Lingnan University 嶺南大學 香港 Hong Kong | Faculty of Business 嶺南大學商學院 | HKIBS | 會計學系 Department of Accountancy

ACADEMIC SEMINAR

Managerial Risk Tolerance and Corporate Credit Ratings

This study examines whether and how managerial risk tolerance influences corporate credit ratings. Using private pilot licensing status as a proxy for CEO risk tolerance, we find that firms led by pilot CEOs have worse credit ratings after controlling for firm fundamentals, CEO risk-taking incentives that stem from compensation contracts, and other CEO characteristics. Path analyses show that risk-tolerant CEOs cause firms to receive worse credit ratings by impairing future firm value, exacerbating its volatility, and adversely influencing rating agencies' assessments of the influence of management on credit risk. The negative association between CEO risk tolerance and corporate credit rating is more pronounced when management plays a more important role in the firm. Overall, our evidence suggests that managerial risk tolerance is an important credit rating factor.

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Dr. Eliza X. Zhang is an assistant professor of accounting of University of Washington Tacoma. Her research interests include credit rating agencies, corporate disclosure, capital markets. Her research findings have been published in *Contemporary Accounting Research*, *Accounting Horizons*, *Journal of Accounting and Public Policy*, *Journal of Management Accounting Research*, *Review of Quantitative Finance and Accounting*, and *Journal of Corporate Finance*.

Date: 23 Sept 2021 (Thursday)

Time: 9:00 - 10:30 am

Venue: Zoom meeting ID: 920 4823 2957
link: https://lingnan.zoom.us/j/92048232957

Language: English

*** All are Welcome ***

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Due date: 24 Sept 2021