

How Fake News Influences the Business World

A General Fake News Analysis on the Crash of the Indian Market 2022

Trusculescu Laria-Maria

West University of Timisoara, Romania
laria.trusculescu97@e-uvt.ro

Gherhes Vasile

Politehnica University of Timisoara, Romania
vasile.gherhes@upt.ro

Cernicova - Buca Mariana

Politehnica University of Timisoara, Romania
mariana.cernicova@upt.ro

Abstract

The recent events in the Indian market show that “fake news” can affect not only people, but an entire economy.

The study aims to analyse four stages of (fake) news circulation: the spread of fake news; the time necessary for the media to critically examine the piece of news and search for the truth; the time spent by the media to dismantle the fake news in the perceptions of the public and finally the time necessary for the media to disengage from the topic of a given piece of fake news. These study objectives were followed in analysing the “Adani Group” incident, on two different types of media: the traditional (print) newspaper, and the new source of information used by the young generation, TikTok.

The study concludes that, on one hand, the four stages were followed by traditional media. On the other hand, on TikTok the time it took for the real information to become “viral” was significantly shorter than in the newspapers. Particularly surprising is the small community that formed online, under the # “stopadani”, in order to spread awareness and help people all around the world to quickly be informed about the event without having to search for the whole story. Moreover, until the business media gathered all the necessary proof to uncover the truth, several months of mixed news passed. But, once the evidence was shown, there was no longer any doubt in the market.

It is interesting to watch how the statements of some big CEOs can create imbalances in the stock market and we should rightly wonder if this represents fake news or subterfuge.

Keywords: business, fake news, disinformation, sources, generations

INTRODUCTION

In today's society, there is an extensive debate on the phenomenon of fake news. The topic has serious social implications and efforts are undertaken from multiple angles to limit this phenomenon and increase audiences' awareness of the need to critically accept information. One of the most significant consequences of fake news is the erosion of trust in institutions and the media. As noted by Allcott and Gentzkow, "Fake news can undermine trust in legitimate news sources and institutions, making it more difficult for individuals to distinguish between accurate and inaccurate information" (Allcott & Gentzkow, 2017). The erosion of trust can have far-reaching consequences, including a lack of faith in democratic processes and the rise of conspiracy theories and extremist ideologies. Furthermore, due to the over-information brought by the technological revolution in the 21st century, audiences find it difficult to check the accuracy of the news they are exposed to. Therefore, a sustainable education should be created in school in order to prepare future generations to identify fake information from real news "A sustainable education equips them with critical skillsets that allow swift identification of fake news, disinformation and propaganda." (Cernicova-Buca & Ciurel, 2022). For this reason, fake news analysis models have become very valuable part of today's society.

Jean-Noël Kapferer is considered a predecessor of nowadays definition of fake news. In his seminal article, "Rumours: Uses, Interpretation and Necessity", Kapferer states that rumours are a pervasive feature of human communication, often spreading rapidly and widely through social networks. The article explores the various functions and interpretations of rumours, as well as their circulation in society. Kapferer notes that rumours can bear several functions, serving as: a means of expressing emotions, a form of entertainment, a way of obtaining information, and a form of social control (Kapferer, 2013).

One prominent model for analysing fake news is the *information processing model*. According to this model, individuals engage in a series of cognitive processes when encountering information, including attention, comprehension, and memory. Fake news can interfere with these processes by presenting information in a misleading or deceptive manner. As noted by Pennycook and Rand, "Fake news can disrupt cognitive processes at every level, from grabbing attention to affecting beliefs and memory" (Pennycook & Rand, 2020). The information processing model helps us understand how individuals can be vulnerable to fake news and the ways in which false information can be internalized and believed. Another model for analysing fake news is the *social cognitive model*. It focuses on the role of social and cognitive factors in the spread of fake news. Pennycook and Rand rightfully remark that, "Social cognitive factors such as social influence, confirmation bias, and motivated reasoning play a key role in the spread of fake news" (Pennycook & Rand, 2020). The social cognitive model emphasizes the importance of understanding the social context in which fake news is shared and the ways in which individuals' pre-existing beliefs and biases can shape their interpretation of information. A third model for analysing fake news is the *agenda-setting model*. This model emphasizes the role of the media in shaping public opinion and agenda. Fake news can be used as a tool to manipulate the media agenda and shape public perception. As stated by Tandoc, Lim, and Ling, "Fake news can influence agenda setting by making certain issues more salient in the media and in public discourse" (Tandoc et al., 2017). The agenda-setting model helps us understand how fake news can be strategically used to manipulate public opinion and shape political outcomes. A fourth model for analysing fake news is the *trust and credibility model*. This model emphasizes the importance of trust and credibility in the dissemination of information. Fake news can erode trust in institutions and undermine the credibility of legitimate news

sources. The trust and credibility model helps us understand the ways in which fake news can have long-term implications for public trust in institutions and the media.

The rich literature on fake news allows for critically examining the phenomenon and for analysing the vast amount of fake news instances in contemporary media. The novelty brought by the present study is a proposed model of in-depth analysis, breaking the fake news circulation into stages unfolding the anatomy of this phenomenon, each stage deserving attention from multiple disciplines – communication studies, sociology, social psychology, etc. The study proposes a *four stages of fake news circulation analysis model*: 1. the spread of fake news; 2. the time necessary for the media to critically examine the piece of news and search for the truth; 3. the time spent by the media to dismantle the fake news in the perceptions of the public and finally 4. the time necessary for the media to disengage from the topic of a given piece of fake news.

The present study applies this model on a concrete case: The Adani Group controversy. The Adani Group, a multinational conglomerate based in India, has been at the centre of controversy and debate for several years now. The company has been accused of a wide range of unethical and illegal practices, including environmental destruction, human rights violations, and corrupt business dealings. These allegations have been amplified by social media and other online platforms, leading to widespread debate and scrutiny of the company's actions. The company has been accused of various unethical practices, including illegal mining, land grabbing, human rights abuses, and last but not least Adani Group has also been accused of corrupt business practices. The controversy surrounding the Adani Group has been fuelled in part by social media and other online platforms, which have allowed allegations and rumours to spread rapidly and widely.

Research Method and Tools

A fruitful method for analysing fake news is content analysis. It involves a “systematic analysis of the content of communication, usually text, for patterns or themes” (Neuendorf, 2001). This study line was followed by analysing the characteristics of fake news in the selected case, including its language, sources, and framing. Vosoughi, Roy, and Aral propose that “content analysis can provide insight into the linguistic and thematic features of fake news stories” (Vosoughi et al., 2018). However, content analysis has its limitations, as it may not capture the full context of the communication or the intent behind it. The data collected by observing and recording information from web-based sources, in the interval of 2019-2023, were verified against such parameters as reliability, validity, and comprehensiveness. As such, the study also covered social network analysis for comparing information circulation in traditional vs new media channels. The social media monitoring involves mapping the spread of news related to the Adani case and analysing social networks to identify patterns of communication and influence. As noted by Woolley and Howard, “Social network analysis offers a powerful lens for understanding the spread of false information, including the role of bots, trolls, and other malicious actors.” (Woolley & Howard, 2018). The comparative perspective, involving content analysis of news pieces published by reputable sources, and the observation of news broadcasts and social media videos related to the Adani Group controversy and the Indian market offers a larger interpretative field, relevant for understanding the harmful potential fake news have in the business world as a primary target, and in society in general as a wider audience.

Research analysis and debates

To follow the rise and fall of media coverage on the Adani case topic one must have a bird’s eye view on the whole case, as it spreads over a large period of time. Context of day-by-day media coverage is of essence, but once the case approaches its erosion and slips into abandonment, pressed by other hot topics it is important to recollect some of the main elements of controversy around the company and its modus operandi. As Yochai Benkler, Robert Faris and Hal Roberts, have noted, disinformation is “a weapon of psychological warfare that exploits our cognitive biases and social media platforms to manipulate public opinion, sow confusion, and undermine trust in institutions.” (Benkler et al., 2018) This definition is particularly relevant when considering the controversy surrounding the Adani Group, as there have been numerous allegations made against the company that have been amplified by social media and other online platforms. Another expert on fake news, Claire Wardle, has described the phenomenon as “information pollution.” According to Wardle, fake news spread rapidly because they are designed to appeal to people's emotions, rather than their rationality (Wardle & Derakhshan, 2017). This can be seen in the way that allegations against the Adani Group are often framed in sensational terms, such as “Adani's coal mine threatens to destroy the Great Barrier Reef.” Such headlines are designed to grab people's attention and trigger a strong emotional response, rather than providing a balanced and nuanced view of the situation. Moreover, the fake news phenomenon is closely related to the concept of confirmation bias, which is the tendency for people to seek out information that confirms their existing beliefs and to ignore information that contradicts those beliefs. As Brendan Nyhan, professor of government at Dartmouth College, has noted, “People tend to believe what they want to believe.” (Nyhan & Reifler, 2010). This can be seen in the way that allegations against the Adani Group have been embraced by certain groups which are already sceptical of big corporations and sanction the environmental impact of large-scale development projects.

The Adani Group is one of the largest conglomerates in India, with interests in various sectors such as ports, power, mining, and infrastructure. The group's rise to prominence in the past decade has been remarkable, with its market capitalization increasing manifold. In 2019, the Indian government opened an investigation into allegations that the company had engaged in money laundering and fraud, with some estimates suggesting that the company may have laundered up to \$1.5 billion through shell companies in Mauritius. However, mid-2021, the group found itself embroiled in the middle of a major controversy, of financial irregularities and insider trading.

Table 1: 7 key Adani listed companies that had a big surge over 3 years

Company Name	MCap (Mil INR)	MCap (Mil U.S \$)	1-YR Stock % Gain	3-YR Stock % Gain
Adani Enterprises	3,928,558	48,108	101%	1398%
Adani Transmission	3,095,771	37,910	36%	729%
Adani Total Gas	4,275,567	52,357	118%	2121%
Adani Green Energy	3,047,678	37,321	4%	908%
Adani Power	1,062,201	13,007	167%	332%
Adani Ports	1,668,599	20,433	8%	98%
Adani Wilmar**	734,123	8,990	149%	149%
Total	17,812,498	218,127		

Source: Adani Group (Hindenburg Research, 2023)

Table 2: Adani listed companies comparable to other companies from the same industry

Name	Price/ Earnings	Industry Avg.	Implied Downside	Price/ Sales	Industry Avg.	Implied Downside	EV/ EBITDA	Industry Avg.	Implied Downside
Adani Green Energy	815x	24x	-97.10%	60.6x	1.1x	-98.13%	101x	12x	-88.33%
Adani Power	29x	24x	-18.17%	3.9x	1.1x	-70.66%	13x	12x	-10.42%
Adani Total Gas	831x	20x	-97.64%	139.3x	1.0x	-99.31%	303x	9x	-97.16%
Adani Transmission	312x	24x	-92.43%	27.3x	1.1x	-95.84%	69x	12x	-83.01%
Adani Enterprises	508x	12x	-97.68%	5.7x	0.5x	-91.33%	66x	8x	-88.16%
Adani Wilmar	90x	30x	-67.12%	1.3x	1.1x	-20.90%	37x	15x	-58.26%
Adani Ports	35x	2x	-93.26%	10.5x	0.9x	-91.65%	20x	2x	-88.07%

Source: Adani Group (Hindenburg Research, 2023)

For an overview of the situation, Hindenburg Research is useful. This source sheds light on the data published to document the economic success of the Adani group over a significant timespan. “On a blended basis, compared to industry peers, we see 85%+ downside purely on fundamentals” (Hindenburg Research, 2023). Table 1 shows that for three years the Adani Group had a much too high growth, and Table 2 proves that by comparing its increase over the years with other companies in the same industry, the Adani Group has been overvalued. In other words, traditional media has done its duty as a “guardian” towards the interests of the general public, whether in turn they believed what was written or not.

The Indian market crash of 2022 was a disruptive event of significant magnitude, that shook the country's economy and financial system and leading to widespread panic among investors and stakeholders. The market witnessed a sharp decline in the value of major indices such as Nifty 50 and BSE Sensex. The crash occurred due to several contributing factors, with COVID-19 pandemic having a major impact on businesses and consumer spending worldwide, global economic slowdown and political uncertainty. Moreover, one of the major reasons behind the crash was the Adani Group's controversial stock manipulation and insider trading allegations, which led to a loss of investor confidence in the group's financial health.

Hindenburg Research, an investment research firm that specializes in uncovering fraudulent practices by companies, published a report on the Adani Group, released on January 24, 2023, and it has stirred a vibrant debate in the corporate world. The report has alleged that the Adani Group and its owner, Gautam Adani, got involved in a massive con job. The Hindenburg report raises serious questions about the business practices of the Adani Group. The allegations of land acquisition, environmental violations, and tax evasion are all very serious, and if true, would represent a major breach of ethical and legal standards. The report also raises broader questions about the role of corporations in society, and the need for greater transparency and accountability. It has been widely covered in the media and has led to a sharp drop in Adani Group's stock prices. At the same time, it is important to remember that the Hindenburg report is just one side of the story. The Adani Group has denied the allegations, calling them “blatantly erroneous and done with malicious intent.” The case is still unfolding; therefore, it can be expected that new voices will join the debate.

On one hand, some people could say that gossip and rumour about Adani Group has started spreading way before actual information was available to the public. This can be a consequence of news outlets or observers of the economic scene wanting to get as many people as possible to click on the title of a report. In media studies it is of common knowledge the competition between media institutions for first reporting, resulting in obtaining the highest number of views.

Picture 1: Examples of clickbait headlines



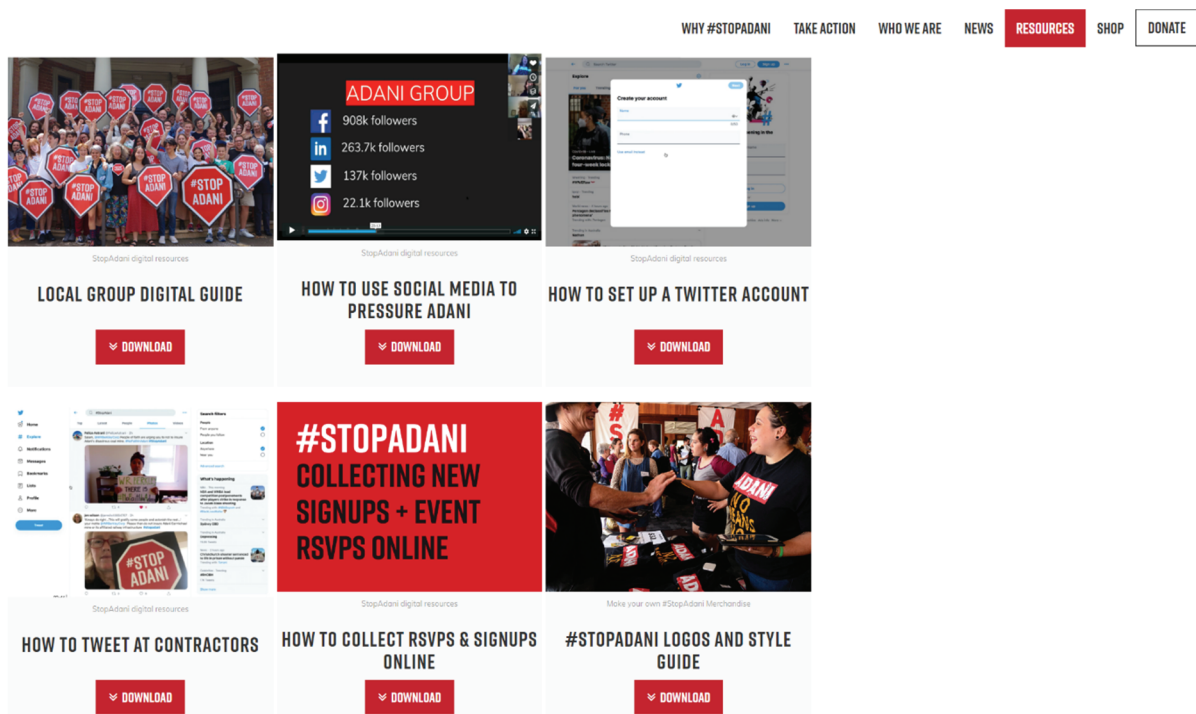
Source: The business Standard (*How Global Media Are Portraying the Adani Controversy, 2023*)

In other words, fake news doesn't need time to exist and spread, but the traditional media needs a few clickbait articles to get the public's attention, after which the public starts to realize what the controversy is about and becomes eager to reach the bottom line and understand the roots of the information fuelling the topic. This is exactly when traditional media has “captured” people's interest and can use clickbait less often. From this moment on, there is officially a debate and a race among the population and among news agencies to discover the “truth”. Unfortunately, in 2023, after about 4 years of debates, specialists are still looking for the seeds of the truth and concrete data. This does not mean that the traditional media has not reached the final stage; on the contrary, the topic was covered massively in late 2019, until mid-2022; then again very recently after the COVID-19 pandemic. In other words, traditional media has a longstanding, demonstrated exercise of moving on to the next stage of topic coverage and of returning to a previous one if need be.

In sum, the activity of the Adani group came to the attention of the media in 2014. This can be considered phase 1, culminating with the announcement of the group's financial results for the year 2021-2022 (in July 2022). Phase 2 has its' debut from the reporting of the results of the group in 2022. It ends roughly in January 24, 2023, when Hindenburg Research published the results of the 2-year research, explaining in detail the assumption of fraud. Phase 3 is currently in full swing at the time of this article. The traditional media has just started to publish articles commenting or just having as context background the findings from the cited Hindenburg report. Phase 4 is beginning to lurk in media channels, as little by little other news are taking the spotlight, such as the insolvency of Silicon Valley Bank in the USA in March 2023.

By contrast to traditional media, forced by professional standard to treat with caution and present proof of “audiatur altera pars” (Eng. “let the other part be heard”) in the documentation process, social media did what it does best: it spread content at an alarming pace regardless of the credibility or reliability of information. For social media dealing with the Adani case the first stage started in 2019 with a social movement aimed to prevent development of the Adani Carmichael coal mine in Queensland, Australia. At the time the #stopadani was born. The hashtag quickly became a movement in Australia, so much that it gained a website for itself, where protesters can learn what they can do, how to do it and even buy merchandise to support the movement (Picture 2).

Picture 2: Print screen of #StopAdani website



Source: stopadani.com (Stop Adani, 2022)

Moreover, the website explained in short, all the assumptions and facts that triggered the protest. Swiftly after, a problem for the public occurred, they claimed the movement to oversimplify the actual problem, and to completely ignore the good and bad business and finance side of the story. This marks the need to discover the truth, or in other words, the debut of the second phase. As a result, over the COVID-19 pandemic, the #stopadani has morphed into a hashtag used to inform everyone about the Adani Group controversy, to try and find the seeds of reality supporting the claim of reliable, truthful information and make sure people hear it or see it through the lenses put forth by the media. Influencers continued this trend until it once again succeeded to build a small community around the hashtag, but this time on TikTok. The fourth phase began much sooner than in traditional media, due to the natural fast pace of social media. Furthermore, influencers do not have a professional reputation as journalists have when it comes to the company they represent, meaning they are not constrained by professional standards to thoroughly document the information they distribute. In a world understanding the separation of fact from comment, influencers claim they just share opinion, data-based or not.

Conclusions

The study concludes that, fake news can play a big role in influencing even the business world. The speed at which information is transmitted has increased exponentially due to the digital revolution and will continue to grow. Traditional media clings to its standards, being slower in reactions, but advocating that it aims to remain among the most trusted sources of information, with a name and image to uphold. Faithful to a long-standing tradition, the so-called “old” media takes its time to gather the necessary information and to analyse it before publishing it, as to not deter people to change their news source. On the other hand, because they want to keep their audiences, they apply techniques to keep them engaged until there is enough necessary information gathered. As such, news whether fake or real, take a bit of time to become “front page” worthy and even more time to get pushed aside by something else (if it’s not something urgent or important). By contrast, social media does not have a reputation of

trustworthiness to uphold, but one of express information and opinion delivery. It justifies its existence as a medium for the people to express their opinion and (almost) instantaneously share (bits of) news. Influencers might have a personal or professional image they need to uphold, but they are not compelled by any media firm to always examine a topic from all angles and present all possible interpretations. In other words, influencers, and social media as a whole, jump from one # to another, from one trend to another and so forth. If by any chance new information comes out on a topic that is in the past, nobody is stopping them to just post it, share it and express their opinion, whether the followers will research and verify information on their own or not.

The study shows that traditional media and social media spread (fake) news following the identified four phases, the difference being the speed, the quality, and the reliability of the topic coverage. Moreover, the time allocated to the phases differs from one media type to another. The study concludes that the period of stage one is the longest because there is an excess of information on the market and too few methods and applications in detecting fake news. This stage is also the one that causes the most damage in society. It is preferable that stage two starts as close as possible to the start of stage one. From the moment the second stage is triggered, it is only a matter of time until the audiences are informed. The third stage is the most important and relevant for a correct media activity and for the media literacy competencies to be activated. Stage four is actually the moment between stage one and two, when the media puts a topic to bed, turning to more pressing news. However, once the topic is no longer hot in the media, it can be a proper fuel for professional debate in academia, management studies, communication examination and sociological survey.

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