MARKET REACTION TO THE COMPANY'S NAME CHANGE: EMPIRICAL EVIDENCE FROM MALAYSIA

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ABSTRACT

This study aims to examine the market reaction to the announcement of company's name changes. The sample of this this study consists of the announcements of the company's name changes made by Malaysian companies during the period of year 2014 to 2018. This study uses an event study methodology to examine the effects of the announcement to the stock price of the company. The effect of signaling theory and information asymmetry hypothesis has been observed to explain the relation of the company's name change announcement. Using an event study methodology, the results of this study show that there is no significant effect on abnormal returns to the changes of company's name announcements. Despite the negative figure on the announcement date but there is no significant impact on the stock price. In addition, this study also found that there is no significant impact on the abnormal returns prior and post of the announcement date. Overall, it can be concluded that signaling information and information asymmetry hypothesis done by the companies to the investors through company's name change announcement does not significantly affect the shareholder's wealth.

Keywords: company's name change, abnormal return, event study

ABSTRAK

Kajian ini bertujuan untuk mengkaji reaksi pasaran terhadap pengumuman perubahan nama syarikat. Sampel kajian ini terdiri daripada pengumuman perubahan nama syarikat yang dibuat oleh syarikat Malaysia dalam tempoh tahun 2014 hingga 2018. Kajian ini menggunakan metodologi kajian peristiwa untuk mengkaji kesan pengumuman kepada harga saham syarikat. Kesan teori isyarat dan hipotesis asimetri maklumat telah diperhatikan untuk menjelaskan hubungan pengumuman perubahan nama syarikat. Menggunakan metodologi kajian peristiwa, hasil kajian ini menunjukkan bahawa tiada kesan yang signifikan terhadap pulangan yang tidak normal kepada pengumuman perubahan nama syarikat. Walaupun angka negatif pada tarikh pengumuman tetapi tiada kesan yang signifikan terhadap harga saham. Di samping itu, kajian ini juga mendapati bahawa tidak ada kesan yang signifikan terhadap pulangan yang tidak normal sebelum dan selepas tarikh pengumuman. Secara keseluruhannya, dapat disimpulkan bahawa isyarat maklumat dan hipotesis asimetri maklumat yang dibuat oleh syarikat kepada para pelabur melalui pengumuman perubahan nama syarikat tidak banyak mempengaruhi kekayaan pemegang saham.

Kata kunci: perubahan nama syarikat, pulangan yang tidak normal, kajian peristiwa

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LIST OF ABBREVIATIONS

MM	=	Market Model
MAR	=	Market Adjusted Model
EMH	=	Efficient Market Hypothesis
FBMKLCI	=	FTSE Bursa Malaysia Kuala Lumpur Composite Index
AAR	=	Average Abnormal Return
CAAR	=	Cumulative Average Abnormal Return

CHAPTER1

INTRODUCTION

1.1 Introduction

Company's name serves as a symbol that reflects the identity of a company. In other words, it reflects the value and identity of the managers, employees and shareholders to outsiders. Additionally, Gupta and Aggarwal (2014) claimed that the company's name is the basis of a firm's identity as it is the first contact with the investors and other stakeholders. Therefore, if a company wants to change its name, the selection of a new company's name should be carefully created so that the new name can meet the desired company's image (Horsky & Swyngedouw, 1987). This is because, the objective of changing a company's name is to improve the company's performance through high motivation among employees and the increment in the demand for company's products by customers and this directly increases the profitability of the company. Besides that, change of the company's name involves high costs including advertising costs, legal fees and also spend a lot of money to appoint a consultant who to propose the new name to the company.

In general, companies will take steps to change their names when it comes to merging and acquisition, changes in company's activities such as restructuring process and changing to new company's identity to convey the future company's direction (Kharbhari *et al.,* 2004). One example of the company that has changed name in Malaysia is Faber Group Berhad which has changed the company's name to UEM Edgenta Berhad. The reason for changing the name is Faber Group Berhad has merged with Projek Penyelenggaraan Lebuhraya

Berhad and Opus Group Berhad. The transformation to the new company name enables the company to focus entirely on the asset and facility management business in term of better service offering to the customers. Another company that has changed its name is Sapura Energy Berhad. The purpose of changing the new company's name is to reflect the global corporate identity and also further to enhance the company's image. Change in current situation may also result in companies to change their company names in order to provide a new identity to fit the current situation in order to be more competitive in the market.

When a company decides to change its name, it also considers a new strategy implemented by the company to create tremendous opportunities through the creation of new images that positively impact firms' worth. Previous research indicates that change of company's name serves as a signal of conveying effective information accompanying strategies to investors by management and thus positively increases the company's stock price (Lee, 2001). Thus, the investors will accept this information as a good sign to form better firm's identity and also increase the future earning that will benefit them. However, there is a risk inherent when a company changes its name. This is because the use of company's old name has been well-known in terms of name recognition, a good image and also having loyal customers. The change to new company's name may lead to negative perceptions among the customers as well as may affect the demand of the company's products and cause the company's profitability to decline (Horsky & Syngedouw, 1987). This matter further affects investor's value due to the decline in the company's share price.

In brief, every event that happens to the company will affect the movement of the company's shares, whether positive or negative effect.

1.2 Background of the Study

There are many existing literatures explain the motivation of the company changing their names. According to Sergius Koku (1997) there are three main reasons for a company to change its name. 1) merger and acquisition (M&A), 2) diversification of product line, 3) change in its business strategy. Merger and acquisition can be briefly explained as the consolidation of company to create the new name to reflect the new ownership of the company. Usually, when companies change their names through merger and acquisition, they will clearly state in the announcement where it will be easily to differentiate from others (Kot, 2011). In Malaysian scenario, an example of this would be Shell Refining Company (Federation of Malaysia) Berhad which a merges with Malaysia Hengyuan International Ltd to form Hengyuan Refining Company Berhad as a new company entity.

Some companies may change their names in order to avoid confusion of the companies' names with other companies that may have similar names. This situation is also known as reputation or clarity change of company's name (Kot, 2011). For example Felda Global Ventures Holdings Berhad has changed the company's name to FGV Holdings Berhad. Under the brand of FGV, the company has been able to develop their own entity as public listed company and enable their major shareholders and other stakeholders of the company to better differentiate them with FELDA which is the program established by Malaysian government in 1956 to reduce poverty to community who live in rural area. However, this type of change has negative effect to the stock market reaction because investors consider that the information presented only to enhance the company's reputation and not intended to improve the company's operation (Josev *et al.*, 2004). This matter clearly provides signals to the company that investors do not only respond to the change of the company's name but also to the nature of the company's business.

Change in business activities is another reason why a company changes its name. Most of the researchers argued that changes in company's operation are very useful information to be conveyed to the investors about the future performance (Horsky & Syngedouw, 1987; Sergius Koku, 1997; Kot, 2011). It involves an activity in which the company will focus on expanding its business through exploring the diversity of business opportunities by implementing a new strategy. This change is done by the company when the competitive position is unfavorable and a measure taken by the company to enhance the company's value through re-targeting new customers and renewing brand products to remain competitive in the market (Zhao *et al.*, 2018). This also involves the activities where companies want to diversify their business line through expanding new product offered in the market. In this situation, it can be concluded that the ultimate aim of name changing is to improve the future earning of the firm through such means to enhance employees' morale or to increase consumer preference for the company's product (Horsky & Syngedouw, 1987). In essence, this serves as a strong signal to investors that companies have made substantial changes in their company's activities and logically investors will positively respond to the market. However, changing the company's name with the intention to change the company's activities may negatively affect the value of the company. This is because changes are costly because they involve various costs such as advertising costs, legal fees and costs to hire experienced consultants who will propose new company's name. Investors see this as a risky move as the company's opportunity to gain future return will be low due to exposure to high competition from others competitors. Basically, investors will not accept the company's name change strategy when the competitive pressure is high (Rani & Asija, 2017).

In addition, change of a company's name is also made to eliminate negative or bad images caused by the accumulation of losses and poor performance of the company. Changing to a new identity will definitely give a new look and also break bad performance from the past. According to Yoon and Park (2015), usually most of the companies change their names to withdraw negative images from their poor performance in the past. Therefore, a new name can be a signal that it is part of the company's new strategy. This is also a way for the company to convince investors that they have restructured their operations to overcome their poor performance. For example, Securities Commission Malaysia, which is Malaysia's financial regulatory authority, will only approve a restructuring scheme (change of company's name) for a failed company if it has a good future earnings potential and will benefit the shareholders of the company. Therefore, for the investors, this type of information through the change of the company's name, is considered a reliable information and will give a better earning in the future and they will react to the company's share price (Kharbhari *et al.,* 2004).

Even though, a company changes its name for the purpose of a new corporate entity, but the company should consider that investors are not only responding to the change of company's name but also to the various attribution of the company which include the future performance of the company (Agnihotri & Bhattacharya, 2016; Mase, 2009). For example, when companies add ".com" to their company's name at the period of Internet usage widely spread, even if companies do not use the internet as their business medium, but investors still give positive reaction to company shares (Cooper *et. al,* 2001). So the changes will convey information to investors that companies may be expanding their business by selling their goods through online to customers and growing in IT industry.

In conclusion, the change of the company's name serves as a signal to convey company's information to investors. However, investors will evaluate company's name changes from different perspectives either the changes made will have a positive or negative impact on them as shareholders of the company. For investor, when companies change their name, it is not just changes of company's name but rather its implication. Thus, investors will act if the changes made will benefit them and directly affect the changes of the company's stock.

1.3 Changes of Companies' Name in Malaysia

In recent years, many Malaysian public companies which are listed on Bursa Malaysia had changed their companies' name. For example, Tatt Giap Gruop Bhd has changed its name to Dynaciate Group Bhd, Kuantan Flour Mills Bhd to Lotus KFM Bhd and Halex Holdings Bhd to Hextar Global Bhd. There are many reasons why a company changes its name. The company's name has become an intangible asset of the company in order to determine the current value of the company nowadays. As time passes, usually a company ventures into various businesses in order to expand its operation. This is another reason why it needs to change its name. Thus, a company needs to transform its name to reflect a new fresh image.

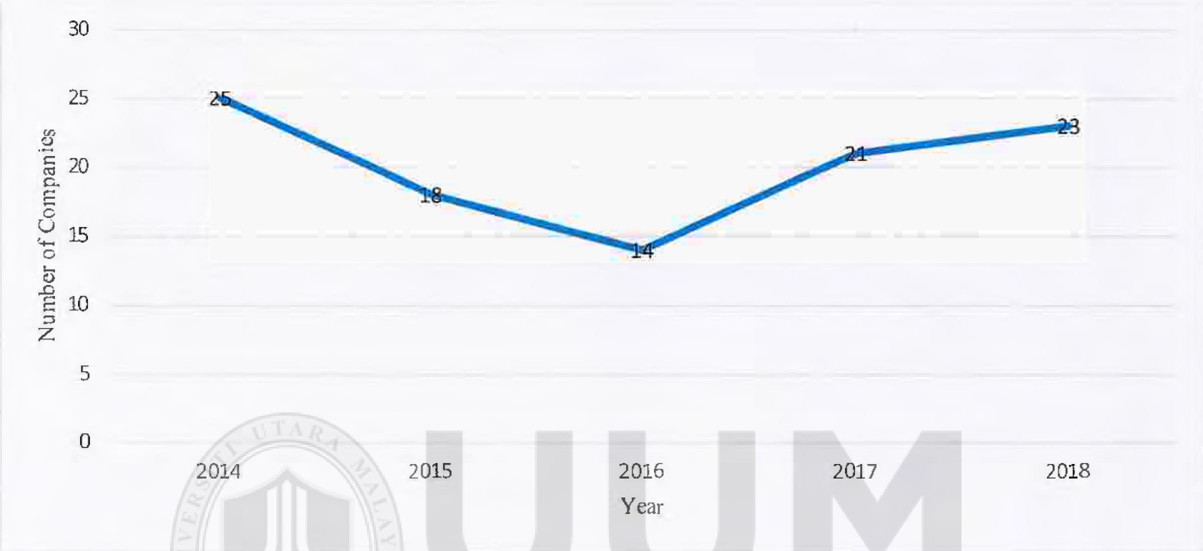

Figure 1.1
Announcement of Companies' Name Change: Malaysia 2014-2018
Source: Bursa Malaysia-Company Announcements

Figure 1.1 presents the number of companies' name change in Malaysia from 2014 to 2018. In 2014, shows the highest number of companies' name change which involved 25 companies. However, there was a decline in the number of companies' name change from 2014 to 2016. This is due to the sluggish global economy that may have a significant impact on all business sectors in Malaysia. For that reason, this might be why many companies to take precautionary measures to make amendments in their business activities throughout the years. In 2017 and 2018, there was an increase in the companies' name change which involved 21 and 23 companies, respectively. Overall, the trend shows that there are active activities in changing the companies' name in recent years.

1.4 Problem Statement

Many studies have shown that the change of companies' name have been actively carried out in developed countries (Howe, 1982; Karpoff and Rankine, 1994; Horsky and Swyngedouw, 1987; Morris and Reyes, 1992; Cooper *et al.,* 2001; Zhao *et al.*, 2018 study in US market, Biktimirov and Durrani, 2017 in Canadian market, Mase, 2009 in UK market, Josev *et al.*, 2004 in Australian market, Gottner and Limbach, 2011 in German market).

However, the result of the market reaction to the changes of companies' name from these various studies show different findings. For example, Gottner and Limbach (2011) and Biktimirov & Durrani (2017) have found there were positively significant abnormal return when the companies completely change their company's name. In contrast, Mase (2009) found that there was a negative significant abnormal return when the companies change their existing name to the new name. This indicates that the existing literature studies reveal that the result of market reactions to the changes of companies' name are still inconclusive and could lead to the need of further investigation. In addition to that, this study also coincides with a lack of research in emerging countries. Different findings are expected for Malaysian scenario as the rules and regulations are different.

In recent years, the study of market reactions to the changes of companies' name could also be seen in emerging countries such as India - Gupta and Aggarwal (2014), Agnihotri and Bhattacharya (2016) and Rani and Asija (2017); Indonesia by Utami and Gumanti (2014); China by Berkman *et al.*, (2011); Korea by Yoon and Park (2015). This indicates that there is a need to conduct research of market reactions to the changes of companies' name in other emerging countries as it is now gaining importance in the global markets. To the best of author's knowledge, only one study has been conducted Malaysia.This motivates the researcher to study the market reactions to the changes of the companies' name in the Malaysian context in order to enhance more knowledge on the effects of the companies' name change to the shareholders' wealth. In addition to that, an increasing in the changes of the companies' name among Malaysian companies in recent years had shown the need to study the effect of the changes to stock price of the company.

Furthermore, as an emerging country, the study of market reactions to the changes of the companies' name in the Malaysian market should also be carried out in order to understand the investors' response to the changes. This is because investors will respond to the changes depending on several factors such as merger and acquisition, restructure the company's management and also changing of business activities (Sergius Koku, 2011).

Reviewing on the existing literature, the researcher found several gaps. Firstly, there should be further analysis on the changes of the company's name to the stock market as the result of the studies are still inconclusive and mixed. Secondly, most literature focuses their studies on developed countries compared to emerging countries. For that reason, this encourages the researcher to examine the market reaction to the changes of companies' name in the Malaysian context.

1.5 Research Questions

Based on the above discussion, the aims of this study are to answer the following questions:

1. What is the stock price reaction to the announcement of company's name change?
2. Is there any abnormal return realized prior to the announcement of the company's name change?
3. Is there any abnormal return realized post the announcement of the company's name change?

1.6 Research Objectives

The objectives of this study are as follow:

i. To examine the stock price reaction to the announcement of company's name change.

ii. To examine the abnormal return prior to the announcement of the company's name change.

iii. To examine the abnormal return post the announcement of the company's name change.

1.7 Significance of the Study

From a company' perspective, the significant findings of this study may provide better understanding to the managers on their decision making. This is because the decision or changes made by the managers will affect the shareholder's wealth of the company. Therefore, these findings will provide to the manager more insight about the positive or negative impact the company's value when they change their company's name and also the effectiveness of distributing information to investors through company's name change strategy.

From the investor's perspective, this study will provide more awareness to the investors about the Malaysian stock market environment. Usually, the investors will be cautious if there are any changes that will affect their investment return. Therefore, there is a need for them to get more in-depth and more reliable information to secure their investment decisions. Thus, these research findings will give a better idea on their investment's decision and more information about the effects of company's name change to the stock price.

Finally, from the researcher's perspective, the results of this study might therefore can provide to a well understanding of the impact of the company's name change announcement on the share prices from the perspective of different countries especially in the Malaysian market. In addition to that, the results of this study can also aid in the existing literature of the study done by other researchers in the future. Besides that, the findings of this study can also be used by other researchers from other emerging countries to compare their findings with the different stock market environment.

1.8 Scope of the Study

The scope of this study focuses on changes of company's name activities in Malaysia that occurred for the period from January 2014 to December 2018. The purpose of this study is to examine the market reaction to the changes of company's name by Malaysian companies listed on the Main Market and ACE Market of Bursa Malaysia.

1.9 Organization of the Study

The study is structured into five chapters; chapter one is the introduction, chapter two explains literature review of related theories and empirical evidences of the market reaction to the changes of company's name. Chapter three explains the sample data, development of hypotheses and methodology used in this study. Chapter four shows the empirical analysis and finding of this study and chapter five are conclusion and recommendations.

CHAPTER2

LITERATURE REVIEW

2.1 Introduction

This chapter briefly reviews about the previous studies regarding to changes of the company's name, by looking into the theoretical as well as empirical aspect of the changes of the company name, with focus on the stock price effects. The causes and consequences of the announcements made to change company's name are discussed and linked to several theories. Section 2.2 discusses the underlying theories that why changes of the company's name happen. Section 2.3 discusses the empirical literature about the market reaction to the changes of a company's name from various countries.

2.2 Theoretical Review

There are three theories that have been adopted to describe and analyze the market behavior toward the changes of the company's name. The three theories to explain the motive of changing the company's name are Signaling Theory, Information Asymmetry and Efficient Market Hypothesis Theory.

2.2.1 Signaling Theory

Signaling theory is one of the theories used by researchers to study the effect of market reaction to the changes of a company's name. According to Sergius Koku (1997), signaling theory is a kind of communication theory applied to explain the occurrence of information asymmetry between the insider (management) and the outsider (investor). In other words, the manager of the company has much further information about the future prospect of the company rather than the investor (Josev *et al.*, 2004). Thus, the act of changing the company's name signals that serious and successfully measures are taken to improve the company's performance. These include changes in product offerings and organizational structure (Horsky & Swyngedouw, 1987). Basically, change of company's name reflects change of company's operation (Utami & Gumanti, 2014). As a matter of fact, every change made by the company will signal to the investors that there is a change of company's operation whether it is minor or major.

According to Moris and Reyes (1992) change in the company's name is a credible signal because it relates to the huge expense that the company has to bear. In addition to that, Karbhari *et al.* (2004) and Moris and Reyes (1992) state that the low quality companies are not capable of making changes because of the cost of each action being made. This is because when the company takes action to change the name, it involves various expenses such as advertising costs, legal fees and so on (Josev *et al.*, 2004). This is supported by Sergius Koku (1997) who states that change of company name signals that it involves a lot of financing cost. This is to ensure that the new name does not give a negative image to the company as the company has spent a lot of money to appoint a consultant who to propose the new name to the company.

Lee (2001) states that change of company's name serves as a signal of conveying effective information accompanying strategies to investors by management and thus positively increases the company's stock price. Sergius Koku (1997) also argues that company name change is an effective strategy for the company to communicate to investors regarding the improved standards that have been implemented by the company. In brief, change of name signs to the market that the quality of the company is good and consequently would affect the share prices of the company.

Although findings from past studies show that change of company's name is associated with good performance, there are studies that show the opposite result. For example, studies by Zhao *et. al.*, (2018) and Rani & Asija, (2017). In particular, Zhao *et. al.* (2018) find that change in company's name is associated with high cost and high risk. In other words, change of name signals to the market that high cost and high risk are involved. This is because when the company takes the name change strategy, it is a measure taken by company to enhance the company's value through re-target new customers and renew brand products to remain competitive. For that reason, investors see this as a strong negative signal that companies face high competitive from competitors and cause cumulative abnormal returns decline. Investors see a company's name change strategy as a risky move and the company will be exposed to threats from competitors in the future. Basically, investors only accept the company's name change strategy when the competitive pressure is low. This statement is also supported by Rani and Asija (2017) where companies with high market risk will receive a negative reaction on the announcement day due to investors assumption that the company has high market risk as the process of transforming is unstable and cumbersome.

Based on the extant literatures signaling theory is a one of the theories that has been used to explain the market reaction to the company's name change.

2.2.2 Information Asymmetry

Information asymmetry is another popular theory that has been used to explain market reaction to change of a company's name. This theory can also be applied as it relates to the signaling theory. As described by Sergius Koku (1997) and Josev *et al.* (2004), the existence of signaling theory is due to the difference in the availability of information between the outsiders (investors, consumers and competitors) with the insiders (management officers). Information asymmetry assumes that consumers or shareholders do not have comprehensive information regarding the current situation of a company and the strategy being made by the management. They usually only get publicly information related to the company's products and new products launched by the company. This situation has created a gap of the difference in information obtained by both parties. Therefore, when a company changes its name, it indicates that the investors or the buyers are not fully informed of new strategies made by the management as they are not involved in the management of a company (Sergius Koku, 1997). This matter directly poses a different perception among investors either it is positive or negative about the company. According to Akerlof (1970), name is not merely a quality indicator but is a guarantee of the buyer's expectation. This suggests that if a good name does not achieve the expected quality, it will rise to a bad impression of the buyer and consequently affect the company's sale and profit.

One of the plans or common strategies used by companies to minimize information asymmetry is through the change of company's name. Horsky and Swyngedouw (1987) state that most of the companies find that information disseminated through name change serves as an alternative tool to convey information to the market. The study also shows that, when the company changes its name, it shows that the company produces products that are fit with current customers' need and more competitive with competitors. This situation may increase the profit of the company while the cost can also be reduced. Generally knowing that managers have more information about the company, for this reason market should be confident about the changes that have been made. This is also supported by Brent & Addo (2012) that reveal when a company minimizes its information asymmetry, it current stock's price increases. This means that, more positive information (change of company's name) released by company will increase the demand for the company's stock. Thus, increasing the share price. Information that is signaled through the change of company's name announcement will reduce information asymmetry among market participants and firm (Barakat *et al*., 2014).

Although information asymmetry can be minimized through announcements by the company but information asymmetry still exists between informed traders and non-informed traders (Barakat *et al*., 2014). When the company changes its name, it signals a change in company's operations (Utami & Gumanti, 2014) change in its operation may expose the company to operational risk (such as renewing the product brand) due to unstable transformation (Zhao *et al.* 2018; Rani & Asija 2017). In order to minimize the information asymmetry regarding firm information, informed traders which consists of financial analysts and large shareholders have possess superior information about the firm condition in term of stock price and operating risk that receive on private information through insider information or public announcement. This provides opportunities for informed investor to do trading around the announcement date based on information they receive (Barakat *et al.*, 2014).

In conclusion, based on the past studies, the findings show that change in a company's name may help to reduce the information asymmetry problem.

2.2.3 Efficient Market Hypothesis Theory

The last theory used to explain market reaction to the changes of the company's name is efficient market hypothesis theory. This theory is also often used by the researchers when conducting event study analysis which is related with the announcement date of the change of a company's name (Karim, 2011). According to Malkiel and Fama (1970) who is a pioneer of the efficient-market hypothesis theory has stated that investors can choose to own a company's share based on the investment decision (announcement) made by the company. This theory argues that the market is efficient because it assumes that the company's stock price is fully reflects all the information. In other words, the company's share price is traded at fair prices and it is impossible for investors to buy or sell shares either at low or high price. This statement is supported by Degutis and Novickytė (2014) where state that changes in the company's market value reflects the intrinsic value of the company.

Efficiency market hypothesis can be devided into 3 types. They are: weak-efficient market is a situation where current share prices reflect all the information related to change of the past share prices. Semi-strongly efficient markets which is the current value of stocks not only reflects information based on past share prices but also based on current publicly available information such as announcement of acquisition and dividend payout. In strong efficient market states that the present value of the shares reflects all the information available without the need to be issued to the public (Malkiel & Fama, 1970; Degutis & Novickytė, 2014).

A study conducted by Karim (2011) states that if the market is efficient, all the information will be reflected by the current stock price of the company on the announcement day. This means that, when the company makes an announcement (change of the company's name), the market will expect an increasing in future cash flow (abnormal price changes) and increasing the value of the company as well as the shareholders' wealth. The study finds that there is a positive market reaction on the announcement day. The findings are supported Woolridge and Snow (1990) where there is a positive reaction by the stock market when the company decides to change its name.

In addition to that, Zhao *et al.* (2018) state that the change of a company's name should be seen as a mechanism to enhance shareholder value as well as return on investments made. This is because based on the efficient market hypothesis, the company's share price during the announcement date will reflect the current value of all future cash flows due to the event. Therefore, positive cumulative abnormal returns explain that investors expect it will bring a positive future cash flow to them when the companies change their names. Furthermore, Utami and Gumanti (2014) also states that when the market perceives the change of company's name as a good news, market may expect it will alter future cash flow and consequently will positively increase the company stock price.

In brief, previous studies indicate that efficient market hypothesis theory has been applied to explain the market price reaction to all information (announcement of changes company's name) made by the company to the public.

2.3 Review on Empirical Evidence

This section attempts to give a review of empirical evidence in changes of the company's name. In particular, this section discusses the findings that have been documented by past studies which have been conducted in the countries such as US and United Kingdom and also other developing countries such as China, India, Indonesia and Malaysia.

2.3.1 Empirical Evidence

The study of market reaction to the change of company's name was carried out by Howe (1982) to examine the impact of company's name change announcement on stock price for 121 firms traded on the New York and American Stock Exchanges for the period between 1962 and 1980. The result shows that there is average stock price changes for the event window of week -4 to week +4. In adition to that, the study also finds that the average abnormal return is positive for the 7 consecutive weeks which is week -3 to week +3. Nevertheless Howe (1982) finds that there is no significant changes on the stock price surrounding the announcemet date of changes company's name.

The finding by Howe (1982) is supported by Karpoff and Rankine (1994) who study the changes of stock price associated with change of the company's name. The sample of the study consists of 147 name changes done by firms listed on the New York and American Stock Exchange. The announcements are announced in *The Wall Street Journal* for the period from 1979 to 1987 and the event window covers 61 days which is day-30 to day +30. Based on the sample, result shows that there is positive average abnormal return for window period -30 to -2. On the two days surrounding announcement date which is day -1 to day 0 also show the positive average abnormal return to most of the sample study and there is negative abnormal return after the announcement of changes company name date. Karpoff and Rankine (1994) also reveal that there are two main motives why companies want to change their names. The first motive is to convey information that they change their business line and the second one is to convey information about their future performance.

However, there is inverse result when Horsky and Swyngedouw (1987) study about the market reaction to the change of company's name. The sample of the study consist of the 58 US listed companies which made an anouncement for the period between January 1981 to May 1985. Horsky and Swyngedouw (1987) find that there is positive abnormal return to the changes of company name before and after the announcement date.This study also concludes that when the companies change their name, it will act as signal of good information to investors that the company has taken action to increase level of awareness of company and also enhance the company reputation.

Further research on the change of a company's name was carried out by Morris and Reyes (1992). Morris and Reyes (1992) has examined the effect of corporate name change (in term of functional characterictis) to the stock performance. The study had covered the sample size of 28 firms that undergone the process during the period from 1979 to 1985 in the *Wall Street Journal* index. The event window of the study involve 17 days surrounding of announcement day which is 14 days before announcement day, announcement date and 2 days after announcement date. Result of the study reveals that the "distinctiveness" is the most important characteristic to company name change that have positive abnormal stock return. Morris and Reyes (1992) also point out that the changes company name to unusual name (such as Oneok, Inc.) may attract the attention of a company in the market and may affect the performance of the stock.

In the meantime, Cooper *et al.* (2001) had examined the effect of company's stock price to the announcement of company's name change to Internet-related "dotcom" names between 1st Jun 1998 to 31st July 1999 by the US listed companies. They had documented that there is positively significant increase in stock price to the announcement of company's name change to Internet-related "dotcom" names. The study also finds the cumulative abnormal return for the company changes their name to "dotcom" was 74 percent for 11 days surrounding the announcement date. Besides that, there is no significant decrease on the cumulative abnormal return of the company from day+1 to day+120 after announcement date due to permanently increase stock value throughout the window date. In addition, Cooper *et al.* (2001) also prove that the company change their name to Internet-related company will permanently increase their stock performance.

Furthermore, in recent years there are also researchers who study the market reaction to the changes of company's name. Biktimirov and Durrani (2017) examine the stock price reaction and trading volume to the changes of company's name on the listed companies of Toronto Stock Exchange which consists of 490 corporate name change from January 1997 to December 2011. The study finds that, there is significantly positive abnormal return of 5% on 30 days before the announcement date. In addition to that, Biktimirov and Durrani (2017) also find that there are no significant changes on abnormal return on the announcement and approval date of the company's name change. Besides that, the result also shows that many firms experience negative long term abnormal return after corporate name change announcement but this result not statistically significant under t-test and rank test. A study by Biktimirov and Durrani (2017) shows that the finding is consistent with previous study by Horsky and Swyngedouw (1987); Morris and Reyes, (1992); Cooper *et al.* (2001) which is the changes of the company name will have positive significantly abnormal return to the company.

In addition to that, Zhao *et al.* (2018) find that the brand identity change and brand strategy change influence the company stock performance. The study consists of 215 listed company that made an announcement of rebranding their company name throughout the period from 1996 to 2015. Zhao et al. (2018) find that there is significant abnormal return associated with firm rebranding surrounding of announcement date which is in the event window of day-5 to day +5. This result consistent with study by Horsky and Swyngedouw (1987); (Morris and Reyes, 1992); Cooper *et al.* (2001); Biktimirov and Durrani (2017) where there is significant positive abnormal return to the changes of company name. In addition that that, on the event day (day 0), the result shows significant abnormal return to the firm rebranding announcement.

Studies on market reaction to the change of a company's name have also been conducted by other researchers outside the US market such as countries in the region of Europe and Asia, but the evidence of the study is different. For example, Mase (2009) investigates the short term and long term abnormal return effect to an announcement of name changes by firms on the London Stock Exchange between 1994 to 2004. The result finds that there is significant positive abnormal return before and at the announcement date day 0 to day +1 respectively. In contrast, there is negative abnormal return after the announcement date through event window of day+1 to day +30 which is apparently only for the radical name changes which mean company completely change their name such as British Steel company change its name to Corus.

Next, Asyngier (2018) examines the abnormal return to the changes of name of the listed companies on the Warsaw Stock Exchange which is before and after annuoncement date. Sample of study consists of 70 companies that have changed their names from January 2006 to October 2015. The study finds that an existence of positive abnormal return before the announcement date but the result also shows that the negative abnormal return occur after an announcement made by the companies.

Branca and Borges (2011) study the impact of the corporate rebranding on the company stock price. The study consists of 17 companies listed on the Lisbon Stock Market which made an announcement in the period from January 2000 to April 2010. The event window of the study includes of day -5 to day +5. The study finds that there is no abnormal return for the event window of day-5 to day +5 and day-2 to day +2. The result also shows that the average cumulative abnormal return for the window -5 to +5 is positive but not statistically significant. In addition to that, there is significantly negative cumulative abnormal return for the window day +1 to day +3. Branca and Borges (2011) argue that is no evidence that can prove that the announcement of the company rebranding has positive impact to the company stock performance.

Karbhari *et al.* (2004) study the stock price reaction to the changes of company's name on the Kuala Lumpur Stock Exchange (KLSE) listed companies. The sample size of the study consists of 18 fail firms and 18 non-fail firm which made an announcement to the changes of company's name throughout the period of 1st January 1984 to 31st December 1996. The result shows that there is insignificant positive cumulative abnormal return for the period day -10 to day +10 for fail firms. Nevertheless, on the announcement date there is an extraordinary significant abnormal return shown by these firm. Post announcement, the return of the fail firms show stable performance which is no reduction in cumulative abnormal return. In contrast, the result for non-fail firms show significant negative(low) abnormal return before the announcement date and insignificant positive(small) abnormal return post announcement date. This indicates that company's name changes has no impact on the market unless the announcement is accompanied with news of approved company restructure. In other words, public or investors cannot be fooled by mere company's name change only.

Gupta and Aggarwal (2014) study the impact of company's name change to the shareholder's wealth for the listed companies listed on National Stock Exchange and Bombay Stock Exchange. The study consists of 55 of companies which have made name change announcement from the period 1st April 2010 to 31st March 2012. They find that there is positive cumulative abnormal return in the event window day -5 to day +5 for large cap and mid cap stock, but not statistically significant from zero. However, the study shows that there is significant cumulative abnormal return for small cap stock before announcement date (-1 and -2) and after announcement date (+5).

Karim (2011) examine the market reaction to the 83 announcements of corporate name changes made during the year from 2004 to 2007 by firms listed in 'Euronext Paris'. The result shows that there is positive stock price reaction throughout the event window and consequently increase shareholder's wealth. Findings also reveal that there is no significant abnormal return occurs before the announcement date. However, on the announcement date the result shows that there is significantly positive abnormal return and this positive reaction continues during the post event period.

Josev *et al.* (2004) investigate the economic impact on the announcement of company name changes to 107 Australian listed company from the period of 1st January 1995 to 31st December 1999. The sample of event window of the study consists of 21-day period which is -10 is the first event period and +10 is the last event period. The result shows that, there is significantly negative abnormal return throughout the event window of -10 to +10. In addition to that, there is no significantly positive abnormal return on the day 0 which is the announcement date. Overall evidence shows that the negative abnormal return in the study particularly with the company major name changes.

Utami and Gumanti (2014) study the impact on short term stock price to the announcement of company's name change. The study has analyzed 128 companies that have made an announcement to change their company's name from 2000 to 2010 at Indonesian Stock Exchange. The result shows that there is no significant abnormal return on 5 days before announcement date. However, there is significantly abnormal return was recorded on the announcement date but abnormal return tends to be negative within 5 days after announcement date but the figure is only significant at 10 percent level. Although the results show that there is positive abnormal return before the announcement date and negative abnormal return after the announcement date but both result did not show any significant changes on the company stock price associated to the change of company's name.

Table 2.1

Summary of the announcement effect of a company's name change

Authors and Year	**Period of Study**	**Samples**	**Abnormal Return %**
Howe (1982)	1962-1980	121 (NYSE & ASE firms)	CAR(-4,4):0.03
Karpoff & Rankine (1994)	1979-1987	147 (NYSE & ASE firms)	CAR(-1,0):0.4
Horsky& Swyngedouw (1987)	1981-1985	58 US companies	CAR(-55,35):0.17
Morris & Reyes (1992)	1979-1985	28 US companies	CAR(-14,2):-7.7
Cooper et al. (2001)	1998-1999	147 (NYSE, AMEX &Nasdaq firms)	CAR(-5,5):0.74
Biktimirov & Durrani (2017)	1997-2011	490 (Toronto Stock Exchange firms)	CAR(-2,2):-0.41
Zhao et al.(2018)	1996-2015	215 US companies	CAR(-5,5):2.46
Mase (2009)	1994-2004	276 (London Stock Exchange firms)	CAR(0,1):0.23
Asyngier (2018)	2006-2015	70 (Warsaw Stock Exchange firms)	CAR(-25,0):0.3
Borges & Branca (2011)	2000-2010	17 (Lisbon Stock Market firms)	CAAR(-5,5):0.4
Karbhari et al. (2004)	1984-1996	36 (KLSE firms)	CAR(-10,10):1.27
Gupta & Aggarwal (2014)	2010-2012	55 (National Stock Exchange & Bombay Stock Exchange firms)	CAAR(-5,5):1.04
Karim (2011)	2004-2007	83 (Euronext Paris firms)	CAAR(-5,5):1.97
Josev et al. (2004)	1995-1999	107 (ASX firms)	CAR(-10,10):-4.3
Utami & Gumayanti (2014)	2000-2010	44 (Indonesian Stock Exchange firms)	CAR(-5,5):0.044

2.4 SUMMARY

There are the numbers of previous studies which have been conducted to study the market reaction to the changes of a company's name. In conclusion, the findings of the studies show different or inconclusive results. This might be due to the different market conditions and regulations of the different countries, especially the different economic environment between developed and developing countries.

CHAPTER3

METHODOLOGY

3.1 Introduction

This study uses an event study methodology to examine the market reaction to the announcement of a company's name change. Section 3.2 explains about sources of data and data collection process. Section 3.3 explains the development of the hypotheses and section 3.4 explains the method used in this study. Section 3.5 concludes the chapter.

3.2 Data Sources and Sample Description

Past studies provide evidence that market reacts significantly to some events, such as stock-split decision, earning report, capital expenditure decision and dividend. Past studies Horsky and Swyngedouw (1987); Cooper *et al.* (2001); Zhao *et al.* (2018); Asyngier (2018) also show that change of company's name announcements have an impact on shareholder wealth. The attempt of this study is to test wherether there is any significant impact of this kind of announcement on share price using the sample discussed below.

The sample of this study consists of announcements of change of a company's name made by Malaysian public companies listed on the Bursa Malaysia (ACE Market and Main Market) throughout the period from January 2014 until December 2018. The announcement date or the event date is determined by the first formal announcement done by the company. This means, the event date is the date when Bursa Malaysia officially publishes the news to the public. This is usually done through its official website in the company announcement section. The daily closing stock price and the market price indices data, namely FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBMKLCI), are gathered from DataStream. Throughout the year 2014 to 2018, there are 101 announcements of a company's name change that have been made by the Malaysian companies listed on both market. At the first screening, 6 companies have been excluded from the sample due to their association with finance companies. Next, the total sample is reduced further by 13 companies because of the unavailable data from DataStream. Furthermore, 4 companies have been removed from the sample due to missing of the return data. Thus, the total sample of the study consists of 78 announcements of company's name change. Table 3.1 below shows the number of the announcements that have been made by the companies from year 2014 to 2018.

Table 3.1
Announcement of company's name change by year

YEAR	MARKET	NO. OF THE COMPANIES
2014	Main Market & ACE Market	25
2015	Main Market & ACE Market	18
2016	Main Market & ACE Market	14
2017	Main Market & ACE Market	21
2018	Main Market & ACE Market	23
	TOTAL	**101**

Source: Bursa Malaysia-Company Announcements

The sample data is gathered according to the following sample selection criteria:

a) The first change of company's name announcement between the period of 1^{st} January 2014 to December 2018 by the public listed company on ACE and Main Market of Bursa Malaysia.

b) The companies that have unique capital structure such as companies from finance and finance related are excluded in the sample of the study due to different statutory requirement.

c) The companies that have confounding announcements were excluded from the sample, which mean other than the announcement of company's name change made within surrounding the event date.

The above criteria are set to minimize bias and also as a control mechanism to ensure that only suitable companies are used in this study.

3.2.1 Event Day

Basically, event study methodology is a standard method to measure the stock price reaction to some announcements or event. Thus, this study chose the changes of a company's name announcement as an event to examine the stock price reaction based on the market efficiency hypothesis where stock price should reflect to all publicly available information. In this study, the event date is the day when the changes of company name are announced and publicly available on the Bursa Malaysia website.

3.3 Hypotheses Development

This section presents the hypotheses of this study. Previously, many researchers have studied the market reaction to the changes of a company's name but their findings are mixed. Empirical evidence shows that there is no significant abnormal return to the announcement of change in company's name (Howe, 1982; Karpoff and Rankine 1994; Josev et al. 2004; Gupta and Aggarwal 2014; Utami and Gumanti 2014; Branca and Borges

2011). Nevertheless, there are also studies such as those by Horsky and Swyngedouw (1987); Moris and Reyes (1992); Cooper *et al.* (2001); Mase (2009); Karim (2011); Biktimirov and Durrrani (2017); Zhao *et al.* (2018) that show there is a significant abnormal return to the changes of the company's name. Due to the various findings by researcher, therefore it leads to the hypothesis as below:

H_1: There is a statistically significant abnormal return surrounding the announcement day of a company's name change.

Even though, there are the studies regarding the effect of the company's stock price to the changes of company's name before and after the event day but the results are inconclusive. Furthermore, there is a lack of empirical evidence (inconclusive) regarding the effect of the company's stock price to the changes of company's name before and after the event day. The study by Utami and Gumanti (2014) and Branca and Borges (2011) and Asyngier (2018) found that there is insignificant abnormal return after the announcement date. In contrast, Gupta and Aggarwal (2014) and Karim (2011) and Berkman *et al.* (2011) state that there is significant abnormal return after the announcement date. Based on the empirical evidence, therefore it leads to the hypothesis as below:

H_2: There is statistically significant abnormal return before the announcement of company's name change.

H_3: There is statistically significant abnormal return after the announcement of company's name change.

3.4 Methodology

This study has applied standard event study methodology to examine the market reaction to the changes of company's name announcement (Gupta & Aggarwal, 2014). Specifically, the objective of the study is to determine if there is statistically significant evidence of abnormal return presents surrounding the date of announcement of a company's name change. In addition, this study also attempts to examine if there is any pre-event returns and post-event return in response to the announcement of a company's name change.

This study applied two models to determine the normal return which are market adjusted return model and market model in order to enhance the validity in measuring the abnormal return (Biktimorov & Durrani, 2017). The abnormal return is measured by calculating the difference between the actual stock return with normal stock return in the same period. Normal return also known as expected return which is if no event (announcement) has occurred in the period. Estimation of abnormal return can be expressed in equation below:

$$AR_{it} = R_{it} - E(R_{it}|X_t) \tag{3.1}$$

Where:

AR_{it} = abnormal return for firm i on day t;

R_{it} = actual return for firm i on day t;

$E(R_{it}|X_t)$ = expected return for firm i on day t;

X_t = conditioning information for the normal return model.

The actual returns can be derived as follow:

$$R_{it} = LN(P_{it}/ P_{it-1}) \tag{3.2}$$

Where:

R_{it} = the actual return for firm i on day t,

$LN(P_{it}/ P_{it-1})$ = the natural log of stock price for firm i on day t divided with the stock for firm i on the day before

Next, the normal return or expected return has determine using the market model as follow:

$$E(R_{it}|X_{it}) = \alpha_i + \beta_{it}R_{mt} + \varepsilon_{it} \tag{3.3}$$

Where:

R_{it} = return on stock price for firm i on day t;

R_{mt} = return on market index m on day t;

α_i = intercept term for firm i;

β_{it} = systematic risk of stock i on day t;

ε_{it} = error term for firm i on day **t**.

The coefficients a_i and β_i are the OLS parameters of the intercept and slope, respectively, for firm i. The estimation period has to form in order to provides estimators for the parameters of the normal return model (McKinlay, 1997). The estimation period for the market model (MM) in this study is 140 days, particularly the period starts from day -200 to day -61. The use of 140 days, which is a long period of time, is hoped to remove the additional variance caused by the sampling error in a_i and B_i (McKinlay, 1997). Biktimirov and Durrani (2017) has use estimation period of 170 days, Josev et a. (2014) use 200 days, Mase (2009) use 215 days and Lee (2001) use 90 days.

The equation of the cumulative abnormal return for the specific event period T can be expressed as below:

$$CAR_{(\tau_1,\tau_2)} = \sum_{\tau=\tau_1}^{\tau_2} AR_{i\tau} \tag{3.4}$$

Thus, through the cumulative abnormal return (CAR), the null hypothesis can be tested in order to determine whether the changes of the company name have no impact to the company share price.

However, before the cumulative abnormal return (CAR) can be tested and also to achieve the overall conclusion for the interest event, there are several measurements must be done which is including aggregation of the abnormal return for all individual firm's security. There are two dimensions for aggregation of the abnormal return, the aggregation abnormal return for all firm's security in each day in the event window to obtained the average abnormal return (AAR_i) and followed the aggregation of the abnormal return through time for each company and also across companies to get cumulative average abnormal return$(CAAR_i)$ (MacKinlay, 1997). The aggregation equation to obtained the average abnormal return (AAR_i) for all firm's security for each event period can be expressed as follows:

$$\overline{AR_{\tau}} = \sum_{i=1}^{n} AR_{it}/n \tag{3.5}$$

Where N is number of events and for longer period of the estimation window, the variance as below,

$$var(\overline{AR}_{\tau}) = \frac{1}{N^2}\sum_{\tau=1}^{N} \sigma_{\varepsilon i}^2 \tag{3.6}$$

Next, the aggregation equation to obtain the cumulative average abnormal return ($CAAR_i$) for each firm's security for any interval in the event window can be expressed as below;

$$\overline{CAR}(\tau_1, \tau_2) = \sum_{\tau=\tau_1}^{\tau_2} \overline{AR}_{\tau,} \tag{3.7}$$

$$var(\overline{CAR}(\tau_1, \tau_2)) = \sum_{\tau=\tau_1}^{\tau_2} var(\overline{AR}_{\tau}) \tag{3.8}$$

Based on the equation of $var(\overline{AR}_{\tau})$, where null hypothesis (H_0) consider cumulative average abnormal return equal to zero can be tested follow the t-statistic below:

$$\theta_1 = \frac{\overline{CAR}(\tau_1, \tau_2)}{var(\overline{CAR}\ (\tau_1, \tau_2))^{\frac{1}{2}}} \sim N(0, 1) \tag{3.9}$$

3.5 Summary

In this study, the standard event study was used to determine the market reaction to the announcement of a company's name change. The information regarding the announcement and the relevant secondary data of the companies were collected from Bursa Malaysia official website and DataStream. In order to enhance the validity, the market adjusted model and market model were used to derive the abnormal return. The statistical test is employed to measure the significance of the result.

CHAPTER4

EMPIRICAL FINDINGS

4.1 Introduction

This chapter explains the findings of the analysis and discussion on the results which answer the research questions. Section 4.2 briefly explains the sample of this study. Section 4.3 illustrates the findings on the announcement effect of a company's name change and section 4.4 concludes with a summary of the findings.

4.2 Data

Table 4.1 describes the number of announcement used in this study. Initially, the total number of announcement made by Main Market and ACE Market firms were 101. The final sample of this study consists of 78 announcements as 23 announcements have to be excluded due to the unavailable data and also due to the association with finance companies. However, in order to avoid confounding effects, only "clean" announcements are included in this study, which means that announcement of corporate name change with other contemporaneous announcement are excluded. This procedure has resulted in the sample consists of74 clean announcements. In order to enhance the robustness of the study, firms that make announcements more than once are excluded in the sample of the study. There are 73 of announcements have been identified as the first announcements made by the firms. Figure 4.1 describes the percentage of clean announcements distribution according to the market listed on the Bursa Malaysia. Based on data collection, it seems that many of large Malaysian companies listed on Main Market have changed their names rather than small companies. Furthermore, table 4.2 and figure 4.2 presents the number of the announcement made by the firms by year. Through the year 2014 to 2018, the highest number of the announcement made by the firms is in 2018 while the lowest number of the announcement are in 2015. The data collection also shows that the number of the company that changes their name has increased from year 2015 to 2018.

Table 4.1
Company's name change announcement sample

Description	***Number***
Initial announcements (Main Market and ACE Market)	101
Initial announcements (Main Market)	72
Initial announcements (ACE Market)	29
Clean (Main Market and ACE Market)	73
Clean announcements (Main Market)	53
Clean announcements (ACE Market)	20

Figure 4.1
Company's name change announcements by market listed

Table 4.2
Company's name change announcements by year

Year	*Number of Clean Announcement*
2014	16
2015	10
2016	13
2017	16
2018	18
Total	**73**

Figure 4.2
Company's name change announcements by years

4.3 Finding: Announcement Effect

In order to enhance the reliability of this study, only clean announcements have been taken into consideration to ensure the validity on the findings. The sample of the study has been divided into two groups. First group consists of all announcements from 2014 to 2018 while the second group comprises of only clean announcements. Based on the result, it can be observed that the average abnormal return (AARs) calculated by using market model (MM) on the announcement date which on $t = 0$ is not significant. The result are the same for both groups of sample. Table 4.3 shows, average abnormal return (AARs) on the announcement date, $t = 0$ for "all" and "clean" group are negative; 0.72% and 74% respectively yet there are not significant. Therefore, it can be concluded that the announcement of company's name change does not affect shareholder value. This finding is consistent with study by Gupta and Aggarwal, (2014), Howe, (1982), Branca & Borges (2011) and Josev *et al.* (2004) reveal that there is no significant abnormal return on the announcement date of company's name change. Through observation of the 11-day period surrounding of the announcement, only day of t= -4 has significant negative abnormal return of 0.05 percent. Even though, there is significant return at ten percent level at the day t =-4 but the percentage return is so small which is less than one percent and the return is not economically significant.

Table 4.3
Average abnormal returns (AARs) using market model over 11-day period

	MarketModel(MM)			
Days	All n- 78		Clean n- 73	
t	AAR	p-value	AAR	p-value
-5	0.52%	0.9556	0.58%	1.0320
-4	-0.16%	-0.3041	-0.05%	*-0.0969
-3	0.10%	0.1832	0.13%	0.2226
-2	0.27%	0.4956	0.21%	0.3820
-1	0.25%	0.4586	0.12%	0.2057
0	-0.72%	-1.3370	-0.74%	-1.3079
1	0.76%	1.4077	0.84%	1.4991
2	0.12%	0.2141	0.11%	0.1878
3	0.49%	0.9001	0.45%	0.8015
4	-0.39%	-0.7218	-0.36%	-0.6391
5	-0.24%	-0.4428	-0.28%	-0.5057

***Significant at 1 percent level, **Significant at 5 percent level, *Significant at 10 percent level

Table 4.4
Average abnormal returns (AARs) using market adjusted return model over 11-day period

Market Adjusted Return Model (MAR)				
Days	All n- 78		Clean n- 73	
t	AAR	p-value	AAR	p-value
-5	0.46%	**0.0359	0.52%	**0.0212
-4	-0.16%	0.3277	-0.06%	0.6841
-3	0.16%	0.3718	0.17%	0.3362
-2	0.27%	*0.0720	0.21%	0.1677
-1	0.22%	0.2359	0.08%	0.6481
0	-0.60%	**0.0126	-0.60%	**0.0133
1	0.80%	***0.0001	0.88%	***0.0000
2	0.16%	0.4215	0.15%	0.4535
3	0.47%	***0.0093	0.41%	**0.0257
4	-0.38%	*0.0955	-0.36%	0.1206
5	-0.18%	0.3510	-0.22%	0.2467

***Significant at 1 percent level, **Significant at 5 percent level, *Significant at 10 percent level

In order to enhance the finding's reliability, market adjusted model (MAR) has been applied. Table 4.4 shows the result of average abnormal return (AARs) using the market adjusted return model (MAR). Throughout the observation of eleven days of AARs, the ARRs on the announcement date of t = 0 show there is significantly negative abnormal return of 0.60 percent for both groups. Even though both groups show significantly negative abnormal return at 5 percent level, but the return is less than one percent which is 0.60 percent. This indicates non economically significant results. On day of t = -5, both groups have significantly positive abnormal return at five percent level which is 0.46 percent and 0.52 percent respectively, but the return for both groups are less than one percent. Next, although on the date of t = – 2, there is significantly positive 0.27 percent of abnormal return at ten percent level for "all" group but the return is so small which is less than one percent (0.27 percent). Furthermore, for the date of t = 1, the result also shows there is a significantly positive abnormal return at one percent level for both groups which is 0.80 percent and 0.88 percent return respectively, but the return for both group also have less than one percent.

Although some returns are significant when market adjusted model (MAR) is used but the average abnormal return (AARs) show in market adjusted model (MAR) are very small and also less than one percent. The figures are obviously not economically significant to support the finding by using market model (MM). If one takes into consideration the fees involved in trading stocks one may not be able to gain any profit.

Table 4.5 shows the cumulative average abnormal return (CAARs) using the market model (MM) and market adjusted model (MAR). As mentioned earlier, the observation of the cumulative abnormal return also measures on the announcement date for the "clean" group. Based on the observation surrounding the announcement day, the study found that there is non-statistically significant return for the eleven-day (-5,5) window as in line with the study by (Branca and Borges, 2011; Utami and Gumanti, 2014). However, this finding contrast with study by Zhao *et al.* (2018) and Josev *etal.* (2004) where find that there is significantly positive abnormal return on the announcement of company's name change. Furthermore, through the observation of the small window (-2,2) period also reveal that there is insignificant abnormal return on the announcement which is consistent with studies by Branca and Borges (2011); Utami and Gumanti (2014); and Biktimirov and Durrani (2017).

On the other hand, through the observation of 121-days (-60,60) window, there is a negatively significant abnormal return at 10 percent level throughout the window periods.

In addition to that, there is a negative significant abnormal return at 5 percent for 111-days (-60,50), and 40-days (1,40) window. However, it is evident that only for the period of 6-days (0,5) window a statistically significant positive figure has been observed which is 0.02 percent of abnormal return. In contrast, for the "all" group show that there is statistically significant positive abnormal return at 1 percent level for 111-days (-60,50), 40-days (1,40) and 6 days (0,5) window. For example, the return for the period 111-days (-60,50) are 0.47 percent, 40-days (1,40) are 0.02 percent and 6-days (0,5) are 0.01 percent. In addition to that, there is non- statistically significant return show for the period of 20-days (1,20) and 11-days (0,10) window, but there results also difference with "all" group. For example, there is positively significant at 5 percent level of the return for the period of 20-days (1,20) window and also negatively significant at 10 percent level of return for the period of 11-days (0,10) window which is 0.40 percent and -0.15 percent respectively.

Even though the findings of cumulative abnormal return (CAARs) found for the "all" group show that most of the window periods indicated significant return at 1 percent level as compared to "clean" group, but the return for "all" group is not suitable to be used in this study due to the confounding effect. This is because there is possibility that the return result found in the "all" group may have been influenced by other contemporaneous announcements. This cause the different findings obtained by both methods.

Table 4.5

Cumulative average abnormal returns (CAARs) using MM and MAR

	All n=78		Clean n=73	
	CAAR(%)	**p-value**	**CAAR(%)**	**p-value**
Market Model (MM)				
CAAR-60,60	0.58	0.0976	-0.31	*-0.0505
CAAR-60,50	0.47	***0.0833	-0.25	**-0.0421
CAAR-3,0	-0.11	-0.0998	-0.28	-0.2487
CAAR-2,2	0.67	0.5540	0.54	0.4323
CAR-3,3	1.25	0.8777	1.12	0.7525
CAR-5,5	0.98	0.5455	1.00	0.5371
CAAR0,5	0.01	***0.0082	0.02	**0.0145
CAAR0,10	-0.15	*-0.0854	-0.21	-0.1140
CAAR1,20	0.40	**-0.0317	0.36	-0.1032
CAAR1,40	0.02	***0.007	-0.07	**-0.0199
Market Adjusted Returns (MAR)				
CAAR-60,60	5.83	***0.0021	4.39	**0.0210
CAAR-60,50	5.35	***0.0051	4.15	**0.0309
CAAR-3,0	0.05	0.8674	-0.14	0.6615
CAAR-2,2	0.85	0.0129	0.72	0.0379
CAR-3,3	1.48	***0.0001	1.31	***0.0009
CAR-5,5	1.23	**0.0195	1.18	**0.0285
CAAR0,5	0.27	0.4901	0.25	0.5323
CAAR0,10	0.56	0.2453	0.45	0.3443
CAAR1,20	1.43	**0.041	1.33	*0.0621
CAAR1,40	1.52	0.1151	1.22	0.2136

***Significant at 1 percent level, **Significant at 5 percent level, *Significant at 10 percent level

Table 4.5 also illustrates the cumulative abnormal return using market adjusted model (MAR) to serve as a test of the robustness for the finding found through using market model (MM). As observed, the findings obtained by using market adjusted return (MAR) show different result obtained from using market model (MM). For example, there are significantly positive abnormal return at 1 percent for the 7-day (-3,3) window. In addition, there are also significantly positive abnormal return at 5 percent for the 11-day (-5,5) window. However, only return for the 5-days (-2,2) window show insignificant abnormal return which is positive 0.72 percent.

In addition to that, there is other window period that have positive significant return such as for the period of the 121-days (-60,60) and 111-days (-60,50) window show that there is statistically significant at 5 percent level for the "clean" group but for the "all" group show the statistically significant at 1 percent level for both window periods. In addition to that, the return for the 120-days (1,20) window also show different result by both model which is statistically significant at 10 percent and 5 percent level respectively.

Furthermore, under signaling theory, change of company's name serves as a signal of conveying effective information accompanying strategies to investors by management and thus positively increase shareholder's wealth. However, it seems that this study fails to confirm any effectively signaling information made by the companies to investors through company's name change. This finding consistent with Utami and Gumanti, (2014) where the signaling information via company name change does not affect the investor's decision to the company. This finding is also align with the previous study by Howe (1982) which reveals that the market does not react to the signaling information made by the companies through company's name change.

In addition to that, this study also has used information asymmetry theory as alternative to serve as information distributed through name change to convey information of the company to the market. This theory had applied in this study as it relates to the signaling theory due to the difference in the availability of information between the outsiders (investors, consumers and competitors) with the insiders (management officers). Thus, this study also does not support this theory where the change in company's name may help to reduce the information asymmetry problem. This finding are supported study by Branca and Borges (2011) where there is no impact to the stock's price because company's name change looks like as unfavorably viewed by investors. In addition to that, it can assume that there is probability that the information leakage on the company's name change strategies to the market before the announcement, so the impact on stock price may occur on the day-4.

However, the finding of the study has support the efficient market hypothesis, the semi-strong form one, where the market is efficient when the stock price fully reflects all publicly available information in the market. This mean that, when the stock price already incorporated with all publicly information (company's name change) in the market, there is no significant abnormal return gain to the investors. This study also aligns with previous study by Karbhari *et al.* (2004) found that the Malaysian market is fairly semi-strong efficient to the announcement of the company's name change. Besides that, this finding align with previous study by Gupta and Aggarwal, (2014) whose found that the Indian market does not react to the changes of the company's name made by the large and medium capital stock company.

4.4 Conclusion

In general, this study has found that there is no statistically significant abnormal return around the announcement date. This finding indicates that there is no significant effect to shareholder's wealth when the company announces to change its name. The average abnormal return (AARs) measured by market model (MM) show that there is no significant effect on the announcement date which is on $t = 0$. The results show that the AARs is negative 0.74 percent but the figure indicates insignificant abnormal return. This finding are in line with Howe (1982), Josev *et al.* (2004), Branca and Borges (2011) and Gupta and Aggarwal (2014) and which revealed that there is no significant abnormal return on the announcement date of a company's name change. Furthermore, the CAARs through out of 11-days (-5,5) window show positive 1 percent return. Nevertheless, it is also not statistically significant. This finding is similar to the finding of studies conducted by Branca and Borges (2011); Utami and Gumanti (2014). Even in smaller windows such as for 5-days (-2,2) and 7-days (-3,3), the CAARs are not significant.

On the other hand, through the period of -5-days before announcement date, most of the days show positive abnormal return except for day-4 show negative abnormal return at 10 percent level, but overall, the result reveals a tendency that there is no statistically significant abnormal return before the announcement date. In addition to that, the CAARs for the window period (-5,0) is positive 0.25 percent but not statistically different from zero. This result is consistent with the studies by Karim (2011); Branca and Borges (2011); Utami and Gumanti (2014).

Furthermore, the study also found that there is no significant abnormal return after the announcement date. The results through observation after the announcement date which is from the day +1 to day +5 show there is no evidence of significant return after the announcement of company name. This result is align with study by Utami & Gumanti, (2014) and Branca & Borges, (2011) where there is no significant changes on the abnormal return after the announcement of company's name change. In brief the study found that the announcement of company's name change does not have any significant impact on shareholder's wealth.

Lastly, based on the findings indicate that two theories; signaling theory and asymmetric information theory cannot be used to explain the effect of the company's name change announcement as an information or strategies done by the company to the investors. In brief, there is no significant impact to the shareholder's wealth on the announcement date of the company's name change. However, efficient market hypothesis theory may be applied to explain that the market is efficient due to no significantly abnormal return found surrounding the announcement date in this study.

CHAPTER5

CONCLUSION

5.1 Introduction

Previously, there were many empirical studies that had been conducted to find the stock price reaction to the announcements of the company's name change by using event study methodology. Most of the studies on the market reaction to the changes of company's name have used several number of models to calculate the residual return which is to measure the event's impact. Two popular models which are widely used by many researchers are market model (MM) and market adjusted model (MAR). Returns from the changes of company's name have revealed different results from one country to another. There are various findings obtained by researchers on the return of the company's name change to shareholders which is positive and negative. This suggests that there are still opportunities for conducting research on this issue especially in developing countries.

5.2 Summary of Findings

The aim of this study is to examine the ability to gain abnormal return (ARs) when a company announces to change its name. Based on the data of the company's name change during the period from 1st January 2014 to 31st December 2018, the final sample consists of 78 companies in this study. There are two models being used to analyze the data which is market model (MM) and market adjusted model (MAR). MAR has been applied to serve to test the strength of the findings by using MM.

Through the analysis, there are several findings to answer the research objectives of this study. The study found that there is no significant return on the announcement date of the company's name change. In other word, it indicates that there is no significant impact to the shareholder's wealth when the company announce to change their company's name. This result is consistent to the previous study (Howe, 1982; Josev *et al.*, 2004; Branca and Borges, 2011; Gupta and Aggarwal, 2014). Furthermore, the studies also revealed that there were no significant effects to the shareholders' wealth before the announcement date. This finding is supported by previous studies done by (Karim, 2011; Branca and Borges, 2011; Utami and Gumanti, 2014). In addition to that, the study done by Utami & Gumanti, (2014) and Branca & Borges, (2011) had shown that there is no significant abnormal found after the announcement of the company's name change. Thus, the finding of this study consistent with previous research study. Overall, the study did not find any significant evidence to prove the effects of the company's name change to the shareholders' wealth.

Moreover, under signaling theory, it looks like that this study fails to confirm any effectively signaling information made by the companies to investors through company's name change. This finding is consistent with the finding by Howe, (1982) and Utami & Gumanti, (2014) shown that the investors do not respond to the signaling information made by the companies through company's name change. Furthermore, the finding of this study also does not support the information asymmetry theory, where the information dissemination done by the company through company's name change to investors. This finding are supported by previous study Branca and Borges, (2011) where there is no impact to the stock's price because company's name change looks like as unfavorably viewed by investors. In addition to that, it can be assumed that there is probability that the information leakage on the company's name change strategies to the market before the announcement, so the impact on stock price may occur on the day-4. Furthermore, the findings of this study support the efficient market hypothesis where the stock price already incorporated will publicly information (company's name change) in the market. This finding consistent with the study Karbhari *et al.* (2004) where Malaysian market is fairly semi-strong efficient to the announcement of the company's name change.

5.3 Contribution of the Study

The empirical findings in this study provide some important contribution to the investors, company as well as researcher. Firstly, this finding will provide the investors the information or give a better idea on their investments decision on the Malaysian market through identifying information released by the company through change of the company's name. This is because some companies change their company's name for the purpose to create a new identity but not to improve their business activities. Secondly, for the company, the finding of the study provides information for the managers on their decision to change the company's name. The findings show that it is not necessary for the company to change its name because there is no effect to the company's share price when they announce to change the company's name. Finally, for the researchers, the results of this study might therefore can provide to a better understanding of the impact of the company's name change announcement on the share prices especially in the Malaysian market. In addition to that, the finding of this study also may provide extended literature to other researchers about this research in the future especially in the Malaysian context.

5.4 Limitations of the Study

This study examines the market reaction to the changes of the company's name in the Malaysian market during the period of 1st January 2014 to 31st December 2018. This shows that this study only covers for 5 years of data collection. In addition to that, due to the short time frame, only a total of 78 companies out of 101 companies had announced the change of names throughout the period. This could lead to the possible insignificant result of this study. Besides that, this study did not add factors related to the companies' motivation to be involved in company's name change which may provide a clear picture about the companies' name change activities in Malaysia.

5.5 Recommendations for Future Research

As mentioned earlier, the period or the time frame of this study is from 1st January 2014 to 31st December 2018. In order to enhance the reliability of the findings, the future study can be extended to more than 5 years. The time period of the study may be extended to 10 years which is from 2008 to 2018. This extended period of time will provide more data collection from the Main Market and ACE Market of Bursa Malaysia.

For further research, the effect of the announcement may be examined based on different sectors such as consumer products, property, construction and others. This will provide a better investigation on the effects of the changes for each sector as well as to shareholders. This can also provide the information to researchers of which sectors will have more significant impact on the change of the company's name.

Lastly, there are other issues that can be looked at for future study such as the reasons of changing the company's name. For example, because of merger and acquisition, restructuring the organization and also changing their business activities. Further study may look at the effect of these different reasons or motive on the stock prices. A study by Karbhari *et al.* (2004) found that the company's name change will positively give an impact to the company's stock prices due to the restructuring done by the company.

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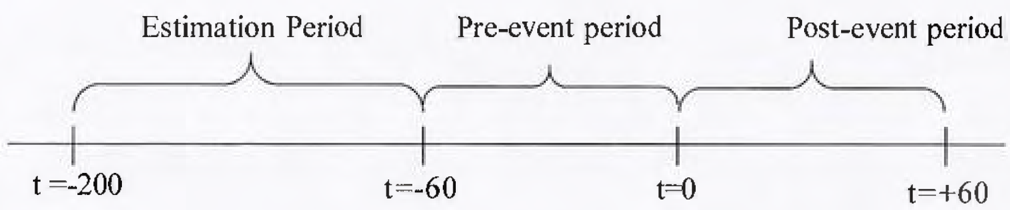
Appendices

Appendix A
Event Study Timeline



t=0 denotes as event day

Appendix B
List of Companies' Name Change Announcement from 1st January 2014 to 31st December 2018

NO.	OLD COMPANY NAME	NEW COMPANY NAME	ANNOUNCEMENT DATE
1	Winsun Technologies Berhad	Wintoni Group Berhad	1/3/2014
2	Fast Track Solution Holdings Berhad	Vsolar Group Berhad	1/9/2014
3	Supportive International Holdings Berhad	Acme Holding Berhad	1/15/2014
4	United Bintang Berhad	Ideal United Bintang Berhad	1/15/2014
5	Goodway Intergrated Industries Berhad	Giib Biz Solution Sdn Bhd	1/15/2014
6	Hwang-Dbs (Malaysia) Berhad	Hwang Capital (Malaysia) Berhad	2/11/2014
7	Kbb Resources Berhad	Eka Noodles Berhad	2/19/2014
8	Nagamas International Berhad	Jiankun International Berhad	2/20/2014
9	Tebrau Teguh Berhad	Iskandar Waterfront City Berhad	2/26/2014
10	Dsc Solutions Berhad	Dgb Asia Berhad	2/26/2014
11	Malaysia Aica Berhad	Sunsuria Berhad	3/7/2014
12	Time Engineering Berhad	Dagang Nexchange Berhad	3/26/2014
13	Smarttag Solution Berhad	Smtrack Berhad	4/2/2014
14	Quill Capita Trust	Mrcb-Quill Reit	4/11/2014
15	Cbsa Berhad	Panpages Berhad	4/14/2014
16	Gpro Technologies Berhad	G Neptune Berhad	4/18/2014
17	Catcha Media Berhad	Rev Media Berhad	5/12/2014
18	Golsta Synergy Berhad	Hck Capital Group Berhad	5/28/2014
19	Infortech Alliance Berhad	Jag Berhad	6/18/2014
20	Formis Resources Berhad	Omesti Berhad	7/22/2014
21	Narra Industries Berhad	Hume Industries Berhad	9/2/2014
22	Dvm Technology Berhad	Key Alliance Group Berhad	9/25/2014
23	Extol Msc Berhad	Appasia Berhad	11/17/2014
24	Furniweb Industrial Product Berhad	Prg Holdings Berhad	12/1/2014
25	Pfce Berhad	Spring Gallery Berhad	12/12/2014
26	Gw Plastic Holdings Berhad	MctBerhad	1/16/2015
27	Masterskill Education Group Berhad	Asiamet Education Group Berhad	2/4/2015
28	Faber Group Berhad	Uem Edgenta Berhad	2/27/2015
29	Mulpha Land Berhad	Thriven Global Berhad	3/11/2015
30	Eti Tech Corporation Berhad	Trive Property Berhad	3/17/2015
31	Perduren (M) Berhad	Enra Group Berhad	4/1/2015

32	Integrated Rubber Corporation Berhad	Comfort Gloves Berhad	4/8/2015
33	Keladi Maju Berhad	Jkg Land Berhad	6/2/2015
34	Tune Ins Holdings Berhad	Tune Protect Group Berhad	7/27/2015
35	Smpc Corporation Bhd	Atta Global Group Berhad	7/29/2015
36	Focus Dynamics Technologies Berhad	Focus Dynamics Group Berhad	9/10/2015
37	Capitamalls Malaysia Trust	Capitaland Malaysia Mall Trust	9/15/2015
38	Takaso Resources Berhad	O&C Resources Berhad	10/1/2015
39	Pw Consolidated Berhad	Pwf Consolidated Berhad	10/8/2015
40	The Media Shoppe Berhad	Skh Consortium Berhad	10/21/2015
41	Fututech Berhad	Kerjaya Prospek Group Berhad	10/26/2015
42	1 Utopia Berhad	Sterling Progress Berhad	11/6/2015
43	Instacom Group Berhad	Vivocom Intl Holdings Berhad	11/12/2015
44	Ingenuity Consolidated Berhad	Mmag Holdings Berhad	1/8/2016
45	Cworks Systems Berhad	Orion Ixl Berhad	1/27/2016
46	Oriented Media Group Berhad	Accsoft Technology Berhad	3/3/2016
47	Guinness Anchor Berhad	Heineken Malaysia Berhad	3/15/2016
48	Jobstreet Corporation Berhad	Jcbnext Berhad	3/24/2016
49	Len Cheong Holdings Berhad	Sand Nisco Capital Berhad	4/5/2016
50	Ideal Sun City Holdings Berhad	Mega Sun City Holdings Berhad	4/12/2016
51	Kumpulan Europlus Berhad	Wee Holdings Berhad	6/2/2016
52	Emas Kiara Industries Berhad	Mb World Group Berhad	6/3/2016
53	Flonic Hi-Tee Bhd	Sc Estate Builder Berhad	8/1/2016
54	Berjaya Auto Berhad	Bermaz Auto Berhad	8/3/2016
55	Astral Supreme Berhad	Vizione Holdings Berhad	8/12/2016
56	Tanjung Offshore Berhad	T7 Global Berhad	10/13/2016
57	Farm's Best Berhad	Sinmah Capital Berhad	12/22/2016
58	Yen Gobal Berhad	G3 Global Berhad	1/12/2017
59	Shell Refining Conmpany(Federation Of Malaya) Berhad)	Hengyuan Refining Company Berhad	2/6/2017
60	Sapurakencana Petroleum Berhad	Sapura Energy Berhad	2/23/2017
61	Tecnic Group Berhad	Rohas Tecnic Berhad	3/13/2017
62	Silk Holdings Berhad	Marine & General Berhad	3/23/2017
63	Borneo Aqua Harvest Berhad	Bahvest Gold Berhad	4/27/2017
64	Kbess Berhad	Gets Global Berhad	5/30/2017
65	Raya International Berhad	Straits Inter Logistics Berhad	6/20/2017
66	Puc Founder (Msc) Berhad	Puc Berhad	7/4/2017
67	Ml Global Berhad	Mgb Berhad	7/5/2017
68	Cybertowers Berhad	Parlo Berhad	8/1/2017

69	Asia Bionergy Technologies Berhad	Fintec Global Berhad	8/28/2017
70	Reliance Pacific Berhad	Avillion Berhad	9/7/2017
71	Palette Multimedia Berhad	Ucrest Berhad	9/14/2017
72	Bhs Industries Berhad	Nextgreen Global Berhad	10/23/2017
73	O&C Resources Berhad	Ocr Group Berhad	10/25/2017
74	Bison Consolidated Berhad	Mynews Holdings Berhad	11/2/2017
75	A&M Realty Berhad	Amverton Berhad	11/9/2017
76	Tahps Group Berhad	Ayer Holdings Berhad	11/16/2017
77	Voir Holdings Berhad	Vertice Berhad	11/27/2017
78	Goh Ban Huat Berhad	Paragon Globe Berhad	12/29/2017
79	Naim Indah Corporation Berhad	Pegasus Heights Berhad	1/9/2018
80	Federal Furniture Holdings (M) Berhad	Federal International Holdings Berhad	2/2/2018
81	Skh Consortium Berhad	Vortex Consolidated Berhad	2/13/2018
82	Century Logistics Holdings Berhad	Cj Century Logistics Holdings Berhad	3/15/2018
83	Goldis Berhad	Igb Berhad	3/20/2018
84	Accsoft Technology Berhad	Lambo Group Berhad	3/28/2018
85	Daibochi Plastic And Packaging Industry Berhad	Daibochi Berhad	4/4/2018
86	Umw Oil & Gas Corporation Berhad	Velesto Energy Berhad	4/5/2018
87	Bio Osmo Berhad	Impiana Hotels (Malaysia) Berhad	4/17/2018
88	Syarikat Takaful Malaysia Berhad	Syarikat Takaful Malaysia Keluarga Berhad	4/24/2018
89	Felda Global Ventures Holdings Berhad	Fgv Holdings Berhad	5/28/2018
90	Boon Koon Group Berhad	Chin Hin Group Property Berhad	7/9/2018
91	Denko Industrial Corporation Berhad	Ata Ims Berhad	7/24/2018
92	Lng Resources Berhad	Ybs International Berhad	8/1/2018
93	M-Mode Berhad	Ecobuilt Holdings Berhad	9/13/2018
94	Ecs Iet Berhad	Vstecs Berhad	9/28/2018
95	Ideal Jacobs (Malaysia) Corporation Bhd	Widad Group Berhad	10/1/2018
96	Asia Knight Berhad	Rgt Berhad	10/5/2018
97	Mi Equipment Holdings Berhad	Mi Technovation Berhad	11/14/2018
98	Tatt Giap Group Berhad	Dynaciate Group Berhad	11/21/2018
99	Panpages Berhad	Mscm Holdings Berhad	11/30/2018
100	Meda Inc. Berhad	Meridian Berhad	12/7/2018
101	Ccm Duopharma Biotech Berhad	Duopharma Biotech Berhad	12/10/2018