How Overconfidence Effect Value Creation of a Firm? Evidence from Moderating Role of Dividend Policy in Indonesia

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Abstract. The moderating effect of dividend policy on the relationship between Managerial Overconfidence and Firm Value is investigated in this study. We use 4092 samples from 2010 to 2020 to investigate how dividend policy affects the link between managerial overconfidence and firm value in the Indonesia Capital Market. We use the Pooled Ordinary Least Square Clustered by Firm to examine the proposed hypothesis. We find that management overconfidence has negative impact on firm value, reducing the value of the business. Furthermore, we believe that the dividend policy reduces the impact of managerial overconfidence, increasing the company's value. This research contributes to the advancement of financial management literature as well as managers' considerations when making dividend policy decisions that affect firm value.

Keywords: Managerial Overconfidence, firm value, Dividend Policy, Pooled Ordinary Least Square Clustered by Firm .

1. Introduction

The primary goal of a company is to maximize shareholder welfare by increasing firm value [1]. In today's competitive economy, managers encourage making decisions that increase the company's value. Prior research indicates that the decision-making process is based on the managers' confidence—overconfidence has a significant influence on decision-making [2]. The manager's arrogance extends to dividend policy as well. Dividend policy, according to signal theory, can send either positive or negative signals to investors. Dividend policy will be closely related to managers' decision-making behavior, specifically whether or not to divide dividends. Confidence in the manager is also demonstrated when the manager withholds the dividend because there are more appealing opportunities and benefits in the form of shareholder prosperity. If this isn't due to the manager's arrogance, the company may opt for a wait-and-see approach. Dividend payout is roughly one-sixth lower in firms led by CEOs who are more likely to be overconfident. Dividend reductions caused by CEO overconfidence are found in companies with lower potential growth and cash flow. The magnitude of the positive market reaction to a dividend announcement is greater for companies with higher levels of CEO overconfidence [3]. Managers' decisions, on the other hand, are not always rational, and these irrational decisions can have a direct impact on the value of the company and the wealth of its shareholders [4]. In some companies, the CEO is in charge of performance and corporate image [5].

CEO arrogance can be used in empirical corporate and behavioral finance research. Previous research in financial documents indicates that overconfidence improves firm value

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and dividend policy. [2] [3][6][7][8][9]. Overconfident managers effectively identify and translate growth opportunities into value relevant to managerial overconfidence. [10]. A manager's confidence is excessive; he can harm himself and his company. Our prior research, on the other hand, is being studied, and research gaps in financial management are related to managerial overconfidence. According to one group of researchers, overconfident managers exaggerate their knowledge and skills, underestimate risk, and believe they can control every event and problem. [11]. Managers with excessive self-confidence overestimate the benefits of investment projects while underestimating project risks. As a result, the overconfident manager continues to take on projects with a negative net present value. [12]. The other findings indicate that the firm's safety management has a more negative impact. [13].

The literature review in this study revealed conflicting findings of the relationship between managerial overcidence and firm value, as documented in (Dashtbayaz& shaban 2016; Khansa Khalishah et al. 2021; KyuMin etal. 2020; Yu Gao & Kil-Seok Han 2020).

Based on these findings, we extend this line of research by investigating the effects of managerial overconfidence on firm value with dividend policy as a moderator. Dividend policy has a negative impact on a manager's arrogance. Managers with high self-confidence [managerial overconfidence] tend to withhold dividend distribution if they see investment as a familiar opportunity. If this investment opportunity is successful, it will benefit both the company and the manager. However, from another perspective, managerial overconfidence is frequently rational or far from irrational. Unreasonable managers are more likely to overestimate and underestimate company decisions [14]. Both analytical and irrational decision-making attitudes will have an impact on the company's future and sustainability.

[15] Dividend Policy is discovered to be a pure moderator between Financial Variables, specifically Profitability and Firm Value. One limitation of their study is that they do not take into account the company's non-financial characteristics. Non-financial characteristics, on the other hand, have a significant impact on firm value. As a result, the goal of this study is to extend prior empirical work from [15] by investigating whether non-financial characteristics of a company can affect firm value with dividend policy as a moderating variable.

We did not use the Chief Executive Officer [CEO] characteristic, as suggested [15]. Instead, we use managerial overconfidence as a proxy for managerial characteristics. First, we investigated whether managerial overconfidence has an impact on firm value. Second, we investigate whether dividend policy influences managerial overestimation of firm value. We use all companies listed on the Indonesia Stock Exchange [IDX]. Between 2010 and 2020. According to the findings, MOC is a negative trait that reduces the value of a company. We also discover that dividend policy contributes to a better understanding of the relationship between MOC and Firm Value in high-debt and small-scale businesses. The research contribution is twofold. First, the findings of this study are expected to contribute to the development of literature, particularly on managerial overconfidence and dividend policy, both of which have an impact on firm value. Second, it is hoped that the findings of this study will be used as considerations for managers when making decisions that affect company value.

2. Literature Review and Hypothesis Development

2.1. Agency Theory

Agency theory is based on the actions of the parties involved in the company, namely the owners and management [16]. This theory looks at the principal (owner) and agent (company

management). Because the owner and manager of the company have opposing goals, this relationship may result in a conflict of interest between the parties involved. Asymmetry in information could be caused by differences in goals and interests [17].

According to agency theory, there are two types of conflicts of interest in the company. Type I agency conflict is more common in businesses with dispersed ownership. Type II agency conflict, on the other hand, is more common in companies with majority and minority shareholders. Majority shareholders with family members on the board of directors and management will be more vigilant in exercising their rights in the company [18][19].

2.2. Firm Value

The value of the company is reflected in the market price of its shares [20]. Maximum company value can increase shareholder prosperity, prompting shareholders to invest in the company [21]. Firm value is measured in this study using market-based measurements, which are the most commonly used in assessing large companies because the stock market serves as a tool for monitoring company performance [22]. Furthermore, based on dividends earned and stock price appreciation, market indicators can generate stock prosperity from one period to the next [23]. Financial ratios are used to calculate a company's market value [24]. Tobin's Q is one of the indicators used to evaluate a company's performance, particularly its value, and it demonstrates management performance in asset management [25]. [26] asserts that the company will be acquired or liquidated if Tobin's Q is less than one. A high Tobin's Q value, on the other hand, indicates that the company's value exceeds the value of its assets because it has high growth potential. Tobin's Q provides the most accurate information because it takes into account all aspects of the company's debt and share capital, not just ordinary shares and company equity [24]. According to research conducted by [27] and [28], Tobin's Q is a more accurate measure of how effectively management can use economic resources in its policies to make decisions. The greater the value of Tobin's Q, the better the company's growth prospects and the greater investors' willingness to make additional sacrifices to own the company [24].

2.2. Managerial Overconfidence

Behavioral finance and behavioral accounting have significantly contributed to managerial overconfidence research. According to [29], it is a belief that is not based on adjustment intuition or one's cognitive abilities. Overconfidence makes investors overestimate their ability to trade excessively [overtrading] and underestimates risk. Portfolios that cannot be expected to perform poorly. Overconfidence is when we know our abilities and knowledge, so we do not need other people's opinions. People who are overconfident in their abilities believe they are superior to others. This attitude demonstrates that he is incompetent and believes he is more innovative and superior to others by ignoring critical information in investing. Overconfident managers tend to overestimate their knowledge, abilities, and the accuracy of the information provided. Such conduct can create the impression that there is a possibility of unintentional misstatements in the company's financial reporting [30][31]. Overconfident managers tend to underestimate the risk of decisions, overestimating the value of decisions and resulting in irrational behavior to achieve the desired results. This management behavior may impact the company's accounting activities, affecting financial statements. As a result, overconfident managers may engage in earnings management for personal information or provide misleading information to investors [32].

2.3. Dividend Policy

The company's finance decisions directly affect the dividend policy. A dividend policy specifies the percentage of operating income that will be distributed to shareholders as dividends in the form of new capital and the percentage that will be retained for reinvestment in the business [33]. Giving back to shareholders in the form of dividends will eat into the business's retained earnings and weaken its financial position. On the other side, if the business decides to retain its earnings, it will be in an even better position to attract funding from within. The dividend policy the company should adopt is a contentious one, with two camps of thought firmly entrenched. First, the [34] theory, which contends that dividend policy makes no difference. In a certain investing scenario, the dividend ratio paid out has no bearing on the value of the company, as stated in [34]. The main argument they make is that dividend policy doesn't matter [35]. However, they also put out the bird in the hand theory. They claim that the company's cost of equity will increase if dividends are cut since distributions are safer than growth in capital value. A high dividend payout ratio and high dividend yields are two ways a firm might lower its cost of capital.

2.4. Managerial Overconfidence and Firm Value

Managerial overconfidence prior studies have been discovered in several studies, Overconfidence CEOs will tend to increase the level of leverage [36] invest more aggressively than other companies [37] [38], an important factor that contributes to higher and predictable performance of firms [37]. [38], [39] Stated that managerial overconfidence increases firm value, firm performance [40], offered as an explanation to rationalize entrepreneurial activity, despite the frequency of entrepreneurial failure [41]. Ownership of company's options [38] [42];[38]; [43]; [44]; [45], biases between manager forecasted earnings and actual earnings [32], frequencies of M&A initiated by CEO [46], and company’s current performance [47].

For example, evidence from studies by Galasso and [48] and [10] suggests that overconfident CEOs are more likely to foster innovation due to their high levels of enthusiasm. According to Goel and [49], overconfident managers can improve company performance by lowering risk aversion and hiding inefficiencies. Prior studies [50]; [51] suggest that overconfident managers are more likely to strive for the best and exceed such expectations.

Since some studies suggest that overconfident managers increase firm value, others discover the reverse. According to some empirical studies, CEO confidence and firm value have an inverse relationship.[52] proposed that managerial overconfidence lessens firm value, implying that investors avoid investing in these firms. The change in firm value and the overconfidence variable were found to have a negative relationship [53]. According to this study, when managers make decisions about mergers and acquisitions, they may make the wrong decision, which may reduce the firm's value. This study justified the invers association between overconfodence manager and firm value due to several explanation, First, Excessive investment may reduce a company's value. It is because, managers overconfident more often to exaggregate their knowledge and skill, underestimate risk, believe they can control every problem, and overestimate the benefits of investment. The preceding facts show that a confident CEO can reduce the value of their company. We propose the following hypothesis:
H1: Higher managerial overconfidence decreases Firm Value

2.5. Managerial Overconfidence, Firm Value, and Dividend Policy

Based on the dividend irrelevance theory, dividend policy can contribute to reducing retained earnings because the more significant the dividend ratio given to shareholders, the greater its contribution increases firm value. Previous studies showed a positive influence between dividend policy and firm value. We argue that dividend policy may play a role a moderating on the association between overconfidence manager and firm value. It is because firms' policy will be directly coming from the top management, such as investment decision, the dividend policy, or whether firms need to expand the business or hold current business as it is. When the top management has an overconfidence character, he may set higher ratio for dividend. Capital market will positively respond to the firm's dividend policy, enhancing the value of a firm. Thus, the interaction between dividend policy will weaken the relationship between managerial overconfidence and firm value. We expect positive coefficient for the moderating effect from dividend policy. Based on these arguments, we posit the following hypothesis:

H2: Dividend Policy has moderating role on the relationship between managerial overconfidence and firm value

3. Method

3.1. Sample Selection

All of the companies that are listed on the Indonesia Stock Exchange are included in our sample, with the exception of the banking and finance industries. Our original sample is 5820 firm-year observations, which represented by 485 companies for the period 2009-2020. We exclude firms with missing data and have no data to calculate our primary and control variable measurement. Finally, a total of 4092 firm-year observations from 341 IDX-listed company will be used to examine our proposed hypothesis.

3.2. Variable Measurement

3.2.1. Measuring Managerial Overconfidence

We consider the method developed by [31] to be the most appropriate method for analyzing management implications on firm value. We choose three proxy variables and calculate the sum of all proxy variables to gauge management overconfidence. First, industries are sorted both by year and by type of industry. Next, we examine how the company's capital expenditures stack up against the annual average of the industry. Except where noted otherwise, a value of one indicates that employees view management as overconfident when the company's capital expenditures are higher than the industry median, otherwise zero. Second, this study uses an OLS regression model to examine the relationship between the expansion of a company's total assets and its revenue, grouping companies into years to analyze their performance, the value is one if the management is overconfident and the residual is more than zero; otherwise, it is zero. Third, we considered the ratio of total liabilities to capital because overconfident managers embrace debt financing. The values of the variables are one if the debt-equity ratio is higher than the median in the industry, and zero otherwise. A combined score was determined by adding up the aforementioned three factors.

For managers with scores of one to three, we label them as overconfident (OC). If the manager's OC score is zero, they are not deemed overconfident.

3.2.2. Measuring Dividend Policy

For our baseline model we use dividend average where we got this data from osiris for each company that listed in Indonesia's stock exchange. The robustness test measures the dividend policy using the dividend payout ratio (DPR), reveals the percentage of net income, a company is paying out in the form of dividend [54].

3.2.3. Measuring Firm Value

Our study used Tobin's Q and Market to Book Value (MTB) as a proxy for firm value. Tobin's Q is obtained through The sum of the equity market value and total leverage deflated by Total Asset. Another measurement index of firm value that we use in this study is the market to book ratio (MTB). Therefore, the sum of the total market value of the common stock and the total market value of the preferred stock deflated by the total capital [39]. For the robustness test, this study uses Tobin's Q that we collect from Osiris data.

3.3. Empirical Model

To test our proposed hypothesis, we used following model:

$$FV = \beta_0 + \beta_1 MOC_{i,t} + \beta_2 LEV_{i,t} \beta_3 SIZE_{i,t} + \beta_4 ROA_{i,t} + \beta_5 SG_{i,t} + \beta_6 \sum IND_{I,T} + \beta_7 \sum YEAR_{I,T} + \beta_{i,t} \quad (1)$$

$$FV = \beta_0 + \beta_1 MOC_{i,t} + \beta_2 DP_{i,t} + \beta_3 MOC_{i,t} * DP + \beta_2 LEV_{i,t} \beta_3 SIZE_{i,t} + \beta_4 ROA_{i,t} + \beta_5 SG_{i,t} + \beta_6 \sum IND_{I,T} + \beta_7 \sum YEAR_{I,T} + \beta_{i,t} \quad (2)$$

4. Results

4.1. Descriptive Analysis

The main proxy for the value of the company is displayed in Table 1, with mean and standard deviation values of 1.113 and 1.715, It provides a visual representation of the distribution of relevant data variables. The large standard deviations in our sample are most likely due to our sample operating in various industry with a weak market efficiency, allowing high market power firms to set the desired price at a high level and dominate the setting price in the industry when other firms are unable to follow the high price level. As indicated in table 1, the mean of MOC is 2.036, which shows that 203% of managers in Indonesia are overconfident.

Tabel 1. Descriptive statistics

	N	min	max	Mean	Median	Std. Dev.
FV 1	4092	.018	11.6670	1.1134	.554	1.7147
FV 2	4092	-1.5245	47.3951	2.5748	1.2499	5.8626
OC	4092	0	4.0000	2.0362	2	.9493
DIV	4092	0	12.9030	.7894	0	1.9807
DPR	4092	0	1.1200	.0957	0	.2106
SG	4092	-.8984	5.8774	.1485	.0421	.7515
LEV	4092	0	5.2839	.3457	.2209	.6188
SIZETA	4092	7.1436	15.8258	12.0998	12.1146	1.7578
ROA	4092	-63.37	67.7400	4.0791	3.04	15.0427

The mean value of dividend policy, is 0.7894, with standard deviations of 1.9807, indicating that dividend policy is varies considerably.

The control variables in this study used Sales Growth (SG), Leverage (Lev), Company Size (SIZE), and Profitability as proxied by Return on Assets (ROA). Sales Growth (SG) averages 0.1485 and has a standard deviation of 0.7515. Leverage or debt has a mean of 0.3457 and a standard deviation of 0.6188. The SIZE variable has a mean of 12.0998 with a standard deviation of 1.7578, showing a similar diversity of data between companies. Furthermore, the ROA variable has a mean of 4,0791 and a standard deviation of 15,0427. It can be said that the greater the value of the standard deviation, the more diverse the data, or it can be said that the more inaccurate the mean value (mean).

4.2. Baseline Analysis

In this section, we examine main effect of managerial overconfidence on firm value, which are shown in table 2. We present the results using the regression equation (1), which only considers Managerial Overconfidence and the control variable (VC), in column 1, while the regression equation (2), which includes the managerial overconfidence variable, dividend policy as a moderating variable, and the interaction between managerial overconfidence and dividend policy, is presented in column 2. This study employs pooled ordinary least squares error clustered by firm and year (double cluster).

Tabel 2. Baseline Analysis

	(1) FV	(2) FV
OC	-.0906***	-.1126***
	(.0252)	(.027)
DIV		-.0485**
		(.0204)
OC_DIV		.0392***
		(.0127)
LEV	.186**	.1839**
	(.0748)	(.0746)
SIZE	-.1594***	-.1602***
	(.0242)	(.0244)
ROA	-.0003	-.0005
	(.0021)	(.0021)
SG2	.0362	.0354
	(.0323)	(.0322)

_cons	2.6869***	2.7166***
	(.3317)	(.3324)
Observations	4092	4092
R-squared	.3608	.3623

Standard errors are in parentheses
*** p<.01, ** p<.05, * p<.1

Table 2 displays the regression of hypothesis testing results. To begin, we hypothesize that MOC reduces the value of companies listed on the Indonesia Stock Exchange. Column 1 displays the equation (1) results for the MOC and control variables (1). At a 10% level of significance, the MOC coefficient is negative (-0.0906). The same result is shown in Column (2) for the OC, Moderator, and Control variables. Overall, the study's findings provide statistical support for the first hypothesis, which states that OC has a negative impact on firm value; that is, MOC reduces the value of companies traded on the Indonesia Stock Exchange. These findings are consistent with previous research that managerial overconfidence reduces firm value (Damien et al., 2021). This finding implies that investors should avoid investing in firms with overconfident managers because such investments may cause them to lose money. Policymakers and regulators must develop policies to mitigate overconfidence and bias in decision-making processes. Column (2) of Table 2 depicts the moderating effect of dividend policy on the relationship between MOC and firm value. Following the moderate hierarchy regression, the interaction model in Column (2) was positive (0.0392) and significant at the 1% level, suggesting that the dividend policy mitigates the effect of managerial overconfidence, increasing the company's value. The positive effect of moc on firm value is stronger when the DP is higher. It implies that the MOC's agency problem can be resolved using DP.In this analysis, we employ Leverage, Company Size, Return on Assets, and Sales Growth as control variables, with only Firm Size and Leverage influencing Firm Value.

The following stage of this research will involve putting the Robustness test to the test by changing the dividend policy using the DPR and replacing the firm value with Tobin's Q variable. For a second test, the sample was divided in half again. The first subsample is the time frame. This follow-up assessment will determine whether or not environmental factors influenced the initial assessment.

4.3. Robustnesst Analysis

We are now investigating the validity of our primary findings. The test results show that when firm value and dividend policy are considered, the moderating effects of dividend policy on the relationship between overconfidence manager and firm value are consistent over time and robust.

4.3.1. Alternative Firm Value and Dividend Policy Measurements

Information in the form of Tobin'Q values was taken from OSIRIS and used (FV 2). Table 3, columns (1-4), displays the findings. All models showed a negative and statistically significant relationship between managerial overconfidence and the value of the firm, indicating that a more overconfident manager would have a detrimental effect on the company's worth. Columns (2) and (4) show that the interaction between managerial overconfidence and dividend policy yielded the same positive and statistically significant (coefficient: 0.4241) results as the main

result. As a result, the dividend policy acts as a moderator between managerial arrogance and firm value.

That's why our findings held up even when we used different approaches to value estimation.

Table 3. Robustness Test

	(1) FV 1	(2) FV 1	(3) FV 2	(4) FV 2
sMOC	-.0906***	-.0803***	-.1432*	-.2149***
	(.0252)	(.0276)	(.075)	(.081)
DPR		.0398		
		(.2373)		
MOC*DPR		.4241***		
		(.1502)		
DIV				-.1506***
				(.0533)
MOC*DIV				.093**
				(.0411)
LEV2_2_w	.186**	.1721**	4.3999***	4.4002***
	(.0748)	(.0743)	(.4359)	(.4364)
SIZETA2_w	-.1594***	-.174***	-.523***	-.5189***
	(.0242)	(.0244)	(.0806)	(.081)
ROA2_w	-.0003	-.0008	.0301***	.03***
	(.0021)	(.0021)	(.0076)	(.0076)
SG2_w	.0362	.0388	-.0629	-.0661
	(.0323)	(.0319)	(.1189)	(.1184)
_cons	2.6869***	2.8226***	8.8033***	8.8606***
	(.3317)	(.3332)	(1.2314)	(1.2353)
Observations	4092	4092	4092	4092
R-squared	.3608	.3671	.4471	.4479
Industry Dummy	YES	YES	YES	YES
Year dummy	YES	YES	YES	YES
Std err clustered by firm and year	YES	YES	YES	YES

Standard errors are in parentheses
*** p<.01, ** p<.05, * p<.1

4.4. Additional Analysis

Our baseline result did not take into account the conditions that might influence Firm Value or Managerial Overconfidence. We implement additional testing to account for a variety of factors and integrate them into our analysis because we recognize that modifications may affect the outcome of our investigation.

4.4.1. Sub-sample from a Large- vs Small Firm

Previous research found that firm size has an impact on its value [55]. The company's size and sustainability, whether large or small, will primarily describe it. The size of a business can be expressed in a variety of ways. Consider total sales and total assets, among other things. According to [56], the size of a company is determined by total assets, the number of sales, the median average total sales -median, and total assets. The size of a company implies massive

market capitalization, book value, and profit [57]. Large-scale businesses pique the interest of investors. Because large companies are more stable, this stability attracts investors, allowing the share price to rise in the capital market. Size has a negative impact on company values.

However, conflicting findings have been uncovered in other studies. The success of a company does not necessarily improve as its size grows. Factors like the firm's age, the competence of its management, the ownership of its capital, the level of economic development in the country, and the presence or absence of government regulation all contribute to the firm's success [58]. Evidence is provided by [59] that large firms face substantial disadvantages due to their size. We investigate whether the correlation between MOC, DP, and FV will be stronger in big or little businesses. Table 4 displays the results of our investigation into this issue. Once again, this finding corroborates our hypothesis that the detrimental impact of MOC and FV is felt most acutely by smaller enterprises.

Addressing this concern, we look into whether the correlation between managerial confidence, firm value, and dividend policy is stronger in large or small businesses. We look into this issue more deeply, and the results are tabulated below. Again, this finding lends credence to our hypothesis that the detrimental impact of MOC on FV is more pronounced in large corporations.

4.4.2. Sub-sample from High-vs Low-Leverage

According to empirical studies, the value of a leveraged firm differs from that of an unleveraged firm. A company with higher leverage must pay a higher fixed expense, such as interest, but may face greater risk [34]. This condition makes companies with high leverage and a willingness to create shareholder value less effective. MOC tend to underestimate the volatility of future cash flows while simultaneously overestimating them. As a result, they perceive their firm to be undervalued and exhibit debt conservatism; they are hesitant to seek external financing but even more hesitant to issue equity.

This study predicts that the direct effect of MOC on firm value is stronger in low-leverage firms. The moderating effect of dividend policy may be greater in high-leverage firms. The dividend policy has a greater impact on a firm with higher leverage. To explain this connection, the sample in this study was divided into two sub-samples—high- and low-leverage firms. We define leverage as total debt divided by total assets. We identified the firms with high and low leverage, and the sample was divided into ten decile groups. Low-leverage firms comprised the first through fifth decile groups, while high-leverage firms comprised the sixth through tenth decile groups. In each group, we re-examined the analysis using Equations (1)-(2). Table 4 shows the outcomes.

Table 4. Additional Test

	(1) Small	(2) Small	(1) Large	(2) Large	(1) Low Lev	(2) Low Lev	(1) High lev	(2) High lev
OC	-.0105	-.0637	-.1571***	-.1567***	-.124***	-.141***	-.0355	-.0609
	(.0408)	(.0432)	(.0286)	(.0306)	(.0284)	(.0273)	(.0398)	(.0422)
DIV2		-.1428***		-.0043		-.0327		-.0634

		(.0439)		(.0145)		(.0201)		(.0356)
OC_DIV2		.073***		.0214**		.0253*		.0437***
		(.0243)		(.0108)		(.0124)		(.0138)
LEV	.0439	.0471	.799***	.7589***	-.3641	-.3549	.1271	.1236
	(.0686)	(.0686)	(.2807)	(.2764)	(.5807)	(.5939)	(.1)	(.1007)
SIZE	-.3416***	-.3384***	-.0743**	-.0812**	-.1808***	-.1793***	-.1767***	-.1782***
	(.0576)	(.0581)	(.0329)	(.0332)	(.0289)	(.0295)	(.0259)	(.0265)
ROA	.0013	.0013	.0033*	.0031*	.0023	.0022	-.0001	-.0002
	(.0029)	(.0029)	(.0019)	(.0019)	(.0013)	(.0013)	(.0013)	(.0013)
SG	.008	.0071	.0763**	.0774**	.0278	.0267	.0444	.0449
	(.044)	(.0438)	(.0372)	(.0371)	(.0417)	(.0419)	(.0612)	(.0602)
_cons	3.9222***	4.0018***	1.6691***	1.7229***	3.1823***	3.1958***	2.8531***	2.8871***
	(.6428)	(.6445)	(.4394)	(.4416)	(.4369)	(.446)	(.3292)	(.3291)
Observations	2046	2046	2046	2046	2046	2046	2046	2046
R-squared	.3408	.345	.523	.5242	.2826	.2832	.4936	.4952
Industry Dummy	YES	YES	YES	YES	YES	YES	YES	YES
Year dummy	YES	YES	YES	YES	YES	YES	YES	YES
Std err clustered by firm and year	YES	YES	YES	YES	YES	YES	YES	YES

Standard errors are in parentheses
*** p<.01, ** p<.05, * p<.1

Our investigation has uncovered two conflicting ideas, which we believe will be at odds with one another. To begin, we presume that large companies with low debt levels will have managers who are overconfident in their ability to implement a wide range of policy changes. They think it will help the company's bottom line. For small and medium-sized businesses (SMEs) with high debt loads, a more direct link between MOC and Firm Value through dividend policy may encourage a more aggressive dividend policy, which in turn may increase firm value. Second, people will be less likely to invest in small businesses that have racked up large amounts of debt.

5. Conclusion

Except for Banking Companies and Companies, all industries trading on the Indonesia Stock Exchange (IDX) between 2009 and 2020 were tested using Regression Analysis within the Stata program. Furthermore, outliers are eliminated by winsorizing all variables at 1% to 99%; 341 companies from the IDX were tracked for a total of 4092 years of data.

Managerial has a significant negative impact on firm value. Dividend policy is used as a moderator to investigate the relationship between managerial overconfidence (MOC) and firm value in firms listed on the Indonesia Stock Exchange. According to the findings, MOC is a negative trait that reduces a company's value. We also discover that dividend policy helps to clarify the relationship between MOC and Firm Value in high-debt and small-scale businesses.

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