

The Impact of Media Monitoring on Listed Companies

- Take the 3.15 Gala Exposure of Aima Technology as an Example

Jingyi Feng^{1,a,*}

¹*School of Economics and Management, Xinjiang Agricultural University, Urumqi 830000, China
a. x2208060101@hhu.edu.cn*

**corresponding author*

Abstract: This paper mainly studies the influence of media supervision on listed companies, taking the 3.15 Gala exposing the irregular speed-up of Aima Technology as an example, and analyses the influence of media supervision on listed companies and its significance. Media supervision of listed companies is strong and can effectively monitor the behaviour and operation of listed companies. For listed companies, the negative impact of media monitoring may lead to a fall in the company's share price, and the investors are going to sell their stocks, which in turn triggers a crisis of confidence in the market. This incident is going to have a greater impact on listed companies in the short term and less impact in the medium to long term. So, the listed companies should take media monitoring seriously, maintain a good corporate image, enhance information disclosure and strengthen communication with stakeholders in order to improve the company's credibility and business value.

Keywords: media scrutiny, listed companies, governance impact, markets

1. Introduction

On the evening of 15 March 2022, the “CCTV 315 Gala” exposed a number of electric vehicle companies for safety hazards such as illegal speeding, including a familiar company, Aima Technology. This incident has aroused wide concern and discussion from all sectors of society, and media monitoring of these listed companies became one of the hot topics.

As a listed company, it not only needs to face the pressure of market competition, but also needs to bear the pressure of social responsibility and supervision. As an important carrier and supervisor of public opinion, the media's role in monitoring listed companies cannot be ignored. Media exposure of corporate irregularities can effectively drive enterprises to improve management, protect public interest and enhance market transparency. At the same time, the media's supervision of listed companies can also raise the risk awareness and responsibility consciousness of market participants and promote the healthy development of the market. Therefore, the impact of media supervision on listed companies is multi-faceted and beneficial to the long-term development of enterprises.

This paper explores the impact of media monitoring on listed companies using the event study method, taking the example of the electric vehicle speeding violation. The study finds that the media, through reporting, criticism and public opinion monitoring, has an important impact on the image, reputation and performance of listed companies, prompting them to perform their social

responsibility, strengthen their internal management and improve the quality of their products and services, thereby gaining better performance and reputation.

2. Literature Review

The media takes an important part in financial markets by processing and disseminating information about companies [1].

The disclosure of information by media monitoring is the greatest function it has [2]. The monitoring role of the media is particularly important in the business world because it enhances the transparency and integrity of companies and reduces unethical behavior of companies. As far as the news media is concerned, it is important to give full play to the media's information mining role and enhance information delivery [3]. Media monitoring has a direct impact on financial performance [4,5]. Listed companies are a highly dynamic and changing organization in business activities, and their behaviour has a significant impact on the overall stock market as well as on investors in general. As such, the impact of media monitoring on listed companies is particularly evident.

The media can expose a company's problems and raise public awareness by reporting on unethical behaviour of the company, such as embezzlement, corruption and environmental damage. This will force the company to make improvements and will also enhance public scrutiny, ensuring that the company behaves in a compliant manner and providing a more robust and safe investment environment for shareholders and investors.

If subjected to negative media coverage, the company will be under pressure to improve its internal control quality. Listed companies are also part of society, and their business activities and behaviours also involve the issue of social responsibility [6]. Media supervision has a positive role and important significance in promoting the legal and compliant operation of listed companies, protecting the interests of investors, and maintaining market order and social stability.

The ways in which media monitoring affects corporate governance are mainly to cause regulators to intervene, to influence the reputation of the firm or managers, and to increase capital market pressure to induce firms to strengthen corporate governance. After the news media reveal irregularities and fraudulent practices of firms, regulators will intervene in corporate governance in an administrative manner due to public opinion pressure, managers will actively correct misconduct for their own reputation, and at the same time, due to the pressure of falling market share prices, managers will take measures to stabilise the business performance of the firm [7]. Media monitoring can increase the transparency and integrity of listed companies, expose unethical behaviour of companies, and promote the fulfilment of corporate social responsibility, thus increasing their corporate value and market competitiveness.

In periods of increased market uncertainty, media coverage of earnings announcements increases, which in turn leads to improved trading and pricing [8]. This evidence builds on and expands on a growing body of research on when and under what circumstances media coverage can make capital markets more efficient [9].

The media is not a natural "enforcer", but only a natural sensation seeker. On the one hand, the media do play an unrivalled role in market regulation, but if the media fabricate facts in pursuit of sensationalism in their reporting, they may instead cause market disturbances [10]. Some media may inaccurately report or mislead listed companies for commercial interests or other purposes, which may negatively affect the image of listed companies and market confidence. Secondly, some listed companies may counter the monitoring behaviour of the media by retaliation and other means, which will restrict the monitoring strength of the media to the listed companies. Finally, some listed companies may adopt undercover operations and deliberately conceal important information in order to avoid the monitoring behaviour of the media.

3. Case Studies

The 3.15 Gala broke the news that many brands of electric bicycles were blatantly speeding up in violation of the law. The staff took out the decoder equipped for the shops to lift the speed limit and the speed limit was lifted with a simple press of the remote control. A number of e-bike manufacturers such as Opie, Dagger, Green Energy and Maverick have prepared decoding devices for their dealers, allowing e-bikes that should not exceed 25km/h to easily exceed the speed limit.

3.1. Industry Analysis

The analysis of this incident from the electric vehicle industry is firstly related to the quality and safety of electric vehicles. Electric bikes are commonly used as a means of transport for people. The exposure of this speed violation has caused concern among consumers and has also caused some damage to the image and reputation of the electric vehicle industry. It has also reminded electric vehicle manufacturers of the need to strengthen their management and control of quality and safety to protect the rights of consumers.

Secondly, this incident also reminds the electric vehicle industry of the need to strengthen its own integrity and credibility building. The exposure of this incident has brought a certain negative impact to the electric vehicle industry and has caused people to have some doubts about the integrity and credibility of the electric vehicle industry. Therefore, the electric vehicle industry needs to strengthen its own management and control, guarantee the quality and safety of its products, and establish a good image and reputation.

In the future development, the electric vehicle industry needs to strengthen technological innovation and research and development to improve the quality and safety of its products, as well as strengthening the industry's own management and control and improving regulations and standards.

This speed violation has sounded an alarm to the electric vehicle industry, reminding all parties in the industry of the need to strengthen management and control, safeguard the quality and safety of products, establish a good image and reputation, and promote the healthy development of the electric vehicle industry.

3.2. Case Companies

This article intends to examine the example of Aima Technologies.

Aima Technology Group Co., Ltd. is a Chinese company engaged in the development, production and sales of electric bicycles, electric mopeds and electric motorbikes. It also manufactures and sells electric tricycles, bicycle products and related accessories. The company sells its products mainly through the "Aima" brand. The company sells its products in both domestic and overseas markets. (Stock code: 603529)

3.3. Data Sources

The sample data is obtained from Chiron, the relevant individual stock data of Aima Technology from 1 September 2021 to 17 March 2022, and the relevant market data of Shenzhen Seng Index from 1 September 2021 to 17 March 2022.

3.4. Selection of Window Periods

On 15 March 2022, the 3.15 evening party broke the news that many brands of electric bicycles were blatantly violating the speed limit. In this paper, March 16, 2022 is selected as the event date (t), and the event window period is selected as the two trading days before and after the announcement, i.e.

(t-1, t+1) as the event window. The estimated window is from 1 September 2021 to 1 March 2022 [-196, -16].

3.5. Sample Selection and Data Analysis

This paper uses an event study approach to examine the events surrounding Aima Tech's speed violation. Using the market hypothesis as a basis, the abnormal return (AR) can be expressed as

$$AR_{i,t} = R_{i,t} - (\alpha_i + \beta_i R_{m,t})$$

The difference between the actual return $R_{i,t}$ and the expected return $R'_{i,t}$ is the abnormal return $AR_{i,t}$. The difference between the actual return $R_{i,t}$ and the expected return $R'_{i,t}$ is the abnormal return $AR_{i,t}$. The cumulative abnormal return CAR is obtained by summing the abnormal returns $AR_{i,t}$, which can be expressed as.

$$CAR_i(t_1, t_2) = \sum_{t=t_1}^{t_2} AR_{i,t}$$

First, calculate the normal return: choose the Shenzhen Seng Index as the index return (up or down) on day t, i.e. $R_{m,t}$. Where ε is a negligible residual value, use R_t and $R_{m,t}$ as samples in the estimation window [-196, -16] and do a regression to calculate the values of α and β .

Second, calculate the stock excess return AR over the event window period [-1, 1]:

Finally, the cumulative excess return on stocks for the event window period [-1, 1] is calculated CAR: where R_t denotes the actual return of AimaTech at day t. A regression fit plot for rounding in the [-196, -16] estimation window was obtained via Excel (see Figure 1).

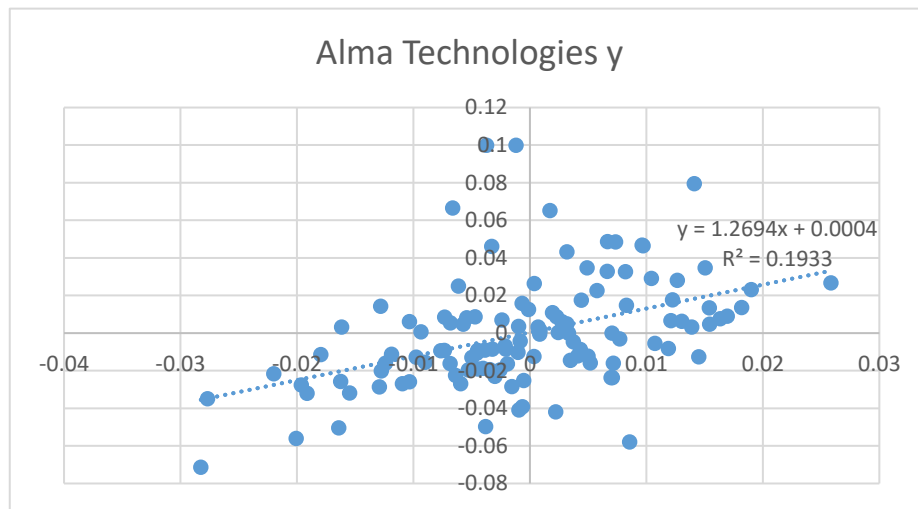


Figure 1: Aima Tech estimated window period regression fit.

4. Short-Term Impact

Linear regression gives:

$$y = 1.2694x + 0.0004$$

$$R^2 = 0.1933$$

The market return (R_{mt}) is brought into the value to obtain the expected return, then the individual stock returns are differenced from the expected return to obtain the excess return, and finally the cumulative excess return is obtained, and the data is shown in Table 1.

As can be seen from Table 1, the overall trend of ARAMARK's daily return differs greatly from that of the Shenzhen Composite Index, with the Shenzhen Composite Index's return moving more slowly and ARAMARK's change being large and mostly negative. As shown in Figure 2, during the period after the 3.15 Gala broke the case of illegal speeding of electric vehicles, the cumulative excess returns showed a downward trend, and all of them showed negative values, which shows that the market response was not optimistic.

Table 1: Excess return of AimaTech during the event window.

	Market Yield	Individual Share Yield	Expected rate of return	Abnormal yields	Cumulative yield
t=-1	-0.043634977	-0.060565276	-0.05499024	-0.005575036	-0.049415205
t=0	0.040193667	0.019770774	0.051421841	-0.031651067	-0.081066272
t=1	0.024082575	0.011239112	0.03097042	-0.019731308	-0.10079758

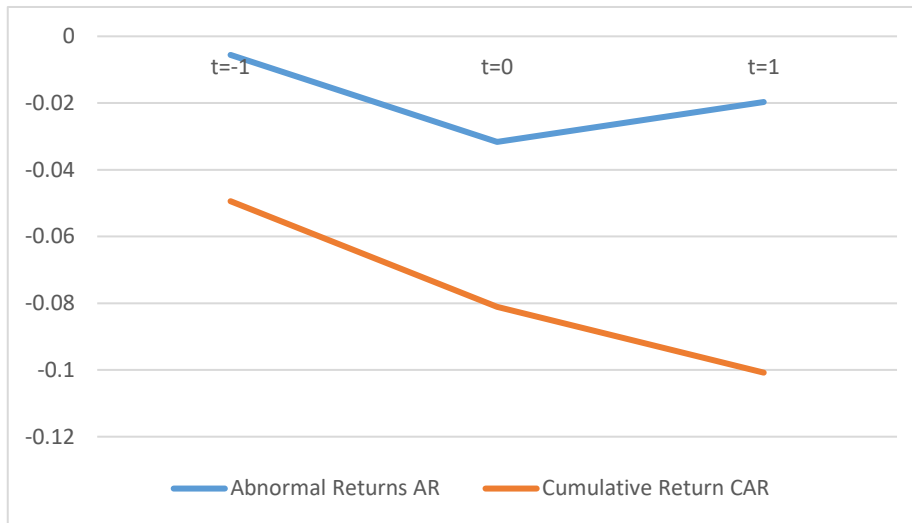


Figure 2: Cumulative return trend of AimaTech.

5. Medium to Long-Term Implications

Linear regression gives:

$$y = 1.2694x + 0.0004$$

$$R^2 = 0.1933$$

The change in share price (3.15-4.15) in the month following the event was selected for an interim study.

The market return (R_{mt}) is brought into the value to obtain the expected return, and then the difference between the individual stock return and the expected return is made to obtain the excess return, and finally the cumulative excess return. As shown in Figure 3.

The graph shows that from $t=-1$ to $t=20$, the abnormal return on this asset is volatile, showing positive and negative changes. The cumulative return shows a significant positive return at $t=3$,

followed by a reversal. Overall, the cumulative return on this asset has increased by approximately 21% over the time period examined.

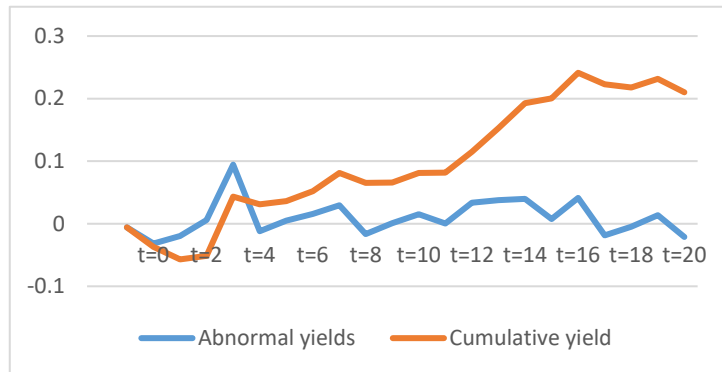


Figure 3: Cumulative return trend of AimaTech.

For the long-term analysis, the 2022 annual results announcement of Aima Technologies Group Limited was selected for comparison with the same period of the previous year, and some financial indicators were calculated as shown in Table 2:

Table 2: Selected financial indicators for 2022 for Aima Technologies.

Growth rate	Current reporting period	Same period of previous year	Percentage point increase or decrease
Operating Margin	10.74%	4.80%	Increase of 5.94 percentage points
Weighted average return on net assets	30.75%	17.46%	Increase of 13.29 percentage points
Operating income growth rate	35.09%	19.33%	Increase of 15.76 percentage points
Operating profit growth	202.45%	-3.31%	Increase of 205.76 percentage points

During the reporting period, the company achieved an operating income of 2,080.2 million 1.3 million yuan, a year-on-year increase of 35.09%; The net profit attributable to shareholders of the listed company was RMB1845,159,100,000, a year-on-year increase of 177.89%; The net profit attributable to shareholders of the listed company was RMB1,759.935 million, a year-on-year increase of 185.61%. At the end of the reporting period, the company's total assets were 1,846,438.89 million yuan, an increase of 37.83% over the end of the previous year; The ownership equity attributable to shareholders of the listed company was RMB668,870.32 million, an increase of 34.45% over the end of the previous year; Net assets per share attributable to shareholders of the listed company were RMB11.64, down 5.52% from the end of the previous year.

Based on Aima's historical share price change data, it can be seen that the speed-up issue exposed at the party did have a short-term negative impact on the company's share price. However, over the following month, the company's share price gradually recovered and did not suffer a long-term impact from the incident. In addition, the company's financial results were not heavily impacted by the incident.

It shows that while media scrutiny has some short-term impact on corporate image and share price, it is crucial for companies to respond and handle these events to build credibility and win the trust of the market and consumers.

Therefore, it is considered that the decline in the share price of Aima Electric is only a short-term phenomenon and will not have a significant impact on the company's share price in the medium to long term. In addition, the company should further improve its product quality and regulatory system to ensure that the business can grow steadily.

6. Conclusion

The example of AimaTech shows that media scrutiny can have an impact on the short-term share price of a listed company, but not necessarily on the medium- to long-term share price and financial results. Exposure events usually cause concern and worry in the market, leading to a fall in the company's share price. In such cases, investors may be concerned about the company's reputation and operations and may choose to sell their shares, causing a temporary dip in share price. However, as time passes and market concerns about the event subside, investor sentiment stabilises and the share price may gradually rebound. The medium to long-term share price, however, is more reflective of the company's fundamentals and future growth potential.

The role of media monitoring is therefore not simply to cause corporate losses or gains, but to improve corporate transparency and regulation by leading the market to assess and monitor companies truthfully and comprehensively, which is conducive to long-term sound corporate development.

References

- [1] Vishal P. Baloria, Jonas Heese.: *The effects of media slant on firm behavior. Journal of Financial Economics* 129(1), 184-202 (2018).
- [2] Vinegar Weihua, Li Peigong.: *An empirical study of media monitoring of corporate governance. Nankai Management Review* 15(01), 33-42 (2012).
- [3] Huang Hui.: *Negative media coverage, market reaction and corporate performance. China Soft Science* 8, 104-116 (2013).
- [4] Li, H. T.: *A Study on the Mechanism of the Role of Media Attention on Corporate Financial Performance. Contemporary Economics* 24, 128- 131 (2017).
- [5] Zhang ZQ, Tian XM.: *Media attention, reporting sentiment and the speed of recapitalization-an empirical test and mechanism analysis[J]. Enterprise Economics* 474(02), 99-106 (2020).
- [6] Zhang, P., Xu, W.: *'Can media monitoring improve the effectiveness of internal control? --Empirical evidence from Chinese listed companies', Accounting and Economic Research* 5, 88-105 (2015).
- [7] Zeng Wei, Liu Zhijie, Zhang Zhao.: *A study on media attention, internal control effectiveness and corporate performance volatility [J]. Journal of Central South University (Social Science Edition)* 22(2), 116-122 (2016).
- [8] Samuel B. Bonsall IV, Jeremiah Green, Karl A.: Muller III. *Market uncertainty and the importance of media coverage at earnings announcements. Journal of Accounting and Economics Accounting and Economics* 69(1), 101264 (2020).
- [9] Blankespoor, deHaan, Zhu.: *March, Capital market effects of media synthesis and dissemination: evidence from robo-journalism. Rev. Account. Stud* 23 (1), 1-36 (2018).
- [10] Xiong Yan, Li Changqing, Wei Zhihua. *Media "sensation effect": transmission mechanism, economic consequences and reputation discipline - a case study based on the "bullying incident". Management World* 10, 125- 140 (2011).