

BICM Research Seminar 21

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Paper details	
Title	Investor Overconfidence and Stock Price Crash Risk
Authors	Hasibul Chowdhury UQ Business School the University of Queensland, Australia
	Khoa Hoang UQ Business School the University of Queensland, Australia
	Ronghong Huang UQ Business School the University of Queensland, Australia
	Xiaowen Peng UQ Business School the University of Queensland, Australia
	Suichen Xu UQ Business School the University of Queensland, Australia
Presentation details	
Presenter researcher	Dr. Hasibul Chowdhury
Date	February 2, 2023 (Thursday)
Time	11:00 AM - 12:30 PM
Venue	BICM Multipurpose Hall
Expected Participants	Faculty Members of BICM & Invited Guests
Discussants	Professor Dr. Muhammad Moshfique Uddin Accounting and Finance Department Leeds University Business School University of Leeds
	Dr. Ibrahim Siraj Assistant Professor of Financial Accounting School of Management Long Island University

About the Presenter

Dr Hasibul Chowdhury is a Lecturer in Finance at the University of Queensland Business School. Dr Chowdhury holds BBA (Finance) and MBA (Banking) from the University of Dhaka, MBA (Finance) from Tulane University, and PhD (Finance) from the University of Queensland. In addition, he obtained the HEA fellowship (FHEA) from Advance HE, UK. His teaching philosophy is to ensure a high-quality learning environment in the classroom for the students by encouraging active learning methods so that students have clarity in their learning experiences.

Dr Chowdhury's research focuses on corporate finance and executives' labor market incentives. His research work has been published in the Journal of Corporate Finance, Journal of Business Research, Accounting and Finance, Australian Journal of Management, and Journal of Behavioral and Experimental Finance.

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The paper abstract is given on next page. If you have any questions regarding the seminar or you wish to present a paper or invite a guest researcher, please do not hesitate to communicate S. M. Kalbin Salema, Lecturer, BICM at kalbin@bicm.ac.bd.

Investor Overconfidence and Stock Price Crash Risk

Hasibul Chowdhury¹, Khoa Hoang¹, Ronghong Huang¹, Xiaowen Peng¹, Suichen Xu¹

Abstract

We study whether managers respond to investors' behavioral bias in the context of investor overconfidence and stock price crash risk. We find that managers, to cater to unrealistic expectations from overconfident investors, are more likely to withhold bad news, which increases future stock price crash risk. As a result, firms with overconfident investors are more likely to have breaks in string of consecutive earnings increases, engage in earnings management, obscure financial reports, and experience security class action lawsuits. We further find that strong corporate governance can discipline managers against catering for overconfident investors and, thereby, effectively reduces managerial bad news hoarding behavior and hence the crash risk. Our study documents an alternative route that overconfident investors affect stock price.

JEL classification: G14; G30; G32

Keywords: Investor overconfidence; Stock price crash risk; Bad news hoard

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