International Journal of Research in Economics and Social Sciences (IJRESS)
Available online at: http://euroasiapub.org
Vol. 7 Issue 12, December- 2017
ISSN(o): 2249-7382 | Impact Factor: 6.939 |

Misperception of Optimism Culminates in Erroneous Corporate Financial Decision Making- A Review

Kannadas S*

Assistant Professor – Finance

L. Gandhi**

Assistant Professor- OB/HRM

Shri Dharmasthala Manjunatheshwara
Institute for Management Development (SDMIMD)
No. 1, Chamundi Hill Road, Siddharthanagar Post
Mysore - 570011, Karnataka, INDIA.

Abstract

In the 21st century corporate domain, the decision making role has become crucial. Especially, financial decisions are vital for the sustained survival in the long run. The financial decision makers' designation may vary from CFO to Chairman but the ultimate expectation from them is to perform for the growth of the organisation. There are three major areas of financial decision making namely Investment decisions, financing decisions and dividend decisions. There are two different types of decision makers in the corporate based on their approach towards the situation; rational decision makers and irrational decision makers. Irrespective of the types, their objective is to optimize or to determine an ultimate solution for an existing problem or an easy path to develop the organisation where they are employed. Even though there are plentiful formulae, methodologies and numerical analysis before taking a final financial decision, there is a prologue for all those i.e. human psychology or behavioral traits. Each and every individual at the decision making level in the corporate ought to be undergoing this stage irrespective of their age, gender, income, authority and ethnicity. Inevitably there are both positive side and negative sides at this stage. If the psychological thoughts and behavioral traits are logical, it lead to optimistic approach while taking a decision. On the other hand if the same are illogical, it paves way for overconfidence and culminates in erroneous decision making and hamper the expansion and growth in the long run. In this paper, the authors have identified various literatures related to the topic, reviewed the literature from different dimensions and suggested a matrix for financial decision makers

Key words: Managerial optimism, Overconfidence in decision-making, Financial decision making matrix

Introduction

Behavioral corporate finance is an integral part of behavioral finance. It differs only in the impact of end results for whom that affects. In case of behavioral corporate finance the decision makers decide the fate of the concern where they are employed as agents for the shareholders. Each and every decision taken by them is crucial and affects the growth and expansion in the long run. The current scenario of the corporate world is dynamic. The rational thinking and decision making at times may not work out as the changes are constant in the economy due to various demographical factors in the country. At times irrational thoughts regarding corporate financial decisions based on the circumstance's requirements is needed. In such a situation there are many factors influence a decision maker to take a decision irrespective of what is required and what is expected. Psychologically a person is caged by his/her experiences and the agency nature in the profession. The optimal expectation from them in a concern is to take a right decision which results in the development of the organisation where they are employed.

The 'better than average' effect is particularly likely to apply to high-rank executives for a number of reasons. First, Kruger (1999) and Camerer and Lovallo (1999) show that the effect is especially strong among highly skilled individuals, possibly due to insufficient weighting of the comparison group ('base rate neglect'). If CEOs compare themselves to the average manager rather than other CEOs, they may conclude they are better than average at picking investment projects or merger targets. Second, the effect tends to be strongest for outcomes that are abstractly defined rather than in a one-to-one comparison with other people (Moore and Kim, 2003). CEOs will rarely have a direct comparison. Decisions such as large-scale investments are naturally complex and hard to compare across firms, making it hard to detect overestimation. A related branch of the self-enhancement literature documents the tendency of individuals to be too optimistic about their own future prospects (Weinstein, 1980; Kunda, 1987; Weinstein and Klein, 2002). Individuals are the most optimistic about outcomes which they believe are under their control (Langer, 1975). And individuals are more prone to overestimate outcomes to which they are highly committed (Weinstein, 1980). Top corporate managers are likely to satisfy both of these pre-conditions. First, a CEO has the ultimate say about his firm's big strategic decisions and decides whether or not a large scale investment or a merger goes ahead. Such a position may induce the CEO to believe that he or she can also control the outcome – and thus to underestimate the likelihood of failure. (March, 1987)

The higher up decision makers climb on the corporate ladder the more likely they are to face exactly the type of decision-making environment under which biases are likely to persist. Low-frequency and noisy feedback, for example, are key predictors of biased decision making (Nisbett and Ross, 1980). And top-level executive decisions such as large-scale investments, merger agreements, or capital restructuring are relatively rare events in the life of one company, and each project has many distinct features which make comparison to past experiences difficult. In summary, there is strong support for the hypothesis that top corporate decision makers persistently overestimate their own skills relative to others and, as a result, are too optimistic about the outcomes of their decisions. He formalize this notion by assuming that overconfident managers overestimate the expected returns to their corporate decisions. This assumption is similar to the notion of 'hubris' in Roll (1986). It also relates to the frameworks of Heaton (2002) and Landier and Thesmar (2004), who model managers

that overestimate the probability of project success. The authors use the term 'optimism' rather than 'confidence'. the researchers choose the 'confidence' terminology, as in Camerer and Lovallo (1999), to draw a tighter link with the literature on excessive self-confidence and the 'better than average' effect. The researchers terminology highlights the distinction between overoptimistic beliefs that result from overconfidence and general optimism about exogenous events. (Malmendier, 2005)

Terminologies used and their definition

Misperception, Optimism and Overconfidence are some of the terms prominently used in this papers and those terms are explained below by referring to Oxford Dictionary.

Misperception

A wrong or incorrect understanding or interpretation

Optimism

Hopefulness and confidence about the future or the success of something

Overconfidence

The quality of being too confident; excessive confidence

Review of literature

Individual behavior plays a significant role in decision making, especially financial decision making. With a view to suggest a matrix for financial decision making, related papers were identified and reviewed. The selected literature reviews are presented below.

(Fromlet, 2001) The author revealed that the psychology and irrational behavior do matter on financial markets. This is an important conclusion per se, but it is even more important to draw practical conclusions. Are there any lessons to be learned? Without doubt, there are conclusions from analysis of behavioral factors that can help investors to avoid mistakes. (The Table 1 gives an easily understandable summary of some of the conclusions.) Avoiding mistakes is what the researcher would like to call defensive behavioral finance applications. Tests have been made in order to find out what investors actually do versus what they ought to do if they were acting rationally. Experience from decision traps, biases, over- and under-reactions, risk acceptance, and so on, can be used as strategic tools in asset management, even in an offensive application. In the United States there is an increasing number of academics that are concentrating their efforts on behavioral finance, both when it comes to research and education.

(Heaton, 2002) The author debate that two dominant features First, optimistic managers believe that capital markets undervalue their firm's risky and may pass up positive net present value projects that must be financed externally. Optimistic managers overvalue their own corporate projects and may wish to invest in net present value projects even when they are loyal to shareholders. These results imply underinvestment-overinvestment tradeoff related to free cash flow, without asymmetric information or (rational) agency cost theories. The matrix suggests that the effects of free cash flow are ambiguous. Optimistic managers will sometimes decline positive NPV projects if those projects require outside financing. Free cash flow in an amount required to fund positive net

present value projects can socially costly under-investment. In a world with optimistic managers, therefore, it is that mechanisms that force the firm to pay out all cash flow and acquire external finance necessarily good mechanism.

(Nofsinger, 2008) The behavioral finance paradigm for explaining how agents behave and how their behavior might affect financial markets looks like it is here to stay. Although conducting research on behavioral finance poses many challenges and hurdles, the authors in this special issue have (to a high degree) successfully addressed those challenges. The scholar suspect that even more of those challenges and hurdles will be overcome in future research. Our overall goal with this special issue was to help bring behavioral finance theories to Asian financial markets. The Asian financial markets represent a fruitful testing ground for behavioral finance researchers: the papers in this special issue represent solid proof of this assertion. The scholar hope that readers will enjoy and benefit from the contents of these studies as much as the scholar enjoyed and benefited from putting this issue together. And, of course, the scholar hope these papers help spur the next generation of behavioral finance research.

(Hackbarth, 2009) The author conveyed that a nascent literature in financial economics considers corporate managers' personality traits. The primary objective of the study is to find out the kind of collaboration between financing and investment decisions from a behavioral perspective, i.e., in the presence of managerial optimism and overconfidence. The author put forth a contingent claims approach that integrates a simple real options model into an earnings-based capital structure environment. Analytic expressions for arbitrary beliefs, with rational beliefs as a special case, are derived from the model in which managers' financing and real option exercise decisions are endogenously linked to each other by optimality conditions. Focusing on this behavioral perspective, the author proved managerial biases can play a positive role because of two balancing economic effects. First, biased managers choose higher debt levels than rational managers, exacerbating underinvestment. Second, biased managers invest earlier than rational managers, attenuating underinvestment. The domination of the rationality effect on mild biases and hence the benefits of mild biases exceed their costs. Debt overhang agency costs decline and investor welfare improves. The bottom-line of this study is, however, the more general, agency-theoretic observation that mildly biased managers can ameliorate bondholder– shareholder conflicts (e.g., debt overhang, asset substitution, or asset stripping). Intuitively, managerial biases can act as commitment devices for implementing second-best strategies of a levered firm that are closer to first-best real option exercise strategies.

(Haiss, 2010) Incentive structures faced by bank managers are central to mitigate herding, as myopic and asymmetric reward structures in many banks were among the key drivers of the excess of the most recent financial boom (Buiter, 2008). Regulators should give consideration to the impact of regulation on the incentives of compensation schemes within banks and the extent to which they induce prudential behavior. Incentive structures also need to become a supervisory issue. The banks themselves also need to sort out features of reward systems that provide triggers towards herding and procyclicality, e.g., incentives that are not in the long run in the interests of the banks themselves.

(Cavalheiro, 2011) the author found that there has been an increased interest in risk tolerance. The level of risk tolerance of an individual has a direct influence on consumption and on the way he/she will assign his/her assets; it is understood that less tolerant individuals look for safer options for their investments. The results indicate a misattribution bias for the case of the decision process in individuals with positive humor who have shown to be more tolerant to risk.

(T. Colin Campbell, 2011) the authors exhibited the effects of CEO optimism on the firm investment level chosen by a risk-averse CEO. A moderate level of CEO optimism can lead the CEO to choose a first- best investment level. Optimism below (above) the interior optimum level of optimism leads the risk-averse CEO to underinvest (overinvest).Thus, there is a concave relation between firm value and CEO optimism. If board of directors would act in shareholders' best interests and if their initial CEO hiring decisions are imperfect, the researchers observed that boards terminate low-optimism and high- optimism CEOs more frequently than they terminate moderately optimistic CEOs. The empirical findings support that the forced turnover prediction, and suggested that the effects of optimism on *forced turnover* rarely economically significant. The results are broadly consistent with the view that CEOs with moderate levels of bias may in fact maximize firm's value if CEOs are risk averse.

(Simon Gervias, 2011) There are many reasons to expect CEOs and other top managers are not only overconfidence prevalent in the population but prevalent among experts. Those who are positively biased about abilities are more likely to pursue careers as managers. Risk taking induced by overconfidence may, in a tournament-type setting, result in promotions (Goel and Thakor (2008)). The researchers also study the interaction of managerial overconfidence and compensation in the context of a firm's investment policy. To do so, the researcher developed a simple capital budgeting problem in which a manager, using his information about the prospects of a risky project, must decide whether his firm should undertake the project or drop it in favor of a safer investment alternative. The authors model shows that a manager's overconfidence creates two potential sources of value for him and the firm. First, the manager's overconfidence implicitly commits him to follow an optimal risky investment policy with a flatter compensation schedule. This is valuable when risk-taking incentives come with suboptimal risk-sharing arrangements between firms and risk-averse managers. Second, the manager's overconfidence commits him to exert effort to gather information that improves the success rate and value of the firm's in-vestment policy. As the researchers show, the associated benefits can accrue to the firm, the manager, or both, depending on the extent of competition in labor markets and the size of the manager's bias.

(Harvey, 2012) The primary input to behavioural finance has been from experimental psychology. Methods developed within sociology such as surveys, interviews, participant observation, focus groups have not had the same degree of influence on the decision making. Typically, these methods are even more expensive than experimental ones and so costs of using them could be one reason for their lack of impact. However, the study proved it was also possible that the training of finance academics leads them to prefer methodologies that permit greater control and a clearer causal interpretation. Nevertheless, interdisciplinary research is becoming more widespread and it is likely that greater collaboration between finance and sociology will develop in the future.

(Agrawal, 2012) The authors presented a comprehensive theoretical framework of the behavioral biases that affect financial decision-making process. An important conclusion that could be drawn from the review is that the biases cannot be viewed in isolation. The strength of each bias is a function of several factors like the external environment and presence of other biases in the process. Under some circumstances one bias may become more salient than others. Additionally, several biases may also be active simultaneously. This makes an empirical investigation complex and difficult to operationalize. This study has important implications for both academicians and practitioners. It provides the foundation for developing theories relevant for a deeper understanding of the mental processes involved in decision making. To conclude, behavioral biases have been and will continue to influence human judgment. Although it is possible to avoid some of the biases in specific situations, it is not possible to completely eliminate them.

(John R.Graham, 2013) The authors focus on the two corporate decisions that CEOs feel they have the most control over-acquisitions and capital structure. The researcher found evidence that links psychological traits such as risk-aversion and optimism to corporate policies, in ways advocated by some theories. For example, more risk-tolerant CEOs make more acquisitions and more optimistic CEOs use more short-term debt. The researcher also found an empirical link between managerial traits such as risk-aversion with compensation structure, and pay-performance sensitivity. This result is consistent with the theoretical work from standard agency theory but direct evidence on this has been scarce. The researcher also found that managerial impatience and time preference also affect their compensation structure in a way that might be expected by theory but which has received little attention. Our results provide new evidence of a role for specific behavioral traits, in particular, risk-aversion and time-preference in the determination of compensation structure.

(Salzmann, 2014) The authors Conducted an empirical analysis of the relation between individualism and financing decisions of firms. In spite of extensive research, Myers' (1984) classic question "How do firms choose their capital structure?" remains unanswered. Accounting for evidence in the psychological literature that managers tend to be overconfident or optimistic, the corporate finance literature has recently come to consider managerial irrationality as an important factor in corporate financing decisions. One of the most difficult problems in examining the effect of managerial overconfidence on corporate behavior is how to measure managerial overconfidence. Consistent with the view that overconfidence is a personal trait, the scholars used a cultural variable as operational measure for these biases. The scholars refer to the dimension of individualism and collectivism, which is linked to overconfidence and optimism.

(M.H. Broihanne, 2014) The authors demonstrate that financial professionals are overconfident in both the general and the financial domains. The errors made by the professionals are related to the amplitude of their confidence intervals, which reinforces the researchers' conclusion. With respect to risk perception and forecasted volatility, the results indicate the presence of intrinsic individual characteristics. Using the GLW measure allows us to show that risk perception and overconfidence strongly affect the risk-taking behaviors of professionals. Finally, the stock return volatility anticipated by the professionals in the researchers' sample is, in most cases, an insignificant

determinant of the risk they are ready to assume when buying stocks. This last result, which is contradictory to standard financial theory, questions the quality of the standard deviation as a measure of risk.

(Tate, 2015) A large and growing body of evidence suggests that a substantial share of top corporate executives exhibit symptoms of overconfidence in their decisions. The main measure of CEO overconfidence used here has been the willingness of CEOs to keep their personal wealth undiversified by holding stock options until very close to their expiration. Other measures of CEO overconfidence include earnings forecasts, survey responses, and even psychometric tests. The presence of CEO overconfidence that is, of a belief by the top executive that the price of the firm's stock should be higher than it is seems to matter for a variety of firm decisions and the choice of financing for those decisions. Notably, it matters for the extent to which investment choices, both those involving internal investment and external mergers, track the available cash and easy-to-obtain debt available to firms. But CEO overconfidence also appears to be correlated with other choices like paying less in dividends and relying less on external equity-based finance. Other research suggests that firms are able to identify overconfident CEOs, and firms that plan to undertake a change in strategy or to vigorously pursue innovation may prefer a degree of overconfidence. Moreover, firms can offer overconfident CEOs lesser amounts of company stock as part of their compensation packages. This body of research keeps expanding, with additional measures of CEO overconfidence, theoretical models linking overconfidence to various practices and outcomes, and empirical tests that pay more attention to exogeneity and identification of cause and effect.

(Irene Wei Kiong Ting, 2016) The authors conclude that: first, CEO overconfidence is significantly and negatively related to corporate financing decision; second, a higher degree of managerial overconfidence would result in lower leverage in GLCs, whereas the effect does not significantly exist in NGLCs; third, a larger ownership of government in a firm will reduce the negative effect of managerial overconfidence on corporate financing decision; fourth, the moderating effect of government ownership on the association between managerial overconfidence and corporate financing decision in GLCs is more effective than NGLCs; and fifth, government intervention plays its role as moderating effect on the relationship between managerial overconfidence and corporate financing decision in firms with lower ownership concentration but not in firms with high ownership concentration (more or equal than 50 percent). The finding implies that the moderating effect of government ownership on the association between managerial overconfidence and corporate financing decision in GLCs is more effective than NGLCs.

(Soltani, 2016) In the complex situations the company managers try to find a model of responsibility on which they are going to base themselves at the time of decision-making to try to reduce the unpredictability and the uncertainty in which they are. The objective of this study was to clarify the concept of the responsibility generally and the various types of the manager's responsibility in private individual in the sense of the company, as well as the explanatory theories of this responsibility through various perspectives such as economic, political, social and behavioral. These theories offer the ground the most exploited in the understanding of certain behavior in the company, they show that the manager tries to adopt justifiable behavior and at the same time responsible.

(Chih-Jen Huang, 2016) There is a lack of research examining the corporate managers' behavior escalation bias and the role of corporate governance in the long-term stock buying decisions. To address these issues, this study measures the magnitude of escalation of commitment dispread (ESCA) by following Strahilevitz, Odean, and Barber (2011), Chih, Lin, and Chou (2009), and Odean (1998) and measures the level of corporate governance within firms by following Chen et al. (2007). Based on the corporate long-term equity investment data from the Taiwan companies, the researchers explored the relationships among the corporate managers' escalation behavior, free cash flows, and corporate governance. Specifically, the main findings of this study are as follows: (1) Corporate managers have behavioral escalation bias in the long-term equity investment. (2) There is a positive relation between the level of free cash flows and the magnitude of escalation behavior. (3) The strong corporate governance mechanisms play a contributory role in reducing the magnitude of escalation behavior.

(Azizan, 2016) The authors evaluated the moderating effect of government ownership on the association between managerial overconfidence and corporate financing decision. Empirical findings can be summarized as follows: first, CEO overconfidence is significantly and negatively related to corporate financing decision (pooled OLS, FEM and Tobit regression) and it is consistent with prior studies (Wei et al., 2011; Fairchild, 2009; Lin et al., 2005); second, a higher degree of managerial overconfidence would result in lower leverage in GLCs, whereas the effect does not significantly exist in NGLCs; third, a larger ownership of government in a firm will reduce the negative effect of managerial overconfidence on corporate financing decision; fourth, moderating effect of government ownership on the association between managerial overconfidence and corporate financing decision in GLCs is more effective than NGLCs; and fifth, government intervention plays its role as moderating effect on the relationship between managerial overconfidence and corporate financing decision in firms with lower ownership concentration but not in firms with high ownership concentration (more or equal than 50 percent).

Objectives of the study

The major objectives of the study are;

- To study the possibility of misperception of optimism
- To study the effect of misperception on corporate financial decision making
- To suggest a matrix to reduce the rate of error in corporate financial decision making

Methodology

- **Type of the study**

This study is designed based on the various literatures' review. It is secondary data based study.

- **Sources of data**

The relevant secondary data were collected from the published sources such as journals, research reports and magazines.

- **Method of Analysis**

The researchers conducted a reviews of the sample literatures collected from various sources.

Scope of the study

This paper will primarily assist the financial decision makers to demarcate the optimism from overconfidence. Also, the paper will help to understand the right combination of risk taking and level of confidence to make the right decisions. This literature review paper will help individual and corporate decision makers to understand the dimensions of financial decision making and identify the right approach to make decisions.

Limitations of the study

This study on behavioral financial decision making possess its own inherent limitations as appended below

- As review of existing literature been a major source of information in this paper, the benefit of primary data or the first-hand information is not imbibed
- Though there are enormous papers were identified as a part of review of literature, only some selected reviews are included in this paper which are closely associated with psychological impacts on managerial decision making.
- The proposed matrix is only an outcome of analyzing various studies, therefore no empirical evidence to support the matrix
- The use of this suggested matrix may vary based on the understanding of the financial decision maker
- The execution of this matrix also based on the perception and understanding of the individual decision makers

Findings of the study

The findings are displayed below in the form of a matrix. Based on the review it is found out that the relationship between the psychological aspects and the kind of decision with respect to risk do exist.

Suggested matrix - Behavioral Corporate Financial Decision Making

Based on the above study and review of the literature, it is understood by the authors that there are misperceptions between two different aspects- optimism and overconfidence. Initially the self-confidence & optimistic thoughts and approach of a decision maker grows up enormously and deviates its path, At the end it culminates in overconfidence while making decisions. The deviation occurs stage by stage either due to continuous success in the short run coincidentally or due to suboptimal results of their decision in the recent past (certainly no notable failures till then).

The passage of optimism to overconfidence and the two different characteristic natures which collide with these two natures is highlighted in the following matrix. There are four different possibilities in decision making based on this suggested matrix of which two quadrants lead to progressive and constructive decisions and the other two quadrants lead to erroneous end results.

Table-1 Behavioural Corporate Financial Decision Making

	Optimism	Overconfidence
Risk Taking	Long-term, Logical and Growth oriented approach	Long-term, Illogical and Hyperopic survival approach
Risk Aversion	Short-term, Logical and Growth oriented approach	Short-term, Illogical and Myopic survival approach

Q1- Optimistic with Risk-averse nature

While analyzing the first quadrant which culminates decision makers with optimistic approach and risk averse nature. In case of decision maker being a person of risk averse in nature, the majority of the decisions will be of short term, logical and growth oriented. The financial forecast will also be in terms of short run as they would assume that taking a long term decision quickly leads to blunder results as the business and corporate environment is dynamic. Therefore, the learning outcome of this quadrant is to proceed slowly but steadily. For e.g. the strategic level decision makers, while deciding about the dividend, will never fix a percentage of dividend, rather they would generally try to maintain the similar rate and never finalize a permanent rate as it will be a critical situation in future when there is a fund shortage.

Q2- Optimistic with risk taking nature

The decision makers with optimistic approach and risk taking nature would result in long run growth oriented and expansion plans. Consequently, the decision makers would be logical based on the analysis of existing situation, past experiences and take a firm decision with a prosperous future prediction. This will be done by doing scenario and predictive analysis with the assistance of experts and analysts. As the financial decision makers are basically with the risk taking nature, they will not be bothered by the short term failures. Instead, they will learn lessons out of those uncertainties to make appropriate decisions by considering the pros and cons.

Q3- Overconfident with risk averse nature

This is a deviated situation where the optimistic decision makers who turned overconfident but risk averse in nature. They will mostly think of successful survival at present alone. Instead of going through a logical analysis/ survey results and simulations, they contemplate that their assumptions are correct and feel probability of happening is too high. So, they try to go ahead with the thumb rule

of their own and end up in unfavorable results. At times this attitude leads to substandard short term results and it will culminate in pathetic performance appraisal. Also, affects their reputation & perks individually as well as their team.

Q4- Over confident with risk taking nature

This is a vulnerable combination where the decision makers are already overconfident which is detrimental for the future growth, with that they will be ready to take high risks. Naturally, the decision makers would be aggressive in taking decisions due to their over confidence nature. On the other hand, they would be excited to foray into certain risky ventures and projects. Due to the over confidence nature, they tend to refuse the information provided to them which are against their beliefs.

Conclusion and Scope for further research

Managers need to make decisions under different conditions and situations. While taking decisions, a few key questions to be asked, how managers perceive different things, how managers react to the uncertainties and how mangers try to resolve the problems, all these questions are a part of dimensions of human behaviour. Different permutations and combinations of risk taking nature and level of confidence explain the behaviour of the decision maker.

The fundamental purpose of this paper is to suggest a matrix on behavioral financial decision making by reviewing various literature. The proposed matrix for financial decision making will be useful for the decision makers to understand their behavioral pattern and also to know the risk-taking nature. In addition, conclusions can also be drawn from the findings or suggested matrix of this study that the decision makers with risk-taking attitude and optimism can make long-term, logical and growth oriented decisions.

Psychology and behavior of a decision maker are being crucial aspects while making a decision, the context of which is termed as behavioral financial decision making. Although there were numerous studies taken and reviewed with an intention to suggest a matrix of behavioral financial decision making, support of primary data will further strengthen the viability of the proposed matrix.

References

Agrawal, K. (2012). A conceptual framework of behavioral biases in finance. *IUP Journal of Behavioral Finance*, 9(1), 7.

Azizan, I. W. (2016). Managerial overconfidence, government intervention and corporate financing decision. *International Journal of Managerial Finance*, Vol. 12 Iss 1 pp. 4 - 24.

Cavalheiro, E. A. (2011). Misattribution Bias: The Role of Emotion in Risk Tolerance. *IUP Journal of Behavioral Finance*, 8(3), 25.

Chih-Jen Huang, A. Y.-F.-Y.-H. (2016). Managers' Escalation Behavior in Equity Investment Decisions and the Role of Corporate Governance. *Emerging Markets Finance & Trade-Taylor & Francis Ltd*, 52(4), 825-842.

Fromlet, H. (2001). Behavioral Finance-Theory and Practical Application. *Palgrave Macmillan Journals*, 63-69.

Hackbarth, D. (2009). Determinants of corporate borrowing: A behavioral perspective. *Elsevier, Journal of Corporate Finance*, 389–411.

Haiss, P. (2010). Bank Herding and Incentive Systems as catalyst for the financial crisis. *IUP Journal of Behavioral Finance*, 7(1/2), 30.

Harvey, G. M. (2012). Behavioural finance: the role of psychological factors in financial Decisions. *Review of Behavioural Finance*, 68 - 80.

Heaton, J. B. (2002). Managerial Optimism and Corporate Finance. *Wiley on behalf of the Financial Management Association International*, 33-45.

Irene Wei Kiong Ting, H. H. (2016). Managerial overconfidence, government intervention and corporate financing decision. *International Journal of Managerial Finance*, 4-24.

John R.Graham, C. &. (2013). Managerial attitudes and corporate actions. *Elsevier, JournalofFinancialEconomics*, 103–121.

M.H. Broihanne, M. M. (2014). Overconfidence, risk perception and the risk-taking behavior of finance professionals. *Elsevier*, 64-73.

Malmendier, U. a. (2005). Does overconfidence affect corporate investment? CEO overconfidence measures revisited. *European Financial Management*, 649-659.

March, J. G. (1987). Managerial perspectives on risk and risk taking. *Management science*, 33(11), 1404-1418.

Nofsinger, K. A. (2008). Behavioral finance in Asia. *Elsevier, Pacific finance basin journal*, 1-7.

Salzmann, R. C. (2014). Overconfidence and optimism: The effect of national culture on capital structure. *Research in International Business and Finance*, 132–151.

SIMON GERVAIS, J. B. (2011). Overconfidence, Compensation Contracts, and Capital Budgeting. *Wiley- The Journal of Finance*, 1735-1777.

Soltani, L. G. (2016). RESPONSIBILITY OF CORPORATE MANAGER: TO SYNTHESIZE OF THE DIFFERENT THEORIES BY ECONOMIC, POLITICAL, SOCIAL AND BEHAVIORAL PERSPECTIVES. *ACRN Oxford Journal of Finance and Risk Perspectives*, 95-110.

T. Colin Campbell, M. G. (2011). CEO optimism and forced turnover. *Elsevier- Journal of Financial Economics*, 695–712.

Tate, U. M. (2015). Behavioral CEOs: The Role of Managerial Overconfidence. *Journal of Economic Perspectives*, 37–60.