

Requesting voluntary data from non-financial corporations: the experience of the Banco de España CBSO

Manuel Ortega¹

1. Introduction: voluntary collaboration, a challenge for the Banco de España CBSO

In 1984, the Banco de España, in collaboration with other public and private institutions (Ministry of Economy, Ministry of Industry, Spanish Entrepreneurs' Association and a number of regional universities), decided to create a Central Balance Sheet Data Office² to improve knowledge of the non-financial sector of the economy. In creating the CBSO, incomplete studies on the results of Spanish non-financial corporations being conducted by the above-mentioned public and private institutions were discontinued.

A strategy of direct contact with major large non-financial corporations was defined, based on:

- **Use of information (annual accounts) provided directly by non-financial corporations:** A questionnaire was designed in the context of the existing legal accounting framework and the language normally used by companies, ie their annual accounts (balance sheet, profit and loss account, cash flow, notes to the accounts, etc). However, some items in the questionnaire (employment, etc) – required as the data are used for various types of research – are beyond the scope of accounting issues.
- **Confidentiality/voluntary nature of requests:** Requests for information from the reporting firms was not based on any legal obligation, but on persuading firms that reporting was in the common interest of both the firms and the Banco de España. The information obtained is thus never published on an individual basis, in accordance with an agreement with the corporations to treat their data confidentially.
- **Reciprocity:** In exchange for its cooperation, each company was provided with specific information on the company, the sector in which it was active and other matters.
- **Direct contact:** Telephone contact with reporting firms was considered essential in the confirmation process, in order to ensure the quality of the data. Thus, company managers are contacted directly by phone each year to clarify the information provided to the CBSO.
- **Public dissemination of results:** Given that other related information collection activities were discontinued with the creation of the CBSO in 1984, the Banco de España assumed the obligation of making its databases available to the general public – in aggregate form only, in order to preserve the confidentiality of the data. Individual company data are widely used internally by several of the Bank's departments (Statistics, Supervision, Regulation, Operations and Research).

¹ Head of Central Balance Sheet Data Office (CBSO) Division, Banco de España.

² The CBSO is one of the two divisions of the Statistics and Central Balance Sheet Data Office Department, which is a part of the Directorate General of Economics, Statistics and Research at the Banco de España.

Since 1984, the number of companies contributing to the initial database, known as the CBA (see Chart 1.1), in which large corporations are over-represented, has grown to nearly 9,000 firms, accounting for over 30% of the economy's GVA. At the same time, other databases have been created at the CBSO to provide a more complete picture of the non-financial corporate sector:

- In 1990, an agreement was signed with the Ministry of Justice to use information derived from accounts required to be filed with the Mercantile Registries, known as the CBB database (see Chart 1.2). With the addition of these data, the CBSO began to acquire more extensive information on small companies and the service sector. By 2004, the CBB was maintaining data on approximately 450,000 small firms.
- In 1994, the CBT database was created, based on a quarterly survey. The results of the survey are published in the Banco de España's quarterly Economic Bulletin in April, July, October and January (see <http://www.bde.es/cenbal/informes/cbqr.pdf>). The CBT is currently collecting information on approximately 1,000 large companies.
- In 1998, the CBA (covering medium-sized and large companies) and the CBB (for small companies) were merged to create what is known as the CBI database. A grossing-up process is used to obtain data that are meaningful from a National Accounts perspective. These are used by our Department as one of the sources for producing the financial accounts of the Spanish economy, in line with the CBSO's primarily statistical orientation.

Summary charts

1. Coverage

Chart 1.1

Number of CBA corporations and coverage

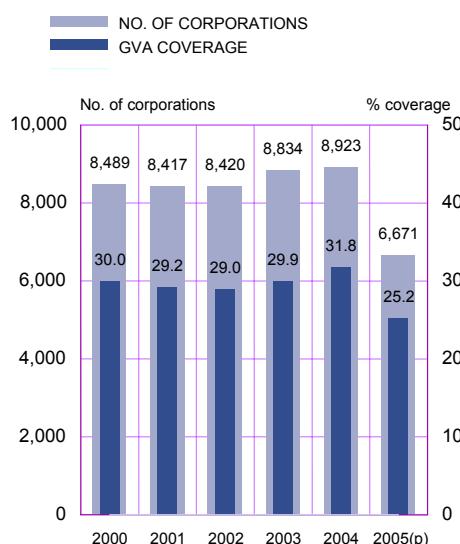
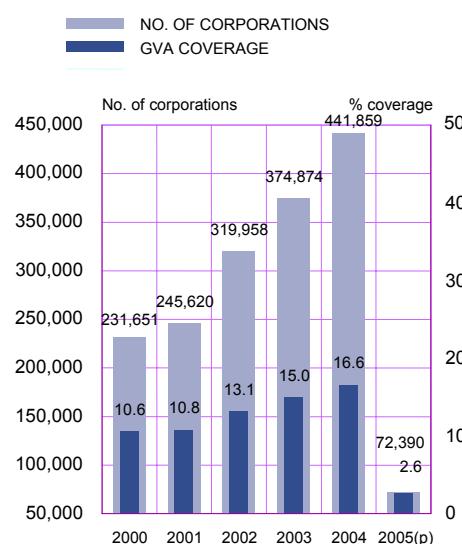


Chart 1.2

Number of CBB corporations (small) and coverage



Source: Banco de España (Central Balance Sheet Data Office).

As mentioned above, these databases have become important for various uses, both within the Banco de España (risk assessment, economic indicators, financial stability analysis, monographic reports on sectors of activity, etc) and externally, through regular publication of

non-financial Spanish firms' annual and quarterly results, and provision of aggregate data to the respective regional governments on the performance of non-financial corporations in their region. The main challenge of the Banco de España's CBSO over the past 23 years has been that of obtaining data from contributors. Section 4 of this paper focuses on the information that reporting firms receive in return for their cooperation – most importantly, the individual reports that compare each company's activity with overall activity in its sector, thus providing them key information. While the absence of any legal obligation for firms to provide data to the CBSO is a handicap, it also functions as an incentive for CBSO staff to find new services they can provide to the companies.

2. Reducing the reporting burden: the right to request needed information

Statisticians and other users of non-financial corporations' annual accounts are under pressure to reduce the reporting burden that their activities place on companies. The Brussels European Summit of 20-23 March 2003 mandated that we perform our work in ways that gradually reduce this burden to the lowest level possible – which, in the opinion of some (the reporting companies) could even be zero.

Provided that we are seeking necessary information – ie neither more nor less than what is required to produce the statistics that government needs – we can exercise our right to obtain the information. This right is clearly established in European legislation. Corporations whose shareholders enjoy limited liability are obliged to publish their financial statements (see Fourth Council Directive of 25 July 1978: paragraph 2 of Introduction, and Section 10, which deals with publication). On this basis, the population of non-financial enterprises in Europe can be divided into two large blocks:

- Those business owners liable, to the extent of their total wealth, for losses arising from their productive activity, ie all sole proprietorships and a small minority of corporations.
- Those engaged in productive activity through a corporate body, thus limiting their liability to the equity they have invested in the company,³ so that their personal wealth remains beyond the reach of the company's creditors.

For firms in the second category, there should be presumed to be an obligation to provide information to clients, suppliers, employees, lenders, tax authorities, statisticians and others, since publication of their financial statements is a corollary to the limited liability they enjoy. More than 95% of the total population of non-financial corporations, which account for nearly 80% of the European economy's total employment (see Table 1), benefit from limited liability. It should be noted that quoted corporations constitute a negligible proportion of the total number.

³ Here, we refer principally to: the Aktiengesellschaft, the Kommanditgesellschaft auf Aktien and the Gesellschaft mit beschränkter Haftung in Germany and Austria; the société anonyme, société en commandite par actions and société de personnes à responsabilité limitée in Belgium, France and Luxembourg; the aktieselskaber, Kommanditaktieselskaber and ampartsselskaber in Denmark; public companies limited by shares or by guarantee, and private companies limited by shares or by guarantee, in the United Kingdom and Ireland; the società per azioni, società in accomandita per azioni and società a responsabilità limitata in Italy; the naamloze vennootschap, the besloten vennootschap met beperkte aansprakelijkheid in the Netherlands and the sociedad anónima, sociedad en comandita por acciones and sociedad de responsabilidad limitada in Spain.

Table 1
2003 data

Non-financial enterprises in Europe (9 countries) ¹	Agents		Employment ²	
	Number	Percentage	Number	Percentage
All legal forms	10,785,372	100.00	38,442,981	100.00
Personally owned	5,995,513	55.58	8,172,856	21.26
Corporations	4,789,859	44.41	30,270,125	78.74
of which, quoted corporations	3,816	0.04	na	na

¹ Data available for Denmark, Finland, non-financial corporations Italy, Luxembourg, Norway, Portugal, Spain, Sweden and United Kingdom. ² Data not available for United Kingdom.

Source: Eurostat and European Securities Exchange Statistics.

3. Reducing the reporting burden on companies: making do with less, and finding other means to obtain what is needed

Granted the right, in principle, to request needed information from non-financial corporations, the moral obligations of the requester (ie our obligations) should be defined. A sort of “Ten Commandments” should be applied to new survey projects. Some of these “commandments” are questions that requesters should ask themselves; others are general requirements. All would certainly help reduce the reporting burden on companies. They are as follows:

- Is this the minimum information we need?
- Is this information available from another public source?
- Is there any redundancy involved in the information request?
- Is there any possibility of collaboration among different information requesters, so as to create synergies and reduce overlapping demands?
- Have we given consideration to the way in which information is to be prepared by the corporations?
- If the information is available in the corporations’ computer systems, have we asked software vendors to ensure that the data can be obtained directly through the companies’ accounting software packages?
- Do we have a proactive approach to promoting the use of harmonised electronic solutions such as XBRL?
- Finally, do we have a proactive approach that ensures that we provide sufficient feedback to non-financial corporations in exchange for their efforts?

Which of the following approaches, then, should be taken to reduce the reporting burden?

- Requesting less information than is necessary.
- Verifying whether the information being requested is necessary, making it easier to file our questionnaires, and reducing the cost for companies without sacrificing valuable data.

The Spanish CBSO endorses the second option, and has oriented its efforts accordingly in recent years.

4. The reciprocity principle: providing information and services to contributing firms

Probably the best way of demonstrating to reporting firms that their information is necessary, and of addressing our goals while at the same time honouring our obligation to reduce the reporting burden, is by first, and most importantly, disseminating the results we process to the reporting firms.

As mentioned in the first section of this paper, the CBSO is committed to the interests of non-financial corporations that voluntarily provide data. Aggregated results are disseminated not only to the general public without charge, through the Banco de España website, but to the individual reporting firms themselves, which are provided annually with individualised studies that compare their figures with aggregate benchmarks. At the same time, firms are given access to a hotline where they may request all public statistical data available at the Banco de España. Following is a brief summary of how the individual study has changed over the last 23 years:

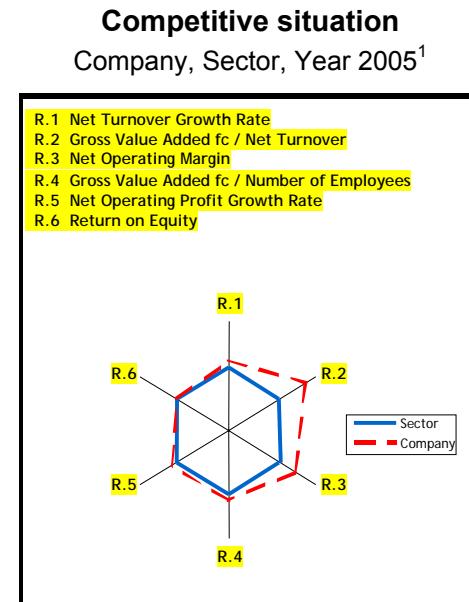
- In 1991, the statistical charts and ratios were reduced from more than 40 pages to 20, with a reduction in ratios from 44 to less than 20.
- Also in 1991, the time series analysis was limited to the last 5 years. Some tables were removed and replaced by summary charts.
- In 1995, selection of aggregated figures was made more accurate by identifying sectors of activity at the 4-digit NACE level, rather than the 3-digit level, and since then companies have been compared only to others of comparable size (small/medium/large).
- Beginning in 1997, a software package was provided to non-financial corporations so that they could select their own aggregates for comparison and print their individual studies.
- Since 1999, two files with detailed information on each firm's sector of activity and size have been provided to the firms prior to producing the benchmark study. Reporting firms can choose between "all companies available" and the "best" companies in the aggregate (in terms of profits).
- Although the Banco de España does not provide reporting firms with a performance assessment, a new graphic approach was developed to show the companies where they are positioned in relation to their competitors (statistical distribution).

The two charts below illustrate this new approach, which provides less information, but more suited to its purpose.

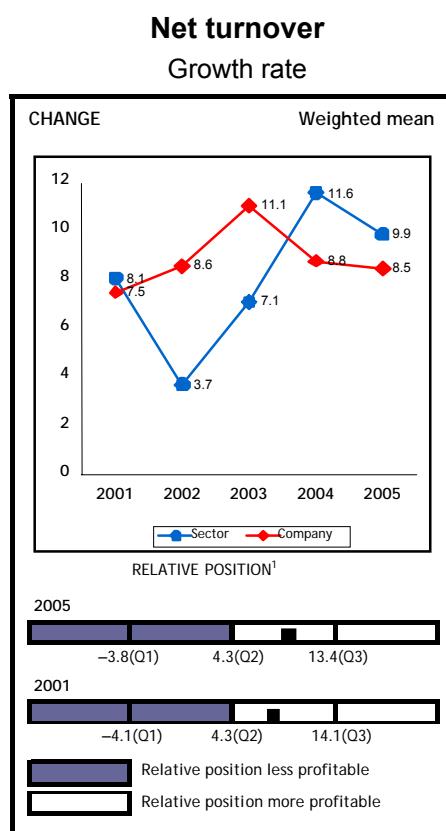
In summary, after 23 years of collaboration, the widespread voluntary cooperation of Spanish non-financial corporations is a reality. The positive experience that has resulted is based on the ongoing investment made to provide better studies in exchange for this cooperation, and on our efforts to increase electronic exchange and harmonisation (the Spanish XBRL Association is hosted by the Banco de España). Our perseverance in approaching corporations every year to collect their data and request their collaboration has undoubtedly been an additional contributing factor.

Summary charts

2. Individual study (example of charts provided)



¹ Sector values (median of statistical distribution of individual ratios) are represented in the hexagon vertexes. Company values are represented on the vertexes of the irregular polygon: the further away from the inside hexagon they are, the better the company's situation in comparison with the sector.



¹ In the quartile distribution of the sector.