READABILITY AND CORPORATE COMMUNICATION: THE CASE OF FOUR BANKS IN GHANA

William Kodom Gyasi[1]
Department of Communication Studies, University of Cape Coast, Ghana.

ABSTRACT

Financial reporting is a key communication tool used by banks to communicate with investors and regulators. It is thus expected that annual financial reports are made as readable as possible to enhance communication. In this paper, attention is given to the readability of annual financial reports of four Ghanaian banks. The objective is to evaluate the readability of these reports and to establish differences in readability across the reports of the four banks. Convenience sampling was employed to sample annual reports of four banks (GCB, ADB, Fidelity, and Unibank) covering the years 2013 to 2016. SMOG readability index was computed from these reports. Means, standard deviations, and independent sample t-test, with bootstrapping, were used to analyse the data. The results revealed that all four banks used difficult words and sentences to write their reports. In addition, it was established that banks on the GSE and those not on the GSE did not differ in terms of the readability of their annual reports. It is suggested that the banks revisit their writing styles in order to make their reports readable.

Keywords: Readability, Bank Annual Report, Corporate Communication, SMOG Readability Formula.

1 Dr. William Kodom Gyasi is a senior lecturer at the Department of Communication Studies, University of Cape Coast. He holds a Bachelor of Education (Arts) from the University of Cape Coast in 2001 and an MPhil and PhD in English Language from the same university. His research areas are readability, academic communication and corporate communication. Dr. Kodom Gyasi has been teaching in the Department of Communication Studies, University of Cape Coast since 2007. He has also worked as academic advisor for both undergraduates and master students from 2007 to date. Email: william.gyasi@ucc.edu.gh

INTRODUCTION

Annual Reports (henceforth AR) are critical for customers, shareholders, investors, among others because they serve as a primary source of information to both investors and regulators in the corporate financial world (Richards, Staden, & Richards, 2015).The quality of information presented in annual reports influences investors' and other stakeholders' decisions by mitigating information and incentive problems (Healy & Palepu, 2000, cited in , Pivac, & Vuko, 2017). ARs cover different aspects of a company's financial and non-financial performances such as accounting policies, financial statements, chairman's letter, auditor's report and the company's business vision for the future (Beattie, Fearnley, & McInnes, 2004).

Both the financial and non-financial performances of a company are written documents that provide a fair review of the development of a company's business and its position. In as much as the quality of information presented in ARs is crucial in communicating a company's development and position, communicating the information in a more readable fashion for every reader to comprehend is equally important (Li, 2008). A study by Brenner (1971) suggests that as much as 96.9% of American investors read financial reports, and 80.37% of the respondents agreed that financial reports were useful. Esptein (1975) also adds that the majority of investors (60%) in America found annual financial reports to be at least moderately useful in investment decision making. Recently, Gerald (2016) examined the readership of online annual reports statistics of 500 European Companies and discovered that 37,376 people visit annual reports page a year; 165,938 people view annual reports per year; and there were 2,590 and 1, 425 downloads of the PDF and XLS formats of the annual reports, respectively, per year. Gerald (2016) also discovered that even though readers may prefer German, Dutch and Italian languages, the English language was most preferred with 61.5% visits and 62.7% views annually of annual reports written in English. The author, drawing a distinction between online and printed annual reports, stated that with print reports, things are not that simple in that 10,000 copies of a report are printed, in the end no one really knows how many of them are actually read and, more importantly, which content was most relevant to the "actual" readers. But in online annual reports, the results prove that there is actual readership and there is possible feedback from readers (Gerald, 2016).

Annual Financial Reports (AFR) are very important documents in the business world. This assertion has been confirmed by a number of scholars including Miller (2010), You and Zhang (2009), and Lehavy et al. (2011) in varied ways. According to them, there is a positive relationship between readability of AFR and earnings from a business. Li (2008) also adds that reading AFR influences investors' trading behaviour. These findings by these scholars about the relevance of AFR, perhaps, contributed to the increased interest of customers, shareholders, investors among others to begin reading AFR. Cheung (2006) indicates that for AFRs to be useful to targeted audience in their decision-making process for investors and shareholders alike, such reports must communicate clearly to its readers. The extent to which readers comprehend AFR is the purpose for which the researcher conducts this study.

Although the importance of readable financial reporting has been highlighted, and cannot be overemphasized (Kumar, 2014; Li, 2008; Ajina, Bensaad & Msoli, 2018; etc), one thing seems to be missing, that is the readability of annual financial reporting of developing countries.

It is important to note that in the past few years, accounting reports in Ghana were peculiar to the nation, using the nation's own accounting system of reporting (Gyasi, 2010). Adding to the current development of screening in the Banking Sector of Ghana, where some banks have been liquidated, it is vital to examine if the annual reports of banks in Ghana reduce the information asymmetry among stakeholders in the Banking Industry. This suggests that the readability of financial reports from Ghana needs to be evaluated. Therefore, in this paper, attention is given to the readability of financial reports of four banks in Ghana. Specifically, two objectives were set:

1. To evaluate the readability of annual financial statements of four banks in Ghana;
2. To determine whether there were differences in readability of annual financial reports between banks on the GSE and those not on the GSE.

It is believed that the findings from this study will help financial institutions, especially the banks in Ghana, to conform the writing of their annual financial reports to the guidelines proposed and widely accepted and used by the Securities and Exchange Commission's plain English initiative. This is especially important when banks in Ghana have recently come under serious scrutiny of the regulator, the Bank of Ghana, to ensure that these banks operate within the rules and regulations on which their licenses were issued by the regulator. The action of the Bank of Ghana led to the dissolution and withdrawal of licenses of some banks by the Central Bank. The action led to a reduction in the confidence of Ghanaians in the Banking Sector. It stands to reason that both local and foreign investors will be very careful in investing in any bank in Ghana. If any investor decides to do business with a bank, these annual reports will be one of the sources from which such investors will turn to for information to inform their decision. If these reports have low readability, such investors are likely not to benefit from them. It is important that these written reports have a high readability, so that their intended purpose will be realized.

REVIEW OF RELATED LITERATURE

Literature was reviewed from two perspectives: the empirical and theoretical. In the empirical sense, works on readability and readability indexes, corporate communication, and readability of corporate annual reports were reviewed. In terms of the theoretical perspective, the Munter Communication Strategy Model was reviewed. The review on the Munter Communication Strategy Model encompasses the basic tenets of the model and views about the model, the link between the Munter Communication Strategy Model and readability.

Readability and Readability indexes

Chall and Dale (1995), two of the earliest proponents of readability, define readability as "the total sum of all those elements within a given piece of printed material that affects the success a group of readers have with it. The success is the extent to which readers understand printed material, read it at an optimal speed, and find it interesting". Therefore, although readability and comprehensibility are two separate concepts (McNamara & Magliano, 2009), readability has been used as a proxy to measure the comprehensibility of a written text, since a reader's ability to comprehend a written text is first and foremost, dependent on whether or not the written text could be read.

Measuring readability could be done using different approaches (Bailin & Grafstein, 2016). As of now, however, the most popular approach involves the use of regression equations, termed 'readability indexes'. This approach has been the classical method of evaluating the readability of a written text. Readability indexes (formulas) are mathematical equations derived by regression analysis, in which a model or equation that best predicts the reading grade level of readers who comprehend a given text is constructed. Readability indexes have been in existence for some time now, yet, some are more popular and often used than others. These popular ones include the Dale–Chall formula, the Flesch formula, the Flesch–Kincaid formula, the Fog formula, the SMOG index, and the Cloze procedure (Stevens, Stevens & Stevens, 1992).

Classical readability formulas have become popular because no reader participation is necessary for its evaluation, hence making it easier to use (Subramanian et al., 1993). This point, which has made classical readability indexes popular is also a source of several criticisms of classical readability. Critics of the use of readability indexes have argued that readability formulas ignore most factors that contribute to ease of reading and comprehension, including the active role of the reader (US Dept. of Health and Human Services, 2012). Relying on a grade level score can mislead you into thinking that your materials are clear and effective when they are not. Despite these criticisms, it is accepted that readability indexes give quick estimates of the readability of a written text, and with little extra preparation before the usage of such indexes, readability scores which are fair can be achieved. In this paper, the SMOG readability index was employed. A justification for its usage is given in the methodology section.

Corporate communication

Corporate communication is a fundamental part of the organizational system. Corporate communication, or organizational communication, is generally considered as a process of sending and receiving messages with attached meaning to reach business results (Schermerhorn, Hunt & Osborn, 1998). Similarly, Dewine (2001) defines corporate communication as "the processes by which messages are sent, the monitoring of these types of messages sent, the values associated with those messages, the amount of information conveyed, the rules and norms under which messages are sent, and the organizational variables that affect the process such as structure and outcome measures" (p 6).

However, organizational communication could also be used as a general term to cover public relations, public affairs, investor relations, labour market communication, corporate advertising, environmental communication and internal communication (Van Riel, 1995). Corporate communication is quite distinct from other kinds of communication. Organizational variables such as strategies, intentions, and outcomes are what differentiate corporate communication from other types of communicative contexts, such as family communication, among others (Dewine, 2001). This suggests that communication within an organisation depends on organisational variables to achieve business results. A paramount variable that enhances the effectiveness of communication within an organisation is the communication skills of employees.

Corporate communication can be viewed along the lines of internal and external communication (Kreps, 1990; Heide, Johansson & Simonsson, 2005). The internal corporate communication is information exchange within the organization. In this form of communication, messages can be exchanged via personal contact, telephone, e-mail, intranet (the website accessible only by employees) etc. Internal corporate communication as a way of information exchange within the organization can be vertical, horizontal and diagonal. On the other hand, in external corporate communication, the information exchange goes both within the organization and outside of it. Organisations communicate with the outside world on a daily basis. In this regard, the written form of communication is best suited to reach a wider group of people. One of such documents that are made to the public to communicate the affairs of an organisation to the public is Annual Financial Reports.

Readability of Corporate Annual Reports

Studies on readability of corporate annual reports date back to the 1950s. Pashalian and Crissy (1950) investigated the readability of corporate annual reports and found that the general level of readability observed was difficult, and beyond the comprehension of 75 per cent of the US adult population. In general, most works' findings have revealed that readability of annual reports to be at a level of difficult to very difficult, and beyond skills of about 90 percent of the adult population and about 40 percent of the investor population (Kumar 2014, cited in Courtis, 1995). In Kumar's (2014) findings, Asian companies' annual reports are more difficult to read due to the cultural adaptation of foreign culture to the Asian culture. According to Ajina, Bensaad & Msoli (2018), readable annual reports are those that provide homogeneous, simple, clear readable information that is understandable by all investors. The authors discovered that readability of financial annual reports reduces the agency's costs and information asymmetry between investors which attracts financial analysts.

As noted earlier, readable financial reporting has been highlighted, and cannot be overemphasized (Kumar, 2014; Li, 2008; Ajina, Bensaad & Msoli, 2018; etc); one thing seems to be missing, that is the readability of annual financial reporting of developing countries. The vast majority of assessments of the readability of Annual Financial Reports have been conducted in the developed countries (Kumar, 2014, and Ajina, Bensaad & Msoli, 2018).

For instance, Ajina et al.s (2018) study, which centered on French companies, explored the effects of annual reports readability on financial analysts' behavior. The authors defined readable annual reports as those that provide homogeneous, simple, clear, readable information that is understandable by all investors (Ajina et al. 2018). Citing an earlier work by Ajina et al. (2017), they defined complex annual reports as those that give unreadable information with a syntactic complexity that increases the processing and interpreting cost and, ultimately, the demand for analyst services. To the researchers, the readability of annual reports enhances the quality of information and helps ensure that the needs of both internal and external users of financial statements are met (Ajina et al. 2018). They argue that readable information provided by managers may appeal to analysts, reduce the time analysts spend understanding and interpreting this information, and facilitate their forecasts. Based on their findings, Ajina et al. (2018) concluded that readable financial reports reduce the agency costs and information asymmetry between investors. The authors further asserted that there was a positive relation between analyst following a company and the readability of the company's annual reports. They, therefore, recommended that French companies issue understandable information to the markets by employing readability strategies such as using short sentences, common words, or the active voice. The authors believed that such strategies will reduce the cognitive distance between information senders and users. Another study by Kumar (2014), which centered on U.S – listed Asian companies, examined the determinants of readability of financial reports. The researcher investigated the impact of secrecy, ownership dispersion and profitability on the readability of annual reports of U.S.–listed Asian companies. Quoting Li (2008), the researcher stated that the primary argument for this regulation is that firms could use vague language and format in disclosure to hide adverse information, and average investors may be unable to understand these disclosures leading to capital market inefficiency (Kumar, 2014). He discovered that companies with higher ownership dispersion are providing more readable annual reports while larger sample companies are providing more difficult to read financial statements. Even though the researcher's results failed to reject the hypothesis related to the readability effect on profitability, his findings established that cross-listed companies tend to have difficulty writing readable financial reports. This is because they are companies that tend to borrow a global culture while retaining characteristics of domestic culture (Kumar, 2014, cited Zarzeski, 1996). Therefore, his assertion that the findings have important implications for international investors and global standard-setting bodies is crucial (Kumar, 2014). This leaves a gap for developing countries such as Ghana.

In Ghana, even though annual reports of banks have been understudied, annual reports of other institutions in Ghana have been studied by scholars. For instance, the readability of annual reports of the Social Security and National Insurance Trust (SSNIT) has been researched by Gyasi (2017). He discovered that the of annual reports of SSNIT are difficult to read. The author, therefore, recommended a revision of the writing styles in order to make the reports readable. Also, a similar study on readability of annual reports of the Vice Chancellor of University of Cape Coast has been researched by the same author. The findings showed that annual reports of the Vice Chancellor are difficult to read (Gyasi, 2018). Likewise, the author recommended a reconsideration of the writing style and language in order to make the reports readable. Closely related to reports is the study conducted by Fosu (2016) entitled: '*Linguistic description of Ghanaian newspapers: implication for readability, comprehensibility and information function of the Ghanaian Press'.* The researcher stated that there was close relation between the terms readability and comprehensibility. His study revealed that the language used to communicate socio-political news to readers is complex and could be potentially difficult for many readers (Fosu, 2016). To the researcher, this has a significant negative impact on newspapers' effectiveness in transmitting information to a wide spectrum of readers for socio-political benefits. The conclusion, therefore, by the researcher is that readability and comprehensibility of newspapers is possibly hindering the information role of the press in Ghana (Fosu, 2016). Since the above stated studies confirmed the difficulty readers encounter when reading annual reports and newspaper reports, it is incumbent on researchers to provide further study into the readability of financial annual reports.

Researchers have gone a bit further than just evaluating the readability of an annual report. Instead of evaluating just the readability of such reports, several authors in recent years have conducted studies to find associations between readability of annual reports and some other variables that measure corporate performance. For example, Li (2008) used the Fog formula and added document length as another proxy for readability. She concluded that the readability of annual report of poorly performing firms was lower than that of well-performing firms. Also, in Kumar (2014), the univariate and multivariate analyses show that companies whose domestic culture is more secretive are providing less readable financial statements. His research discovered that companies with higher ownership dispersion are providing more readable annual reports while larger sample companies are providing more difficult to read financial statements. To him, readability of annual reports can be linked to culture and ownership dispersion, but his research could not find a correlation between readability of annual reports and firms' profitability, even though some studies do (Li, 2008 and Ajina et al. 2018).

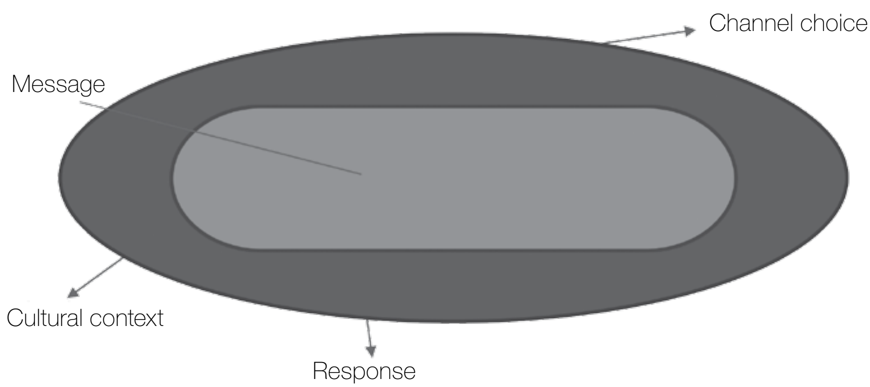
Dempsey et al. (2010) examined the pricing implications of firm disclosure opacity, measured by the readability of Real Estate Investment Trusts' annual reports. They found, consistent with previous studies, that annual report complexity was significantly greater for poorer performing firms. Furthermore, Bayerlein and Davidson (2014) investigated the effect of connotation on readability and obfuscation. They found that the reading difficulty levels within chairman addresses were typically high, or very high. A number of other similar studies have been reported elsewhere (e.g. Richards et al., 2015). In a more recent study by Gyasi (2018), he found that readability of SSNIT annual reports was difficult. Moreover, in an earlier study of readability of annual reports of University of Cape Coast Vice Chancellor's reports, Gyasi (2017) discovered the annual reports of the Vice Chancellor were difficult to read.

It is noted from the above review that corporate annual reports, including those from the accounting and finance sectors are difficult to read, even in developed economies where there is tighter control of financial reporting standards with the aim of improving readability. It is argued here that the readability of annual reports of banks in Ghana will be difficult since the same regulatory measures are not available or enforced in the same manner in Ghana as it is in developed countries.

Theoretical framework

The theoretical framework selected for the study was the Munter Communication Strategy Model advanced by Mary Munter in 2003. The diagram below illustrates the Munter Communication Strategy Model.

Fig. 1



Source: Munter (2003)

Figure: Munter communication strategy model

The Munter Communication Strategy framework comprises four key elements; these include the communicator, message, audience and response. The first of the Communication Strategy Framework is the strategic communicator. Communicator plans their communication by focusing on their communication objectives. These objectives identify what the communicators want their receiver or audience to know, to think or to do. With communication objectives defined, communicators analyze the receiver of the message to determine what message strategies are most likely to lead to positive results. The communicator then selects appropriate channels for the message considering the cultural context where the communication takes place. Finally, the receivers or audiences' response gives the communicator feedback to determine if the communication was effective.

There is a connection between the communicator as element of Munter communication strategy model and corporate communication. According to Chatterjee, Tooley, Fatseas, & Brown (2011), annual reports are corporate reports that have considerable value for their users (audience). The main actor in the preparation of Annual Financial Reports is the communicator who has identified a gap of knowledge that needs to be filled to supply quality information to stakeholders, investors and policy makers in the corporate world.

Consequently, the communicator then selects appropriate channels for the message considering the cultural context where the communication takes place. Generally, the main channel in which Annual Financial Reports are presented is the written mode of communication (Brenner, 1971; Esptein, 1975; Miller, 2010; You & Zhang, 2009; and Lehavy et al., 2011). Many authors emphasize the importance of reading Annual Financial Reports since there are serious competitions among firms in the corporate world (Cohen, 2002; Coy & Dixon, 2004; Li, 2008; Linsley & Shrives, 2006; Santema & Van de Rijt, 2001). It is only when AFRs of other firms are read that firms would be aware of their short-comings and make amends.

The next aspect of the Munter Communication Strategy Model is the responses from the audience. Scholars have read AFRs of firms and have come up with certain information. To talk about the cultural context of the model, Pivac and Cular (2012) claim that a large number of key elements are missing in the Croatian AFRs of listed companies and that annual reports in Croatia measured by a disclosure quality index are of average quality. This is clearly the response of audience on one hand. The cultural context in this case is the basic structure that must be universal in all AFRs. On the other hand, other beneficiaries of the AFRs also claim that reading AFR positively influences their earnings from a business, changing investors' trading behaviour and helps in the decision-making process for investors and shareholders alike (Miller, 2010; You & Zhang, 2009; & Lehavy et al., 2011). Munter (2003) has adapted the basic variables of a basic model for her "Communication Strategy" model.

METHODOLOGY

Research Design, Sample, and Sampling Techniques

The study employed quantitative research design, using the descriptive research approach (Blessing & Chakrabarti, 2009). This approach was used since statistics were to be computed in order to describe readability of the annual financial reports. The annual financial reports of four banks (Ghana Commercial Bank, Agriculture Development Bank, Fidelity Bank, and Unibank) were conveniently sampled, employing the quota sampling technique for the study. The quota sampling technique was employed since the sample was gathered in a non-parametric manner (Skovsmose & Borba, 2000). Out of the selected banks, two were state – controlled banks while the other two were privately owned. This approach was employed because each of the state – controlled banks (Ghana Commercial Bank and Agricultural Development Bank) were listed on the Ghana Stock Exchange (GSE). Hence, compliance of these banks to the regulations of international financial reporting was supposedly followed. This meant that better readability of reports from these two banks was expected. The other two banks (Fidelity Bank and Unibank) were not listed on the GSE, implying that readability of their reports was expected to be relatively poorer than the other two. This criterion of including two banks on the GSE and two which were not, allowed for a stratification and comparison of the reports from these two groups of banks.

Data Collection

Selecting text from the reports for readability score computation, the researcher used three segments of each report. These were (1) the chairman's statement (2) the independent auditor's report, and (3) corporate governance. These three segments were selected because it was believed that these sections would have significant impact on readers' decision-making. For example, the chairman's statement has been indicated to be the most read portion of annual financial reports (Richards et al., 2015). The readability of this section is critical to decision-making for both investors and policy regulators. In addition, the independent auditor's section of the report was considered to be the section to portray the financial position of the banks in an unbiased manner. Thus, this section would have quite significant effect on readers decision-making, was included.

The annual reports used covered consecutive years' reports that had all three sections present. This was done to ensure uniformity and to allow for comparison. By this criterion, some banks' reports covered three years whiles others covered two consecutive years. Details of the years used have been presented in the Appendix. These were the available reports on the websites of these banks which covered consecutive years. For each of the years in question, texts from the sections of the annual report were selected for readability calculations and presented under various sub-themes. Hence, the readability of each sub-theme was calculated independently of the other, since each theme required a different writing approach. A detail of this is given in the Appendix.

Selected texts were first prepared before readability scores were computed, in line with recommendations of US Dept. of Health and Human Services (2012). This was done to ensure accuracy of the readability scores that were computed.

The SMOG readability index was used to calculate the readability of the annual reports. This index was employed because it is recommended as a very reliable proxy to measuring readability (US Dept. of Health and Human Services, 2012). In addition, the SMOG readability index is noted to perform well for document that is meant for relatively literate audience, such as financial disclosures. The Fog index was not used in this assessment although same has been applied in the evaluation of the readability of several financial disclosures by earlier authors because the Fog index has been noted to perform much better for low literacy documents (Doak, Doak, & Root, 1996; Root & Stableford, 1998).

Data Analysis

With the help of IBM Statistical Products and Services Solutions (SPSS) version 24.0, frequencies, percentages, means, and standard deviations were used to describe readability of the annual financial reports (Objectives 1).

Independent sample t – test, with bootstrapping, was employed to determine differences in readability of texts between annual reports of banks listed on the GSE and those not on the GSE (Chernick, 2007). The bootstrapping technique was performed for samples of 1000 to ensure robust estimates of significance or p-value, standard errors and the confident intervals (Field, 2013). To achieve this, Bias corrected and accelerated (BCa) intervals were used since it ensures adjusted intervals that are more accurate (Field, 2013), and Mersenne Twister Random Number Generator was set to replicate a sequence of random numbers. This helped to preserve the original state of the random number generator and restore that state after the analysis was completed (Kirby & Gerlanc, 2013). The results are presented below.

RESULTS AND DISCUSSION

Determining the readability of banks' annual financial reports

Table 1 presents descriptive statistics of the readability of annual financial reports of four banks in Ghana measured using the SMOG readability formula. Means (and standard deviations) were used to evaluate the readability of the annual reports and have been reported in Table1. In this paper, efforts have been made to interpret the SMOG scores in the narrow sense for which readability indexes were created, in line with the recommendations of US Dept. of Health and Human Services, 2012). Thus, linking the SMOG scores to grade level and comprehension were avoided, although that has been the practice of many users of readability scores.

Table 1: Descriptive statistics for SMOG readability scores of annual financial reports of four banks in Ghana.

Bank	Year	Min	Max	Mean	Std. Deviation
ADB	2013	6.20	25.60	14.00	5.74
	2014	6.70	15.90	11.57	3.09
	2015	7.50	19.00	12.52	3.60
	Total	6.20	25.60	12.81	4.42
GCB	2014	8.30	20.90	13.85	3.34
	2015	8.50	25.00	14.34	4.09
	2016	7.00	24.60	14.02	4.83
	Total	7.00	25.00	14.08	4.02

Fidelity	2014	7.20	26.20	15.06	4.95
	2015	6.70	28.00	16.56	5.57
	2016	5.20	23.20	14.81	5.54
	Total	5.20	28.00	15.43	5.31
Unibank	2014	5.40	25.30	12.46	5.36
	2015	7.40	25.00	12.94	5.03
	Total	5.40	25.30	12.70	5.06

Source: Field Data, 2018

It is observed from Table 1 that for all the banks, the reports use *'difficult'* words and sentences when compared to reference SMOG scores (US Dept. of Health and Human Services, 2012). This finding is consistent with a majority of earlier works. Kumar (2014) revealed that large companies as well as companies which are secretive tend to provide difficult to read annual report. Ajina et al. (2018) found that French companies also provide difficult to read annual reports, which affects information flow between the companies and financial analysts. Similarly, Gyasi (2018) discovered that annual reports of the Vice Chancellor of University of Cape Coast and SSNIT of Ghana tend to be difficult to read. These earlier observations therefore make the current study consistent with extant literature. In addition, the readability of the reports of all the banks has not improved over time. The mean readability scores for two of the banks (ADB, Fidelity) have only improved marginally over time. For the other two banks (GCB and Unibank), the readability got relatively worse over time such that earlier years' reports were relatively more readable than subsequent years. In general, however, Unibank produced the least difficult to read report (Mean =12.7; SD = 5.06). In contrast, Fidelity Bank produced the most difficult to read reports, on the average. It is noted however that the annual reports used to evaluate the readability of Unibank covered only two years, as compared to the three years for Fidelity Bank. Since means are affected by extreme values, it is likely that Unibank's readability was better because of the number of reports used for computing the readability scores. Otherwise, the findings disagree to some extent with the research of Kumar (2014) that large companies tend to produce readable reports. In this study, GCB, ADB and Fidelity, which are relatively large companies, tend to produce more difficult annual reports than Unibank.

The purpose of financial reports is to provide information regarding a company's financial operations. This helps investors to make decision of either to invest or not to invest in a company. On the other hand, regulators use financial reports to determine compliance of these banks to regulate policies. For example, it may not be out of context to state that in reviews of the banks in Ghana by the Bank of Ghana, one major source of relevant information to the regulatory body, Bank of Ghana, was the annual reports of banks. All these purposes are achieved when banks communicate financial information effectively to clients. From the findings of this objective, however, investors and regulators will have a challenge to read the financial churned by these banks since on the average, the words used are difficult to read.

Objective two: Differences in readability of annual financial reports between banks on the GSE and those not on the GSE

Objective two was analyzed using independent sample t-test, with bootstrapping. The results of the original and bootstrapped samples have been presented in Tables 2 and 3 as follows:

Table 2: Independent sample test showing original Samples

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Diff.	Std. Error Diff.	95% Confidence Interval of the Difference	
								Lower	Upper
Equal variances assumed	3.358	.069	-1.305	148	.194	-1.01891	.78107	-2.56241	.52458

Table 3: Independent sample test showing bootstrapped confidence interval							
		Mean Difference	Bootstrap				
			Bias	Std. Error	Sig. (2-tailed)	95% Confidence Interval	
						Lower	Upper
Smog Index	Equal variances assumed	-1.01891	-.02607	.79892	.209	-2.65961	.53181
	Equal variances not assumed	-1.01891	-.02607	.79892	.206	-2.65961	.53181

Source: Field Data, 2018

Since Levene's test of equality of means was statistically insignificant, equal variances were assumed for the two groups (banks on the GSE and those not on the GSE). From Table 2, the original sample showed no statistical difference in SMOG scores between banks on the GSE and those not on the GSE ($t_{(148)} = 3.358$; $p = .194$). This finding was confirmed by the bootstrapped sample, such that no significant difference was established ($t_{(148)} = 3.358$; $p = .209$). Therefore, it can be concluded that banks adhering to the international standards of accounting reporting which requires banks to write financial reports in plain language did not write more readable reports than those banks which did not.

Although the international standard of accounting reporting is to write in plain language, monitoring that the reports are indeed written in plain language has not been demonstrated. Therefore, banks which are obligated to follow the international golden standard may still write in a manner that obscures the true state or performance of the bank. On the other hand, however, since Ghanaians are known to use flamboyant English expressions as a measure of academic prowess and intelligence, if banks were to write in plain English language, it may be misconstrued to mean lack of quality and it may hamper investors from engaging with the bank. Either of these two explanations is a possible reason the four banks use difficult words and sentences in writing their reports.

Using the Munter Communication Strategy Model, the researcher observed that the Communicator, which is the banks in this case, seeks to communicate a message that meets the knowledge needs of their audience, that is, shareholders, financial analysts, consumers and other members of the public. With respect to the rewritten channel component of the model, it is encouraged that writers get conscious of the readability of the written text in order for effective written communication to take place. The response component of the model will be the investors deciding to invest in the bank based on the informed decision made from reading annual reports. But then, such a positive response from investors is achieved if reports are readable. It is therefore, expedient to state that Munter Communication Strategy Model is a key guide for effective communication. In Bank Annual Reports, there is the need for users of the model to be mindful of text readability when using the written channel since readability can negatively affect effectiveness of the model. Therefore, it is observed that when readability of text is difficult and there is no response from users for effective revision of content to achieve readability, it is most likely that communicators will not achieve their objectives.

CONCLUSION

This study explored the readability of annual reports of four banks in Ghana. This was against the background that financial annual reports are important documents that provide information for an assessment of the performance and projected profitability a bank. The reports are there an important mouthpiece for effective communication with stakeholders of the financial sector. As such, these reports need to be readable.

The results of the study showed that all the four banks' annual reports were difficult to read because the reports were written using polysyllabic words and complex grammatical structures. The study discovered that the readability of the annual reports of Ghana Commercial Bank and UniBank decreased with insignificant margins in three consecutive years; while the readability of annual reports of Agricultural Development Bank and Fidelity increased in three and two consecutive years respectively, although the margin of increment was not statistically significant. Additionally, the study revealed that the banks on the Ghana Stock Exchange (GSE), Ghana Commercial Bank and Agricultural Development Bank, which supposedly follow international accounting reporting principles did not produce readable annual reports compared to the banks not on the GSE, Fidelity Bank and Unibank.

The implications of these findings are that the four banks are not communicating effectively with both internal and external 'players' in the banking environment. This is likely to negatively affect investor confidence and performance of the banks. Especially, in the Ghanaian context where the banking sector is critically under scrutiny by the regulator, Bank of Ghana, there is a high need for banks to produce readable annual reports in order to keep their customers and key stakeholders informed about the banks' achievements and projections. Since readable annual reports have a positive relationship with the profit and good image of banks, banks that produce readable annual reports are most likely to maintain customers, attract new customers and investors and above all reduce need for analyst service in terms of publics' use of the annual reports. It is thus suggested here that the banks work hard to improve the readability of their reports in order to enhance their communication.

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