

國立中央大學

統計研究所

學術演講

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講 題：Gambling in the Loan Market: Why Banks Prefer Overconfident CEOs

時 間：108年2月26日（星期二） 上午11：00~12：00

地 點：中央大學鴻經館M429室

茶 會：上午 10：30~11：00 地 點：鴻經館 510 室

ABSTRACT

This paper investigates whether or not banks prefer overconfident borrowers. Our findings show that banks favor firms with overconfident CEOs, while hedging against the downside risk of loan payments, with the result that these borrowers enjoy lower loan rates, especially when they have rich firm-specific growth opportunities or during periods of prosperity. Evidence shows that firms with overconfident CEOs bring greater future business opportunities to banks, thereby luring them to relax their lending standards for these firms. Such behavior implies that banks may prefer to do business with high-risk borrowers if sufficient future benefit accrues to them from such activity.

JEL: G21, G32, G33, G34

Keywords: CEO overconfidence, bank loan contract, growth opportunities, downside risk.

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