The Moderating Effect of Emotional Intelligence on Loan Officers' Judgments and Decisions

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The purpose of this study is to determine whether emotional intelligence (EI) is a moderating variable in loan officers' information processing. To answer the research question, an experimental investigation was conducted and participants' judgments and decisions were examined in light of three methods of disclosing contingencies. Participants indicated their judgments and decisions in regard to the following four variables: the overall risk rating, the overall trend rating, the loan granting decision and the interest rate decision. Three different types of disclosure of contingencies were used as independent manipulated variables. Results regarding the impact of EI as a moderating variable, whether in relation to disclosure method and loan officers' judgments or the relationship between their judgments and decisions, do not indicate that loan officers' EI has a significant moderating effect on these relationships.

Keywords: Contingent liabilities, loan officers, decision process, emotional intelligence, IAS 37, IAS 37 exposure draft, IFRS.

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Objective

This study concerns the decision process of professional financial statement users. It focuses on loan officers because of the important role they play in allocating capital to organizations, especially small and medium-sized businesses. Our objective is to determine whether emotional intelligence (EI) acts as a moderating variable in loan officers' information processing and moderates risk perception and credit-granting decisions. This objective is addressed in light of a change in accounting standard in Canada and analyzes and compares the impact of methods of disclosing accounting contingencies. Thus, the results of our study will be meaningful to academics and practitioners interested in business, management and organizational decisions and will improve understanding of the decision process of sophisticated financial statement users.

Changes such as greater uncertainty and instability in financial and business environments, combined with unprecedented changes in accounting standards, have contributed to the increasing complexity of the decision process of professional users, including loan officers. Some studies have concluded that accounting information disclosure methods can influence the judgments and decisions of professional financial statement users through functional fixation, regardless of the user's level of professional sophistication. According to Neuert and Hoeckel (2013), even though scholars have examined how different factors like personality traits and problem characteristics influence the decision-making process, there is a lack of empirical studies in this research area. It therefore seems relevant to investigate whether variables other than those already studied in the literature have an impact on loan officers' decision process.

Although traditional economic models on decision-making minimize the influence of emotions and assume that the beliefs and choices of economic agents follow rational principles to maximize their anticipated utility, studies in the field of psychology have concluded that emotions can influence the judgments and decisions of individuals and that emotional regulation can play a role in financial decisions. The research to date shows that individuals who more easily identify the emotions that convey information on a situation and context and manage the emotions that can have disorganizing effects are in a better position to respond to the adaptation requirements of the external environment, such as decision-making.

Our research question is the following: Does loan officers' EI moderate their judgments and decisions when they analyze information on accounting contingencies? To answer this query, we conduct an experimental study to analyze respondents' judgments and decisions further to the administration of questionnaires pertaining to three methods of disclosing contingencies in regard to a Canadian firm. The recognition and disclosure methods are those prescribed by three standards for accounting for provisions: 1) the Canadian Section 3209 standard; 2) IAS (International Accounting Standard) 37, in effect

since 2011; 3) the international standard proposed in the Exposure Draft of Proposed Amendments to IAS 37. Each experimental group was assigned a disclosure method in the foregoing order (G1, G2 and G3 respectively). The results obtained in terms of EI as a moderating variable, whether in the relationship between disclosure of contingencies and loan officers' judgments, or between the loan officers' judgments and decisions, do not indicate that loan officers' EI has a significant moderating effect in these relationships. The following section presents the theoretical framework and the motivation behind the study.

Background and Motivation

The process used by North American financial institutions to assess loan applications generally requires loan officers to study the overall risk rating (ORR) and overall trend rating (OTR) before making a decision on whether to grant or deny the loan (Treacy and Carey, 1998). The approval or denial of a loan requires a thorough risk assessment based on quantitative and qualitative information (Jankowicz and Hisrich, 1987). Lipshitz and Shulimovitz (2007) allude to financial and non-financial factors, the latter being non-rational factors, according to the classical economic perspective. The approval or denial of a loan is a difficult decision, especially in the case of new clients, where information asymmetries between the account manager and the borrower can be extensive and conceal critical information (Deakins and Hussain, 1994). According to Wilson et al. (2007), the decisions of loan officers require more than the application of their institution's standards and procedures: loan officers must have considerable knowledge, aptitudes and personal qualities. Loan officers' and financial institutions' beliefs, policies and values contribute to judgment formation through a process driven by objective as well as subjective factors (Wilson et al., 2007).

The issue of the influence of disclosure in the notes to the financial statements versus full recognition in the income statement and balance sheet has been examined in an experimental context by a number of researchers (for example, in reverse chronological order, Lagrange, Viger and Anandarajan, 2015; Viger, Belzile and Anandarajan, 2008; Elliot, 2006; Belzile, Fortin and Viger, 2006; Viger et al., 2004; Hirst, Hopkins and Wahlen, 2004; Anandarajan, Viger and Curatola, 2002; Maines and McDaniel, 2000; Hopkins, Houston and Peters, 2000; Ben Amar and Viger, 2000; Hirst and Hopkins, 1998; Bamber and Stratton, 1997; Hopkins, 1996; Sami and Schwartz, 1992; Gul, 1987). They all came to the same conclusion, namely that information presentation in the form of recognition significantly affected readers' perceptions and decision-making relative to presentation in the form of disclosure. Viger, Belzile and Anandarajan (2008) attributed this to readers being functionally fixated on up-front numbers reported in the financial statements.

Scores of studies on loan officers' decision process have been carried out over the past decades. They examine the impact of several factors that influence loan officers' judgments and decisions but do not take EI into account as a factor in these actors' information processing or decision-making. These factors can be classified into four groups: 1) information characteristics (Trönnberg and Hemlin, 2014; Durocher and Fortin, 2009; Bonfirm, 2009; Viger, Belzile and Anandarajan, 2008; Bruns and Fletcher, 2008; Wilson et al., 2007; Grunert, Norden and Weber, 2005; Loffler, 2004; Mason and Stark, 2004; Catasus and Gröjer, 2003; Treacey and Carey, 2000; Boot, 2000; Hedelin and Sjoberg, 1993; Sami and Schwartz, 1992; Rodgers, 1991; Klammer and Reed, 1990; Biggs et al., 1985; Casey, 1980), 2) loan officers' functional characteristics (Ottavia et al., 2011; Bruns et al., 2008; Andersson, 2004; Andersson, 2001), 3) loan officers' personal characteristics (Trönnberg and Hemlin, 2014; Hensman and Sadler-Smith, 2011; Lipshitz and Shulimovitz, 2007; Meyers, 2002) and 4) organizational and situational factors (Beck et al., 2011; Berger and Black, 2011; Hertzberg, Liberti and Paravisini, 2010; Hernadez-Canovas and Martinez-Solano, 2010; Berger et al., 2005; Jiménez and Saurina, 2004; Frame, Srinivasan and Woosley, 2001; Degryse and Van Cayseele, 2000; Anderson and Fraser, 2000).

After Canada made the transition to International Financial Reporting Standards (IFRS) in 2011, serious challenges ensued for loan officers and other financial information users, notwithstanding the positive impact of accounting quality on the financial reporting of Canadian financial institutions (Nulla, 2014). Despite their many similarities, IFRS and the former generally accepted accounting principles (GAAP) differ more or less significantly in some details (Hague, 2005), especially recognition and disclosure of contingencies. Since financial information and its interpretation are major factors in loan officers' decision-making, the change in accounting standards is likely to affect loan officers' information environment.

According to Section 3290, a contingent liability should be recorded if there is a high probability of occurrence and the amount of the loss thereon can be estimated with a high degree of certainty. In essence, the understanding is that the amount to be recorded should be based on a reasonable estimate of the amount likely to be paid and disclosed with other current liabilities in the balance sheet. Under IAS 37, contingent liabilities are recorded when the probability of a contingent loss is greater than 50 percent. The significant difference is that the estimated contingent liability be shown as a separate item in the balance sheet. The measurement of the loss is the amount the entity would rationally pay at the measurement date to be relieved of the liability. Although this stipulation differs from Canadian GAAP, the difference may be temporary given that Canadian GAAP is in a state of transition and may be changed to ensure conformity with IAS.

The results of the current study could help improve knowledge about the decision process of professional financial statement users, specifically loan officers, by bridging traditional decision-making models used in accounting studies and the psychology

literature on EI. The literature review presented in the next section explains our selection of EI as a personal characteristic.

Literature Review

This section discusses the literature supporting the role of emotions in the decision-making process and EI theory.

The role of emotions

Traditional economic models on decision-making minimize the influence of emotions and assume that the beliefs and choices of economic agents follow rational principles, allowing them to maximize their anticipated utility (Camerer, 2003). However, Simon's (1976) concept of bounded rationality calls this approach into question by highlighting the existence of decision biases that lead to sub-optimal decisions (Charreaux, 2005). In decision makers, this concept has an effect through the specific selection of part of the information. Such focus on a limited amount of information may be due to lack of time or information processing constraints. As a matter of fact, emotions play an important role in behavioral bias (Grennwich, 2005), including decision bias. Biases, especially emotional ones, lead investors away from making the best decision based on substantive rationality (Ansiau et al., 2011). Neuert and Hoeckel (2013) showed that cognitive style or intuitive/rational behavior can influence decision-making efficiency depending on the structure of the decision-making task. They further state that rational behavior in decision-making processes is not always the best course of action for greater decision-making efficiency. Studies have pointed out that emotions influence several types of judgments, including risk assessment (Gasper and Clore, 2000; Johnson and Tversky, 1983). According to Mikolajczak (2009), emotions help detect danger, prepare the body to face situations, accelerate and direct decision-making, guide social interactions and improve recollection of important events. Emotions serve to inform, enable action and support decisions.

Seo and Barrett (2007) observed that investors who display more intense emotions perform better. Xu (2010) noted that pride and guilt experienced by managers influence their strategic decision-making, given that strong feelings of guilt are associated with greater integrity, lower risk taking and quicker problem solving, while higher levels of pride produce the opposite results.

Referring to neuro-economic research, Sullivan (2011) indicates that emotions can influence financial decisions. One such study, conducted by Levav and Argo (2010), found that participants who were gently touched on the shoulder by a woman were more

inclined to take greater risks than those who were not touched. Kuhnen and Knutson (2011) demonstrated that participants who viewed an image associated with a negative emotion made less risky investment decisions than those who viewed a neutral image. In a study of the decision process of market analysts at four large London investment banks, Fenton-O'Creevy et al. (2010) concluded that the analysts' emotions, and their regulation, played a key role in their decision process. Delgado-Garcia et al. (2010) described how Spanish bank managers with somewhat negative emotional traits took less risky decisions.

Other research based on neurological observations also supports the role of emotions in the decision process. Studies by the neurologist Damasio (1994) emphasized that emotions are as important to decision-making as knowledge and reasoning are. Elliot, one of the author's patients, was a successful business man until he suffered from a brain tumor and had it removed; after the surgery, he could no longer make rational decisions because it affected the neural connections with the amygdala brain structure responsible for assigning emotional meanings to the outside world's stimuli. Because of this lack of connection, he was unable to weigh the various options, despite being able to discuss the pros and cons of different scenarios. According to Lazarus (1993), emotions can give meaning to adaptation imperatives and direct behavior. Acting somewhat like a radar, they signal an opportunity or a threat.

Emotions assist individuals in prioritizing objectives and actions from among a multitude of stimuli, supporting the cognitive process in its navigation of a complex and unpredictable environment (Oatley and Johnson-Laird, 1987; Winkielman, Zajonc and Schwarz, 1997). However, some emotions such as anxiety and anger can have disorganizing effects if they are not acknowledged and taken into account in the search for an appropriate response to adaptation demands. Some authors have described the differences between individuals who can or cannot recognize their emotional state (Frijda, 1986; Heelas, 1986; Lane, 2000; Levy, 1984; Sartre, 1962). Lambie (2007) indicates emotions are determinants of the actions of individuals who are unaware of their emotional state. However, unable to take emotions into account in their reasoning process, they temper their ability to control the undesirable actions arising from some emotions. Conversely, individuals who are aware of their emotions can be fully rational given their ability to decide which actions to take based on their emotional state (Lambie, 2007). How should emotional awareness be recognized and viewed? EI theory can be used to study this personal trait.

Emotional Intelligence (EI)

Wechsler (1975) defined intelligence as "the capacity of an individual to understand the world about him and his resourcefulness to cope with its challenges" (p. 139). Given that emotions are a main resource, emotional intelligence can be seen as the capacity to understand and adapt to situations based on their emotional meaning. It involves the

ability to identify, understand, manage and utilize one's own emotions as well as the emotions of others. According to Petrides and Furnham (2001), EI is relevant to the study of emotions because it supports the notion that individuals who are aware of their emotions and can regulate them and who can understand their own emotions as well as those of others are generally happier and more successful in their endeavors. Goleman (1995) suggests that EI may play a role in the decision process because individuals with greater EI are able to better associate emotional experiences with thoughts and actions. Emmerling and Cherniss (2003) argue that individuals with low EI are more likely to produce desirable social responses and be influenced when forming a judgment. However, those with greater EI are less subject to this type of bias.

There are many approaches to the study of EI. The one we chose is the personality trait, based on Petrides and Furnham's (2001) model. Trait EI defines EI as a constellation of emotion-related dispositions capturing the extent to which individuals identify, understand, regulate and utilize their own emotions and those of others (Mikolajczak, 2009).

To study the role of EI in financial decision-making, trait EI was selected because it concerns the individual's typical rather than maximum performance. According to Bodarwé (2008), typical performance appears more promising in terms of predictive validity because there is no guarantee that people will put theoretical knowledge into practice. An individual can know the strategies that are effective in dealing with negative situations and even mobilize them if asked to, but may not spontaneously put them into action. According to Jacques et al. (2009), personality traits have been used to predict a variety of perceptions and outcomes. The theory of trait IE states that personality traits are stable and produce fairly predictable behavioral patterns.

Petrides (2011) proposes a list of facets and factors of EI compiled from content analyses carried out on all existing EI models (Bar-On, 1997; Mayer and Salovey, 1997; Goleman, 1995) and aggregating all personality aspects related to affect. Petrides and Furnham (2006) state that trait EI questions are characterized by the temporal stability of their results and their relationship to the basic dimensions of personality. Accordingly, EI can be incorporated in the various theories of psychology rather than treated as a new concept detached from the existing body of scientific knowledge (Petrides, 2010).

As shown in Table 1, Petrides and Furnham's (2001) model consists of 15 facets derived from an analysis of earlier EI models and related constructs such as alexithymia, affective communication, emotional expression and empathy (Petrides, 2009) as well as assertiveness (Goleman, 1995), elements of social intelligence (Thorndike, 1920), personal intelligence (Gardner, 1983) and ability EI (Mayer and Salovey, 1997). As trait EI relates to behavioral tendencies and self-perceived abilities, it is relevant to use in personality frameworks (Petrides and Furnham, 2001). The 15 facets are classified under four factors (Mikolajczak et al., 2007). The first factor, well-being, consists of happiness, self-esteem

and optimism scales and is aimed at assessing the individual's general affective state. The second factor, self-control, assesses how effectively individuals regulate their emotions, impulses and stress, and is associated with self-regulation. The third factor, emotionality, refers to emotional expression and indicates the subject's tendency to perceive his or her own emotions and the emotions of others. The last factor, sociability, is the use of emotional competencies in a social context. The authors added two further aspects to the model under the Other category, and these aspects are incorporated in the overall EI score.

Experimental studies have demonstrated the impact of trait EI on judgments and decisions. Fallon et al. (2014) found that, regardless of stress level, individuals with a high level of trait EI are better at searching for information than those with lower trait EI. The results in Fallon et al. (2014) confirm the role of trait EI in the decision process through its significant impact on acquisition, i.e. the first stage of information processing. Durgut, Gerekan and Pehlivan (2013) indicate that components of the first three dimensions of trait EI are significantly and positively correlated to student success and that trait EI influences the academic success of accounting students. Ansiau et al. (2011) conclude that the more individuals learn how to manage their emotions, the lower their aversion to loss is. In addition, the more they learn to use their emotions, the greater their cognitive flexibility, and the more they can assess their own emotions, the less prone they are to optimism bias. These results indicate that higher levels of EI are related to more effective decision-making. The results of Telle, Senior and Butler (2011) show that individuals with higher levels of trait EI are less influenced by emotional indices, resulting in improved decision-making. Di Fabio and Palazzeschi (2008) suggest that individuals with less developed trait EI have more problems related to lack of information in their decision process and the search for information, mainly because of their inability to use their emotions in the problem-solving process and when searching for information for decision-making purposes.

Table 1. Factor Structure of EI (Petrides and Furnham, 2001)

FACTORS		**High scorers perceive themselves as…**
WELL-BEING	Self-esteem	Successful and self-confident
	Trait happiness	Cheerful and satisfied with their lives
	Trait optimism	Confident and likely to look on the bright side of life
SELF-CONTROL	Emotion regulation	Capable of controlling their emotions
	Stress management	Capable of withstanding pressure and regulating stress

	Impulsiveness (low)	Reflective and less likely to give in to their urges
EMOTIONALITY	Emotion perception (self and others)	Clear about their own and other people's feelings
	Emotion expression	Capable of communicating their feelings to others
	Relationship skills	Capable of having fulfilling personal relationships
	Empathy	Capable of taking someone else's perspective
SOCIABILITY	Social competence	Accomplished networkers with excellent social skills
	Emotion management (others)	Capable of influencing other people's feelings
	Assertiveness	Forthright, frank, and willing to stand up for their rights
OTHER	Adaptability	Flexible and willing to adapt to new conditions
	Self-motivation	Driven and unlikely to give up in the face of adversity

Hypotheses

The goal of this study is to examine whether loan officers' EI moderates the relationship between the disclosure method for contingencies and loan officers' judgments (ORR and OTR) and between their judgments and decisions (LOAN and RATE).

In view of the method of disclosure of contingencies assigned to each experimental group, we expect that participants assigned to G3 will predict higher future net revenues and a more positive capital structure than those assigned to G1 and G2 (since G3 had a lower expense related to contingent liabilities), and that this prediction will contribute to more favorable judgments and decisions for G3 than for G1 and G2. These expectations are based on the results of a number of studies, including Viger, Belzile and Anandarajan (2008), which confirmed the anticipated effect of functional fixation, even in professional

financial statement users. According to functional fixation, the choice of presenting the information by recognizing it in earnings or disclosing it through a footnote can lead to different judgments and decisions, given that information disclosed in a footnote is not taken into account by users who hold on to their interpretation of net income based on the income statement, which they acquired before reading the footnote information (Hirshleifer and Teoh, 2003).

Financial decision-making following an application for financing creates a scenario in which information is difficult to acquire and the decision-making process is often fraught with uncertainty; as a result, negative emotions can come to the fore. According to Morin, Aubé and Johnson (2015), those who make the best of the situation understand the meaning of their emotions enough to adapt effectively to the situation. However, loan officers with low EI resort to defensive strategies by protecting themselves through functional fixation, which allows them to remain in their comfort zone and hold on to their interpretation of information considered to be reassuring and conventional. Conversely, loan officers with higher EI count on their ability to identify, understand, manage and use their emotions and those of others and are thereby able to formulate the best judgments by mitigating, to the extent possible, the disorganizing effects triggered by some emotions. We therefore expect that the functional fixation predicted in participants could be moderated in the loan officers with higher EI. Thus, notwithstanding the expectation that G3 participants will be more favorable in their judgments and expectations than G1 and G2, these judgments and decisions are expected to be less favorable as EI increases.

Hence, our first two hypotheses center on the moderating effect of loan officers' EI (represented by facets related to self-control, i.e. perception and management of emotions and stress management) in the relationship between the contingencies disclosure method and judgments about the organization's overall risk rating (ORR) and overall trend rating (OTR):

H1: The impact on ORR judgment, based on the method used to disclose information on contingencies, varies by EI level, as measured by the TEIque.

H2: The impact on OTR judgment, based on the method used to disclose information on contingencies, varies by EI level, as measured by the TEIque.

Once loan officers form judgments about ORR and OTR, it is appropriate to investigate whether they incorporate them in a coherent manner in their loan granting decision and their determination of the interest rate. Lack of consistency with prior decisions and judgments could be moderated by loan officers' superior ability in the areas listed as the factors and facets of Petrides and Furnham's (2001) EI model. This part of the

decision process is highly critical since loan officers must put their judgments about ORR and OTR into action via loan granting and interest rate decisions, which they must then communicate to all stakeholders. This situation could expose loan officers to various emotions brought on by institutional requirements (credit director's approval, expectations of the local institution's executive director) and dealing with borrowers' expectations and their own interests given their decision's potential impact on their salary, job security and well-being in the workplace. These scenarios require implementing the facets and factors of emotional sensitivity (perception of others' emotions, relationship skills and empathy) and sociability (social competence, management of others' emotions and assertiveness).

For the four hypotheses on decision-making, we expect that the decisions of participants with high EI (measured by overall score) will be more consistent with their prior judgments than those of participants with a lower level of EI. The hypotheses are the following:

H3: The ORR judgment's impact on the loan granting decision varies by EI level, as measured by the TEIque.

H4: The OTR judgment's impact on the loan granting decision varies by EI level, as measured by the TEIque.

H5: The ORR judgment's impact on the interest rate decision varies by EI level, as measured by the TEIque.

H6: The OTR judgment's impact on the interest rate decision varies by EI level, as measured by the TEIque.

Methodology

Sample

We used bank loan officers to represent the subjects in our experiment. The sample represented financial institutions in the province of Quebec. Approximately 49 percent of our subjects responded. This is a relatively large response rate for this type of experimental study and compares favorably with other studies. Almost seventy percent (120/176) of those who participated in the study had at least an undergraduate degree, while 10 percent (18/176) and 22 percent (38/176) held a master's or a doctorate degree respectively. Thirty-three percent (58/176) had 15 years of experience or more, while 19 percent (34/176) had 10 to 14 years, 18 percent (31/176), 5 to 9 years, and 30 percent (53/176), less than five years. Sixty-three percent (108/170) of the respondents had personal lending authority under $150,000; 18 percent (29/170) had between $150,000 and

$225,000, and 19 percent (33/170), over $225,000. Eighty-nine percent (156/175) had professional certification, 69 percent (120/175) were not confined to one area of specialty, and 57 percent (100/175) were male.

Measure of Emotional Intelligence

Trait El was measured through the French version of the Trait Emotional Intelligence Questionnaire (TEIQue) (Petrides and Furnham, 2003; French adaptation by Mikolajczak et al., 2007). We used the short version (TEIQue-SF). This version comprises 30 items rated on a seven-point scale (strongly agree to strongly disagree). Previous studies have argued in favor of its reliability, validity and usefulness (Austin et al., 2007; Chamorro-Premuzic, Bennett and Furnham, 2007; Sevdalis, Petrides and Harvey, 2007). The short version was used here on account of time constraints. It assesses 15 subscales and provides a global trait El score as well as scores on four specific factors (well-being, self-control, emotionality and sociability). We chose the TEIQue to measure trait El for three specific reasons: first, it provides comprehensive coverage of the trait El sampling domain; second, its psychometric properties are excellent and its four-factor structure shows practical identity across languages (Mikolajczak et al., 2007); and third, it has demonstrated discriminant validity in relation to personality and could be isolated in both Big Five and Giant Three personality factor spaces (Petrides, Pita and Kokkinaki, 2007).

To identify the underlying structure of the TEIQue's items, we used the principal axis factoring method with orthogonal rotation of the factors in order to simplify their interpretation. We found a solution with four factors, quite similar to those found by Mikolajczak and her team, explaining 34% of the total variance, after seven iterations. The items related to self-control (perception and management of emotions and stress management) constitute the moderating variable for the first two hypotheses. Its Cronbach's alpha (0.739) was used as a reliability statistic. For the last four hypotheses, the EI overall score was based on 30 test questions (Cronbach's alpha: 0.861).

The scores obtained for EI level were classified into three groups (low, mid and high) according to their percentile ranks. For each question, participants were asked to indicate their response on a 7-point Likert scale, 1 being Strongly Disagree and 7, Strongly Agree. For interpretation purposes, results were calculated out of a total of 10. Regarding the self-control factor, on a total of 10, 54 participants constitute the low group with an average of 5.83 (standard deviation = 1.07), 46 constitute the mid group with an average of 7.48 (standard deviation = 0.31) and 71 participants constitute the high group with an average of 8.62 (standard deviation = 0.51). The overall average of three groups is 7.43 (standard deviation = 1.37). Regarding the overall score, on a total of 10, 53 participants constitute the low group with an average of 7.13 (standard deviation = 0.54), 56 constitute the mid group with an average of 8.01 (standard deviation = 0.17) and 55 participants constitute the high group with an average of 8.73 (standard deviation = 0.30). The overall

average of three groups is 8.33 (standard deviation = 0.75). Although the EI measure has good consistency, EI scores demonstrate low variability after the classification into three groups (low, mid and high). When scores between subjects do not vary widely or sufficiently, we might expect difficulties observing their differences based on low and high EI score.

Procedure

All the loan officers in the sample received descriptive information on a hypothetical company named ABC Inc. The package included a standard auditor's report and a complete set of financial statements and other relevant information relative to a loan application. The loan officers were asked to review the documents, perform a financial analysis and make a decision under a designated lending authority. Given that the requested loan was $600,000, the loan officer's recommendation was conveyed for approval and decision to a senior officer with greater lending authority. As shown in table 2, the sample was categorized into three groups.

The first group received statements that followed the Canadian standards by recording the liability based on a reasonable estimate of the amount most likely to be paid, but without presenting it separately from other liabilities or disclosing any probability of the contingency occurring. The other two groups were given information that followed current and proposed IAS 37 by disclosing the contingency event's probability and presenting the contingent liability separately. The difference between current IAS 37 and the exposure draft is in the recording method. However, even if net income is different under the IAS 37 exposure draft versus the current IAS 37, the information provided in the note according to the IAS 37 exposure draft allows for the reconciliation of net income disclosed according to IAS 37. Thus, the information is available but is located in a different place. Any differences between the three types of disclosures should be due to the reporting and disclosure methods.

Discussion of Results

Preliminary Checks

We initially used manipulation checks to ensure the loan officers understood the information presented to them. The manipulation checks included asking questions about the probability of the contingent liabilities being paid and whether contingent liabilities would be paid separately. In order to check whether the participants had actually perused the income statements, the participants were asked the extent to which net income had varied between 2009 and 2010. Those who failed the manipulation check were eliminated.

Table 2. Experimental Design

	Experimental Groups		
	Group 1 (G1)	**Group 2 (G2)**	**Group 3 (G3)**
Experimental material	Each participant received an experimental package that included descriptive information on ABC Inc., a standard auditor's report, and a complete set of financial statements for two fiscal periods (including all financial statements and accompanying notes and main financial ratios).		
Financial statement presentation format, especially in regard to contingent liabilities	**CICA Handbook** A contingent liability must be recorded if 1) it is probable that an event causing a loss will occur, and 2) the amount of the contingent loss can be appraised with a degree of certainty. The amount to be recorded should be based on a reasonable estimate of the amount most likely to be paid.	**IFRS in effect since January 1, 2011 (IAS 37)** Contingent losses are recorded as liabilities when the likelihood of such losses is greater than fifty percent, among other conditions. The most likely amount necessary for settling the obligation at the closing date must be recorded.	**IASB's IAS 37 exposure draft** Contingent losses are recorded as liabilities when the elements meet the definition of a liability, irrespective of the probability. The measurement would be the amount that the entity would rationally pay at the measurement date to be relieved of the liability.
Disclosure of the **probability of occurrence**	No	Yes. A 70% probability of occurrence is disclosed in both G2 and G3.	
Separate liability regarding the lawsuit	No	Yes. The information available concerning the measurement of the provision expense for the dispute is the same for experimental groups 2 and 3.	
Recent results and main ratios	**2010**	**2009**	**2010** **2009**
• Net income	$104,747	$149,448	$200,355 $149,448
• Increase in revenue (%)	18.11%	14.57%	18.11% 14.57%
• Working capital ratio	1.93	2.53	2.34 2.53
• Gross profit margin	2.18%	3.68%	4.17% 3.68%
• Return on shareholders' equity	14.18%	23.46%	23.97% 23.46%
• Earnings per share	$0.70	$0.99	$1.34 $0.99
• Capitalization ratio (Equity/asset)	48.81%	56.34%	55.95% 56.34%
• Dividends/share	$0	$0.17	0% $0.17
• Cash flows	Cash flows from operating activities and total cash flows are identical for the three experimental groups.		

Second, we examined the demographic characteristics (see Table 3) of the subjects randomly assigned to each group. The demographic characteristics tested in regard to educational background, level of experience, personal lending authority, professional title, area of specialization and gender were not significant.

The third manipulation check was to test for non-response bias. No significant difference was found between early and late respondents for all demographic variables (using both full and reduced samples).

The fourth and last check was to test whether the experimental groups were equivalent in terms of loan officers' EI level and emotional disposition. Control variables were the facets of the first factor (well-being) in Petrides and Furnham's (2001) model, consisting of traits related to disposition and behavior, i.e., happiness, self-esteem and optimism. These scales are used to assess the individuals' affective state.

Table 4, Panel A indicates that G1 participants scored an average of 8.83 on the EI well-being factor out of a total of 10 (standard deviation = 0.99), while G2 scored an average of 8.72 (standard deviation = 1.05), and G3, 8.95 (standard deviation = 0.87). ANOVA results presented in Table 4, Panel A show no significant differences between the three experimental groups in terms of the EI well-being factor ($p = 0.429$). Thus, the participants in each experimental group did not differ from those in other experimental groups in terms of emotional disposition. The results of this study were not influenced by variations within this EI variable.

Table 4, Panel B presents the results of the ANOVA conducted to ascertain nonresponse bias between the two respondent cohorts (before/after follow-up). The goal was to check if participants' emotional dispositions varied between both cohorts. Results indicate no statistical difference between the cohorts in terms of EI levels measured by the well-being factor ($p = 0.334$).

Test Results for Hypotheses

Concerning ORR judgment, loan officers with low EI awarded an average rating of 3.09 (standard deviation = 0.52), while those with mid and high EI gave average ratings of 3.07 (standard deviation = 0.39) and 3.11 (standard deviation = 0.60) respectively. ANOVA results (Table 5, Panel A) indicate no significant differences in a comparison of the three groups ($p = 0.839$). EI level does not affect ORR judgments. Based on the F-test (Table 5, Panel B), we cannot conclude that an interaction effect exists; in other words, EI level has no effect on ORR judgment regardless of the method used to disclose the information ($p = 0.526$). Hence, the impact of the method for disclosing contingencies on judgments about ORR is not influenced by loan officers' EI level. H1 is not supported.

As for OTR judgments, we note that loan officers with a low level of EI gave OTR an average of rating of 2.28 (standard deviation = 0.79), those with mid EI, an average rating of 2.24 (standard deviation = 0.79), and those with high EI, an average rating of 2.04 (standard deviation = 0.79). ANOVA results (Table 6, Panel A) fail to show any significant

Table 3. Demographic Variables: Comparison by Experimental Group

		Group				
Educational Background:	Response	G1	G2	G3	Pearson χ^2	p-value
What is your highest education level?	1	3	1	0	12.375	0.135
1. High school	2	6	3	2		
2. General and vocational college	3	27	34	37		
3. Bachelor's degree	4	8	2	6		
4. Master's degree	5	8	10	15		
5. Doctorate degree	Total	52	50	60		
6. Other						
	Levene statistic for homogeneity of variance = 0.465 (p-value = 0.629)					
		Group				
Level of Experience:	Response	G1	G2	G3	Pearson χ^2	p-value
How many years of experience do you have	1	21	11	15	9.686	0.139
in commercial bank lending?	2	4	12	14		
1. Less than 5 years	3	12	8	12		
2. 5 to 9 years	4	15	19	19		
3. 10 to 14 years	Total	52	50	60		
4. 15 years or more						
	Levene statistic for homogeneity of variance = 1.185 (p-value = 0.308)					
		Group				
Personal Lending Authority:	Response	G1	G2	G3	Pearson χ^2	p-value
What is your personal lending authority?	1	22	19	22		
1. Under $125,000	2	10	13	16	1.606	0.991
2. Under $150,000	3	6	5	6		
3. Under $200,000	4	3	2	4		
4. Under $225,000	5	9	10	10		
5. $225,000 or more	Total	50	49	58		
	Levene statistic for homogeneity of variance = 0.097 (p-value = 0.908)					
Professional Title:	Group	N	Yes	No	Pearson χ^2	p-value
Do you have a professional title? `	1	52	6	46	0.105	0.949
Yes/No	2	50	5	45		
If yes, please specify _____	3	59	7	52		
	Total	161	18	143		
Area of Specialization:	Group	N	Yes	No		
Are you specialized in any particular industry or	1	51	14	37	1.422	0.491
industries? Yes/No	2	50	19	31		
If yes, please specify _____	3	60	18	42		

	Total	161	51	110		
Gender:	Group	N	Male	Female	0.581	0.748
Male/Female	1	51	30	21		
	2	50	30	20		
	3	60	32	28		
	Total	161	92	69		

Group 1: Canadian GAAP Group 2: Newly adopted IFRS Group 3: Proposed IFRS exposure draft

Table 4. Emotional Intelligence: Participants' Profile and Test for Non-response Bias

Panel A Level of Emotional Intelligence Factor: Well-being	Group	N	Mean /10	Std Dev.	F	p-value
	1	56	8.83	0.99	0.851	0.429
	2	56	8.72	1.05		
	3	61	8.95	0.87		
	Total	173	8.84	0.97		
	Levene statistic for homogeneity of variance = 0.694 (p-value = 0.501)					
Panel B Level of Emotional Intelligence Factor: Well-being		N	Mean	Std Dev.	t	p-value (two-way)
	Early[1]	123	8.79	0.95	-0.969	0.334
	Late[2]	50	8.95	1.02		
	Levene statistic for homogeneity of variance = 0.357 (p-value = 0.551)					

[1] Early means participants who responded to the first request.

[2] Late means participants who responded after the follow-up.

differences in a comparison of the three groups (p = 0.307). EI level does not influence judgments about OTR. The F-Test (Table 6, Panel B) does not indicate an interaction effect between EI level and OTR judgment, regardless of disclosure method (p = 0.847). Therefore, the impact of the method used to disclose contingencies on judgments about OTR is not affected by loan officers' EI level. H2 is not supported.

Table 7 presents the logistic regression on the loan granting decision with ORR as the independent variable. According to the statistical results, EI levels represented by overall score do not help explain the loan granting decision (p = 0.572). In addition, the results are not strong enough to conclude that an interaction effect exists between ORR judgment and EI level (p = 0.516). EI therefore has no effect on the loan granting decision regardless of ORR group. Thus, the impact of ORR judgment on the loan granting decision is not influenced by EI level. H3 is not supported.

Table 8 presents the logistic regression on the loan granting decision with OTR as the independent variable. Results indicate that EI level represented by overall score does

not help explain the loan granting decision (p = 0.705). We observe that the results are not strong enough to support the presence of an interaction effect between OTR judgment and EI level (p = 0.574). EI level does not affect the loan granting decision, regardless of OTR group. Therefore, the impact of OTR judgment on the loan granting decision is not influenced by the loan officers' EI level. H4 is not supported.

Table 5. Impact of the Characteristics of Information Disclosure on Overall Risk Rating (ORR) Judgment Using the EI Moderating Variable

Panel A: Impact of EI Level on Overall Risk Rating (ORR)

On this scale, circle the number corresponding to your assessment of ABC Inc.'s overall risk rating (on a 6-point Likert scale where 1 indicates low risk and 6 indicates high risk)

EI Level[1]	N	Mean	Std Dev.	F (p-value)
Low	54	3.09	0.52	
Mid	46	3.07	0.39	0.176
High	71	3.11	0.60	(0.839)
Total	171	3.09	0.52	

Levene statistic for homogeneity of variance = 2.069 (p-value = 0.042)[2]

Panel B: Overall Risk Rating (ORR) Interaction Effect Between Group (1, 2 or 3) and EI Level (low, mid or high)

On this scale, circle the number corresponding to your assessment of ABC Inc.'s overall risk rating (on a 6-point Likert scale where 1 indicates low risk and 6 indicates high risk)

Group and EI level[1]	N	Mean	Std Dev.	F (p-value)
1-Low EI	18	3.17	0.62	
1-Mid EI	18	3.11	0.32	0.801
1-High EI	20	3.10	0.45	(0.526)
1-All	56	3.13	0.47	
2-Low EI	18	3.11	0.32	
2-Mid EI	14	2.93	0.27	
2-High EI	22	3.23	0.69	
2-All	54	3.11	0.50	
3-Low EI	18	3.00	0.59	
3-Mid EI	14	3.14	0.53	
3-High EI	29	3.03	0.63	
3-All	61	3.05	0.59	
Total	171	3.09	0.52	

Levene statistic for homogeneity of variance = 2.069 (p-value = 0.042)

[1] The scores obtained for EI level were classified into three groups (low, mid or high) according to their percentile ranks.

[2] Analysis of variance (ANOVA) was valid even though homogeneity of variance produced a marginal result (Levene's test = 0.042) considering that the data were normally distributed relative to the dependent variable, the sample was large, the experimental groups were equivalent in terms of their respondents and two factors were used (disclosure method and EI).

*** Significant at 0.01 ** Significant at 0.05 * Significant at 0.10

Table 6. Impact of the Characteristics of Information Disclosure on the Overall Trend Rating (OTR) Judgment Using the EI Moderating Variable

Panel A: Impact of EI Level on Overall Trend Rating (OTR)	EI Level[1]	N	Mean	Std Dev.	F (p-value)
On this scale, circle the number corresponding to your evaluation of ABC Inc.'s overall trend rating [positive (1), stable (2) or negative (3)].	Low	54	2.28	0.79	1.189 (0.307)
	Mid	46	2.24	0.79	
	High	69	2.04	0.79	
	Total	169	2.17	0.79	
Levene statistic for homogeneity of variance = 0.791 (p-value = 0.612)					

Panel B: Overall Trend Rating (OTR) Interaction Effect Between Group (1, 2 or 3) and EI level (low, mid or high)	Group and EI level[1]	N	Mean	Std Dev.	F (p-value)
On this scale, circle the number corresponding to your evaluation of ABC Inc.'s overall trend rating [positive (1), stable (2) or negative (3)].	1-Low EI	18	2.33	0.77	0.345 (0.847)
	1-Mid EI	18	2.22	0.65	
	1-High EI	20	2.20	0.83	
	1-All	56	2.25	0.74	
	2-Low EI	18	2.44	0.78	
	2-Mid EI	14	2.50	0.85	
	2-High EI	22	2.36	0.79	
	2-All	54	2.43	0.79	
	3-Low EI	18	2.06	0.80	
	3-Mid EI	14	2.00	0.88	
	3-High EI	27	1.67	0.62	
	3-All	59	1.86	0.75	
	Total	169	2.17	0.79	
Levene statistic for homogeneity of variance = 0.791 (p-value = 0.612)					

[1] The scores obtained for EI level were classified into three groups (low, mid or high) according to percentile ranks.

*** Significant at 0.01 ** Significant at 0.05 * Significant at 0.10

In terms of the relationship between ORR judgment and the decision on the rate, loan officers with low EI established the premium at 2.00 on average (standard deviation = 0.90), while those with mid EI requested an average of 1.75 (standard deviation = 0.67) and those with high EI, an average of 1.89 (standard deviation = 0.91). ANOVA results (Table 9, Panel A) indicate no significant difference in a comparison of the three groups ($p = 0.234$). EI level does not influence the interest rate decision. The F-test (Table 9, Panel B) is not conclusive regarding an interaction effect, i.e. EI level does not affect the interest rate decision, regardless of ORR judgment ($p = 0.944$). Therefore, the impact of the ORR

judgment on the interest rate decision is not influenced by loan officers' EI level. H5 is not supported.

Table 7. Regression on the Decision to Grant the Loan[4]

Logistic Regression using ORR[1] Judgment and EI[2]
Probability (Decision $_i$ = yes) = $\beta_0 + \beta_1 (ORR_i) + \beta_2 (E.I._i) + \varepsilon_i$

Variable	Expectation	Coefficient	p-value
Intercept		2.028	
ORR	-	-2.721	0.001***[3]
EI			0.572[3]
EI x ORR			0.516[3]

Test for β_1 to $\beta_2 = 0$	Chi-square = 32.885 $p < 0.001$	
Hosmer and Lemeshow	Chi-square = 0.000 $p = 1.000$	Classification = 83.6%

[1] Overall risk rating judgment (on a 6-point Likert scale where 1 indicates low risk and 6 indicates high risk).
[2] The global EI score is used for this regression.
[3] One-tailed p-value.
[4] The decision to grant the loan is measured by Yes (1) or No (0).
*** Significant at 0.01 ** Significant at 0.05 * Significant at 0.10

Table 8. Regression on the Decision to Grant the Loan[4]

Logistic Regression using the OTR[1] Judgment and EI[2]
Probability (Decision$_i$ = yes) = $\beta_0 + \beta_1 (OTR_i) + \beta_2 (EI_i) + \varepsilon_i$

Variable	Expectation	Coefficient	p-value
Intercept		0.619	
OTR	-	1.327	0.062*[3]
EI			0.705[3]
EI x OTR			0.574[3]

Test for β_1 to $\beta_2 = 0$	Chi-square = 16.747 $p = 0.005$	
Hosmer and Lemeshow	Chi-square = 0.000 $p = 1.000$	Classification = 78.5%

[1] Overall trend rating (OTR) judgment (positive [1], stable [2] or negative [3]).
[2] The EI global score is used for this regression.
[3] One-tailed p-value.
[4] The decision to grant the loan is measured by Yes (1) or No (0).
*** Significant at 0.01 ** Significant at 0.05 * Significant at 0.10

Table 9. Impact of the Overall Risk Rating (ORR) on the Interest Rate Premium Decision Using the EI Moderating Variable

Panel A: Interest Rate Premium EI Level Impact	EI Level[1]	N	Mean	Std Dev.	F (p-value)
Please indicate the appropriate rate you would ask for the loan requested, considering that the repayment of principal is a fixed monthly installment and the interest is variable and calculated on the basis of the premium added to the preferential rate in effect at your institution (whether or not you recommend the loan).	Low	50	2.00	0.90	1.468 (0.234)
	Mid	56	1.75	0.67	
	High	54	1.89	0.91	
	Total	160	1.88	0.83	

Levene statistic for homogeneity of variance = 0.903 (p-value = 0.516)

Panel B: Interest Rate Premium Interaction Effect Between ORR (2, 3 or 4) and EI Level (low, mid or high)	ORR[2] — EI Level[1]	N	Mean	Std Dev.	F (p-value)
Please indicate the appropriate rate you would ask for the loan requested, considering that the repayment of principal is a fixed monthly installment and the interest is variable and calculated on the basis of the premium added to the preferential rate in effect at your institution (whether or not you recommend the loan).	2-Low EI	6	1.33	0.38	0.188 (0.944)
	2-Mid EI	5	1.01	0.35	
	2-High EI	4	1.33	0.54	
	2-All	15	1.22	0.41	
	3-Low EI	36	1.95	0.93	
	3-Mid EI	41	1.74	0.61	
	3-High EI	42	1.85	0.94	
	3-All	119	1.84	0.83	
	4-Low EI	8	2.72	0.56	
	4-Mid EI	10	2.18	0.74	
	4-High EI	8	2.41	0.69	
	4-All	26	2.42	0.68	
	Total	160	1.88	0.83	

Levene statistic for homogeneity of variance = 0.903 (p-value = 0.516)

[1] The scores obtained for EI level were classified into three groups (low, mid or high) according to their percentile ranks.
[2] Considering that none of the respondents assigned ORR values of 1 and 6 and only a few responded with ORR values of 5, the results of three groups corresponding to ORR judgments of 2, 3 and 4 are presented.
*** Significant at 0.01 ** Significant at 0.05 * Significant at 0.10

As for the relationship between the OTR judgment and the interest rate decision, the results listed in Table 10, Panel A indicate that loan officers with low EI established the premium at 2.00 on average (standard deviation = 0.90), while those with mid EI requested an average of 1.75 (standard deviation = 0.67) and those with high EI, an average of 1.89 (standard deviation = 0.92). ANOVA results indicate no significant difference in a comparison of the three groups ($p = 0.409$). EI level does not influence the interest rate decision. The F-test (Table 10, Panel B) is not conclusive in regard to an interaction effect, meaning that EI level does not impact the interest rate decision regardless of OTR judgment ($p = 0.229$). Therefore, the impact of the OTR judgment on the interest rate decision is not influenced by loan officers' EI level. H6 is not supported.

Conclusion

The decision process of professional users, including loan officers, has become more complex because of greater uncertainty and instability in financial and business environments and Canada's accounting standards shift to IFRS. Since previous studies have concluded that the judgments and decisions of professional financial statement users, including loan officers, can be influenced by some factors despite the users' level of professional sophistication, it seemed important to investigate whether variables other than those already examined in the literature influence loan officers' decision process. The goal of this study was to determine whether EI acts as a moderating variable in loan officers' information processing and to assess its potential moderating impacts on risk perception and credit decisions. The setting for the study was the change in accounting standard, against which we analyzed and compared methods for disclosing accounting information on contingencies.

Our findings show that loan officers use a fairly standardized decision process. The impact of EI as a moderating variable on the relationship between the method of disclosure of the contingencies and ORR or OTR judgments, and between these judgments and loan granting or interest rate decisions, do not establish that loan officers' EI has a significant moderating effect on these relationships. This may be because institutional oversight and directives are sufficiently clear and accurate and that they provide guidance and minimize loan officers' personal differences in terms of EI.

However, loan officers were significantly influenced by the third method for disclosing information on contingencies (in which contingent liabilities were expensed lower on the income statement, leading to higher net income). Given the participants' expertise, it may be surprising to note that G3 did not appear to take into account the information disclosed in the note when making their judgments and decisions, which could have reconciled the net income figure with the amount disclosed to the other groups. We expected that those with higher EI would be better able to recognize, understand and

Table 10. Impact of the Overall Trend Rating (OTR) on the Interest Rate Premium Decision Using the EI Moderating Variable

Panel A: Interest Rate Premium EI Level Impact	EI Level[1]	N	Mean	Std Dev.	F (p-value)
Please indicate the appropriate rate you would ask for the loan requested, considering that the repayment of principal is a fixed monthly installment and the interest is variable and calculated on the basis of the premium added to the preferential rate in effect at your institution (whether or not you recommend the loan).	Low	50	2.00	0.90	0.900 (0.409)
	Mid	55	1.75	0.67	
	High	53	1.89	0.92	
	Total	158	1.88	0.84	

Levene statistic for homogeneity of variance = 2.916 (p-value = 0.005)[3]

Panel B: Interest Rate Premium Interaction Effect Between OTR (positive, stable or negative) and EI Level (low, mid or high) Please indicate the appropriate rate you would ask for the loan requested, considering that the repayment of principal is a fixed monthly installment and the interest is variable and calculated on the basis of the premium added to the preferential rate in effect at your institution (whether or not you recommend the loan).	OTR[2] — EI Level[1]	N	Mean	Std Dev.	F (p-value)
	P-Low EI	11	1.37	0.23	
	P-Mid EI	11	1.41	0.44	1.423
	P-High EI	16	1.82	0.94	(0.229)
	P-All	38	1.57	0.69	
	S-Low EI	19	2.12	1.07	
	S-Mid EI	22	1.74	0.74	
	S-High EI	14	1.57	0.41	
	S-All	55	1.83	0.83	
	N-Low EI	20	2.23	0.82	
	N-Mid EI	22	1.92	0.66	
	N-High EI	23	2.14	1.07	
	N-All	65	2.10	0.87	
	Total	158	1.88	0.84	

Levene statistic for homogeneity of variance = 2.916 (p-value = 0.005)

[1] The scores obtained for EI level were classified into three groups (low, mid or high) according to their percentile ranks.

[2] OTR: overall trend rating; P: positive; S: stable; N: negative

[3] Analysis of variance (ANOVA) was valid even without homogeneity of variance (Levene test = 0.005) considering that the data were normally distributed relative to the dependent variable, the sample was large, the experimental groups were equivalent in terms of their respondents and two factors were used (OTR judgment and EI).

*** Significant at 0.01 ** Significant at 0.05 * Significant at 0.10

manage their emotions and thus mitigate the negative effects of fear, anxiety and other emotions on their judgments and decisions.

Our findings therefore suggest that participants may have been functionally fixated on the revenue listed in the income statement, in line with Dearman and Shield (2005), who concluded that functional fixation is not automatically eliminated by accounting knowledge or experience. Our conclusions indicate that participants with higher levels of EI were not able to overcome the effects of their functional fixation, and that their EI, as conceptualized and measured in this study, was not a moderating factor in the relationships between the variables pertaining to the loan officers' decision process.

This study is not without limitations, which may explain our results. The experimental design did not consider all the costs and benefits associated with the loan officers' decision-making, and participants were provided with less information than loan officers are normally given. Despite our non-significant results, and in light of Damasio's work on somatic markers, we maintain that EI can affect financial decisions. In the

following paragraphs, we make suggestions as to why our results do not show the impact of EI.

Concerning the moderating variable's effect, the tool we used to assess EI was probably the greatest limitation. In other words, the Petrides and Furnham questionnaire (TEIQue) may have been inappropriate for testing our hypotheses. It has a self-reporting scale and is therefore subject to the social desirability bias, according to Wong and Law (2004). In addition, the TEIQue was unable to capture the differences between subjects. The low variability in EI scores did not allow us to observe differences on the basis of low and high EI score. Also, the cut-off scores between low, mid and high scores, based on percentile ranks, did not represent reality.

Trait EI is a constellation of emotion-related personality traits capturing a wide variety of emotions; however, anxiety is likely the main emotion involved in loan officers' decision-making. Thus, the TEIQue is probably not precise enough in its assessment to provide information about the management of anxiety. To overcome these two difficulties, future research could use other EI measures with greater sensitivity in capturing individual differences. For example, the MSCEIT (Mayer et al., 2003) is a performance test that would probably be more efficient than the TEIQue in discriminating between subjects' EI quotient and skills.

As this was a fictitious case, the loan officers did not harness the faculties involved in EI as they would have in a real case, which could explain the absence of significant results concerning the EI moderating variable. Ideally, the experimental context should challenge loan officers' emotional skills. In the case under study, however, the loan officers did not react emotionally because they were simply presented with a document, and their challenge was limited to making a decision with no personal impact. A genuine loan application situation would have exposed them to visual and auditory stimuli, which can trigger an emotional reaction through the mirror neurons (Boyatzis et al. 2012). Future experimental material would need to present more realistic stimuli involving both reading and listening skills; for example, loan officers could watch a video depicting a borrower submitting a loan application.

This study contributes to knowledge by bridging traditional decision-making models on loan officers used in accounting studies and the psychology literature on the role of EI in the decision process. It also opens a new window into experimental accounting by exploring the role of EI in the financial decision-making process. To our knowledge, it is the first study of its kind, and those who would be interested in pursuing this topic may benefit considerably from our experience. By examining the moderating effect of EI on loan officers' judgments and decisions, this study contributes to knowledge about the factors that can influence judgments and decisions, including the individual characteristics of loan officers and the decisions these actors make when accounting standards change.

In addition to contributing to the discourse on the impact of information disclosure and the international convergence of accounting standards, this study makes an important contribution to financial institutions by examining consistency levels in the analysis of loan applications and the consensus that emerges from the decision-making process. By noting that EI did not have a moderating impact on the relationship between the method of disclosing contingencies and loan officers' judgments and decisions, this study will also help institutions assess the effectiveness of their practices and standards regarding the guidance given to loan officers for the decision process. Given that this study innovates by investigating the effect of a personal characteristic (EI) on a decision process that had previously been examined solely from the perspective of other factors such as informational, functional and cognitive characteristics, this investigation opens the way for further research on the role of other personal variables in the decision process.

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