Emotional Intelligence and Employee Performance in Nepalese Commercial Banks

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Abstract

The growing complexities of business operations and human behavior have highlighted the need for employees who possess not only high intellectual capabilities but also strong emotional intelligence (EI). This study examines the impact of emotional intelligence on the performance of employees in commercial banks in Nepal. A sample of 400 employees from 10 banks in the Kathmandu Valley was selected through convenience sampling. Employing a descriptive and causal-comparative research design, data were collected via a structured questionnaire and analyzed using correlation, regression, and ANOVA techniques. The findings reveal a significant positive relationship between emotional intelligence—specifically self-awareness, motivation, empathy, and social skills—and employee performance. However, no significant relationship was found between self-regulation and performance. The study underscores the importance of emotional intelligence in enhancing workplace outcomes and recommends further research to explore deeper connections between EI and employee performance within the Nepalese banking sector.

Introduction

Emotional Intelligence (EI), which includes the ability to recognize, understand, and successfully control one's own emotions as well as those of others, is a critical factor in determining human behavior. According to Srivastava And Agrawal (2020), it entails recognizing emotions, comprehending emotional cues, controlling emotional reactions, and purposefully and meaningfully integrating emotions with cognitive processes. well-being, self-control, flexibility, and sociability are the four main components of Emotional Intelligence (EI) that Pathak and Muralidharan (2024) describe as psychological attributes that impact an individual's social and commercial entrepreneurial endeavors.

Developing Emotional Intelligence (EI) is especially crucial for entrepreneurs who want to manage uncertainty, encourage creativity, and create resilient businesses in a constantly changing environment. to achieve successful results, it is crucial to understand and evaluate the emotions, behaviors, and sentiments of people (Dhungana and Kautish, 2020). because people have different emotional reactions and thought processes, it is important to be able to recognize and react appropriately in order to succeed both personally and professionally. employees' performance at work might also be adversely affected by emotional stress or instability.

Literature Review

An essential component of the service sector is emotion. Bank workers build and preserve relationships in emotionally charged settings where providing services is a primary function of emotion (Karthikeyan & Lalwani, 2017). Different elements have been used to construct the employee's performance and emotional intelligence. Social skills, motivation, self-control, self-awareness, and empathy are key elements of emotional intelligence that affect workers' performance. becoming self-aware is the first step toward becoming productive. As a result, self-awareness, self-regulation, motivation, empathy, and social skills are all considered to be important components of emotional intelligence in the literature on the subject. As a result, these variables are covered in more detail in this study part.

Self -awareness

The capacity to identify and comprehend one's present emotional state and to use those feelings to inform choices is known as self-awareness. It also entails having a strong, realistic sense of self-confidence and an accurate judgment of one's talents. Lack of self-awareness can significantly impair performance and lower productivity at work. Rastogi and Agrawal (2024) claim that self-awareness includes the capacity to recognize how one's own goals, feelings, and mental states interact with one's surroundings.

Self-regulation

These efforts to initiate, direct, and strategically manage goal pursuit in many contexts using cognitive abilities-planning, monitoring, evaluating, and modifying one's motivation, mood, behavior, and thought processes are referred to as self-regulation (Greene and colleagues, 2024). This entails managing our feelings in a way that advances the work rather than gets in the way. It alludes to emotional self-control. When someone is emotionally intelligent, they can regulate their emotions in a way that doesn't interfere with their ability to accomplish their work.

Motivation

This component of emotional intelligence is about using one's inner motivation and basic values to achieve worthwhile objectives, which promotes initiative and tenacity. The ability to set specific goals and stay focused and upbeat in the face of difficulties or disappointments is another aspect of motivation. Motivation, as defined by Reeve (2024), is an internal state that manifests a desire for change, either in oneself or in one's surroundings.

Empathy

This aspect of emotional intelligence has to do with recognizing the feelings of others, understanding their viewpoint, and building relationships and harmony with a wide range of individuals. The ability to comprehend the feelings and responses of others is this. Achieving self-awareness is a prerequisite for developing empathy. According to Henry and Jonathan (2024), empathy enables leaders to comprehend and experience others' emotions, fostering collaboration, trust, and the ability to resolve conflicts.

Social Skills (Relationship Management)

The ability to develop systems and manage relationships with people is referred to as social skills, or relationship management. Among the social skills are communication, negotiation, empathy, openness, tolerance, commitment, respect for others, and mutual esteem. It entails being able to attend to one another's needs, develop a relationship over time, and share information about one's thoughts, feelings, and ideas. In the workplace, social skills are demonstrated by managing emotions, properly and successfully sustaining relationships, and comprehending social contexts, analyzing social networks, and engaging with ease. Then, these skills are applied to lead and persuade, negotiate and settle disputes, and encourage collaboration and team energy. Employee performance is therefore greatly impacted by these aspects of EI.

Employee Performance

Hasibuan (2019) defines performance as the outcome attained by an individual or worker in completing the duties that are given to him; this is determined by factors such as time, skill, experience, and sincerity. Simply said, an employee's performance is determined by how they carry out their job responsibilities, finish necessary tasks, and conduct themselves at work. The performance of employees is significantly impacted by emotional intelligence. Emotional intelligence also plays a role in facilitating communication within the organization, which is important in the job performance process. The conceptual structure of the study is described in Figure 1.

Figure 1
Conceptual Framework

Independent Variables   Dependent Variable
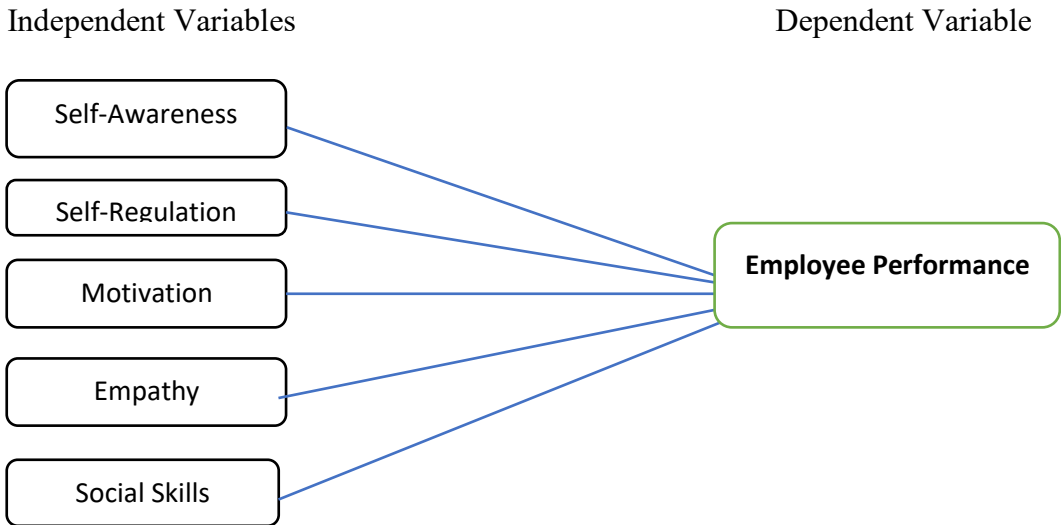
Source: (Goleman, 1995)

Research Hypothesis

The following alternative hypotheses have been proposed in line with the objectives of the study:

H1: There is a significant impact of self-awareness on employee performance in Nepalese Commercial Banks.

H2: There is significant impact of self-management on employee performance in Nepalese Commercial Banks.

H3: There is significant impact of motivation on employee performance in Nepalese Commercial Banks.

H4: There is significant impact of empathy on employee performance in Nepalese Commercial Banks.

H5: There is significant impact of social skills on employee performance in Nepalese Commercial Banks.

Research Methodology

A causal comparative research design was used in this study to investigate the connection between employee performance in Nepalese commercial banks and emotional intelligence. 400 full-time workers from ten banks in the Kathmandu Valley were chosen as participants using a convenience sample technique. Employee performance was the dependent variable, while self-awareness, self-regulation, motivation, empathy, and social skills were the five main components that made up emotional intelligence, which was the independent variable. A standardized, self-administered questionnaire of 45 items with a five-point Likert scale was used to gather data, and it was mostly disseminated via social media. The survey comprised demographic inquiries as well as performance and emotional intelligence-related questions. Four hundred of the 422 returned questionnaires out of the 505 that were sent were considered valid for analysis. SPSS was used to examine the data after it had been validated and entered into Excel. Confirmation of the instrument's validity and reliability supported its suitability for examining the relationship between employee performance and emotional intelligence in the banking industry in Nepal.

Results and Discussion

Data has been analyzed with references to the objectives and hypotheses of the study. The collected data are presented in tabular form in order to facilitate to reach to conclusion. For the purpose of data analysis, the descriptive statistics was first applied and then correlation analysis was done to verify the relationship between the variables of emotional intelligence and employee performance followed by regression analysis.

Correlation Analysis

Pearson's correlations analysis was carried out to find relations among variables having multiple option answers. Correlation matrix was computed to assess the extent or degree of relationship between the research variables. The direction of the relationship was positive indicating increase response in independent variables direct to increase dependent variable.

Table 1
Correlation of Emotional Intelligence and Employee Performance

Independent Variables	Correlations	Employee Performance
Self-awareness	Pearson Correlation	0.372
	P-value	0.000
Self-regulation	Pearson Correlation	0.405
	P-value	0.000
Motivation	Pearson Correlation	0.501
	P-value	0.000
Empathy	Pearson Correlation	0.425
	P-value	0.000
Social Skills	Pearson Correlation	0.493

Relationship between Self-awareness and Employee Performance

According to the values in the Table1, the Pearson Correlation coefficient between the self-awareness and employee performance is 0.372, which implies that the variable is positively correlated. P-Value of self-awareness was found to be less than 0.01, which indicates that this relationship is statistically significant. Therefore, it can be concluded that there is significant positive relationship between self-awareness and employee performance.

Relationship between Self-regulation and Employee Performance

The correlation coefficient between self-regulation and employee performance is 0.405, indicating a positive correlation between the two variables. The p-value for this relationship is less than 0.01, which means it is statistically significant. Therefore, it can be concluded that there is a positive and significant relationship between self-regulation and employee performance.

Relationship between Motivation and Employee Performance

Employee performance and motivation were shown to have a 0.501 correlation coefficient, indicating a positive relationship between the two factors. A statistically significant link is shown by a P-Value of less than 0.01. This indicates that there is a strong positive correlation between employee performance and motivation.

Relationship between Empathy and Employee Performance

The P-Value is less than 0.01 and the Pearson Correlation between employee performance and empathy is 0.425. It implies that there is a positive and statistically significant association between these factors.

Relationship between Social Skills and Employee Performance

The analysis reveals a positive and significant relationship between social skills and employee performance (r = 0.493, p < 0.01). This indicates that the variables are positively correlated and the relationship is statistically significant. Therefore, it can be concluded that social skills have a positive and significant impact on employee performance.

Regression Analysis

A statistical technique for analyzing the relationship between variables and the extent to which an independent variable or factors influence a dependent variable is regression analysis. Here, for the purposes of our investigation, we have assumed the following relationship in a regression model equation:

$$EP = \alpha + \beta_1 SA + \beta_2 SR + \beta_3 M + \beta_4 E + \beta_5 SS + \epsilon,$$

where EP (employee performance) is the dependent variable. The model's error term, or residuals, is "ϵ." The independent variables are SA=(Self Awareness), SR= (Self-Regulation), M= (Motivation), E= (Empathy), and SS= (Social Skills); α is the constant term for the y-intercept; β_1, β_2, β_3, β_4, and β_5 are the slope coefficients for each explanatory variable, respectively.

Table 2

Model Summary for Employee Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.597	0.357	0.353	1.661

Predictors: (Constant), SA, SR, M, E, SS

The regression analysis model summary that expressions at how emotional intelligence components affect employee performance is shown in Table 2. The dependent variable, employee performance, and the independent variables, self-awareness (SA), self-regulation (SR), motivation (M), empathy (E), and social skills (SS), have a moderate to strong positive association, according to the correlation coefficient (R), which is 0.597. These emotional intelligence characteristics account for about 35.7% of the variation in employee performance, with the other 64.3% being ascribed to other unmeasured factors, according to the R-squared value of 0.357. Taking into consideration the number of predictors and sample size, the corrected R-squared value is 0.353, indicating that emotional intelligence explains approximately 35.3% of the variance in employee performance. This adjusted R-squared value suggests that emotional intelligence has a considerable impact on employee performance without making the model too complicated. It also shows that the model fits the data rather well. A standard deviation of 1.661 between the expected and actual performance scores is the standard error of estimate. Overall, the findings show that self-awareness, self-regulation, motivation, empathy, and social skills are the components of emotional intelligence that significantly impact and predict employee performance in Nepalese commercial banks intellect.

Table 3
ANOVA for Emotional Intelligence and Employee Performance

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	603.163	5	120.633	43.706	.000[b]
Residual	1087.477	394	2.760		
Total	1690.640	399			

Where, Dependent Variable: EP: and Predictors: (Constant) are SA, SR, M, E, SS

Based on the ANOVA results shown in Table 3, the p-value is 0.00, which is less than the significance level of 0.01. This indicates that the regression model is a good fit and effectively predicts the relationship between the dependent and independent variables. Therefore, the independent variables—self-awareness, self-regulation, motivation, empathy, and social skills—are statistically significant in explaining the variation in employee performance within Nepalese commercial banks.

Table 4

Coefficients (Employee Performance)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.171	1.427		6.426	0.000
	SA	0.220	0.080	0.129	2.770	0.006
	SR	0.098	0.069	0.072	1.412	0.159
	M	0.354	0.075	0.249	4.712	0.000
	E	0.112	0.054	0.105	2.052	0.041
	SS	0.224	0.052	0.224	4.267	0.000

The individual variables' coefficients and probability values are displayed in Table 4. With a probability value of 0.006 and a regression coefficient of beta (b) 0.129, self-awareness appears to have a positive and significant impact on employee performance. Additionally, self-regulation has a probability value of 0.159 and a regression coefficient of beta (b).072. This suggests that employee performance is negatively and negligibly impacted by self-regulation. Similarly, motivation has a probability value of 0.000 and a coefficient value of beta (b) 0.249. This demonstrates that employee performance is positively and significantly impacted by motivation. Similarly, empathy has a probability value of 0.041 and a regression coefficient of beta (b) 0.105. It suggests that employee performance is positively and significantly impacted by empathy. Furthermore, social-skills has a probability value of.000 and a regression coefficient of beta (b) 0.224. It suggests that social skills significantly and favorably affect worker performance.

Conclusion and Implication

This study explored the impact of emotional intelligence on employee performance within the Nepalese commercial banking sector, addressing a gap in existing literature where this relationship remains underexplored. The findings demonstrate that key components of emotional intelligence—self-awareness, self-regulation, motivation, empathy, and social skills—significantly influence employee performance. By employing a descriptive analytical approach, the

research highlights the critical role that emotional intelligence plays in enhancing workplace effectiveness and productivity among bank employees in Nepal.

Implications

The results emphasize the importance of integrating emotional intelligence assessments into organizational practices, especially recruitment and employee development, within the banking industry. Incorporating EI evaluation tools, such as targeted interview questions and assessment criteria, can improve hiring decisions by identifying candidates with strong emotional competencies. Furthermore, fostering emotional intelligence among existing employees through training and development initiatives can enhance employee engagement, motivation, and overall performance. Ultimately, banking sector leaders who prioritize emotional intelligence are better positioned to cultivate resilient, adaptive, and high-performing work environments, contributing to sustained organizational success in an increasingly complex business landscape.

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