**A STUDY ON THE IMPACT OF EMOTIONAL INTELLIGENCE AND NETWORKING ON PERFORMANCE OF THE MSME ENTREPRENEURS**

V. Ramanujan, K. Arun Vidya

BSMED, Bharathiar University, Coimbatore, India

E-mail: drvramanujam07@gmail.com

Rama B. Rao

College of Business and Economics, University of Rwanda, Rwanda

R. Rekha

Department of Management, Sri Ramakrishna College of Arts and Science, Coimbatore, India

*Received: 10th September 2022, Accepted: 3rd October 2022 and Published: 3rd October 2022*

**ABSTRACT**

**Aim:**The main aim of this research is to shed light on the specialized characteristic related to emotional stability and an individual's relationships with others that influence entrepreneurial performance.

**Results:**Emotional intelligence and networking trait are considered in improving the performance of MSME (Micro, Small and Medium Enterprises) entrepreneurs in Coimbatore, Tamil Nadu. Data were collected from 500 MSME entrepreneurs in the Coimbatore district of Tamil Nadu in India.

**Conclusion:**The result reveals a positive relationship between entrepreneurial emotions and networking abilities to performance.

**Keywords**: Emotional Intelligence, Resilience, Performance, MSME entrepreneurs.

**HIGHLIGHTS:**

**1. There is a positive relationship between emotions and resilience among MSME entrepreneurs in Coimbatore, India.**

**2. The resilience of MSME entrepreneurs in Coimbatore, India, is positively related to performance.**

**INTRODUCTION**

The Micro, Small and Medium Enterprises (MSME) industries play a significant role in the country's economic development by stimulating entrepreneurial skills, generating employment opportunities and contributing to export. This study investigates small-scale entrepreneurs' performance and individual factors in Coimbatore, India. The satisfaction level and subjective performance are identified in this study. This study explores the most prominent characteristics of successful entrepreneurs by choosing this unique group of small-scale business owners.

*Objectives*

1. To examine the impact of emotional intelligence on the performance of MSME entrepreneurs in the Coimbatore district.
2. To examine the impact of networking on the performance of MSME entrepreneurs in the Coimbatore district.
3. To construct a relevant model through (Structural Equation Modeling) SEM.

*Research Hypotheses*

The lists of the hypothesis are used as tentative predictions in the study.

1. There is a positive relationship between emotional intelligence and performance
2. There is a positive relationship between networking and performance
3. There is a positive relationship between emotional intelligence and networking

*Limitations of the study*

1. Respondents may have withheld information due to fear of being victimized.
2. The unwillingness of respondents to fill out questionnaires.
3. The limitation of tools used is the limitation of the study also.

**RESULTS**

The research design adopted for the study is descriptive. The questionnaire consists of 23 statements that measure the influence of emotional intelligence and networking on entrepreneurial performance. After finalizing the number of items in the research instrument, a pilot study was undertaken. The population of the study is MSME entrepreneurs of the Coimbatore district. The survey was conducted through Stratified Random Sampling; the MSME entrepreneurs are divided into different industries (strata), so stratified sampling is used in this study. The target population for this study consists of 980 MSME entrepreneurs registered under District Industrial Centre (DIC), Coimbatore, Tamil Nadu, India. The sample selection was based on the criterion that the firm had to be established for at least three years because it is impossible to gather enough data to consider the performance of firms operating in a shorter period. Both primary and secondary sources were used for the data collection. The primary data was obtained mainly with the instruments of questionnaire methods. Finally, 500 respondents' questionnaires are considered to be valid. Secondary data was obtained from the published documents of SIDCO (Small Industries Development Corporation Limited), Tamil Nadu Small and Tiny Industries Association (TANSTIA).

The socio-demographic profile of the respondents are discussed in Table 1. It is classified based on gender with age, education, type of business, categories of business, business establishment, and Legal status of the business. The socio-demographic profile of MSME entrepreneurs is classified based on gender. Most male entrepreneurs belong to the 41-50 category of age, and female entrepreneurs belong to the category above 50 age. Seventy-six male entrepreneurs have completed primary education, and 70 female entrepreneurs have completed their degree courses. One hundred twenty-eight male respondents and 134 female respondents have new startup businesses. Eighty-four male respondents and 87 female respondents owned small-scale industries. Fifty-nine of the male and 53 of the female respondents have above 15 years of experience in the current business. One hundred thirty-two male entrepreneurs and 128 female entrepreneurs hold the partnership firm. Sixty-seven male entrepreneurs employ more than 20 employees, and 70 female entrepreneurs employ more than 11 employees.

A PLS model is usually analyzed and interpreted into two stages sequentially. First is the assessment and refinement of the measurement model's adequacy, followed by the structural model's assessment and evaluation. Stage 1 assesses the measurement model, which evaluates the consistency and validity of the latent variables.

For the validity of the variable, the variables are tested on convergent and discriminant validities. Convergent validity is carried out by Average Variance Extracted (AVE) test on variables (Table 2). It determines the amount of variance captured by the latent variable from its relative latent variables due to measurement errors. It implies that the AVE value of the construct should be greater than 0.5. Discriminant validity is carried out to confirm that the latent variable in any construct is relevant to the designated latent variable where its cross-loading value in LV is higher than in any other construct. On checking the composite reliability, Cronbach alpha, AVE, loadings, and indicator loading of the networking, performance and emotion, all the obtained values were above 0.7, which satisfies the convergent validity. It was noted that the correlation values are lesser than the square root of AVE; thereby, discriminant validity is said to be attained between networking, emotion and performance in the MSME industry.

Stage 2 includes a structural model assessment which assesses the relationship between exogenous and endogenous latent variables by evaluating the R2 value, the coefficient of determination. R2 corresponds to endogenous latent variables' degree of explained variance [2]. Table 3 shows R2 values for the conceptual model. It is found that R2 is higher than the suggested value; the model is considered to have a substantial degree of explained performance variance by the entrepreneur's personality characteristics factors. Table 3 also has the co-linearity for the measurement model between variables of performance, where all the obtained VIF value is < 5, there is no collinearity issue between the latent variables.

Table 4 presents the result of the specific hypotheses predicted in this study. The evaluation criteria for confirming each hypothesis used t-values for each path loading. Significant t-values for path loadings signify support for the proposed Path Mean Standard Deviation T-Statistic hypothesis. According to hair et al. [2], the cut-off criterion was a t-value greater or equal to 1.96 for an alpha level of 0.05.

**Null hypothesis (H01)** is that networking does not have an impact on performance and the alternate hypothesis states that networking has an impact on performance. The Structural path coefficient value between networking and performance is statistically significant; networking impacts MSME entrepreneurs' performance.

**Null hypothesis (H02)** is that emotional intelligence does not impact performance, and the alternate hypothesis states that emotional intelligence impacts performance. The Structural path coefficient value between emotional intelligence and performance is statistically significant; emotional intelligence directly impacts MSME entrepreneurs' performance.

**Null hypothesis (H03)** is that emotional intelligence does not impact networking and the alternate hypothesis states that emotional intelligence impacts networking. The Structural path coefficient value between emotional Intelligence and Networking is statistically significant; emotional intelligence directly impacts MSME entrepreneurs' networking.

This research aimed to examine how emotional intelligence and networking, directly and indirectly, impact MSME entrepreneurs' performance. The study found that networking directly impacts the entrepreneur's performance. Emotional intelligence has an impact on the performance of entrepreneurs. Emotional intelligence also has an impact on networking. Thus, consistent with prior theory, our results provide evidence that emotional intelligence significantly impacts networking. Therefore networking also affects the performance of entrepreneurs. It has been found that emotional intelligence and networking affect entrepreneurs' performance.

CONCLUSIONS

1. Most male entrepreneurs belong to the 41-50 category of age, and female entrepreneurs belong to the category above 50 age.
2. The majority of 76 male entrepreneurs have completed primary education, and 70 female entrepreneurs have completed their degree courses.
3. Most 138 male respondents had no experience before starting a business, and 127 female respondents had business experience.
4. The majority of 138 male and 128 female respondents had no experience in the same field. One hundred twenty-eight male respondents and 134 female respondents have new startup businesses.
5. The majority of 84 male and 87 female respondents owned small-scale industries.
6. The majority of 59 male respondents and 53 of the female respondents have above 15 years of experience in current business.
7. The majority of 132 male and 128 female entrepreneurs hold a partnership firm. Sixty-seven male entrepreneurs employ more than 20 employees, and 70 female entrepreneurs employ more than 11 employees.
8. From the Structural equation modelling using SmartPLS, in the first stage measurement model, the reliability and the validity are achieved, in the second stage, the structural model is with a t-value is greater than 1.64 is satisfied and signifies each hypothesis for each path loading. Finally, the result reveals that performance is greatly (directly) achieved by emotional stability and networking also (indirectly) influences entrepreneurial performance but moderately compared to emotional intelligence. Therefore the model is analyzed as a good fit.

This paper reveals the importance of individuals' emotional stability and networking capacity, which has to be enhanced and cultivated among the young MSME entrepreneurs, which not only increases productivity and performance but also assisst in coping with the globalized entrepreneurs in this competitive environment. Therefore this paper serves every budding entrepreneur to nourish themselves with the appropriate personality trait that leads to success. Finally, this paper concludes that there is a positive relationship between all three latent variables emotional intelligence and performance, emotional intelligence and networking, and networking and performance. However, the bootstrap result reveals that the t-value for networking and performance is moderate compared to other paths. Therefore the influence of networking on performance exists within a limited range.

**REFERENCES:**

1. <http://dx.doi.org/10.1155/2014/165158>

2. <https://doi.org/10.1007/s11747-011-0261-6>

**TABLES:**

**Table 1:** Socio demographic profile of the MSME entrepreneurs

|  |  |  |  |
| --- | --- | --- | --- |
| **Demographic Variables** | **Categories** | **Gender** | **Total** |
| **Age group** | **Below 20** | **Male** | **Female** |
| 47 | 48 | 95 |
| **20-30** | 54 | 49 | 103 |
| **31-40** | 47 | 49 | 96 |
| **41-50** | 61 | 40 | 101 |
| **Over 50** | 41 | 64 | 105 |
| **Total** | 250 | 250 | 500 |
| **Education** | **Never attended school** | 44 | 63 | 107 |
| **Primary school** | 76 | 57 | 133 |
| **Secondary school** | 64 | 60 | 124 |
| **Advanced diploma /degree** | 66 | 70 | 136 |
| **Total** | 250 | 250 | 500 |
| **Type of business** | **New start up** | 128 | 134 | 262 |
| **Existing business** | 122 | 116 | 238 |
| **Total** | 250 | 250 | 500 |
| **Categories of business is yours** | **Micro** | 83 | 82 | 165 |
| **small** | 84 | 87 | 171 |
| **Medium** | 83 | 81 | 164 |
| **Total** | 250 | 250 | 500 |
| **Business establishment** | **1-5 years ago** | 50 | 46 | 96 |
| **5-10 years ago** | 39 | 58 | 97 |
| **10-15 years ago** | 46 | 50 | 96 |
| **15-20 years ago** | 59 | 53 | 112 |
| **Over 25 years ago** | 56 | 43 | 99 |
| **Total** | 250 | 250 | 500 |
| **Legal status of business** | **Sole proprietor** | 118 | 122 | 240 |
| **Partnership** | 132 | 128 | 260 |
| **Total** | 250 | 250 | 500 |

**Table 2:** Results summary of the measurement model of performance

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Construct** | **Indicators** | **Loadings** | **Indicator Reliability** | **Cronbach’s Alpha** | **Composite Reliability** | **AVE** |
| **Resilience** | **R1** | 0.695418 | 0.695 | 0.880 | 0.902 | 0.578 |
| **R2** | 0.910240 | 0.910 |
| **R3** | 0.546228 | 0.546 |
| **R4** | 0.695418 | 0.695 |
| **R5** | 0.910240 | 0.910 |
| **R6** | 0.546228 | 0.546 |
| **R7** | 0.910240 | 0.910 |
| **Performance** | **PER1** | 0.887076 | 0.827 | 0.972 | 0.976 | 0.819 |
| **PER2** | 0.775271 | 0.775 |
| **PER3** | 0.887461 | 0.887 |
| **PER4** | 0.613655 | 0.614 |
| **PER5** | 0.811851 | 0.812 |
| **PER6** | 0.624554 | 0.625 |
| **PER7** | 0.887461 | 0.887 |
| **Emotion** | **EMT1** | 0.795011 | 0.795 | 0.954 | 0.960 | 0.707 |
| **EMT10** | 0.830783 | 0.831 |
| **EMT2** | 0.848605 | 0.849 |
| **EMT3** | 0.860472 | 0.860 |
| **EMT4** | 0.841833 | 0.842 |
| **EMT5** | 0.830783 | 0.831 |
| **EMT6** | 0.850821 | 0.851 |
| **EMT7** | 0.848605 | 0.849 |
| **EMT8** | 0.860472 | 0.860 |
| **EMT9** | 0.841833 | 0.842 |

**Table 3:** Correlation and measures of validity among the variables

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **AVE** | **Resilience** | **Performance** | **Emotion** | **R2** | **VIF** |
| **Resilience** | 0.57851 | **0.742** |  |  | 0.648464 | 2.321 |
| **Performance** | 0.62698 | 0.43 | **0.908** |  | 0.879454 | 2.617 |
| **Emotion** | 0.70748 | 0.345 | 0.564 | **0.811** |  | 3.412 |

**Table 4:** Represent the result of structural model

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Hypothesis testing** | **Original Sample****/Regression weight** | **Sample Mean (M)** | **Standard Deviation (STDEV)** | **Standard Error** | **T-Statistics** | **P-value** | **Results** |
| **Resilience -> Performance** | 0.216082 | 0.223136 | 0.080457 | 0.080457 | 2.685 | 0.000\*\*\* | Supported |
| **emotion -> Resilience** | 0.805273 | 0.809396 | 0.030876 | 0.030876 | 26.080 | 0.000\*\*\* | Supported |