

## Effect of Emotional Intelligence on Leadership Effectiveness in Nepalese Commercial Banks

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### Abstract

**Background:** Emotional intelligence plays a vital role in enhancing leadership effectiveness, particularly in fostering decision-making and interpersonal skills within Nepalese commercial banks.

**Objectives:** The objective of this study is to explore the impact of emotional intelligence on leadership effectiveness. The study focuses on its implications for the managerial performance of managers in Nepalese commercial banks.

**Methods:** A positivist (quantitative) survey study was employed in this investigation. Descriptive and inferential analysis were employed for the conclusions and findings of the study. Using multistage sampling, 221 workers from particular commercial banks in Nepal were chosen as a sample. The survey questionnaire was used to measure emotional intelligence in five different variables and leadership assessment through decision-making, vision, and value creation using SPSS 26 and Smart PLS-3.

**Results:** The study concludes a positive relationship between overall EI and LE. Social awareness is the top predictor of EI in leadership. Employees with high EI show better leadership effectiveness.

**Conclusion:** Emotional Intelligence is considered crucial for leaders and can be developed to improve leadership effectiveness. Leadership development programs in banks should emphasize EI training for aspiring and current leaders. Improved leaders' EI can help to create a positive work environment. More harmony and support may be found in the workplace when leaders possess strong communication skills and a keen sense of social awareness.

**Keywords:** Emotional intelligence, leadership effectiveness, relationship management, self-awareness and regulation, social-awareness

**JEL Classification:** D91, M12, O15

## Introduction

In numerous societies and different regions of the world, there has been an ongoing discussion on the relationship between leadership performance and emotional intelligence (EI) for a long (Fannon, 2018). Since the appearance of emotions in the employees' workplace, whether positive or negative cannot be desired away. It must instead be expertly handled, social scientists have worked hard to examine this subject in various organizations, particularly in the Western world (Ashforth & Humphrey, 1995). The banking industry is usually thought of as a major working station where employees are frequently busy, operate their functions under pressure, and are continually emotionally exhausted (Iddrisu & Abdulai, 2023). As a result, many banking institutions are looking for innovative ways to give their staff members suitable working conditions that are low-stress and high in employee engagement. Leadership is the greatest way to begin (Jiatong et al., 2022). They further assert that one crucial aspect of high leadership performance is emotional strength, quantified as EI. The ability to identify, comprehend, and control one's feelings with others is referred to as emotional intelligence (Bar-on, 2006). The results of numerous studies have repeatedly indicated a link between effective leadership and emotional intelligence. When it comes to job-related performance in any organization, only technical skills and analytical intelligence are not enough; incorporating emotional intelligence with them fosters organizational success and harmony (Rosete & Ciarrochi, 2005). Studies concluded that stronger emotional intelligence in leaders is associated with better team performance, stronger employee engagement, and better organizational results (Coronado-Maldonado & Benítez-Márquez, 2023). Through improved communication, relationship-building, decision-making, and overall team dynamics, emotional intelligence plays an important role in improving effective leadership (Raza, 2023). EI reduces the effect of work-family conflict on proficient promise and improves leadership, selfless conduct, good work attitudes, and work results (Carmeli, 2003; Kessler, 2013). High emotional intelligence leaders are more capable of navigating relationships, motivating and inspiring their employees, and making wise decisions (Goleman, 1998). Additionally, studies have shown that EI affects several work outcomes, including employee turnover (Sulaiman, 2013), occupational stress (Gardner et al., 2011), employee commitment (Tang et al., 2010), and employee performance (Jorfi et al., 2010). Thus, in financial institutions, where the achievement of financial targets is prioritized and continuously upgraded on an interval basis, EI can play a significant role in leadership performance for the overall growth of financial institutions.

Organizations must therefore be concerned with the emotional intelligence of their leaders, as it has the potential to encourage positive employee behavior (Issah, 2018). Additionally, a range of leadership philosophies such as "charismatic, ethical, servant, flexible, dispersed, genuine, spiritual, transcendent, transformational, transactional, and laissez-faire" leadership philosophies have been identified in the literature (Hsu et al., 2022). In recent times, the dynamics of leadership within organizations have transformed, emphasizing the significance of emotional intelligence as a crucial factor influencing effective leadership (Palmer et al., 2001). Thus, it's important to consider the level of emotional intelligence and effectiveness within leaders of banks which can provide valuable insights for banks' management and policymakers about their current leaders' EI status (Rizwan et al., 2014) so that they could enhance their leadership development programs through EI training, fostering a more positive work environment, and ultimately improving organizational performance in a highly competitive financial landscape.

The literature on emotional intelligence and leadership effectiveness is a diverse perspective on organizational performance. Several studies in this area conclude a positive relationship between EI and leadership effectiveness. Wagner (2013), Rosete and Ciarrochi (2005), and Sharma (2024) concluded their study on EI is integral to leadership success, focusing on its role in improving charisma, decision-making, trust-building and motivation. Similarly, Edelman and Van Knippenberg (2018) highlight that EI influences leadership effectiveness by encouraging leaders to respond effectively to subordinate emotions. These research findings support Palmer et al., (2001) that the EI not only minimized workplace

stress but also increases ethical and productive leadership. On the other hand, Weinberger (2009) challenges the assertion that EI significantly impacts leadership style or effectiveness but Dabke (2016), found that transformational leadership behaviors often have a stronger impact on leadership perceptions than innate EI abilities. A similar consensus on EI to leadership effectiveness contributes on transcends traditional predictors like cognitive intelligence and personality traits. Rosete and Ciarrochi (2005) and Edelman and van Knippenberg (2018) found that EI explained variance in leadership effectiveness outside these conventional factors. Similarly, Allameh et al. (2015) and Brown (2014) emphasize the relationship between EI and transformational leadership styles, which are important for motivating teams and achieving organizational goals. Differences exist in contextual and methodological considerations. Alsalmi and Omrane (2023) and Allameh et al. (2015), focus on specific industries or business types, such as SMEs, considering the importance of EI in managing change and sustaining performance. Meanwhile, Melita Prati et al. (2003) emphasize team dynamics, suggesting that EI training can help leaders manage emotionally diverse teams. Furthermore, Wagner (2013) and Khalid et al. (2023) both emphasized the significance of empathy, effective communication, and conflict resolution for successful leaders. These findings support Sharma (2024), who underscores the necessity of trust-building and emotional regulation in creating a positive organizational working environment.

This study aims to address several research questions about EI and leadership in the banking industry. What is the level of emotional intelligence and leadership effectiveness in Nepalese commercial banks? Does emotional intelligence in Nepalese commercial banks have any impact on leadership effectiveness? Considering these research questions this study intended to measure the relationship and associations of emotional intelligence with effective leadership capabilities in Nepalese commercial banks. Furthermore, the study also aims to evaluate the level of emotional intelligence and its impact on effective leadership styles and skills in these institutions. This study can provide academic and practical insights with significant attention and scrutiny across a diverse organizational setting, encompassing not only banks and financial institutions on a global scale but also extending to regions characterized as developing countries such as Nepal. Within this domain, it becomes evident that a noticeable gap exists in terms of scholarly research and findings, particularly in the context of Nepal.

## **Review of Literature**

According to Goleman (1998), leaders who consider and apply emotional intelligence competencies are focused and inspire others as they are more likely to be effective in their leadership roles. By considering their own emotions and successfully relating to others, leaders can develop a positive working environment, maintain strong relationships and inspire co-workers to the best performance (Yusof et al., 2014). This, in turn, enhances leadership effectiveness and improves organizational outcomes. "Self-awareness, self-regulation, empathy, and social skills" are the major four dimensions of emotional intelligence under Goleman's theory. These dimensions represent the capability of leaders to distinguish, appreciate, and manage emotions in themselves and others (Goleman, 1998). Several studies have focused on Goleman's theory of emotional intelligence in leadership effectiveness. Afrifa et al. (2020) examined the relationship between social awareness and relationship management and their predictive ability for effective leadership. The researcher utilized the interpersonal dimension of Goleman's emotional intelligence in Ghana's banking industry. The results showed that social awareness and leadership effectiveness were significantly positively correlated, as were relationship management and effective leadership. Additionally, the study found that demographic factors had a substantial impact on the relationship between social awareness and leadership effectiveness. The researcher also found a significant impact on relationship management and leadership effectiveness.

Agwu et al. (2022) found that certain leadership styles and emotional intelligence have a substantial link and that increasing emotional intelligence would enhance leadership effectiveness. Emotional

intelligence is important for successful leadership. Generally, “self-awareness, self-management, and empathy” are major applicable skills for effective leadership (Gomez- Leal et al., 2021). Biswas and Rahman (2021) found emotional intelligence positively correlated with charismatic leadership. Akhter et al. (2021) illustrated that bank employees will be happier in their current jobs if they develop emotional stability and cultural intelligence at work. Görgens-Ekermans and Roux (2021) examined the relationship between emotional intelligence competencies and transformational leadership (TFL) behaviour and found a positive relationship between the variables. It also pinpointed that emotional intelligence would support to increase in employee performance, particularly through self-awareness, relationship management and social awareness. Furthermore, specific variables of emotional intelligence such as social awareness, relationship management and leadership effectiveness found a strong positive association in Ghana (Afrifa et al.,2020). Similarly, a statistically significant positive relationship between emotional intelligence and leadership effectiveness was found in the study of Aldaibat (2019) and Lee (2019). Furthermore, Lee (2019) studied “the connections between high school athletic directors’ development goal orientation, servant leadership, and emotional intelligence”, the findings showed a positive correlation between emotional intelligence and servant leadership, which in turn showed a positive correlation with development goal orientation.

Alvesson and Einola (2019) critically examined the main principles of popular leadership theories and exposed several problems, including weak empirical research, tautological reasoning, shaky philosophical and theoretical foundations, illogical measurement instruments, unsupported knowledge claims, and an oversimplified and outdated understanding of the role of emotional intelligence in corporate leadership effectiveness. Dartey-Baah and Mekpor (2017) found that transformative leaders possess higher levels of emotional intelligence; as a result, they advised that businesses include EI as a component of leadership development. According to Gontur and Dekom (2017), employees’ performance is favourably correlated with their levels of “self-awareness, self-management, social awareness, and relationship management”. The dynamic leader’s effectiveness depends upon emotional intelligence, specifically self-encouragement, and self-actualization regarding one’s emotional expertise and experiences (Castro et al., 2012). An empirical investigation by Olakitan (2014) revealed a positive correlation between emotional intelligence and leaders’ perceived effectiveness and organizational outcomes. Bratton et al. (2011) found the necessity of reliable managers, in which a negative relationship between emotional intelligence and leaders’ performance while exaggerating their capabilities. According to Harms and Crede (2010), quality-based measures of emotional intelligence tend to have better levels of validity than ability-based ones. Lindebaum and Cartwright (2010), concluded their research findings with a perfect relationship between trait EI and TFL while analyzing data from the self-reported source were used correlational and multiple regression analysis. Weinberger (2009) explored no relationships between emotional intelligence leadership style and effectiveness.

Emotional intelligence (EI) has emerged as a critical element in the discourse surrounding the efficacy of leadership, with the empirical studies offering varying interpretations. Weinberger (2009) contested established paradigms, asserting that EI does not substantially impact leadership style or perceived efficacy. Specifically, the investigation discovered an absence of correlation between the aptitude-based perspective of EI and leadership outcomes. In contrast, Wagner (2013) emphasized the substantial influence of EI on the enhancement of leadership attributes, including charisma, inspiration, and individualized consideration. The research highlighted that EI promotes superior motivation, decision-making, interpersonal dynamics, and change management, exhibiting a strong correlation with leadership effectiveness. The findings by Wanger (2013) reinforce the proposition that leaders possessing higher levels of EI are more proficient at addressing the needs of their followers, thereby facilitating improved organizational outcomes. These findings are consistent with those of Rosete and Ciarrochi (2005), who established that EI contributes uniquely to leadership effectiveness, independent of personality

traits or cognitive intelligence. Their investigation correlated EI with objective indicators of leadership success, thereby bolstering its significance. Expanding on this discourse, Sharma (2024), asserted that EI cultivates trust and conducive work environments, both of which are vital for organizational success. Sharma advocated for incorporating EI principles within leadership development programs, highlighting a favorable correlation between EI and effective leadership. Similarly, Melita Prati et al. (2003) explained that self-awareness and emotional regulation are indispensable for team cohesion and sound decision-making, positing that EI training can augment team performance, even within heterogeneous groups.

The mediating function of EI in leadership was further scrutinized by Edelman and van Knippenberg (2018). Their research demonstrated that leaders' reactions to the emotions of subordinates serve as a mediating factor in the relationship between EI and leadership effectiveness. This intricate perspective posits that EI, when evaluated as an ability, possesses a considerable predictive capacity for leadership outcomes that extend beyond cognitive intelligence and personality traits. Such insights are corroborated by Palmer et al. (2001), who contended that EI mitigates workplace stress, enhances performance, and boosts organizational productivity, rendering it essential for ethical and effective leadership. Within the industrial framework, Alsalminy and Omrane (2023) delineated three pivotal domains where EI influences leadership: self-awareness and decision-making, empathy and relationship management, and adept communication and conflict resolution. Concurrently, Dabke (2016) emphasized that although both EI and transformational leadership behaviors correlate with leadership effectiveness, behaviors frequently best inherent EI capacities. These findings indicate the necessity for leadership development initiatives that harmonize EI enhancement with transformational leadership skill cultivation. The interaction between EI and transformational leadership was further explained by Allameh et al. (2015), who established that EI profoundly influences transformational leadership styles, which, in turn, enhance leader effectiveness. Their study, conducted within small and medium-sized enterprises in Iran, highlighted the critical role of EI in navigating organizational change and attaining sustainability. Similarly, Brown (2014) investigated the connection between EI, leadership styles, and performance, revealing that transformational leadership, undergirded by high EI, inspires followers to exceed expectations and bolsters organizational performance.

Antonakis (2009) tested the EI theory through an ability or trait perspective and found that they did not produce better positive results as they had expected the impact of emotional intelligence on leadership effectiveness, and further recommended that more studies are needed to the predictive validity of EI for leadership. According to Rego et al. (2007), Emotionally intelligent leaders operate in ways that inspire creativity within co-workers. Rosete and Ciarrochi (2005) state that advanced emotional intelligence measurements were correlated with better leadership effectiveness. The research of Goleman et al. (2002) and Al-Rabiey (2024), emphasized relationship management as a key component of emotional intelligence, critical for trust-building and conflict resolution. Similarly, Koenig (2011) and Uhl-Bien (2006) highlight that effective relationship management fosters leadership through relational dynamics and trust development. Furthermore, Luthans and Avolio (2003), found that leaders managing interpersonal relationships effectively achieve higher organizational performance. Research findings (Men & Stacks, 2014; Mayfield & Mayfield, 2017; Manoharan & Ashtikar, 2024), indicated that open dialogue and feedback as key to leadership success but it differs by focusing on a collectivist cultural context and the impact of digital communication tools, contrasting with Avolio et al. (2014).

Wong and Law (2017) discovered that followers' emotional intelligence influenced both job performance and contentment, whereas leaders' emotional intelligence has no connection to subordinates' job performance. Carmeli (2003) shows that senior managers with high social-awareness intelligence have favorable work attitudes and results, selfless conduct, and a moderating effect on the influence of work-family struggle on subordinates' professional assurance. According to Cavallo and Brienza (2002), managers with good performance have significantly more "emotional competence" than others.

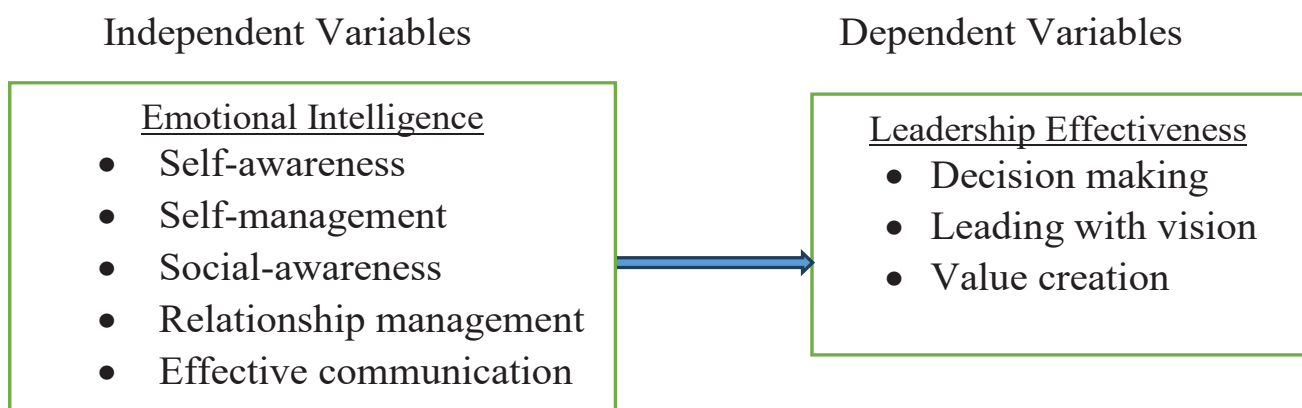
Additionally, supervisors, peers, and subordinates strongly concur that top performers are distinguished by their abilities in “self-awareness, self-regulation, social awareness, and relationship management” (Koenig et al., 2011). The capacity to understand and control emotions is known as emotional intelligence. It has been discovered that teams with leaders who are emotionally intelligent and apply the concepts of positive psychology are more dependable, productive, creative, and resilient (Bin & Al-Mualla, 2024).

Emotional intelligence is an essential indicator of effective leadership in an organization (Kiishi, 2024). Therefore, it is decisive for leadership effectiveness, as it improves various factors such as self-regulation, empathy, social skills and motivation. These variables facilitate better decision-making, communication, and conflict resolution, ultimately contributing to a positive school climate and successful leadership (Angwaomaodoko, 2024). Similarly, the prior study concludes emotional intelligence significantly influences Leadership Effectiveness. In China, the leader’s ability is positively influenced by emotional intelligence in diverse workplaces through various factors like motivation, self-regulation, empathy, social skills and self-awareness (Chen & Traiwannakij 2024). Emotional intelligence is important for leadership effectiveness, consideration and proper management of own emotions and team. Key dimensions include “self-awareness, social skills, cultural intelligence, resilience, and decision-making” (Dhungana & Tamang, 2024) are contributing to improved leadership outcomes. The empirical evidence suggests that substantial positive relations are found between individual emotional intelligence and the overall effectiveness of leaders in different organizational contexts (Kiishi, 2024). Considering the various empirical and theoretical evidence and insights, this study develops the following hypothesis and conceptual framework:

- H1:** There is a positive impact of self-awareness on leadership effectiveness.
- H2:** There is a positive impact of self-management on leadership effectiveness.
- H3:** There is a positive impact of social awareness on leadership effectiveness.
- H4:** There is a positive impact of relationship management on leadership effectiveness.
- H5:** There is a positive impact of effective communication on leadership effectiveness.

**Figure 1**

*Conceptual Framework*



**Materials and Methods**

This study employed a quantitative research design. Utilizing a survey method to collect data from the employees of commercial banks in Nepal. To observe the impact of emotional intelligence on the leadership effectiveness of commercial banks in Nepal, this study has adopted a descriptive and correlational research design to collect and analyze the data. The descriptive research design assesses

the level of various factors of EI and LE within the leaders in banking organizations. Similarly, the relationship between the EI and LE was measured using a correlational research design.

The target population for this study comprised employees of Nepalese commercial banks across various branches in Pokhara. Due to the unavailability of precise data on the total number of employees in the banking sector in Pokhara, the sample size was determined using the Raosoft sample size calculator. The calculator recommended a sample size of 243, using 5% margin of error and 95% confidence level. Using the multistage sampling method participants were selected for the survey response. Initially, the commercial banks in Nepal were categorized into three strata joint venture banks, private commercial banks, and government-owned banks using stratified sampling. Subsequently, one government-owned bank, two joint venture banks, and six private commercial banks were selected through a purposive sampling technique. The selected banks were: Rastria Banijya Bank from the government banks cluster, Nabil Bank and Everest Bank from the joint venture cluster, and NICAsia Bank, Siddhartha Bank, Kumari Bank, Nepal Investment Megha Bank, Laxmi Sunrise Bank and Citizen Bank selected from the Private banks cluster. Similarly, while selecting the respondents, the branches of the sample banks within Pokhara Valley were grouped into clusters. Using convenience sampling, participants were contracted using Google Forms. Out of the target sample 243 respondents, 221 completed the structured questionnaire. Finally, the sample size (n) is considered 221 respondents. The self-administered structured questionnaire was adapted from Bradberry and Greaves (2006), a 360-degree leadership assessment tool that is highly accepted worldwide today for leadership effectiveness. Construct reliability and validity were measured using Smart PLS 3.0. Correlation and regression analysis were calculated using SPSS 26. Descriptive statistics were used to summarize the collected data and assess emotional intelligence level with leadership effectiveness among the leaders in Nepalese commercial banks. To measure the relationship between the variables correlation analysis was used and the developed hypothesis was tested through regression analysis to evaluate the impact of different EI variables on the leadership effectiveness of banking leaders. The regression model used for the analysis is as:

$$LE = \beta_0 + \beta_1 SA + \beta_2 SM + \beta_3 SOA + \beta_4 RM + \beta_5 EC + e.$$

Where EC= Effective communication

RM =Relationship management

SA = Self-awareness

SM= Self-management

SOA = Social-awareness

LE= Leadership effectiveness

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  = The coefficients (parameters) that represent the effect of each dimension of emotional intelligence on the leadership effectiveness,

e = The error term (residuals) representing the discrepancy between the actual values of LE and the predicted values based on the model.

## Results and Discussion

This study makes an effort to conclude the impact of emotional intelligence on leadership effectiveness in Nepalese commercial banks. The results of the study are presented with the demographic status of the respondents, descriptive results of the variables, correlation and regression results. The relationship between the variables was measured with Pearson correlation and the hypothesis was tested by linear regression in this section.

**Table 1**

*Demographic status of the respondents*

Bank Type	Frequency	Per cent
Public Commercial Bank	35	15.8
Joint Venture Commercial Bank	70	31.7
Private Commercial Bank	116	52.5
Position of employee		
Senior officer	109	49.3
Junior officer	112	50.7
Total	221	100

*Note: Survey 2024*

The demographic status of the respondents is shown in Table 1. This reflects the respondent’s position in different categories of sample banks in Pokhara. The majority of respondents (52.5%) are connected to private commercial banks, which are followed by joint venture commercial banks (31.7%) and public commercial banks (15.8%) in terms of bank types. The analysis of the respondents’ positions at these banks reveals a nearly similar distribution of responsibilities, with 50.7% of respondents are in junior officers and 49.3% as senior officers. Overall, the table provides a thorough summary of the population surveyed and sheds light on the distribution of employment roles within the sampled demographic as well as the respondents’ proportionate representation across different bank types

**Table 2**

*Construct Reliability*

Variables	CA	rhoA	CR	AVE
Effective communication	0.832	0.840	0.888	0.665
Relationship management	0.775	0.783	0.855	0.598
Self-awareness	0.723	0.812	0.829	0.559
Self-management	0.721	0.762	0.840	0.638
Social-awareness	0.790	0.794	0.877	0.704
Leadership effectiveness	0.915	0.932	0.931	0.605

*Note: CA= Cronbach’s Alpha CR= Composite reliability AVE= Average Variance Extracted*

Table 2 provides reliability and validity measures for the constructs used in the research. Cronbach’s Alpha assesses the used items’ internal consistency within a construct. A value of more than 0.70 indicates acceptable reliability. All constructs exceed the threshold of 0.70, demonstrating good internal consistency. Leadership Effectiveness has the highest Alpha (0.915), indicating excellent reliability. The rho\_A is another measure of reliability, often considered stronger than Cronbach’s Alpha. Values above 0.70 are acceptable. All constructs have rho\_A values greater than 0.70, confirming their reliability. Similarly, Composite Reliability measures the overall reliability of a construct, taking into account the varying loadings of individual items. A value above 0.70 is considered satisfactory. All constructs exhibit CR values above 0.70, indicating strong reliability. Effective Communication (0.888) and Social Awareness (0.877) have particularly high CR values, reflecting consistent measurement. AVE represents the amount of variance measured by a construct relative to the variance of measurement error. Values above 0.50 show adequate convergent validity. All constructs achieve AVE values of more than 0.50, demonstrating sufficient convergent validity. Social Awareness shows the highest AVE (0.704), indicating a strong proportion of variance explained by its items.



**Table 3**

*Descriptive statistics*

<b>Emotional Intelligence</b>	<b>Mean</b>	<b>SD</b>
Self-awareness	3.43	0.84
Self-management	3.59	0.75
Social-awareness	3.28	0.96
Relationship management	3.17	0.92
Effective communication	3.48	0.95
<b>Leadership Effectiveness</b>		
Decision making	3.28	1.11
Leading with vision	2.88	1.12
Value creation	3.23	0.89

N=221

Source: Survey 2024.

Table 3 reflects the survey results and provides insights into participants’ perceptions of emotional intelligence and leadership effectiveness in several dimensions. Results show for emotional intelligence, self-management had the highest mean score and standard deviation (M=3.59, SD=0.75) signifying that participant generally felt confident in their capability to regulate their emotions effectively. This was followed by effective communication (M=3.48, SD=0.95) and self-awareness (M=3.43, SD=0.84), suggesting moderate self-confidence in recognizing their emotions and expressing themselves clearly. Social awareness (M=3.28, SD=0.96) and relationship management (M=3.17, SD=0.92) received to some extent lower mean scores, highlighting the extent to which participants may perceive challenges in understanding others’ emotions and preserving effective interpersonal interactions.

The results of leadership effectiveness and decision-making required a moderate mean score (M=3.28, SD1.11) whereas leading with vision received the lowest mean score (M=2.88, SD=1.12) indicating possible difficulties in articulating and inspiring a clear organizational direction. The value creation (M=3.23, SD= 0.89) was found slightly higher, reflecting participants’ perceived ability to produce meaningful outcomes. Overall, the results recommend that while participants show moderate aptitude in emotional intelligence and leadership skills, there may be chances for targeted development, particularly in leading with vision and relationship management.

**Table 4**

*Relationship between leadership effectiveness and independent variables*

Variables	LE	SA	SM	SOA	RM	EC
Leadership effectiveness	1					
Self-awareness (SA)	0.808**	1				
Self-management (SM)	0.704**	0.718**	1			
Social awareness (SOA)	0.824**	0.792**	0.694**	1		
Relationship management (RM)	0.832**	802**	710**	795**	1	
Effective communication (EC)	0.843**	0.732**	0.661**	0.715**	0.793**	1

\*\* significant at the 0.01 level (2-tailed)

Note: SPSS output 2024.

Table 4 shows the Pearson Correlations reflecting the association between leadership effectiveness (LE) and several independent variables associated with emotional intelligence. The outcomes disclose strong and statistically significant positive correlations between leadership effectiveness and each of the assessed variables: self-awareness (SA), self-management (SM), social awareness (SOA), relationship management (RM), and effective communication (EC). These correlations span from 0.704 to 0.843, with all p-values being less than 0.01. This indicates that persons exhibiting advanced emotional intelligence, which includes dimensions such as self-awareness, self-management, social awareness, and effective communication are positively associated with effective leadership roles. The results emphasize the importance of emotional intelligence in influencing effective leadership qualities within the evaluation context in banking leaders.

**Table 5**

*Model fit summary and regression analysis*

	df	SS	MS	F	Sig. F
Regression	5	169.783	33.957	214.735	0.000
Residual	215	33.998	0.158		
Total	220	203.781			

Summary of Regression Analysis

R Square	0.883
Adjusted R Square	0.829
Standard Error	0.39766
Observations	221

*Regression matrix*

	Coefficients	.Standard Error	t Stat	P-value	VIF
Intercept		.136	-3.132	.002	
Self-awareness	.157	.062	2.896	.004	3.768
Self-management	.035	.056	.799	.425	2.420
Social awareness	.276	.052	5.312	.000	3.472
Relationship management	.160	.060	2.755	.006	4.342
Effective communication	.382	.049	7.925	.000	2.994

*Note: SPSS output 2024.*

Table 5 shows that leadership effectiveness, as assessed through a regression analysis, is indicated by the regression statistics. These statistics demonstrate a strong fit of the model, with an R square of 0.833 and an adjusted R square of 0.829. This suggests that approximately 83.3% of the variability in leadership effectiveness can be explained by the combination of the predictor variables. The standard error of 0.39766 provides insight into the precision of the model's predictions. The ANOVA results further support the significance of the model, as evidenced by a highly significant F-statistic of 214.735 ( $p < 0.001$ ) for the regression. This indicates that the overall regression model is statistically significant in explaining the variance in leadership effectiveness. The coefficients for each predictor variable reveal their contributions. Especially, social-awareness and Effective communication demonstrate strong

positive effects on leadership effectiveness, with coefficients of 0.276 and 0.382, respectively. Both coefficients are statistically significant at  $p < 0.001$ . Regarding collinearity, the variance inflation factors (VIF) remain less than 5 which is the acceptable limit, ranging from 2.420 to 4.342. This suggests that multicollinearity is not a significant concern. The findings emphasize the considerable impact of emotional intelligence components, particularly social awareness and effective communication, on leadership effectiveness. These results offer empirical support for the importance of fostering emotional intelligence skills in leadership development, as they contribute positively to effective leadership outcomes.

The key objective of the study was to identify the impact of emotional intelligence on leadership effectiveness in Nepalese commercial banks with an expectation that there is a positive relationship between the impact of EI on leadership effectiveness. Descriptive statistical tools have been used to analyze the data. The mean score of each dimension of EI along with the total score on EI and total score on LE have been thoroughly studied in the study. The combination of the examination of existing literature and the findings of the study offers a holistic comprehension of how emotional intelligence affects the effectiveness of leadership. According to Goleman (1998), seminal work lays the groundwork by asserting that leaders with strong emotional intelligence competencies are more likely to excel in guiding and motivating others, fostering positive work environments, and ultimately enhancing organizational outcomes.

The study aligns with Goleman's theory by exploring the dimensions of emotional intelligence in the context of leadership effectiveness. Significant empirical studies, such as those conducted by Afrifa et al. (2020), Agwu et al. (2022), and Görgens-Ekermans and Roux (2021), provide evidence to support the positive relationships between various dimensions of emotional intelligence and effective leadership. Afrifa et al. (2020) discovered significant positive associations between social awareness, relationship management, and leadership effectiveness in the Ghanaian banking industry. Additionally, Agwu et al. (2022), and Rosete and Ciarrochi (2005) emphasized the substantial link between certain leadership styles and emotional intelligence, advocating for increased emotional intelligence to enhance leadership effectiveness. These findings are consistent with the broader literature that emphasizes the importance of emotional intelligence competencies, such as self-awareness, self-management, empathy, and ineffective leadership (Gomez-Leal et al., 2021; Aldaibat, 2019). The statistical analyses conducted in the study further validate these relationships.

The first hypothesis (H1) was developed to measure the impact of self-awareness on leadership effectiveness. The coefficient for self-awareness is 0.157, indicating a modest positive relationship with leadership effectiveness. The effect is statistically significant ( $p = .004$ ), implying that higher levels of self-awareness contribute positively to leadership effectiveness. This result aligns with the prior study of (Cavallo & Brienza, 2002; Dhungana & Tamang, 2024; Kiishi, 2024; Chen & Traiwannakij, 2024)). It indicates that leaders with better self-awareness likely exhibit improved leadership effectiveness (decision-making, value creation, and leading with vision).

The second hypothesis (H2) was developed to measure the impact of self-management on leadership effectiveness. The coefficient for self-management is 0.035, indicating a weak positive relationship. However, the effect is not statistically significant ( $p = .425$ ). However, the findings are different from various literature including (Cavallo & Brienza, 2002; Dhungana & Tamang, 2024; Gomez-Leal et al., 2021) as their study found a positive impact on leadership effectiveness. suggesting that self-management does not play a critical independent role in predicting leadership effectiveness within this model. This may indicate that self-management's impact is mediated through other variables. This may occur due to the perceptual differences in employees about self-management.

The third hypothesis (H3) was developed to measure the impact of social awareness on leadership effectiveness. The results indicate a coefficient of 0.276, social awareness has a strong positive impact on leadership effectiveness. The ( $p < .001$ ) reflects a highly significant positive impact on the dependent variable. These findings are supported by the prior studies of (Angwaomaodoko, 2024; Carmeli 2003; Afrifa et al. 2020; Goleman, 1998; Gomez- Leal et al., 2021; Koenig, 2011). This highlights the importance of understanding and responding to others' emotions, which likely enhances team cohesion and collaboration.

The fourth hypothesis (H4), relationship management positively impacts leadership effectiveness, is supported by the study results, which show a statistically significant positive impact ( $\beta = 0.160$ ,  $p = .006$ ). These findings align with Goleman et al. (2002) and Al-Rabiey2024), who emphasized relationship management as a key component of emotional intelligence, critical for trust-building and conflict resolution. Similarly, Koenig (2011) and Uhl-Bien (2006) highlight that effective relationship management fosters leadership through relational dynamics and trust development. This study also supports the assertions of Luthans and Avolio (2003), who found that leaders managing interpersonal relationships effectively achieve higher organizational performance. However, unlike previous research, this study quantifies the impact and extends its application across diverse leadership styles, offering broader insights.

The fifth hypothesis (H5) was developed to measure the impact of effective communication on leadership effectiveness. Effective communication shows the strongest positive impact on leadership effectiveness, with a coefficient of 0.382. The effect is highly significant ( $p < .001$ ), emphasizing that clear and impactful communication is a cornerstone of successful leadership. Leaders who communicate effectively can articulate the vision, inspire teams, and ensure alignment across stakeholders. This finding aligns with studies by (Men & Stacks, 2014; Mayfield & Mayfield, 2017; Manoharan & Ashtikar, 2024), which emphasize open dialogue and feedback as key to leadership success. Similar to earlier findings, this study highlights the role of clear communication in fostering trust and employee engagement. However, it differs by focusing on a collectivist cultural context and the impact of digital communication tools, contrasting with Avolio et al. (2014). Additionally, it identifies the relevance of effective communication across diverse leadership styles, extending beyond transformational and transactional leadership theories.

## **Conclusion and Suggestions**

In conclusion, this integrated discussion synthesizes the theoretical foundations from the literature with empirical evidence from the study, thereby providing a detailed understanding of the impact of emotional intelligence on leadership effectiveness. The insights obtained from both the literature review and the statistical analyses contribute to the ongoing discourse on the role of emotional intelligence in effective leadership within organizational contexts. In the context of an organization, leaders can be more effective overall by concentrating on aspects like social awareness and good communication. Organizations might give preference to applicants who have a track record of demonstrating emotional intelligence when hiring new staff. Fostering emotional intelligence in leaders can aid in the creation of a positive workplace culture. Furthermore, leaders with strong emotional intelligence might be better at resolving conflicts. Emotional intelligence can be included in policy frameworks about leadership development and professional development. Developing the best practices for incorporating emotional intelligence into leadership development programs can have a significant impact on several different businesses. Organizations and legislators can investigate methods of incorporating emotional intelligence into diversity and inclusion guidelines. This could entail establishing an open atmosphere that supports a range of viewpoints and acknowledging the influence of emotional intelligence on social awareness. Funds for research and development targeted at comprehending and improving emotional intelligence

in leadership may be allocated by policymakers. This can entail funding research on creative methods of integrating emotional intelligence into leadership techniques.

From an academic perspective, it enhances the extant literature concerning leadership and emotional intelligence, providing valuable insights into their interrelationship in Nepal's banking industry. Policymakers may leverage the outcomes of this study to formulate leadership development programs that prioritize emotional intelligence as a means to raise managerial capabilities. On a social level, the research highlights the significance of leaders possessing emotional intelligence in the development of workplace environments, enhancing employee contentment, and boosting organizational achievement.

#### **Author contribution statement**

**M.B.:** Conceptualization, discussion, and drafted the manuscript. **G.T.:** Methodology, data analysis, and discussion. **M.D.:** Literature review. All authors addressed the comments of reviewers and finalized the manuscript.

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