



Full length article

Managers' Short-sightedness, Institutional Environment and Financing Risks

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ABSTRACT

Managers' shortsightedness is an important factor affecting the company's investment decision-making, and the stability of the institutional environment is an important factor affecting managers' shortsightedness investment management. The article takes the data of Chinese A-share listed companies from 2011 to 2022 as a sample, and through empirical analysis and design model research. Purpose of the study is to identify what are the impact of managers' shortsightedness on the risk of financial distress and stock price crash risk in the financing risks of Chinese listed companies.

1. Introduction

Modern financial theory proposes that only rational managers can survive in effective market competition. Managers' shortsightedness refers to the phenomenon that managers pay too much attention to short-term goals and immediate benefits, often at the expense of long-term sustainability. Such shortsighted behavior can have profound consequences for a company's financial health and stability. The impact of managers' shortsightedness on firm's internal financing risk is a very important topic. Managers focused on short-term gains may underinvest in key areas such as research and development, capital expenditures, or strategic initiatives. This neglect can hinder a company's ability to innovate, adapt to market changes, or maintain a competitive advantage over the long term. As such, the company may face challenges in achieving sustainable growth, which ultimately increases its funding risk.

2. Literature Review

The institutional environment is a very important factor. The impact of institutional environment on financing risk may vary from country to country (Adams, R. B & Mehran, H, 2013). Researchers have investigated how differences in legal systems, investor protection, and financial market development affect the relationship

between managers' shortsightedness and financing risk (Bertrand, M & Mullainathan, S, 2013). For example, managers' shortsightedness may be more pronounced in countries with weaker legal protections for shareholders, leading to higher financing risks. Likewise, in underdeveloped financial markets, where access to external financing is limited, managers' shortsightedness may have a greater impact on financing risk.

Existing research literature in this field aims to understand the relationship between managers' shortsightedness and corporate financing risk (Hermalin, B. E, & Weisbach, M. S, 1998). A key aspect of the study is the impact of management decisions on stock price volatility and the likelihood of collapse. Cuny, C. J & Kaufman, H (2018) study investigated how decisions driven by short-term gains, such as aggressive accounting practices, earnings management, or excessive risk-taking, increase the probability of stock price crashes. Golec, J & Tamarkin, M (1998) research also explored the role of information asymmetry between managers and investors, managers use their superior knowledge to benefit in the short term, which may increase the risk of subsequent stock price crashes risk. In addition, Graham, J. R, Harvey, C. R & Rajgopal, S (2015) The impact of corporate governance mechanisms on mitigating the stock price crash risk associated with managers' shortsightedness has been the focus of research. Strong corporate governance, characterized by independent boards of directors, effective oversight mechanisms, and shareholder rights, can help reduce the risk of stock price crashes by aligning management actions with the long-term interests of shareholders.

Compared with the existing research, the innovations of this paper are mainly reflected in: (1) This paper mainly studies how the institutional environment interacts with managers' short-sightedness. In view of this, this paper takes Chinese listed companies from 2011 to 2022 as a research sample to conduct an empirical test on the relationship between managers' short-sightedness, financing risk and institutional environment. This affects financing risk. Existing references unilaterally consider the impact of institutional environment on financing risk. This paper explores in depth the impact of the institutional environment on managers' shortsightedness leading to financing risks. (2) The existing literature considers the financing risk of listed companies in China mainly from the perspective of debt financing, and mainly measures the company's financial distress risk from the perspective of financial data. This paper mainly measures the size of the company's financing risk in detail from two angles of debt financing and equity financing. (3) Overall, research on managers' shortsightedness, financing risk, and the institutional environment highlights the importance of governance mechanisms, legal systems, regulatory policies, and the role of institutional investors. This paper explores the interaction between institutional environment and managers' shortsightedness, which helps to fully understand how managers' shortsightedness affects financing risk in different institutional contexts. These insights have implications for policymakers, regulators, and practitioners aiming to foster long-term value creation and reduce financing risks for firms.

3. RESEARCH HYPOTHESES

3.1 Managers' shortsightedness and financing risk

In the financial field of listed companies in China, financing decisions are critical to the financial health and performance of SMEs. Different financing decisions will inevitably lead to financing risks of different sizes. Financing risks are mainly divided into two directions: financial risk and stock price crash risk (Campbell, J. Y, & Taksler, G. B, 2013). Financial risk distress refers to the possibility that a financial company will not be able

to realize returns, face difficulties or go bankrupt. Financial risks can arise from a variety of structures, such as excessive leverage, financial mismanagement, economic difficulties or operational errors. The stock price crash risk is related to the potential sharp drop in the company's stock price (Chen, L, & Zhao, X, 2022) . It reflects the likelihood that an adverse event or negative sentiment in the market will cause a significant drop in the value of a company's stock. The risk of a stock price crash can be triggered by a range of possibilities, including poor performance, bad corporate news, macroeconomic conditions, regulatory changes, or overall low market losses (Chordia, T., Sarkar, A & Subrahmanyam, 2015) .

A key aspect of the impact of managers' shortsightedness on financing risk is excessive reliance on debt, increasing the firm's risk of financial distress. Managers driven by short-term goals may resort to taking on excessive debt to finance current operations, or pursue projects with quick returns (Jensen, M. C, 2015) [10]. Malmendier, U & Tate,G(2017) Although debt financing can provide immediate capital, excessive reliance on debt will increase the company's financial leverage, increase the company's financial distress risk, and be vulnerable to interest rate fluctuations or economic recession. In times of fiscal stress, debt burdens may become unsustainable, leading to increased financing risks and possible difficulties in meeting financial obligations (Stein, J. C 1989).

Another important impact of managers' shortsightedness on financing risk is insufficient risk management. Managers who pay too much attention to short-term goals have high investment returns in a short period of time, which may reduce the risk of stock price crashes. However, potential risks such as market volatility, regulatory changes, or disruptive technologies may be ignored or downplayed (Gervais, S., Kaniel, R & Mingelgrin, D, 2021). Failure to adequately assess and manage these risks can expose a company to financial shock. (Hirshleifer, D, & Thakor, A. V, 1994). Moore, S. A & Murphy, A (2019) From the perspective of the company's long-term strategic development, it may increase the risk of future stock price crashes.

Hypothesis 1: Managers' shortsightedness leads to increased risk of financial distress for the company.

Hypothesis 2: Managers' shortsightedness leads to a decrease in the risk of a sharp drop in the company's stock price.

3.2 Institutional environment, managers' shortsightedness and financing risks

Vassalou, M. & Xing, Y. (2004) investigated the cross-country differences in the impact of managers' shortsightedness on stock price crash risk, emphasizing the importance of changes in the institutional environment. Different legal systems, cultural norms, and regulatory frameworks can affect the prevalence and consequences of myopic behavior (Black, BS, & Kim, W., 2012). Gugler, K., Mueller, DC, & Yurtoglu, BB (2014) Countries with stronger legal protections for shareholders and stricter regulation may experience lower risk of stock price crashes associated with managers' shortsightedness. In addition, Fama, EF, & French, KR (1993) also explored the impact of market conditions such as economic cycle, industry dynamics, and market competition on the relationship between managers' shortsightedness and stock price crash risk. These factors can interact with the institutional environment to amplify or mitigate the impact of myopic behavior on the probability of stock price crashes.

Overall, examining the impact of managers' shortsightedness on stock price crash risk under the influence of the institutional environment highlights the complex interplay between managerial behavior, institutional factors, and stock market outcomes. Understanding these dynamics is critical for policymakers, regulators, and practitioners seeking to mitigate the risk of stock price crashes and foster sustainable long-term value creation for companies. By recognizing the role of the institutional environment, corporate governance mechanisms, and market conditions, stakeholders can implement effective measures to address managers' shortsightedness and enhance stock price stability.

Hypothesis 3: When the institutional environment is outdated, it will enhance the impact of managers' shortsightedness on increasing the risk of financial distress.

Hypothesis 4: When the institutional environment is perfect, it will enhance the impact of managers' shortsightedness on reducing the risk of a company's stock price collapse.

4. Study Design

4.1 Institutional environment, managers' shortsightedness and financing risks

This paper takes Chinese listed companies from 2011 to 2022 as the research sample.

(1) Data sources:

1) Financial statements: access to financial statements (such as annual reports) of selected Chinese listed companies. These statements contain important financial data, including balance sheets, income statements, and cash flow statements.

2) Corporate Governance Report: Obtain the corporate governance report or disclosure information provided by the company. These reports provide insight into governance mechanisms, board structure, executive compensation and other relevant information.

3) Utilize regulatory databases such as China Securities Regulatory Commission (CSRC) or Shanghai Stock Exchange (SSE) to access company-specific information, regulatory documents and relevant market data. 4) Access academic or industry research databases such as CNKI, Wan Fang Data or Pudong Library, and search for relevant research, reports or articles to gain a deeper understanding of managers' shortsightedness, financing risks and institutional environment.

5) Obtain data on market transparency and information availability from market research reports, industry associations or financial market regulators.

(2) Sample screening:

1) Eliminate financial and insurance industries;

2) Eliminate ST, *ST and PT listed companies;

3) Eliminate companies with missing data or less than 5 years of data. After the above screening procedure, 16,307 observations of 1,572 listed companies were finally obtained.

(3) Data preparation: cleaning and organizing data for analysis. Check for missing values, outliers, and inconsistencies. Ensure data is in a format suitable for analysis and compatible across variables.

4.2 Managers' shortsightedness and financing risk

Identify variables that represent managers' shortsightedness, stock price crash risk, financial distress risk, and institutional factors. For management's short-sightedness, consider measures such as short-term decision-making, earnings management, or neglect of long-term investment. Stock price crash risk variables may include stock price volatility, extreme price volatility, or market risk indicators. Financial distress risk variables may include debt levels, liquidity ratios, indicators of profitability, or indicators of financial distress. Institutional factors may include corporate governance measures, legal frameworks, investor protection or market transparency, among others.

(1) Managers are short-sighted

In this article, there are two criteria for measuring shortsightedness of managers: one is the decline in R&D investment; the other is that the decline in R&D investment exceeds 5%. When these two conditions are met at the same time, it is regarded as the manager is short-sighted and recorded as 1, otherwise it is 0.

(2) Risk of stock price crash

This article draws on Hutton et al. (2009), Kim et al. (2011), Kim et al. (2014), Al Mamun et al. (2020) Ju Tao(2022) stock price crash risk. $r_{i,t}$ represents the rate of return of stock i in week t within the year, and $r_{m,t}$ is the rate of return of Shanghai and Shenzhen A shares weighted by market capitalization in week t . Specific weekly rate of return $W_{i,t}$ of stock i aftermarket adjustment in week t . Calculate the negative skewness coefficient (NCSKEW) of the weekly specific return rate of individual stocks in the year according to the weekly specific return rate of individual stocks obtained in the above steps.

$$r_{i,t} = \alpha_i + \beta_1 r_{i,t-2} + \beta_2 r_{i,t-1} + \beta_3 r_{i,t} + \beta_4 r_{i,t+1} + \beta_5 r_{i,t+2} + \varepsilon_1$$

$$W_{i,t} = \ln(1 + \varepsilon_{i,t})$$

$$NCSKEW_{i,t} = \frac{n(n-1)^{\frac{3}{2}} \sum W_{i,t}^3}{(n-1)(n-2)(\sum W_{i,t}^2)^{\frac{3}{2}}}$$

(3) Risk of financial distress

This article draws on MacKie -Mason (1990), Ju Tao (2022) [24] to use the adjusted Z-score index to measure the company's financial distress risk. Specifically, the adjusted Z-score index refers to the remaining four-factor index model based on the original Z-score index and the factors related to the stock market are removed. The specific measurement formula is as follows:

$$Adj_Zscore = 1.2 * \frac{(Current\ Assets - Current\ Liabilities)}{Total\ Assets} + 3.3 * \frac{EBIT}{Total\ Assets} + 1.4 * \frac{(Surplus\ Reserve + Undistributed\ Profits)}{Total\ Assets} + 0.999 * \frac{Operating\ Income}{Total\ Assets}$$

Among them, Adj_Zscore refers to the risk of financial distress, and Adj_Zscore is a reverse indicator. The larger the index value, the smaller the risk of the company's financial distress.

(4) Institutional environment

The marketization index has been proved by many studies to be an effective measure of the institutional environment. This article also uses the total index of the marketization index of Wang Xiaolu et al. (2021) to measure the institutional environment of the province where each enterprise is located. The higher the marketization index, the better the regional institutional environment is. When the marketization index is greater than the average, it is set to 1, indicating that the institutional environment is relatively developed; when it is less than the average, it is set to 0, indicating that the institutional environment is relatively backward.

Table 1 Variable symbols and definition

ATTRIBUTE	name	SYMBOL	DEFINITION
Explained variable	Financial distress	ADJ_ZSCORE	Adjusted Z-score
Explanatory variable	Stock price crash	NCSKEW(t+1)	The degree of negative bias of weekly stock returns
Moderating variables	Managers' myopic	MYOPIA(t)	R&D investment declined by more than 5%
Control Variable	Institutional environment	MARKET	The market-oriented index is grouped according to the average, which is 1 if greater than the average, otherwise it is 0
	Proportion of Two jobs in one	IND(t) DUAL(t)	Number of independent directors/total number of When the chairman and the general manager are the same person, the value is 1, otherwise it is 0
	Management Holdings	MHOLD(t)	Shares held by management/total shares
	Equity	FIVEHER(t)	Sum of squares of shareholder ratios of the top five
	Audit quality	BIG4	The company is audited by the four major audit firms as 1, otherwise it is 0
	Investor Holdings	IO	Shares held by institutional investors/total shares
	Earnings	JONES(t)	Absolute value of manipulation accruals for the year
	Enterprise size	SIZE(t)	Natural logarithm of total assets or natural logarithm of
	Over investment	OVERINV	Residuals of Richardson model regression
	Manager over	OC	If the board of directors voluntarily increases its holdings
	Tax evasion	BTD(t)	(Accounting profit before tax taxable income)/total assets
	Average weekly	RET (t)	Represents the average weekly return of stock i in year t
	Fixed assets ratio	TANG(t)	Fixed assets/total assets
	Enterprise growth	GROWTH(t)	(Current year's operating income last year's operating
	Sales revenue	SALES(t)	Standard deviation of operating income in the first two
	volatility		fiscal years
	Financing	KZINDEX	KZ index
	corporate risk	RISK(t)	(Accounts Receivable +Inventory)/total assets

4.3 Model design

To verify H1, build the model:

$$Adj_Zscores_{i,t} = \alpha_0 + \alpha_1 \times Myopia_{i,t-1} + \alpha_2 \times Ind_t + \alpha_3 \times Dual_t + \alpha_4 \times FiestChange_t + \alpha_5 \times FiveHer_t + \alpha_6 \times Size_t + \alpha_7 \times Tang_t + \alpha_8 \times Growth_t + \alpha_9 \times Sale_t + \alpha_{10} \times KZindex_t + \alpha_{11} \times Risk_t + \sum Year + \sum Industry + \varepsilon_1 \quad (1)$$

To verify H2, build the model:

$$NCSKEW_{i,t} = \beta_0 + \beta_1 \times Myopia_{i,t-1} + \beta_2 \times Big4_t + \beta_3 \times Ind_t + \beta_4 \times Dual_t + \beta_5 \times IO_t + \beta_6 \times Jones_t + \beta_7 \times BTD_t + \beta_8 \times NCSKEW1_{t-1} + \beta_9 \times OverInv_t + \beta_{10} \times OC_t + \sum Year + \sum Industry + \varepsilon_2 \quad (2)$$

To verify H3, build the model:

$$Adj_Zscores_{i,t} = \gamma_0 + \gamma_1 \times Myopia_{i,t-1} + \gamma_2 \times Market_{i,t} + \gamma_3 \times Ind_t + \gamma_4 \times Dual_t + \gamma_5 \times FiestChange_t + \gamma_6 \times FiveHer_t + \gamma_7 \times Size_t + \gamma_8 \times Tang_t + \gamma_9 \times Growth_t + \gamma_{10} \times Sale_t + \gamma_{11} \times KZindex_t + \gamma_{12} \times Risk_t + \sum Year + \sum Industry + \varepsilon_3 \quad (3)$$

To verify H4, build the model:

$$NCSKEW_{i,t} = \delta_0 + \delta_1 \times Myopia_{i,t-1} + \delta_2 \times Market_{i,t} + \delta_3 \times Big4_t + \delta_4 \times Ind_t + \delta_5 \times Dual_t + \delta_6 \times IO_t + \delta_7 \times Jones_t + \delta_8 \times BTD_t + \delta_9 \times NCSKEW1_{t-1} + \delta_{10} \times OverInv_t + \delta_{11} \times OC_t + \sum Year + \sum Industry + \varepsilon_4 \quad (4)$$

5. Empirical Analysis

5.1 Institutional environment, managers' shortsightedness and financing risks

Table 2 shows descriptive statistics for the full sample. Specific analysis shows that the dependent variable financing risk is measured in two dimensions: financial distress risk and stock price crash risk. The index selected to measure the risk of financial distress is Adj_Zscorer, and the index to measure the risk of stock price crash is N CSKEW. Relevant data show that the trend maximum and average value of the overall trend stock price crash risk of Chinese listed companies are smaller than the risk of financial distress, which shows that the equity financing the risk is less than that of debt financing. The relevant data of managers' shortsightedness (Myopia) shows that managers' shortsightedness is evaluated from the perspective of R&D investment, and the degree of myopia of company managers is relatively small. The data related to the moderating variable institutional environment show that the relative stability of Chinese market institutional environment is relatively high.

Table 2 Descriptive statistic

Variable	N	mean	SD	Min	Max	Variable	N	mean	SD	Min	Max
DV1: financial distress risk						DV2: stock price crash risk					
Adj_Zscore	16307	1.288	0.743	-0.99	3.391	NCSKEW	13516	-0.336	0.716	-2.494	1.427
Myopia	13421	0.249	0.432	0	1	Myopia	13421	0.253	0.434	0	1
market	16307	8.022	1.763	0	10	market	13516	7.96	1.756	0	10
Ind	16307	0.371	0.051	0.332	0.57	Big4t_	13516	0.068	0.253	0	1
lsize	16307	2.151	0.195	1.608	2.707	Ind	13516	0.371	0.052	0.312	0.57
Dual	16307	0.231	0.421	0	1	Dual	13516	0.202	0.401	0	1
Mhold	16307	0.05	0.117	0	0.579	lo	13516	0.454	0.23	0.002	0.899
FiveHer	16307	0.166	0.118	0.013	0.565	Jones	13516	0.067	0.071	0	0.416
size	16307	22.339	1.288	19.899	26.249	BTD	13516	0.004	0.044	-0.195	0.151
Tang	16307	0.229	0.167	0.001	0.721	NCSKEW1 t-1	13516	-0.297	0.695	-2.403	1.394
Growth	16307	0.059	0.269	-1.245	0.708	SIGMA	13516	0.059	0.022	0.023	0.137
Sale- sd	16307	0.093	0.1	0.003	0.607	size	13516	22.66	0.966	20.949	25.589
Kzindex	16307	-10.41	32.199	-239.101	3.624	GROWTH	13516	0.027	0.285	-1.374	0.853
risk	16307	0.265	0.171	0.007	0.757	OverInv	13516	0.003	0.071	-0.147	0.294

5.2 Correlation analysis

Table 3 reports the correlation coefficient matrix of the variables involved in this paper. Study dependent variable 1 financial distress risk, the relationship between managers’ shortsightedness (Myopia) and company financial distress risk (Adj_Zscore) is significantly negative at the 1% level, since financial distress risk is a negative indicator, it means that managers Myopia significantly increases the risk of financial distress, which is consistent with the expectation of Hypothesis 1. The research dependent variable 2 stock price crash risk, the relationship between managers’ shortsightedness (Myopia) and company stock price crash risk (NCSKEW) is significantly negative at the 1% level, preliminarily showing that managers’ shortsightedness significantly reduces stock price crash risk, which is consistent with the research hypothesis 2 as expected.

Table 3 correlation analysis

DV1: financial distress risk										
Variables	1	2	3	4	5	6	7	8	9	10
1.										
<i>Adj_Zscore</i>	1									
2. <i>Myopia</i>	-0.126***	1								
3. <i>Market</i>	0.137***	-0.057***	1							
4. <i>Ind_</i>	-0.011	-0.022**	0.001	1						
5. <i>Dual</i>	0.042***	0.042***	0.075***	-0.064***	1					
6. <i>First Change</i>	0.075***	-0.001	-0.016**	0.118***	0.005	1				
7. <i>Five Her</i>	0.279***	-0.005	0.066***	0.015*	0.060***	0.052***	1			
8. <i>Size</i>	0.024***	-0.114***	0.530***	0.088***	0.070***	0.028***	0.240***	1		
9. <i>Kzindex</i>	-0.126***	-0.283***	-0.084***	-0.098***	-0.098***	-0.015**	0.036***	-0.020***	1	
10. <i>Risk</i>	0.139***	0.140***	0.055***	-0.065***	-0.065***	0.027***	-0.087***	0.042***	0.041***	1
DV2: stock price crash risk										
Variables	1	2	3	4	5	6	7	8	9	10
1.										
<i>NCSKEW</i>	1									
2. <i>Myopia</i>	-0.034***	1								
3. <i>Market</i>	-0.022***	-0.049***	1							
4. <i>Big4</i>	-0.040***	-0.036***	-0.019**	1						
5. <i>Ind_</i>	-0.003	-0.008	-0.01	0.013	1					
6. <i>Dual</i>	0.025***	0.019*	0.043***	-0.040***	-0.038***	1				
7. <i>lo_</i>	-0.019**	-0.027***	-0.024***	0.042***	0.042***	0.075***	1			
8.										
<i>NCSKEW1 t-1</i>	0.063***	0.064***	0.037***	0.279***	-0.005	0.066***	0.015*	1		
9. <i>Size</i>	-0.026***	-0.033***	-0.029***	0.024***	-0.114***	0.530***	0.088***	0.070***	1	
10. <i>Over-Inv</i>	0.034***	0.029***	0.018**	0.01	-0.015*	0.027***	0.006	0.049***	0.054***	1

Note: ***, ** and * represent significance levels at 1%, 5% and 10% respectively.

5.3 Regression analysis of managers' shortsightedness and corporate financing risks

Table 4 shows the regression results of Hypothesis 1 and Hypothesis 2. First, the regression result in the second column of the table is the impact of managers' myopia on the risk of financial distress. In the regression results, the regression coefficient of manager myopia (*Myopia*) is 1%. The level is significantly negative, and the coefficient is -0.137. Considering that the risk of financial distress is a reverse indicator, this it shows that managers' shortsightedness significantly increases the risk of corporate financial distress. For control variables, the regression coefficient of management ownership concentration (*FiveHer*) is significantly positive, indicating that external equity checks and balances can effectively reduce the risk of financial distress. In terms of financial characteristics, the coefficient of corporate growth (*Growth*) is significantly positive, indicating that the higher the corporate growth, the lower the possibility of being in financial distress. The R-square of the regression model is 0.219, indicating that the model fits the variables cited in this paper well. Taken together, hypothesis 1 of this paper has been fully verified.

The fourth column in Table 4 shows the regression results of Hypothesis 2, verifying the impact of managers' shortsightedness on stock price crash risk. Among them, the coefficient of managers' shortsightedness is -0.048, and the relationship between the two is significantly negative at the 5% level. Managers' shortsightedness has a restraining effect on the company's stock price crash risk. In terms of control variables, the regression coefficient of audit quality (*Big4*) is significantly negative, which means that compared with general audit firms, the four major audit firms can better play a supervisory role, effectively reduce the agency behavior of managers and alleviate information gaps. Symmetry issues, and ultimately reduce the risk of stock price crashes. However, the regression coefficients of overconfidence (*OC*) and overinvestment (*OverInv*) are both significantly positive, indicating that managers' ex-ante expansion motivation and ex-post expansion behavior intensify the hiding of bad news in the investment process, and ultimately lead to the risk of the company stock price crash. It is also consistent with previous research conclusions. The R square of the regression model is 0.089, indicating that the model fit level is relatively good. Therefore, Hypothesis 2 of this study is fully supported.

Table 4 Regression analysis of managers' shortsightedness and financing risks

DV1: Adj_Zscore		DV2: NCSKEW	
Variables		Variables	
<i>Myopia</i>	-0.137** (-9.979)	<i>Myopia</i>	-0.048** (-2.411)
<i>Ind</i>	-0.399* (-1.802)	<i>Big4</i>	-0.085*** (-2.736)
<i>Dual</i>	-0.044* (-1.697)	<i>Ind</i>	-0.042 (-0.315)
<i>FirstChange</i>	-0.039 (-0.902)	<i>Dual</i>	0.049 -0.301
<i>FiveHer</i>	0.986*** -9.47	<i>IO</i>	-0.049 (-1.147)
<i>size</i>	-0.032*** (-2.875)	<i>Jones</i>	0.004 -0.043
<i>Tang</i>	-0.902***	<i>BTD</i>	-0.271

	(-9.997)		(-1.412)
<i>Growth</i>	0.618***	<i>NCSKEW1 t-1</i>	0.058***
	-18.954		(-2.638)
<i>Sale_sd</i>	1.063***	<i>MB</i>	0.036***
	-8.742		-9.593
<i>K Zindex</i>	-0.005***	<i>OverInv</i>	0.195*
	(-9.197)		-1.979
<i>risk</i>	0.436***	<i>OC</i>	0.068***
	-4.835		-4.627
Constant	1.248***	Constant	0.484**
	-4.023		-2.13
year	Yes	year	Yes
Industry	Yes	Industry	Yes
Observations	10,458	Observations	9,372
R-squared	0.291	R-squared	0.089

Note: ***, ** and * represent significance levels at 1%, 5% and 10% respectively

5.4 Regression analysis of institutional environment and managers' shortsightedness on corporate financing risk changes

Table 5 shows the regression results of Hypothesis 3 and Hypothesis 4. According to the regression results of the data in columns 2 and 3 in the table, in the Market=1 sample group, the regression coefficient of the interaction between managers' shortsightedness and the institutional environment is 0.315, failing the significance requirement; while in the Market=0 sample group, the regression coefficient of managers' myopia and institutional environment is 0.427, which is significant at the 10% level, which means that the positive adjustment effect of institutional environment on the relationship between managers' shortsightedness and financial distress risk is only significant in the sample group with Market=0. This phenomenon shows that when the institutional environment is relatively backward, the regulating effect of the institutional environment is highlighted; but when the institutional environment is relatively developed, the regulating effect of the institutional environment is covered up. Hypothesis 3 is verified.

the regression results in columns 5 and 6 in Table 5, in the Market=1 sample group, the regression coefficient of managers' shortsightedness and stock price crash risk is 0.259, which is not significant; while in the Market=0 sample group, the management The regression coefficient of managers' shortsightedness and stock price crash risk is significantly negative at the 1% level, and the coefficient is -0.419, indicating that the negative adjustment effect of the institutional environment on the relationship between managers' shortsightedness and stock price crash risk is only in the sample group of Market=0 Moderately significant, which means that when the institutional environment is relatively backward, it increases the bad news hiding behavior and information asymmetry of managers in the investment process; but a good institutional environment can play an effective governance role in the investment process. Therefore, Hypothesis 4 is verified.

Table 5 Regression analysis of institutional environment, managers' shortsightedness and financing risks

DV1: Adj_Zscore			DV2: NCSKEW		
Variables			Variables		
Market	<i>Market =1</i>	<i>Market=0</i>		<i>Market=1</i>	<i>Market=0</i>
<i>Myopia</i>	-0.153*** (-8.576)	-0.152*** (-7.425)	<i>Myopia</i>	-0.032 (-0.713)	-0.008 (-0.494)
<i>Ind</i>	-0.433 (-1.389)	-0.276 (-0.865)	<i>Big4</i>	-0.084*** (-2.978)	-0.079 (-1.147)
<i>Dual</i>	-0.019 (-0.847)	-0.079* (-2.026)	<i>Ind</i>	-0.071 (-0.401)	0.014 (-0.213)
<i>MHold</i>	0.125 -1.116	0.118 -1.119		-0.035 0.004	-0.117 0
<i>FirstChange</i>	-0.004 (-0.137)	-0.025 (-0.798)	<i>Dual</i>	-0.241 -0.061	-0.078 (-0.009)
<i>FiveHer</i>	1.000*** -8.25	0.716*** -4.369	<i>IO</i>	(-1.512)	(-0.435)
<i>size</i>	-0.049*** (-3.788)	-0.021 (-0.842)	<i>Jones</i>	0.039	-0.028 (-0.277)
<i>Tang</i>	-0.692*** (-6.130)	-0.646*** (-4.532)	<i>BTD</i>	-0.299 (-1.585)	-0.072 (-0.410)
			<i>NCSKEW1 t-1</i>	0.041***	0.076***
<i>Growth</i>	0.614*** -15.103	0.613*** -11.907		-4.113	-6.948
<i>Sale_sd</i>	1.063*** -6.017	1.193*** -5.936	<i>size</i>	0.011	-0.044**
<i>KZindex</i>	-0.008*** (-8.294)	-0.017*** (-7.834)	<i>OverInv</i>	-0.149	(-2.588)
<i>risk</i>	0.560***	0.462***	<i>OC</i>	0.075	0.360***
Constant	0.099 -4.961	1.052** -2.961		-0.518	-4.496
year	Yes	Yes	<i>OC</i>	0.041**	0.109***
Industry	Yes	Yes	Constant	-2.389	-3.657
Observations	8137	5017	year	0.099	1.052**
R-squared	0.315	0.427	Industry	-0.719	-2.264
			Observations	Yes	Yes
			R-squared	Yes	Yes
			Observations	8277	4392
			R-squared	0.259	-0.419

Note: ***, ** and * represent significance levels at 1%, 5% and 10% respectively.

6. Conclusion

This paper takes Chinese listed companies from 2011 to 2022 as the research object to explore the impact of managers' shortsightedness on financing risk. Empirical evidence shows that managers' shortsightedness increases the risk of financial distress while reducing the risk of a firm's stock price crash in the short run. The institutional environment is an adjustment variable. When the institutional environment is backward, the effect of managers' shortsightedness leading to an increase in the risk of financial distress will be enhanced. Therefore,

China should further promote market-oriented reforms; improve economic policies and maintain a stable institutional environment; when faced with an unstable institutional environment, companies should adjust investment decisions in a timely manner.

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