

Managerial Overconfidence and Leverage Decision. The Moderating Effect of Human Governance In Malaysia

Irene Wei Kiong Ting^a, Noor Azlinna Binti Azizan^b, Qian Long Kweh^c

^aDepartment of Finance and Economics, College of Business Management and Accounting, Universiti Tenaga Nasional, Sultan Haji Ahmad Shah Campus, Muadzam Shah, Pahang 26700, Malaysia

^bFaculty of Technology, Universiti Malaysia Pahang, Lebuhraya Tun Razak, Kuantan, Pahang 26300, Malaysia

^cDepartment of Accounting, College of Business Management and Accounting, Universiti Tenaga Nasional, Sultan Haji Ahmad Shah Campus, 26700 Muadzam Shah, Pahang

ABSTRACT

This paper examines the firm's leverage decision from new perspectives, namely managerial overconfidence and human governance. The balanced panel sample covers Malaysian public listed companies from 2002 to 2011. The objectives of this study are to investigate the relationship between managerial overconfidence and its moderating effect on the relationship between CEO personal characteristics and firm leverage decisions. The findings are as follows: 1) CEO overconfidence, age and prior experience are significantly negative related to leverage; 2) The higher the education, the higher the debts; 3) CEO tenure is significantly positive related to leverage; 4) The higher the overconfidence level in presence of their age, the more the debts; 5) Firm leverage is lower when CEO with higher educational degree has higher confidence level. The result of the paper can fill the gap in the literature on the managerial overconfidence and its relationship with leverage decision of Malaysian public listed companies.

KEYWORDS: managerial overconfidence, human governance, leverage decisions, Malaysia, CEO personal characteristics, CEO age, prior experience, CEO tenure, CEO education

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