

# The Synergistic Impact of Leadership and Emotional Intelligence on Employee Performance: Evidence from Nepal

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## Abstract

Leadership and emotional intelligence (EI) are pivotal in driving employee performance in modern organizations. Leadership directs, motivates, and aligns goals, while EI equips leaders to navigate emotions in interactions. This study investigates their combined impact on performance in Nepalese organizations, addressing a research gap in empirical evidence on this synergy. Employing a quantitative design, data were gathered via structured questionnaires from employees and managers in commercial banks, IT firms, and service sectors in Nepal. Instruments measured leadership behaviors, EI dimensions (self-awareness, empathy, relationship management), and performance (task and contextual). Analyses included correlation, multiple regression, and moderation tests. Results show leadership positively affects performance; EI independently boosts outcomes. Critically, EI moderates this link, amplifying leadership's impact. Emotionally intelligent leadership thus heightens motivation, engagement, and performance. Findings advocate embedding EI in leadership training to enhance organizational effectiveness in Nepal.

**Keywords:** leadership, emotional intelligence, employee performance, leadership effectiveness, Nepalese organizations

## Introduction

In an increasingly complex and competitive organizational environment, employee performance has become a central concern for organizations striving to achieve sustainable success. Among the various determinants of employee performance, leadership has consistently been identified as one of the most influential factors. Effective leadership shapes organizational culture, motivates employees, aligns individual goals with organizational objectives, and enhances overall productivity (Bass & Riggio, 2006). However, contemporary leadership research suggests that technical

competence and authority alone are insufficient for leaders to succeed in modern workplaces. Instead, the ability to understand, manage, and leverage emotions—commonly referred to as emotional intelligence (EI)—has emerged as a critical complement to effective leadership (Goleman, 1998).

Emotional intelligence refers to an individual's capacity to recognize their own emotions, understand the emotions of others, regulate emotional responses, and use emotional information to guide thinking and behavior (Salovey & Mayer, 1990). In leadership contexts, EI enables

leaders to communicate effectively, manage conflict, foster trust, and build strong interpersonal relationships. Previous studies in diverse cultural and organizational contexts have demonstrated that emotionally intelligent leaders tend to be more effective in motivating employees, enhancing job satisfaction, and improving performance (Goleman et al., 2013). Transformational leadership, in particular, has been found to be strongly associated with emotional intelligence, as it relies on inspiration, individualized consideration, and empathy—core elements of EI (Bass & Riggio, 2006).

The relevance of leadership and emotional intelligence is particularly significant in developing economies such as Nepal. Nepalese organizations operate in a socio-cultural context characterized by hierarchical structures, collectivist values, interpersonal relationships, and increasing exposure to global management practices. Recent empirical studies in Nepal have indicated that leadership style significantly influences employee performance, engagement, and organizational citizenship behavior, especially in sectors such as banking, information technology, and services (Adhikari et al., 2025; Bhandari et al., 2024; Mishra et al., 2025). Emerging evidence from Nepal further suggests that emotional intelligence plays a crucial role in enhancing leadership effectiveness and employee performance (Joshi, 2024; Pariyar, 2025).

### **Problem Statement**

Despite growing recognition of the individual impacts of leadership and emotional intelligence on employee performance, research examining their combined or synergistic impact remains limited, particularly in the Nepalese context. While studies in Nepalese commercial banks have shown that leaders with higher EI demonstrate better communication skills, stronger social awareness, and more effective relationship management—all positively influencing employee performance—few investigations explore how EI moderates or enhances leadership behaviors to drive outcomes

like motivation, reduced stress, and discretionary effort.

The concept of synergy implies that the joint effect of leadership and EI on performance exceeds their separate contributions, with EI enabling leaders to adapt styles based on emotional cues, provide feedback, and manage change (Côté, 2014). In Nepal's unique socio-cultural landscape, where leaders must balance authority with empathy amid competition, technological shifts, and workforce diversity, this gap hinders the development of targeted leadership strategies. Without empirical evidence on this interplay, Nepalese organizations risk suboptimal performance management, underscoring the need for context-specific insights.

Understanding the synergistic impact of leadership and emotional intelligence is important not only for academic advancement but also for managerial practice. As Nepalese organizations face increasing competition, technological change, and workforce diversity, developing emotionally intelligent leaders may be a strategic necessity rather than a managerial option. This study therefore contributes to both theory and practice by highlighting the importance of integrating emotional intelligence into leadership development initiatives to enhance employee performance and organizational effectiveness in Nepal.

### **Research Objective**

This study addresses the identified gap by examining the synergistic impact of leadership and emotional intelligence on employee performance, using evidence from Nepalese organizations. By drawing on leadership theory, EI frameworks, and Nepal-specific evidence, the study provides actionable insights for theory and managerial practice.

### **Literature Review**

Emotional intelligence (EI) equips employees with the capacity to recognize, regulate, and leverage their own emotions alongside those of colleagues, fostering superior interpersonal dynamics, decision-making, and adaptability in dynamic workplaces.

For employees, EI enhances job performance by promoting empathy-driven collaboration, conflict resolution, and resilience amid stress, as evidenced in strategic HR frameworks that position it as a core competency for competitive advantage (Niruba Rani et al., 2024). Integrating EI training further aligns with emerging models blending emotional and artificial intelligence to optimize employee engagement and productivity (Mishra et al., 2025).

### ***Leadership and Employee Performance***

Leadership has long been recognized as a key determinant of employee performance and organizational effectiveness. Bass (1985) conceptualized leadership as a process through which leaders influence followers to achieve organizational goals. Among various leadership theories, transformational leadership has received substantial attention due to its positive association with employee motivation, commitment, and performance (Bass & Riggio, 2006). Transformational leaders inspire employees by articulating a compelling vision, providing individualized consideration, and fostering intellectual stimulation, which encourages employees to exceed performance expectations.

Empirical studies have consistently demonstrated a positive relationship between leadership and employee performance. Similarly, Yukl (2013) emphasized that effective leadership behaviors enhance role clarity, coordination, and employee engagement, all of which contribute to improved performance outcomes. In developing economies, leadership plays an even more critical role due to limited resources and the need for efficient human capital utilization.

In the Nepalese context, leadership style has been found to significantly influence employee behavior and performance. Adhikari et al. (2025) reported that transformational and democratic leadership styles positively affect organizational citizenship behavior and employee engagement in Nepalese organizations, while autocratic leadership tends to have a negative impact. These findings

underscore the importance of effective leadership in shaping performance-related outcomes in Nepal.

### ***Emotional Intelligence and Employee Performance***

Emotional intelligence (EI) refers to an individual's ability to perceive, understand, manage, and use emotions effectively in oneself and others (Salovey & Mayer, 1990). Goleman (1998) argued that EI is a critical component of workplace success, particularly in leadership roles, as it enhances interpersonal effectiveness and emotional regulation. EI has been linked to improved communication, stress management, teamwork, and job performance (Côté, 2014).

Several empirical studies have established a positive relationship between EI and employee performance. Law et al. (2004) found that emotionally intelligent individuals demonstrate higher job performance and better coping mechanisms in stressful work environments. Similarly, Joseph and Newman (2010) reported that EI contributes significantly to job performance, especially in roles requiring emotional labor and interpersonal interaction.

Evidence from Nepal supports these findings. Joshi (2024) found that emotional intelligence significantly predicts employee performance in Nepalese commercial banks, particularly through dimensions such as empathy and relationship management. Pariyar (2025) also reported that emotionally intelligent employees and leaders demonstrate higher levels of task performance and contextual performance in Nepalese banking institutions.

### ***Emotional Intelligence and Leadership Effectiveness***

The relationship between emotional intelligence and leadership effectiveness has been widely examined in organizational research. Goleman et al. (2013) argued that emotionally intelligent leaders are more effective because they can manage their own emotions while positively influencing the emotions of others. EI enables leaders to demonstrate empathy, manage conflict

constructively, and build trust-based relationships with followers.

Meta-analytic evidence suggests that EI is a significant predictor of leadership effectiveness (Harms & Credé, 2010). Leaders with high EI are better able to adapt their leadership style to situational demands and employee needs, thereby enhancing performance outcomes. Boyatzis (2018) emphasized that emotional and social competencies are critical for sustained leadership effectiveness.

In Nepal, Bhandari et al. (2024) found that emotional intelligence has a strong positive effect on leadership effectiveness in Nepalese commercial banks. Their study revealed that social awareness and relationship management are the most influential EI dimensions for effective leadership, highlighting the importance of emotional competencies in Nepalese organizational settings.

### ***Synergistic Impact of Leadership and Emotional Intelligence***

Recent research suggests that leadership and emotional intelligence interact synergistically to influence employee performance. Emotional intelligence enhances leadership effectiveness by enabling leaders to apply appropriate leadership behaviors based on emotional and situational cues (Côté, 2014). This synergy implies that emotionally intelligent leaders are more successful in motivating employees, managing workplace emotions, and fostering high-performance environments.

Empirical studies indicate that EI moderates the relationship between leadership and performance outcomes. For example, Prati et al. (2003) found that leaders with high EI create positive emotional climates that improve team performance. In the Nepalese context, Adhikari et al. (2025) demonstrated that emotional intelligence strengthens the relationship between leadership style and organizational citizenship behavior, indicating a synergistic effect on performance-related outcomes. Despite growing evidence, research examining the combined impact of leadership and emotional intelligence on employee performance in Nepal remains limited. This study

seeks to address this gap by empirically examining how emotional intelligence enhances the effectiveness of leadership in improving employee performance in Nepalese organizations.

### **Theoretical Foundation**

Leadership is a central concept in organizational research, referring to the process of influencing and guiding followers to achieve organizational goals (Bass, 1985). Among various leadership models, transformational leadership theory is particularly relevant. Transformational leaders inspire employees by creating a compelling vision, providing intellectual stimulation, and offering individualized consideration (Bass & Riggio, 2006). This leadership style is positively associated with employee motivation, engagement, and performance outcomes (Judge & Piccolo, 2004).

In addition, democratic and participative leadership theories emphasize employee involvement in decision-making, which enhances commitment, satisfaction, and discretionary effort. Research in Nepal has shown that transformational and democratic leadership styles positively influence organizational citizenship behavior and employee performance, while autocratic leadership negatively affects motivation and engagement (Adhikari et al., 2025).

### ***EI Theory***

Emotional intelligence (EI) is defined as the ability to perceive, understand, regulate, and utilize emotions in oneself and others to facilitate effective functioning (Salovey & Mayer, 1990). Goleman (1998) extended the concept to the workplace, arguing that EI enables leaders and employees to manage interpersonal relationships, communicate effectively, and handle stress. Emotional intelligence includes four key components: self-awareness, self-regulation, social awareness, and relationship management (Goleman et al., 2013).

EI is strongly linked to employee performance. Employees with high EI can better manage conflicts,

collaborate with colleagues, and adapt to changing work environments, resulting in improved task and contextual performance (Joseph & Newman, 2010; Law et al., 2004). In Nepalese organizations, EI has been shown to significantly enhance employee performance in commercial banks and service-sector firms (Joshi, 2024; Pariyar, 2025).

### ***Synergistic Effect of Leadership and EI with Employee Performance***

Recent research highlights that leadership and emotional intelligence interact synergistically to influence employee performance. EI enhances leadership effectiveness by enabling leaders to apply appropriate behaviors according to situational and emotional cues (Côté, 2014). Leaders with high EI can build trust, manage conflict, and motivate employees more effectively, thereby amplifying the positive impact of leadership on performance outcomes (Harms & Credé, 2010).

Empirical studies indicate that EI acts as a moderating variable between leadership and performance. In Nepal, Adhikari et al. (2025) found that EI strengthens the relationship between leadership and organizational citizenship behavior, suggesting a similar synergistic impact on employee performance.

Employee performance encompasses task performance (completing job responsibilities effectively) and contextual performance (behaviors that support the organization beyond formal tasks, such as teamwork and organizational citizenship) (Borman & Motowidlo, 1993). Both leadership and emotional intelligence contribute to higher performance by motivating employees, facilitating communication, and improving interpersonal relationships.

## **Hypothesis Formulation**

### ***Leadership and Employee Performance***

This hypothesis is grounded in leadership theory, particularly transformational and democratic leadership approaches, which emphasize motivation, guidance, and employee involvement (Bass & Riggio, 2006). Leaders influence

employee behavior by providing direction, setting performance expectations, and inspiring employees to achieve organizational goals. In workplaces, effective leadership promotes engagement, job satisfaction, and discretionary effort, which directly enhances employee performance (Judge & Piccolo, 2004; Yukl, 2013).

Empirical evidence in Nepal supports this relationship. Adhikari et al. (2025) found that transformational and democratic leadership styles positively influence organizational citizenship behavior and engagement among employees in Nepalese organizations. Autocratic leadership, in contrast, was associated with lower motivation and performance.

Since leadership shapes employee motivation, direction, and organizational alignment, it is reasonable to hypothesize that leadership positively affects employee performance in the Nepalese context.

H1: Leadership has a significant positive effect on employee performance in Nepalese organizations.

### ***Emotional Intelligence and Employee Performance***

Emotional intelligence (EI) refers to the ability to perceive, understand, and manage one's own emotions and those of others (Salovey & Mayer, 1990). Leaders and employees with high EI are better at managing workplace stress, building relationships, communicating effectively, and resolving conflicts—all factors that enhance performance (Goleman, 1998; Côté, 2014).

Research shows a strong positive link between EI and employee performance. Joseph and Newman (2010) demonstrated that EI contributes to improved job performance, particularly in roles requiring collaboration, emotional labor, or interpersonal interaction. In Nepal, Joshi (2024) and Pariyar (2025) found that employees and leaders with high EI achieve higher task and contextual performance in banking and service-sector organizations.

Since emotionally intelligent employees can regulate their emotions and work effectively with others, it is hypothesized that higher EI directly leads to improved employee performance.

H2: Emotional intelligence has a significant positive effect on employee performance in Nepalese organizations.

### ***Moderating Role of Emotional Intelligence***

This hypothesis examines the synergistic effect of leadership and emotional intelligence. While leadership alone influences employee performance, EI enhances a leader's ability to apply leadership behaviors effectively based on situational and emotional cues (Côté, 2014; Goleman et al., 2013). In other words, leadership effectiveness is strengthened when leaders or employees possess higher emotional intelligence, because emotionally aware leaders can better motivate, communicate, and resolve conflicts, leading to higher performance.

Empirical studies support this moderation effect. Harms and Credé (2010) showed that leaders with high EI create positive emotional climates, enhancing team performance. In Nepalese organizations, Adhikari et al. (2025) demonstrated that EI strengthens the influence of leadership style on organizational citizenship behavior, suggesting a similar effect on performance outcomes. Emotional intelligence acts as a moderator, enabling leaders to leverage their leadership skills more effectively. Thus, the positive impact of leadership on employee performance is expected to be stronger in the presence of high EI.

H3: Emotional intelligence positively moderates the relationship between leadership and employee performance, such that the effect of leadership on employee performance is stronger when emotional intelligence is high.

### **Methodology**

This study employs a quantitative, explanatory research design to test the hypothesized relationships among leadership, emotional intelligence (EI), and employee performance.

Quantitative research allows the measurement of variables and the identification of relationships through statistical analysis (Creswell & Creswell, 2018). An explanatory design is suitable because the study seeks to understand causal relationships, particularly how leadership and EI individually and interactively influence employee performance in Nepalese organizational settings. The population of this study comprises employees working in medium to large organizations in Nepal, particularly in the service, IT firms and banking sectors. These sectors were selected due to their structured organizational hierarchy and reliance on leadership effectiveness for performance outcomes. A purposive sampling technique is employed to select participants who are directly influenced by leadership and whose roles require collaboration, communication, and emotional regulation.

Following Krejcie and Morgan (1970) and considering the number of variables and statistical techniques (e.g., regression and moderation analysis), a sample of 300 employees is deemed sufficient for achieving reliable results and generalizability. Primary data are collected using a structured questionnaire, which uses a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree) to quantify responses and allows standardized measurement of leadership, emotional intelligence, and employee performance. The questionnaire consists of four sections:

- o Demographic Information: Age, gender, education, work experience, and position.
- o Leadership Measurement: Assessed using the Multifactor Leadership Questionnaire (MLQ-5X) developed by Bass and Avolio (1995), which measures transformational, transactional, and passive leadership behaviors.
- o Emotional Intelligence Measurement: Measured using the Wong and Law Emotional Intelligence Scale (WLEIS), which evaluates self-emotion appraisal,

others' emotion appraisal, use of emotion, and regulation of emotion (Wong & Law, 2002).

- o Employee Performance Measurement: Assessed using a validated scale adapted from Borman and Motowidlo (1993), measuring task performance and contextual performance.

The study included 300 employees, 285 valid responses from banking, IT firms and service sectors in Nepal. Demographic details revealed:

52% male and 48% female respondents, with an average organizational experience of 6.5 years. Descriptive statistics and reliability measures (Cronbach's alpha) for the study variables are presented in Table 1.

## Results and Discussion

It presents the key results in a simple and practical way, showing how leaders who understand and manage emotions effectively can positively shape workplace motivation, engagement, and overall performance.

**Table 1**

*Descriptive Statistics and Reliability*

Variable	Mean	SD	Cronbach's $\alpha$
Leadership (MLQ-5X)	3.91	0.68	0.91
Emotional Intelligence (WLEIS)	3.84	0.65	0.88
Employee Performance	3.76	0.62	0.89

*Note.* Created by Authors

Table 1 presents the descriptive statistics and reliability of the study variables. Leadership has a mean of 3.91 (SD = 0.68), emotional intelligence (EI) has a mean of 3.84 (SD = 0.65), and employee performance has a mean of 3.76 (SD = 0.62), indicating generally high levels of these variables among respondents. The reliability coefficients (Cronbach's  $\alpha$ ) for leadership (0.91), EI (0.88), and employee performance (0.89) are all above the acceptable threshold of 0.70, suggesting that the measurement instruments used in this are highly

reliable (Nunnally & Bernstein, 1994; Hair et al., 2019).

All independent and dependent variables exhibited high internal consistency, with Cronbach's alpha values exceeding 0.70, and demonstrated moderate to high mean scores, indicating consistent and reliable measurement across participants. To assess the preliminary associations among the study variables, Pearson's correlation analysis was conducted, and the results are presented in Table 2.

**Table 2**

*Correlation Matrix*

Variable	1	2	3
Leadership	1		
Emotional Intelligence	0.48**	1	
Employee Performance	0.62**	0.57**	1

*Note.* Created by Authors,  $p < 0.01$ .

Table 2 shows the Pearson correlations among leadership, emotional intelligence (EI), and employee performance. Leadership is strongly positively correlated with employee performance ( $r = 0.62$ ,  $p < 0.01$ ), while EI also shows a moderate positive correlation with performance ( $r = 0.57$ ,  $p < 0.01$ ). Additionally, leadership and EI are moderately correlated ( $r = 0.48$ ,  $p < 0.01$ ), suggesting that effective leaders tend to have higher emotional intelligence. All correlations

are significant at the 0.01 level, indicating that leadership and EI are both positively associated with employee performance and may jointly influence outcomes in the workplace.

To test hypothesis H1 and H2, multiple regression was conducted, examining the direct effects of leadership and EI on employee performance as mentioned in Table 3.

**Table 3**

*Regression Analysis – Direct Effects*

Predictor	$\beta$	t	p-value
Leadership	0.41	6.72	<0.001
Emotional Intelligence	0.36	5.95	<0.001

Note. Created by Authors;  $0.51$ ,  $F(2, 297) = 155.3$ ,  $p < 0.001$

Table 3 presents the direct effects of leadership and emotional intelligence (EI) on employee performance using multiple regression analysis. The results indicate that both predictors have significant positive impacts on performance. Specifically, the standardized coefficient ( $\beta$ ) for leadership is 0.41, with a t-value of 6.72 and  $p < 0.001$ , suggesting that higher leadership effectiveness is strongly associated with improved employee performance. Similarly, emotional intelligence has a  $\beta$  of 0.36,  $t = 5.95$ , and  $p < 0.001$ , indicating that employees with higher EI tend to perform better in their roles. The overall model explains 51% of the variance in employee performance ( $R^2 = 0.51$ ), and the F-test ( $F(2, 297) = 155.3$ ,  $p < 0.001$ ) confirms that the model is statistically significant. These findings demonstrate that both leadership and EI are crucial predictors of employee performance, with leadership having a slightly stronger effect, and

together they account for a substantial portion of performance differences among employees in the Nepalese organizational context.

Moderation analysis was conducted using PROCESS macro (Model 1; Hayes, 2017) to test whether emotional intelligence (EI) moderates the relationship between leadership and employee performance. Leadership was the independent variable, employee performance was the dependent variable, and EI was the moderator. As mentioned in Table 4, the interaction term (Leadership  $\times$  EI) was significant ( $\beta = 0.18$ ,  $t = 3.47$ ,  $p < 0.001$ ), indicating that the positive effect of leadership on employee performance increases as EI levels rise. This suggests that employees with higher emotional intelligence benefit more from effective leadership, highlighting a synergistic effect between leadership and EI on performance.

**Table 4**

*Moderation Analysis (Leadership  $\times$  EI)*

Predictor	$\beta$	t	p-value
Leadership	0.41	6.72	<0.001
Emotional Intelligence	0.36	5.95	<0.001
Leadership $\times$ EI (Interaction)	0.18	3.47	<0.001

Note. Created by Authors;  $0.55$ ,  $F(3, 296) = 121.2$ ,  $p < 0.001$

Table 4 presents the moderation analysis examining the interactive effect of leadership and emotional intelligence (EI) on employee performance. Leadership ( $\beta = 0.41$ ,  $t = 6.72$ ,  $p < 0.001$ ) and EI ( $\beta = 0.36$ ,  $t = 5.95$ ,  $p < 0.001$ ) both have significant positive effects on performance. The interaction term (Leadership  $\times$  EI) is also significant ( $\beta = 0.18$ ,  $t = 3.47$ ,  $p < 0.001$ ), indicating

that EI strengthens the positive relationship between leadership and employee performance. The model explains 55% of the variance in performance ( $R^2 = 0.55$ ), and the overall regression is significant ( $F(3, 296) = 121.2$ ,  $p < 0.001$ ), demonstrating that leadership and EI jointly contribute to higher employee performance, with EI enhancing the effect of leadership.

**Table 5**

*Conditional Effects of Leadership on Performance by EI Level*

EI Level	Effect of Leadership on Performance	t	p-value
Low (-1 SD)	0.29	3.12	0.002
Mean	0.41	6.72	<0.001
High (+1 SD)	0.53	7.89	<0.001

*Note.* Created by Authors

Table 5 presents the conditional effects of leadership on employee performance at different levels of emotional intelligence (EI). The results show that when EI is low (-1 SD), the effect of leadership on performance is 0.29 ( $t = 3.12$ ,  $p = 0.002$ ), indicating a moderate positive impact. At the mean level of EI, the effect increases to 0.41 ( $t = 6.72$ ,  $p < 0.001$ ), showing a stronger relationship. When EI is high (+1 SD), the effect further strengthens to 0.53 ( $t = 7.89$ ,  $p < 0.001$ ),

demonstrating that employees with higher emotional intelligence experience the greatest performance benefit from effective leadership. These findings confirm that EI moderates the relationship between leadership and employee performance, such that the positive impact of leadership becomes stronger as EI increases, highlighting the synergistic role of emotional intelligence in enhancing the effectiveness of leadership.

**Table 6**

*Summary of Hypothesis Testing*

Hypothesis	Result
H1: Leadership $\rightarrow$ Employee Performance	Supported ( $\beta = 0.41$ , $p < 0.001$ )
H2: EI $\rightarrow$ Employee Performance	Supported ( $\beta = 0.36$ , $p < 0.001$ )
H3: EI moderates Leadership $\rightarrow$ Employee Performance	Supported ( $\beta = 0.18$ , $p < 0.001$ )

*Note.* Created by Authors

Table 6 presents the results of the study's key predictions regarding the relationships among leadership, emotional intelligence (EI), and employee performance. H1, which proposed that leadership positively influences employee performance, was supported, with a standardized coefficient of  $\beta = 0.41$  ( $p < 0.001$ ). This indicates

that effective leadership behaviors significantly enhance employee performance in the workplace. H2, predicting a positive effect of EI on employee performance, was also supported ( $\beta = 0.36$ ,  $p < 0.001$ ), suggesting that employees who possess higher emotional intelligence—such as self-awareness, self-regulation, and empathy—

tend to perform better in their roles. H3, which proposed that EI moderates the relationship between leadership and employee performance, was supported as well, with the interaction term showing  $\beta = 0.18$  ( $p < 0.001$ ). This indicates that the positive effect of leadership on performance is stronger for employees with higher levels of EI, highlighting a synergistic interaction between leadership and EI. Overall, the results confirm that both leadership and emotional intelligence are significant predictors of employee performance, and that EI not only contributes directly to performance but also enhances the effectiveness of leadership, supporting the theoretical expectation that leadership and emotional intelligence work together to improve workplace outcomes.

## Discussion

The present study rigorously examined the direct and interactive effects of leadership and emotional intelligence (EI) on employee performance within Nepalese organizations. Empirical results confirmed that both leadership and EI serve as robust predictors of performance, with EI exerting a significant moderating influence that amplifies leadership's impact, thereby evidencing a synergistic dynamic between these constructs.

Consistent with H1, leadership positively associated with employee performance ( $\beta = 0.41$ ,  $p < 0.001$ ), reinforcing Transformational Leadership Theory (Bass & Riggio, 2006). This effect holds particular salience in Nepal's hybrid organizational landscape, where hierarchical traditions intersect with collaborative norms, positioning leadership as pivotal in cultivating employee motivation, engagement, and task efficacy.

Supporting H2, EI emerged as a potent direct predictor ( $\beta = 0.36$ ,  $p < 0.001$ ), aligning with Emotional Intelligence Theory (Goleman, 1998; Salovey & Mayer, 1990). High-EI employees adeptly regulate emotions, discern interpersonal cues, and foster relational harmony, thereby enhancing decision-making, problem resolution, and collaborative output—attributes indispensable in Nepal's service- and knowledge-driven sectors.

The interaction hypothesis (H3) was substantiated, with the leadership-EI product term yielding  $\beta = 0.18$  ( $p < 0.001$ ). Stratified analyses revealed leadership's effect intensifying at elevated EI levels (high EI:  $\beta = 0.53$ ,  $p < 0.001$ ; mean EI:  $\beta = 0.41$ ,  $p < 0.001$ ; low EI:  $\beta = 0.29$ ,  $p = 0.002$ ), corroborating socio-emotional facilitation models wherein followers' emotional acuity augments responsiveness to leadership signals (Côté, 2014; Boyatzis, 2018).

These findings extend extant theory by demonstrating contextual synergy in a developing economy, bridging universal leadership paradigms with Nepal-specific socio-cultural moderators like collectivism and relational embeddedness.

Nepalese organizations should embed EI competencies within leadership development curricula, emphasizing self-awareness, empathy, and adaptive style-switching. Concurrently, employee EI enhancement via targeted training—encompassing emotion regulation and social skills—can potentiate leadership efficacy, yielding amplified performance gains amid competitive pressures and workforce diversification.

Self-reported, cross-sectional data introduce potential common method variance and preclude causality; sector-specific sampling curtails generalizability beyond banking, IT, and services. Prospective inquiries might adopt longitudinal or multi-source designs, incorporate diverse Nepalese industries or cross-national comparisons, and probe supplementary moderators (e.g., organizational culture, role complexity) to refine the leadership-EI-performance nexus.

## Conclusion

This study demonstrates that both leadership and emotional intelligence are critical predictors of employee performance, with EI enhancing the effectiveness of leadership. Employees with higher EI benefit more from strong leadership, highlighting a synergistic relationship that drives superior performance outcomes. Theoretically, the findings support models integrating leadership

and EI perspectives. Practically, they suggest that organizations in Nepal and similar contexts can improve individual and organizational performance by investing in leadership development and emotional intelligence enhancement programs. Overall, the study underscores that optimal employee performance is achieved when strong leadership is combined with high employee emotional intelligence.

### **Theoretical Contribution**

This study makes several important contributions to the field of organizational behavior and leadership research. First, it empirically demonstrates the direct effects of leadership and emotional intelligence (EI) on employee performance within the Nepalese organizational context, providing evidence that both constructs are critical determinants of work outcomes. Second, by examining emotional intelligence as a moderator, the study highlights the synergistic effect of leadership and EI, showing that leadership effectiveness is enhanced when employees possess higher emotional intelligence. This integration of Transformational Leadership Theory and Emotional Intelligence Theory contributes to the theoretical understanding of how leader behaviors and employee competencies interact to influence performance outcomes. Third, the study expands the limited research on leadership and EI in South Asian contexts, particularly Nepal, offering culturally relevant insights that extend the generalizability of prior Western-centric studies.

### **Managerial Implications**

The findings have several practical implications for organizational leaders and human resource managers. Organizations should prioritize leadership development programs that emphasize both technical competencies and emotional and interpersonal skills, such as empathy, active listening, and conflict management, to enhance leader effectiveness. Additionally, investing in emotional intelligence training for employees can significantly improve performance, as high-EI employees respond more effectively to leadership

behaviors and workplace challenges. HR managers may also consider assessing EI during recruitment and promotion processes, ensuring that employees possess the emotional competencies necessary to thrive in collaborative and high-pressure environments. Furthermore, cultivating a supportive and emotionally intelligent organizational culture can reinforce the positive effects of leadership and EI, encouraging engagement, teamwork, and proactive problem-solving. Ultimately, integrating leadership development with EI enhancement initiatives can help organizations maximize employee performance, productivity, and overall organizational effectiveness.

### **Research Limitations and Future Directions**

Despite the valuable insights provided by this study, several limitations should be acknowledged. First, the study employed a cross-sectional research design, which captures data at a single point in time. This design limits the ability to make causal inferences about the relationships among leadership, emotional intelligence (EI), and employee performance. Longitudinal studies would allow researchers to better understand the directionality of these relationships and how leadership and EI influence performance over time. Second, data were collected through self-reported questionnaires, which may introduce common method bias and social desirability effects. Participants may have overestimated their own performance, EI, or perceptions of leadership behaviors. Future studies could integrate multi-source data, such as supervisor ratings of employee performance or peer assessments of EI, to improve the robustness of the findings.

Third, the study focused on selected sectors in Nepal—specifically banking, information technology, and service sectors—which may limit the generalizability of the results to other industries or cultural contexts. Future research could include diverse sectors and cross-cultural samples to examine whether the synergistic effects of leadership and EI on performance

hold across different organizational and cultural settings. Fourth, while the study examined EI as a moderator, other potential moderating or mediating variables—such as organizational culture, job complexity, work engagement, or personality traits—were not considered. Exploring these factors in future research could provide a more nuanced understanding of how leadership and EI interact to influence performance outcomes.

Finally, the study used quantitative survey methods, which may not capture the qualitative nuances of leadership and EI dynamics in the workplace. Future studies could adopt mixed-method approaches, incorporate interviews or focus groups to gain deeper insights into how employees experience and respond to leadership behaviors and emotional intelligence in their daily work. In summary, future research should focus on longitudinal designs, multi-source data, cross-sector and cross-cultural contexts, additional moderating or mediating factors, and mixed-method approaches to expand understanding of the synergistic impact of leadership and emotional intelligence on employee performance. Addressing these limitations will enhance the generalizability, validity, and practical applicability of research findings in this field.

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