Managerial Behavioural Biases and Corporate Investment Decisions in emerging African Market: Do ESG and dividend payment moderate the link?

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Abstracts

We investigate the moderating effects of ESG and dividend policy on the effect of managerian overconfidence and optimism on investment decision. The study applies a battery of Pooled, fixed and GMM estimations to analyses a panel of 55 JSE-listed companies for the 2014-2024 period. Firstly, we found that managerial overconfidence measured through stock-option behaviour (OVC) and managerial optimism (OPT), show a positive and statistically significant effect on investment. Secondly, the moderating factors such as ESG and dividend payment (DIP) portend positive and negative signs for investment respectively. Thirdly, interactions between managerial biases and ESG (OVC*ESG, OPT*ESG), as well as the interaction between overconfidence and dividend payment (OVC*DIP) are negative and statistically significant in influencing investment decision. We conclude that strong ESG practices and dividend policy appear to constrain excessive managerial decision and reduce the likelihood of irrational investment behaviour arising from overconfidence. However, ESG is more effective in moderating excessive managerial biases while the effectiveness of dividend is limited. The moderating effects provide deeper insights into the interaction between governance and stakeholder mechanisms and managerial behavioural biases in shaping corporate investments.