Title: Climate Regulatory Risk and Management Earnings Forecast Errors: Evidence from State-Level Climate Adaptation Plans

Speaker: Prof. Anand Jha, Wayne State University

Area: F&A

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Abstract:

We examine how the adoption of a state-level climate adaptation plan (SCAP), which increases climate regulatory risk, affects management earnings forecast errors. Our findings show that the finalizations of SCAPs are linked to larger forecast errors. After SCAPs are adopted, firms experience greater volatilities in earnings and investment, while managers develop negative perceptions of regulatory risk and issue more pessimistic forecasts. These forecasts indicate that increased regulatory uncertainty causes managers to overestimate negative effects and underestimate potential positives, leading to more conservative forecasts and larger errors. These results highlight the influence of behavioral biases, particularly loss aversion, as described in the prospect theory (Kahneman and Tversky 1979).

Speaker Profile:

Dr. Anand Jha conducts research in corporate finance, with a particular focus on how social norms influence financial outcomes. His work spans a broad range of topics, including financial reporting, bankruptcy, debt covenants, bank competition, strategic alliances, mergers and acquisitions, and small business financing. His research has been published in leading academic journals such as *The Accounting Review*, *Journal of Financial and Quantitative Analysis*, *Journal of Banking & Finance*, *Journal of Corporate Finance*, and *Journal of Business, Finance & Accounting*.

Dr. Jha holds a Ph.D. in Business Economics from Indiana University in the U.S. and a bachelor's degree in Economics and Mathematics from Wabash College, also in Indiana. Originally from Nepal, with roots in India, he maintains strong ties to both countries. He is currently a Professor of Finance and Chair of the Finance Department at Wayne State University in Detroit, Michigan.

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