

LINKAGE OF CORPORATE GOVERNANCE WITH BUSINESS RESPONSIBILITY REPORTING READABILITY: AN EMPIRICAL STUDY

TWINKLE PRUSTY

Associate Professor, Banaras Hindu University, Varanasi

ALOK KUMAR

Research Scholar, Faculty of Commerce, Banaras Hindu University, Varanasi

The Study empirically investigates the impact of corporate governance attributes on companies' reading ease choice to disclose Business Responsibility (BR) Report information since corporate governance ensures transparent, fair, credible and responsible corporate behaviors to its stakeholders. Data analysis is based on the top 50 NSE listed companies using readability score of BR Report. Corporate governance aspects are drawn individually by using content analysis of SEBI's suggested guidelines report from annual reports for period of 3 years, from FY 2014-15 to 2016-17. The corporate governance attributes used in the study are board size, board committee, board independence, female on board. BR readability measure and corporate governance variables are measured and extracted from a checklist of items based on SEBI's BRR suggested framework of 2012. For BR report readability, Flesch K reading ease has been calculated from selected companies annual BR reports and websites respectively. The extent of BR readability score is positively associated with corporate governance, In terms of the BR report reading ease, employing regression model, the result indicates that board committee and Female on board is the most important corporate governance attributes that engages reading ease in BR disclosure. In addition to this, firm-specific characteristics such as board independence and Female on board are more likely to influence BR reporting disclosures. For better understanding and meaningfulness of BR disclosure, the SEBI's LODR (listing obligation and disclosure requirement) regulation 2015 should mandate all the companies to go through and ensure minimum readability measures of their disclosed BR information as per suggested BR framework issues in their companies' annual report and also more emphasis should be given to strengthen the corporate governance attributes. Empirical evidence on the link between corporate governance and BR report readability of top listed companies is scarce. Given the positive impact, corporate governance attributes have on the extent of BR disclosure readability (reading ease). Their role can be further strengthened in terms of overseeing quality of information disclosed. Stakeholders and regulators have to develop greater awareness of their firms BR disclosure and carefully scrutinize firm's foggy and smoggy BR information's that firms are

reporting on. (Readability analysis of BR reports disclosure has been a strong research theme in the fields of corporate governance and business communication. The other major contributions of the study are, literature review, assessment through content and disclosure index, readability indices while providing much needed evidence in this area from India)

Keywords: *BR Report, Readability, BRR, Corporate governance attribute, Content analysis, GRI, SEBI*

INTRODUCTION

“Business responsibility is part of the social governance disclosure contract that we must abide by. It shows that we are accountable to society as a whole and are committed to work towards its wellbeing. Although we have made definite progress in our social imperatives, I believe there is a lot more that can be done in this area. We will continue to innovate with all our stakeholders to strengthen our business responsibility paradigm”

This quote came from the BR Report page of an Indian top listed company’s annual report [in Pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]. Company’s BR report also has statistics about what the firm is doing to plan for sustainable growth in the future and how they are changing to become more ESG responsive. Additionally, publish statistics detailing various governance issues, environmental and social performance indicators relative to their industry. The SEBI has

mandated inclusion of BR Report (“BR report”) as part of the annual report for 500 listed entities based on market capitalization under Regulation 34(2) (f) of SEBI (LODR) regulations 2015. It also provides a suggested format for BR reports containing a list of five sections including nine key principles and various core elements under each principle to assess compliance with ESG norms. Listed companies are required to prepare policies based on these nine key principles and core elements, put in place a framework to integrate and embed the policies into business activities and a mechanism to measure and report the achievements as BR report. The SEBI (LODR) Regulation 2015¹ provides comprehensive BR disclosure framework that companies will be compelled to comply with in order to maintain their status as listed company. Moreover, the ultimate responsibility to make disclosures has been cast upon the board of directors of the listed entity. BR Report is publically released documents detailing the environmental, social,

and governance (ESG) performance of a listed company. Companies most likely have other reasons to release BR Report, such as building superior reputations and meeting informational needs of stakeholders, who re classified as anyone who is impacted by the company's actions. Due to increased pressure from stakeholders to release environmental and social initiatives, firms are not only reporting but also providing the public with an adequate representation of their sustainability initiatives and performance. Common frameworks that firms are using to report on their BR initiatives include the Global Reporting Initiative (GRI) and SEBI's suggested format for BR reports to discharge the accountability of an organisation to its stakeholders. BR reporting has been characterised by a dearth of neutral, authenticity, reliability and objective information such that the advocates of BRR recommend that it be made compulsory. Their underlying rationale is that regulatory specified disclosure requirements and enforcement mechanisms will enhance the quality of such reporting. The objective of study sets out to explore how realistic this scenario actually is, in view of the conflicting interpretations in the literature on this subject.

JUSTIFICATION FOR RESEARCH

This study will be expanding on the literature, by including the BR reporting readability variable and analysing with corporate governance data set. This will further study the mixed finding in the connection between corporate governance and BR Report readability. Testing the hypothesis questions

designed to develop evidence to supporting my research objectives. This data set will be collected from Indian top listed companies with 165 observations. The factors that will be considering are independent directors, board size, board meetings, female board members and BR Report reading ease as readability measure. Study will collect all the information from CMIE's Prowess database and readability calculator, using regression analyse to determine if there is any correlation between the different factors and the BR Report reading ease. Study will then use relevant theory to explain findings, and explain why corporate governance aspects are correlated to the BR Report reading ease.

LITERATURE REVIEW

The BR information set available to the stakeholders is expanding and multiplicative. BR reporting and disclosures as per framework is relatively new and has not been full researched in Indian context, however there has been lots of research in annual report and its segment disclosure.

Readability research enquiry has been used to examine if relations exist between levels of readability complexity and basic corporate attributes, such as profitability, size, leverage and industrial classification. In addition, the possibility exists that management uses readability obfuscation as a technique to mask *bad* or enhance *good* news. However, obfuscation does appear to be associated with the reporting of *bad* news, and there is an inference that it is used as a technique of impression management (Courtis, 2002).

Jones and Shoemaker (1994) examined the accounting-oriented readability literature broadly, and shortly afterward Curtis (1995) added a Western versus Asian perspective. They provide a review of 32 studies in the fields of accounting, business communication and management on the readability of annual report narratives (26 studies), tax law (3 studies) and accounting textbook (3 studies). Most of these studies attempt to assess the readability of the annual report and its components. However, many investors, creditors and those with special interests in particular corporations are likely to have attained adequate educational levels and also likely possess strength of interest in what they read. Hence, many of those comprising the sub-population of actual readers are likely to understand all but the most technical of narratives.

For instance, regulators like SEC have constantly attempted to formulate top company prospectuses more readable and easier to comprehend. In several Securities Act Releases after the Securities Act 1933, an advanced level of clarity in the reporting documents was encouraged - highlighting on not compromising adequate and transparent disclosure (Firtel, 1999). In 1967, the SEC constituted an internal study group in order to examine and make recommendations for improving its disclosure regime. This study resulted in the "Wheat Report 1969" discussed that the average investor could not readily understand the complicated prospectuses; the report therefore recommended that companies avoid unnecessarily complex, lengthy or verbose writing.

In October 1998, the SEC issued new plain English disclosure guidelines that encouraged the use of plain English in the drafting and formatting of all prospectuses in registered public offerings by domestic and foreign issuers. The SEC's Investor Ed Office published and posted the following on its website: "A plain English handbook: how to create clear SEC disclosure documents" in order to provide practical tips for drafting disclosure documents. When drafting the front and back cover pages, the summary and the risk factors sections, an issuer must comply with the following six basic principles: short sentences; definitive, concrete, everyday language; the use of the active voice; tabular presentation or bullet lists for complex material whenever possible; no legal jargon or highly technical business terms; and no double negatives. More recently, the SEC has taken several steps in making the disclosure of mutual funds more readable Black & Champion (1976).

CORPORATE GOVERNANCE

The corporate governance plays an important role in the development of the management structure, improving cash flow and reducing the cost of capital of a company. Corporate governance is defined by Dalei et al. as the "way of bringing the interests of investors and managers into line and ensuring that firms are run for the benefit of investors". This demonstrates how important a company's approach to corporate governance can be to the stakeholders, or potential investors. The majority of the prior literature on the connection between reporting and readability and

corporate governance demonstrates that better corporate governance can be associated with a better reporting and readability. The implementation of a good corporate governance structure can have a positive effect on the firm's reporting and readability (reading ease). The main empirical research of corporate governance use similar variables to characterize how well the corporate governance is implemented (Lee & Tweedie, 1976) suggest the main four are; managerial compensation, shareholders rights, ownership structure and board characteristics.

Independent Directors: The board of directors is considered to be a crucial instrument for supervising the organisations management, so the independency of board members has become a much debated issue. An independent director is a member of a board of directors that do not have any financial association with the company, so they do not own shares in the company (Clatworthy & Jones, 2001). The current trend for most listed firms is to have a half of directors as independent, which reflects the conventional wisdom that independent directors can be effective at monitoring management.

Board size: There are multiple board characteristics that can be considered, the literature has identified a focus on the board size, board meetings, female directors and independent directors. There has been lots of research into the influence of the board size; as the board size increases the board control management decreases and problems develop in communication and coordination.

BR Report Readability: Researchers in accounting and finance are increasingly using readability indices to examine the relationship between the readability or reading ease used in corporate disclosures and other variables of interest. These readability results means that the indicator bars give a visual guide for the meaningfulness, understanding and textual statistics of the BR Report of listed companies. The readability tools have been used in order to measure the meaningfulness, understanding has been extracted from 165 BR Report. Many researchers generally agree that ease of understanding is one of the most important characteristics of effective reporting². The reporting clarity of the BRR disclosure is a determinant of the reading ease of its narrative disclosures. Reporting clarity thereby influences the comprehension, accuracy and speed by which content can be interpreted. The potential for missing and mistaking intended messages is greater when the BR report disclosed at a reading ease level that is beyond the fluent comprehension of readers. Readability effectiveness is viewed as the transmission of the desired message to the intended user in an accurate and understandable way. Despite the limitations of the formula approaches they continue to remain quick, simple, understandable, widely used and cost effective in accounting-based readability research, and they provide some information about the degree of difficulty of narrative disclosures. Provided that the results of formula measurement are tempered with caution, scores can be used to predict the likely ability of messages to be

understood by a target audience. Study divulged, however, that more robust results would ensue from triangulation through comparative testing methods, such as cued-paraphrase protocols or paired interview testing. Mindful of the limitation of the singular approach of readability formulas, but in the interest of obtaining results that can be benchmarked against future studies undertaken in different periods and in different countries, the present study also follows the formula-based approach to measure reading ease of narratives within

BR reports. As BR reports of listed companies for consecutive years, have been compared, different readability tools have been used through widely known readability test tool platform, to measure report through most widely used readability indicators and gives a readability score. Readability calculation tools have been used to measure the BR Report readability.

Table. 01: Measures of Readability and Textual Statistics

Measures of Readability
Flesch Kincaid Reading Ease
Flesch Kincaid Grade Level
Gunning Fog Index
SMOG Index
Coleman Liau Index
Automated Readability Index

Flesch Kincaid Reading Ease: The major credible methods of analysing readability use test readers or readability formulas. Readability formulas provide an easy, objective and reliable alternative. However, there is an abundance of such formulas. The main features of the various formulas were carefully evaluated and the revised Flesch index, Flesch was found most suitable for this study due to its reliability, validity and practicability. In case of the Flesch Kincaid Reading Ease readability measure, a high score means that the text is easier to read. Low scores suggest that the text is more complicated and thus difficult. For more information about

these readability measures, see <http://www.plainlanguage.com/Resources/readability.html>.

Link between Business Responsibility Report and Corporate Governance

The governance processes and practices embedded into the culture of the organisation ensure that the interests of all the stakeholders are taken into account in a balanced and transparent manner. Company should believes that good corporate governance emerges from the application of best management practices and compliance with the laws coupled with the highest standards of integrity, transparency,

accountability and business ethics. Further, continues to strengthen its governance principles to generate long term value for its stakeholders on sustainable basis thus ensuring ethical and responsible leadership both at the board and at the management levels. A Report on compliance with the corporate governance provisions has been prescribed under the SEBI (LODR) Regulations, 2015 (“Listing Regulations”). Reliable corporate governance includes a vigilant board of directors, sensible disclosure and adequate reporting of meaningful information about the board and management process. This SEBI directive has been applicable to the listed companies from April, 2016 and remaining companies will come under its ambit in a phased manner. BR reporting has come a long way from most prior ‘*National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business*’ framed by the Ministry of Corporate Affairs (MCA) for ESG Reporting (MCA. GoI, 2011)³ to mandatory BR Report in annual report. This implies that top 100 National Stock Exchange (NSE) listed companies have considerable experience as early mandatory adopters of BR Reporting rather than on a voluntary basis. On the other hand, India witnessing a change in the ownership structures of companies listed on their stock exchanges as a result of privatizing/disinvestment in government owned enterprises. To have a uniform reporting policy to follow best in class of governance practices with respect to reporting. All these lends support to carrying out this study in order to

investigate the linkage and impact of corporate governance aspects for best practices on the levels of compliance with BR Reporting in scrutinised listed companies.

The world over, there is a move to push businesses into disclosing more than just their financial statements. This global ESG reporting trend found resonance in India in February, 2016 with the market regulator SEBI issuing a circular advising the top 500 companies by market capitalization to release BR reports. A BR report aims to provide a brief communication to stakeholders about how an organization’s strategy, governance, SEE performance and prospects create value over time. BR Reporting initiative supported and stated it as a great step in the evolution of socio-economic, environmental and governance reporting practice as it provides a holistic picture of the impact and risks businesses take during their operations. This is a huge change not just in terms of reporting but reflects how companies need to think about responsible growth. While the concept is new, its time has come. With this circular, SEBI has initiated a process for companies to move out of their current reporting formats and integrate reporting with business decisions.

There is also an increasing interest in the corporate governance and how this influences the Business responsible reporting and readability of a company. The corporate governance system controls how a company is directed and controlled, influencing the company’s ability to meet its objectives. This is defined by (Smith & Taffler, 1984) as a way that investors

in the company can have confidence that they will get a return on their investment. There is a larger portion of the prior literature on the relationship between corporate governance and BR reporting performance that documents a significantly positive association between corporate governance (board characteristics) and BR reporting. However the results for the individual characteristics of governance have mixed results. This will further research the mixed finding in the connection between corporate governance and BR reporting. Testing the hypothesis questions designed within this paper to develop evidence to supporting research objectives. The factors that have been considered are independent directors; board size, board meetings, and using regression analyse to determine if there is any correlation between the different factors and the BR reporting reading ease.

Globally, there is a trend towards investment models that incorporate environmental and social dimensions. The BR disclosure score represents the amount of ESG disclosure in BR report that is disclosed by the listed company. BR disclosure is an important variable because it helps a company demonstrate that it is managing its risks and has a track record of monitoring its BR performance. The concept of BR disclosure allows the investor access to additional relevant information about the companies BR performance, enabling investors to better understand the risks and opportunities (Singhvi & Desai, 1971). There have been many examples of corporate problems that relate to BR issues, including fraud, corruption, environmental accidents

and health and safety failures (Kaplan, 1986). The increasing investor curiosity and the growing interest in companies BR disclosure scores suggests an increasing number of investors using BR transparency as a proxy for the management's efficiency and transparency. There is also a strong connection between the evolution responsible investment and the BR and sustainable development of a company (Wall & Williams, 1970).

Objective: To examine the relationship between corporate governance aspects linkages with the BR Reporting readability.

This study has been designed to test the following hypothesis:

H₀₁: There is no significant relationship between readability scores of BR Reports and the board size, board meetings.

H₀₂: There is no significant relationship between BR readability scores and the number of independent directors.

H₀₃: There is no significant relationship between BR readability scores and the number of women directors.

H₀₄: There is no significant relationship between BR readability scores and the board structure/size.

RESEARCH METHODOLOGY

This research will be using secondary data for a quantitative empirical analysis. The data has been collected from the Prowess, CMIE database; using MS excel to download the data into the model so that it can be entered into the E views software easily because it is

the most accurate and convenient way to collect the 275 observations. The data should be reliable as it was collected from a secondary source Prowess, CMIE, this will reduce the chances of getting incorrect results. The data has been usually collected over the study period FY 2014-15 to 2016-17 for the sample companies and then a regression is run over. The reliability of results also tends to improve due to better coverage. Since this study of BR reporting practices by top NSE listed

Indian companies. Over these three years (2014-15 to 2016-17), panel data models are used for regression and estimation. The classical regression (ordinary least squares) results have been estimated using SPSS Software Version 20. Hence; No specific test had to be carried out. Correlation matrix for various independent variables has been estimated for aggregate as well as company wise sample.

ANALYSIS AND DISCUSSION

Table: 02. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis			
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic	Std. Error	Statistic	Std. Error
BRR_DiscScore	165	66	76	71.56	.148	1.901	-.051	.189	-.394	.376
BOD_Structure	165	8	23	12.15	.217	2.786	1.188	.189	2.230	.376
BOD_COM	165	4	17	7.64	.234	3.004	.876	.189	.070	.376
BOD_Meet	165	3	20	7.81	.255	3.274	1.256	.189	1.621	.376
BOD_IND	165	0	11	5.78	.131	1.683	-.130	.189	.623	.376
FE_BOD	165	0	8	1.40	.075	.968	2.677	.189	12.946	.376
Flesch Reading_Ease	165	14.60	67.20	34.1473	.64431	8.27635	1.401	.189	5.877	.376
Fog_Index	165	4.70	17.90	13.2418	.16428	2.11023	-1.015	.189	3.806	.376
SMOG_Index	165	6.00	15.40	11.5455	.12286	1.57818	-.545	.189	1.886	.376
Valid N (listwise)	165									

The descriptive statistics included in the output are the number of subjects (N), the Range, Minimum (lowest) and Maximum (highest) scores, the Mean (or average) for each variable, the Std. (the standard deviation), the Variance, the Skewness statistic, and the Std. error of the skewness. Note, from the bottom line of the outputs, that the Valid N (listwise) is 165. There are several ways to check this assumption in addition to checking the skewness value. The distribution is approximately normally distributed, as the mean, median, and mode, which can be obtained with the frequencies

command, are approximately equal.

The average size of BR report disclosure score is 71.5 for study period. Variable view indicating minimum and maximum BRR disclosure scores among sample companies are 66 and 76 which show that most of the listed companies have started disclosing as per the SEBI's mandatory BRR guidelines. The average score of Flesch Kincaid Reading Ease is 34.14 whereas minimum and maximum values range among 14.60 to 67.20 for the BR Report during the study period. It is important to check new computed variables

for errors, confirmed minimum and maximum scores for each variable to see if they lie within the acceptable range of values. The above table presents the descriptive statistics of selected BR Reporting and Readability variables for the period. The mean values BRR_DisclosureScore and readability measures' indicating the average size and standard deviation has been used to analyses variations in the variables taken in this study.

Table. 03: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.301 ^a	.091	.062	8.01533	2.034

a. Predictors: (Constant), FE_BOD, BOD_Meet, BOD_IND, BOD_Structure, BOD_COM

b. Dependent Variable: Flesch_K_Reading_Ease

Table. 04: ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1018.633	5	203.727	3.171	.009 ^b
Residual	10215.038	159	64.246		
Total	11233.671	164			

a. Dependent Variable: Flesch_K_Reading_Ease

b. Predictors: (Constant), FE_BOD, BOD_Meet, BOD_IND, BOD_Structure, BOD_COM

Table. 05: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	34.007	3.759		9.047	.000	26.583	41.431		
BOD_Structure	-.505	.260	-.170	-1.941	.054	-1.018	.009	.746	1.341
BOD_COM	.342	.258	.124	1.327	.186	-.167	.851	.653	1.531
BOD_Meet	.377	.256	.149	1.472	.143	-.129	.884	.556	1.798
BOD_IND	-.209	.426	-.042	-4.90	.625	-1.050	.633	.761	1.313
FE_BOD	1.370	.659	.160	2.080	.039	.069	2.671	.964	1.037

a. Dependent Variable: Flesch_K_Reading_Ease

Interpretation: The model summary output table shows that the multiple correlation coefficient (R), using all the predictors simultaneously, is .301 and the Adjusted R² is .091, meaning that 9% of the variance in BR Report Reading Ease (Flesch_K_Reading_Ease) can be predicted from the combination of corporate governance aspects. Note that the adjusted R² is lower than the unadjusted R² which is, in part, related to the number of variables in the equation. As one can see from the coefficients table, only corporate governance aspects (Female

Board members) are significant, but the other variables add a little to the prediction of BR Report Reading Ease. Study shows the regression results for the association between all BR readability and disclosure indices with BR reading ease. This model shows regressions of readability indices (Flesch_K_Reading_Ease) on corporate governance aspects and test whether FE_BOD, BOD_Meet, BOD_IND, BOD_Structure, BOD_COM are significantly associated with BR Report reading ease in Model. The significance value of .009 in ANOVA table indicates that

the combination of these variables significantly predicts the BRR_Reading ease.

FINDINGS

The results in models support hypothesis that reading ease is positively associated with corporate governance aspects among companies during the study period. Overall, the study shed light on some interesting trends.

1. Similar to prior research the readability measures over the sample period is not modest; there is variation within study period. There is significant variation in the reading ease among listed companies, despite similarities in the underlying governance aspects among sample companies. According to study, discernible reading ease patterns are shown to be present.
2. The adjusted R^2 is lower than the unadjusted R^2 which is, in part, related to the number of variables in the equation. As one can see from the coefficients table, only female board members are significant, but the other variables add a little to the prediction of BR Report Reading Ease. R^2 of .091 means that 9% of the variation.
3. Regression results show that BR Report reading ease is significantly associated with Board meeting, Independent directors, board structures, board committees, female board members in Models. However, all of the variables need to be included to obtain this result, because the overall F value was computed with all the variables in the equation.

These results suggest that companies with worse reading ease are more likely to have less-vigorous corporate governance aspects. The results in models support hypothesis that poor reading ease is associated with low corporate governance aspects by top listed companies.

CONCLUSION AND SUGGESTIONS

Due to the confluence of regulatory changes and resultant push by the government, along with an increasing recognition on part of businesses that disclose BR actions, performance and is no longer a *good to have* – Now, BR reporting has been on a compulsorily increase in India. Basically, BR Reporting framework provides an impartial and realistic representation touching all business functions of a company – Finance, human resources, production process, sourcing, operations, legal etc. including both negative and positive contributions. Specifically BRR indicators includes general corporate information, organisational profile, financial information, BR policy, management approach, performance indicators, ethics/transparency and accountability, labour practices & decent work, human right issues, product responsibility, fair operating practices, regulatory issues, CSR/sustainability issues, environment, social and stakeholder's issues, and community involvement and development legal etc., putting together such a compiled report helps companies define what "BR Reporting" means for their organization and that each items has a role to play. Sample companies with more autonomous corporate governance policies have

much higher BR report reading ease than companies with weaker governance policies. In sum, study indicate that the higher BR report reading ease has produced a measurable impact on the behavior of investors and board of directors and their decisions making. As a caution, a less-reading ease signify obfuscation. Study observes that obfuscation and foggy disclosure or intentional manipulation in BR reporting, occurs by using more complex syntax, discussing government initiatives, repetitive data and technical jargons, which is difficult to read and understand, to amaze stakeholders and hide poor BR performance.

A number of researchers opined that longitudinal studies allow a deeper study of the reading ease variables than cross-section research and have suggested that more emphasis should be given on understanding accounting in the context in which it operates. The benefit of this study is its possible insights into the nature of readability, and into the governance factors that significantly influence it. At the same time this study suggests that the readability of the BR report has improved marginally. In order to avoid a serious communication breakdown between the providers and users of BR information, standardisation must be accompanied by more understandable, readable accounts. If this does not happen, and BR reports remain largely unreadable, they will remain largely unread. From study it cannot be discerned whether average investors are better off because they invest more with more transparent disclosures. Improved readability approach

does not cause listed firms to have enhanced corporate governance, but is an interesting artifact of shareholder-centric companies. A concluding subject is whether investors and firms who improved their BR reading ease style are better off, traditional readability measures overrate the impact of familiar reading ease on a reader's ability to comprehend disclosures.

LIMITATIONS OF THE STUDY

However the study is subject to following limitations:

1. The area of the study is limited to top 50 NSE listed Indian companies. Hence the sample may have the limitations hence the data may represent only to the selected companies. The study conducted during the FY 2014-15 to 2016-17, during study period SEBI guidelines on BR Report subsequently mandate being expanded from 100 listed companies to the top 500 listed companies, the study may have impact of this.
2. Though the disclosed data in BR Report is maintained in standard format on annual basis, the limitations of data are bound to creep in due to the accounting practices or policies employed and adopted by various companies in the calculation of profit and valuation differ within same industry.
3. Study explores the key aspects of BR Report, also in context to corporate governance practices by listed Indian companies with readability aspects related to BRR but besides this there are also other aspects

which are essential for the effective compliance and understanding of BR Reports. There are no reliable standard metrics for measuring the BR Report.

4. Readability formulas do not solve problems. At most, they alert the writer to a potential impediment in communication that might impact on investor behavior. Readability research using formulas is only one methodological approach; disclosures and discourse analysis and other linguistic or textual approaches may be more suitable.

SCOPE FOR FURTHER STUDY

1. The study is concentrated on top NSE listed companies only. An extensive study can be conducted with increased sample listed companies as per BRR compliance.
2. This study has only concentrated on BR Report, regulated as per listing agreement. But other forms could be also considered for the further study to present more precise result regarding the implications of corporate governance on the BR reporting.
3. Comparative study on BR Reporting practice among different sectors also can be done with reference to their BR disclosure pattern. Such study will be helpful to recognize sector specific common BR disclosure items which would get wide acceptance and utility. Additionally it would assist it tracing out uncommon items in BR Report.
4. We urge other researchers to undertake such investigation, using

readability formulas, viable research opportunities would include a longitudinal study of one country's listed companies annual report readability. This would determine the relative levels of reading ease and whether they have improved or deteriorated over time.

REFERENCES

- Adelberg, A. II, (1983). The Accounting Syntactic Complexity Formula: A New Instrument for Predicting the Readability of Selected Accounting Communications', *Accounting and Business Research*, Summer, 162-175
- American Accounting Association (1966). *A Statement of Basic Accountancy Theory*, *American Accounting Association*, 1-11.
- Accounting Standards Steering Committee. (1975). *The corporate report*. London: ASSC.
- Badrul Muttakin, Mohammad., & Subramaniam, Nava. (2015). Firm ownership and board characteristics: Do they matter for corporate social responsibility disclosure of Indian companies? Emerald Group Publishing Ltd., *Sustainability Accounting, Management and Policy Journal*, 6: 138-165
- Black, J. A. & Champion, D. J. (1976), *Methods and Issues in Social Research*. Wiley and Sons, New York.
- Beattie, V., McInnes, W. & Fearnley, S. (2004). A methodology for analysing and evaluating narratives in annual reports: a comprehensive

- descriptive profile and metrics for disclosure quality attributes. *Accounting Forum* 28: 205-236
- Carsberg, B., Hope, A. & Scapens, R. W. (1974). The Objectives of Published Accounting Reports, *Accounting and Business Research*, Summer, 162-173.
- Clatworthy, M. & Jones, M.J. (2001). The effect of thematic structure on the variability of annual report readability. *Accounting, Auditing & Accountability Journal*, Vol 14 : 311-26.
- Courtis, John K; Salleh Hassan (2002). Reading ease of bilingual annual reports. *The Journal of Business Communication*, 394- 413.
- Das, N., & Das, D. (2014). Sustainability Reporting Framework: comparative analysis of Global Reporting Initiatives and Dow Jones Sustainability Index. *International Journal of Science, Environment and Technology*, 3: 55-66.
- Ezhilarasi, G. & K. C. Kabra. (2017). The Impact of Corporate Governance Attributes on Environmental Disclosures: Evidence from India. *Indian Journal of Corporate Governance*, SAGE, 10:24-43.
- Fiatel, R. (1999). *The Art of Readable Writing*, Harper and Urns, New York.
- Gray, R., Kouhy, R., & Lavers, S. (1995). Corporate social and environmental reporting: A review of the literature and a longitudinal study of UK disclosure. *Accounting, Auditing & Accountability Journal*, 8:47-77.
- Global Reporting Initiative (2000-2011). *SRG © Version 3.1* available at <http://www.globalreporting.org>
- Jones, M.J. and Shoemaker, P.A. (1994). Accounting narratives: a review of empirical studies of content and readability, *Journal of Accounting Literature*. Vol. 13:142-84.
- Kaplan, R. S. (1986). The Role for Empirical Research in Management Accounting, *Accounting, Organizations and Society*. Vol. 2, 429-452.
- KPMG (2017). Business Responsibility Reporting: *An analysis of top 100 BSE & NSE listed Companies*. www.kpmg.com/in
- Li, F. (2008). Annual report readability, current earnings, and earnings persistence, *Journal of Accounting and Economics*. Vol. 45, Nos 2:221-47.
- Lee, T. A. & Tweedie, D. P. (1976). The Private Shareholder: his Source of Financial Information and his Understanding of Reporting Practices, *Accounting and Business Research, Autumn*, 304-314.
- Lewis, N. R., Parker, L. D., Pound, O. D. & Sutcliffe, P. (1986). Accounting Report Readability Techniques, *Accounting and Business Research, Summer*, 199-209.
- Merkel-Davies, D. & Brennan, N. (2007). Discretionary disclosure strategies in corporate narratives: Incremental information or impression management? *Journal of Accounting Literature*, Vol. 26, 116-96.
- Ministry of Corporate Affairs, Gov't of India, National Voluntary

- Guidelines on Social, Env'tl & Econ. Responsibilities of Bus. (2011). Press Release, Press Information Bureau, Government of India, ***National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business*** Released (July 8, 2011, 4:53 PM)
- Smith, M. and Taffler, R. (1984). Improving the Communication Function of Published Accounting Statements', ***Accounting and Business Research***. Spring, 139-146.
- Singhvi, S. S. and Desai, H. B. (1971). An Empirical Analysis of the Quality of Corporate Financial Disclosure', ***Accounting Review***. January, 129-138.
- SEBI ***Circulars on Corporate Governance in listed companies*** – Clause 49 of the Listing Agreement: available at SEBI/CFD/DIL/CG/1/2004/12/10 Dated October 29, 2004
- Wall, W. D. and Williams, H. L. (1970). ***Longitudinal Studies and the Social Sciences***. Heinemann, London, 111-120.
- Yin, R. K (1985). ***Case Study Research***, Sage Publications, Beverley Hills.

TWINKLE PRUSTY, Associate Professor in Finance, Faculty of Commerce, Banaras Hindu University. E-mail id: twinkleprusty@gmail.com



ALOK KUMAR, Doctoral Research Scholar, Faculty of Commerce, Banaras Hindu University. E-mail id: alokaryan2102@gmail.com
