UNIVERSITI TEKNOLOGI MARA | Fakulti Pengurusan dan Perniagaan

SOCIO ENVIRONMENT COMPENDIUM

VOLUME 4(1), 2021

eISSN: 2636-9656

2021

-SOCENTiUM-
keeping you informed

FACULTY OF BUSINESS AND MANAGEMENT
UNIVERSITI TEKNOLOGI MARA

DYNAMIC CAPITAL STRUCTURE IN INDONESIA: DOES THE EDUCATION AND EXPERIENCE OF CEOS MATTER?

Asia Pacific Management Review

MEISHAN CHUA
(FBM, UITM)
NAZRUL HISYAM AB RAZAK
(UPM)
ANNUAR MDNASSIR
(XIAMEN UNIVERSITY)
MOHAMED HISHAM YAHYA
(UPM)

LET'S GET TO KNOW

ABOUT

This paper examines the relationship of CEO education and experience with the dynamic capital structure (DCS) using the target leverage and speed of adjustment (SOA) models.

DESIGN/METHODOLOGY/APPROACH

The sample of the study is 100 Indonesian firms. This study applied the System Generalised Method of Moments (SYS-GMM) to the target leverage model and Ordinary Least Squares bootstrapped standard errors to the speed of adjustment model.

FINDINGS/EXPECTED FINDINGS

First, the target leverage model with the inclusion of CEO characteristics yielded a 22% of the SOA towards target leverage. CEO education and experience show a positive relationship with the target leverage. Second, the result reveals that the improvement of CEO education and experience by one standard deviation led to an increase in the SOA by 3.37% and 0.17%.

ORIGINALITY/VALUE/CONTRIBUTION

First, unlike the past empirical model, this study explicitly investigates the impact of CEO education and experience to the firms' target leverage and SOA towards target leverage. Second, the study findings are more superior to previous empirical findings, in which we show the exact magnitude of CEO education and experience (with a speed of 3.45% and 0.19%, respectively) moved towards the target leverage.

REFERENCES

L.-K. Liao, T. Mukherjee, W. Wang. Corporate governance and capital structure dynamics: An empirical study. Journal of Financial Research, 38 (2) (2015), pp. 169-191, 10.1111/jfir.12057

M. Chua, N.H.A. Razak, A. Nassir, M.H. Yahya. Does CEO education influence the target leverage and speed of adjustment? Journal of Critical Reviews, 7 (12) (2020), pp. 59-68, 10.31838/jcr.07.12.10

D.C. Hambrick, P.A. Mason. Upper echelons: The organization as a reflection of its top managers. Academy of Management Review, 9 (2) (1984), pp. 193-206, 10.2307/258434