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Disseminated Earnings News via Twitter and the Timeliness of Accounting Earnings Information[1]

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Research Paper

1. INTRODUCTION

Delaying or accelerating the announcement of earnings will lead to different reactions from investors and other users and will have significant effects on the market value of firms' shares (Tiago, Huijing, Christipher & Ramesh, 2010). Background shows that companies manage earnings announcement timing to influence stakeholder perceptions (Lyle, Rigsby, Stephan & Yohn, 2018). On the other hand, in the theory of limited attention, it is argued that in situations where earnings news is disseminated through different channels, concealing earnings news by management can be destructive (Hirshleifer, Lim & Teoh, 2009); Especially when the manager intends to maintain his credibility in the long term period (Malmendier & Tate, 2009). In the context of mass media coverage, managers may inevitably disclose the company's financial position and earnings in news channels (Farrell & Whidbee, 2002; Blankespoor & DeHaan, 2015). With the development of information technology, social

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media, as a complementary channel, has been considered to link financial statement information to other aspects of corporate information (Blankespoor, Miller, White & 2014; Elliott, Grant &Hodge, 2016). The SEC[1] on April 2, 2013, allowed companies to use social media to convey information to investors (Bartov, Faurel & Mohanram, 2019). As Twitter became more important in the stock market, the symbol of "cashtag" or "$" was introduced by this social media and made it possible for market participants to tweet about the shares of each company. Therefore, given that the social media Twitter has made it possible for participants in the financial markets to publish news, it is expected that companies will sometimes have to disclose negative earnings news before it is officially announced and, following the inevitable publication of negative news, will manage Schedule the official publication of the earnings announcement.

2. MATERIALS AND METHODS

In this study, by collecting the firms' past information, the post-event research design, along with correlation analysis, is applied in terms of purpose. The statistical model used is a multivariate regression model. In this research, Excel software is used to collect and classify raw data and Stata software is used for multivariate regression analysis.

Twitter data, including the volume and text of tweets on firms Twitter pages and the number of followers on firms Twitter pages, is extracted using the Python language and "Application Programming Interface" software and web scraping techniques. The number of tweets reviewed reached 9145.

The research models are as follows

Model (1) $TIME_{it} = B0 + B1\ EAT_{it} + B2\ EATF_{it} + \sum controls_{it}$

Model (2) $TIME_{it} = B0 + B1\ TONE_{it} + \sum controls_{it}$

Model (3) $TIME_{it} = B0 + B1\ OTONE_{it} + B2\ ETONE_{it} + \sum controls_{it}$

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1. Securities and Exchange Commission

The research dependent variable is the timeliness of accounting earnings information (TIME).

The independent variables of the research include the publication of earnings announcement news on account of Twitter (EAT), the number of earnings announcement (EATF) and the content of earnings announcement tweets by the company (TONE) and are calculated as follows:

Control variables to include, good news (GN), loss (LOSS), non-institutional investors (UNSOPHI), company size (SIZE), growth (GS), market to book (MTB), leverage (LEVE) and company firm age (FIRMAGE).

The study uses a sample of 345 firm-year observations of S&P 500 companies at 2016-2019.

3. RESULTS AND DISCUSSION

In this study, the relationship between earnings news disseminated by companies on Twitter social media and the timeliness of accounting earnings information has been investigated. For this purpose, data on 345 companies were extracted from the list of US S&P 500 companies for the four-year period 2016-2019 and analyzed using Stata software. The results of the first model showed that the timeliness of accounting earnings information in companies that have earnings announcement tweets is significantly different from companies that do not have earnings announcement tweets. The results of the second model showed that there is a significant negative relationship between the negative content of disseminated earnings tweets and the timeliness of accounting earnings information. The results of the third model showed that there is a significant negative relationship between the content of the existing tweets and the timeliness of accounting earnings information.

4. CONCLUSION

Overall, the results show that companies are announcing earnings official information more timely, following the dissemination of negative earnings news on Twitter. Therefore, in line with the positive effects of social media on improving the information environment of companies, it is recommended to users of the web environment to consider social media as a channel for publishing information with wide coverage and the benefits of this communication channel along with other sources of information to increase awareness. Benefit from themselves in their investment decisions. On the other hand, in order to eliminate the negative effects of social media, it is recommended that users use caution and vigilance when using social media as a source of information. Finally, considering the importance of social media in financial markets worldwide, it is suggested that in future research, the role of social media on other qualitative characteristics of information and market variables in the form of empirical research and compare the results at home and abroad.

Keywords: Social Media, Twitter, Timeliness, Earnings Announcement, Content Analysis.

JEL Classification: G1.