Role of Media in Capital Markets Development

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The distribution of information plays a crucial role in shaping financial markets. Media, therefore, is a critical intermediary for the dissemination and interpretation of financial information. When it comes to obtaining insight and any new information, there are several platforms that provide it. For instance, television media is an excellent example since they reach a broader demographic, and normally provide information that is consolidated from a broad spectrum of information sources.

Information intermediary

It is important to know that the financial market is highly susceptible to changing trends and factors, which make it imperative to have a reliable source of information each time. For this reason, the media helps its viewers by using qualified experts and the latest financial information to ensure that its viewers have valuable information for their unique needs.

Perhaps one of the most noteworthy roles of the media when it comes to providing information relating to financial markets is that they provide information that has been consolidated from various markets. Also, much of the financial data given out by companies are often technical and archaic to read. Media makes it accessible and widely available. In this way, any prospective trader or perhaps anyone who just requires detailed financial information can simply switch to their favourite media channel and catch up with the financial news. Besides that, the media also works to ensure that clients receive cutting edge information since they normally use special research techniques and experts to ensure that their audience can always come back for more information.

Media as whistle-blower

Compared to the United States or the European Union, whistleblowing is still a work-in-progress in India. By all indications, this reluctance to report wrongdoing within organizations stems primarily from a fear of retribution. However, thanks to the media, both traditional and digital, large companies can no longer afford to ignore whistle-blower complaints or news reports of financial impropriety in their organizations. The effect has led corporate to work towards creating a culture of transparency and to educate stakeholders about the significance of whistleblowing.

Role of technology

With easy access to social media sites through mobiles and laptops, social platforms like Facebook, Twitter, WhatsApp etc are increasingly used by a large number of people to share information, news and opinions. People are freely opining and sharing information about investment on online forums, microblogs and on social networks. So, the news becomes viral within a fraction of seconds. Social sites, which can be regarded as an extension of word-of-mouth information, have given everyone the power to influence the opinion of others and, in turn, influence other's financial decisions. Social sites act as an indicator of the people's mood and enable investors to learn about other people's opinions regarding stocks and index. For traders, there are specific reasons why they are willing to put their money into their social media mouths. Social media enables quick spreading of news and opinions, which form the basis of movement in stock prices. In India, most companies disclose all corporate information to shareholders through their websites. In addition, many companies are using social media platforms to promote their products and services, communicate with their customers and build their respective brands.

There was a time when traders relied on reporters to tell them about market news. Today, computers can do a better job: Algorithms are able to detect everything from earnings data to social media sentiment and are much faster than any keyboard-pounding journalist. This recent wave of automated information has brought big changes for financial news. Markets, which in theory perform better with more information, should be more efficient than ever. But despite the wealth of computer-generated data, the market still appears freighted with familiar forms of behavioural bias.

One reason why these old biases persist is that the recent flood of online news might mean more information, but not always better information. This might lead a pessimist to conclude that the growth of computer-driven reporting has failed to improve markets much at all. In the worst case, it means a cascade of unreliable reports that are then amplified in people's respective filter bubbles. In the longer term, though, it's likely ongoing improvements in machine learning will help everyone—investors and media outlets alike—in parsing the swarm of news and filtering out the reliable bits.

The age of automated news is also having an immediate effect on the journalists, who used to be so central in bringing news to the market. The role of reporters today is to act as “silo busters” who can acquire information from diverse sources and present it in context.

Intelligent investors have discovered how social media can help identify, understand and address clients’ needs. The goal is to be aware of what the stakeholders are looking for from a particular company and put out information that will help form a considered opinion. The extent and effect of media on financial markets, therefore, is rather broad. Its role as an information intermediary by how it selects and conveys information to investors has a decisive impact on investment behaviour and public perception.

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