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## METHODOLOGY OF DETERMINING THE LEVEL OF ENTITY'S INFORMATION TRANSPARENCY IN ASYMMETRIC INFORMATION'S CONDITIONS

The article substantiates that in conditions of fleeting institutional changes necessity of reduction of non-transparent activities of Ukrainian entities raises and defined that for making effective business decisions any company should maximize disclose relevant information about its business, financial condition and prospects of development. Non-disclosure or incomplete disclosure of relevant information leads to increase asymmetric information in the client environment and may adversely affects on economic security. It is proved the value of information transparency for support of financial stability and reliability of each company. It was suggested the methodology of determining the level of information transparency of the entity under conditions of asymmetric information, based on system of criteria, which combined into different groups.

**Key words:** enterprise, information transparency, asymmetry of information, transparency, methodology.

The last crisis events clearly demonstrated that the absence of disclosing of relevant information about activity of economic entities increases the asymmetry of information in the client environment and may adversely affects on the economic security of not only the company, but the whole economic system. Under conditions of economic and political instability in Ukraine the number of companies significantly declines – to only 110 thousand in 2016 year<sup>1</sup>. A lot of these companies tend not to disclose for other stakeholders any information, which indicates a high degree of risk or negative results of their activity. The absence of effective system of information's disclosure, which is one of the key elements of forming a high level of customer confidence to the entity, also affects its investment attractiveness and financial stability.

One of the factors, which constrains desire of market players completely disclose essential indicators of activity to others, are additional financial and time expenses, associated with such opening. Despite the significant development of information technologies, the expansion and improvement through access to reliable information, the problem of providing sufficient volume information of all markets players to make them reasonable economic decisions over time becomes not less, but rather increases in scale.

Therefore there is a problem of asymmetric information, as one of the most universal in the economy. After the analysis and generalization of scientific views, regarding the meaning of "asymmetry of information", in general, we can say that this uneven distribution of data between two or more entities, so that some of them have a large volume of information, along with other<sup>2</sup>.

The asymmetry of information hinders of making optimal business decisions, increases transaction costs for producers, reduces the level of trust to companies from customers, partners, contractors, investors that also is one of the factors slowing growth of the resource base of the company. The problem of asymmetric information acquires a special significance in developing countries, because they don't have an effective institutional environment. The result of this problem becomes shadow entrepreneurship.

It is also worth noted that problem of asymmetric information in Ukraine is gaining importance, because, the value of information increases, including Ukraine. Economic development of Ukraine demonstrates the formation of the special sector, based on production, distribution, exchange and application of the important resource – information. However, dynamic information economy of Ukraine

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<sup>1</sup> Гольдарб, М. (2016). За год количество предприятий уменьшилось на 110 тысяч - Минсоцполитики. *Информационный портал «Голос правды»\_аналитика, мнения, комментарии.* <<https://golospravdy.com/za-god-kolichestvo-predpriyatij-umenshilos-na-110-tysyach-minsocpolitiki/>> (2016, March, 15).

<sup>2</sup> Зверяков, О.М. (2013). Асиметрія інформації та її вплив на забезпечення фінансової стійкості банківської діяльності. *Економічний часопис-XXI*, 9-10(2), 46.

significantly limited to the following factors: underdeveloped of democratic institutions, lack of legislation, deficient sectoral structure of the economy of Ukraine, degradation of education and science in Ukraine, presence of administrative barriers, low financial position of the overwhelming majority of Ukrainian population. In Ukraine's economic development strategy for 2010-2020 years, sector of information and communication technologies, unfortunately, is not defined as a priority<sup>1</sup>. Despite the existing problems, the development of Ukrainian information economy is still happening. It is promoted by impact of globalization, open information sphere, using the experience of other countries, integration of our country into the global information space<sup>2</sup>. In this way, the level of information asymmetry in the economic environment of Ukraine increased due to the development of the information economy.

Effective means of reducing the level of information asymmetry in the Ukrainian economic environment should become the state policy, directed on increasing the level of entity's information transparency.

Information transparency – is a comprehensive (integral) indicator of openness of economy's subject, which reflects adequacy of users requirements, level of completeness of disclosure and availability of the reports information about its current situation and prospects of its activity<sup>3</sup>.

Information transparency should ensure the widespread availability of relevant, reliable information about the periodic performance, financial position, investment opportunities, governance, value, and risk of publicly traded firms<sup>4</sup>.

The high level of informational transparency provided by entity is its competitive advantage. Under a high level of information transparency the ability to detect the most effective investment projects and the ability of market participants to make informed economic decisions in stressful situations increases. Prevention of misuse by the management of the enterprise occurs through the realization shareholders rights and their properties. System's effects of market's destabilization are limited, or significantly reduced their negative effects<sup>5</sup>.

In 2016 year, the public anti-corruption organization "Transparency International Ukraine" has investigated the information transparency of company's corporate reporting in Ukraine. During conducted research, official websites and legal documents of 50 Ukrainian private companies and holdings, that were presented in the rating of "Major businesses Ukraine" Forbes magazine in 2015, and 50 Ukrainian public companies from the list of "100 largest Ukrainian public companies for 6 months 2015", announced by Ministry of Economic Development and Trade on its website, were considered.

Experts of "Transparency International Ukraine" have developed questionnaires for evaluation. These questionnaires reflect the current situation of the business environment in Ukraine.

Questionnaire consisted of three thematic blocks, namely disclosure of anti-corruption programs, organizational transparency, disclosure of activities and operations in other countries. Questionnaire consisted of 27 questions. When companies were evaluated for the issues compliance regarding the transparency of their accountability and anti-corruption programs, for each question were put up 1 point; 0.5 points; or 0 points. The questionnaire is presented in the information report "Transparency of corporate reports, evaluation of major public and private companies of Ukraine 2016"<sup>6</sup>.

During the monitoring of the official websites of companies, experts of "Transparency International Ukraine" were interested information that is presented in Figure 1.

<sup>1</sup> Андрощук, Г.О., Жилияев, І.Б., Чижевський, Б.Г., Шевченко, М.М. (2009). *Стратегія інноваційного розвитку України на 2010-2020 роки в умовах глобалізаційних викликів*. Київ: Парламентське видавництво.

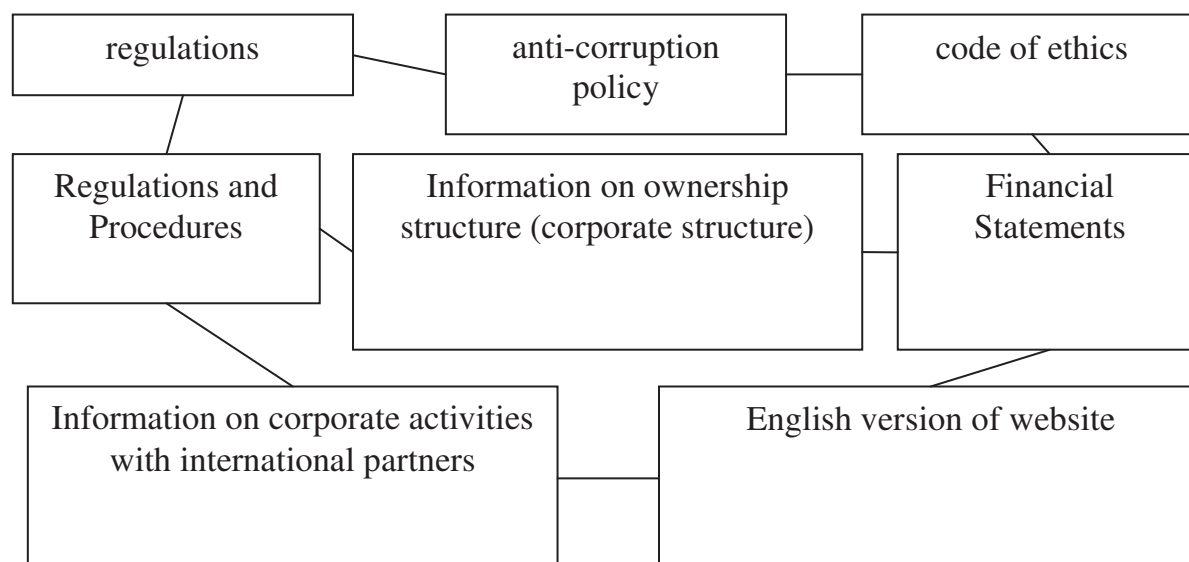
<sup>2</sup> Дубиківський, С.Л. (2013). Теорія інформаційної економіки та розвиток інформаційної економіки в Україні. *Вчені записки Університету «КРОК»*, 34, 42.

<sup>3</sup> Ігумнов, В.М. (2011). Основные направления исследования прозрачности. *Международный бухгалтерский учёт*, 41(191), 49.

<sup>4</sup> Bushman, R.M., Smith, Abbie J. (April 2003). Transparency, Financial Accounting Information, and Corporate Governance. *FRBNY Economic Policy Review*, 76.

<sup>5</sup> Герасименко, Р.А., Герасименко, В.В., Самофалова, В.О. (2016). Методика визначення рівня прозорості в оцінюванні фінансової стійкості банку за умов асиметрії інформації. *Фінанси, облік, банки*, 1(21), 71.

<sup>6</sup> Войціцький, Ю., Якимчук, Д. (2016). Прозорість корпоративної звітності: оцінка найбільших приватних та державних компаній України. *Сайт антикорупційної громадської організації «Transparency International Україна»*. <<http://ti-ukraine.org/research/prozorist-korporativnoi-zvitnosti/>> (2016).



**Fig. 1. Information components of websites of companies that participated in the monitoring “Transparency International Ukraine” (Is based on the source №8)**

However, in our opinion, the information that was used by experts of “Transparency International Ukraine” is very limited and insufficient for determining real situation in the company. Besides such information blocks as: disclosure anti-corruption programs, organizational transparency, disclosure of the activities and operations in other countries, there are many others information blocks that also require attention and monitoring.

In view of the previously discussed methodology of information transparency’s research, for determining the level of information transparency activities of the entity, we suggest using groups of criteria, whose composition is presented in Table. 1. Submitted system of criteria can be used in analyzing the information, provided on the official website of the entity.

According table 1, each criteria was granted a certain share, depending on its significance. Sum of all criteria are set to 100%, i.e. in order to determine the level of information transparency, it is necessary to identify the amount of criteria, which are reflected at the official website of the entity. The effectiveness of disclosure this information is provided with presence of measures for increasing the availability of information for all interested market participants and simplicity of its interpretation.

Value of transparent information defined Figure 2 according formed groups of criteria for users of this information. Taking into account received points, we have to determine the level of information transparency of the entity:

100- 80 points – the high level, characterized by full disclosure of all relevant and essential information, regarding key aspects (areas) of current company’s activity and its prospects.

79- 60 points – medium- sufficient level characterized by partial, incomplete or late disclosure of essential information concerning current activity and the main results of the company.

59 – 40 points – low level, characterized by insufficient low-disclosure of relevant information, improper coverage of the main key aspects (areas) of the company.

39 – 0 points – unacceptable low level, characterized by absence or compressed disclosure of relevant information (or insignificant information disclosure), lack of information about the investment, marketing, international, financial activities and perspectives of the company.

Table 1

**The system of criteria, proposed by the authors, for calculation the level of information transparency of entities<sup>1</sup>**

№	Group of criteria	Structure of criteria	The weight of criteria	The weight of criteria in%
1.	General information	History of creating the company	0,005	0,50%
		Organizational structure and information about the owners of the company	0,030	3,00%
		Objectives and strategy of the company	0,030	3,00%
		Reviews of company's activities	0,025	2,50%
		Contacts and address of the company	0,030	3,00%
2.	Legal documents regulating the activities of the entity	Statute of the company	0,050	5,00%
		Licenses and certificates for supporting business of the entity	0,060	6,00%
		Collective agreement	0,010	1,00%
		Laws, regulations, orders under which entity conducts its activities	0,015	1,50%
3.	Investment activity	General information about the current investment projects of the company	0,030	3,00%
		Strategic directions of investment policy of the company	0,020	2,00%
		Information about the results of entity's investment activities	0,020	2,00%
4.	Marketing policy	Characteristics of products and services, which company provides	0,060	6,00%
		Quality assurance of products and services, which company provides (Certificates, diplomas, patents, licenses)	0,040	4,00%
		Social policy of the company	0,030	3,00%
		Innovative characteristics of products and services, which company provides	0,030	3,00%
		Pricing policy of the company	0,025	2,50%
5.	General information about staffing (staff)	Quantitative structure of the company's staff	0,010	1,00%
		Recent vacancies of the company	0,015	1,50%
		Terms & Conditions of competitive selection for filling vacant posts in the company	0,015	1,50%
		Staff list of the company	0,020	2,00%
		Activity of trade union organization	0,005	0,50%
6.	Information on the environmental and safety activities	Standards, regulations governing safety of the company's activity	0,010	1,00%
		Documents proving the environmental friendliness of the company's activity	0,010	1,00%
7.	Cooperation with other entities	Domestic partners of the company and joint projects	0,025	2,50%
		Foreign partners of the company and joint projects	0,025	2,50%
8.	Financial statements	Balance	0,060	6,00%
		Profit and Loss Statement	0,060	6,00%
		Statement of Changes in Equity	0,050	5,00%
		Cash flow statement	0,050	5,00%
9.	Inspections results	Reports about the results of external inspections (audit, revisions) of the company	0,040	4,00%
10.	Risk management	Information about possible risks and their consequences from conducting activities by the company	0,015	1,50%
11.	Place at rankings	Domestic and international rankings	0,020	2,00%
12.	Overall performance	Statement of the overall results of the company's activity	0,030	3,00%
13.	Cooperation with media	Press, television, radio, social networks	0,020	2,00%
14.	Tax documents	Availability of reports about the results of entity's taxation	0,010	1,00%
<b>TOTAL</b>			<b>1,000</b>	<b>100,00%</b>

<sup>1</sup> Prepared by authors

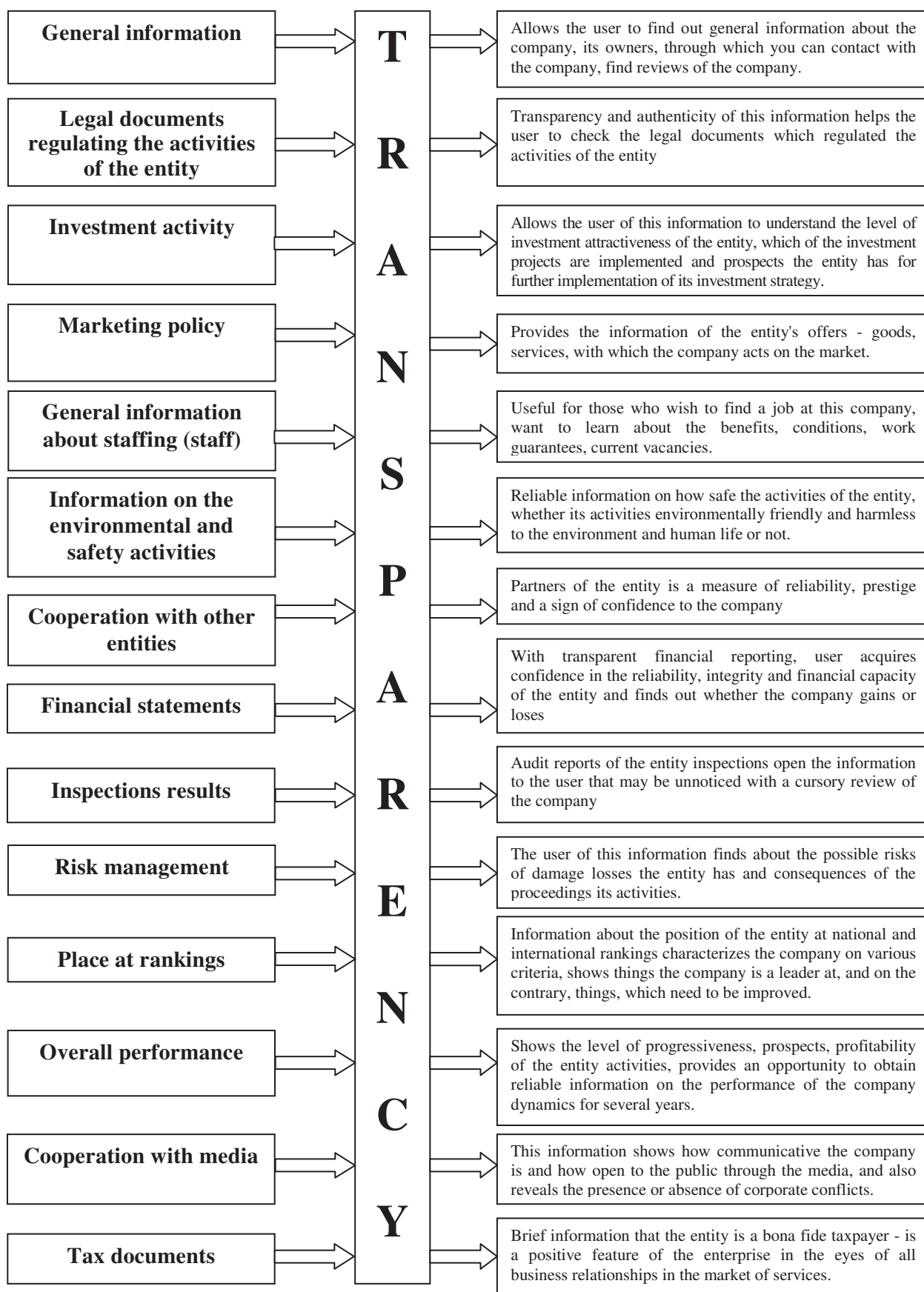


Fig. 2. Value of transparent information about the entity for its users<sup>1</sup>

<sup>1</sup>Prepared by authors



Positive results from the improved level of information transparency of the entity will only take place, if the company will disclose the relevant information in sufficient volume and that is important, without fail. How show the results of analysis for increasing trust and confidence from those who want to work with a company, it is important to make sure the honesty and decency of the company through a comprehensive analysis of its information transparency. Given that, achieving the necessary level of information transparency is associated with certain costs for the entity, the proposed methodology will be useful for the enterprises of corporate sector (medium and large companies that can afford to bear the direct and indirect costs, associated with the establishment of disclosure system). At the same time, improvement of entity's information policy will occur only when the costs will be compensated by the benefits of financial and non-financial nature.

Described above methodology of calculation level of information transparency of the entity, could be realized in the future with using ranks of different companies according to economic sectors. In this case, the purposes of ranking are the following: identification of the most transparent companies in Ukraine, determination the average level of information transparency of Ukrainian business and search for the ways of developing program which will defined, how to maximize information transparency of Ukrainian companies.

**Conclusions.** Summing up the results of research, should be noted that, in a changing Ukrainian market environment and its information asymmetries, determining the level of entity's information transparency acquires the special actuality. Ensuring of information transparency of the entity's activity improves confidence to entity from market participants and allows him to expand its resource base and sphere of activity significantly and to maximize profits. From the practical point of view, it is extremely important to develop methodology of determining the level of the company's information transparency.

We think that, under current conditions, for determining the level of reliability of business entities are necessary disclosure of financial information only. In this article, we were proposed methodology of calculation the level of entity's information transparency, which includes besides the financial block, the other criteria, will allow investigating the state of the entity's activity much wider. The use of the given technique will help decrease information asymmetry, increase flexibility of entity's reaction to external shocks, which will increase the credibility of the company, improve its business reputation and definitely, appear in financial terms.

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