CHAPTER 8
LIMITATIONS, RECOMMENDATIONS & CONCLUSION

The limitations of the study are those characteristics of design or methodology that impacted or influenced the application or interpretation of the results of your study. They are the constraints on generalizability and utility of findings that are the result of the ways in which the study is designed and/or the method used to establish internal and external validity. This chapter discusses the overall implications of the findings of the current research. Limitations in the research design and methods of data analysis are also discussed, and recommendations are made for future research with the readability, particularly within Indian context.

8.1 LIMITATIONS OF THE STUDY

The study demonstrates the research of corporate disclosures readability levels with the five predictors of financial nature. As there are varied parameters present in the calculation of readability levels prescribed by different authors, the readability scores for this study are calculated by six different readability measures in order to validate the results. The limitations of the study can be listed as:

8.1.1 The study only deals with banking sector. The annual reports of almost all Indian banks have been collected and used for the study. The study can range to various industries as per the requirement.

8.1.2 The parameters chosen for comparison are only five. There can be other measures to which may affect the readability scores of annual reports like age of the company, price to book value ratio.

8.1.3 The time period taken for study is of three years, which may be extended as per the need.

8.2 RECOMMENDATIONS OF THE STUDY
The study talks about readability scores of annual reports of banks compared on five different financial parameters. Readability is a concept which is talking about ease of understandability of annual reports presented by banks. Seeing the results of the hypotheses assumed in the study, following recommendations can be made:

8.2.1 The study may be carried out for different sectors like infrastructure, Automobile etc.

8.2.2 If different sectors will be considered for further research work then comparison between the sectors can also be done.

8.2.3 Study can also be carried for different parts of annual reports and comparison can be done between different parts of annual reports.

8.2.4 More predictors financial and non financial may be identified to reveal their relationship with readability levels of corporate disclosure. Even share prices can also be related with the readability scores.

8.3 CONCLUSION

Readability scores are calculated to test the understandability levels of a text or a paragraph or a document. Various research work on application of readability formulas and their relationship with quantitative variables is been tested outside India. The research work on readability scores in India is done to a very limited extent. Many researchers have either used readability formulas on articles, traffic rules etc. and other have used it on a part of annual report like CSR Report, Chairman’s Message etc. In the present research work readability formulas are been applied on the complete annual reports of the banks except financial information. The research undertaken talk about the comparison of readability levels of annual reports of banks on the basis of five financial variables. The study demonstrates the research on banking sector. Almost all the banks of India are covered and so the sample of annual reports collected are 88. The study takes up the annual reports of banks for 3 years from 2009 to 2012. Further 60 hypotheses are constructed to observe the relationship between the readability of annual reports and all the five variables considered for the study. Readability scores are also calculated by six different readability formulas. The calculation of readability scores is done with the help of the website i.e. www.readability.info. Financial factors include the five ratios calculated from the annual reports of the banks for all the three years. The financial ratios include
Liquidity ratio (Current Asset/Current Liability), Size (Total Assets), Leverage (Debt/Equity), Profitability EBIT/Total Assets), ROA (FFO/Total Assets). The data collected is been tested through two tests i.e. T-test & Linear regression. T-test stands to check significant difference between the financial factors & readability scores calculated. Linear regression is used to see the significant impact of financial variables on readability scores of the banks. To summarize the results in a one line it can be said that banks with good or bad financial results do not show their effect on readability of annual report.

Additionally, the findings do not hold up the obfuscation hypothesis, signifying that high (low) performing companies, in terms of profitability, liquidity and ROA, had not achieved high (low) readability scores on company disclosures. The results imply that in the event of bad company performance, lower asset value, more leverage, less liquidity and lower ROA, management do not attempt to make company disclosure more prolix or syntactically complex in an effort to hide bad news. Therefore if the disclosures of the Company are more concise and syntactically simple then cannot be taken to indicate that the firm’s performance was good.

If the variables are observed individually then in case of size the difference is observed to a limited extent. Also if we see the profitability values then higher or lower profitability levels do not make annual reports easier or harder to read and understand. In case of ROA, private sector banks do modify the reports language if they have lower ROA but to a limited extent. Similarly in the case of liquidity again private sector banks produce easier reports if the liquidity levels are good. In the case of Leverage too high levered banks can make harder reports to read & understand but again to a limited extent again.

Thus at last it can be concluded to readability levels of annual reports of banks are affected to some extent by Size & Leverage. Although no effect can be seen by Profitability, ROA, and Liquidity on readability levels of annual reports of banks.