

**Cyprus University of Technology**

***Department of Commerce, Finance and Shipping***

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# “Do Risk-Taking Incentives Induce CEOs to Invest? Evidence from Acquisitions”

**by**

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Abstract

This paper examines the effect of risk-taking incentives on acquisition investments. We find that CEOs with risk-taking incentives are more likely to invest in acquisitions. Economically, an inter-quartile range increase in vega translates into an approximately 4.22% enhancement in acquisition investments, consistent with the theory that risk-taking incentives induce CEOs to undertake investments. Importantly, the positive relation between vega and acquisitions is confined only to non-overconfident CEOs subgroup. Further, corporate governance does not generally affect the association between vega and acquisition investments. Finally, vega is positively related to bidder announcement returns.

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