The Effect of Institutional Ownership on the Relationship between Managerial Overconfidence and Firm Performance of Egyptian Listed Company:

An Empirical study

By

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Abstract

This study investigates the relationship between managerial overconfidence and firm performance in the existence of institutional ownership as a moderating variable. We argue that when the company has a high proportion of institutional ownership, it can lead to more control over managerial decisions and the feedback of the managers, which in turn can improve the performance of the company. There are numerous proxies for measuring managerial overconfidence, but the most appropriate one in the Egyptian environment is an investment-based measure through capital expenditure. A sample of 695 firm-year observations of non-financial firms listed on the Egyptian Stock Exchange from 2014 to 2022 is used. The results indicates that there is a positive and significance association between managerial overconfidence and firm performance in the existence of institutional ownership as a moderating variable   and shows that institutional ownership can turn the relationship between managerial overconfidence and firm performance from negative to positive because it plays a controlling role within the company.

Keywords: Managerial   overconfidence,   Firm   performance, Institutional ownership

1- Introduction

The main objective of any business organization is to maximize its market value. In order to maximize a firm's market value, managers need to invest in profitable projects that lead to an increase in the company's market value as well as maximize the wealth of its shareholders. Therefore, the primary objective of any company and its managers is to enhance the company's value, which is reflected in the market price of its shares. (Kunjal et al., 2021).

This goal can be reached through the implementation of financial management functions with caution and precision, given that any financial decisions taken will affect other financial decisions, which will affect the value of the company (Davidsen et al., 1994). Companies' financial management concerns the settlement of important decisions taken by the company, which is including investment, funding, and dividend policy decisions. An optimal combination of these decisions will maximize the value of the company, as such decisions are interrelated with each other (Qureshi and Patt, 2006).

Managers may be affected by various biases, such as loss aversion, framing, anchoring, and overconfidence. However, Li et al. (2019), Gao and Han (2022), and Wang et al. (2020) argue that overconfidence is one of the most prominent biases influencing managerial decisions.

Managerial overconfidence refers to the tendency of managers to overestimate their knowledge, capabilities, and chances of success (Zaher, 2019). As a result, overconfident managers overestimate the future returns of the firm's investments and underestimate the firm's risk exposures (Wang et

al., 2020). Interestingly, Heaton (2002) argues that overconfidence is more prevalent in managers than other biases. Amongst other factors, managerial overconfidence may be caused by an illusion of control, unrealistic optimism, the 'better than average effect, or the planning fallacy.

An effective method for evaluating a company's performance is to analyze its financial performance (Pujiasih, 2013). Financial performance describes how a company's business activities are carried out and what has been achieved from business activities. The generation of profits is a clear indication that the company's business activities have been successful. The ability of a corporation to make profits is the primary consideration that is taken into account when assessing the financial success of the organization (Abdullah et al., 2019a).

Previous research shows that managerial overconfidence influences various corporate decisions including decisions relating to capital investments, dividend policies, capital structure, corporate risk management, and firm performance.

Managerial overconfidence can influence the performance of a firm. On one hand, Gervais and Goldstein (2004); Fairchild (2009) argue that managerial overconfidence may be beneficial for the performance of a firm. For instance, overconfidence helps managers exploit innovative growth opportunities, assists managers in providing better leadership, and leads to higher stock performance, which may contribute positively to a firm's performance. On the other hand, managerial overconfidence can destroy the performance of a firm. This negative effect could be attributed to excessive debt levels, suboptimal

investment choices, and inefficient research and development expenditures caused by managerial overconfidence (Kunjal et al., 2021).

Thus, the empirical findings regarding the impact of managerial overconfidence on corporate performance are ambiguous. Hence, it is important to incorporate a moderating variable in order to assess the influence of managerial overconfidence on the performance of the organization.

We suggest the possibility of moderating the relationship between managerial overconfidence and firm performance by using institutional ownership as a moderating variable for the following reasons:

1 – Institutional ownership acts as a controlling tool in the company, so capital expenditure will be directed to projects that will achieve the maximum net present value for the company.

2 - Firms with greater proportions of institutional ownership are likely to have lower agency costs due to better monitoring

3 - The presence of institutional ownership may reduce the cost of borrowing which will be reflected positively on firm value.

The institutional ownership added as a moderating variable to examine the relationship between managerial overconfidence and firm performance. Furthermore, there are no existing studies that investigate the effect of institutional ownership on the relationship between managerial overconfidence and firm performance in Egypt.

Accordingly, the main research question of the current study can be stated as follows: **Is there an effect of institutional ownership on the relationship between managerial overconfidence and firm performance?**

2 - Research objectives

The main goal of this research is to investigate empirically the effect of institutional ownership as a moderating variable on the relationship between managerial overconfidence and firm Performance for firms listed on the Egyptian Stock Exchange.

3 - Research significance

This study is important for the following reasons:

3.1. This study contributes to the extant literature by studying the effect of institutional ownership on the relationship between managerial overconfidence and firm performance.

3.2. To the best of the researcher's knowledge, it is the first study in Egypt to examine the effect of institutional ownership on the relationship between managerial overconfidence and firm performance.

3.3. The result of the study might support the importance of institutional ownership as one of the corporate governances, which plays an important role in activating governance, and also leads to effective control over the management's actions.

4 - Literature review and hypotheses development

Existing research offers two contradictory perspectives on Managerial overconfidence and its direct effects on firm performance. On one hand, managerial overconfidence may have potentially positive effects on firm performance, some research suggests that overconfidence has positive effects

on investing in projects, making acquisitions, and predicting the outcomes of a business.

The study of Reyes et al. (2022), who investigated the moderating effect of the business cycle on the positive relationship between CEO overconfidence and firm performance, The study proposed that the expansion years of the business cycle enhance the positive impact of overconfident CEOs on firms' performance. However, this effect is reduced during recession periods. Also, analyzed the effect of CEO overconfidence on the return on equity of publicly listed US firms from 1992 to 2015, a period that included the bursting of the dot-com bubble in 2001 and the Great Recession of 2008–2009. The empirical finding supports the hypotheses that expansion periods increase the positive relationship between overconfident CEOs and firms' performance, but this positive effect weakens during recessions.

The study of Burkhard et al. (2022), investigated how and why CEO overconfidence is related to firm performance using meta-analytic techniques on a sample of 199 studies. Contrary to the conventional belief that managerial overconfidence is detrimental, this study revealed that CEO overconfidence is, on average, beneficial for firm performance. Drawing on recent refinements of upper echelons theory and theoretical insights from the psychology literature, the author delves deeper into this positive relationship and hypothesize that overconfident CEOs engage in strategic risk-taking through cognitive, motivational, and social mechanisms. This risk-taking is positively related to firm performance. The results confirm the positive relationship between CEO overconfidence and firm performance.

The study by Gao and Han (2022), investigated the relationship among managerial overconfidence, CSR, and firm value. The study used nonlinear regression and OLS regression to test the hypotheses. Managerial overconfidence is measured by the integrated index. The financial data of Korean-listed companies is collected from the Data Guide database. The ESG rating of Koran Governance Service (KCGS) is selected as the proxy variable for CSR in Korea. Korean-listed non-financial companies from 2011 to 2016 were selected as the research sample. The sample includes 2483 non-financial-listed firm-year observations from 2011 to 2016. Empirical results showed that managerial overconfidence has a significant and positive impact on firm value. Managerial overconfidence enhances firm value through CSR activities.

The study by Gigerenzer and Gaissmaier (2011), showed the main reasons to expect managerial overconfidence to have a positive effect on firm performance. First, Overconfident managers have a tendency to make decisions rapidly. Second: Managerial overconfidence is associated with a higher propensity to innovate (Wang et al., 2016). Third, Overconfident Managers tend to develop an inspirational and stimulating vision (Shipman and Mumford, 2011).

On the other hand, managerial overconfidence may have potentially negative effects on firm performance, some research suggests that overconfidence has negative effects on investing in projects, making acquisitions, and predicting the outcomes of a business.

The study by Kunjal et al. (2021), investigated the relationship between managerial overconfidence and firm value of firms trading on the

Johannesburg Stock Exchange. This study depended on the regression analysis model to study the impact of managerial overconfidence on firm value for a sample containing 25 companies listed on the Johannesburg Stock Exchange from 2012 to 2019. The study results reported that managerial overconfidence exhibits a significant negative relationship with firm value, implying that an increase in managerial overconfidence is associated with a decrease in firm value. This significant negative relationship between managerial overconfidence and firm value can be attributed to the agency problem as well as a lack of managerial effort during decision-making, as previously discussed.

The study by Hribar and Yang (2016), showed the relationship between CEO overconfidence and management forecasting using a sample consisting of 2179 U.S. firms, 3305 CEOs, and 13120 firm years. The study provided evidence consistent with the notion that managerial overconfidence manifests itself as excessive optimism about future earnings, leading overconfident CEOs to make voluntary forecasts. This has two implications. First, overconfident CEOs are more likely to issue and subsequently miss their own forecasts, controlling for other predictors of forecast issuance and ex-post forecast accuracy, such as forecast horizon, discretionary accruals, merger and acquisition activity, and firm performance. Second, overconfidence is associated with forecast precision, with overconfident CEOs issuing narrower-range forecasts.

The study of Hsieh et al. (2014), examined the relationship of CEO overconfidence with accrual-based earnings management, real activities-based

earnings management, and targeting to meet or just beat analyst forecasts. The sample comprised firm-year observations from 1991 to 2009. The study measured "overconfidence" based on the CEO's tendency to hold in-the-money stock options, as rational expected utility maximizers should exercise early to avoid over exposure to company idiosyncratic risks. The results are consistent with overconfident CEOs feeling less constrained by SOX, and suggested that this individual characteristic works against regulators' attempts to constrain earnings management by corporate executives. In contrast, the author found that the tendency of overconfident CEOs to manage to targets decreased after SOX, perhaps due to changes in investor behavior in the new regulatory environment.

The study by Hiller and Hambrick (2005) showed the main reasons to expect managerial overconfidence to have a negative effect on firm performance. First, overconfident managers tend to make less comprehensive strategic decision. second, overconfident managers are likely to involve excessive risk-taking (Camerer and Lovallo, 1999). Third, the phenomenon of managerial overconfidence has the potential to result in strategic persistence.

Given the previous literature that examines the relationship between managerial overconfidence and firm performance, there is still controversy about the direction of that unrecognized relationship. This needs more investigations to analyze and explain the causes of this debate. So, institutional ownership is added as a moderating variable to examine the relationship between managerial overconfidence and firm performance.

We suggest the possibility of moderating the relationship between managerial overconfidence and firm performance by using institutional ownership as a moderating variable.

The study hypothesis can be formulated as follows

H1: There is an effect of institutional ownership on the relationship between managerial overconfidence and firm Performance.

5. Methods

5.1. Sample selection:

The study population includes all Egyptian firms listed on the Egyptian Stock Exchange. Banks and financial services sectors are excluded because of their special nature. The study depends on a sample of 695 firm-year observations of non-financial firms listed in the Egyptian Stock Exchange from 2014 to 2022. As shown in table 1, the sample is distributed to 12 economic sectors, namely, chemicals, food and beverage, construction and materials, healthcare and pharmaceuticals, industrial goods and services and automobiles, basic resources, personal and household products, travel and leisure, retail, technology, telecommunications, and oil and gas. The model is estimated using ordinary least squares (OLS). Clustered standard errors per cross-section is used to dilute the bias in OLS standard error arising from cross-sectional independence, and serial correlation (Gow et al., 2010). The regression is performed using E-views 10.

Table 1: The percentage of sample size to the population

#	Sector	Number of firms in sample for each year								
		2014	2015	2016	2017	2018	2019	2020	2021	2022
1	Basic Resources	12	12	12	12	12	12	12	11	9
2	Construction And Materials	9	9	9	9	9	9	9	9	8
3	Oil and Gas	2	2	2	2	2	2	2	2	2
4	Healthcare and Pharmaceuticals	8	8	8	8	8	8	8	8	8
5	Personnel and Household Products	8	8	8	8	8	8	8	8	8
6	Paper and packaging materials	3	4	4	4	4	4	4	3	3
7	Food And Beverage	9	9	9	9	9	9	9	9	8
8	Industrial goods and Services	2	3	3	3	3	3	3	3	3
9	Telecommunications	4	4	4	4	4	4	4	4	4
10	Technology	3	3	3	3	3	3	3	3	3
11	Retail	3	4	4	4	4	4	4	4	3
12	Real Estate	11	11	11	11	11	11	11	10	10
	Number of firms in sample	74	77	77	77	77	77	77	74	69
	Number of firms listed	214	221	222	222	220	218	215	218	218
	(-) Banks and Financial Services	38	43	46	47	46	46	45	46	47
	Number of nonfinancial firms listed	176	178	176	175	174	172	169	172	172
	Percentage of sample	45%	45%	45%	45%	46%	47%	45%	44%	41%

5.2. Empirical research model

To test the hypothesis between managerial overconfidence and firm's performance, the following regression model is used.

$$F P_{i,t} = \beta_0 + \beta_1(M O_{i,t}) + \beta_2(IO_{i,t}) + \beta_3(M O_{i,t} * IO_{i,t}) + \beta_4(C A S H_{i,t}) + \beta_5(Lev_{i,t}) + \beta_6(F.Size_{i,t}) + \beta_7 \sum_{i-1}^{11} INDUS + \varepsilon it$$

Table 2: Operational definition of model variables

Dependent variables		
Name	**Code**	**Operational definition**
Return on assets	ROA_{it}	Measured as the ratio of net income.
Independent variable		
Name	**Code**	**Operational definition**
Managerial Overconfidence	MO	A dummy variable takes the value of 1 when overconfidence is present, and 0 otherwise.
Moderating variable		
Institutional ownership	IO	the percentage of the total number of outstanding shares held by insurance companies, social security funds, and other institutions.
Control variables		
Name	**Code**	**Operational definition**
firm size	$S I Z E$	The natural logarithm of total assets at the end of the year
cash holdings	$C A S H$	Log (cash and cash equivalents scaled by total assets)
F. Leverage	LEV	total debt scaled by total assets.
INDUSTERY	INDU	A dummy variable that examines the sector affiliation of enterprises in order to mitigate the adverse impacts resulting from changes in their respective industries.

5.3. Variables Measurement

5.3.1. Dependent Variable (Firm performance)

Firm Performance is the dependent variable in this study. Following prior literature, return on assets (ROA) was used in this study as a measure of firm performance (Al-Manaseer et al., 2012).

$$\text{ROA} = \frac{Net\ icome}{Total\ Assets\ at\ the\ end\ of\ the\ year}$$

5.3.2. Independent Variable (Managerial Overconfidence)

The primary independent variable in this study was Managerial overconfidence. To measure managerial overconfidence this study used investment-based measure through capital expenditure following (Schrand and Zechman, 2012; Zaher, 2019) as follows:

First: compute the ratio of capital expenditures to total assets

$$= \frac{capital\ expenditure\ company\ i\ period\ t}{total\ assets\ company\ i\ period\ t}$$

Second: compare the ratio of capital expenditure of the company to the industry median capital expenditure of the same year in the sector, equal one if the ratio of capital expenditure is greater than the sample median of that year, zero otherwise.

5.3.3. Interaction variable (Institutional Ownership)

Institutional Ownership (I O), institutional ownership is the moderating variable in thus study; to measure institutional ownership several researchers attempt to use different proxies. Following Cornett et al., (2008); Ferreira and Matos (2008), institutional ownership is measured as the percentage of the total number of outstanding shares held by insurance companies, social security funds, broker-dealers, and other institutions.

5.3.4. Control Variable

A variety of control variables were incorporated into the models in this study, which followed the methodology of previous studies. The operating cash flows (CASH) of each company were included in this study in order to be used as a control for operating performance. Also. Leverage was used as a moderating variable for the following reasons: First, leverage of debt was expected to have a negative impact on the growth of the company. Second, the highly leveraged firms are able to increase firm performance by not engaging in negative value investments, and there is a positive relationship between debt leverage and firm profitability. Consequently, debt leverage (DEBT) was included in the model to control for these effects. It was calculated as the logarithmically transformed total liabilities divided by total assets.

6. Empirical Finding

6.1. Descriptive Statistics

Table 3 shows descriptive analysis of the variables that allows us to understand the main characteristics and attributes, providing vital support to the interpretation of the resulting relations through the use of regressions. This descriptive statistic provides information on the main statistical characteristics of the variables used in the analysis that includes mean, median, standard deviation and the range.

Table 3: Descriptive analysis of the variables

Variable	Observe	Mean	Median	Std. Dev.	Range	
					Min	Max
F. Performance	651	0.0338	0.038683	0.139863	-1.445189	0.528028
Managerial Overconfidence	651	0.0384	0.0105	0.1039	0	1.3624
Institutional Ownership	651	0.54054	0.62727	0.30217	0	0.99999
Man. Over * Ins Owner	651	0.022203	0.004729	0.078707	0	1.125605
CASH	651	0.10470	0.052833	0.131287	0.000033	0.602144
LEVERAGE	651	0.488489	0.397418	0.434055	0.000518	4.706347
Firm Size	651	20.58239	20.42292	1.540062	17.1962	25.1189
Indus Code	651	6.102919	6	3.780538	1	12

The data of the descriptive statistics indicate that there is a significant disparity in the performance between the company, as ROA range from (-1.4451 to 0.5280) and the mean of ROA is .035 with standard deviation 0.137.

The range of managerial overconfidence 0.00, 1.3624 This is due to the size of the capital expenditure to the total assets and the strength of the managers to expand in the company investment.

The mean of institutional ownership 0.54054 which means that 54.05% of the shares outstanding for the study's firms are owned by institutions which is a large percentage.

The firm size measured by log total assets range from 17.19 to 25.12 and the mean of log total assets 20.58 with standard deviation 1.54. Moreover, the mean values of LEV 0.4884 indicate a moderate debt ratio. Also, the rang of leverage (0.000518, 4.70) these illustrate that there is ahigh rang between the sample this difference back to the existence of overconfidence. The range of cash (0, 0.602) and the mean 0.09967 This indicates that there is a disparity among the sample companies in terms of their cash retention ratio.

6.2. Descriptive statistics when dividing the sample

Table 4 and 5 shows descriptive analysis of the variables when dividing the sample to upper and lower quarter that allows us to understand the main characteristics and attributes, providing vital support to the interpretation of the resulting relations through the use of regressions. This descriptive statistic provides information on the main statistical characteristics of the variables used in the analysis that includes mean, median, standard deviation and the range.

Table (4): Descriptive statistics shows institutional ownership in the upper quarter

Variable	Observe	Mean	Median	Std. Dev.	Range	
					Min	Max
F. Performance	160	0.031893	0.039026	0.159728	- 0.69155	0.528028
Man. Over	160	0.06353	0.01316	0.178975	0	1.362407
Institutional Ownership	160	0.867288	0.882583	0.055375	0.795397	0.99999
Man. Over * Ins Owner	160	0.053407	0.011439	0.147923	0	1.125605
CASH	160	0.105473	0.048958	0.132688	0.00153	0.586853
LEVERAGE	160	0.611638	0.47161	0.655204	0.030905	4.706347
Firm Size	160	21.06939	20.72938	1.541045	18.28703	25.1189

Table (5): Descriptive statistics shows institutional ownership in the upper quarter

Variable	Observe	Mean	Median	Std. Dev.	Range	
					Min	Max
F. Performance	165	0.034711	0.036757	0.115322	-0.4212	0.339541
Man. Over	165	0.037557	0.007552	0.073301	0	0.514039
Institutional Ownership	165	0.093056	0.06223	0.099859	0	0.282488
Man. Over * Ins Owner	165	0.004324	0.00000581	0.012548	0	0.086023
CASH	165	0.118029	0.04215	0.149795	0.000033	0.58604
LEVERAGE	165	0.412874	0.351516	0.359934	0.000518	2.263349
Firm Size	165	19.86546	19.6971	1.489816	17.1962	23.49352

The data of the descriptive statistics indicate that the range of firm performance measured by ROA when the institutional ownership in the upper quarter (-0.6911,5280), mean 0.03474 and in the case of institutional ownership int the lower quartile the range (0.4212,0.3395) the mean 0.0354. This means that the company with high institutional ownership has a better performance.

The range and mean of managerial overconfidence, respectively, are (0.0, 1.362) and 0.063 in the case of institutional ownership in the upper quarter. In the case of institutional ownership in the lower quarter, the mean and range, respectively, are (0.0, 0.514), 0.037. Although managerial overconfidence is higher in the upper quarter, firm performance is still higher because investment is directed toward net positive value.

The range and mean of institutional ownership respectively are (0.7953, 0.9999), 0.867 in the case of institutional ownership in the upper quarter. In the case of institutional ownership in the lower quarter the mean and the range respectively are (0.0, .02824), 0.093.

6.3 Correlation analysis

The purpose of this test is to test the strength of the linear correlation between independent variables and dependent variables. It also aims to discover whether there is multicollinearity between the explanatory variables or not. It's been noticed that there are significant correlations among some of the variables; none of the coefficients exceeds 0.8, which is used as an indicator of serious multicollinearity (Gujarati, 2003). Hence, it may be concluded that

multicollinearity is not a serious problem in this case. but the statistical model (cluster by firm) is used to avoid the multicollinearity problem.

Looking at Table 6, it's been noticed that the interaction between managerial overconfidence and intuitional ownership is significantly and positively related to the financial performance proxied by the ROA. This means that when the interaction increases, the performance of the company also increases.

Table 6: Pearson Correlations

	ROA	Man. Over	INS_OWN	Man. Over * Ins. Owner	LEV	FIRM_SIZE	CASH
ROA	1						
Man. Over	0.1200***	1					
Ins Owner	0.0019	0.0459	1				
Man. Over * Ins Owner	0.1160***	0.9332***	0.1831***	1			
LEV.	(0.574)***	(0.0324)	0.146***	(0.0179)	1		
FIRM_SIZE	0.146***	0.1114***	0.326***	0.1578***	0.089**	1	
CASH	0.3100***	0.0576	(0.0596)	0.0381	(0.112)***	0.058	1
*** Significant at 0.01 ** Significant at 0.05							

6.4. Models' validation

In this section, the assumptions of Ordinary Least Squares (OLS) are tested. Clustered standard errors per cross-section is used to dilute the bias in OLS standard error arising from cross-sectional independence, and serial

correlation (Gow et al., 2010). We test for multicollinearity, which refers to the existence of a strong linear relationship among some or all independent variables of the model. The multicollinearity problem arises when predictors are highly correlated. Multicollinearity is detected by the variance inflation factor (VIF) that reveals how the change in the explanatory power is inflated by the existence of the multicollinearity. If Variance Inflation Factors (VIF) higher than 10 this means that a multicollinearity problem exists (Gujarati, 2003). Table 7 shows that the VIF for the variables in the study when using managerial overconfidence for the sector model (1) are less than 10 since the maximum inflation rate was 4.09 which means that a good sign that the study models do not have a multicollinearity problem. It is then presumed that multi-collinearity has no adverse consequences on this study's models.

Table 7 shows VIF for study variables

Table 7: Variance Inflation Factor

Variable	VIF	1/VIF
Man.Over	3.873215	0.258183447
Ins Owner	1.774457	0.563552681
Man.Over * Ins Owner	4.096247	0.244125904
CASH	1.293437	0.773133906
LEVERAGE	1.764053	0.566876392
Firm Size	1.997337	0.500666638
Mean VIF	2.46645	

7. Multiple Regression Analysis

The results pertinent to testing this hypothesis are portrayed in Table (8)

Table 8: Regression results pertinent to H1.

Variable		Coef.	Std. Err.	t	Sig.	VIF
cons	β_0	-0.18	. 0.106	-1.723	0.0889	
Man.Over	β_1	-0.083	. 0.106	-4.988	0.000	3.873215
Ins Owner	β_2	-0.055	0.028	-1.944	0.0555	1.774457
Man.Over * Ins Owner	β_3	0.135	0.027	4.957	0.000	4.096247
Cash	β_4	0.215	0.058	3.697	0.0004	1.293437
Leverage	β_5	-0.184	0.034	-5.432	0.000	1.764053
Firm Size	β_6	0.016	0.006	2.756	0.0072	1.997337

Summary statistics:
R-squared   0.44   F- Statistic   =   20.126
Adjusted R-squared   0.43   (F-Statistic)   =   0.000

Dependent: (ROA)   H1 : Accepted

Table 8 presents the empirical results of testing the effect of managerial overconfidence on firm performance and institutional ownership as a moderating variable. The explanatory power of the model is good; The table shows that the model is significant (F= 20.12, p-value <1%). adjusted $R^2 = 0.437$, which means that 43.7% of the variation in the dependent variable is explained by the independent variables in the right side of the model. The result showed that the estimated value of β_1 is -.08 (p = 0.000) which indicate that there is a significantly negatively relationship between managerial overconfidence and firm performance. Also, the estimated coefficient β_2 is -0.055 (P< 0.05) showing

that the institutional ownership is significantly negatively related to the firm performance. In addition, the results also revealed that institutional ownership had a positive moderating effect on the relationship between managerial overconfidence and firm performance β_3 is 0.135 (p = 0.000) because institutional ownership playing a better monitoring on managers decisions. This means that H_1 should be accepted.

8. Discussion and conclusion

This study examined the effect of managerial overconfidence on firm performance and the moderating effect of institutional ownership. The addition of institutional ownership as a moderating variable makes the study of this relationship significant. The existence of institutional ownership in the industry sector is widespread and could systematically moderate performance outcomes resulting from risk-taking by overconfident managers. This study's findings contribute to understanding the extent to which managerial overconfidence influences firm performance and how the effects of overconfident managers vary by level of institutional ownership.

Overall, this study revealed that overconfident managers decrease firm performance. This result is in line with previous findings (Kunjal *et al.,* 2021; Chen et al., 2015; Hribar and Yang 2016; Hsieh et al., 2014). The present study also provides evidence that institutional ownership can turn the negative relationship between managerial confidence and firm performance into a positive one because of the high level of company monitoring. This turned into a relationship because they take on imperative positions in significant

company choices, and, as a result, good institutional ownership will also affect company performance. The existence of institutional ownership causes supervision of the policies taken by company management. The company's management takes an approach because of institution's ownership to be supervised. Shares owned by institution are ordinary shares which are an encouragement for principals and agents so that management carries out its duties following the direction of shareholders so that the company's performance increases. With institutional ownership, managers will make decisions carefully so that they can benefit from the right decision.

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أثر الملكية المؤسسية علي العلاقة بين الثقة الادارية الزائدة

وأداء الشركات المساهمة المصرية : دراسة اختبارية

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ملخص

تهدف هذه الدراسة إلي اختبار أثر الثقة الإدارية المفرطة علي أداء الشركة في وجود الملكية المؤسسية كمتغير منظم، وذلك من خلال الإجابة علي التساؤل التالي هل هناك تأثير للملكية المؤسسية علي العِلاقة بين الثقة الإدارية المفرطة وأداء الشركة وذلك للشركات المسجلة في البورصة المصرية؟ . فعندما يكون لدى الشركة نسبة عالية من الملكية المؤسسية، يمكن أن يؤدي ذلك إلى مزيد من التحكم في القرارات الإدارية وردود أفعال المديرين، مما قد يؤدي بدوره إلى تحسين أداء الشركة. هناك العديد من المقاييس لقياس الثقة المفرطة للإدارة، ولكن المقياس الأكثر ملاءمة في البيئة المصرية هو مقياس قائم على الاستثمار من خلال الإنفاق الرأسمالي. تم استخدام عينة من 695 مشاهدة سنوية للشركات الغير مالية المدرجة في البورصة المصرية في الفترة بين عامي 2014 و 2022. وتشير النتائج الي وجود علاقة موجبة معنوية بين الثقة الادارية المفرطة وأداء الشركة في وجود الملكية المؤسسية كمتغير منظم، وتبين النتائج أيضاً أن الملكية المؤسسية حولت العلاقة بين الثقة الإدارية المفرطة وأداء الشركة من العلاقة السالبة إلى العلاقة الموجبة وذلك لكونها تلعب دوراً رقابياً داخل الشركة.

الكلمات الدالة: الثقة الإدارية المفرطة، أداء الشركة، الملكية المؤسسية.