Gadjah Mada International Journal of Business
Vol. 28, No. 1 (January 2026): 1-24

Generalist CEOs and the Cost of Debt: Evidence from Indonesia

Novrys Suhardianto[a,b], Sri Ningsih[a,b], Sahrian Aditya Rahmatulloh[a], Mohammad Nasih[a,c], Oudyza Oktavia Putri[a], Zayyan Ahmad Nuryaddin[a]*

[a]Department of Accountancy, Faculty of Economic and Business, Universitas Airlangga, Indonesia
[b]Center for Politics, Economics and Business Research (CPEBR), Universitas Airlangga, Indonesia
[c]Center for Environmental, Social, and Governance Studies (CESGS), Universitas Airlangga, Indonesia

ABSTRACT

This study examines the impact of generalist CEOs on the cost of debt in Indonesia, using data from public companies listed on the Indonesia Stock Exchange (IDX) between 2015 and 2021. Employing panel data regression with a random effects model, Coarsened Exact Matching (CEM), and Heckman's two-stage regression, the results indicate that companies with generalist CEOs incur higher debt costs. Additional analyses confirm that specialist CEOs are associated with lower debt costs, reinforcing the main findings. These results highlight how generalist CEOs, with their broad industry experience, may increase perceived financial risk, leading creditors to impose higher interest rates. From a practical perspective, these findings provide valuable insights for investors, corporate boards, and policymakers in aligning CEO selection processes with firm-specific financial objectives to mitigate risks. From a social perspective, the findings underscore the importance of addressing financial risks associated with generalist CEOs, particularly in Indonesia, where high information asymmetry and inefficient capital markets persist. Elevated borrowing costs could hinder corporate investments and broader economic growth. By integrating these findings into governance practices, this study contributes to sustainable development and financial stability in emerging markets.

Keywords: generalist CEOs, cost of debt, governance, industry experience
JEL Classification: G300, M120, M410

*Corresponding author's e-mail: novrys@feb.unair.ac.id
ISSN: PRINT 1411-1128 | ONLINE 2338-7238
https://journal.ugm.ac.id/gamaijb

INTRODUCTION

One of the crucial factors in managing a company's financial risk is the human capital of the CEO, particularly their work experience. According to Becker (1962), a human capital of an individual can be divided into two categories: general human capital, which is versatile and applicable in various contexts; and specific human capital, which is specialized and can only yield benefits in particular contexts. In our study, the underlined human capital of a generalist CEO is their work experience in companies across different industries, while a specialist CEO works in a specific sector for a long period of time (Li & Patel, 2019).

CEOs with diverse career experiences bring a broader perspective, enabling them to introduce new strategies and social innovations within the company (Crossland et al., 2014). Working across different sectors could also train the CEO with the adaptability skills to navigate uncertain situations, specifically in developing countries (Li & Patel, 2019). For example, a generalist CEO may increase innovation (Custódio et al., 2019; Lin et al., 2021) and increase foreign direct investment (Xu, 2022). Nevertheless, the generalist CEO's ability to mitigate specific industry risks remains questionable. It is believed that the general industry experience of the CEO can enhance the overall company performance, but it may have limitations and eventually lead to a downfall of the company itself (Mueller et al., 2017). Therefore, we aim to reevaluate the association of generalist CEOs and the credit risk proxied by the cost of debt.

This study uses the upper echelons theory to posit that an executive's background and work experience could influence a company's decision-making and risk management (Brahmana et al., 2023; Crossland et al., 2014; Hambrick, 2007; Hambrick & Mason, 1984; Na et al., 2023). Based on this theory, we contend that a generalist CEO possesses a lesser understanding of specific industries when compared to a specialist CEO, which could increase the company's risk profile. In turn, it may lead creditors to demand higher interest rates, thereby elevating the company's cost of debt.

The cost of debt depends on the anticipated profit margin that lenders would receive from a loan to a business and the perceived risk of granting the loan. However, lenders are not fully informed about the company's financial situation due to information asymmetry (B. Usman et al., 2020). Lenders typically rely on public information, while stockholders have greater access to specific information. It may encourage lenders to see granting a loan as a riskier choice, which could raise the cost of borrowing (Putra et al., 2020).

Moreover, the cost of debt in developing countries is a multifaceted issue influenced by factors such as fiscal strain, international debt issuance, and debt surges. Chicoli and Bender, (2019) indicate that developing countries typically face lower thresholds of debt limit compared to developed countries. Kose et al., (2022) discusses the hurdles in reducing debt burdens for emerging economies, emphasizing the necessity of global governance and other supportive measures. Eliwa et al., (2021) emphasize the necessity for additional research on the cost of debt in developing countries, citing their varied cultural and institutional environments, as well as the relatively lower pressures from stakeholders. Gracia and Siregar, (2021) demonstrated that the practice of disclosing non-financial information reduces the cost of debt in ASEAN countries and Putra et al., (2020) elaborate on it using evidence from Indonesia. These studies emphasize the intricate nature of the cost of debt in emerging economies, providing valuable insights for policymakers and

practitioners.

We aim to examine the association of generalist CEOs and the cost of debt in Indonesia due to a number of factors. First, Indonesia has unique characteristics such as high asymmetrical information and an inefficient capital market, hence market players do not have enough information to assess the ability of a generalist CEO. In turn, it provides a higher risk profile for a generalist CEO, and it may increase the cost of debt. Second, Indonesia's implementation of a dual-board system provides additional monitoring and governance. This system plays a critical role in mitigating the potential negative impacts of generalist CEOs' leadership on the cost of debt by overseeing and balancing their decisions. This, in turn, enhances creditor confidence and decreases the cost of debt. The combination of both factors may offer a distinct context to examine the relation of generalist CEOs and the cost of debt within Indonesia's credit market. Consequently, the unique interplay between CEO characteristics, governance structures, and market inefficiencies in Indonesia makes it particularly compelling to investigate the impact of generalist CEOs on the cost of debt in this specific context, where such dynamics may either amplify or mitigate the perceived risks of their leadership style.

This study analyzes 1,268 Indonesian public companies from 2015 to 2021 listed on the Indonesia Stock Exchange (IDX). This study follows Custódio et al. (2013) to measure a CEO's general industry based on the number of different industries they have worked in. This study finds that the more generalist the CEOs are, the higher the cost of debt the company will get. The results remain robust after multiple robustness tests, including Heckman's two-stage regression and Coarsened Exact Matching. Furthermore, the supplementary analyses show that specialist CEOs are associated with a lower cost of debt.

This study contributes to the literature in several ways. First, it enhances the understanding of the determinants of a company's cost of debt by highlighting the role of CEO characteristics, particularly their industrial background, in influencing creditors' risk perception. Second, the study expands on the Upper Echelons Theory by demonstrating how a CEO's experience across multiple industries can shape strategic decision-making and external stakeholders' evaluations. Specifically, our findings show that while a generalist CEO may bring adaptability and a broad perspective, their limited understanding of industry-specific risks can increase uncertainty from the creditor's perspective. This uncertainty prompts creditors to demand higher interest rates, thereby elevating the company's debt costs. By integrating insights from the cost of debt literature with the theoretical lens of the Upper Echelons Theory, this study highlights the importance of aligning CEO characteristics with firm-specific and external financing contexts, particularly in the environments of high information asymmetry (Cherkasova & Kuzmin, 2018).

In addition, this study may benefit companies and other stakeholders in practical ways. This study provides valuable insights into decision-making processes when selecting CEOs based on their industry experience. While generalist CEOs have more adaptability skills and broader perspectives, they tend to increase risks from the creditors' standpoint. On the other hand, specialist CEOs, with their deep understanding of specific industries, are better positioned to manage the company's debt efficiently, in turn enhancing corporate performance. The findings of this paper have broader implications for the board of commissioners to align the company's strategic goals and risk appetite in nominating a CEO. By bridging the gap between leadership attributes and financial outcomes, this study provides actionable recommendations for enhancing decision-making across mul-

tiple stakeholder groups. This study recommends policymakers promote transparency of CEO characteristics and experience reporting as it helps investors and creditors to assess risks more effectively. To enhance the CEO selection process, boards of commissioners should establish structured evaluation criteria that emphasize industry expertise as a key determinant, ensuring that CEOs with specialized knowledge are prioritized. Given their deep understanding of industry-specific risks and financial dynamics, specialist CEOs are better positioned to mitigate credit risk and optimize the firm's cost of debt. This approach ensures that recruitment procedures incorporate rigorous assessments of candidates' financial decision-making capabilities. Furthermore, regulators are encouraged to recommend standardized disclosure requirements, guiding firms to report CEO backgrounds in annual reports or sustainability disclosures. This transparency would enable investors and creditors to make more informed decisions by allowing them to assess CEO qualifications, industry expertise, and leadership track records more comprehensively. A clearer understanding of leadership characteristics helps stakeholders evaluate a company's strategic direction, financial decision-making tendencies, and overall risk profile, particularly in mitigating credit risk and ensuring financial stability, thereby fostering greater confidence in corporate leadership.

Beyond its practical implications, the findings of this study also provide social implications. Elevated borrowing costs driven by generalist CEOs' perceived risks may hinder firms' capacity to invest in innovation, growth, and job creation, particularly in emerging markets like Indonesia. Addressing this challenge is critical not only to enhance corporate financial performance but also to foster inclusive economic growth and societal welfare. By integrating governance practices that mitigate CEO-related risks, companies and policymakers can contribute to more stable labor markets, equitable development, and broader economic resilience.

The results of this study should be interpreted cautiously due to some limitations. The sample of this study comprises companies from developing countries, hence a broader global generalizability may not apply and require some adjustments. However, given that many emerging markets share similar institutional characteristics such as high information asymmetry, concentrated ownership, and regulatory inefficiencies (Cherkasova & Kuzmin, 2018), the findings of this study may still be relevant to economies with similar governance characteristics. For instance, in Southeast Asia, where emerging markets dominate, governance frameworks remain relatively weak in curbing management opportunism (Claessens & Fan, 2002; Claessens & Yurtoglu, 2013). The absence of strong institutional controls and enforcement mechanisms allows decision-makers greater discretion in corporate strategies and financial policies, potentially increasing risks for investors and creditors. In contrast, firms operating in developed markets with more transparent disclosures and stronger creditor protections may exhibit different risk dynamics, requiring further empirical validation in such settings.

The rest of this article is structured as follows: Section 2 provides a literature review and hypotheses development; Section 3 outlines the data source and sample selection, variable description, and regression model; Section 4 presents and discusses the empirical results of our main and additional analyses and robustness test of our results; and finally, section 5 concludes the study.

LITERATURE REVIEW

The upper echelons theory assumes that the knowledge and experience possessed by top executives throughout their careers can provide different perspectives (Hambrick, 2007; Hambrick & Mason, 1984). Hambrick (2007) further emphasizes that top managers are pivotal human resources within a company who leverage their experience to formulate effective strategies, including the optimal capital structure. Personal attributes of a CEO, such as educational background, tenure, age, and work experience, can influence the CEO's perspective and decision-making in strategic matters (Brahmana et al., 2023; Crossland et al., 2014; Kalelkar & Khan, 2016; Na et al., 2023; Ratri et al., 2021; Wang et al., 2016). For instance, Owusu et al. (2022) suggest that CEOs' tenure can impact the choice of relatively high debt costs. Additionally, the upper echelons theory suggests that CEOs' industry experience also plays a crucial role in shaping their financial decision-making, where generalist CEOs—who have worked across multiple industries—tend to be more adaptable and open to risk-taking (Custódio et al., 2013). In contrast, specialist CEOs—who have deep expertise in a single industry—often exhibit more conservative financial strategies and are less likely to pursue aggressive leverage decisions (Matemilola et al., 2018).

CEOs' experiences can determine the optimal balance between the benefits and costs of debt financing (Matemilola et al., 2018). Generalist CEOs are often regarded as valuable assets due to their broad industry experience and adaptability, which enable them to navigate dynamic and uncertain business environments (Crossland et al., 2014; Custódio et al., 2013; Wardhani et al., 2023). Their diverse backgrounds allow them to implement strategic initiatives that enhance operational flexibility and financial stability. Additionally, generalist CEOs can leverage their extensive networks to improve investor confidence and negotiate better financing terms, potentially reducing the company's cost of debt (Betzer et al., 2017; Custódio et al., 2017). Therefore, these characteristics suggest that generalist CEOs may help firms secure debt at more favorable terms and lower borrowing costs.

Generalist CEOs may have a higher opportunity to be hired in the job market due to their general ability (Custódio et al., 2017). This incentivizes generalist CEOs to take more risks in their decisions, including innovation. However, this may be perceived as too risky for creditors.

The Indonesian market has unique institutional characteristics that may challenge the benefit of hiring a generalist CEO. Indonesia's financial environment is characterized by high asymmetrical information and inefficient capital markets, making it difficult for market participants to fully assess a generalist CEO's capabilities (Muslim & Setiawan, 2021). This lack of transparency may elevate the perceived risk associated with generalist CEOs, as creditors may view their broad but less specialized expertise as insufficient to mitigate industry-specific risks effectively (Kabir & Rashid, 2023; Ma et al., 2021). Furthermore, generalist CEOs are often linked to aggressive financial decision-making, including increased leverage and riskier investment strategies, which may heighten a firm's default risk (Mueller et al., 2020; Setiyono & Tarazi, 2018). In alignment with the upper echelons theory, these risk-taking behaviors can be attributed to the broader cognitive framework of generalist CEOs (Custódio et al., 2013), who may be more inclined to pursue high-risk, high-reward strategies that align with their diverse backgrounds but increase creditors' concerns. Given that decision-making is shaped by the executives' cognitive base and values, creditors may interpret the strategic choices of generalist CEOs as signals of

heightened financial volatility, leading to higher debt costs. While Indonesia's dual-board governance system provides an additional monitoring mechanism that could mitigate the negative consequences of generalist CEO leadership, it remains uncertain whether such governance structures are sufficient to counterbalance the risks perceived by creditors. Given these factors, creditors may demand higher interest rates from companies led by generalist CEOs, ultimately increasing their cost of debt.

Hypothesis: Generalist CEOs are positively associated with Cost of Debt.

METHODS

Data Source and Sample Selection

The sample of this study comprises companies listed on the Indonesia Stock Exchange from 2015 to 2021. In Southeast Asia, where emerging markets dominate, governance frameworks often struggle to effectively limit managerial opportunism (Claessens & Fan, 2002; Claessens & Yurtoglu, 2013). Indonesia represents an ideal setting for this study, given its status as the largest economy in Southeast Asia, a region predominantly composed of emerging markets (ADB, 2020; ASEAN, 2021). Unlike many other developing economies, Indonesia operates under a dual-board governance system, which distinctly separates the board of commissioners (supervisory function) from the board of directors (executive function). This governance model introduces an additional layer of oversight, which could significantly influence how CEO industry experience shapes corporate financial decision-making, particularly in relation to the cost of debt. Given Indonesia's unique governance structure and its role as a representative emerging market, the insights drawn from this study may be applicable to other economies with similar institutional and regulatory frameworks. Moreover, the relatively small number of publicly listed companies in Indonesia (compared to other emerging regions, such as China) creates a limited CEO labor market, making it an intriguing environment to study CEO mobility between firms. This constraint on the availability of generalist CEOs allows for a deeper understanding of how industry experience affects financial decision-making. Additionally, the dominance of certain industries, such as manufacturing, further restricts the range of options available for generalist CEOs to transition across sectors. Consequently, the prevalence of specialists in dominant sectors inhibits the mobility of generalist CEOs, limiting their opportunities to thrive in non-dominant industries. These factors collectively make Indonesia a compelling context for examining the relation of CEO industry experience on the cost of debt.

This study focuses on the period from 2015 to 2021 due to the implementation of Financial Services Authority Regulation (POJK) Number 33/POJK.04/2014 by the Financial Services Authority (OJK), which aims to strengthen corporate governance by enhancing the strategic roles of CEOs and boards of directors in public companies. This regulation aligns with studies highlighting that improved corporate governance fosters transparency and managerial accountability, ultimately influencing key financial outcomes such as the cost of debt (Al-ahdal et al., 2020).

We exclude companies from the financial industry (classified under SIC 6011-6799) due to their inherent differences (Harymawan et al., 2022; Nasih et al., 2022). For example, the cost of debt in the financial industry represents the interest expense paid to

its customers, and it is significantly different from that in other industries. The rest explanations related to the measurement of each variable and their sources are provided in Table 1 below.

The financial data are retrieved from Osiris, while the CEO industry experience data are hand-collected from annual reports. We winsorize the data at the 1st and 99th percentiles to mitigate the impact of outliers. After eliminating missing or incomplete observations, the final sample comprises 1,268 company-year observations.

Table 1. Variable Definition

Variables	Definition	Source
Dependent variables		
COD	The cost of debt is measured as interest expenses divided by the average total debt (Putra et al., 2020).	Osiris
Independent variables		
GENERAL	Multi-industry experience is measured based on the number of industries in which the CEO has worked (Agnihotri & Bhattacharya, 2021).	Annual Report
Control variables		
CAGE	The CEO age is measured using the natural logarithm of the number of years the CEO has been in service (Owusu et al., 2022).	Annual Report
COM	Board size is measured by the number of board of commissioners' members (Junus et al., 2022).	Annual Report
BIG4	Auditing firm is measured as a binary variable, taking the value of one if the auditing firm is Ernst & Young, Deloitte, Price Water Coopers, or KPMG, and zero for other auditing firms (Putra et al., 2020).	Annual Report
FIRMSIZE	Company size is measured using the natural logarithm of the total assets (Putra et al., 2020).	Osiris
FAGE	Company age is measured by the number of years since the company's incorporation (Bliss & Gul, 2012).	Osiris
ROA	Return on assets is measured as the ratio of the company's net profit to total assets (Usman et al., 2019).	Osiris
RND	Research and development expenses are measured by dividing research and development expenses by total assets, with missing values coded as zero (Owusu et al., 2022).	Osiris
INTCOV	Interest coverage is measured by dividing earnings before interest and taxes by interest expenses (Kamil & Appiah, 2022).	Osiris
Additional variables		
SPECIFIC	Specific industry experience is measured by the years a director has worked in the same industry (Chahyadi et al., 2021).	Annual Report

Variable Description

Cost of Debt: The dependent variable in this study is the cost of debt (COD). Following the

measurement approach employed in previous studies (Bonsall & Miller, 2017; Putra et al., 2020), the cost of debt is calculated by dividing the total interest expense by the average of the total debt. In a prior study, Putra et al. (2020) do not use total liabilities but instead utilize total debt because not all liabilities incur interest costs.

CEO generalist experience: Following previous research (Agnihotri & Bhattacharya, 2021; Custódio et al., 2019; Li & Patel, 2019), the CEO's general industry experience (GENERAL) in this study is measured as the CEO's multi-industry experience. Specifically, the general experience of the CEO is quantified by the number of industries in which the CEO has worked.

Regression Model

We employ regression based on panel data analysis to test the relationship between the general experience of a CEO and the cost of debt. To determine whether pooled, fixed, or random effects are more appropriate for our panel data models, we conduct Chow, Hausman, and Lagrange Multiplier tests (see Appendix A). The tests indicate that Random Effects (RE) is more suitable for our panel data model. The empirical model used in this study is as follows:

$$COD_{i,t} = \beta 0 + \beta_1 GENERAL_{i,t} + \beta_2 CAGE_{i,t} + \beta_3 COM_{i,t} + \beta_4 BIG4_{i,t} + \beta_5 FIRMSIZE_{i,t} + \beta_6 FAGE_{i,t} + \beta_7 ROA_{i,t} + \beta_8 RND_{i,t} + \beta_9 INTCOV_{i,t} + Firm\ RE + Year\ RE + \varepsilon_{i,t} \quad \textbf{(1)}$$

In this model, the Cost of Debt (COD) is measured by dividing the total interest expense by the average total debt (Bonsall & Miller, 2017; Putra et al., 2020), and the CEO's general experience (GENERAL) is measured by the number of industries where a CEO has worked.

Control variables used in the analysis include characteristics of the board, such as CEO age (CAGE) and the number of board members (COM). We also include firm characteristics as control variables, such as the presence of a Big 4 audit firm (BIG4), company size (FIRMSIZE), company age (FAGE), return on assets (ROA), research and development expenses (RND), and interest coverage (INTCOV). These variables are also used as control variables in previous studies (Bliss & Gul, 2012; Junus et al., 2022; Kamil & Appiah, 2022; Owusu et al., 2022; Putra et al., 2020; M. Usman et al., 2019).

RESULTS

Descriptive Statistics

Table 2 presents the distribution of research samples based on year and industry sector. It can be observed that the lowest number of samples by year occurred in 2015, with a total of 152 samples, while the highest number was in 2019, with 223 samples. The increase in samples in 2019 is attributed to some missing data in 2020 and 2021. Although the number of companies increased each year, the required information for the samples decreased. By industry sector, the lowest number of samples was found in SIC 8, with 29 samples, while the highest number was in SIC 2, with 358 samples.

Table 2. Sample Distribution

SIC	YEAR							
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
0: Agriculture, Forestry, & Fishing	2	4	3	5	41	4	9	68
1: Mining & Construction	27	29	29	32	33	31	26	207
2: Light Manufactured Products	49	51	50	51	51	54	52	358
3: Heavy Manufactured Products	21	25	28	31	31	30	30	196
4: Transportation & Public Utilities	34	32	33	34	38	36	38	245
5: Wholesale & Retail Trade	10	14	13	15	14	13	21	100
7: Office of Trade & Services	5	8	7	12	11	9	13	65
8: Industrial Application & Services	4	4	3	4	4	5	5	29
Total	**152**	**167**	**166**	**184**	**223**	**182**	**194**	**1268**

Table 3 below shows the descriptive statistics for this study. On average, CEOs have worked in three distinct industries, with a minimum of one and a maximum of seven different industries. The average cost of debt stands at 0.094, with the highest recorded value being 0.603 and the lowest at less than 0.000. In terms of corporate governance, the average number of board commissioners within companies is four. The highest number of commissioners observed is nine, while the lowest is two. Furthermore, these descriptive statistics provide the mean, median, minimum, and maximum values for the financial ratios of the companies.

Table 3. Descriptive Statistics

Variables	Mean	Median	Minimum	Maximum
COD	0.094	0.080	0.000	0.603
GENERAL	2.998	3.000	1.000	7.000
CAGE	3.977	3.989	3.526	4.344
COM	4.186	4.000	2.000	9.000
SIZE	28.812	28.785	23.086	32.244
FAGE	33.781	32.000	5.000	121.000
ROA	0.014	0.020	-0.659	0.405
RND	0.000	0.000	0.000	0.008
INTCOV	26433.226	4125.660	-33109.598	757188.688

Notes: *This table presents the descriptive statistics of the variables used in the primary analysis. See Table 1 for the variable definitions.*

Table 4 below presents the results of Pearson correlations, indicating that the CEO's general experience (GENERAL) exhibits a significant positive correlation with the cost of debt at a 5% significance level. The nature of this correlation, as well as the level of significance, can be inferred from the presence of positive or negative signs and asterisks. Furthermore, in addition to the correlation between the dependent variable and the independent variable, there are also significant correlations between the dependent variable and the control variables. Specifically, the cost of debt shows a significant correlation with the number of board commissioners (COM), company size (FIRMSIZE), firm age

(FAGE), research and development expenses (RND), and interest coverage (INTCOV). However, two control variables, CEO age (CAGE) and return on assets (ROA), do not exhibit a significant correlation with the cost of debt.

Table 4. Matrix of Correlations

Variables	GENERAL	COD	CAGE	COM	SIZE	FAGE	ROA	RND	INTCOV
GENERAL	1.000								
COD	0.065**	1.000							
	(0.021)								
CAGE	-0.095***	-0.024	1.000						
	(0.001)	(0.399)							
COM	-0.067**	0.102***	0.144***	1.000					
	(0.017)	(0.000)	(0.000)						
SIZE	-0.117***	0.056**	0.112***	0.544***	1.000				
	(0.000)	(0.045)	(0.000)	(0.000)					
FAGE	-0.095***	-0.126***	0.186***	0.267***	0.113***	1.000			
	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)				
ROA	0.138***	-0.008	-0.025	0.174***	0.231***	0.090***	1.000		
	(0.000)	(0.774)	(0.370)	(0.000)	(0.000)	(0.001)			
RND	0.002	-0.057**	-0.035	0.076***	0.088***	0.075***	0.089***	1.000	
	(0.957)	(0.042)	(0.216)	(0.007)	(0.002)	(0.008)	(0.002)		
INTCOV	0.139***	-0.083***	-0.018	0.029	0.029	0.021	0.264***	0.160***	1.000
	(0.000)	(0.003)	(0.530)	(0.301)	(0.298)	(0.463)	(0.000)	(0.000)	

Notes: *This table reports correlation analysis. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively. See Table 1 for the variable definitions.*

Baseline Regression Analysis

The data used in this regression analysis have undergone a series of tests, confirming the absence of multicollinearity issues. Table 5 presents the results of the regression analysis from Equation (1) that examines the relationship between generalist CEOs and the cost of debt. The regression results indicate that the generalist CEOs are positively related to the cost of debt at a 10% significance level, with a coefficient of 0.004 (z-value = 1.84). The results show that as the CEO's experience becomes more diversified across various industries, the company's cost of debt increases by 0.4%. This finding is consistent with Owusu et al. (2022), suggesting that creditors take into account the CEO's disposition in decision-making and their attitude toward risk.

Table 5. Baseline Regression

Variables	COD
GENERAL	0.004*
	(1.84)
CAGE	-0.024
	(-1.34)

COM	-0.002
	(-0.77)
BIG4	-0.004
	(-0.68)
SIZE	-0.005**
	(-2.08)
FAGE	-0.000*
	(-1.87)
ROA	0.095***
	(4.47)
RND	0.076
	(0.03)
INTCOV	-0.000
	(-0.57)
Constant	0.351***
	(3.79)
Firm-year RE	Yes
R Square	0.050
Adjusted R Square	0.044
N	1268

Notes: *z-values of the regression coefficients appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively. See Table 1 for the variable definitions.*

Robustness Test Analysis

In this study, the Coarsened Exact Matching (CEM) method and Heckman Two-Stage Least Squares (Heckman, 1979) are employed to address the issue of endogeneity. CEM is utilized to tackle selection bias, which arises when the sample is not randomly generated and thus does not represent the population. CEM is a data preparation method used to control for the potential confounding effects of control variables before treatment by reducing the imbalance between the treated and control groups (Blackwell et al., 2009). Within the CEM analysis, matching is carried out based on three strata to identify similar characteristics of specific variables. Panel A of Table 6 presents an overview of the observation sample when utilizing the CEM method. Table 6, Panel A shows that out of a total of 407 observations, 396 observations have more general industry experience, while 811 out of 861 observations possess limited industry experience. Furthermore, in Panel B of Table 6, we run Equation (1) using the matched samples obtained through the CEM process in Panel A (1,207 observations), and the results are consistent with the main findings, with a coefficient of 0.004 (z-value: 2.15).

Table 6. Coarsened Exact Matching (CEM)

Panel A. Matching summary		
	GENERAL=0	GENERAL=1
All	861	407
Matched	811	396
Unmatched	50	11

Panel B. CEM results	
Variables	COD
GENERAL	0.004**
	(2.15)
CAGE	-0.013
	(-0.72)
COM	-0.002
	(-0.94)
BIG4	-0.004
	(-0.77)
SIZE	-0.004
	(-1.55)
FAGE	-0.000*
	(-1.87)
ROA	0.093***
	(4.23)
RND	4.521
	(1.13)
INTCOV	0.000
	(1.25)
Constant	0.264***
	(2.87)
Firm-year RE	Yes
R Square	0.063
Adjusted R Square	0.056
N	1207

Notes: *z-values of the regression coefficients appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively. See Table 1 for the variable definitions.*

The regression of Heckman two-stage least squares is a statistical method aimed at addressing sample selection bias within regression analysis. This bias arises when the sample under examination is not randomly selected from the population, potentially skewing the estimated regression coefficients (Christopeit & Massmann, 2012). The model is estimated in two stages. In the first stage, as shown in Equation (2), we use a probit model to examine the probability of a firm having a generalist CEO by utilizing the instrumental variable, which is the average of CEOs' general industry experience.

$$Dummy\_GENERAL_{i,t} = \beta_0 + \beta_1 AVE\_GEN_{i,t} + \beta_2 CAGE_{i,t} + \beta_3 COM_{i,t} + \beta_4 BIG4_{i,t} + \beta_5 FIRMSIZE_{i,t} + \beta_6 FAGE_{i,t} + \beta_7 ROA_{i,t} + \beta_8 RND_{i,t} + \beta_9 INTCOV_{i,t} + \varepsilon_{i,t} \quad \textbf{(2)}$$

As specified in Equation (3) below, an additional Mills ratio is included in the second stage to address potential selection bias and test the robustness of the main model.

$$COD_{i,t} = \beta_0 + \beta_1 GENERAL_{i,t} + \beta_2 CAGE_{i,t} + \beta_3 COM_{i,t} + \beta_4 BIG4_{i,t} + \beta_5 FIRMSIZE_{i,t} + \beta_6 FAGE_{i,t} + \beta_7 ROA_{i,t} + \beta_8 RND_{i,t} + \beta_9 INTCOV_{i,t} + \beta_{10} MILLS_{i,t} + Firm\ RE + Year\ RE + \varepsilon_{i,t} \quad \textbf{(3)}$$

The results are presented in Table 7. From the first stage, it is confirmed that there is a significant positive relationship between the average CEO industry experience and the number of industries in which CEOs have worked, at a 1% significance level. In the second stage, the results show that there is a significant positive relationship between CEO general industry experience and the cost of debt, with a coefficient value of 0.004 (z-value = 2.007), also at a 5% significance level.

Table 7. Heckman Two Stage Model

	First Stage	Second Stage
Variables	Dummy_GENERAL	COD
AVE_GEN	0.913***	
	(9.785)	
GENERAL		0.004**
		(2.007)
CAGE	-0.138	-0.026
	(-0.556)	(-1.454)
COM	0.153***	-0.001
	(5.767)	(-0.235)
BIG4	0.077	-0.003
	(0.914)	(-0.630)
SIZE	-0.050	-0.005**
	(-1.640)	(-2.175)
FAGE	-0.002	-0.000**
	(-0.819)	(-2.006)
ROA	0.168	0.096***
	(0.485)	(4.500)
RND	-12.796	-0.092
	(-0.355)	(-0.038)
INTCOV	-0.000*	-0.000
	(-1.667)	(-0.809)
MILLS		0.010
		(0.988)
Constant	-1.854	0.351***
	(-1.483)	(3.788)
Firm-year RE	No	Yes
Pseudo R Square	0.093	
Adjusted R Square		0.039
N	1268	1268

Notes: *z-values of the regression coefficients appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively. See Table 1 for the variable definitions.*

Additional Analysis

To provide a more in-depth understanding, this study includes several additional analyses. The first additional analysis investigates whether the tenure of a generalist CEO moderates their impact on the cost of debt. The results of this study may be intervened by the CEO tenure, as the longer the tenure, the more specialized the CEO will be. A generalist CEO

with long tenure may be perceived as a specialist by the creditors, and this would affect the cost of debt. To address this issue, we include CEO tenure in the analysis. The sample is divided into two subsamples based on the mean of CEO tenure: short-tenure generalist CEOs (the tenure is below the mean) and long-tenure generalist CEOs (the tenure is above the mean). The sample mean of the CEO tenure is 8.607 years. The regression results (Table 8) show that CEO generalist experience has an insignificant relationship with the cost of debt for the short-tenure group. Conversely, the results for the long-tenure group show a significant positive relationship between CEO generalist experience and the cost of debt with a coefficient of 0.004 (z = 1.69). The results show that the association of a generalist CEO with the cost of debt remains positive after controlling for tenure. It indicates that creditors still perceived generalist CEOs as riskier, although they have worked for long term.

Table 8. Additional Analysis: Subsamples of Long-Tenure and Short-Tenure CEOs

	(Short-tenure CEOs)	(Long-tenure CEOs)
Variables	COD	COD
GENERAL	0.001	0.004*
	(0.34)	(1.69)
CAGE	0.003	-0.021
	(0.11)	(-0.89)
COM	-0.000	-0.001
	(-0.05)	(-0.46)
BIG4	-0.005	-0.003
	(-1.03)	(-0.46)
SIZE	-0.006**	-0.005
	(-2.01)	(-1.62)
FAGE	-0.000	-0.000
	(-1.49)	(-1.26)
ROA	0.030	0.121***
	(1.39)	(4.02)
RNDS	2.524	-2.181
	(1.06)	(-0.66)
INTCOV	-0.000***	0.000
	(-3.26)	(0.70)
Constant	0.245**	0.334***
	(2.12)	(2.78)
Firm-year RE	Yes	Yes
R Square	0.111	0.062
Adjusted R Square	0.092	0.052
N	421	847

Notes: *z-values of the regression coefficients appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively. The CEO's tenure computed as the length of the CEO's term of office in years. The sample mean of the tenure is 8.607 years, short-tenure sub-sample is from observations below the mean, and long-tenure is from observations above the mean. See Table 1 for the variable definitions.*

Next, this study includes observations from 2019 to 2021, a period marked by the

COVID-19 pandemic, which caused global economic disruption and uncertainty (Handayani, 2024; Sudirman et al., 2023). Given this context, the results may be influenced by the economic conditions during the pandemic. To address this, we conduct a subsample analysis by splitting the data into pre-pandemic (2015–2018) and post-pandemic (2019–2021) periods. Table 9 shows that the CEO's general experience has a significant positive relationship with the cost of debt in the post-pandemic subsample, with a coefficient of 0.005 (z = 2.10). However, in the pre-pandemic subsample, the relationship is positive but not statistically significant. It indicates that creditors perceived a generalist CEO as riskier during the pandemic periods.

Table 9. Additional Analysis: Subsamples Before and After COVID-19

	(BEFORE)	(AFTER)
Variables	COD	COD
GENERAL	0.003	0.005**
	(0.95)	(2.10)
CAGE	-0.017	-0.030
	(-0.67)	(-1.33)
COM	0.000	-0.003
	(0.00)	(-1.03)
BIG4	-0.000	-0.010*
	(-0.02)	(-1.82)
SIZE	-0.003	-0.003
	(-0.83)	(-1.10)
FAGE	-0.000	-0.000*
	(-0.74)	(-1.65)
ROA	0.071**	0.064**
	(2.42)	(2.18)
RND	-1.435	1.584
	(-0.31)	(0.59)
INTCOV	-0.000	0.000***
	(-1.60)	(2.84)
Constant	0.255*	0.322***
	(1.83)	(2.84)
Firm-year RE	Yes	Yes
R Square	0.015	0.069
Adjusted R Square	0.002	0.055
N	668	600

Notes: *z-values of the regression coefficients appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively. See Table 1 for the variable definitions.*

To establish more robust results, this study expects that the specialist CEO would have a lower cost of debt, which is the opposite of all findings we obtained regarding the generalist CEO. The third additional analysis aims to examine the relationship between a CEO's specific industry experience (SPECIFIC) and the cost of debt. The study by Chahyadi et al. (2021), suggests that CEOs with specific industry experience tend to enhance a company's performance and are more inclined to invest in research and development

(R&D). The CEO's specific industry experience is measured based on the number of years the CEO has worked in the current industry. Table 10 below indicates a significant negative relationship between CEOs with specific industry experience and the debt costs, with a coefficient of -0.001 (z = -1.69). The results confirm the notion that specialist CEOs may better mitigate the business risk in their current industry, leading creditors to impose a lower cost of debt.

Table 10. Additional Analysis: CEO's Industry Experience

Variables	COD
SPECIFIC	-0.001*
	(-1.69)
CAGE	-0.011
	(-0.53)
COM	-0.002
	(-0.80)
BIG4	-0.004
	(-0.78)
SIZE	-0.005**
	(-2.00)
FAGE	-0.000*
	(-1.68)
ROA	0.095***
	(4.47)
RND	-0.084
	(-0.03)
INTCOV	-0.000
	(-0.59)
Constant	0.312***
	(3.18)
Firm-year RE	Yes
R Square	0.052
Adjusted R Square	0.045
N	1268

Notes: *z-values of the regression coefficients appear in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively. See Table 1 for the variable definitions.*

DISCUSSION

We examine the relationship between generalist CEOs and the cost of debt in Indonesia. This study follows Custódio et al., (2013) in measuring a CEO's general industry experience based on the number of different industries in which they have worked. This study finds that the more generalist the CEOs are, the higher the cost of debt the companies incur.

The baseline regression analysis validates the hypothesis proposed in this study. We argue that a CEO's managerial experience gained from various industries results in a general managerial skill set, while a deep understanding of the current industry may

still be lacking. Consequently, this is perceived to increase the company's risk, prompting creditors to impose relatively higher interest rates. Therefore, we conclude that a generalist CEO may indeed elevate the interest costs borne by the company. This result aligns with earlier empirical studies. According to Owusu et al. (2022), creditors should consider the CEO's risk tolerance and decision-making style. CEOs with extensive backgrounds in the workplace, particularly in a variety of industries, may adopt a cautious attitude toward taking risks when making decisions (Crossland et al., 2014; Custódio et al., 2013). According to findings presented by Ma et al., (2021), the more generalist the CEO, the more likely the companies are to have lower credit ratings, reflecting higher corporate risk.

The results of this study remain robust through two robustness tests: CEM and Heckman two-stage least squares regression. The outcome of the CEM test validates the findings of the main analysis and shows that the positive relationship between a CEO's general industry experience and corporate debt costs is not influenced by observable endogeneity bias. The Heckman two-stage least squares regression also shows that the findings from this study remain robust. After controlling for unobservable bias through Heckman two-stage least squares regression, the positive relationship between general industry experience and the cost of debt remains robust.

This study also examined three additional analyses. First, the relationship between CEO generalist experience and the cost of debt is explored by dividing the sample into short-tenure and long-tenure groups based on the mean of CEO tenure. The lack of significance in the short-tenure group may stem from creditors' limited information or interaction with newly appointed generalist CEOs, as their tenure may be too short to substantially influence risk perceptions. Additionally, during shorter tenures, strategic decisions that could amplify creditor concerns, such as aggressive financial risk-taking or major capital restructurings, may not yet have fully materialized (Chahyadi et al., 2021; Crossland et al., 2014; Custódio et al., 2013).

Conversely, the results for the long-tenure group show a significant positive relationship between CEO generalist experience and the cost of debt, indicating that creditors perceive long-tenure generalist CEOs as riskier. Over time, creditors may become increasingly aware of the potential for generalist CEOs to take higher risks due to their broad decision-making style, which can lack a nuanced understanding of industry-specific dynamics (Hambrick & Mason, 1984; Ma et al., 2021). This perception of elevated risk leads to higher borrowing costs. These findings are consistent with studies emphasizing that generalist CEOs, particularly those with extended tenures, may increase corporate risk profiles, resulting in higher costs of debt (Crossland et al., 2014; Owusu et al., 2022).

The second additional analysis examines the influence of CEO generalist experience on the cost of debt using pre-COVID-19 and post-COVID-19 subsamples. The results indicate that CEO generalist experience significantly influences the cost of debt in the post-pandemic period. This finding suggests that creditors perceive generalist CEOs as riskier during uncertain economic conditions, such as the aftermath of COVID-19. Generalist CEOs, characterized by their adaptability and broad expertise, may be more inclined to pursue strategic decisions that are less focused on industry-specific risks, leading to heightened risk perceptions among creditors (Custódio et al., 2013; Ma et al., 2021).

The heightened significance of CEO generalist experience in the post-pandemic period can be attributed to the increased economic volatility and uncertainty following COVID-19. Creditors, during such periods, are likely to scrutinize leadership decisions more closely, particularly focusing on how CEOs navigate the recovery phase. Generalist

CEOs, while versatile, may lack the specialized knowledge required to mitigate risks in specific industries, thereby amplifying creditors' concerns about the firm's stability (Hambrick & Mason, 1984; Li & Patel, 2019). This aligns with previous research highlighting how leadership characteristics become more salient in times of economic crisis, when firm-level risks are intensified (Eliwa et al., 2021).

Conversely, no significant relationship was found between CEO generalist experience and the cost of debt in the pre-COVID-19 period. Under stable market conditions, creditors are likely to prioritize more observable and measurable firm-level factors, such as financial performance and governance practices, over CEO attributes. The relative predictability of pre-pandemic markets may reduce the relevance of CEO generalist experience in shaping creditors' risk assessments (Kose et al., 2022; Rajah & Grenville, 2020). This finding underscores the context-dependent nature of CEO characteristics, with their influence becoming more pronounced during periods of heightened uncertainty.

In line with Chahyadi et al. (2021), the third additional analysis examined the relationship between the CEO's specific industry experience (SPECIFIC) and the cost of debt. The results concluded that CEOs with specific industry experience tend to have a deeper understanding of the industry, which allows them to reduce the perceived risk by creditors and ultimately lower the company's debt costs. This finding supports the argument that CEOs with specialized knowledge are better equipped to anticipate industry-specific risks, make more informed decisions, and build trust with creditors over time (Chahyadi et al., 2021; Faleye et al., 2018).

The negative relationship between SPECIFIC and debt costs also aligns with studies suggesting that industry-specific experience enhances operational stability and transparency, both of which are critical for lowering perceived risk among lenders (Custódio et al., 2013; Gracia & Siregar, 2021). However, it is important to note that while this result is significant, the broader implications highlight how CEOs with deep, industry-specific experience may be less inclined to pursue risky financial strategies, such as excessive leverage or speculative projects, further reassuring creditors of their financial prudence (Ma et al., 2021).

As highlighted in this study, the role of generalist CEOs in influencing the cost of debt has significant implications for managers, policymakers, and boards. To mitigate potential risks associated with generalist CEOs, boards may consider establishing stronger risk management practices tailored to CEOs with broad industry experience. For example, incorporating financial risk monitoring frameworks and requiring periodic assessments of strategic decisions can help counterbalance the elevated risks perceived by creditors. This would enable companies to better align their leadership strategies with organizational financial stability and long-term objectives, as highlighted in the practical implications of this study.

Policymakers also play a pivotal role in mitigating risks by encouraging transparent disclosure of CEO attributes, including their professional backgrounds and risk profiles. This transparency allows creditors and investors to better evaluate the potential impact of CEOs on corporate risk, facilitating more informed decision-making. Furthermore, governance structures, particularly in emerging markets such as Indonesia, can benefit from guidelines that emphasize the alignment of CEO selection criteria with company-specific risk management objectives. These efforts can reduce information asymmetry and promote efficient capital allocation, addressing practical challenges in Indonesia's unique economic and regulatory context.

Beyond corporate and practical implications, this study also reveals broader social consequences associated with generalist CEOs' decisions. Elevated borrowing costs, driven by perceived CEO-related risks, may hinder firms' ability to invest in innovation, job creation, and economic development. These challenges are particularly critical in Indonesia, where inefficiencies in governance structures and asymmetrical information systems amplify financial risks. By integrating governance practices that address CEO-related financial risks, firms can contribute to more stable labor markets, equitable development, and broader economic resilience. Policymakers can further enhance social outcomes by designing frameworks that foster inclusive economic growth, ensuring that corporate decisions align with societal welfare goals.

CONCLUSION

The results of this study indicate that CEOs with general industry experience have a positive relationship with the company's cost of debt. This finding has been tested for endogeneity using the Coarsened Exact Matching (CEM) method and Heckman Two-Stage Least Squares, addressing endogeneity issues. These results also confirm our belief that general industry experience can increase the perceived risk among creditors, leading to higher interest rates and increased company debt costs. This study also examined three additional analyses, including controlling for CEO tenure, COVID-19 periods, and specific CEO skills. The results demonstrate that creditors perceived a generalist CEO as riskier when the CEO has a longer tenure and during the COVID-19 period. In addition, a specialist CEO is perceived to be less risky by the creditors, which is the opposite of our main hypothesis. It supports the notion that a specialist CEO may have better capability to mitigate the risk and lower the cost of debt.

These findings have several important implications, particularly for scholars, investors, practitioners, and policymakers. Theoretically, this study enhances the understanding of the determinants of a company's cost of debt by expanding the literature on the impact of CEO characteristics, particularly generalist experience, on debt costs. It demonstrates the nuanced role of CEO backgrounds in shaping creditors' risk perceptions, thereby offering a theoretical contribution to Upper Echelons Theory.

Practically, the research provides valuable insights for decision-making processes regarding CEO selection based on industry experience. Public and private investors can utilize these findings to assess risk levels more accurately by considering the professional backgrounds and experiences of CEOs. By providing these insights, this study deepens our understanding of the cost of debt phenomenon in Indonesia and contributes to the broader discourse on corporate governance in developing nations. To operationalize these insights, corporate governance bodies should establish best practice guidelines for CEO selection, prioritizing industry expertise to ensure CEOs with specialized knowledge can better mitigate credit risk and optimize firms' cost of debt. Additionally, policymakers should recommend standardized disclosure requirements, guiding firms to report CEO background in annual reports or sustainability disclosures. This transparency enables investors and creditors to assess leadership qualifications more effectively, strengthening corporate governance, reducing financial risks, and enhancing investor confidence.

Moreover, this study emphasizes broader social implications, particularly in the context of developing economies. The observed relationship between generalist CEOs and

increased debt costs underscores potential socio-economic repercussions, such as constrained corporate investments and reduced job creation, which may hinder sustainable economic growth. Policymakers are encouraged to develop frameworks that align CEO competencies with industry-specific demands, thereby reducing financial risks and promoting economic stability. For instance, in Indonesia, where capital market inefficiencies and high information asymmetry are prevalent, promoting transparency in CEO selection processes and implementing targeted training programs could address these challenges effectively. Globally, this study reinforces the importance of aligning leadership characteristics with organizational and economic objectives to foster financial resilience, sustainable growth, and broader societal welfare.

LIMITATION

This study also has several research limitations. First, CEOs can gain industry experience through education and social interactions with peers from various industries. However, this research cannot directly measure the CEOs' experience beyond the work experience recorded in the annual report. Future studies could address this limitation by utilizing qualitative methods, such as interviews or surveys, to capture a broader scope of CEOs' industry-related interactions and educational backgrounds. Second, although we have excluded short-term liabilities from our calculation of the cost of debt, we may not be able to exclude all short-term liability interest expenses from our cost of debt calculation because Indonesian accounting standards do not require public companies to disclose short-term liability interest. To overcome this limitation, future research could employ alternative data sources or focus on countries with more transparent reporting standards to better account for short-term liability interest. Lastly, this study primarily focuses on the Indonesian context, which is characterized by unique institutional frameworks and market inefficiencies. Future research could expand on this by examining the relationship between CEO industry experience and cost of debt in other developing economies with similar governance structures and regulatory challenges. For instance, in Southeast Asia, where emerging markets dominate, governance frameworks remain relatively weak in curbing management opportunism (Claessens & Fan, 2002; Claessens & Yurtoglu, 2013), allowing greater managerial discretion in financial decision-making. Comparative studies across countries characterized by high information asymmetry, evolving investor protection mechanisms, and concentrated ownership structures could provide deeper insights into the extent to which these institutional factors consistently influence CEO decision-making and creditor risk perceptions. Furthermore, contrasting these findings with economies that feature more mature regulatory frameworks and stronger creditor protections may elucidate the role of market development in shaping the relationship between CEO experience and borrowing costs.

ACKNOWLEDGEMENTS

We would like to express our sincere appreciation to all parties who have contributed to the development of this paper. This work was supported by the Direktorat Riset, Teknologi, dan Pengabdian kepada Masyarakat Kementerian Pendidikan, Kebudayaan, Riset, dan Teknologi (Directorate of Research, Technology, and Community Service of the Ministry

of Education, Culture, Research, and Technology) under reference letter number 1221/UN3.LPPM/PT.01.03/2023.

REFERENCES

ADB. (2020). *Asian Development Outlook 2020: What Drives Innovation in Asia?*

Agnihotri, A., & Bhattacharya, S. (2021). Generalist versus specialist CEO and R&D commitment: evidence from an emerging market. *Journal of Management & Organization*, 1–17.

Al-ahdal, W. M., Alsamhi, M. H., Tabash, M. I., & Farhan, N. H. S. (2020). The impact of corporate governance on financial performance of Indian and GCC listed firms: An empirical investigation. *Research in International Business and Finance, 51*, 101083. https://doi.org/https://doi.org/10.1016/j.ribaf.2019.101083

ASEAN. (2021). *ASEAN Economic Integration Brief.*

Becker, G. S. (1962). Investment in human capital: A theoretical analysis. *Journal of Political Economy, 70*(5, Part 2), 9–49.

Betzer, A., Lee, H. S., Limbach, P., & Salas, J. M. (2017). Are Generalists Beneficial to Corporate Shareholders? Evidence from Exogenous Executive Turnovers. *Journal of Financial and Quantitative Analysis, 55*(2), 581–619. https://doi.org/10.2139/ssrn.2939486

Blackwell, M., Iacus, S., King, G., & Porro, G. (2009). cem: Coarsened exact matching in Stata. *The Stata Journal, 9*(4), 524–546.

Bliss, M. A., & Gul, F. A. (2012). Political connection and cost of debt: Some Malaysian evidence. *Journal of Banking & Finance, 36*(5), 1520–1527.

Bonsall, S. B., & Miller, B. P. (2017). The impact of narrative disclosure readability on bond ratings and the cost of debt. *Review of Accounting Studies, 22*, 608–643.

Brahmana, R. K., Setiawan, D., Lau, E., & Kontesa, M. (2023). Do the Characteristics of Startup Founders Matter for Funding Performance? *Journal of Indonesian Economy and Business, 39*(3), 328–346.

Chahyadi, C., Doan, T., & Naym, J. (2021). Hiring the right CEO: how does the type of CEO industry experience affect firm performance, firm risk-taking behavior, and CEO compensation? *International Journal of Business and Society, 22*(2), 828–845.

Cherkasova, V., & Kuzmin, E. (2018). Financial flexibility as an investment efficiency factor in Asian companies. *Gadjah Mada International Journal of Business, 20*(2), 137–164.

Chicoli, R. da S., & Bender, S. (2019). *Estimation of maximum debt for emerging countries: An analysis by fiscal reaction function*. University of São Paulo (FEA-USP).

Christopeit, N., & Massmann, M. (2012). *Strong consistency of the least-squares estimator in simple regression models with stochastic regressors.*

Claessens, S., & Fan, J. P. H. (2002). Corporate governance in Asia: A survey. *International Review of Finance, 3*(2), 71–103.

Claessens, S., & Yurtoglu, B. B. (2013). Corporate governance in emerging markets: A survey. *Emerging Markets Review, 15*, 1–33.

Crossland, C., Zyung, J., Hiller, N. J., & Hambrick, D. C. (2014). CEO career variety: Effects on firm-level strategic and social novelty. *Academy of Management Journal, 57*(3), 652–674.

Custódio, C., Ferreira, M. A., & Matos, P. (2013). Generalists versus specialists: Lifetime work experience and chief executive officer pay. *Journal of Financial Economics, 108*(2), 471–492.

Custódio, C., Ferreira, M. A., & Matos, P. (2017). Do General Managerial Skills Spur Innovation? *Econometric Modeling: Corporate Finance & Governance EJournal.* https://doi.org/10.2139/ssrn.2289701

Custódio, C., Ferreira, M. A., & Matos, P. (2019). Do general managerial skills spur innovation? *Management Science, 65*(2), 459–476.

Eliwa, Y., Aboud, A., & Saleh, A. (2021). ESG practices and the cost of debt: Evidence from EU countries. *Critical Perspectives on Accounting, 79*, 102097.

Faleye, O., Hoitash, R., & Hoitash, U. (2018). Industry expertise on corporate boards. *Review of Quantitative Finance and Accounting, 50*, 441–479.

Gracia, O., & Siregar, S. V. (2021). Sustainability practices and the cost of debt: Evidence from ASEAN countries. *Journal of Cleaner Production, 300*, 126942.

Hambrick, D. C. (2007). Upper echelons theory: An update. In *Academy of management review* (Vol. 32, Issue 2, pp. 334–343). Academy of Management Briarcliff Manor, NY 10510.

Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review, 9*(2), 193–206.

Handayani, F. (2024). Unveiling the Covid-19 Recession: The Effect of Sectoral Exposure on the Economy and Labor Market. *Journal of Indonesian Economy and Business, 39*(2), 143–159.

Harymawan, I., Nasih, M., Rahayu, N. K., Kamarudin, K. A., & Wan Ismail, W. A. (2022). Busy CEOs and financial reporting quality: evidence from Indonesia. *Asian Review of Accounting, 30*(3), 314–337.

Heckman, J. J. (1979). Sample selection bias as a specification error. *Econometrica: Journal of the Econometric Society*, 153–161.

Junus, O., Harymawan, I., Nasih, M., & Anshori, M. (2022). Politically connected independent commissioners and independent directors on the cost of debt. *International Journal of Financial Studies, 10*(2), 41.

Kabir, M., & Rashid, H. (2023). Do generalist CEOs engage in more tax avoidance than specialist CEOs? *Accounting and Business Research, 54*(4), 525–551. https://doi.org/10.1080/00014788.2023.2183486

Kalelkar, R., & Khan, S. (2016). CEO financial background and audit pricing. *Accounting Horizons, 30*(3), 325–339.

Kamil, R., & Appiah, K. O. (2022). Board gender diversity and cost of debt: do firm size and industry type matter? *Gender in Management: An International Journal, 37*(1), 19–38.

Kose, M. A., Ohnsorge, F. L., Reinhart, C. M., & Rogoff, K. S. (2022). The aftermath of debt surges. *Annual Review of Economics, 14*, 637–663.

Li, M., & Patel, P. C. (2019). Jack of all, master of all? CEO generalist experience and firm performance. *The Leadership Quarterly, 30*(3), 320–334.

Lin, Z., Patel, P., & Oghazi, P. (2021). The value of managerial ability and general ability for inventor CEOs. *Journal of Business Research, 135*, 78–98.

Ma, Z., Ruan, L., Wang, D., & Zhang, H. (2021). Generalist CEOs and credit ratings. *Contemporary Accounting Research, 38*(2), 1009–1036.

Matemilola, B. T., Bany-Ariffin, A. N., Azman-Saini, W. N. W., & Nassir, A. M. (2018).

Does top managers' experience affect firms' capital structure? *Research in International Business and Finance, 45*, 488–498.

Mueller, P., Georgakakis, D., Greve, P., Peck, S. I., & Ruigrok, W. (2020). The Curse of Extremes: Generalist Career Experience and CEO Initial Compensation. *Journal of Management, 47*(7), 1977–2007. https://doi.org/10.1177/0149206320922308

Mueller, P., Georgakakis, D., & Ruigrok, W. (2017). Jack of all trades or master of none? CEO experience variety and firm performance. *Academy of Management Proceedings, 2017*(1), 17662.

Muslim, A. I., & Setiawan, D. (2021). Information asymmetry, ownership structure and cost of equity capital: The formation for open innovation. *Journal of Open Innovation: Technology, Market, and Complexity, 7*(1), 48.

Na, K., Lee, Y., & Yu, H. (2023). CEO type and earnings management to avoid loss or earnings decreases: Evidence from South Korea. *Gadjah Mada International Journal of Business, 25*(2), 227–254.

Nasih, M., Wardani, D. A. K., Harymawan, I., Putra, F. K. G., & Sarea, A. (2022). COVID-19 exposure: a risk-averse firms' response. *Journal of Financial Reporting and Accounting*.

Owusu, A., Kwabi, F., Ezeani, E., & Owusu-Mensah, R. (2022). CEO tenure and cost of debt. *Review of Quantitative Finance and Accounting, 59*(2), 507–544.

Putra, F. K. G., Harymawan, I., Nasih, M., & Agustia, D. (2020). A quest to minimize cost of debt by utilizing human resources disclosure. *Polish Journal of Management Studies, 21*(2), 342–355.

Rajah, R., & Grenville, S. (2020). *Keeping Indonesia's economy afloat through the COVID-19 pandemic*. JSTOR.

Ratri, M. C., Harymawan, I., & Kamarudin, K. A. (2021). Busyness, tenure, meeting frequency of the CEOs, and corporate social responsibility disclosure. *Sustainability, 13*(10), 5567.

Setiyono, B., & Tarazi, A. (2018). Does Diversity of Bank Board Members Affect Performance and Risk? Evidence from an Emerging Market. In B. Díaz Díaz, S. O. Idowu, & P. Molyneux (Eds.), *Corporate Governance in Banking and Investor Protection: From Theory to Practice* (pp. 185–218). Springer International Publishing. https://doi.org/10.1007/978-3-319-70007-6_9

Sudirman, W. F. R., Alif, M. I., & Pratiwi, A. (2023). Does Heuristic Bias Matter for Long and Short-Term Investment Decision-Making During the COVID-19 Pandemic? Journal of Indonesian Economy and Business: *JIEB., 38*(3), 254–269.

Usman, B., Bernardes, O. T. F., & Kananlua, P. S. (2020). On the nexus between CSR practices, ESG performance, and asymmetric information. *Gadjah Mada International Journal of Business, 22*(2), 151–177.

Usman, M., Farooq, M. U., Zhang, J., Makki, M. A. M., & Khan, M. K. (2019). Female directors and the cost of debt: does gender diversity in the boardroom matter to lenders? *Managerial Auditing Journal, 34*(4), 374–392.

Wang, G., Holmes Jr, R. M., Oh, I., & Zhu, W. (2016). Do CEOs matter to firm strategic actions and firm performance? A meta-analytic investigation based on upper echelons theory. *Personnel Psychology, 69*(4), 775–862.

Wardhani, D. K., Risfandy, T., Nainggolan, Y. A., & Setiyono, B. (2023). Generalist CEO and Firm Performance: Evidence from Indonesia. In W. A. Barnett & B. S. Sergi (Eds.), *Macroeconomic Risk and Growth in the Southeast Asian Countries: Insight*

from Indonesia (Vol. 33A, pp. 171–179). Emerald Publishing Limited. https://doi.org/10.1108/S1571-03862023000033A012

Xu, L. (2022). CEO general work experience and FDI-based internationalization. *Journal of Strategy and Management, ahead-of-print.*

APPENDIX A
Selection model

Variables	Pooled OLS/Common Effect Model COD	Fixed Effect Model COD	Random Effect model COD
GENERAL	0.004**	0.008**	0.004*
	(2.54)	(2.29)	(1.84)
CAGE	-0.030**	0.008	-0.024
	(-2.21)	(0.30)	(-1.34)
COM	0.000	-0.003	-0.002
	(0.24)	(-1.17)	(-0.77)
BIG4	-0.006	-0.004	-0.004
	(-1.20)	(-0.65)	(-0.68)
FIRMSIZE	-0.007***	0.008	-0.005**
	(-4.01)	(1.39)	(-2.08)
FAGE	-0.000**	-0.003***	-0.000*
	(-2.49)	(-3.17)	(-1.87)
ROA	0.106***	0.076***	0.095***
	(5.14)	(3.12)	(4.47)
RND	-0.703	-0.316	0.076
	(-0.35)	(-0.10)	(0.03)
INTCOV	0.000***	-0.000***	-0.000
	(4.02)	(-2.95)	(-0.57)
Constant	0.405***	-0.062	0.351***
	(6.03)	(-0.33)	(3.79)
R^2	0.071	0.035	0.051
Adjusted R^2	0.065		0.044
N	1268	1268	1268

t statistics in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Model testing	Hypothesis null	Hypothesis alternative	p-value	CE/FE/RE**
Chow test	CE	FE	0.000	FE
Hausman test	RE	FE	0.084	RE
Lagrange multiplier test	CE	RE	0.000	RE

Notes: *** CE/FE/RE is common or fixed or random effect; Reject the null hypothesis if p-value < 0.05. As random effect shows the most significant results, we choose random effect model to run the analysis.*