ABSTRACT

This study aims to determine the effect of CEO Overconfidence on firm risk and to discover whether ESG Disclosure moderates the effect of CEO Overconfidence on firm risk. The dependent variable of this research is firm risk. Meanwhile, the independent variable of this research is CEO Overconfidence, measured by the increase of CEO's firm share ownership, CEO's education level, as well as the Debt to Asset Ratio. Lastly, the moderating variable in this research is ESG Dsiclosure Score obtained from Bloomberg Database.

This research study uses secondary data gathered from annual reports and financial statements of companies listed on the Indonesia Stock Exchange, Bloomberg database, and a website named www.id.investing.com*. By using purposive sampling method, 160 non-financial companies listed in the Indonesia Stock Exchange in 2017-2020 were obtained as the final samples in this research. Multiple linear regression analysis as well as moderated regression analysis are applied in this study.*

The results of the study provide evidence that CEO Overconfidence measured by Debt to Asset Ratio has a positive and significant effect on the firm risk, thus the hypothesis is accepted. However, CEO Overconfidence measured by the increase of CEO's firm share ownership and CEO's education level have no positive and significant effect towards firm risk, hence indicating that the hypothesis are rejected. Furthermore, it concluded that ESG Disclosure has no moderation effect towards the impact of CEO Overconfidence on firm risk.

Keywords: CEO Overconfidence, CEO Education Level, Increase in CEO's firm share ownership, Debt to Asset Ratio, ESG Disclosure, and Firm Risk