

## **A Study on Emotional Intelligence and its Impact on Performance of Entrepreneurs in MSME Sectors**

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### **Abstract**

Emotional Intelligence boosts a person's social effectiveness, which is regarded one of the most significant aspects of entrepreneurship success. The higher one's emotional intelligence, the better one's social network, and hence the better one's commercial relationships. Individuals with high emotional intelligence can improve their ability to accurately perceive emotions (their own and others'), put emotions to better use (maximise their own performance and in various tasks), and successfully manage them (intimate relationships, in problem solving, decision making, expressing appropriate, controlling emotions). An entrepreneur is a type of economic agent who contributes significantly to a country's economic progress. The term "economic development" refers to a country's continual increase in income levels. This expansion is mostly dependent on its entrepreneurs. An entrepreneur is a person who has the knowledge, skills, initiative, drive, and spirit of creativity to achieve his or her objectives. An entrepreneur is someone who seeks out and seizes possibilities for financial gain. Entrepreneurship is a dynamic activity that aids the entrepreneur in bringing improvements to the manufacturing process, innovation in production, new material uses, market creation, and so on. It's a mindset that anticipates danger and uncertainty in order to attain a specific goal. It also refers to doing something in a novel and efficient way. The primary goal of this study is to shed light on how specialised characteristics related to one's emotional stability and interactions with others affect entrepreneurial achievement in business. As a result, emotional intelligence is being used to help MSME entrepreneurs in Tamil Nadu improve their

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performance. In Tamil Nadu, India, data was collected from 500 MSME entrepreneurs. The findings show that entrepreneurial emotions and social networking have a good relationship, with social networking being positively associated to performance.

**Keywords:** *MSME entrepreneurs, emotional intelligence, social effectiveness.*

## **Introduction**

An entrepreneur is a person who possesses the initiative, skill, and ambition to start his own business or enterprise and is constantly striving for greater success. An action-oriented entrepreneur is a calculated person who is constantly willing to take risks in order to attain their objectives. Micro, Small, and Medium Enterprises (MSMEs) are critical to the country's economic and social development. With their effective, efficient, adaptable, and innovative entrepreneurial attitude, they also play a significant part in the economy's development. The MSME sector makes a considerable contribution to the country's manufacturing output, employment, and exports, and is credited with creating the most jobs and accounting for a large percentage of industrial production and exports. MSMEs have long been regarded as a significant driver of economic growth and a means of achieving more equal development. The sector's main benefit is its ability to generate jobs at a low cost of capital. The labor intensity of small and medium-sized businesses is substantially higher than that of giant corporations. Therefore, the present study focus on the emotional intelligence and its impact on the performance of entrepreneurs. The emotionally stable individual, and individual who is socially attached, managing people can shine in both business and personal life. Therefore, emotional intelligence and its impact are considered as the main factors in determining the performance of the entrepreneur. The study aims at finding out the impact of emotional intelligence and its impact on performance of entrepreneurs.

### **1. Profile of the Study Area**

Tamil Nadu is one of India's 29 states. Chennai is the country's capital and largest metropolis (formerly known as Madras). The union territory of Puducherry and the South Indian states of Kerala, Karnataka, and Andhra Pradesh border Tamil Nadu, which is located in the southernmost section of the Indian Peninsula. It is bordered on the north by the Eastern Ghats, on the west by the Nilgiri Hills, Kerala, and the Bay of Bengal, on the east by the Bay of Bengal, on the southeast by the Gulf of Mannar and the Palk Strait, and on the south by the Indian Ocean. In addition, it shares a marine boundary with Sri Lanka. Tamil Nadu is India's eleventh-largest state by area and sixth-most populous state. According to the Human Development Index, the state was rated sixth among Indian states in 2011, with the second-largest state economy. With a gross domestic output of INR 4789 billion (US\$71 billion), Tamil Nadu is India's second-largest state economy. When compared to the population

proportion of around 6%, the state has the highest number of business businesses (10.56%) and the second highest overall employment (9.97%) in India. In a 2013 assessment produced by a panel headed by RBI governor Raghuram Rajan, Tamil Nadu was listed as one of India's top seven developed states based on a "Multidimensional Development Index." Tamil is the official language, and it is one of the world's oldest classical languages. Many natural resources can be found in Tamil Nadu. Furthermore, its citizens have contributed to the development and continuation of classical arts, classical music, and classical literature. Hindu temples with Dravidian architecture, hill stations, seaside resorts, multi-religious pilgrimage destinations, and eight UNESCO World Heritage Places are among the historic buildings and religious sites.

## **Theoretical Concept of the Study**

### **1. Emotional Intelligence Overview**

Emotions are the "feelings" that have an immediate, automatic, and often uncontrollable impact on human behavior and performance. Emotions can alternatively be defined as a well-coordinated response system that combines physiological, perceptual, experiential, and cognitive alterations into coherent modes and emotional experiences. Emotion is regarded as an indication of intelligence by some, while others regard it as a sign of the capacity to understand and reason appropriately with concepts or as personal intelligence because one's access to one's own emotional life. As a result, there is a widespread tendency to mix emotion and intelligence.

The idea of emotional intelligence is founded on abilities. Emotional intelligence is defined as a set of abilities that include the ability to notice emotions in oneself and others, as well as the ability to use emotions to aid performance, comprehend emotions and emotional knowledge, and manage emotions in oneself and others. The four-dimensional emotional intelligence construct of self-awareness, self-management, social awareness, and social management is addressed in this definition of emotional intelligence. The ability to express emotions is a sign of self-awareness. The ability to discriminate between distinct emotions that influence one's thought processes is referred to as self-management. The ability to grasp complicated emotions and recognise potential transitions between emotions is the third skill,

social awareness. Finally, social management refers to the ability to connect with or withdraw from an emotion based on its use in a particular setting.

## **2. Emotional Intelligence's Impact on Entrepreneur's Performance**

Emotional intelligence has a two-fold impact on the firm: it influences the internal processes associated with coping with emotions to solve a variety of problems in the venture, and it facilitates the entrepreneur's prerequisite social processes, potentially affecting almost every aspect of the venture. Emotional intelligence enables emotional regulation in the face of arousing emotions such as uncertainty. As a result, this self-control should lead to a more balanced, sensible approach to the venture's obstacles, such as decision-making and social interactions, which should both improve performance. Entrepreneurs must control their own emotions while measuring and influencing the emotions of others, as this can have a significant impact on the venture's overall performance. This is critical because entrepreneurship is an essentially emotional process that can have a significant impact on many elements of entrepreneurial activity and venture performance. As a result, emotional intelligence aids in the development of entrepreneurial potential and the creation of a route to performance sustainability and success. Emotional intelligence is vital for venture performance because it affects an individual's willingness to participate in a startup and their risky pursuit of the opportunity.

To persuade potential investors and partners to support their initiatives and obtain access to the crucial resources and competencies required for sustainability, an entrepreneur must be able to recognise and manage others' emotions. Self-control and impulse control are also required for social interaction. Managing personal goals, devising tactics to achieve those goals, and dealing with difficulties that arise along the way, including one's emotional reaction, are all examples of self-regulation and impulse control. Interpersonally, emotional intelligence has an impact on social interactions and a variety of social skills that are critical to an entrepreneur's success. However, these people's business success has now been related to cognitive talents and social intelligence skills. Perceiving others accurately, making a good first impression, and persuading or influencing others in interpersonal encounters are just a few of these skills.

### **Statement of the Problem**

People all around India are expressing an interest in being economically self-sufficient. People are entering the business world with plans to build micro, small, and major businesses. They are willing to be motivated by role models who have business experience. It's time to debunk the notion that people with disabilities can't work. They can be encouraged to start small and medium-sized businesses on their own. Entrepreneurship development is a critical component of India's economic development. For a variety of reasons, the role of the entrepreneur in the nation's economic development must be examined. During the last decade, women entrepreneurs have been recognised as a key untapped source of economic growth. Entrepreneurs create new jobs for themselves and others, and by being unique, they provide society unique solutions to management, organisation, and commercial difficulties, as well as the exploitation of Women Entrepreneurial Opportunities. Hence, the present study made an attempt to study the emotional intelligence and its impact on performance of entrepreneurs in MSME sectors with special reference to Tamil Nadu. Therefore, emotional intelligence and social networking are the important factors to be considered for influence of entrepreneurial performance.

### **Scope of the Study**

As highlighted earlier, this study investigated performance and individual factors of medium and small-scale entrepreneurs. This study is important because limited studies were focused on emotional intelligence and its impact that influence performance of MSME entrepreneurs. Through this study, the real satisfaction and their subjective performance are identified. By choosing this unique group of small-scale business owners, the most prominent characters of successful entrepreneurs are explored in this study. This examination has helped to identify characteristics associated with successful medium and small-scale entrepreneurs. Thus, this study has contributed not only to academic but also has provided useful information for future entrepreneurs interested in participating in the small-scale industry.

### **Objectives of the Study**

The confined objectives of the present study are:

- To reveal the demographic profile of the respondents.
- To study the growth and development of MSME sector.
- To examine the factors influencing the emotional intelligence and its impact on performance of entrepreneurs in MSME sectors.
- To study the impact of emotional intelligence on performance of MSME sectors.
- To offer suitable suggestions to enhance the emotional intelligence and its impact on performance of entrepreneurs in MSME sectors on the basis of the findings of the study.

### **Research Hypothesis**

The specific testable predictions made about the independent and dependent variables in the study are known as research hypotheses. The working hypothesis is a statement concerning the link between two or more variables that is only speculative. A hypothesis is a specific, testable prediction of what we should expect to happen in our research. Here are the lists of the hypothesis that are used as tentative predictions in the study.

- Entrepreneurial effectiveness is positively correlated with emotional intelligence.
- Emotional Intelligence and its impact have a positive relationship on performance of entrepreneurs.

### **Limitation of the Study**

- It's possible that respondents withheld information out of fear of being victimised.
- Respondents' unwillingness to complete questionnaires.
- Limitation of tools used is the limitation of the study also.

### **Research Methodology**

The study was conducted using a descriptive research design. The questionnaire contains of 50 questions, with 20 statements assessing the impact of emotional intelligence on entrepreneur performance. The study's participants are Tamil Nadu's MSME entrepreneurs. Stratified sampling is employed in this study since MSME entrepreneurs are split into distinct

industries (Strata). The study's target population is 400 MSME entrepreneurs that are registered with MSME in Tamil Nadu. Because it is impossible to gather enough data to examine the performance of enterprises operating for a shorter period of time, the sample selection was based on the condition that the firm had to be founded for at least three years. The data was gathered from both primary and secondary sources. The secondary data was gathered from MCA's publicly available documents (Ministry of Corporate Affairs).

### **Analysis and Interpretation on the Impact of Emotional Intelligence on Performance of the MSME Entrepreneurs**

Table 1.

*Socio demographic details of the respondents – (n=400)*

General Information	Characteristics	Frequency	Percentage
Gender	Male	379	94.75
	Female	21	5.25

From the above table it is clear that of the 400 respondents, 379(94.75%) were male respondents and the remaining 21 (5.5%) were female respondents.

Table 2.

*Independent sample t-test between Gender of the respondents and all factors by using Minitab*

### **Descriptive Statistics**

Sample	N	Mean	StDev	SE Mean
Emotion value	399	31.34	6.38	0.32
PERFORMANCE(N)	402	0.583	0.206	0.010

The independent sample t-test between gender of respondents and MSME entrepreneur's emotional intelligence and its impact on performance is shown in the table above. The independent sample-test is used to see if there is a difference between two independent groups' means. The independent samples t-test for the probability value of the difference between two groups is not significant. It is clear from this statistical result that respondents' views on emotional intelligence and its impact on performance are not significantly different.



Emotional intelligence and its impact on performance are not different across the responders. It appears to affect both male and female entrepreneurs, regardless of gender.

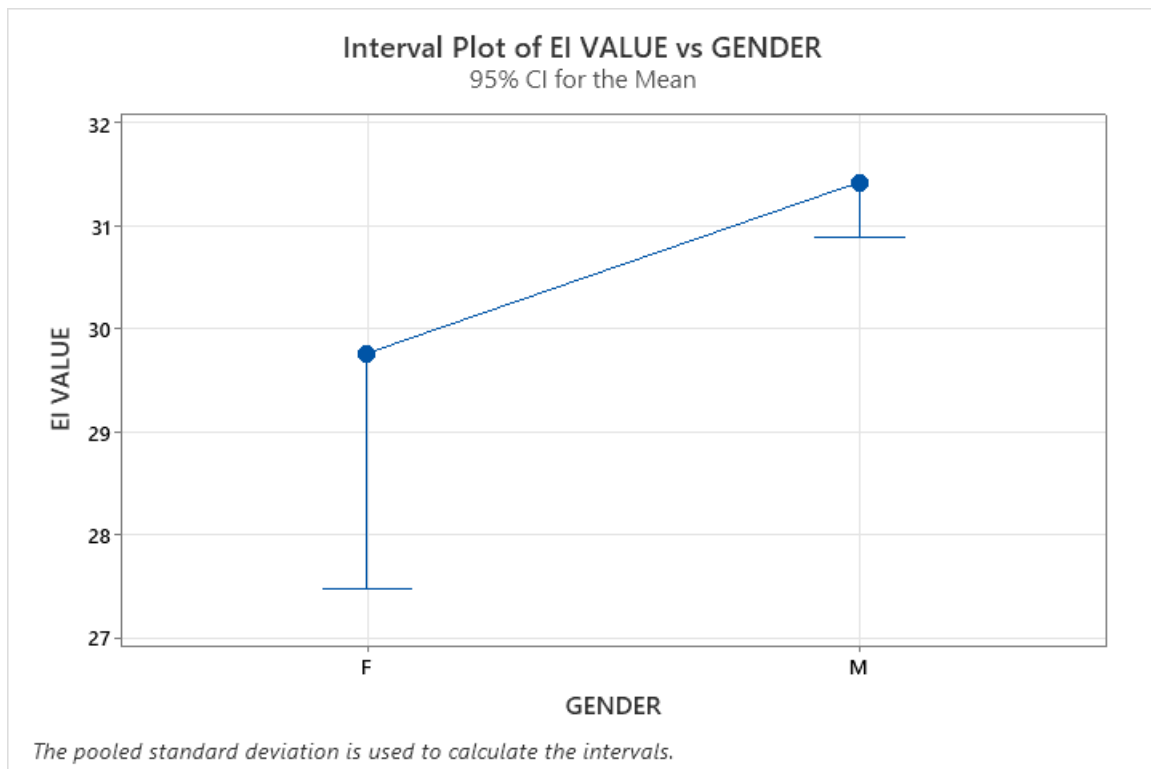
Table 3.

*Shows the results of a one-way ANOVA comparing the demographic profile of respondents with Emotional Intelligence.*

**Analysis of Variance**

Source	DF	Seq SS	Contribution	Adj SS	Adj MS	F-Value	P-Value
EI VALUE	25	0.4539	2.28%	0.4539	0.01816	0.35	0.999
GENDER COUNT	373	19.4408	97.72%	19.4408	0.05212		
Total	398	19.8947	100.00%				

Graph 1. Interval Plot of EI Value Vs Gender



The one-way ANOVA result between the demographic profile of the respondents and the emotional intelligence of MSME entrepreneurs is shown in the table above. To see if respondents' opinions on emotional intelligence differed by gender, a one-way ANOVA was performed. The table indicates that there is a considerable variance in respondents' opinions on Emotional Intelligence based on their gender. The graph also depicts their Emotional Intelligence levels.

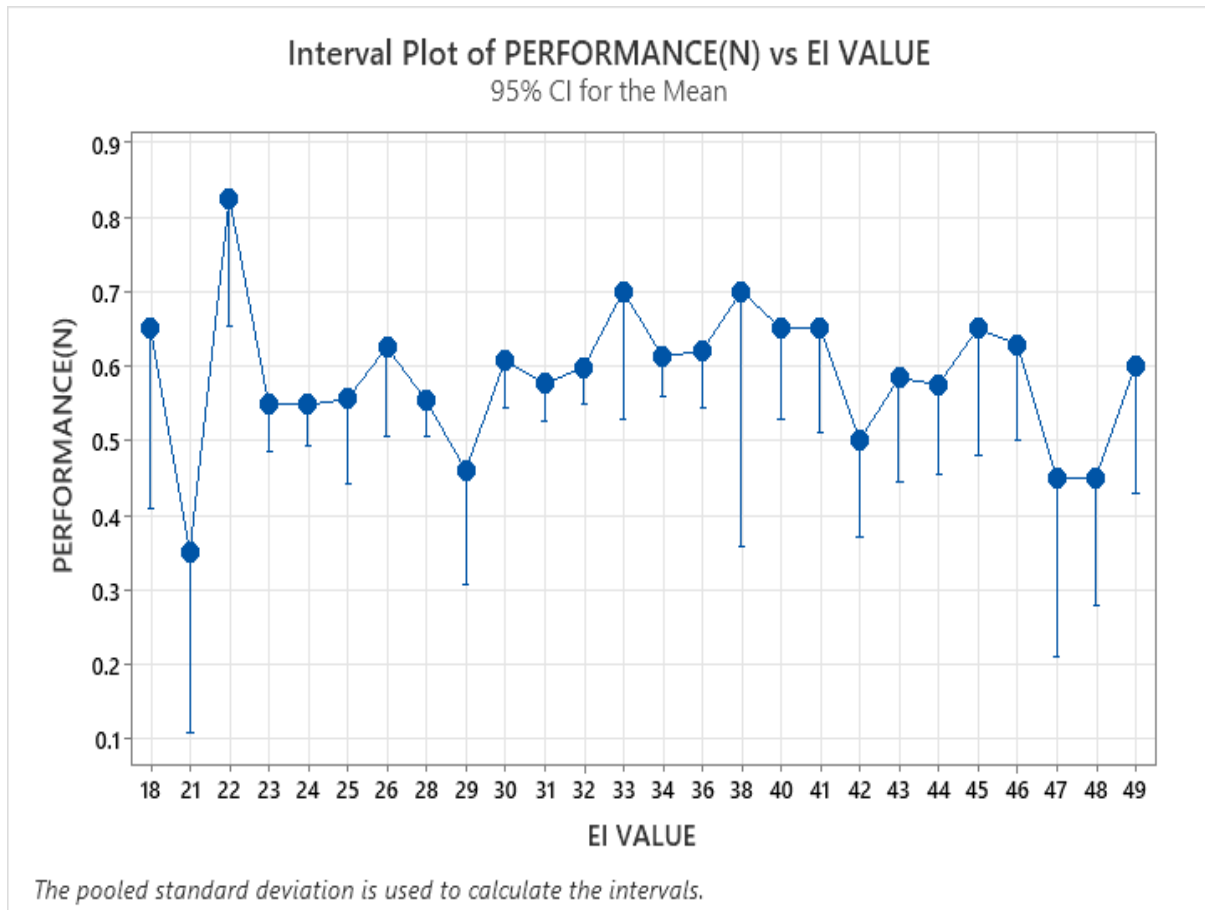
Table 4.

Shows the results of a one-way ANOVA comparing the demographic profile of respondents to the impact of Emotional Intelligence on performance.

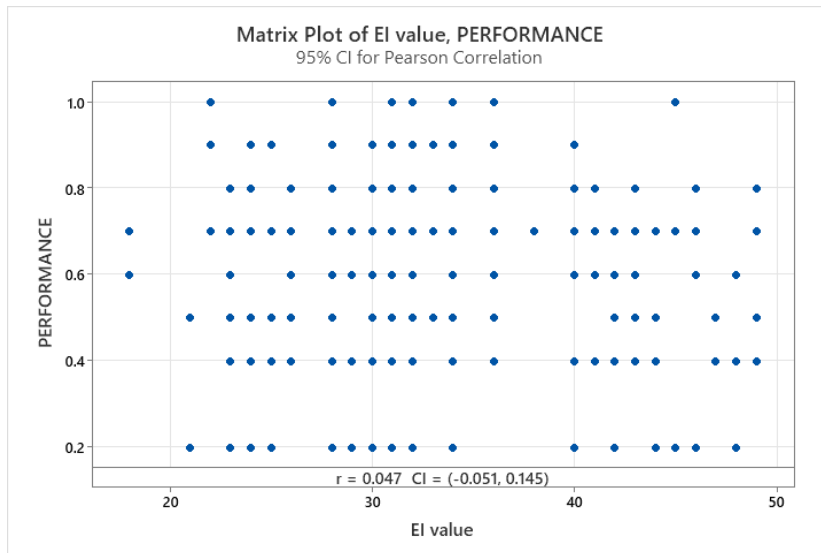
**Analysis of Variance**

Source	DF	Seq SS	Contribution	Adj SS	Adj MS	F-Value	P-Value
EI VALUE	25	0.9920	5.85%	0.9920	0.03968	0.93	0.569
Performance	373	15.9786	94.15%	15.9786	0.04284		
Total	398	16.9707	100.00%				

Graph 2. Interval Plot of Performance(N) vs EI Value



The one-way ANOVA result between the demographic profile of the respondents and the success of the MSME entrepreneurs is shown in the table above. The respondents' opinions on performance were compared using a one-way ANOVA to see if they differed by gender. It is clear from the table that there is a considerable disparity in respondents' perceptions of performance based on gender.



Graph 3. Pearson Correlation between EI value and Performance

From the above graph it is inferred that the emotional intelligence, social intelligence, and career success are positively correlated. And the correlation values are found to be significant.

Table 5.

*Model fit influence of Emotional Intelligence and Performance (Poisson Goodness-of-Fit Test: EI value)*

**Observed and Expected Counts for EI value**

<b>EI value</b>	<b>Poisson Probability</b>	<b>Observed Count</b>	<b>Expected Count</b>	<b>Contribution to Chi-Square</b>
<=28	0.251550	2	2.51550	0.105643
29 - 31	0.196999	3	1.96999	0.538539
32 - 35	0.265477	3	2.65477	0.044895
>=36	0.285974	2	2.85974	0.258467

4 (100.00%) of the expected counts are less than 5.

Graph 4. Chart of Observed and Expected Values

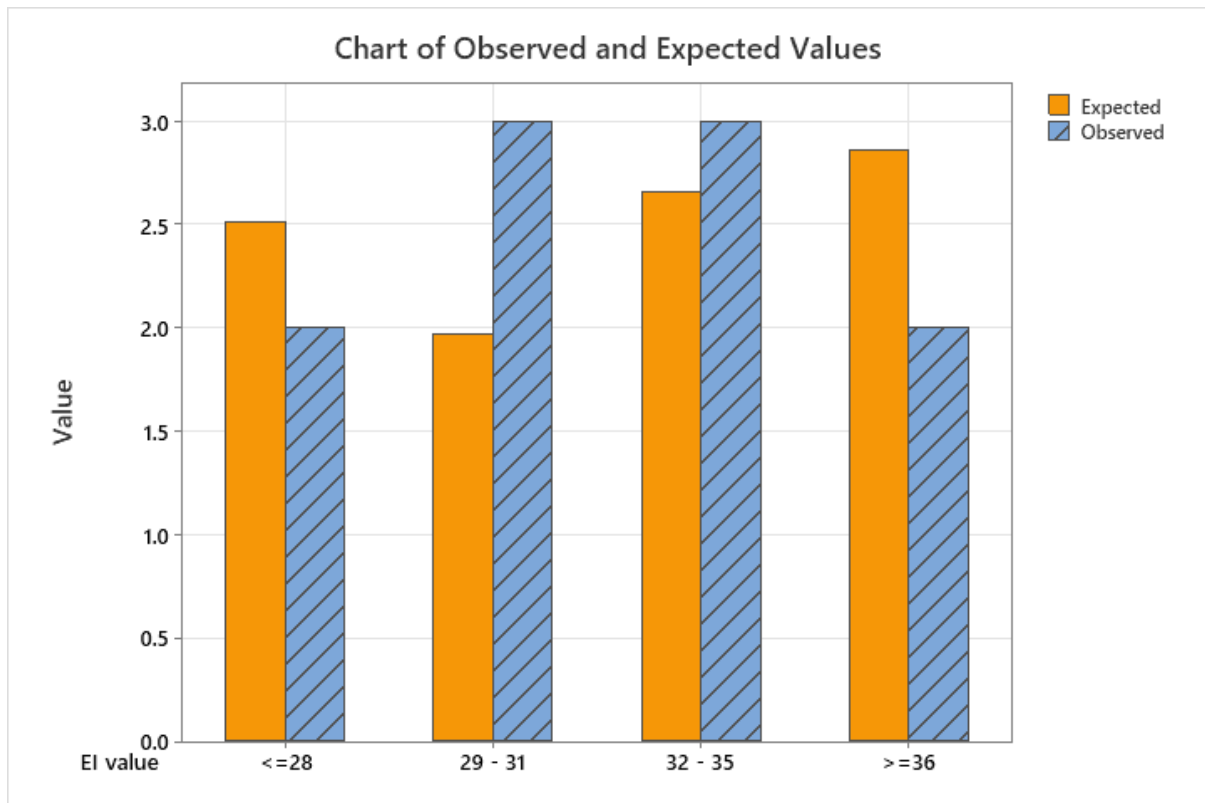


Table 6.

*Multiple Regression results between emotional and performance*

Regression Analysis: EI value versus PERFORMANCE

**Regression Equation**

$$\text{EI value} = 30.486 + 1.46 \text{ PERFORMANCE}$$

**Coefficients**

Term	Coef	SE Coef	T-Value	P-Value	VIF
Constant	30.486	0.958	31.83	0.000	
PERFORMANCE	1.46	1.55	0.94	0.345	1.00

The above table shows the multiple regression results of the relationship between emotional and performance. From the table it could be inferred that the emotional and performance. Intelligence influences career success. The regression values are found to be significant. Using multiple regression analysis, the results showed that emotional intelligence influences MSME entrepreneurs.

**Findings**

The following findings were observed.

- The statistical significance of the means of the responses between the respondents' gender and Emotional Intelligence, social intelligence, and entrepreneur career success was tested from different people samples using the t-test. The gender of the respondents makes no impact in any of the parameters. Irrespective of gender both male and female are equally having opinion on Emotional Intelligence and its impact on performance of entrepreneurs.
- In order to analyse the differences in opinion among the respondents, a one-way ANOVA was done between demographic variables and emotional intelligence. It was discovered that respondents' opinions on emotional intelligence fluctuate significantly depending on their age, educational background, and work experience.
- To analyse the differences in opinion among the respondents, a one-way ANOVA was done between the demographic variable and the impact of emotional intelligence on performance. It was discovered that respondents' opinions on emotional intelligence's impact on performance varies significantly depending on their age, educational background, and work experience.
- A correlation was found between the variables of Emotional Intelligence and their impact on entrepreneur performance. All the variables are linked in a beneficial way. And the correlation coefficients are determined to be statistically significant.
- The association between emotions and its impact on performance was derived from multiple regression analyses. It is possible to deduce that the emotional state and its consequences have an impact on performance. The regression values were found to be significant, indicating that emotional factors and their impact on performance had an impact on MSME entrepreneurs.

### **Suggestion**

In a business the entrepreneurs have no significant difference found in opinion of respondents in gender irrespective of male and female. Therefore, the male entrepreneurs and female entrepreneurs have the intelligence factor equally in achieving performance. Both of them can be motivated accordingly.

### **Conclusion**

From the result it reveals that emotional intelligence and its impact on performance are positively correlated. Regression analysis shows emotional intelligence contributes 32% of MSME entrepreneur's performance and emotional intelligence's impact contributes 20% of MSME entrepreneur's performance. It can be concluded that emotional intelligence and its impact are the important factors to determine the performance (Subjective performance) of the MSME entrepreneur. Therefore, other than the entrepreneurial characteristics, an entrepreneur should be emotionally intelligent when dealing with the customer and suppliers and also an entrepreneur should understand its impact on performance when dealing with the customer and suppliers.

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