information office offers pay credit information, and data is kept for 3 years after the credit has been paid and even 30 years in case of bad debts.

Yet another example is Belgium, where economic information is handled by UPC, a company focusing on private data registers. The group consists of sixty financial institutions representing 96% of the consumer credit market and 90% of mortgage loans. It should be emphasised that since 1987, the National Bank has been running a register of negative consumer and mortgage loan history. Before a financial institution grants a credit, it is mandatory to file a query with the UPC. Like in Poland, in case negative information about individuals is recorded in the register it is necessary to notify them. Data from the register can be used solely to assess creditworthiness, credit management or verification of payment instruments. The data can be stored at least one year and maximum 10 years.

Another example is the economic information office based in Ireland, where thirty companies established the Irish Credit Office, and every month they transfer information about the outstanding loan, debt and recent 24 instalments. Client information can be kept for 5 years, after the expiry of the loan contract. Additionally, a debtor has the

right to erase information or correct data, if it turns out that data is insufficient, incorrect or irrelevant.

In Italy, there are two individual credit information offices: CTC and CRIF. CTC was established by financial institutions themselves and operate on a non-profit basis. Its main activity focuses on running a register of negative occurrences and the institution covers 90% of the Italian credit market. Information is updated monthly. CRIF is the largest private credit information institution in Italy. It stores information about both negative and positive issues related to various types of credits.

The most developed market, however, as regards economic information is in Great Britain. The country adopted the American model with much involvement of private organizations and American companies such as Equifax and Experian. Like in Poland, information processed by those organizations is provided by banks, telecomms, and other financial institutions, and public entities. All those organizations provide both positive and negative information. It should be emphasised that in Britain credit information institutions process information included in electoral registers. It is important since both in Great Britain and the US, credit information institutions verify address data, whereas in other countries this can be done through a unique identification number.

While analysing credit institutions it is necessary to discuss the French market as well. Stringent data protection regulations in France prevent processing personal data by credit information institutions. In France, the only institution is the Central Credit Register run by the Bank of France. It processes negative information about credit servicing in two main databases. The databases contain information about companies and households. The main goal of the register is to provide credits to customers while reducing risk for banks and provide the latter with useful instruments supporting their decision making.

Conclusions

Today, information is the main component of the information system in each organization. Without it, efficient operation of small companies and large holdings would not be possible. When disseminated through relevant channels information can then be used in number of various ways. Primarily, information is used as a basis for determining the scope of business activity of a given entity and its organizational units (departments or divisions). Additionally, it is a basis for decision making both operational (current) and strategic, expanding to the future and aimed at improving management and reducing risk. For this reason, economic information offices play an important role in the flow of information. According to the analysis, economic information offices can be considered necessary in each country. They help verifying the status of consumers and companies as regards their creditworthiness and effective cooperation.

Concluding, economic information offices are very much needed to verify the status of consumers and companies as regards their creditworthiness which extends beyond their role of guards serving purposes that banks might have.

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TEORETYCZNE I PRAKTYCZNE ASPEKTY TRANSPARENTNOŚCI INFORMACJI GOSPODARCZEJ

Słowa kluczowe: informacja, informacja gospodarcza, biura informacji gospodarczej

Streszczenie. Obecnie informacja jest filarem systemu informacyjnego każdej organizacji. Bez niej efektywne funkcjonowanie zarówno małych spółek handlowych, jak i ogromnych holdingów, jest niemożliwe. Dlatego też istotną rolę w przepływie informacji gospodarczej stanowią biura informacji gospodarczej. Jak wykazała analiza, w każdym państwie biura informacji gospodarczej należy uznać za instytucje konieczne. Dzięki nim można zweryfikować zarówno konsumentów, jak i przedsiębiorców, pod kątem wiarygodności oraz efektywnej współpracy.

Celem artykułu jest zaprezentowanie istoty informacji gospodarczej oraz możliwości weryfikacji tejże pod względem jej transparentności. W artykule postawiono następującą hipotezę badawczą – Biura informacji gospodarczej pozwalają na zwiększenie transparentności informacji. W nawiązaniu do założonego celu oraz przyjętej hipotezy w artykule postawiono następujące pytanie badawcze: w jaki sposób oraz jakiego rodzaju informacje powinny być udostępniane przez biura informacji gospodarczej? Podejmując próbę udzielenia odpowiedzi na pytanie, w artykule w pierwszej kolejności odniesiono się do istoty informacji. Następnie skupiono się na przedstawieniu wyników badania, które dotyczyło działalności biur informacji gospodarczej w Polsce. Kluczowym elementem artykułu jest przedstawienie wniosków, wskazujących na rolę tego rodzaju instytucji w gospodarce.

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