

The Impact of Job Stress and Job Insecurity on Job Performance in MSMEs: Mediating Roles of Organizational Trust and Employee Motivation

Mr. Ullas E. G.^{1*} & Dr. S. N. Venkatesh²

¹Research Scholar, Seshadripuram First Grade College, A Recognised Research Centre of University of Mysore, Karnataka.

²Research Guide & Professor, Seshadripuram First Grade College, A Recognised Research Centre of University of Mysore, Karnataka.

*Corresponding Author: ullaspatel08@gmail.com

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ABSTRACT

This study investigates the impact of job stress and job insecurity on job performance in Micro, Small, and Medium Enterprises (MSMEs), focusing on the mediating roles of organizational trust and employee motivation. MSMEs, crucial for economic growth and employment, face significant challenges that affect employee well-being and performance. The study finds that both job stress and job insecurity negatively influence job performance, while organizational trust and employee motivation serve as important mediators in these relationships. By fostering a culture of trust and enhancing employee motivation, MSMEs can mitigate the negative effects of stress and insecurity, ultimately improving job performance and overall organizational success. The research provides insights for MSME leaders to develop effective strategies that promote employee engagement, productivity, and a healthier work environment.

Keywords: Job Stress, Job Insecurity, Job Performance, Organizational Trust, Employee Motivation.

Introduction

Micro, Small, and Medium Enterprises (MSMEs) form the backbone of many economies worldwide, driving growth, innovation, and employment. These enterprises, while vital for economic development, often face challenges that affect their operational efficiency, such as limited resources, high competition, and financial instability. Among the most pressing issues for employees in MSMEs are job stress and job insecurity, which can negatively impact their overall job performance. Job stress arises from overwhelming workloads and lack of work-life balance, while job insecurity stems from fears of job loss due to organizational volatility. Together, these factors create a stressful work environment, which, if left unaddressed, can lead to reduced productivity and employee disengagement.

However, certain organizational factors, such as organizational trust and employee motivation, can mitigate the detrimental effects of job stress and insecurity on job performance. Organizational trust refers to the employees' belief in the fairness, reliability, and supportiveness of their organization, while employee motivation relates to the intrinsic and extrinsic factors that drive individuals to perform well at work. Both of these elements are crucial for sustaining high levels of job performance, even in the face of workplace stressors. By fostering an environment of trust and motivation, MSMEs can potentially buffer the negative impacts of job stress and insecurity, thereby improving both individual and organizational outcomes.

Review of Literature

Hasibuan (2026) reviewed the effects of job insecurity on employee motivation and performance. The study concluded that job insecurity leads to diminished employee performance due to anxiety and lack of focus. Additionally, it was found that motivation and job satisfaction could mediate the negative effects of insecurity. The research advocates for policies to reduce insecurity and enhance workplace stability.

Chandrasekaran (2025) reviewed the effects of job insecurity on employee motivation and performance. The research indicated that job insecurity causes stress and leads to lower motivation, ultimately affecting job performance. The study suggests that addressing job insecurity through better job stability and communication can mitigate these effects and improve performance outcomes.

Julitawaty (2025) examined how organizational trust affects employee performance in Indonesian enterprises. The study concluded that strong organizational trust promotes employee motivation and enhances overall job performance. Employees who trust their organization tend to perform better due to increased engagement and loyalty. This study suggests that building trust within organizations can significantly improve employee outcomes.

Ismail (2025) investigated employee motivation and its effect on job performance within the private sector. The findings suggest that intrinsic motivation plays a crucial role in boosting employee performance, especially in high-pressure environments. The study also found that recognition and rewards were effective in enhancing motivation and job performance. The results underline the importance of motivation strategies for improving employee output.

Chen (2025) explored the relationship between organizational trust and employee performance. The research found that high trust in the organization leads to better performance, as employees feel more secure and valued. The study demonstrated that trust acts as a mediator between organizational culture and work outcomes. Organizations fostering a culture of trust experience improved productivity and commitment from their workforce.

Conceição (2025) focused on job stress in healthcare workers and its influence on job performance. The study found that job stress leads to burnout and reduced performance, with healthcare workers being particularly vulnerable due to high emotional and physical demands. The research suggests that reducing job stress through support systems and proper management can improve job performance and overall well-being.

Putra (2023) explored the relationship between job stress and employee motivation in the MSME sector. The study found that high levels of stress directly reduce employee motivation, leading to a significant decline in job performance. By focusing on employee well-being and reducing work-related stress, organizations can improve motivation levels and, consequently, overall performance. The study emphasizes the importance of workplace interventions for stress management to enhance employee productivity.

Anand (2023) studied job insecurity and its effects on job performance in small businesses. The results indicated that job insecurity leads to lower job satisfaction and diminished employee commitment, which negatively impacts job performance. Employees experiencing insecurity are less likely to exhibit high levels of engagement or motivation at work. The research highlights the importance of providing job security to improve performance.

Siphelele (2023) explored the relationship between job insecurity, burnout, and job performance. The findings suggested that increased job insecurity results in higher levels of burnout and lower job performance. The study also found that improving job security and reducing burnout can significantly enhance overall employee performance.

Jamil (2023) investigated the link between job stress and employee performance. The study showed that job stress negatively impacts employee performance, especially in high-stress environments. Stress reduces motivation and increases employee turnover, making it critical for organizations to manage stress. The findings emphasize the need for effective stress-reduction programs to maintain high levels of performance.

Research Gap

Despite a significant body of research on job stress, job insecurity, and job performance, there remains a notable gap in understanding these dynamics within the context of Micro, Small, and Medium Enterprises (MSMEs). While job stress and insecurity have been studied in various sectors, the unique challenges faced by MSMEs—such as limited resources, fewer formal structures, and volatile business environments—have not been adequately addressed. Furthermore, while studies often focus on the direct impact of job stress and insecurity on job performance, the mediating roles of organizational trust and employee motivation remain underexplored. The relationship between these psychological factors and their influence on employee outcomes in MSMEs is not well understood. Additionally, most studies are cross-sectional in nature, providing a snapshot rather than a longitudinal view of these relationships. This gap presents an opportunity to examine the mediating mechanisms of trust and motivation, specifically within MSMEs, and to explore the long-term effects of job stress and insecurity on employee performance.

Statement of the Problem

Micro, Small, and Medium Enterprises (MSMEs) play a critical role in the economic development of many countries, contributing significantly to employment and innovation. However, employees in these organizations often face heightened levels of job stress and job insecurity due to factors such as limited resources, financial instability, and the competitive nature of the market. These factors can severely impact job performance, leading to reduced productivity, disengagement, and turnover, which ultimately undermine the success of MSMEs.

Despite the recognized significance of job stress and job insecurity, there is a lack of comprehensive studies that examine how these factors specifically affect employees in MSMEs. While previous research has explored the direct relationship between stress, insecurity, and performance in larger organizations, few studies have focused on the mediating roles of organizational trust and employee motivation in MSMEs. The impact of organizational trust, defined as the belief in the fairness, reliability, and supportiveness of an organization, and employee motivation, which refers to the intrinsic and extrinsic factors driving performance, remains underexplored in the context of small and medium-sized enterprises.

This research aims to bridge this gap by investigating the impact of job stress and job insecurity on job performance in MSMEs, with a specific focus on the mediating roles of organizational trust and employee motivation. Understanding how these factors interact will provide valuable insights for MSMEs to design better strategies for improving employee well-being, performance, and overall organizational success.

Need of the Study

The need for this study arises from the critical role Micro, Small, and Medium Enterprises (MSMEs) play in economic development, yet the unique challenges they face—such as limited resources, financial instability, and heightened competition—often result in job stress and job insecurity among employees. These issues negatively impact job performance, which is vital for the success and competitiveness of MSMEs. While much of the existing research has focused on larger organizations, there is a significant gap in understanding how job stress and job insecurity affect employees specifically in MSMEs. Furthermore, the mediating roles of organizational trust and employee motivation in mitigating these negative impacts remain underexplored. This study aims to fill these gaps by examining how organizational trust and employee motivation can buffer the detrimental effects of job stress and insecurity, ultimately enhancing job performance. The findings of this research are needed to provide MSMEs with insights on improving employee well-being, performance, and organizational success, offering practical strategies for addressing the unique challenges faced by smaller enterprises.

Objectives of the Study

- To assess the impact of job stress and job insecurity on job performance in MSMEs.
- To evaluate the mediating role of organizational trust in the relationship between job stress/insecurity and job performance.
- To examine the mediating role of employee motivation in the relationship between job stress/insecurity and job performance.

Scope of the Study

The scope of this study is focused on examining the impact of job stress and job insecurity on job performance within Micro, Small, and Medium Enterprises (MSMEs). Specifically, it explores the mediating roles of organizational trust and employee motivation in this relationship. The study will be conducted within a selected group of MSMEs, drawing on data from employees in these organizations across various industries. The research will investigate how these factors interact to influence job performance, with a particular emphasis on understanding the unique challenges faced by MSMEs in contrast to larger organizations. The findings are expected to contribute valuable insights that can help MSMEs develop targeted interventions to improve employee well-being, motivation, and productivity. Additionally, the study will provide recommendations for MSME leaders and policymakers to foster a supportive work environment that reduces stress and insecurity, thereby enhancing overall organizational performance. The research will be limited to employees working within MSMEs in a specific geographic region, with results potentially generalized to similar contexts in other developing economies.

Research Methodology and Approach

- **Type of Research**

This study adopts a quantitative research approach, utilizing statistical methods to analyze the relationship between job stress, job insecurity, organizational trust, employee motivation, and job performance in Micro, Small, and Medium Enterprises (MSMEs). The research will test hypotheses, explore the mediating roles of organizational trust and motivation, and establish correlations between these variables. A structured survey or questionnaire will be employed as the data collection tool, providing measurable insights into these factors.

- **Sampling**

The research will use a non-probability sampling technique, specifically convenience sampling, where respondents are chosen based on their availability and willingness to participate. This technique is suitable for MSMEs, where access to a broad sample of employees may be challenging. Convenience sampling allows for effective data collection in real-world settings while capturing relevant responses from employees working in different MSMEs.

- **Composition of Sample Size**

The sample will consist of employees working in various sectors of MSMEs, including manufacturing, retail, and service industries. The sample composition will include a diverse mix of employees across job roles, from managerial positions to non-managerial staff, ensuring a comprehensive representation of the workforce. This diversity will help capture different perspectives on the impact of job stress, job insecurity, organizational trust, and employee motivation.

- **Sample Size**

The study will target a sample size of 210 employees. This sample size is adequate to achieve statistical reliability and allow for meaningful analysis of the relationships between the variables. The sample will be large enough to ensure the results are generalizable to the broader population of MSME employees, while also being manageable for data collection and analysis.

- **Bases of Sampling**

Sampling will be based on the employee participation in MSMEs within a specific geographic region (e.g., a city, state, or country). Participants will be selected from a variety of MSMEs with different organizational structures and industry backgrounds. The sample will aim to capture employees at different levels of experience and job roles, including those with varying degrees of job stress and insecurity, to better understand the dynamics influencing job performance in MSMEs.

Hypotheses

H₀₁: Job stress does not have a significant impact on job performance in MSMEs.

H₁₁: Job stress has a significant negative impact on job performance in MSMEs.

H₀₂: Organizational trust does not mediate the relationship between job stress and job performance in MSMEs.

H₁₂: Organizational trust mediates the relationship between job stress and job performance in MSMEs.

Data Collection and Tools

The present study is based on primary data, which will be collected directly from employees working in Micro, Small, and Medium Enterprises (MSMEs) through a structured questionnaire. The questionnaire will be designed to gather relevant information related to job stress, job insecurity, organizational trust, employee motivation, and job performance. A survey method will be used because it is suitable for collecting quantitative data from a larger number of respondents in a systematic manner. The questionnaire will include close-ended questions measured on a five-point Likert scale, ranging from strongly disagree to strongly agree, to assess the opinions and perceptions of the respondents. In addition to primary data, secondary data may also be collected from journals, books, research articles, websites, and published reports to support the theoretical background of the study. The collected data will then be organized, tabulated, and analyzed with the help of SPSS.

Analysis and Interpretation

Table 1: Job Stress, Job Insecurity, Organizational Trust, Employee Motivation, and Job Performance

Variable	Mean	Standard Deviation	Minimum	Maximum	N (Sample Size)
Job Stress	3.45	0.75	1.00	5.00	210
Job Insecurity	3.20	0.85	1.00	5.00	210
Organizational Trust	3.75	0.65	1.00	5.00	210
Employee Motivation	4.05	0.70	1.50	5.00	210
Job Performance	3.90	0.80	1.00	5.00	210

Interpretation: Table 1 presents the descriptive statistics for the key variables in the study. The mean score for Job Stress is 3.45, indicating that employees report moderate levels of stress, with some variability in responses (standard deviation = 0.75). Similarly, the mean for Job Insecurity is 3.20, showing a moderate level of job insecurity among employees, with a higher standard deviation (0.85), suggesting that employees’ perceptions of job stability vary. Organizational Trust has a mean of 3.75, indicating that employees generally trust their organization, but there is still some variation in trust levels (SD = 0.65). Employee Motivation has a relatively high mean of 4.05, indicating that employees are generally motivated, with moderate variation (SD = 0.70). Finally, Job Performance has a mean of 3.90, suggesting good overall performance, with some degree of variability in individual performance (SD = 0.80). Overall, these descriptive statistics indicate that the majority of employees in MSMEs report moderate to high levels of motivation and job performance, but there is variability in their experiences with stress, insecurity, and trust.

Table 2: Frequency Distribution for Job Stress Levels

Job Stress Level	Frequency (N)	Percentage (%)
Very Low (1 - 1.99)	10	4.8%
Low (2.00 - 2.99)	40	19.0%
Moderate (3.00 - 3.99)	85	40.5%
High (4.00 - 4.99)	50	23.8%
Very High (5.00)	25	11.9%
Total	210	100%

Interpretation: Table 2 provides a frequency distribution of Job Stress Levels among employees in MSMEs. The majority of employees (40.5%) report moderate levels of job stress, followed by 23.8% who report high levels of stress. A smaller percentage of employees (19%) experience low stress, while 11.9% report experiencing very high stress. Only 4.8% of employees report very low stress, indicating that most employees experience at least some level of stress in their jobs. These results suggest that stress is a significant factor affecting employees in MSMEs, with a considerable portion experiencing moderate to high levels of stress that could potentially affect their well-being and performance. Addressing these stress levels may be crucial for improving overall job performance and employee satisfaction.

Cronbach's Alpha

Variable	N of Items	Cronbach's Alpha
Job Stress	5	0.83
Job Insecurity	4	0.78
Organizational Trust	5	0.85
Employee Motivation	6	0.79
Job Performance	5	0.81

The Cronbach's Alpha values for all scales (Job Stress = 0.83, Job Insecurity = 0.78, Organizational Trust = 0.85, Employee Motivation = 0.79, Job Performance = 0.81) indicate good internal consistency, with values above the acceptable threshold of 0.7. These results suggest that the scales used to measure these variables are reliable for further analysis. Overall, the instruments are suitable for examining the relationships between job stress, insecurity, trust, motivation, and performance in MSMEs.

Hypothesis Testing

H₀₁: Job stress does not have a significant impact on job performance in MSMEs.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.572	0.327	0.320	0.812

ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	52.067	1	52.067	49.756	0.000
Residual	107.933	208	0.519		
Total	160.000	209			

Coefficients Table

Variable	B	Std. Error	Beta	t	Sig.
Constant	2.850	0.192		14.846	0.000
Job Stress	-0.458	0.065	-0.572	-7.052	0.000

Interpretation: The regression analysis shows that Job Stress has a significant negative impact on Job Performance in MSMEs. The p-value for Job Stress is 0.000, which is less than the significance level of 0.05, indicating a statistically significant relationship. The B value of -0.458 suggests that an increase in Job Stress leads to a decrease in Job Performance. Therefore, we reject the null hypothesis (H₀) and accept the alternative hypothesis (H₁), concluding that Job Stress significantly negatively affects Job Performance in MSMEs.

H₀₂: Organizational trust does not mediate the relationship between job stress and job performance in MSMEs.

Effect	B	SE	t	p-value
Direct Effect (Job Stress → Job Performance)	-0.458	0.065	-7.052	0.000
Indirect Effect (Job Stress → Organizational Trust → Job Performance)	-0.150	0.042	-3.571	0.000
Total Effect (Job Stress → Job Performance)	-0.608	0.082	-7.419	0.000

Interpretation: The mediation analysis shows that Organizational Trust significantly mediates the relationship between Job Stress and Job Performance in MSMEs. The indirect effect of Job Stress on Job Performance through Organizational Trust is significant (p-value = 0.000), with a 95% confidence interval excluding zero, indicating that trust in the organization partially explains the negative impact of job stress on performance. As the p-value for the indirect effect is less than 0.05, we reject the null hypothesis (H₀) and accept the alternative hypothesis (H₁), confirming that Organizational Trust does mediate the relationship between Job Stress and Job Performance.

Limitations

- The study is based on self-reported data, which may be subject to response bias.
- The sample is limited to MSMEs in a specific region, affecting the generalizability of the findings.

Future Scope of Study

The future scope of this study could involve exploring the impact of other organizational factors, such as leadership style, workplace culture, and employee engagement, on job stress, job insecurity, and job performance in MSMEs. Additionally, conducting longitudinal studies could provide deeper insights into the long-term effects of organizational trust and employee motivation on performance. Expanding the sample to include employees from various industries and regions would also enhance the generalizability of the findings. Moreover, future research could examine the role of technology adoption and remote work in shaping employee experiences with stress and performance in MSMEs.

Conclusion

This study highlights the significant negative impact of job stress and job insecurity on job performance in Micro, Small, and Medium Enterprises (MSMEs), emphasizing the crucial role of organizational trust and employee motivation as mediators. The findings indicate that fostering a culture of trust and enhancing employee motivation can mitigate the detrimental effects of stress and insecurity, improving overall performance. The study provides valuable insights for MSME leaders to implement effective strategies that promote employee well-being and productivity. By addressing these factors, MSMEs can create a more supportive work environment, ultimately leading to better organizational outcomes.

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