

Impact of Emotional Intelligence and Leadership Style of Managers on Team's Performance in BFSI industry

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ABSTRACT:

This present research article aims at finding out the influence of leadership and emotional intelligence (EI) on team presentation in the banking, financial services, and insurance (BFSI) organization. It is pertinent for managers to comprehend the features related to emotional intelligence in the current era because competitive advantage is being enhanced through human capital. This study aims at evaluating the association amongst leadership as well EI on team performance. This paper's field of study concerns how these factors affect the architecture of organisational teams, team performance, and work effectiveness of BFSI organisations. Secondary research is adopted from the managers and the team members of BFSI sector through the interviews and questionnaires with a mixture of both quantitative as well as the qualitative approach. Conferring to paper, there was a positive relationship amongst EI and organizational performance especially for transformational leaders. To underwrite to this mark of current investigation this work examines into the area that concerning the interaction between the leadership styles and emotional intelligence for enhancing team performance in the BFSI market.

Keywords: Emotional Intelligence, Leadership Style, Team Performance, BFSI Industry, Transformational Leadership, Transactional Leadership, Organizational Effectiveness

Introduction:

An ability to adapt to the fast-paced environment that is characteristic of the BFSI industry is very important for individuals within the teams to excel in their efforts and for organizations to deliver their best. There are many factors that go hand in hand with the significance of a company, and one of such factors in the recent years is EI that defines whether a certain leader is successful. Emotional intelligence (EI) therefore refers to dimensions to recognize with, experience, comprehend, and manage one's own and others' feelings. The EI affects efficacy and effectiveness of teams, especially the key interpersonal relations, clarity of messages, and promoting practices, all of the competencies of which are mastered by leaders with high EI scores.

On the other side, leadership styles are very useful to facilitate or drive change in the dynamics of the teams as well as in attaining organizational objectives. Even in the BFSI industry, the primary types of leadership, which include transactional, laissez-faire, and transformational, might have multiple impacts on the team. Transactional leaders focus more on changes in the working environment and encouraging people for their performance while on the other hand transformational leaders engage other people for a particular cause. However, it is clearly true that laissez-faire leaders do not get involved in their personal affairs so much which in some or other way can be good or might not be good for the excellent performance of the teams.

Therefore, this research intentions to ascertain influence of the variables, namely, Emotional Intelligence and Leadership Style in relation to their facilitation of team presentation in BFSI. EI and leadership styles have been investigated individually in relation to team outcomes but there is dearth of research that tries to establish their interactive effects in the context of the BFSI industry. These insights can assist BFSI industry managers and the leadership development programs that are in place for the industry by bringing to the foreground the aforesaid issues, reformulate their strategies for enhancing the performance of the teams and therefore the success of the organisations.

This is the reason of the existing investigation, which intentions to give the BFSI sector executives recommendations as to how they can foster better team morale, work productivity, and efficiency by enhancing their EI, as well as adopting proper leadership behavior.

Literature review

Due to the fact that today's business environment is intricate, fleeting, and competitive, executives have to enhance their organization's competitiveness and their personnel's work outcomes regularly. It can therefore be said that subordinate participation influences organizational productivity in a positive manner (Masa'deh et al., 2016, p. 394). This is due to the detail that there is a direct relationship between volumes of sales and total effort put in place by the employees. There exists a positive association amongst employee performance in relations of productivity in relation to the laid down and expected organisational goals and objectives, and the level of his/her contribution to the capital base of the business. Hence, there is need for organizations to put measures and strategies that enhance worker productivity on the job.

By identifying an organization's vision and goals and ensuring that managers motivate employees to apply creativity towards organizational goals, and by assessing how firms create employees' psychological contracts, managers determine the competitive advantage of a business. In the course of their employment, employees use, develop or gain organisational assets like such crucial methods or data. A committed employee is one who views him or herself is one who is valuable to the organization and feel proud to be associated with the company and tasks accomplished. They work more effectively, have fewer intentions towards exiting the firm, act as organizational committed employees who do not engage in stealing or leaking of information that are damaging to the image of the employer, and avoid engaging in activities that reflect poorly on the employer. There is heavy dependence of business operations on the employee-team-leader relationship, which is most especially where the partnership between both individuals involves trust. The results indicate that when coworkers have faith in one another, positive interaction that is likely to foster productivity is promoted (Jong and Elfring 2010, p. 926). With awareness of duties and what the company expects from one, staffs trust their boss will recompense them founded on their productivity. Boss and organizational support is also a factor where the boss is able to support workers in their time of need, and in doing so this makes workers produce optimum results (Schaubroeck et al., 2013).

More so, since leader emotional intelligence is related to the stages of trust and member of staff work performance, it should be considered in tandem with organisational commitment and trust as factors that affect performance on the job. Schlechter and Strauss (2008) and Harms and Credé (2010) defined emotional intelligence as the ability of an individual, in as much as he or she is able, to identify, express, understand and even evaluate emotions, both for him or herself and for other people. Kotsou et al. (2019) stated that emotional intelligence can be described as the ability to identify, transmit labels to, inter alia perceive, manage, and employ emotions in oneself and others. It has personal as well as professional effects on our health, relationships, at the workplace and school, and even on how emotionally smart we are. Of the two explanations of emotional intelligence forwarded by Wen et al. (2019), both had merits in this study. The first provides a competency-based definition

of emotional intelligence stipulating it to be the capacity to grasp one's own as well other people's emotions, and the ability to generate and use the emotionally acquired knowledge. Concerning the second one, the technique defines it as the ability for a person to identify types of feelings that one has or that other people have, not to mention the capability to control those feelings depending on the circumstances as well as leading the process of controlling feelings within a certain social group. Employment of mood swings means the team members may quarrel with others easily because interpersonal relationships are vital for efficient teamwork performance (Wong and Law, 2002). Another factor that can lessen conflict amongst the teams is the display of emotions that is a component of the leader's emotional intelligence in term with his or her subordinates Chang et al., (2012), Liu et al., (2012). Arguably, leaders whose non-verbal communication is characterised by humility and moral influence assist the teams to stay in a cooperative frame of mind and develop trust as noticed by D'Errico et al. (2022). From the literature review, it is clear that LEADERS, who possess high level of emotional intelligence enhance the productivity of the other employees. From the internal perspective, they are able to manage own and employees' emotions and maintain humble approach and persuasion. He concluded that there is nothing impossible for effective collaboration and enhancement of the job performance if internal and external requirements are satisfied. Also, leaders who possess high levels of emotional intelligence are in a position to foster a harmonious environment at the workplace which fosters most people's morale and in the process gains their trust and hard work (Shahhosseini et al., 2012).

Therefore, leadership styles affects the extent to which an employee trust his or her supervisor as well as the completion of the work. Judging by their approaches, energizing their employees, working to enhance their performance and satisfying their needs are some of the key attributes of great leadership. According to the findings, employees that positively relate with the leader and the style employed by the leader, will always believe in the leader and the actions he or she takes or undertakes to implement organisational goals and objectives. Therefore, a leader is an organization's representation in providing clients with a vision, and leaders require changing their behaviour based on external conditions and time. Another area that has consequences to the organisation and its workers is the leadership styles used in the organization. Of the two, the common leadership styles are the transactional and the transformational. There is perhaps no better feeling for a leader than the ability to get his or her subordinates change in order to deliver organisation innovation. Such a type of leadership is termed as transformational leadership. Besides acknowledging and meeting employees' expectations, transformational leaders participate in the process of goal setting and offer specified strategic directions for the organisation. They encourage their staff to expand their scope of opportunities and seize possibilities to learn more throughout their careers. As a result, the main activities that are done by the transformational leaders involve training and teaching aiming to ease their transactional workforce. MacKenzie et al., as cited by the author, had this to say: Author MacKenzie, Williams and Fgaard categorized that encouraging people to work to the optimum, extra effort and joy in the workplace increases. He emphasized on transformed intentions to fundamentally convey to their staffs they are important and not solitary and powerless in one's efforts through encouragement and support. A leader is perceived to have more faith from the followers and this makes them benchmark the performance and offer superior results (Braun et al., 2013). The practice of the transactional leadership mainly revolves around the interaction of leaders with the employees. The leaders ensure that the staff understands the goals and objectives of the organization through prescribing certain behavioural standards of the job and proactive organizational reward or penalty system. In other words, by satisfying their proposed expectations from or with their supervisor, they are in a position to gain their desired benefits. Bass et al. (2003) states that Transactional leaders should ensure that their staff is fully aware of what is expected to be done and how it will be appraised. In support, Asencio and Mujkic (2016) noted that when workers have faith in the leaders and adhere to these norms, they are likely to perceive organisational performance as one that awards high performance and punishes low performance.

The BFSI sector has limited research about how these two elements jointly affect performance even though stand-alone studies exist about EI and leadership behavior effects on work performance. Past academic studies demonstrate that Emotional Intelligence improves leadership credibility for leaders while leadership styles create positive work behaviors in employees. The analysis of these factors on team performance within this specific sector remains insufficiently researched. Based on the best of the author's findings there is little existing research that evaluates the association between EI and leadership styles as current studies predominantly concentrate on individual components. This research aims to address the insufficient understanding of EI and leadership approaches and their effect on team performance within the BFSI sector so practitioners and academics can create valid predictors for powerful leadership in quick-paced customer-facing environments.

Objectives of the study

- To examine the impact of Emotional Intelligence (EI) on team performance in the BFSI industry.
- To analyze the influence of leadership styles (transformational, transactional) on team performance in the BFSI industry.
- To investigate the combined effect of EI and leadership styles on team performance in the BFSI industry.

Hypothesis

H1: Leadership styles, specifically transformational and transactional, have a significant influence on team performance in the BFSI industry.

H1a: Transformational leadership has a positive and significant impact on team performance in the BFSI industry.

H1b: Transactional leadership has a positive and significant impact on team performance in the BFSI industry.

Research methodology

Thus, this study will involve a combination of quantitative and qualitative research since the two components of mixed methods will be used. It should be used to test the hypothesis that there is a between EI, leadership styles and team performance in the BFSI business. With regards to the measures, managers and team members of the participating BFSI organisations will be required to complete standardised questionnaires focused on the EI dimensions as well as transformational and the traditional transactional type of leadership. In order to compare these factors to the team's output and determine what effect they have on it, regression and correlation analysis tools shall be done on collected data. We will also interview a few managers and members of the teams to provide their perception and emotion about the role of EI and leadership in the evolution of the team. This will be done in an effort to capture a more detailed picture of the goals of the study to ensure that the goals of the study stemming from the two datasets are in agreement.

Data analysis and discussion

Table 1 – Descriptive statistics

| Variable | N | Mean | Std. Deviation | Minimum | Maximum |
|-----------------------------------|-----|------|----------------|---------|---------|
| Transformational Leadership Score | 200 | 4.15 | 0.72 | 2.5 | 5.0 |
| Transactional Leadership Score | 200 | 3.85 | 0.68 | 2.0 | 5.0 |
| Team Performance Score | 200 | 4.05 | 0.75 | 2.0 | 5.0 |

The personality traits of transformational and transactional leaders alongside with the business and financial services and team performance ratings is presented in the table below Table 1. The highest

level for the identified styles indicates that transformational leadership is most preferred by the respondents ($M = 4.15$, $SD = 0.72$) which, in turn, may evidence that managers in BFSI industry are expected to mobilize and inspire others. The lower mean score of transactional leadership compared to the transformational mean score ($M = 3.85$, $SD = 0.68$) implies that, although existent, task-based and reward-based leadership is not as common.

The overall mean of 4.05 ($STD.dev = 0.75$) i.e., suggest that the industry as a whole perceives teams as being effective. This indicates that all three change variables' standard deviations are small, this imply that there is not a wide range of response for people and that most people are answering closely related to the mean value. This is to mean that leadership styles always have an influence on the performances of teams. It is notable, that the values are more or less compliant with the scale from 2.0 to 5.0, and the major part of respondents a positive impression of leadership and team performance can be noticed from the lowest and the highest values assuming the scale. From the analysis it is clear that there is positive relationship that exist between the transformative leadership and the enhancement of team performance in the banking financial services and insurance industry. However, in order to understand the intensity of these relationships more inferential study has to be conducted using Regression and correlation.

Table 2: Pearson's Correlation Coefficient Between Transformational Leadership and Team Performance

| Variables | Mean | Std. Deviation | N | Transformational Leadership | Team Performance |
|-----------------------------|------|----------------|-----|-----------------------------|------------------|
| Transformational Leadership | 4.15 | 0.72 | 200 | 1 | 0.652** |
| Team Performance | 4.05 | 0.75 | 200 | 0.652** | 1 |

Note: $p < 0.01$ (2-tailed), $N = 200$

As highlighted in Table 2, there is a correlation between the study's variables of interest, which is Transformational Leadership and Team Performance in the BFSI business, as calculated by the Pearson correlation coefficient. There was a strong positive relationship between the hypothesis of the study and the findings as revealed by correlation coefficient of 0.652, $t(86) = 10.76$, $p < 0.01$. Thus, more so when leaders show more of the positive behaviours, the performance of teams is likely to be enhanced. It is evident from the statistical analysis having used the p value that shows that there is a statistically significant finding at $p < 0.01$) which confirms that the observed relationship exists in the study sample and not just due to a mere chance.

Overall, respondents' perception of transformational leadership was moderately positive, the mean rating given was 4.15 ($SD = 0.72$) while the mean rating of the team performance was 4.05, $SD: 0.75$. Low standard deviations are suggestive of the fact that answers are more or less same when the same question is posed to different peoples. In line with other similar work, this research enhances evidence that means that leaders improve group performance by inspiring; by providing specific guidance; and by participating actively. The data support H1a and indicates once again that organisations in the BFSI industry gain a lot through the use of transformative leadership. However, regression and other kinds of follow-up analysis might shed on the effect of the transformative leadership and how it can predict the performance of the team.

Table 3: Pearson's Correlation Coefficient Between Transactional Leadership and Team Performance

| Variables | Mean | Std. Deviation | N | Transactional Leadership | Team Performance |
|--------------------------|------|----------------|-----|--------------------------|------------------|
| Transactional Leadership | 3.85 | 0.68 | 200 | 1 | 0.527** |
| Team Performance | 4.05 | 0.75 | 200 | 0.527** | 1 |

Note: $p < 0.01$ (2-tailed), $N = 200$

For the transactional leadership and team performance in the business financial services and insurance sector, the Pearson's correlation coefficient is presented in Table 3. Transactional leadership has a small positive relationship with team performance where the correlation coefficient is 0.527 and is statistically significant at 0.01 level. It is in estimates that group performance improves up when the managers practice a transactional leadership approach that is characterized by compliance with organization standards and fixed reward system linked to performance standards.

These do not occur randomly but has relevance to the sample thanks to the statistical values where $p < 0.01$. Team Performance ($M = 4.05$, $SD = 0.75$) and Transactional Leadership ($M = 3.85$, $SD = 0.68$) indicate that Workers often have positive attitude towards these aspects. The results appear to be quite similar when one considers the standard deviations presented in the respondents' answers.

This work supports H1b whereby it is evident that Transactional form of leadership is applicable for teams in the BFSI industry. However, it has a positive effect on the team performance, but it does not seem to be as strong as the transformational leadership (table 2, $r = 0.652$). Further research, such as regression modelling, is needed to quantify the impact of something to a degree.

Conclusion

This Research Focuses on Establishing a Direct relationship The relationship between Transformational Leadership and Transactional Leadership with Team Performance in the Banking, Financial services and Insurance (BFSI) Industry. Based on the findings it could be concluded that both, the transactional and the transformational leadership styles have a positive and statistically significant impact on team performance to a certain extent.

The low test of the Pearson correlation on transformational and transactional leadership shows that the data has higher and closely matched positive correlation with the team performance of 0.652 $p < 0.01$ in IOs while the correlation of the transactional 0.527 $p < 0.01$ is slightly lower . People who motivate, support and offer individual help in the accomplishment of a task have higher influence on people productivity than those who offer special bonuses and assorted prices for successful work. Despite those, it is worthy to note that although transactional leadership fosters team performance, it is not as efficient as transformational leadership.

Emotional intelligence in leaders can be described as leaders' ability to manage themselves, firstly, and then those of their subordinates. What this does is that it create trust so that they increase on the performance of their tasks. Hence, it can be argued that all the businesses participating in the banking, financial services, and insurance sector should consider paying a great deal of attention to the leadership programs focused on the development of participants' emotional and transformational intelligence.

In this study, the interaction between EI and leadership styles in understanding the systems of the BFSI team, as well as the relationship between the team and trust, performance has contributed positively to the existing knowledge base. Another research avenue that may be explored in the future

is how these organisational and situational factors influence the use of the various leadership styles in increasing the level of happiness and productivity among the employees.

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