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Impact of Emotional Intelligence on Financial Effectiveness: Mediating Role of Overconfidence Bias

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Abstract

Emotional intelligence has effects on financial effectiveness of organizations by handling the overconfidence bias, and the objective of our research study is to investigate that statement confirmed from the information getting from executives of financially successful organizations. In methodology, cross-sectional design has been used and questionnaires were used for data collection from the sample of 300 executives from financial and non-financial organizations which were enlisted on SECP. The deductive research approach was used, as the research was based on the theoretical framework of behavioral finance. Hypotheses were tested through correlational & regression analysis. For testing the mediation effect of overconfidence bias, Baron and Kenny method was used. The mediation results has been confirmed through the technique of Structural Equation Modeling (SEM). The results and conclusion of this research suggested that existence of direct and positive relationship between emotional intelligence has been found in executives for achieving financial effectiveness of organizations through mediating role of overconfidence bias.

Key Words: Emotional intelligence, financial effectiveness, overconfidence

Modern organizations in front of earlier eras are dynamic in the monarchy of growing contention in which a minor inaccuracy may obliterate them from competition. Henceforth, to procure and conserve economic benefit, organizations gratified to retort against vicissitudes in the organizational realm. The competitive & volatile environment of modern organizations extremely demand those employees who are flexible and well-adjusted to be skilled of acclimating to the diverse and challenging financial circumstances imminent up their ways in such organizations (Keerthika, 2019). The existing ability of intelligence quotient of leaders has been overshadowed by the latest versions of emotional intelligence (EI) when it was noticed that leaders in spite of having high levels of IQ fail to contribute towards achieving the organizational financial effectiveness (FE) as it is expected from them. EI, an innovative idea which is debated by philosophers of behavioral finance; and the research have recognized its foremost starring role in attaining effectiveness of an organization (Mohammad H., 2017). FE can only be achieved through the higher level of manager's EI. In this manner EI has significant importance and has been noticed by most of the HR practitioners and researchers. No doubt, emotions play a crucial role in affecting someone feelings and further reflecting on someone performance (Krén et al., 2021). Goleman (2011) says that a dynamic manager or executive must be encouraging, stirring, stimulating and can build commitment in his matters; moreover, he has to make efforts to increase the levels of his EI capabilities progressively and adjust his controlling approach to adapt the organization's constraints for achieving objectives. Likewise, EI is a mechanism in the judgment of executives and their personnel capabilities to manage with vibrant deviations in the business financial settings (Shafait et al., 2021). Similarly, theory of EI suggested that emotional intelligence with its capabilities like self-awareness, self-management, motivation, empathy, and social skills; are highly required in today's business settings for achieving FE (Goleman, 2011). Existing research found that these capabilities are increased the level of emotional intelligence skill (Goleman, 1995 & Keerthika, 2019) that could enable the manager to achieve the FE of organization. In earlier research studies (Pumkaew S., 2018 & Молчанова С. М., 2020) indicated that FE in organizations could be evaluated by using return factors, as measured through several alternatives. Pallis, C. (2016) has analyzed the FE of Greece municipalities which was based on efficiency of financial manager. He has also mentioned that managing of human resources with including selection, improvement, and adaptation to their intelligence capacity is more important. Furthermore, concerning the utilization of EI is also affective in the process of decision making to achieve the FE (Keerthika, B. D., 2019). However, the issue of achieving FE has received only a minor consideration in the existing literature so this research fill the existing gap.

Behavioral Finance studies explain that the managers are involved in systematic errors or in other words are involved in emotional errors (Cao, M. M., 2021). Contemporary issues in behavioral finance have discovered numerous behavioral biases which affected individual decision-making process (Itzkowitz et al., 2017). Accordingly, everyone has emotional biases that stop everyone from taking rational decisions, in addition to poor performance and spiteful values of financial decisions in accomplishment of FE. Certain aspects of FE cannot be correctly understood without the support of behavioral finance. Accurateness of facts and information more than what they really do is the phenomena of overconfidence of decision makers. This is an emotional bias, where individuals have an unreasonable faith in their own judgment, and analytical abilities (Pompian, 2017). Overconfidence bias has profound outcomes in practice, particularly in expert and professional judgment. Senior executives or managers also suffer from overconfidence bias and fail to invest and develop their plan to achieve the FE of organizations. Such behavior is showed unintentionally so that accessible facts and information is being ignored due to overconfident behavior (Masomi, S.R. et al., 2011). For example, managers or executives are overly confident in their expectations on what an asset is value, which lead them to involve in extremely high financial risk and investment activity (Gervais, 2011 & Nagaraj, 2019). Though, all these explanations get empirical support, and thus the underlying psychological mechanism for controlling overconfidence remains unknown for achieving FE (Ferretti, V., 2016 & Bouteska, A. et al., 2018). That's why companies are working on Managers EI to control or managed the overconfidence bias for achieving FE. An assessment of current literature related to EI and its capabilities with overconfidence bias and FE has helped to researchers recognize significant gaps that needs to be filled. The theory of emotional intelligence is designed by Beldoch, Michael & *Davitz, Joel Robert (1976)* to predict and understand the emotions of employees. To develop emotional changes, researchers of behavioral finance need to better understand how the emotions are formed and how to help in controlling undesirable financial behaviors and develop positive financial behaviors. Emotions can serve as our inner moral and ethical compass. Negative feelings are indications of our unmet emotional needs. The theory also recommends that people are mostly anticipate enacting positive behaviors when they feel that they can enact them effectively. It measures our ability to be at one with others, to exercise control, to appreciate and reflect, and to influence where it is right and appropriate. Controllability is an ability bring up to the external factors, and one's emotions or believes that they have manage and control over the behavior, or if it is controlled and managed by outwardly irrepressible elements (Buşu, 2020). If persons have high level of emotional intelligence to control their emotions, then they can manage overconfidence that they are able of performing the behavior effectively (Keerthika, B. D., 2019). Agreeing to some models for people's attitudes towards actions which are strongminded by their manageable believes about overconfidence by EI, where EI is explained as the personal prospect by behavior which will produce a positive result (Khan, I. S., 2017; Swain, A. L., 2019 & Perttula, V., 2021).

These conclusions suggest the relations among the three basics which are emotions, behavioral means, and behavioral control might be bi-directional (Zheng, et.al, 2021). With this information and the theory of EI this research study fills the existing gap and use EI characteristics including self-awareness, self-management, motivation, social skill, and empathy as positive emotions for managing biases effects i.e., overconfidence bias (Azouzi, M. A. et al., 2013 & Raheja, S. et al., 2020). As a result, exploring the mechanism of EI can affect individual's overconfidence bias and recognize the complicate decision-making method of investments and completion of financial objectives and it can improve the capability for reducing the overconfidence bias in decision making, further it also can help for achieving financial effectiveness of an organization (Dudzinski, K., 2020). The mediation analysis is considered an important way for understanding the complexities of the association between the levels of EI and FE. Many studies already have observed the direct association between effectiveness of organizations and EI, which emphasis not as much attention to underlying mechanism thorough which these relations and effects flow (Keerthika, B. D., 2019). Thus, there is essential to acquaint with new mediators to understand the way by which behavioral and psychological factors can affect the financial effectiveness and overconfidence can be a significant mediator of this research which has not been recognized and analyzed earlier in such an underlying mechanism. This research study will be an innovative in this perspective. In this research, we linked the cognitive, emotional, and psychological factors with the financial effectiveness and find the direct and indirect effect of EI on FE. Furthermore, to verify mediating effect of overconfidence bias in between EI & FE. So, this article will make a theoretical as well as practical contribution by provided that further insights into the levels of EI of an individual in decision making process by exploring the ways by which FE of an organization is affected. This study based on theoretical and applied effects which an individual or managers can commonly turn in situations characterized by a high level of vagueness, risk and doubt (Miao et al., 2021).

Research Questions

i. Does self-awareness, self-management, motivation, social skill, and empathy have a significant impact on FE?

ii. Is there a direct impact of EI by combining emotional capabilities (self-awareness, self-management, motivation, social skill, and empathy) on FE?

iii. Does overconfidence bias mediate the relationship between EI and FE?

Research Objectives

Objective of this study explore the mechanism through which EI influences executives or managers decisions making process for achieving financial effectiveness with the mediating role of overconfidence bias:

i. To check the impact of EI capabilities s i.e., Self-awareness, self-management, motivation, social skill and empathy on FE.

ii. To examine the direct impact of EI by combining emotional capabilities on FE.

iii. To check the mediating role of overconfidence bias in the relationship of EI and FE.

Literature Review

Financial Effectiveness (FE)

The basic objective of laying founding of a business association is to accomplish its financial goals or objectives which are effective, "financial effectiveness” must be illustrious from financial efficiency. When financial efficiency differentiated from financial effectiveness, it implies a comparison between financial results and financial costs, while “financial effectiveness” is explained as accomplishing a financial objectives or goals (Muslims et al., 2019). Financial effectiveness is the progression of financial undertakings for achieving the financial objectives of an organization (Robbins et.al, 2010). Manulang (2015) identified that “financial effectiveness” is ultimately an accumulation of individual person’s effectiveness. Financial effectiveness could be based on vibrant, unbiased, and rational financial objectives.

Emotional intelligence (EI)

The term "emotional intelligence (EI)" appears first in 1964, (Beldoch M., 1964 & Argyle, 2017) and in 1966, B. Leuner, article titled “Emotional intelligence and emancipation” which seemed in the psychotherapeutic journal (Leuner B., 1966). EI is a widespread buzzword in behavioral finance and social sciences also. Researchers have paid a current attention around EI (Kotsou et al., 2019 & Supramaniam, 2021). Goleman, (2011) has defined that “EI is the indispensable ability of leadership... Deprived of it, an individual can have the preeminent teaching, a sharp mind, and an interminable source of smart thinking, but the individual still won’t make a great leader”. He has also proposed that the most imperative aspect that differentiates effective leaders is not their IQ but their Emotional Quotient (EQ) or Emotional intelligence (EI) (Goleman, 1998). For that reason, EI is the capability to recognize and understand emotions, to organize and control emotions and, to generate and manage emotions to improve rational and stimulate intellectual progress (Rahman, M. et al., 2016).

Emotional Intelligence and Financial effectiveness

Earlier researchers have suggested that EI could be linked to FE (Ahghar et al., 2014 & Agrawal, A., 2016). Businesses organizations are the paramount situations that involve interpersonal interface and interaction. Typically, these interfaces are interrelated to the FE (Chen et al., 2021). Managers or executives having extraordinary level of EI are those who can make usage of the antecedent and response-focused emotional parameters effectively, and dominant in their dealings with others in a more effective means (Keerthika, 2019). EI was used in organizations for selection of employees’ emotional intelligence levels and its effect on effectiveness (Agrawal, 2016). Emotional intelligence (EI) theory was defined the ability to manage one’s own and other emotions, to use this information for achieving objectives (Goleman, 2011). Theory also advocated that individual emotion create cognitive progressions and executives or managers can intend rationally about emotions. EI is an extension of twofold parts of psychological study; firstly, mental and its effects can intricate the way by which the cognitive and emotional process act together to augment emotional abilities. Secondly, emotional characteristics like Self-Awareness, Self-Management, Motivation, Empathy and Social Skills could affect the people's way of thinking and making rational decisions for better performances and achieving FE (Agrawal, 2016 & Douglas et al., 2021). Goleman et al., (2003) proposed that self-awareness, self-management, motivation, empathy, and social skills are contributed to accomplish all objectives of organization. Self-awareness is the ability to know individuals' emotions, strength and weaknesses and recognize their impact on others while using to guide in decisions. Shim et al., (2009) suggested that "self-actualizing or self-awareness values were found to be related to executive's financial attitudes". Self-awareness values were also concerned with financial achievement (Shim & Maggs, 2005), self-management involves in controlling one's disruptive emotions and adapting to changing circumstances, Motivation is a skill being aware of what motivates them, while, social-skill values were more about pursuing for stimulating the life, work well in group, and solve problems and conflicts in different situations (Shim et al., 2009), and empathy is to understand other feelings and wants. All these capabilities of EI having focused achievement oriented personal values appear to promote financial capability (Ahghar, G. et al., 2014). Successful managers are in fact leaders; according to Goleman, a good leader must be inspiring, motivating and can create commitment among his subjects; besides, he ought to try to improve his emotional intelligence abilities day by day and alter his management strategy to adapt the organization's requirements. Habibzadeh Ganji Nia, observed for the effects of EI on financial efficiency and found the similar effects (Ahmadi, 2014). Rekha & Rajagopal, (2004) in a research study titled "emotional intelligence and organizational effectiveness". Miao, C., (2021) in a research article titled "organizational EI and performance: an empirical study" determined that the levels of EI could significantly influence the financial performance. Nilashi et al., (2011) studied in his research titled; "examining the relationship of EI and organizational effectiveness" proposed that there is a significant association among EI and organizational effectiveness. Krén, (2021) specified that there is a significant and positive association between EI and organizational performance and its associate variables such as effectiveness. Conclusions of the study proposed that there is a positive and direct association among EI along with its subscales comprising self-awareness, self-adjustment, self-motivation, empathy, and social skills found in managers with financial effectiveness of an organization (Keerthika, 2019). In a work situation, FE can be influenced by competency of managers or leaders' emotional intelligence (Sadq et al., 2019). Executives, in actual need of high levels of EI are having talent to apprehend executive's desires and facilitate them to achieve FE (Karimi et al., 2021). These EI capabilities are particularly helpful in the organizational context, in which EI supposed to develop batter relationships with social networks, to refer more distal contacts with the organization to achieve FE. Collective EI has also been suggested to reduce relationship conflicts, to enhance useful solutions to disagreements and to avoid escalating conflicts. Therefore, we assume high level of EI skill is supportive for achieving the FE of organization.

H_{1a}: Self-awareness has a significant impact on financial effectiveness.

H_{1b}: Self-management has a significant impact on financial effectiveness.

H_{1c}: Motivation has a significant impact on financial effectiveness.

H_{1d}: Empathy has a significant impact on financial effectiveness.

H_{1e}: Social Skill has a significant impact on financial effectiveness.

H_2: Emotional Intelligence has a significant impact on financial effectiveness.

Emotional intelligence, overconfidence bias & financial effectiveness

Executives' emotionally intelligence is not as much of vulnerable to the special effects of emotional biases such as overconfidence. Overconfidence seems in diverse conditions of overestimation. It is a bias which can occur when persons are over-confident about their information and capabilities (Combrink, 2020). Past research has presented that overconfident executive can overestimate their capabilities to produce information which can permit them to figure out predictions (Bouteska, 2018 & Maia, 2020). Literature can confirm that overconfidence can consider the business investment distortions by making executives invest more and thus tending their businesses to risk (Glaser, 2008 & Khan, 2017). Furthermore, they are overconfident about competing business rivals and use more aggressive business strategies like debt financing and overinvesting (Ben-David et al., 2013 & Bouteska et al., 2018). Overconfident managers cannot only overvalue the investment opportunities but also ruminate the financial market and undervalues their businesses.

Executives' emotional intelligence and believes, and their effects can bring change and prosper through their observed behavioral controls (Lim et al., 2021). Thus, theory of emotional intelligence suggested that individuals having positive believes about business financial conditions which can be supposed to be significant influences later it has been testified that believes have effects on your abilities which can have impacts on behaviors (Shim & Maggs, 2005 & Boyatzis, 2018). Therefore, some levels of financial resilience and self-confidence in consort with a conviction that matters can transform and act as essential elements for improving financial competence to achieving financial effectiveness (Blue, L., 2014 & Douglas, S., 2021). EI can reduce the existence of overconfidence bias and encourage effective plans or strategies for achieving the FE (Ferretti, V., 2016 & Raheja et al., 2020). EI is a set of abilities of executives are the most important elements and their competencies to manage and control their impulses and moods in the workplace (Sussman, 2019). Self-awareness, self-management, motivation, social skill, and empathy can be increased by the understanding levels of others' emotions and can allow managers or executives to enhance, manage and control the confidence levels of executives (Kotsou et al., 2019). This emotional regulation expedites the mediation of diminishes with third parties, decreases overconfidence levels by increasing information collecting through all possible aspects and can reduce the uncertainty or risk levels and make sure the efficient operations for achieve the financial effectiveness (Karim et al., 2010). The author indicated that EI is essential for accurate usage of many of our abilities, such as decision-making, reasoning, and social adaptation (Swain, A. L., 2019). The reduction of executives' overconfidence can demonstrate the high levels of EI by means of self-awareness, self-management, motivation, empathy, and social skills which are the helpful for achieving the financial effectiveness of organizations (Agrawal, 2016; Pumkaew et al., 2018; Kotsou et al., 2019; Raheja et al., 2020; Молчанова, 2020; Lim et al., 2021 & Supramaniam et al., 2021).

H_3: Emotional Intelligence has a significant impact on overconfidence bias.

H_4: Overconfidence bias has impact on financial effectiveness.

H_5: Overconfidence bias significantly mediate the relationship between emotional intelligence and financial effectiveness.

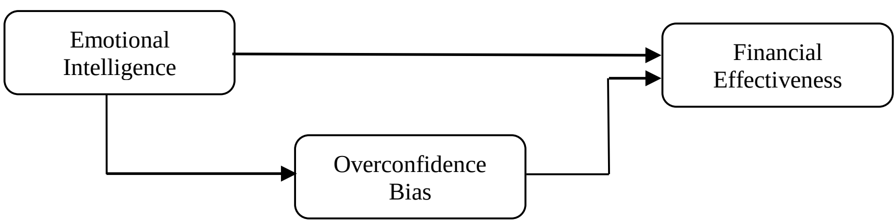

Figure 1. Theoretical Framework

Research Methodology

In this research, population was executives of the financial and non-financial organizations registered on SECP. Pakistan economy is in developing phase so, data was not accessible in normal form therefore researchers choose method of convenient sampling. Questionnaires were considered the finest technique for collecting data in that condition, because natural tendency among managers or executives to evade interviews so that the respondents would have been used their time to complete the questionnaires. For achieving the objectives of this study, 300 questionnaires were distributed among executives of the financial and non-financial organizations currently registered on Security and Exchange Commission of Pakistan (SECP). This was a big sample to satisfy the need of statistical analysis. It was confirmed by prior studies such as shah et al., (2018), and Rasheed et al., (2018) etc. From these questionnaires, 272 were solved and returned and were used for statistical analysis and it was presenting a signifying rate of responses which was 90.67 %. In the research questionnaire all items were answered by seven-point Likert scale (from one "strongly disagree" to seven "strongly agree"). In section I, the respondents were questioned about individual's personal information. Section II: Emotional intelligence. Model of Goleman (1996) was used to measure levels of emotional intelligence. Section III: measurement of overconfidence bias which were adopted from Muhammad Ali Azouza and Anis Jarbou (2012). Section IV: Financial Effectiveness. On scale seven questions were employed to measure the financial effectiveness, which were adopted from Onugha and Prof. B. Chima Onuoha (2019). Collected data through questionnaires was analyzed by using Amos graphics and Structural Equation Modeling (SEM). On the first stage, researchers checked the data reliability and data validity by means of the pilot test of the instrument. On the second stage researchers did the hypothetical testing and statistical techniques were used which were comprising descriptive statistics, cronbach's alpha, and analysis of regression and correlation techniques. Analysis of statistical techniques which were used in current research were consistent as earlier research directed by Shah et al., (2018), Hayat & Anwar, (2016) and others. For testing the mediating effect, this study used the method of mediation (Baron and Kenny's, 1986).

Results & Discussion

Validity & Reliability Test Analysis

Results of the reliability test analysis were showed that the value of "Cronbach's Alpha" of factors is more than 0.7, in addition to the value of F-statistic is also significant (Table no. 1) accordingly being systematic as acceptable. Accordingly, test of reliability analysis identifies those instruments are consistent and further can be used for analysis. Furthermore, the Convergent Validity Test also confirmed the validity of instrument. "Convergent validity", well-known as the "Average Variance Extracted" (AVE) was calculated. Current research study, values of AVE for the constructs are fluctuated from 0.51 to 0.75 (Table no. 2). Likewise, values of the "Composite Reliability" (CR) for the constructs are in significant and acceptable range, as testified (Appendix no. 2), which directs that all the constructs have suitable consistency. As a result, the items which were comprised in the variables are validate and consistent for other statistical analysis.

Table 1. *Reliability Test*

Variables	Items	Cronbach's Alpha	F(Significant)
Emotional Intelligence (EI)	50	0.906	0.000
Overconfidence (OC)	3	0.731	0.000
Financial Effectiveness (FE)	9	0.921	0.001

Notes. EI: Emotional Intelligence, OC: Overconfidence Bias, FE: Financial Effectiveness

Table 2. *Validity Test*

Variables	CR	AVR
Emotional Intelligence (EI)	0.92	0.52
Overconfidence (OC)	0.80	0.61
Financial Effectiveness (FE)	0.93	0.51

Demographic Measurements

In Table no. 3 shows the measurements for demographic information of the sample used for exploration. This research was consisted of Male (84.6%) and Female (15.4%) executives or managers. This configuration of sample indicates the Pakistani cultural and social setting. Classification of age groups, 62.9% of the whole sample was lied within the 46-55 years age, however 30.9% demonstrating the range of 55 years and above, and 6.3% representing rang of 36–45 years. In expressions of qualification, 75.4% executives or managers had degree of master, 15.4% had degree of MS/M.Phil, and 8.5 % executives had done Graduation, while 0.7% executives had intermediate degree. Research sample included job experience as: 57.0 % were 10-20 years' experience, 36.4 % having less than 10 years' experience, and 6.6 % executives had 21-30 job experience as executives. In the term of firm, 62.5% were non-financial and 37.5% were financial firms registered in Security and Exchange Commission Pakistan (SECP).

Table 3. *Demographic Analysis*

Category		Frequency	%
Gender	Male	230	84.6
	Female	42	15.4

Age	Below 25 Years	0	0
	25-35 Years	0	0
	36-45 Years	17	6.3
	46-55 Years	171	62.9
	55 Years above	84	30.9
Qualification	Metric	0	0
	Intermediate	2	0.7
	Graduation	23	8.5
	Master	205	75.4
	MS/Mphil	42	15.4
	PhD	0	0
Experience	Less than 10 years	99	36.4
	10-20 Years	155	57.0
	21-30 Years	18	6.6
	31-40 Years	0	0
	More than 40 Years	0	0
Firm	Financial	102	37.5
	Non-Financial	170	62.5
Total		272	100 %

Descriptive and Correlation Analysis:

Table no 4 shows statistical analysis of descriptive statistics and correlation among the latent variables. Results analysis of correlaton has been confirmed that EI is significantly associated with FE, as cofficent of Pearson's correlation is $r = 0.637$, at the level of significance is $p<0.01$; and overconfidence bias, $r= -0.439$, at the level of significance $p<0.01$. By giving the special attention to the amount of the probability and the test level, we can say that, there is found a positively significant correlation between usage of executives level of EI for achiving the FE of organizations (Talebi, A et al., 2011). For achieving the FE of organizations there is a negative but significant relation between overconfidence and FE (Buontempo, G., 2005). In the first and second column, results of mean and standard deviation for each latent variable are given. Mean value of EI and FE is 5.55 and 5.35 respectively. This shows a slight tilt towards on side of average and vary from 4 to 6. Mean value of OC is 1.94, this shows the mean value vary from 1 to 2. The standard deviation varying 0.45 to 1.35. This means that overall responses show a slight tilt towards the negative to positive on average.

Table 4. *Correlation Analysis*

Variables	Mean	SD	1	2	3
Emotional Intelligence (EI)	5.55	1.31	1		
Financial Effectiveness (FE)	5.33	1.30	0.637**	1	
Overconfidence (OC)	1.94	0.46	-0.439**	-0.433**	1

Notes. EI: Emotional Intelligence, OC: Overconfidence Bias, FE: Financial Effectiveness

Regression Analysis

To analyze the impacts of EI on FE of organizations, researchers employed the Structural Equation Modeling (SEM), which practiced the maximum likelihood method for estimation the regression analysis of the independet variables on dependet variable. The impact were estimated by using AMOS which is presented in the figure no 1 and results are presented in the table no. 5.

We analyzed the results into two steps for supporting the hypothesis. In first step, researchers tested the first hypothesis and employed the linear regression to see whether EI characterstics i.e "self-awareness, self-management, motivation, empathy and social skills" were significantly predict FE. Structural diagram of the analysis which has been presented in figure no. 1, depicted the standarized model based on factors of EI i.e. self-awareness, self-management, motivation, social skill, and empathy which have shown the association between the EI and its impact on the FE of organizations.

The table no. 5 has showed that there is a direct and signifcant infuence of all the factors of EI i.e. self-awareness, self-management, motivation, empathy and scocial skill at 0.05 level. Thus, the hypotheses H1a, H1b, H1c, H1d, and H1e were accepted. It has given this meaning that there is a significant and postive association between all the factors of EI (self-awareness, self-management, motivation, empathy and social skills) and FE. Reported results have shown that self-awarness (β =0.158 and, P=0.000) is an important predictor of the FE which supported H1a, similarly self-management (β=0.320 and, P=0.000) H1b, motivation (β=0.186 and, P=0.001) H1c, empathy

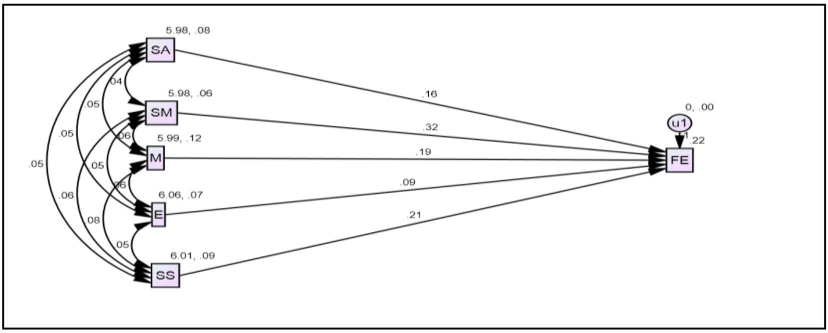

Figure 2. Direct impact of EI capabilities i.e. SA,SM,M,E,SS onFE

(β=0.089 and , P=0.000) H1d and, social skill (β=0.215 and P=0.000) H1e are also signifcant predictors of the FE. It is also noted that all factors of EI were associated with each other and FE positively. Furthermore, it is also observed that self-management with β=0.320 and P=0.000 played a major role in managing and controlling individuals' emotions for achieving the FE of organizations. Based on the value of R^2, factors of emotional intelligence have explained 92.6% of FE. In second step, table no. 6 has shown, reserchers have been regressed the EI by combining its all factors on FE. It is noted that EI with β=0.636 and, P=0.000 has created a positively direct and significant effect on FE. Value of R^2 of emotional intelligence has explained 40.6% of financial effectivness, lending support to H2. Therfore, the results have proven that all the factors of EI and emotional intelligence by itself could significantly create positive impacts on FE of organizations.

Table 5. *Regression Analysis Component Analysis*

Hypotheses	Regression weight	Beta Estimate	P-Value	Hypotheses Supported
H1a	SA → FE	0.158	0.000	Yes
H1b	SM → FE	0.320	0.000	Yes
H1c	M → FE	0.186	0.001	Yes
H1d	E → FE	0.089	0.000	Yes
H1e	SS → FE	0.215	0.000	Yes

Note. *P<0.05. SA: Self-Awareness, SM: Self-Management, M: Motivation, E: Empathy, SS: Social Skill, FE: Financial Effectiveness

Table 6. *Regression Analysis Direct analysis*

Hypotheses	Regression Weight	Beta Estimate	Adjusted R^2	P-Value	Hypotheses Supported
H2	EI→FE	0.636	0.406	0.000	Yes

Note. *P<0.05. EI: Emotional Intelligence, FE: Financial Effectiveness

Mediation Analysis:

The results of mediation analysis were authentisized through the technique of Structural Equation Modeling (SEM) by the usage of Baron and Kenny's (1986) approch. First of all, researchers applied SEM technique to check the authenticity of the outcomes of mediating effects of overconfidence bias with the association between EI & FE. The resutls proved that the effect of IV(intependent variable) on DV(Dependent Variable) without mediator was significant (table no. 7 & 8). The EI was significantly affected the FE (β=0.636, P=0.00) before mediator in the hypothetical model for providing support of H2. Later on, researchers included a mediator in the model, there was a significant relationship among EI and FE and it was also found through mediating variable overconfidence bias. The value of beta coefficient of EI and FE was β = 0.553 with significance of p=0.000, value of Beta coefficient of EI and Overconfidence bias (OC) was β= -0.156 with significance of p=0.000 in support of H3 and the value of Beta coefficient of Overconfidence bias (OC) and financial effectiveness (FE) was β=-0.532 with significance of p= 0.002 in support of H4. Therefore, these findings have suggested that overconfidence bias partially mediated the relationship between EI and FE. Thus, H5 were accepted. Thus, researchers concluded that the mediation effects of overconfidence bias has been existed.

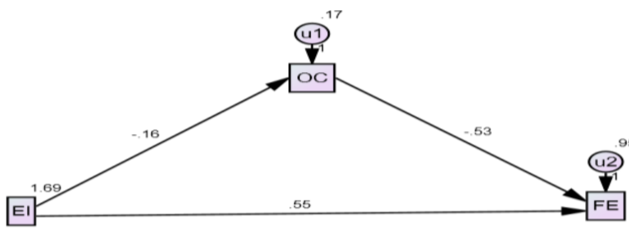

Figure 2. Direct and Indirect impact of EI on FE with mediating effect of OC

Table 7. *Mediating Path Analysis*

Hypotheses	Dependent Variable	Beta Estimate	P-Value	Hypotheses Supported
Before mediator (overconfidence) variable enter in the model				
	EI→FE	0.636	0.000	Yes
After mediator (overconfidence) variable enter in the model				
H3	EI →OC	-0.156	0.000	Yes
H4	OC→FE	-0.532	0.002	Yes

Note. *P<0.05. EI: Emotional Intelligence, FE: Financial Effectiveness, OC: Over Confidence

In table no 8, the results of mediation analysis have been authenticated by using PROCESS by preacher and hays method. The results proved that the EI have significant and positive impact on FE effectiveness by using OC as mediator. Value of Coefficient (B) is 0.083 with the significance of P=0.000 and the Z statistic is 3.35. All the results are in support of the H5. Finds are suggested that the mediation effect has been exist in the relationship of EI and FE.

Table 8. *Mediating analysis*

		Indirect effect on financial effectiveness				
						Hypothesis
		B	SE	P	Z	Supported
H5	EI→ OC→ FE	0.083	0.024	0.000	3.35	Yes

Note. *P<0.05. EI: Emotional Intelligence, FE: Financial Effectiveness, OC: Over Confidence

Discussion

The notion of this study was established from the current literature (Keerthika, 2019) and study was analyzed or confirmed with the support of statistical analysis by means of structural equation modeling (SEM). The tested hypothetical model of this study analysis has provided experimental support to the current literature. The finding of this study has suggested that executives or managers having EI were more likely to accomplish all financial objectives and could be considered as effective executives. Statistical findings of this research study have been confirmed based on H2 that EI and FE have positively and significantly influences on each other. Correspondingly, self-awareness, self-management, motivation, empathy, and social skill are factors of emotional intelligence which have rationally resilient effects on FE. Results are significant as hypothesis H1a, H1b, H1c, H1d and H1e found consistent with preceding studies done by Srivastava K., (2013), Chamanifard, R., (2014) & Keerthika, B. D, (2019). The results also have shown the next step forward that overconfidence bias could significantly mediate (H2, H3 & H5) the relationship between EI and FE. Using the structural equation modeling (SEM), researchers have determined that EI can be a strong predictor of FE through overconfidence bias. In this study, researchers first determined that overconfidence bias would significantly affect FE in support of H4. Secondly in support of H5, EI has also been found to impact on FE through the mediating role of OC. This supports the overwhelming impact of EI has on FE, either directly, or through the mediation of OC, independently or simultaneously. It has been clearly shown that individuals who could use the levels of EI could easily understand, handle, and manage their emotions could easily reduce the overconfidence bias in decision making process and achieving all financial objectives of organizations. Psychologically, these results have been given meaning about the EI which would achieve the FE through reducing the effect of overconfidence bias. These findings have been found consistent with the research by Srivastava K., (2013); Ahghar et al., (2014); Chamanifard et al., (2014) & Zahera (2018).

EI has ascertained to be extremely effective on the achievement of all financial objectives of executives. Executives who procure emotional intelligence are highly rational to manage and control overconfidence bias, improve the work settings, and are not affected by ups and downs of the situations for achieving financial effectiveness. Such individuals are cognizant of the emotional conditions and usage of this info as a strategic hedge against the risk of loss due to overconfidence bias. Therefore, the nature of the decisions, the levels of information, investment prospects are guided by executives with the help of EI and their vulnerability to behavioral biases like as overconfidence bias. Hence, executives having emotionally intelligence have low levels of behavioral biases as for choosing specific financial assets and objectives for long term investment projects to achieve the financial effectiveness.

Practical and Theoretical Implication

Now a day's EI is a very key aspect for managers, executives, or leaders. Due to executive's overconfidence bias, they overestimate their intellectual, physical, and social resources to meet the need of the situations and achieve the financial effectiveness. EI constraints are very key factors for organizations so that they provide their employees self-awareness, self-management, motivation, empathy, and social skills e.g., to control their individual overconfidence levels so that they work more efficiently. If the individuals knowing their own emotions and able to manage them, they work more effectively and productively. Organizations need to develop the EI skill to manage the overconfidence level and achieve financial effectiveness for organization.

Limitation and Future Directions

In this research there are some limitations towards its scope and conception. This research has limited to the managers or executives in the context of Pakistan business organization. Other behavioral biases can be factored into more than in this relation. Convenience sampling may be replaced with any other purposeful way of sampling. For the implementation of the findings for practitioners, the segment study may be carried out for further ingress into the understating of other cognitive and emotional biases.

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