

Digital Financial Disclosure and Investor Relations in the Era of Social Media: A Review

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Abstract : The fast expansion of social media and digital platforms has fundamentally altered how businesses convey financial data to investors, analysts, and other market participants. This critical review brings together a large corpus of empirical and theoretical work on digital financial disclosure and investor relations (IR) from top accounting, finance, and management publications. The research investigates how platforms like Twitter, Facebook, LinkedIn, corporate websites, and interactive investor portals have transformed disclosure procedures, information asymmetry, the cost of equity capital, market liquidity, and business valuation.

The paper explored numerous studies on key theoretical frameworks including agency theory, signaling theory, product-channel fit theory, the Investor Recognition Hypothesis, and institutional theory to explain how and why digital disclosure affects capital markets (Blankespoor et al., 2014; Jung et al., 2018). The evidence indicates that digital disclosure reduces information asymmetry by approximately 19.5 basis points and lowers the cost of equity capital, especially for less visible firms (Albarrak et al., 2020; Prokofieva, 2015). However, firms engage in strategic selectivity, disproportionately amplifying positive news while suppressing negative disclosures (Jung et al., 2018; Hasan et al., 2019).

Investors process social media information via secondary channels, resulting in credibility discounts compared to traditional investor relations (IR) channels (Snow, 2015). Geographic and institutional circumstances influence the effects of digital disclosure, with emerging markets showing diverse patterns of uptake and impact (Al-Sartawi, 2019). The review reveals important gaps in the literature, such as insufficient attention to future technologies (artificial intelligence and blockchain), non-financial disclosure, debt markets, and long-term corporate performance. This study offers a future research agenda focused on five thematic clusters: platform variety, investigating emerging technologies, investor heterogeneity, long-term and causal research, and digital disclosure and non-financial reporting.

Keywords: Corporate communication, emerging technologies, digital financial disclosure, investor relations, social media,

information asymmetry, Twitter, cost of equity capital, market liquidity.

1. Introduction

The digital revolution has fundamentally transformed the environment of corporate financial communication. Over the last two decades, the emergence of social media platforms, corporate websites, real-time investor portals, and interactive digital communication tools has resulted in a rich ecosystem of channels through which firms disseminate financial information to markets and investors. This transformation has not only added new information channels, but it has also redesigned the speed, interactivity, reach, and strategic deployment of financial disclosures in ways that challenge regulatory frameworks, alter investor behaviour, and reshape capital market dynamics (Miller & Skinner, 2015; Blankespoor, 2019).

Traditional financial disclosure operated within a hierarchical model in which information flowed from firms to regulators, institutional intermediaries such as analysts, and eventually to retail investors through press releases, annual reports, mandatory filings, and earnings calls (Healy & Palepu, 2001; Frankel et al., 1999). Digital media has disrupted this hierarchy by enabling firms to communicate directly, frequently, and in real time with diverse investor audiences, bypassing

traditional intermediaries (Blankespoor et al., 2014; Brennan & Tamarowski, 2000). At the same time, social media platforms have introduced new risks of strategic manipulation, misinformation, and information overload that complicate investors' ability to process and act upon digital disclosures (Lee et al., 2015).

The academic literature on digital financial disclosure has grown substantially, yet it remains fragmented across accounting, finance, management, and information systems disciplines. Studies have examined specific platforms—Twitter, Facebook, corporate websites, interactive investor portals, and Chinese social media platforms—but a comprehensive critical review that synthesizes findings across platforms, markets, and theoretical traditions is still lacking. Prior systematic reviews have made important contributions but do not capture the most recent developments in social media regulation, and the emerging role of artificial intelligence in financial reporting. This critical review addresses these gaps by synthesising empirical evidence and theoretical insights from over a hundred studies. The specific objectives of this review paper are:

- (1) To explore the theoretical framework integrating multiple perspectives on digital disclosure;
- (2) To enquire about the various digital platforms used for financial communication;
- (3) To study the strategic dissemination behaviour and firm motivations;
- (4) To study the information processing and investor perceptions
- (5) To compare the strategic disclosure behaviours of firms across different geographical Regions & Regulatory Influences
- (6) To evaluate the market consequences of digital disclosure; and
- (7) To identify the directions for future research.

By integrating insights across these dimensions, the review offers both academic and practitioner audiences a holistic understanding of how digital media is reshaping corporate financial communication in the twenty-first century.

2. Review of Literatures & Objective Wise Findings

2.1 Theoretical framework integrating multiple perspectives on digital disclosure

Understanding the role of digital media in financial disclosure requires integration of multiple theoretical traditions from accounting, finance, and communication studies. This section presents the key frameworks that underpin the extant literature.

2.1.1 Agency Theory and Information Asymmetry

Agency theory identifies information asymmetry between corporate insiders and external investors as a fundamental source of agency costs (Fama 1970). Traditional disclosure mechanisms—mandatory financial reports, analyst coverage, and voluntary disclosures—serve to reduce asymmetry by increasing the information available to outsiders (Healy & Palepu, 2001; Diamond & Verrecchia, 1991). Digital platforms extend these mechanisms by enabling real-time, low-cost, and widely accessible dissemination of financial information, potentially mitigating agency costs at scale (Blankespoor et al., 2014). However, the effectiveness of digital disclosure in reducing information asymmetry depends critically on disclosure credibility, the quality of information intermediation, and the sophistication of investors who receive it (Botosan, 1997; Brown & Hillegeist, 2007).

2.1.2 Signaling Theory

Signaling theory says that firms use voluntary disclosures as costly signals of quality to differentiate themselves from lower-quality competitors. Digital platforms expand the signaling toolkit available to firms, enabling

more frequent and interactive communication with investors (Zhang, 2015). The credibility of digital signals, however, may be moderated by regulatory oversight, third-party verification, and historical disclosure patterns (Guindy, 2016; Prokofieva, 2015). Regulatory legitimization of social media as an official disclosure channel—exemplified by the U.S. Securities and Exchange Commission's (SEC) April 2013 guidance—materially enhanced the informativeness and credibility of corporate tweets, transforming them from promotional content to substantive financial disclosures (Guindy, 2016).

2.1.3 Product-Channel Fit Theory and Information Processing

A theoretical innovation specific to the digital disclosure context is the extension of product-channel fit theory to information processing (Snow, 2015). This framework demonstrates that the communication channel itself shapes how investors process financial information. Retail investors process information received via Twitter through peripheral, heuristic-driven routes—unconscious and relatively unelaborated—while processing information from investor relations websites through central, systematic, and conscious routes. This channel-dependent processing has significant implications for credibility perceptions, investment decisions, and the strategic design of IR communication. Management credibility perceptions are consistently lower for social media disclosures compared to formal IR channels, a finding with important implications for firms' multi-channel communication strategies (Snow, 2015).

2.1.4 The Investor Recognition Hypothesis

The Investor Recognition Hypothesis (Merton, 1987) states that the breadth of the investor base influences stock prices and the cost of equity capital. Firms with a broader investor recognition benefit from cheaper equity costs due to increased risk sharing. Digital platforms, particularly Twitter, allow less visible enterprises to gain investor recognition

by reaching audiences that traditional media channels do not reach (Prokofieva, 2015; Albarrak et al., 2020). Empirical research suggests that the benefits of digital disclosure are disproportionately concentrated among firms with less analyst coverage, fewer institutional investors, and little media presence (Blankespoor et al., 2014; Albarrak et al., 2020), supporting the recognition hypothesis.

2.1.5 Institutional Theory and Regional Variation

Digital disclosure practices vary systematically across developed, emerging, and frontier markets due to differences in regulatory requirements, enforcement mechanisms, technological infrastructure, and investor protection frameworks. Companies in the Gulf Cooperation Council (GCC), China, Brazil, and other emerging markets have disclosure patterns that differ significantly from those in the United States, United Kingdom, and Nordic nations (Al-Sartawi, 2019). When examining cross-country variation in digital disclosure efficacy, institutional theory serves as an important complement to market-level theories.

2.1.6 The FIRE Model of Corporate Social Media Use

The FIRE model—Firm Identity, Information posting, Reputation, and Exchange/diffusion—provides a conceptual framework specifically designed for corporate social media use in financial communication (Ramassa & Leotta, 2017). The model highlights the multidimensional nature of digital IR, encompassing identity construction, information dissemination, reputation management, and interactive exchange. Its contribution lies in introducing metrics that capture interactivity and diffusion characteristics unique to social media platforms, enabling researchers to operationalize constructs that static content

measures cannot capture. The model has been applied to understand how firms use platforms simultaneously for financial reporting and reputation management, suggesting that digital IR is inherently strategic and multi-purpose.

2.1.7 Democratization of Investor Access

A cross-cutting theme in the theoretical literature is the democratization of shareholder information through digital channels (Kuperman, 2001). Internet-based IR facilitates broader access to financial information, extending beyond mandatory disclosure events to enable regular exchange with the financial community. This democratization perspective suggests that digital platforms reduce barriers to information access, potentially leveling the playing field between institutional and retail investors (Fieseler et al., 2010). However, the democratization thesis is contested: if retail investors process digital information through peripheral routes and are more susceptible to strategic framing (Snow, 2015), then greater information availability may not translate into greater information equality.

2.2 Digital platforms used for financial communication

The ecosystem of digital platforms employed for financial disclosure is diverse, with each platform exhibiting distinctive technical affordances, strategic uses, and investor audiences. This section provides a comparative analysis of the major platform categories.

2.2.1 Twitter/X: Real-Time Dissemination

Twitter is the most extensively studied platform in the financial disclosure literature, reflecting its prominence in corporate financial communication (Blankespoor et al., 2014; Jung et al., 2018; Crowley et al., 2017; Prokofieva, 2015; Albarrak et al., 2020). Firms use Twitter primarily for real-time dissemination of earnings announcements, links to press releases, and brief financial

updates. The platform's character limitations—originally 140 characters, subsequently expanded to 280—and its public, searchable architecture make it particularly suited to broadcasting concise, time-sensitive financial information to broad audiences. Research demonstrates that Twitter dissemination reduces information asymmetry, evidenced by lower bid-ask spreads and greater market depths, with effects particularly pronounced for less visible firms (Blankespoor et al., 2018).

Following the Securities and Exchange Commission (SEC)'s April 2, 2013 regulation permitting social media as an official disclosure channel, corporate tweets became demonstrably informative, generating approximately 19.5 basis points in abnormal returns on tweeting days without subsequent reversal (Guindy, 2016). This contrasts sharply with the pre-regulation period when tweets were characterized primarily as promotional hype rather than substantive information. Firms exhibit strategic selectivity on Twitter: they are significantly less likely to tweet bad news, particularly when the magnitude of the negative surprise is greater, and they send fewer earnings announcement tweets for negative news (Jung et al., 2018). Cross-sectional evidence suggests strategic dissemination is more pronounced for firms with less sophisticated investors and larger social media networks (Jung et al., 2018). Discretionary patterns also emerge in timing, with firms more likely to tweet negative information during low-attention periods such as Friday afternoons (Guindy, 2016; Crowley et al., 2017).

2.2.2 Facebook: Selective Amplification

Facebook represents a distinct platform characterized by richer content capabilities and higher interactivity compared to Twitter. Research indicates that 58% of S&P 500 firms maintain official Facebook accounts, with financial information—earnings, sales, profit—as the most common disclosure type

(Wang et al., 2016). Facebook activity levels respond to investor demand: activity is higher for firms with greater analyst following, individual ownership, and trading volume (Hasan et al., 2019). Firms engage in selective amplification of earnings news on Facebook, increasing posting activity around earnings announcements while exhibiting strategic patterns: Facebook posting activity is lower for firms with high information asymmetry, when earnings exactly meet forecasts, or when negative earnings news accompanies positive price movement (Hasan et al., 2019). Facebook disclosures show interesting correlation patterns with firm characteristics: positive correlation with analyst following but negative correlation with individual investor holdings, particularly for financial information and investor services (Wang et al., 2016). This suggests that Facebook may serve different strategic purposes depending on a firm's existing information environment and investor base composition. Comparative studies suggest that Facebook may offer more extensive interaction and wider outreach than Twitter for investor relations purposes in certain markets, particularly those with higher retail investor penetration (Karlsson, 2016).

2.2.3 Corporate Websites: Comprehensive Information Repositories

Corporate websites serve as comprehensive repositories for financial information, offering capabilities that extend beyond the constraints of social media platforms. Corporate websites contain more content related to business operations than traditional channels such as EDGAR filings, and increases in website content provide value-relevant information incremental to those traditional channels. The negative relationship between website content and information asymmetry became more pronounced following the SEC's 2008 guidance permitting websites as alternative disclosure channels. Content analysis of investor relations websites reveals both convergence and divergence across markets.

Companies in the UK, Sweden, and Japan exhibit similar structural categories on their IR websites, but significant variation exists in the amount of information disclosed within each category (Sabelfeld, 2011).

Swedish and UK companies generally disclose more voluntary information than Japanese companies, differences linked to institutional dimensions including stock exchange regulations and accounting values (Sabelfeld, 2011). The cost of equity capital exhibits a negative and highly significant association with Internet IR disclosure levels for U.S. companies (Froidevaux, 2004), indicating that investors find Internet disclosure decision-useful. However, companies often fail to fully exploit the medium, frequently providing information already available elsewhere (Froidevaux, 2004; Ashbaugh et al., 1999). Early studies (Deller et al., 1999; Debreceeny et al., 2002) identified firm size and international cross-listing as key determinants of Internet financial reporting quality, findings corroborated by more recent research.

2.2.4 Interactive Investor Platforms

Interactive investor platforms enable two-way dialogue between firms and investors, representing a fundamental shift from broadcast disclosure to conversational financial communication. Analysis of 2.5 million dialogues on Chinese interactive investor platforms reveals that investors primarily ask questions reflecting difficulties in processing publicly available information. Active firm engagement on these platforms associates with increased trading volume, return volatility, market liquidity, and price informativeness for future earnings, alongside decreased bid-ask spreads. This suggests that interactive platforms help reduce information integration costs, improving the price formation process. The concept of Investor Relations 2.0 (Fieseler et al., 2010) captures this evolution toward bidirectional, conversational IR. Rather than simply

broadcasting information, firms can engage in ongoing dialogue, clarify complex disclosures, respond to investor concerns in real-time, and build community around the firm's information environment. This interactivity creates new opportunities for investor engagement but also new risks, including inconsistent messaging, selective informal guidance, and regulatory challenges around fair disclosure.

2.2.5 Multi-Platform Strategies and Emerging Channels

Multi-platform strategies are becoming increasingly popular among businesses, which employ many channels for reasons that are complementary to one another. Al-Sartawi (2019) conducted research on the countries that make up the Gulf Cooperation Council (GCC) and found that 84 percent of businesses utilise social media. Of those, 70 percent use it to disclose financial information across various platforms such as YouTube, Facebook, LinkedIn, Twitter, Instagram, and Snapchat. A positive association exists between social media financial disclosure and company value, according to Al-Sartawi (2019). This indicates that increased disclosure levels through various social media platforms have a major impact on the value of the company. The usage of emerging channels for financial communication is growing in addition to the use of standard social media platforms (Blankespoor, 2018). These emerging channels include podcasts, video-based platforms (YouTube), professional networks (LinkedIn), and personal accounts for CEOs.

2.3 Strategic dissemination behaviour and firm motivations

A central finding of the digital disclosure literature is that firms do not use digital platforms as neutral conduits for information transmission. Rather, they engage in strategic dissemination behavior shaped by multiple motivations, institutional pressures, and audience characteristics.

2.3.1 Selective Disclosure of Good versus Bad News

A remarkably consistent empirical finding across multiple studies, platforms, and geographic contexts is that firms exhibit strategic selectivity in disclosing positive versus negative information through digital channels. On Twitter, firms are significantly less likely to disseminate earnings news when the news is bad, and the magnitude of avoidance increases with the severity of the negative surprise (Jung et al., 2018). Firms send fewer earnings announcement tweets and fewer supplementary 'rehash' tweets for bad news, and the effect is amplified for firms with less sophisticated investor bases (Jung et al., 2018). On Facebook, posting activity is lower when earnings exactly meet analyst forecasts or when negative earnings news accompanies positive price movement, suggesting strategic management of investor attention (Hasan et al., 2019).

2.3.2 Timing Strategies and Attention Management

Beyond content selectivity, firms strategically time their digital disclosures to manage investor attention. Evidence from Twitter indicates that firms release negative information during low-investor-attention periods, particularly Friday afternoons (Guindy, 2016), a digital analogue of the Friday news dump documented in traditional media studies. Discretionary patterns also emerge in the relationship between digital disclosure and other corporate events: financial disclosures on Twitter are more likely to include media and links around earnings announcements, accounting filings, and news coverage, with this effect strongest for events with a clear directional signal (Crowley et al., 2017). This coordination of digital communication with traditional disclosure events suggests that digital channels serve as strategic amplifiers or attenuators of information, depending on its valence.

2.3.3 Audience-Specific Strategies

Firms tailor their digital disclosure strategies to their investor base characteristics. Strategic dissemination behavior is more pronounced for firms with less sophisticated investors, suggesting that managers perceive greater latitude for selective disclosure when their investor base lacks the expertise to critically evaluate social media communications (Jung et al., 2018). Firms with lower institutional ownership exercise more discretion over financial disclosures around earnings announcements (Crowley et al., 2017). The relationship between digital disclosure and investor characteristics also manifests in platform choice: Facebook disclosures correlate positively with analyst following but negatively with individual investor holdings (Wang et al., 2016), reflecting sophisticated platform-audience matching strategies.

2.3.4 Visibility and Recognition Seeking

For less visible firms, digital platforms serve as mechanisms to increase investor recognition and attract attention (Prokofieva, 2015; Albarrak et al., 2020). The effect of Twitter dissemination on reducing information asymmetry is stronger for firms with lower visibility through business press or financial analyst coverage (Prokofieva, 2015), supporting the Investor Recognition Hypothesis (Merton, 1987). The cost of equity reduction associated with Twitter dissemination is more pronounced for less visible firms (Albarrak et al., 2020), providing tangible financial incentives for these firms to invest in digital IR capabilities. By actively using digital platforms, less visible firms can partially compensate for limited traditional media coverage and analyst attention, accessing capital markets on more favorable terms.

2.3.5 Regulatory Compliance and Legitimacy

Regulatory frameworks shape digital disclosure behavior significantly. The SEC's April 2, 2013 regulation transformed corporate tweets from primarily promotional content to informative disclosures generating measurable market returns (Guindy, 2016). Similarly, the SEC's 2008 guidance permitting corporate websites as alternative disclosure channels heightened the market's responsiveness to website-specific content. Saudi Arabia's regulatory environment shapes how Twitter and web-based financial reporting reduce information asymmetry, while Brazilian disclosure patterns reflect the weaker enforcement environment of that market. These findings confirm that regulatory legitimization is a necessary condition for digital disclosure to achieve full informational effectiveness.

2.4 Information Processing and Investor Perceptions

2.4.1 Channel-Dependent Information Processing

A critical and well-established finding is that investors process identical financial information differently depending on the communication channel. Retail investors process financial information on Twitter via peripheral, unconscious routes, while processing information from investor relations websites via central, conscious, and analytical routes (Snow, 2015). This processing difference reflects product-channel fit theory: Twitter's informal, social character primes heuristic processing, while IR websites' formal, functional character primes systematic processing. Nonsophisticated investors are more influenced by peripheral cues on social media and by message-related arguments on IR websites, with significant downstream effects on investment judgments. Critically, lower perceptions of management credibility are generated for information disclosed via social media compared to traditional IR channels (Snow, 2015), a finding with

important strategic implications for firms' disclosure design.

2.4.2 Investor Sophistication and Vulnerability

Investor sophistication moderates responses to digital disclosure in important ways. Firms' strategic dissemination behavior is more pronounced for firms with less sophisticated investors (Jung et al., 2018), suggesting that sophisticated investors are better able to see through selective disclosure. Conversely, less sophisticated investors may be more susceptible to the framing and timing strategies that firms deploy in digital communications. This raises important concerns about the distributional effects of digital disclosure: while digital platforms enhance information availability in principle, differential ability to process and evaluate this information may leave less sophisticated investors relatively disadvantaged, despite the democratization rhetoric that often surrounds digital IR (Fieseler et al., 2010).

2.4.3 Attention, Diffusion, and Media Interaction

Digital platforms influence not only information processing but also attention allocation and information diffusion dynamics. Firm-initiated tweets enhance investors' fundamental information acquisition and accelerate information diffusion across investor networks (Wolfskeil, 2020). Tweeting bad news and subsequent retweeting by followers are associated with more negative traditional media coverage (Jung et al., 2018), illustrating how digital and traditional media interact in information diffusion processes. The attention-grabbing function of digital disclosure is particularly valuable for less visible firms, enabling them to overcome attention barriers that limit their access to capital markets (Prokofieva, 2015). This attention function—distinct from the pure information provision function—jointly contributes to the documented reduction in information asymmetry.

2.5 Strategic disclosure behaviours of firms across different geographical Regions & Regulatory Influences

2.5.1 Developed Markets

In developed markets—the United States, United Kingdom, Australia, and other countries—digital disclosure is relatively well-established, supported by clear regulatory frameworks and mature technological infrastructure. Research on S&P 500 and S&P 1500 firms reveals widespread adoption of Twitter and Facebook for financial communication (Jung et al., 2018; Wang et al., 2016; Crowley et al., 2017). The SEC's regulatory guidance in 2008 and 2013 provided legitimacy for digital disclosure, encouraging firms to use these channels more substantively (Guindy, 2016). Australian-listed companies use Twitter as a secondary dissemination channel for ASX announcements, with measurable effects on information asymmetry (Prokofieva, 2015). UK and Swedish companies disclose substantial voluntary information on their IR websites compared to Japanese counterparts, differences linked to institutional and cultural factors (Sabelfeld, 2011).

2.5.2 Emerging Markets

Emerging markets exhibit both different patterns and different opportunities in digital disclosure adoption and effectiveness. Brazilian companies show low voluntary financial disclosure online despite increasing Internet use, with firm size and annual stock returns as key adoption determinants (Mendes-Da-Silva et al., 2005). Saudi Arabian listed companies demonstrate that web-based financial reporting and social media adoption reduce information asymmetry, with Twitter identified as the most effective platform. In GCC countries, 84% of firms use social media, and enhanced disclosure significantly influences firm value (Al-Sartawi, 2019). Chinese firms employ interactive investor platforms extensively, with millions of dialogues between investors and companies

facilitating a form of digital IR unique to the Chinese market context. Importantly, the benefits of digital disclosure may be relatively larger in emerging markets, where traditional information intermediaries are less developed, and institutional investor presence is lower. Digital platforms provide emerging market firms with a mechanism to reduce information asymmetry and access international capital markets on more favorable terms, representing a form of institutional substitution (Al-Sartawi, 2019). This suggests that digital IR policy priorities may differ between developed and emerging market regulatory contexts.

2.5.3 Regulatory Influences

Regulatory frameworks are perhaps the most powerful contextual determinants of digital disclosure effectiveness. Differences in disclosure amounts across Swedish, UK, and Japanese IR websites are linked to institutional dimensions including stock exchange regulations and accounting values (Sabelfeld, 2011). The U. S. Securities and Exchange Commission (SEC)'s interventions in 2008 and 2013 materially altered U.S. firms' digital disclosure behavior and the market's responsiveness to digital communications (Guindy, 2016). Regulatory environments also shape the strategic dimensions of digital disclosure: in more litigious environments, firms exercise greater caution in digital communications (Jung et al., 2018). International comparative research consistently identifies regulatory quality and enforcement capacity as key moderators of digital disclosure effectiveness (Al-Sartawi, 2019; Mendes-Da-Silva et al., 2005).

2.6 Market Consequences of Digital Financial Disclosure

The literature provides substantial and increasingly robust evidence that digital financial disclosure generates measurable consequences for information asymmetry, cost of equity capital, market liquidity, stock prices, and firm value.

2.6.1 Information Asymmetry

Multiple studies across multiple countries and platforms document that digital disclosure reduces information asymmetry between firms and investors. Twitter dissemination of press release links is associated with lower abnormal bid-ask spreads and greater abnormal market depths, with effects particularly pronounced for less visible firms (Blankespoor et al., 2014). In the Australian context, a negative association is documented between abnormal spread—a proxy for information asymmetry—and tweets posted during announcement periods, with stronger effects for firms with lower analyst coverage (Prokofieva, 2015). Web-based financial reporting and social media adoption in Saudi Arabia exhibit negative and significant relationships with information asymmetry proxies, with Twitter use showing the strongest effect. Interactive platforms in China reduce information integration costs, improving bid-ask spreads and price formation. The mechanisms through which digital disclosure reduces information asymmetry operate through multiple channels: acceleration of information diffusion, enhancement of fundamental information acquisition, and reduction in information integration costs (Wolfskeil, 2020). By making information more accessible, timely, and interactive, digital disclosure helps level the information playing field between different investor types, though the extent to which retail investors can effectively exploit this enhanced availability remains contested.

2.6.2 Cost of Equity Capital

Digital disclosure has a substantial impact on organisations' cost of equity capital across numerous channels. There is a negative between the cost of equity capital and Internet IR disclosure levels for US corporations (Froidevaux, 2004). Twitter's distribution of financial and carbon information considerably lowers the cost of stock, with the effects being more obvious for less prominent enterprises (Albarrak et al.,

2020). Using big data from financial tweets, Albarrak et al. (2020) show that comprehensive metrics of financial information distribution via Twitter are inversely associated with the cost of equity, after controlling for existing factors. These findings support the theoretical hypothesis that decreased information uncertainty reduces the risk premium required by investors.

2.6.3 Market Liquidity and Trading Activity

Digital disclosure influences market liquidity and trading dynamics in consistent ways. Active firm engagement on interactive investor platforms associates with increased trading volume, return volatility, and market liquidity. Twitter dissemination is positively associated with liquidity measures including market depths (Blankespoor et al., 2014). Using social media to disseminate financial statements leads to increased cumulative abnormal returns, with social media disseminators showing 27.84% increases in stock value compared to 17.90% for non-social media disseminators (Boylan et al., 2017). The liquidity enhancement reflects both increased investor interest and reduced information uncertainty, enabling more efficient price discovery.

2.6.4 Firm Value and Stock Price

Digital disclosure generates measurable stock price and firm value effects. Following the SEC's 2013 regulation, corporate tweets generated 19.5 basis points in returns on tweeting days without subsequent reversal (Guindy, 2016), suggesting genuine information content rather than noise. Firms with negative earnings surprises experience higher announcement returns when they tweet about earnings news, particularly those with higher retail investor ownership and larger social media networks (Wolfskeil, 2020). Enhanced disclosure through various social media channels significantly influences firm value, evidenced by a positive relationship between social media financial disclosure and Tobin's Q in GCC countries (Al-Sartawi,

2019). Increases in corporate website content provide value-relevant information incremental to traditional disclosure channels, with heightened market reactions to website-specific content.

2.6.5 Price Informativeness and Market Efficiency

Beyond immediate price reactions, digital disclosure enhances the informativeness of stock prices for future fundamentals. Active firm engagement on interactive platforms associates with increased price informativeness for future earnings, suggesting that digital communication improves the price formation process and helps prices better reflect underlying economic fundamentals. This enhanced informativeness benefits both firms—through more accurate stock prices and lower cost of capital—and investors, through better quality investment decisions. These long-term efficiency effects are among the most consequential potential benefits of digital disclosure, though they remain relatively underexplored in the literature.

3. Discussion and Critical Analysis

The evidence synthesised in this review paper reveals that digital financial disclosure has fundamentally altered corporate investor relations, yet its effects are more complex and strategically mediated than early optimistic accounts suggested. The most consequential finding is that digital disclosure is fundamentally strategic rather than neutral. Firms actively manage what, when, and how they disclose—selectively amplifying positive news, timing negative disclosures during low-attention periods such as Friday afternoons (Guindy, 2016), and tailoring content to specific platforms (Jung et al., 2018; Crowley et al., 2017; Hasan et al., 2019). If firms systematically downplay negative information, digital platforms may reinforce rather than resolve the information asymmetries that agency theory identifies as a core source of agency costs (Jensen & Meckling, 1976; Healy

& Palepu, 2001). Regulators must therefore address this strategic dimension explicitly rather than assuming accessibility automatically ensures informativeness.

The democratisation narrative surrounding digital disclosure contains an important paradox. While digital platforms broaden information availability, they do not produce genuine information equality across investor types. Less sophisticated investors remain vulnerable to strategic framing and information overload, processing social media disclosures through heuristic, peripheral routes rather than the systematic analytical processing applied to formal IR content (Snow, 2015; Snow et al., 2017). Sophisticated investors are consequently the primary beneficiaries of expanded availability, while strategic dissemination is most pronounced precisely among firms with less sophisticated investor bases (Jung et al., 2018).

Platform-specific affordances critically shape communication strategy and market consequences. Twitter's brevity suits rapid announcements, while corporate websites' comprehensiveness better supports complex analytical disclosures (Snow, 2015; Blankespoor et al., 2014). Firms misaligning message complexity with platform characteristics risk credibility discounts and investor misunderstanding. Notably, management credibility is systematically lower when financial information is communicated via social media than through traditional IR channels (Snow, 2015), raising fundamental questions about whether social media can substitute for formal disclosure mechanisms (Guindy, 2016; Prokofieva, 2015).

Regulatory frameworks emerge as the most decisive determinant of whether digital disclosure serves genuine informational purposes. Without clear guidance, corporate digital communications gravitate toward promotional content, as evidenced in the pre-2013 environment (Guindy, 2016). The SEC's

2013 social media guidance materially improved tweet informativeness, generating 19.5 basis points of genuine market returns without subsequent reversal, while the 2008 guidance on corporate websites similarly enhanced market responsiveness to website disclosures (Guindy, 2016; Sabelfeld, 2011). Emerging technologies—AI-generated content, algorithmic amplification, and ephemeral formats—now create regulatory challenges that existing frameworks cannot adequately address, demanding adaptive governance (Miller & Skinner, 2015; Blankespoor, 2018).

Methodologically, the literature's diversity—spanning textual analysis (Jung et al., 2018; Crowley et al., 2017), event studies (Boylan et al., 2017; Guindy, 2016), content analysis (Sabelfeld, 2011; Wang et al., 2016), experiments (Snow, 2015; Snow et al., 2017), and panel regressions (Albarrak et al., 2020; Al-Sartawi, 2019)—strengthens confidence in core findings. However, the dominant focus on short-term market reactions leaves long-term performance effects underexplored. Endogeneity concerns are frequently acknowledged but inadequately addressed, compromising causal inference (Blankespoor, 2018), and qualitative approaches capturing managerial motivations remain rare. Natural language processing and machine learning offer promising research frontiers but require rigorous validation before findings can be accepted with full confidence (Loughran & McDonald, 2011).

4. Directions for future research

Despite substantial progress, the literature on digital financial disclosure retains significant gaps representing fertile ground for future inquiry. Five thematic research priorities emerge as most pressing for deepening current understanding. Future research should examine platforms such as LinkedIn, YouTube, Instagram, Reddit, and regional equivalents including WeChat and Telegram, which have become significant financial

communication channels yet remain largely unstudied. Comparative cross-country research is equally urgent, particularly in emerging markets where information intermediaries are less developed, institutional investor presence is lower, and regulatory enforcement is weaker, potentially producing qualitatively different digital disclosure dynamics (Al-Sartawi, 2019; Mendes-Da-Silva et al., 2005). A second priority is investigating emerging technologies, particularly artificial intelligence and blockchain, as transformative forces in digital disclosure. AI-generated financial content and automated earnings commentary are already present in practice but remain empirically unexamined (Blankespoor, 2018).

Third, future research should address investor heterogeneity with greater precision. Existing studies treat retail investors as homogeneous, yet meaningful variation exists in financial literacy, digital fluency, age, and cultural context (Snow, 2015; Snow et al., 2017). While the vulnerability of less sophisticated investors to strategic framing is well-established (Jung et al., 2018), the mechanisms through which financial education, regulatory warnings, or platform design interventions might mitigate these vulnerabilities remain almost entirely unexplored. Fourth, the field requires a decisive shift toward long-term and causal research designs. Reliance on short-window event studies captures immediate reactions but cannot address whether digital disclosure improves long-term firm performance or sustains cost-of-capital reductions (Albarrak et al., 2020; Prokofieva, 2015). Panel designs with longer time horizons, natural experiments exploiting regulatory changes as exogenous shocks, and quasi-experimental approaches such as difference-in-differences would substantially strengthen causal inference (Guindy, 2016).

Fifth, the intersection of digital disclosure and non-financial reporting represents an underdeveloped but timely frontier. As ESG information grows increasingly central to investment decisions, research examining how

digital platforms disseminate sustainability disclosures and whether digital ESG communication amplifies or reduces greenwashing concerns would make a significant contribution (Albarrak et al., 2020). The integration of digital investor relations with debt market outcomes—including bond spreads and credit ratings—also remains largely unexplored despite its clear relevance to signalling theory and the cost of capital literature (Sengupta, 1998; Verrecchia, 2001).

5. Conclusion

This review has made a substantial body of empirical and theoretical research on how digital platforms and social media have transformed corporate financial disclosure and investor relations. The evidence demonstrates that digital disclosure generates real and measurable capital market benefits: it reduces information asymmetry, lowers the cost of equity capital particularly for less visible firms, enhances market liquidity, and improves price informativeness (Blankespoor et al., 2014; Albarrak et al., 2020; Prokofieva, 2015; Al-Sartawi, 2019). These consequential outcomes justify sustained scholarly and regulatory attention to the digital communication practices of public firms.

At the same time, this review documents important qualifications that complicate the optimistic democratisation narrative. Firms engage in systematic strategic selectivity—amplifying positive information, suppressing negative disclosures, and timing releases to exploit variation in investor attention (Jung et al., 2018; Crowley et al., 2017; Guindy, 2016). Democratisation of access has not been matched by democratisation of processing capability, leaving less sophisticated investors more exposed to strategic framing rather than better served (Snow, 2015; Snow et al., 2017). Credibility perceptions remain consistently lower for social media than traditional Investor Relations (IR) channels, and regulatory frameworks have proven indispensable: without legitimisation, digital communications

gravitate toward promotional hype rather than substantive disclosure (Guindy, 2016; Sabelfeld, 2011).

The findings carry clear implications for practice and policy. Investor Relations (IR) practitioners should prioritise platform-appropriate communication design, reserving social media for straightforward updates while directing complex disclosures to formal channels. Regulators should develop adaptive, technology-neutral frameworks that preserve accessibility advantages while constraining strategic selectivity, drawing on the SEC's 2008 and 2013 guidance as demonstrated models of effective intervention (Guindy, 2016; Miller & Skinner, 2015). For researchers, the field's methodological maturation requires greater attention to causal identification and longer time horizons (Loughran & McDonald, 2011; Blankespoor, 2018). Digital financial disclosure is no longer peripheral; it is a central feature of modern capital markets whose governance and consequences deserve sustained and rigorous scholarly engagement.

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