Social media marketing and financial fraud: review paper

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Abstract
The Indian financial services sector has witnessed exponential growth within the last decade—a growth that has not been while not its pitfalls, as incidents of fraud, have conjointly been on the increase. financial fraud is big business, causative to a calculable twenty billion USD in direct losses annually. trade consultants suspect that this figure is really a lot of higher, as corporations cannot accurately establish and live losses because of fraud. this study highlights each of the potential and limitations of social media promoting corporate and corporate performance in detection corporate fraud by examining info from a literature review on social media from 2016 to 2019.

Keywords: Corporate performance, Earnings management, financial fraud, Mergers & Acquisitions, Social media, Twitter.

Introduction

The younger generation in India nowadays has financial and social independence. they're not solely driven by high aspirations however are technology savvy, well-read, and connected through social media. Hence, financial establishments square measure wanting to faucet into this new market by providing services and merchandise that square measure tailored to their needs. financial establishments square measure enhancing their processes, controls, and fraud risk management frameworks to minimize the opportunities for fraud furthermore as scale back the time taken in their detection. Funding for fraud management initiatives, however, continues to contend with different business initiatives and is usually challenged on a cost-benefit basis. several financial establishments square measure so implementing their fraud management and news frameworks to come up with data in an exceedingly manner that the extent of fraud known, prevented and actual losses incurred square measure known. This approach has enabled the advantages of competent resources and automatic tools to be quantified additional exactly. the web is quick changing into the favoured mode for playacting financial transactions—checking one’s bank balance, requesting for bank statements and chequebooks, upgrading debit cards, and even buying a virtual product. Also, financial establishments square measure more and more victimization social media platforms to have interaction with their customers and enhance their service offerings. one of the most important non-public sector banks in India recently launched a multi-social payment app that permits customers to transfer cash through social media channels. whereas social media platforms have several blessings, they additionally carry inherent risks of security breaches. financial transactions via social media channels, and particularly those on mobile banking apps, square measure at risk of malware attacks.

Evolving risks within the financial services sector

While a number of the risks within the financial services sector have continuously been there, they keep dynamic with the perpetually evolving technology standards and regulative framework.

Cybercrime: A majority of the banks in India provide online and mobile banking services. Most of the transactions square measure conducted via payment cards, debit and credit cards, and electronic channels like ATMs. Consequently, each non-public and public bank furthermore as different financial establishments in India have become more and more liable to refined cyberattacks.

Identity theft: With the proliferation of mobile devices and online platforms, the character of fraud has modified in today’s world.

Financial laundering: India has witnessed various terror attacks and remains a possible target for such strikes. demanding regulative demand and media scrutiny have created it necessary for financial establishments to perform strict compliance checks to stop the utilization of cash wash to fund terrorist activities.

Black financial: consistent with the world financial Integrity Report,5 the full quantity of illicit cash moving out of India rose to 439.59 billion USD (28 hundred thousand large integer INR) from 2003 to 2012. In 2012, India hierarchal third globally, with associate calculable ninety four.76 billion USD (nearly vi hundred thousand large integer INR) in illicit wealth outflows. With the passing of the new Black cash (Undisclosed Foreign financial gain and Assets) and Imposition of Tax Act, 2015, financial establishments square measure below growing pressure to eliminate this malignancy.

Loan loss: The chance of loan loss is high in India. thanks to a lack of applicable due diligence of loans, the number of loan defaults has accumulated in recent years. The non-performing assets square measure growth in the previous few years whereas the gross domestic product has been declining.

Objectives: The main aim of the study is to notice the corporate fraud by examining data from the literature review on social media selling and corporate performance from 2016 to 2019.

Review of Literature

Social media marketing and corporate performance

Mazboudi, M., & Khalil, S. (2017) done a study titled, the attenuation result of social media: proof from acquisitions by massive companies, to look at the role of social media in firm acquisitions. The author utilized the "push" technology that permits companies to scale back info spatial property by distributive news to a broader set of investors in an exceedingly timely manner. victimization hand-collected acquisition announcements from Twitter covering the amount from 2009 to 2012, they notice that the acquirer size could be the main determinant of exposing acquisition announcements on Twitter. massive acquirers announce their acquisitions on Twitter and, as a result, area unit ready to attenuate the anticipated negative market reaction at acquisition announcement. They notice no proof that the attenuation result of saying acquisitions on Twitter after reverses or that pronouncing acquisitions on Twitter is related to pre-announcement earnings management. Overall, the study results counsel that Twitter has become a crucial capitalist relation channel for major corporate events like acquisition announcements which massive acquirers will use this new channel to boost stability in their stock costs. To examine however ancient media and Twitter protect business scandals, Jiang, J. X., & Shen, M. (2017) created a study with title ancient Media, Twitter, and Business Scandals. The results of the study are that media organizations as well as newspapers, TV networks, and alternative media retailers area unit active Twitter users with vital followers. They solely sent I Chronicles of the scandal connected threats, however, their threats account for thirty-ninth of Twitter users that follow all scandal connected threats. Newspaper articles area unit additional extremely related to a firm's abnormal stock returns and mercantilism volumes than individual threats. Besides distributive and magnifying the content of ancient media, people give news results in ancient media through Twitter. They additionally lead newspaper coverage (more timely). However, media and individual Twitter users dissent during which scandals to hide and distribute. Overall, they conclude that social media like Twitter complement instead of substitute ancient media in covering business scandals. Chong, D., Li, L., Wu, H., Park, J., Shi, H., & Yan, G. (2018) had done a study on titled Social Media Sentiment and loan catching, to analyze however social media affects loan catching. They were found that borrowers that receive positive social media user opinion on social media fancy additional favourable value of loan contracts. extra analyses indicate that the relations among social media user opinion and loan value vary with the firm size, loan structure, and convenience of public info of borrowers. Overall, this analysis provides proof that social media reduces the price of bank loans by decreasing info spatial property between borrowers and lenders within the capital markets. Lei, L. G., Li, Y., & Luo, Y. (2018) from their study titled Social Media and Voluntary nonfinancial revelation: proof from Twitter Presence and corporate Political Disclosure tried to analyze whether or not and the way social media (i.e., Twitter) affects firms' voluntary nonfinancial revelation (i.e., corporate political disclosure). Their results show that Twitter-adopting companies area unit typically additional clear in their revelation of corporate political contributions and connected policies and board oversight. Moreover, companies with additional Twitter followers and companies whose corporate political activities area unit targeted {in additional|in additional} Twitter messages area unit more clear in such disclosures. Their cross-sectional analysis suggests that this result is stronger for companies whose stakeholders area unit additional active on Twitter and companies that area unit less visible or additional good. Their results stay sturdy to different economics model specifications and dominant for different social media platforms. Taken along, their findings counsel that social media (i.e., Twitter) presence exerts pressure on firms' voluntary nonfinancial revelation practices (i.e., corporate political disclosure). Nechushtai, E. (2018) done a study titled may digital platforms capture the media through infrastructure? to look at the connection between the news business and digital platforms, most notably Facebook and Google, through a social science framework. this text suggests that Google and Facebook area unit apace increasing their potential capability to try to to therefore. aboard the kinds of capture delineated within the literature, the foremost crucial component in Google and Facebook's relationships with news organizations is that the incontrovertible fact that they need a return to produce the bulk of the audience for online news and area unit vital sources of potential growth in viewership. additionally, they equip news organizations with tools for news production, give them information on the reach of stories, and supply tools for analytics and insight. All this doubtless amounts to a replacement variety of capture that may be known as infrastructural capture: circumstances during which a scrutinizing body is incapable of operative sustainably while not the physical or digital resources and services provided by the companies it oversees and is thus keen about them. This new class of capture, nonmoving within the dynamics of the latest digital news markets, may create serious challenges to the power of reports organizations to scrutinize the firms that direct most of the traffic to their sites. Xiong, F., Chapple, L., & Yin, H. (2018) done a study titled the utilization of social media to observe corporate fraud: A case study approach. this text highlights each of the potential and limitations of social media in detective work corporate fraud by examining info from ancient media and social media. This study presents many observations on however managers will use social media as a tool to show revelation fraud. Users of social media tend to be less stifled in expressing their moods associated with brazenly share what they grasp on social media compared to an offline surrounding (Christofides, Muise, & Desmarais, 2009; Valkenburg,2017). people and organizations will access novel info on social media associated with fraud detection. Social media provides a chance for coverage for all organizations, despite their size. As noted by Blankespoor et al. (2014) and Prokofieva (2015), low-visibility firms get pleasure from larger exposure by posting monetary and business info on their Twitter accounts. Establishing a system to observe and track the wealthy info landscape provided by social media ought to be a high priority for managers. Information is posted on social media from a diverse group of stakeholders and these platforms allow for the mapping of social networks, which may contribute to corporate fraud detection. Monitoring tools can map connections or relationships among individual network actors and their links to discrete functions of organizations. Social media creates volume. Comparing the information environment between traditional media and social media reveals that misleading information is more repetitive in traditional media than social media, as was the case with EMPO's alleged campaign periods.

Stice, H. (2018) with an objective to examine how the amount of publicly available data influences price discovery done a study titled From Data to Information: Does the Internet Oversupply the Market with Data?. The results of the study are that more data available online is negatively associated with the speed at which earnings information is impounded into a stock price which is consistent with preliminary findings in prior research. Firms most strongly affected have more saturated information environments (consistent with more information being too much information and "overloading" investors) and have more retail investors trading their stock. Finally, the author found evidence that this relation is concave when retail trading activity is high (information initially promotes price discovery then appears to hamper price discovery. Bank, S., Yazar, E. E., & Sivri, U. (2019) made a study to test the impact of usage of Twitter as a microblogging service provider on shareholders 'returns and abnormal returns. The findings of the study are that From a more general view of the results obtained from the time series graphs and descriptive statistics, it can be concluded that performance advantages on Twitter in related metrics increase shareholder returns, consistent with Cole et al.'s (2015) study. Regression analysis results, on the other hand, point to the need to take into account different aspects of the subject to be able to make evaluations. However, it should be noted that it is not clear whether the information generated and spread by individuals on social media platforms such as Twitter would be of value. Given the fact that these platforms are not fully regulated, it should not be overlooked that such information may be speculative, skeptical and perhaps manipulated (Bartov et al.,2018). Rosati, P., Deeney, P., Cummins, M., Van der Theyrff, L., & Lynn, T. (2019) done a study titled Social Media and Stock Price Reaction to Data Breach Announcements: Evidence from US Listed Companies to analyze the impact of social media exposure by affected firms on stock price reaction to a data breach announcement. Empirical analysis suggests that communication via social media (i.e. Twitter) tends to exacerbate the negative impact of data breach announcements on stock price, causing an average additional decrease of 1.2 percent over a two-day event period (0,+1),. Further analyses suggest that the negative effect of social media is even more pronounced when firms (a) disclose the event through their Twitter account (-5.2 percent), (b) increase the communication via social media in the event period, and (c) have a larger audience on social media. However, the results of the study also suggest that the impact of social media is positive for low-visibility firms.

Conclusion

Social media offers platforms for businesses to connect with customers, a way to improve engagement, an avenue for positive comments and complaints, and also allows average users to create networks of friends and colleagues. However, the sheer size of platforms such as Facebook, Twitter, Instagram, and LinkedIn also gives fraudsters a wide pool of potential victims. This study presents several observations on how managers can use social media as a tool to expose disclosure fraud. Users of social media tend to be less inhibited in expressing their moods and openly share what they know on social media compared to an offline environment (Christofides, Muise, & Desmarais, 2009; Valkenburg, 2017). Individuals and organizations can access novel information on social media related to fraud detection. Social media provides an opportunity for coverage for all organizations, regardless of their size. As noted by Blankespoor et al. (2014) and Prokofieva (2015), low-visibility companies benefit from greater exposure by posting financial and business information on their Twitter accounts. Establishing a system to monitor and track the rich information landscape provided by social media should be a top priority for managers. Information is posted on social media from a diverse group of stakeholders and these platforms allow for the mapping of social networks, which may contribute to corporate fraud detection.

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