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The Impact of Corporate Governance on Employee Engagement with the Moderating Role of Leadership Style in Nepalese Commercial Banks

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ABSTRACT

Corporate governance plays a crucial role in enhancing employee engagement by fostering transparency, ethics, and accountability, which cultivates trust, fairness, and inclusive decision-making. Leadership style further strengthens the relationship between corporate governance and employee engagement by promoting ethical behavior, encouraging open communication, and empowering employees to contribute to organizational objectives. This study seeks to explore the impact of leadership style on the relationship between corporate governance and employee engagement in Nepalese commercial banks. Data were gathered from 352 respondents, including managerial and officer-level employees across various commercial banks, through a structured questionnaire using a convenience sampling method. The data were analyzed using Process Macro 4. The results indicate that leadership style fully moderates the relationship between corporate governance and employee engagement. This study highlights the importance of organizations investing in leadership development programs to effectively enhance both corporate governance and employee engagement. By establishing clear policies, ensuring fairness, and fostering a culture of accountability, corporate governance motivates employees to align with the organization's values and objectives.

1. INTRODUCTION

Corporate governance has emerged as a critical framework to address growing concerns over accountability, transparency, and ethical conduct in organizations, especially in the wake of financial scandals and corporate failures. It ensures that companies are managed in a manner that protects the interests of shareholders and stakeholders, fosters trust, and promotes sustainable growth in increasingly complex and competitive business environments. It involves balancing the interests of these stakeholders while adhering to ethical standards, legal regulations, and strategic goals to enhance organizational performance and sustainability (Delima & Ragel, 2017). Corporate governance plays a vital role in fostering integrity, transparency, and accountability within an organization. It ensures the establishment of effective channels for information disclosure, promoting a strong corporate culture (Gyawali, 2018; Owiredu & Kwakye, 2020). As a cornerstone of corporate operations, corporate governance encourages ethical conduct and responsible decision-making in alignment with organizational values (Kirado, 2019). It involves implementing a set of rules and systems to direct and control corporate activities effectively (Cadbury, 1992; World Bank, 1999). Furthermore, corporate governance encompasses structures, culture, policies, strategies, and approaches to managing relationships with stakeholders (Barrett, 2002). It ensures the responsible use of resources in compliance with legal standards to achieve the overall objectives of the organization (Tukur & Bilkisu, 2014; Obamiro et al. 2019).

Effective corporate governance relies on robust internal and external systems that address the needs of both internal and external stakeholders, providing organizations with a competitive edge in the market (Tura, 2012; Kyere & Ausloos, 2020). Good corporate governance ensures transparency, fairness, and accountability in business operations, while poor governance can lead to inefficiencies, managerial disruptions, and unethical practices (Chen & Lee, 2012). As organizations evolve, the importance of corporate governance continues to grow, regardless of their nature, type, or size, as it plays a key role in driving long-term business performance (Al-Azzam et al., 2015). Corporate governance aims to facilitate effective oversight and smooth functioning of businesses by promoting fairness, transparency, and enhanced disclosures to safeguard stakeholder interests. Its structures are designed to improve organizational performance by enabling quality decision-making processes (Arora & Bodhanwala, 2018; Goel, 2018). Corporate governance and employee engagement are interconnected concepts that play a pivotal role in organizational success. Good corporate governance establishes a culture of fairness, trust, and openness, creating an environment where employees feel valued and empowered. It provides a foundation for ethical decision-making and fosters trust between management and employees, which is crucial for enhancing engagement (Tura, 2012).

Employee engagement often characterized by three dimensions: vigor, dedication, and absorption, which enable employees to invest their energy and passion into their work (Schaufeli et al., 2022). Studies have shown that organizations with strong governance practices tend to cultivate higher employee engagement because clear policies and ethical leadership create a sense of security and motivation among employees (Arora &

Bodhanwala, 2018). Research further suggests that transparent governance practices, such as fair performance evaluation and open communication, strengthen employee trust, leading to increased engagement (Goel, 2018). Vakira et al. (2023) highlighted that inclusive leadership, a component of effective corporate governance, promotes psychological safety, which is critical for fostering engagement. Furthermore, poor governance, characterized by unethical practices and mismanagement, can lead to disengagement and a decline in employee morale (Chen & Lee, 2012).

The relationship between corporate governance and employee engagement is profoundly shaped by leadership style. Leadership approaches play a crucial role in determining how governance practices translate into employee commitment and motivation (Lai et al., 2020). Effective leaders inspire and energize their teams (Buil et al., 2019), enhancing the benefits of strong corporate governance. By fostering a culture of support and empowerment, they drive innovation and align personal aspirations with organizational objectives, ultimately strengthening employee engagement (Khan et al., 2020).

In Nepalese commercial banks, corporate governance and employee engagement are critical for ensuring financial stability, transparency, and organizational success. Strong corporate governance frameworks promote ethical practices, accountability, and regulatory compliance, which are essential for maintaining trust with stakeholders and ensuring long-term sustainability (Tura, 2012). Simultaneously, high levels of employee engagement contribute to better customer service, increased productivity, and a positive work environment, leading to improved financial performance (Harter et al., 2002).

In the modern business landscape, shaped by rapid technological progress, globalization, and shifting workforce dynamics, the relationship between corporate governance and employee engagement has grown more intricate. Organizations must navigate these evolving challenges while leveraging governance frameworks to foster a work environment that enhances employee commitment and motivation. Effective governance not only establishes transparency and accountability but also creates opportunities to strengthen engagement by aligning organizational values with employee expectations. The synergy between effective governance and engaged employees can drive innovation and enhance the reputation of Nepalese banks, ultimately fostering a competitive edge in the banking sector (Arora & Bodhanwala, 2018). The poor corporate governance creates the lack of transparency and accountability, which can lead to mismanagement, corruption, and a decline in stakeholder trust. Similarly, employee engagement faces challenges such as poor leadership, limited career development opportunities, and inadequate recognition, which can result in low morale, decreased productivity, and higher turnover rates. Addressing these facts, the primary aim of this study is to assess the influence of corporate governance on employee engagement in the Nepalese commercial banks with a specific focus on the moderating role of leadership style.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The following section presents theoretical and empirical studies to identify the research gap and formulate the hypotheses.

Stakeholder Theory

Stakeholder theory is a fundamental concept in business, management, and accounting that underscores the importance of addressing the interests of all parties influenced by a corporation's activities. Unlike the traditional perspective that prioritizes shareholder wealth maximization, this theory argues that businesses have ethical and strategic responsibilities to a diverse set of stakeholders, including employees, customers, suppliers, communities, the environment, and shareholders. In the context of corporate governance, stakeholder theory provides a valuable framework for understanding its influence on employee engagement. It suggests that organizations must actively manage their relationships with all stakeholders, particularly employees, to ensure long-term sustainability and success. Additionally, leadership style plays a moderating role in shaping these relationships, further influencing employee engagement and organizational outcomes (Shankman, 1999).

Agency Theory

Agency theory is a key framework in business, management, and accounting that examines conflicts arising in principal-agent relationships due to misaligned interests and information asymmetry (Haugen & Senbet, 1979; Mishra et al., 1998; Zenger & Gubler, 2018). This theory is particularly significant in corporate governance and financial management, as it highlights the challenges organizations face in ensuring that agents (such as executives and managers) act in the best interests of principals (such as shareholders). In the context of corporate governance, agency theory offers valuable insights into its impact on employee engagement. By addressing incentive structures, monitoring mechanisms, and governance practices, organizations can mitigate agency conflicts and foster an environment where employee interests align with broader corporate objectives, ultimately enhancing engagement and performance.

Resources-based view Theory

The resource-based view (RBV) posits that an organization's unique resources and capabilities are fundamental to sustaining a competitive advantage (D'Oria et al., 2021). Within this framework, corporate governance serves as a critical internal resource that shapes firm performance. Hazzaa et al. (2022) emphasize the role of strong governance in fostering transparency, accountability, and strategic decision-making, all of which contribute to organizational success.

Democratic Leadership

In analyzing the relationship between corporate governance and employee engagement, democratic leadership emerges as a crucial moderating factor. Defined by participative decision-making and inclusive communication (Barthold et al., 2022), democratic leadership plays a significant role in shaping employees' perceptions of corporate governance structures

and internal controls. This leadership approach cultivates a transparent and inclusive organizational environment, fostering trust and strengthening employee engagement with corporate processes (Hilton et al., 2021; Wilson, 2020). Additionally, by promoting ethical practices and encouraging stakeholder involvement, democratic leadership enhances corporate reputation, further contributing to employee engagement (Jiang & Luo, 2018). The interplay of these factors suggests that democratic leadership not only influences employees' attitudes toward governance and control mechanisms but also reinforces the organization's reputation, ultimately fostering a more engaged and committed workforce.

Bureaucratic Leadership

Incorporating bureaucratic leadership into the framework examining the impact of corporate governance on employee engagement provides a nuanced perspective. Characterized by a strong emphasis on rules, hierarchy, and standardized procedures, bureaucratic leadership plays a crucial role in shaping the effectiveness of corporate governance (Whetsell et al., 2021). By ensuring strict adherence to established policies and procedures, this leadership style reinforces the strength of internal controls and governance structures, contributing to a more structured and compliant organizational environment (Matipa, 2020; Matjie, 2018).

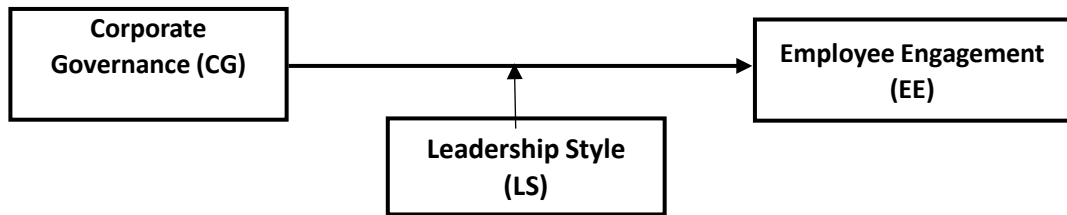
Laissez-faire Leadership

Laissez-faire leadership is characterized by a hands-off approach with minimal direct supervision (Amini et al., 2019). This leadership style can positively impact employee engagement by fostering autonomy, self-direction, and individual initiative (Robert & Vandenberghe, 2021). However, the absence of active leadership and guidance in laissez-faire leadership may weaken corporate governance (Zhang et al., 2023). Consequently, this approach presents a paradox while it enhances employee engagement through increased autonomy, it may also undermine governance and control mechanisms. This dual effect highlights the complexity of laissez-faire leadership and underscores the need for further empirical research in business and accounting.

Authoritarian Leadership

Authoritarian leadership, defined by centralized decision-making and a top-down management approach, plays a crucial role in shaping corporate governance and internal control mechanisms. This leadership style emphasizes strict adherence to rules and protocols (Pizzolitto et al., 2023), which can enhance the effectiveness and reliability of corporate governance structures and internal control systems. By enforcing rigorous compliance with established procedures, authoritarian leaders contribute to a more controlled and predictable organizational environment (Wang et al., 2019). Based on the above theories, figure 1 below illustrates the theoretical model for this study.

Figure 1



3. Empirical Review

Several theoretical perspectives offer insight into the relationship between corporate governance and employee engagement. First, agency theory examines the dynamic between shareholders and managers, emphasizing the need for governance mechanisms that align their interests, which can indirectly influence employee engagement (Aubert & Hollandts, 2023). This theory highlights how effective governance can foster a work environment where employees' goals are aligned with organizational objectives. Second, stakeholder theory expands this view by incorporating the interests of all stakeholders, not just shareholders. It argues that effective governance must balance the diverse interests of stakeholders, including employees, suggesting that governance structures attuned to employee concerns can enhance engagement (Kujala et al., 2022).

Empirical research on the relationship between corporate governance and employee engagement consistently demonstrates a positive correlation between these two factors. Harter et al. (2002) found a strong connection between corporate governance elements such as clear expectations and employee involvement in decision-making, which were linked to higher levels of engagement. This view is further supported by Zhenjing et al. (2022), who emphasized the direct impact of transparent, fair, and accountable governance on employee satisfaction, a critical precursor to engagement. Additionally, the role of transparency in governance and its effect on trust is highlighted by Colquitt et al. (2007), Baquero (2023), and Islam et al. (2023). Their research indicates that employee perceptions of leadership transparency and ethical behavior significantly enhance engagement levels. This finding is further corroborated by Schnackenberg & Tomlinson (2016), Jiang & Luo (2018), and Baquero (2023), who report that organizational transparency fosters trust, which in turn drives engagement.

Alam et al. (2021) further affirmed that corporate governance, when reflected in ethical leadership, is significantly linked to employee engagement. The majority of previous research suggests a positive and significant relationship between corporate governance and employee engagement. However, some studies still present inconclusive findings. Dewi et al. (2023) found that the correlation between stakeholder engagement and corporate governance was weak or insignificant. Zhang & Bartol (2010) demonstrated that empowering leadership styles, which encourage employee participation in decision-making, can significantly boost engagement. Amah and Ahiauzu (2013) echoed this by emphasizing that involving employees

in organizational decisions increases ownership and commitment, thereby enhancing engagement. Additionally, Parent & Lovelace (2018) and Ansell et al. (2020) explored how different governance structures influence organizational culture and employee engagement, discovering that inclusive and collaborative governance structures foster a positive organizational culture that promotes engagement. Parent & Lovelace (2018) and Moore & Hanson (2022) also observed that governance structures prioritizing employee well-being and development significantly contribute to a culture of engagement. Collectively, these empirical studies provide strong evidence that effective corporate governance practices characterized by transparency, ethical leadership, participative decision-making, and inclusivity are positively associated with and instrumental in enhancing employee engagement.

Empirical studies have demonstrated that democratic leadership, characterized by participative decision-making, can positively impact corporate governance. Bass (1985), Liu & Yin (2020), and Moore & Hanson (2022) suggested that democratic leaders, by cultivating an environment of openness and shared responsibility, can enhance board effectiveness and stakeholder engagement, leading to improved governance outcomes. Leadership plays a crucial role in guiding corporate governance practices and significantly influences related matters (Ali et al., 2017). Democratic leaders invite team members to contribute their input in decisions while retaining ultimate decision-making authority. This approach empowers employees to take control of their careers and promotions, motivating them to work harder, not just for financial rewards but also for a sense of ownership (Bhatti et al., 2012). Such leadership tends to promote a governance model that values employee input. Khan et al. (2015) found that democratic leaders demonstrate their capabilities by offering their own perspectives instead of pressuring others to conform. This leadership style helps a corporation build a reputation as being employee-friendly, positively impacting its corporate reputation (Alfalah, 2017). Bergmark & Westman (2018) argue that democratic leadership is particularly effective in fostering engagement, as it connects employees and encourages them to voice their opinions.

Bureaucratic leadership, characterized by strict adherence to rules and a rigid hierarchical structure, can have a complex impact on corporate governance. While it promotes compliance and consistency, it may hinder innovation and adaptability – qualities essential for effective governance in a fast-evolving business landscape. The bureaucratic leadership style (BLS) is typically associated with predetermined policies or procedures that guide decisions in various situations, often directing employees to seek approval from superiors (Khan et al., 2015). However, such strict frameworks can limit autonomy and lead to dissatisfaction among employees. This leadership style, centered on rule-based decision-making, can strengthen internal control mechanisms but may also contribute to employee disengagement (Kelly & MacDonald, 2019). Furthermore, Ohemeng et al. (2020) argue that because bureaucracy emphasizes adherence to fixed procedures, employees may place greater trust in the system than in their leaders' directives, resulting in disengagement.

Laissez-faire leadership, characterized by a hands-off approach, can lead to a lack of direction in corporate governance practices (Amini et al., 2019). This style may result in diminished organizational commitment and accountability, which can undermine effective governance. Kelly & MacDonald (2019) found that in a laissez-faire leadership style (LLS), leaders empower subordinates to make decisions and solve problems independently. Under this approach, employees have full decision-making authority, with leaders providing only the necessary resources and encouraging employees to address challenges on their own (Khan et al., 2015). LLS allows employees the freedom to work without interference and does not set specific goals (Bhatti et al., 2012). While this leadership style may foster a reputation as a 'freedom company,' where leaders grant employees the autonomy to execute tasks independently, it may also lead to a lack of structure and focus in organizational governance.

Authoritarian leadership, characterized by centralized control and limited employee input, may lead to efficient decision-making processes. However, it can also suppress critical discussions and employee engagement, ultimately hindering long-term governance effectiveness. Research indicates that leaders who adopt an authoritarian leadership style (ALS) expect their subordinates to comply with authority without questioning, which can result in a lack of participation in decision-making (Khan et al., 2015). This finding is crucial for shaping corporate governance practices and significantly impacts related matters (Ali et al., 2017). Effective corporate governance requires strong leadership (O'Connell, 2016). ALS leaders make most decisions independently, without group involvement (Kelly & MacDonald, 2019). They primarily communicate with subordinates to issue directives, focus heavily on tasks, and enforce company rules or internal controls. As such, leaders must adopt effective leadership strategies to achieve business goals efficiently. Strong leaders often have robust internal control systems (Aziz et al., 2015), which influence employee engagement within the organization (Chaudhary, 2019). However, ALS can negatively affect team morale and effectiveness by fostering a dominant, top-down attitude. Based on the above theoretical and empirical review, the following hypotheses has been developed:

H1. Corporate governance has a positive and significant effect on employment engagement.

H2: Leadership style has a positive and significant effect on employee engagement

H3: Leadership style moderates the relationship between corporate governance and employee engagement.

3. RESEARCH METHODOS

This research employs a causal-comparative design to achieve its objectives. This approach facilitates the identification of relationships between corporate governance practices and employee engagement (Gay et al., 2011; Kothari, 2004). The study's population comprises officer and managerial-level employees in Nepalese commercial banks, with a final sample size of 352 respondents. These individuals were selected because they play critical roles in implementing corporate governance initiatives and possess insights into how these efforts

influence employee engagement, particularly considering the moderating effect of leadership style (Neuman, 2014).

Questionnaires were distributed through personal visits, email, and social media applications to provide participants with flexible access and encourage diverse responses (Dillman et al., 2014). Utilizing a convenience sampling method, a total of 395 questionnaires were distributed, of which 360 were returned, yielding a high response rate of 91.14% (Babbie, 2016). However, only 352 responses were included in the final analysis, as eight were excluded due to incomplete data. Convenience sampling was chosen for its practicality in organizational research, offering easy access to respondents when time and resources are limited (Etikan et al., 2016; Saunders et al., 2019). The research items were measured using a 5-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). PROCESS Macro Model 4 was employed for moderation analysis, as it estimates the indirect effect of an independent variable on a dependent variable through a moderator.

To assess the internal consistency of the variables, Cronbach's alpha test was conducted (Cronbach, 1951). The items for corporate governance, employee engagement, and leadership style were 5, 5, and 7, respectively. The Cronbach's alpha values for all variables ranged from 0.875 to 0.946, confirming their reliability for further analysis (Taber, 2018). Validity was assessed by examining the significance of indirect effects through bootstrapped confidence intervals and evaluating model fit using R-squared values and model assumptions (Hayes, 2020). Table 1 presents the Cronbach's alpha values for each variable.

Table 1

Reliability Analysis

Variables	Cronbach's Alpha	No. of items	Remarks
Corporate Governance	0.875	5	Reliable
Employee Engagement	0.898	5	Reliable
Leadership Style	0.946	7	Reliable

4. RESULTS AND DISCUSSIONS

4.1 Demographic Profile of the Respondents

The respondents in this study represent a diverse range of demographic and socio-economic backgrounds. Among the 352 respondents, 54.26% were male, and 45.74% were female. Regarding marital status, 75% of the respondents were married, while 25% were unmarried. In terms of age distribution, 13.07% were between 25–35 years, 36.08% were between 36–45 years, 32.10% were between 46–55 years, and 18.75% were above 55 years.

Concerning academic qualifications, 26.14% held a bachelor's degree, while 73.86% had qualifications above a bachelor's degree. In terms of work experience, 28.98% had up to 5 years of experience, 30.40% had 6–10 years, 26.42% had 11–15 years, and 14.20% had more than 15 years of experience. Additionally, 46.59% of the respondents held managerial-level positions, while the remaining 53.41% occupied officer-level positions.

Table 2*Demographic Profile of the Respondent*

N=352

Variables	Frequency	Percent
Gender		
Male	191	54.26
Female	161	45.74
Marital Status		
Married	264	75
Unmarried	88	25
Age		
25-35	46	13.07
36-45	127	36.08
46-55	113	32.10
Above 55	66	18.75
Academic Qualification		
Bachelor	92	26.14
Above Bachelor	260	73.86
Work Experience		
Up to 5 years	102	28.98
6-10 years	107	30.40
11-15 years	93	26.42
Above 15 years	50	14.20
Job Position		
Manager Level	164	46.59
Officer Level	188	53.41

Source: Field survey, 2024

4.2 Descriptive Analysis

Table 3 presents the descriptive statistics and correlation coefficients for the variables examined in this study. The mean and standard deviation values were as follows: corporate governance ($M = 3.47$, $SD = 0.82$), employee engagement ($M = 3.17$, $SD = 0.84$), and leadership style ($M = 3.40$, $SD = 0.86$). These mean values indicate that respondents perceive all three variables to be above average.

The relationships among the variables were assessed using Pearson correlation analysis. Corporate governance showed a positive correlation with both employee engagement ($r = 0.488$, $p < 0.001$) and leadership style ($r = 0.506$, $p < 0.001$). Furthermore, the correlation between leadership style and employee engagement was notably stronger ($r = 0.751$, $p < 0.001$). All correlations were statistically significant at the 1% level.

Table 3*Descriptive Analysis and Correlation Coefficients*

	Mean	SD	1	2	3
1. Corporate Governance	3.47	0.82	1		
2. Employee Engagement	3.17	0.84	0.488**	1	
3. Leadership Style	3.40	0.86	0.506**	0.751**	1

** . Correlation is significant at the 0.01 level.

4.3 Test of Hypotheses

This study aims to examine the direct and indirect effects of corporate governance (CG) on employee engagement (EE), with leadership style (LS) serving as a moderating variable. In this context, CG is the independent variable, EE is the dependent variable, and LS is the moderating variable. The results presented in Table 4 indicates that CG explains 6.26% of the variance in EE, with the model being statistically significant ($F(1, 350) = 8.0413, p = .002$). Additionally, the analysis reveals a significant effect of CG on EE ($\beta = 0.317, p = 0.003, LLCI = 0.064, ULCI = 0.459$), supporting hypothesis H_1 , which states that CG influences EE. Corporate governance enhances employee engagement by fostering a transparent, ethical, and accountable work environment that promotes trust, motivation, and commitment among employees. (Khan & Fatma, 2023).

Table 4*Regression Analysis of CG on EE*

	R	R Square	MSE	F	df1	df2	P
Model	0.206	0.626	0.893	8.041	1	350	0.002
	Coefficient	SE	T	P	LLCI	ULCI	
Constant	2.574	0.252	10.21	0.001	2.077	3.071	
CG	0.317	0.072	3.006	0.003	0.064	0.459	

Note: CG – Corporate Governance, EE – Employee Engagement

Table 5 presents the regression outputs where EE is the outcome variable and LS is the predictor. The analysis revealed a significant indirect effect of LS on EE ($\beta = 0.127, t = 9.21, p = 0.001; LLCI = 0.074, ULCI = 0.339$). The absence of zero within the lower limit confidence interval (LLCI) and upper limit confidence interval (ULCI) indicates the significance of this pathway, thereby supporting hypothesis H_2 , which asserts that leadership style significantly influences employee engagement. Leadership style significantly influences employee engagement by shaping the work environment, motivating employees, and fostering a sense of trust and commitment within the organization (Khan et al., 2020). Transformational leadership, in particular, enhances engagement by inspiring employees, promoting autonomy, and encouraging personal development (Breevaart & Bakker, 2018).

Table 5*Regression Analysis of LS on EE*

	R	R Square	MSE	F	df1	df2	P
	0.256	0.052	0.793	9.241	1	250	0.001
Model							
		Coefficient	SE	T	P	LLCI	ULCI
Constant		2.374	0.352	9.21	0.001	3.077	3.072
LS		0.127	0.034	2.006	0.001	0.074	0.339

Note: LS - Leadership Style, EE - Employee Engagement

Moderating Effect of LS on CG - EE Relationship

The table 6 illustrates the moderating effect of leadership style (LS) on the relationship between corporate governance (CG) and employee engagement (EE). The direct effects of CG ($\beta = 0.2096$, $p = 0.4526$) and LS ($\beta = 0.1685$, $p = 0.5925$) on EE are not statistically significant, indicating that neither variable alone has a strong influence on employee engagement. However, the interaction term CG \times LS ($\beta = 0.1626$, $p = 0.0475$) is significant, suggesting that leadership style plays a crucial moderating role. Specifically, the positive coefficient indicates that as leadership style improves, the effect of corporate governance on employee engagement becomes stronger. The confidence interval for the interaction term (0.0018 to 0.3234) does not include zero, further confirming the significance of this moderating effect thereby

supporting hypothesis H₃, which asserts that leadership style significantly moderates the relationship between corporate governance and employee engagement.

Table 6*Moderating Effect of LS on CG - EE Relationship*

	Coeff	se	t	p	LLCI	ULCI
Constant	2.583	1.244	2.6664	0.0082	0.7259	4.8413
CG	0.2096	0.2786	0.7524	0.4526	0.7587	0.3395
LS	0.1685	0.3144	0.5361	0.5925	-0.7882	0.4512
CG \times LS	0.1626	0.0816	1.9931	0.0475	0.0018	0.3234

Summary of Hypotheses Testing Results

In this study, three hypotheses were developed and tested using the PROCESS macro. The results of these hypotheses are presented in the following table, highlighting the direct effects of corporate governance (CG) and leadership style (LS) on employee engagement (EE), as well as the moderating role of LS in the CG-EE relationship.

Table 7*Summary of Hypothesis Testing*

Hypotheses	Predictors	Dependent Variables	Relationship	Finding
H1	Corporate Governance	Employee Engagement	Direct	Supported
H2	Leadership Style	Employee Engagement	Direct	Supported
H3	Corporate Governance and Leadership Style	Employee Engagement	Moderating	Supported

The relationship between corporate governance and employee engagement in Nepalese commercial banks is pivotal, as governance practices establish the structural and ethical framework within which employees operate. Corporate governance encompasses principles such as accountability, transparency, fairness, and responsibility, which are critical in fostering a culture of trust and fairness that enhances employee engagement (Shleifer & Vishny, 1997). Employees are more likely to feel valued and committed when governance structures promote ethical leadership, fair treatment, and open communication (Agrawal & Knoeber, 1996). This environment cultivates psychological safety, encouraging employees to invest their time, energy, and creativity into their roles. In Nepalese commercial banks, effective governance practices such as clear performance evaluation systems, transparent decision-making processes, and ethical compliance policies have been shown to positively influence employee motivation and job satisfaction (Brown & Caylor, 2006). These governance mechanisms help employees understand their role within the organization, fostering a sense of purpose and alignment with organizational goals, which ultimately enhances engagement. However, some studies present contradictory findings, suggesting that corporate governance alone may not always lead to higher employee engagement. For instance, overly rigid governance structures can create bureaucratic barriers that limit employee autonomy and innovation, potentially leading to disengagement (Jensen & Meckling, 1976). In such cases, employees may feel constrained by strict policies, reducing their intrinsic motivation and commitment to the organization.

The moderating role of leadership style adds another layer of complexity to the governance-engagement dynamic. Transformational and participative leadership styles are often found to amplify the positive effects of corporate governance on employee engagement by fostering a supportive and inspiring work environment (Bass & Avolio, 1994). Leaders who encourage open dialogue, recognize employee contributions, and promote professional development create conditions where governance principles are not just policies but are embedded in everyday practices (Yukl, 2013). In Nepalese commercial banks, transformational leaders who emphasize ethical behavior, transparency, and employee empowerment have been shown to strengthen the link between governance and engagement, leading to higher levels of job satisfaction and organizational commitment. However, contrasting evidence suggests that not all leadership styles have a uniformly positive moderating effect. For example, transactional leadership, which focuses on task completion and performance-based rewards,

may not effectively bridge the gap between corporate governance and employee engagement, particularly in dynamic environments where innovation and flexibility are valued (Burns, 1978). Additionally, in organizations with weak governance frameworks, even strong leadership may struggle to sustain high employee engagement due to systemic issues such as favoritism, lack of accountability, or poor communication channels (Northouse, 2016). These mixed results highlight the need for a balanced approach where both governance structures and leadership styles are aligned to create an environment that truly supports and engages employees in the Nepalese banking sector.

5. CONCLUSION AND IMPLICATIONS

The findings of this study highlight the significant positive impact of corporate governance on employee engagement in Nepalese commercial banks. Effective corporate governance practices, characterized by transparency, accountability, ethical leadership, and strong regulatory compliance, create an environment where employees feel valued, secure, and motivated. These governance mechanisms foster a culture of trust and fairness, enhancing employees' emotional and cognitive connection to their work, which leads to higher levels of job satisfaction, commitment, and productivity. By ensuring clear communication, equitable performance evaluation, and ethical organizational practices, corporate governance helps employees understand their role within the larger strategic objectives of the bank, thus reinforcing their engagement. This relationship underscores the importance of robust governance structures in not only enhancing organizational performance but also in creating a motivated and dedicated workforce.

Furthermore, the study confirms that leadership style plays a crucial moderating role in strengthening the positive relationship between corporate governance and employee engagement. Transformational and participative leadership styles amplify the effects of good governance by fostering an inclusive, supportive, and inspiring work environment. Leaders who demonstrate ethical behavior, promote open communication, and actively engage employees in decision-making processes reinforce the principles of corporate governance, thereby enhancing employee trust, morale, and commitment. In the context of Nepalese commercial banks, leadership that aligns with governance principles not only bridges the gap between organizational policies and employee experiences but also drives sustainable engagement and organizational success. These findings suggest that for corporate governance to achieve its full potential in enhancing employee engagement, it must be complemented by effective and dynamic leadership practices.

The findings of this study have important implications for both policymakers and management in Nepalese commercial banks. Strengthening corporate governance practices, such as promoting transparency, ethical leadership, and accountability, can significantly enhance employee engagement, leading to improved organizational performance. Additionally, the moderating role of leadership style suggests that banks should invest in leadership development programs that foster transformational and participative leadership approaches. This combination of strong governance and effective leadership can create a positive work

environment, boost employee motivation, and contribute to long-term organizational sustainability.

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