Munich Personal RePEc Archive

The Hidden Trillion: How Investor Relations Turns Trust into Wealth

Ankireddy, Anshu

Alliance Academy of Innovation

28 May 2026

Online at https://mpra.ub.uni-muenchen.de/129316/
MPRA Paper No. 129316, posted 12 Jun 2026 12:13 UTC

The Hidden Trillion: How Investor Relations Turns Trust into Wealth

Anshu Ankireddy

Alliance Academy of Innovation - Grade 10

12/31/2025

Author Note

Author ORCID iDs: 0009-0008-5960-4286

Changes in affiliation: Anshu Ankireddy (age 16) is affiliated with Alliance Academy of Innovation. There are no changes in affiliation to report.

Disclosures and Acknowledgments: The author declares no conflicts of interest. No external funding was received for this work, and no additional acknowledgements are necessary.

Contact Information: Correspondence concerning this paper should be addressed to Anshu Ankireddy, 4325 Wildener Way, Cumming, GA 30041. Email: anshu.ankireddy@gmail.com. Phone: 470-983-6622.

Abstract

Investor relations is one of finance's most overlooked but critical functions. The majority of attention is focused on Wall Street and trading, but IR is critical in assisting investors in navigating uncertainty by providing them with accurate, timely, and understandable information. Investor Relations supports trillions of dollars in market value by following SEC rules, communicating ESG-supported information, and engaging with investors on a regular basis. IR builds trust with its clients, resulting in more accurate share pricing and market liquidity. The Toyota recall crisis demonstrates how investor relations reduces losses during market crises while increasing company valuations. It protected the shareholders' portfolio value while contributing to high returns. IR remains critical for human communication, and its functions, such as financial analysis, can be enhanced using artificial intelligence. Overall, investor relations promotes stable markets and assists shareholders on their investment journey.

The Hidden Trillion: How Investor Relations Turns Trust into Wealth

When one thinks of the world of finance, their mind immediately leads them to Wall Street, stock markets, and millions of dollars. Even though these are the statement pieces of the field, there is one often-overlooked part of this. Beneath these high-profile elements lies a crucial but often underestimated discipline: investor relations; a mashup of financial knowledge, public relations, communications, and psychology.

The Role of Investor Relations:

Investor relations and lighthouses are more similar than one gives credit for. A lighthouse guides lost, confused sailors to navigate rocky shores and uncertain waters. Building on this guiding role, IR is the pillar that provides day-to-day reliable data to investors about their investments, especially during rockier market and investment periods, so they make the most profitable financial decisions. More formally, according to Lisa Huang, a credited writer at Boston University's College of Communication, investor relations's main function is to "be an essential bridge between the company and its investors." It lets Wall Street investors, and for that matter any investor around the world, solidify their belief that investor relations are the unbreakable bridge of trust between a company and its investors.

How Investor Relations Shapes Market Behavior:

Extending this analogy further, like a lighthouse guiding ships through foggy weather, investor relations guides stakeholders to the best investments. This means stakeholders are privy to the most transparent communications that allow their portfolios to boom, not sink. This transparency directly influences investor behavior. For example, an investor who is aware of the stock market will have stock liquidity that flows like lifeblood. It makes them better, more confident investors who are ready to take on the turbulent waters of the stock market. Of course

some may argue that being aware of the market isn't enough during volatile market crashes. However, having consistent communication from investor relations provides a sense of stability.

The Hidden Trillion:

From a macroeconomic perspective, the industry of investor relations contributes to capital-market functioning that supports the gain of trillions of dollars. On its own, commercial IR brings in around $1–$3 billion. The money being supported by IR is more than the GDP of half the countries on the G20 list, despite there only being roughly a couple thousand investor relations professionals in the world. It brings in the big bucks in market value through ESG disclosure, SEC-driven transparency, and improved communications for liquidity, analyst engagement, and crisis resilience.

To understand how IR creates this value, consider its regulatory environment. The SEC, or the Securities and Exchange Commission, is a US federal agency that protects investors by maintaining the US stock markets and enforcing security laws. The SEC's requirements aren't metal handcuffs that stop investors from earning billions of dollars. Instead, they are guardrails; sure, they limit where one can drive, but they keep one from driving off a cliff. Investor relations professionals only communicate information that aligns with the laws and regulations of the SEC. This allows for less uncertainty about trade regulations and improves the pricing efficiency of any stock, bond, or ETF.

Regulation is only part of the story. While the SEC emphasizes the relationship between investors and the markets, ESG provides a broader context to evaluate how sustainable various companies' investment practices are. ESG, or Environment, Social, and Governance, is the currency of modern capital for investor relations. Professionals in investor relations are the primary communicators of how well or badly the company's investments align with ESG. For

example when an S&P 500 company has strong ESG communication from their IR team, it achieves 15–25% higher valuations, especially when the fund is ESG focused. It generates approximately an additional $7.5–$12.5 trillion, which flows into the already overflowing $50 trillion ESG investment pool.

Another dimension of investor relations's economic value lies in cost reduction. As companies rapidly improve their net worth through ESG-based communication by their IR professionals, their efforts can be measured in basis points. A company's basis points are the changes in its financial metrics. The higher the basis points spent, the more money the company loses. Investor relations decreases a company's costs by reducing the cost of capital through transparent communication. This makes sure the company doesn't resort to other riskier data sources to make investments. For instance, valuations based on IR-analyzed data see a 5-10 percent improvement. The amount adds up to an extra $3.3–6.6 billion in company value (for a company whose profits are approximately $3–4.5 billion in annual profits).

Beyond valuation improvements, IR directly impacts market liquidity. When investors or companies are supported by strong investor relations programs, they see tighter bid-ask spreads up to 15–25 percent. This means the price sellers accept for their stock closely matches the price buyers are willing to pay. It makes it much more efficient to trade because more people are willing to purchase the stock. The enhanced communications increase trading volume by 20-25%. IR enables companies and investors to trade with greater confidence because it reduces the risk of information asymmetry.

Perhaps most critically, another major function is crisis prevention and preserving the value of the investor's portfolio or company. When the market cycles to a stage of volatility, crisis communication led by IR prevents $200-350 billion from pouring down the drain annually.

It prevents panic-driven selling because of the constant ongoing communication. A notable example of this is the 2009–2011 Toyota Recall Crisis. The car manufacturer faced multiple issues with problematic accelerators. When the company first started to communicate its problems to the media and investors, it came off as defensive. However, when they improved their IR, they experienced a double-digit stock price improvement. Toyota's share dropped around 20% to roughly $73.49 by early February 2010. Then in early 2011, the stock had recovered to $93 per share, which is a rebound of more than 26%. By openly communicating with executives and the US Congress about their new safety measures (with the help of their IR), Toyota was able to recover from their crisis 50% faster and saved around $3 billion in recall costs. The return on investment ranged from 500:1 to 1,000:1, making investor relations a top economically efficient corporate function.

Technology-Enhanced Investor Relations in Modern Financial Markets:

As the financial landscape evolves, by 2027, artificial intelligence will be on track to remove the heavy lifting of investor relations, also known as investment analytics. Specialized AI analyze investment risks, stock data, and opportunity costs a lot faster than humans. Despite these advancements, why do we still need investor relations?

The bottom line is that most shareholders would rather not spend every day glued to their devices, trying to unriddle their investment's ever-changing data. They understand that their time is desirable, limited, and scarce. That's where investor relations specialists come in. They focus on the part of the operation that stakeholders usually don't want to focus on: analytics. IR acts as the lantern that helps their clients build their most profitable portfolios by analyzing and sending out urgent press releases to their clients about their growth or losses and communicating their findings, with the help of AI tools, of course. The economic value generated by IR annually is

around $10 trillion, and its rapid growth has to be met by clear and transparent communications, which only IR professionals can carry out.

To conclude:

Taken together, the hyperbole “The Hidden Trillion” is not an exaggeration of the massive amounts of money that are being made and saved for investors’ and companies’ value. When companies are told the truth about their financial decisions (by IR), they stop making uninformed guesses. Investor relations truly reflects an economic phenomenon that sustains stock markets and companies worldwide. Revolutionary concept, really. Those who dismiss investor relations as “just communication” overlook an uncomfortable reality: companies and the market alike are shaped by silence—it is not passive; it is a risk. Those that fail to manage it with the same rigor as strategy, capital allocation, and governance do so at the market’s peril.

References

Bagekari, A., & Research, C. M. (2025, July 24). *Investor relations software market analysis 2025, market size, share, growth, CAGR, forecast, trends, revenue, industry experts, consultation, online/Offline surveys, syndicate reports*. Cognitive Market Research. https://www.cognitivemarketresearch.com/investor-relations-software-market-report

Brennan, M. J., & Tamarowski, C. (2000). Investor relations, liquidity, and stock prices. *Journal of Applied Corporate Finance*, *12*(4), 26-37. https://doi.org/10.1111/j.1745-6622.2000.tb00017.x

CORPORATION, T. M. (2014, March 19). *Toyota enters agreement with U.S. attorney's office related to 2009-2010 recalls | Toyota Motor Corporation official global website*. Global.Toyota. https://global.toyota/en/detail/1223417

ESG assets rising to $50 trillion will reshape $140.5 trillion of global AUM by 2025, finds Bloomberg intelligence. (2021, July 21). Bloomberg L.P. https://www.bloomberg.com/company/press/esg-assets-rising-to-50-trillion-will-reshape-140-5-trillion-of-global-aum-by-2025-finds-bloomberg-intelligence/

Flammer, C. (2023, October 10). *ESG and sustainable investing*. NBER. https://www.nber.org/reporter/2023number3/esg-and-sustainable-investing?page=1&perPage=50

Global ESG assets predicted to hit $40 trillion by 2030, despite challenging environment, forecasts Bloomberg intelligence. (2024, February 8). Bloomberg L.P. https://www.bloomberg.com/company/press/global-esg-assets-predicted-to-hit-40-trillion-by-2030-despite-challenging-environment-forecasts-bloomberg-intelligence/

Huang, L. (2021, April 13). *Investor relations 101: A brief view of IR*. Boston University. https://www.bu.edu/prlab/2021/04/13/investor-relations-101-a-brief-view-of-ir/

Liker, J. (2011, February 11). *Toyota's recall crisis: What have we learned?* Harvard Business Review. https://hbr.org/2011/02/toyotas-recall-crisis-full-of

Neukirchen, D., Engelhardt, N., Krause, M., & Posch, P. N. (2022, February 27). *The value of (private) investor relations during the COVID-19 crisis*. PMC Home. https://pmc.ncbi.nlm.nih.gov/articles/PMC9758879/

Pirgaip, B., & Rizvic, L. (2023, June 27). *The Impact of Integrated Reporting on the Cost of Capital: Evidence from an Emerging Market*. MDPI. https://www.mdpi.com/1911-8074/16/7/311

Tsikoudakis, M. (2011, March 6). *Massive recalls put dent in Toyota's reputation*. Business Insurance.https://www.businessinsurance.com/massive-recalls-put-dent-in-toyotas-reputation/

U.S Securities and Exchange Commission. (2023, August 9). *SEC.gov*. SEC.gov | Request Rate Threshold Exceeded. https://www.sec.gov/about/mission

Who we are. (2024, November 1). NIRI. https://www.niri.org/about-niri/who-we-are/