

EMOTIONAL INTELLIGENCE AND TRANSFORMATIONAL LEADERSHIP STRATEGY: THE STUDY OF THE FINANCIAL SECTOR GOVERNANCE IN THE EMERGING MARKET

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Abstract

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Emotional intelligence (EI) in recent years has emerged as a key component of effective leadership as the leader of an organization needs to understand the emotions of their own and others and match their behaviors with other stakeholders. This ensures transformational leadership (TL), considered critically important today to an organization for lasting success (Makkar & Basu, 2017; Baba et al., 2021). Against such a backdrop, the study aims to examine the causal relationship between EI and TL. Taking the sample data from Nepalese commercial banks, this study has employed a pre-diagnostic test of data and information to check their reliability through Cronbach's alpha test by following average variance extracted (AVE) to check the discriminant validity, Chi-square statistics and degrees of freedom (CMIN/DF), the goodness of fit index (GFI), adjusted goodness of fit index (AGFI), comparative fit index (CFI) to check the fitness of model and root mean square error of approximation (RMSEA) for structural equation modeling (SEM). The study has come to reaffirm the theoretical validity of the premise that EI has a significant positive impact on TL as its critical determinants such as self-awareness (SA), self-management (SM), social awareness (SoA), and relationship management (RM) have a positive and significant impact on TL. However, gender has not moderated the relationship between EI and TL whereas age has significantly moderated the relationship between EI and TL.

Keywords: Self-Awareness, Social Awareness, Self-Management, Relationship Management

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1. INTRODUCTION

Scholars, in recent decades, have begun to place emphasis on leaders' emotional intelligence (EI) for long-term organizational success (Abraham, 1999) and embrace the basic intents of transformational leadership (TL) that exclusively focus on the leader's interpersonal skills and motivation to her/his subordinates. With its broad relevance in many organizational areas, EI is a relatively new concept but gaining continuously soaring attention (Wright & Staw, 1999). The success of TL has prompted a question on how it is developed (Zacharatos et al., 2000), and which factors might influence individuals to use this particular leadership behavior (Turner et al., 2002). By embracing TL with EI on board, an organization can develop hardworking, dynamic, and cooperative employees which is detrimental to a successful organization. That, to a great extent, develops a strong human capital base which may further be developed through consistent training and development (McCleskey, 2014). EI in general is the teamwork, leadership, partnership, and vision (Makkar & Basu, 2017).

Among various leadership models such as transformational, transactional, autocratic, democratic, and laissez-faire, to deal with the conceptual basis of a leader's behavior, the TL model become the most influential one. However, TL has emerged over the decades as the most successful style of leadership since it is primarily centered on and related to emotions and emotion-based interaction (Palmer et al., 2001). Luthans et al. (2007) viewed that employee attitude and behavior in a firm depended on EI. Individual EI assists in managing emotions and complex relationships (Siegling et al., 2014). Keskin et al. (2016) opined that when employees are exposed to unpleasant behavior from their subordinates in the workplace, EI comes into play in overcoming these displeasing situations. Thus, the employees' attitudes, behaviors, and job outcomes are determined by EI.

Employees who cannot control their emotions and are poorly understood by others may find it difficult to handle situations that would affect their performance over time (Makkar & Basu, 2017; Baba 2020). TL refers to recognizing the individuals' thoughts and feelings and directing those thoughts for translation into actions (Suri & Varanasi, 2011). TL was considered to be innovative, optimistic, and a shaker (Almahasneh et al., 2023; Adekanmbi & et al., 2022; Mthunzi et al., 2022; Fish & Ma, 2021). Studies by Judge and Piccolo (2004) and Sashkin (2004) reported that TL is linked to a leader's performance and efficiency along with followers' contentment and dedication. A transformational leader would try to incorporate his/her influence among followers' emotions and values to benefit the organization (Yukl, 2013). These issues are found contradictory in the study of Brackett and Salovey (2006).

Eagly and Karau (2002) have suggested the gender-role congruity theory to describe the absence of females at the highest position in an organization. Few females are in leadership positions with incongruent roles and have suggested the labyrinth metaphor to describe the difficulty of the female to reach leadership positions. The perceptual differences between the different respondent age groups regarding the EI of their

academic leaders and age influences on the faculty member's perception of the EI of their academic leaders are reported in the study (Baba et al., 2021). Men and women of various ages were studied for EI by Peter Salovey and John D. Mayer in 1990 who found that adults have higher EI and it would increase with increase in age (Salovey & Mayer, 1990). Van Rooy et al. (2005) and Galdona et al. (2018) indicated that the age of an individual increases EI. Mayer et al. (1999) asserted that for considering EI as a standard intelligence, it is supposed to increase with age. Age and EI have been proven to significantly correlate with one another. Different scholars (Thapa, 2022; Rana, 2022; Dhungana, 2020) studied separately on TL and EI and the relation of EI with age but the area study intended to touch is an untouched area in Nepal. Similarly, in the previous studies, results were found inconclusive results. Therefore, the main motto of the study is about the relationship between EI and TL with the moderating effect of gender and age.

The structure of the paper consists of the following sections. Section 2 reviews the relevant sources of empirical evidence. Section 3 analyses the methodology used in the study to conduct empirical research on EI and TL. Section 4 dealt with the data analysis and its interpretation and results. Section 5 discusses the findings. Section 6 has drawn the overall conclusions of the research work followed by implications and references.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Darwin's early writings on the value of emotional expression for survival can be used to trace the origins of EI. Thorndike (1920) used the term "social intelligence" to explain the ability to know and interact with other people. In 1943, David Wechsler, the originator of the Wechsler Adult Intelligence Scale (WAIS) referred to both non-intellective and intellective determinants of intelligence (Wechsler, 1943). Wechsler (1943) discussed how non-intellectual variables affect intelligent behavior and argued that affective, personal, and social components make up the non-intellectual components. Wechsler later proposed these variables crucial for determining a person's likelihood of success in life has argued that the models of intelligence would not be completed until these factors could be effectively explained. Gardner (2011) had a major hand in revitalizing EI theory in behavioral science. After these efforts, various modern psychologists argued differently about EI. Evidently, the term EI has evolved since 1964. It was not popular until Goleman's (1995) book which was widely accepted as a theory in organizational behavior. The notion of transformative leadership was created by Burns (1978), even though the task leader and the socio-emotional leaders emerged in the 1950s and were widely popular in the leadership literature (Bales, 1951). These two roles were conceptualized into theories of leadership, such as transformational and transactional leadership (Bass, 1990). Therefore, TL principally focuses on building relationships with co-workers.

2.1. Relationship between EI and TL

Emotional intelligence competencies such as self-reliance, self-actualization, transparency, and compassion are essential criteria for achieving TL (Goleman et al., 2002). Sosik and Jung (2009) recommended various characteristics of EI such as self-awareness (SA), self-management (SM), management of emotions, empathy, and efficient emotional management of EI to enhance TL. First and foremost, empathy becomes crucial for a transformative leader who should demonstrate unselfish focus to followers. Second, effective emotion management might boost followers' trust and confidence, enabling them to express themselves and come up with fresh ideas. Third, leaders who are self-aware might develop a stronger-than-normal sense of meaning and purpose. Fourth, persons good at controlling their emotions are seen as prioritizing the needs of others over their own.

George (2000) argued that transformational leaders require EI to inspire and motivate others. Downey et al. (2006) argued that transformative leadership would depend primarily on the proper management and balance of emotions, and found that EI is an important precursor to transformative leadership. EI thus would become essential for the success of a transformational leader. Additionally, transformational leaders must possess EI in order to articulate their emotions and visions to inspire their followers (Mathew & Gupta, 2015; Lam & O'Higgins, 2013; Görgens-Ekermans & Roux, 2021). TL was viewed as the default solution in the long term for most organizations to increase work effectiveness (Eldor, 2016).

Therefore, it can be concluded that TL is a significant predictor of EI. Thus, the study has confirmed that the leadership styles of transformational and EI leaders would have a significant and positive relationship with the trust in the supervisor and the job performance of employees (Lee et al., 2023). The contribution of this study would exist in the knowledge pertaining to how EI competencies influenced TL behaviors might be useful in the development of leaders by guiding targeted intervention strategies based on specific EI skills to increase leadership effectiveness (Görgens-Ekermans & Roux, 2021).

2.2. Impact of age and gender on the relationship between EI and TL

Gender roles are associated with gender stereotyping. People who believe that men and women have different traits are said to be practicing gender stereotyping. In reality, men are perceived as working in masculine occupations while women are seen as doing more feminine jobs (Bosak et al., 2008; Garcia-Retamero et al., 2011). There is a debate on the leadership styles of men and women and the influence of emotional variables on perceptions of the effectiveness of men and women as leaders. Eagly et al. (2003) demonstrated that women showed more TL behavior than men. Individuals' stereotypic feminine characteristics predicted the TL (Cuadrado, 2004; Lopez-Zafra & Morales, 2007), despite the gender (Lopez-Zafra et al., 1999). As per Mayer et al. (1999), women typically outscore men on the Mayer-Salovey-

Caruso EI test (MSCEIT). Mandell and Pherwani (2003) found a significant difference between male and female EI scores whereas the significant differences in male and female TL scores were not found.

Intellectual stimulation and personal compassionate behavior are typical of transformational leaders and related to female roles. These behaviors are therefore beneficial to women (Porterfield & Kleiner, 2005) and can make them better leaders (Eagly & Carli, 2007). This is because female leaders would often be more transformative than male leaders (Eagly & Johannesen-Schmidt, 2007; Eagly & Carli, 2007). Additionally, TL traits are connected with female characteristics the TL researchers (Eagly et al., 2003). They have shown that women are more transformative than men. Furthermore, women typically would outperform men in general EI (Van Rooy et al., 2005). The question of whether women are more emotionally sophisticated than males is another issue for further studies. Also, in Katyal and Awasthi's (2005) study on adults in Chandigarh, India females scored better on the EI scale. For Adeyemo and Adeleye (2008) and Harrod and Scheer (2005), female employees in diverse firms exhibited significantly higher EI than male employees. It is reasonable to assume that males and females may have different degrees of differential expression of EI.

Mayer et al. (1999) asserted that considering EI as a standard intelligence would be supposed to increase with age. Van Rooy et al. (2005) examined the connection existing between EI and age had found a significant correlation between EI and age as calculated by the MSCEIT (Mayer et al., 1999; Day & Carroll, 2008). Van Rooy et al. (2005) and Galdona et al. (2018) inspected the correlation between EI and age and found that older people possessed high levels of EI. Some researchers attempted to analyze how the age, marital status, and education experience of employees in a working environment influence job satisfaction and emotional intelligence. A number of studies concluded that there was ample evidence of a significant relationship between job satisfaction and emotional intelligence with working experience and marital status influencing it considerably. The results indicated the perceptual differences between the different respondent age groups about the TL of their academic leaders and age had influenced how the faculty members would perceive the TL of their academic leaders (Baba et al., 2021).

2.3. Review in Nepalese context

Thapa et al. (2022) found significant differences in academic disciplines and EI, whereas multivariate analysis of variance (MANOVA) analysis found significant differences between gender and EI. There is evidence that both EI and TL are important traits in developing intellectual competence, communication, and compassion. The findings showed that the principals had exhibited higher levels of performance and had followed TL as compared to transactional leadership and laissez-faire leadership. Both transformative and transactional leadership behaviors would become important predictors of learning success (Khadka, 2020). Similarly, Subedi et al. (2021) concluded that leadership in public health as a journey had resulted in the multiple

factors initiated from childhood/adolescence characteristics such as growth, change, and increase in an individual's experiences in public health. Rana (2022) found that respondents preferred TL styles that would enable the employee's participation and development. The employees' level of job satisfaction had increased under the TL approach. The hierarchy, rigidity and unethical techniques used in Nepal as opposed to Finland were the key distinctions between the leadership styles of the two countries. Rajbhandari (2016) suggested that all the participating schools that had adopted the relationship-oriented leadership behavior performed better. Due to the lack of academic expertise and the effective approach of leadership were to adapt chiefly to relation-oriented behavior. Adopting a dominant leadership and relationship-oriented behavioral style reduced the flexibility to switch to task-oriented behaviors dictated by contentious environments. Shrestha (2015) assessed that people were expecting a lot from police administration for the adaptation of TL followed by participative/democratic, authentic, and strategic models which were rated with the highest ratings respectively. Leadership styles such as TL and transactional leadership were important factors that would influence the relationship between leadership style and employee motivation (Vongbunsin & Atreya, 2018).

Paudel (2020) argued that TL would be the stronger predictor of entrepreneurship orientation (EO) and business performance than transactional leadership style. The result showed that those school leaders who practice the TL approach had succeeded in transforming the school and were able to change all the challenges and problems into opportunities. Dhungana (2020) similarly obtained the results supporting this perspective. The researchers had asserted that transformational leaders, exemplified by school principals displaying qualities such as coordination, transparency, respect for diverse opinions, active discussion on issues, motivation, fair treatment, adherence to policies, cooperation, and equitable rewards, without criticizing in group settings are pivotal for the success of local secondary schools. The findings indicated that headmasters incorporating TL practices in schools would have the capability to bring about transformation and development in community schools in Nepal.

2.4. Theoretical review

The EI, and behavior of the workforce have a lasting impact on the effectiveness of the organization. It has been argued that the key components in determining an employee's performance are their emotional capabilities. The ability model, the mixed model, the social competence model, and the trait model were recommended to model the concept of EI (McCleskey, 2014). The capacity model of Mayer and Salovey (2000) focused on the ability to recognize emotions, integrate emotions to facilitate thinking, understand emotions, and regulate emotions to facilitate personal growth. The variables included in the ability model are important to measure the status level of EI in the study.

The mixed model for the study of EI introduced by Goleman (1995) focused on EI as a wide array of competencies and skills that would drive leadership performance. Goleman's (1998) model outlined the four major EI domains such as SA, SM, social awareness (SoA), and relationship management (RM) that had included all the competencies of EI. Goleman (1995) further suggested that emotional competencies would not be innate talents, but rather would learn capabilities that had been worked on and could be developed to achieve outstanding performance. Goleman (1995) argued that people are born with a general EI that would determine their likelihood of acquiring emotional skills.

Bass and Avolio (1993), Bass (1997), Northouse (2018), and Yukl (2013) identified five dimensions of TL which were termed idealized influence (attributed), idealized influence (behavioral), individual consideration, inspirational motivation, and intellectual stimulation. An idealized clout is the charm and personality of a leader that enables him/her to commit to higher-level arrangements with confidence in front of followers. Such leaders are able to set a clear vision and have a sense of responsibility (Northouse, 2018). An idealized influence (behavioral) is the captivating action of the leaders based on their ethics, attitudes, and principles. An individualized consideration is the level of socioeconomic support provided by leaders after understanding the needs and concerns of their followers. Inspirational motivation is the amount of motivation that leaders provide by setting challenges and developing positivity among followers to help them attain their goals. Intellectual stimulation refers to the manners in which leaders help followers to challenge their assumptions, think creatively, take risks, and participate intellectually (Avolio et al., 1991).

George (2000) argued that transformational leaders would require EI to inspire and motivate others. Other scholars such as Baba et al. (2021), Lopez-Zafra et al. (2012), and Rajee et al. (2020) pointed out that EI and transformational leaders had a tendency to adhere to professional or moral standards of behavior (Brown et al., 2006). Some studies, such as Avolio and Bass (1995), George (2000), and Sosik and Jing (2009) argued that TL was mostly dependent on the ascertainment of EI and proper management and balance of emotion that would be the important precursor of TL. Based on the directions presented by previous studies and the mixed model as developed by Goleman (1998), the following hypotheses were developed:

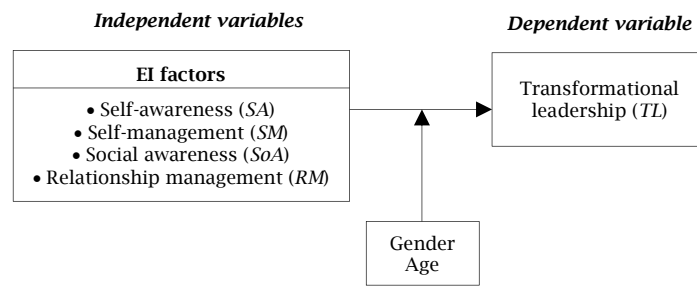
H1: Emotional intelligence has a significant impact on transformational leadership.

H2: Self-awareness, self-management, social awareness, and relationship management have individual influences on transformational leadership.

H3: Age and gender significantly moderate emotional intelligence and transformational leadership.

Based on the empirical evidence, the relationship between dependent and independent variables has been explained through the theoretical framework as presented in Figure 1. The moderating effects of gender and age have been expressed to analyze the effects of these variables on EI factors and TL.

Figure 1. Theoretical framework

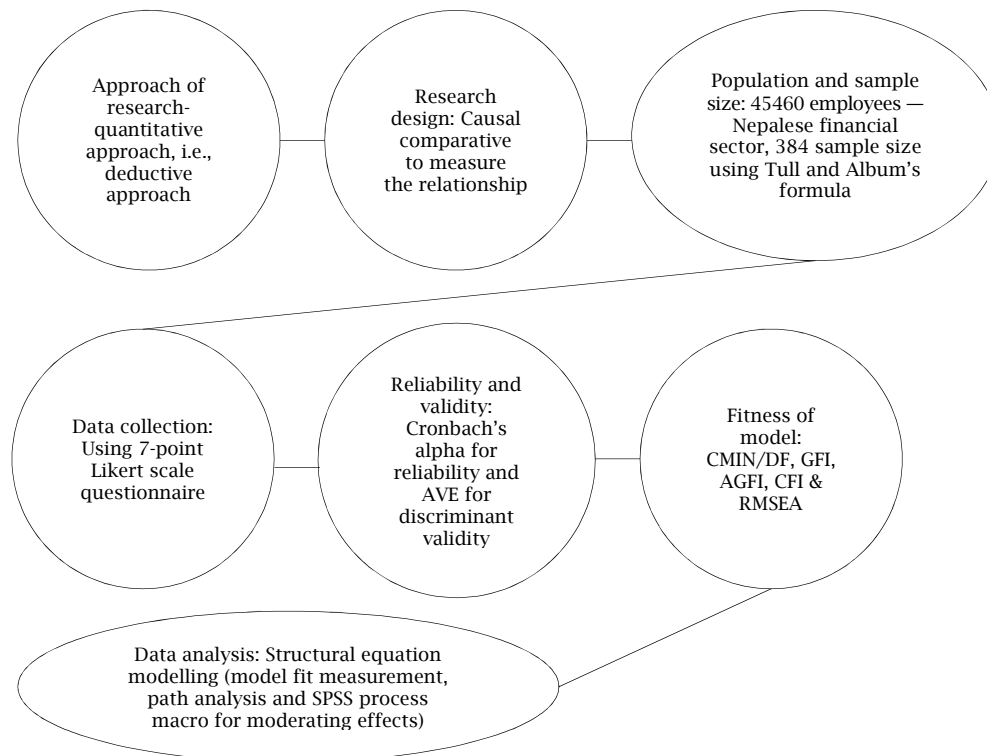


3. RESEARCH METHODOLOGY

The study adopted a deductive approach to explore the connections between EI and *TL* (Boxall & Macky, 2009; Morel & Kwakye, 2012). A causal-comparative research design was employed for the study so as to analyze the impact of EI on *TL* in Nepal's financial sector. The financial sector was chosen as the study area due to its sustained significance, being a key

sub-sector of the Nepalese economy for the past three decades, contributing approximately 25% to the gross domestic product (GDP) (Ministry of Finance, 2023). The study's population comprised 45,460 employees working in the Nepalese financial sector, with a sample size determined as 384 using the formula by Tull and Album (1973) at a 95% confidence level. Purposive sampling was used for selecting sample units.

Figure 2. Glimpse of methodology



The 7-point Likert scale structured questionnaire was administered personally to collect data. The reliability of the instrument was assessed using Cronbach's alpha value, while composite reliability (CR) and average variance extracted (AVE) were employed to test discriminant validity. The fitness of the proposed model was evaluated using Chi-square and degrees of freedom (CMIN/DF), goodness of fit index (GFI), adjusted goodness of fit index (AGFI), comparative fit index (CFI), and root mean square error of approximation (RMSEA). Structural equation modeling (SEM) was employed to assess the impact of EI on *TL*. The Statistical Package for the Social Sciences (SPSS) process macro v. 4.1 was utilized to

assess the moderating effect of gender and age on the relationship between EI and *TL*. The analysis has found that management of EI helps to develop *TL* as management of EI suggests thinking from others' side that would help leaders to be transformational. Similarly, age and gender show a moderating effect on the relationship between EI and *TL*. Employees with higher ages seem more EI and females have more EI characters than males. Further study can be undertaken by taking a large sample size and changing the population. Similarly, the analysis can be done using regression and t-tests.

4. RESEARCH RESULTS

4.1. Assessment of reliability of an instrument

Cronbach’s alpha value exceeding 0.7 is generally deemed acceptable for ensuring the reliability of research instruments (Nunnally & Bernstein, 1994). In this study, all variables — SA, SoA, SM, RM, and TL have exhibited alpha values (0.889, 0.901, 0.893, 0.903, 0.894, respectively) surpassing 0.70. Consequently, it demonstrates sufficient reliability for further investigation.

Table 1. Analysis of reliability test using Cronbach’s alpha

Variables	Cronbach's alpha
SA	0.889
SoA	0.901
SM	0.893
RM	0.903
TL	0.894

4.2. Analysis of convergent and discriminant validity of variables used in the study

The CR values for all constructs (0.904, 0.890, 0.900, 0.906, and 0.896, respectively) exceeding 0.70 as suggested by Anderson and Gerbing (1988) have affirmed the reliability of the constructs. Moreover, AVE values (0.575, 0.538, 0.602, 0.548, and 0.526,

respectively) surpassing the threshold of 0.50 (Fornell & Larcker, 1981) have established the discriminant validity of the constructs. In addition, AVE values for each construct being greater than the maximum shared variance (MSV) and the square root of AVE values exceeding inter-construct correlations, as per the criteria set by Chin (1998) have further confirmed the discriminant validity. These results have provided robust evidence supporting both convergent and discriminant validity would enable researchers to proceed with SEM.

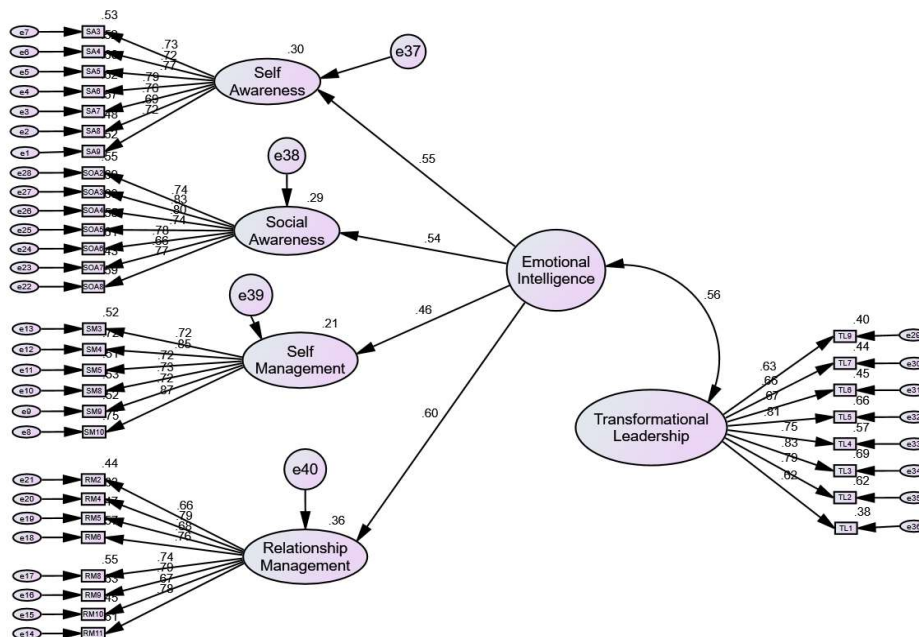
Table 2. Values of CR, AVE, MSV, square root of AVE, and inter-construct correlation

	CR	AVE	MSV	SoA	SA	SM	RM	TL
SoA	0.904	0.575	0.097	0.758				
SA	0.890	0.538	0.089	0.264	0.733			
SM	0.900	0.602	0.107	0.297	0.259	0.776		
RM	0.906	0.548	0.137	0.312	0.298	0.327	0.740	
TL	0.898	0.526	0.137	0.270	0.274	0.288	0.370	0.725

4.3. Association between EI and TL

The measurement model is adopted to examine the goodness of fit. The second-order construct of EI is constructed by the four first-order constructs of EI: SA, SoA, SM, and RM. Another first-order construct is TL. The second-order construct of EI and the first-order construct of the TL model are shown in Figure 3.

Figure 3. Association between EI and TL



The result of the model on goodness of fit is presented in Table 3. The Chi-square value with 592 degrees of freedom is determined as 1088.519. The relative Chi-square ratio calculated at 1.839 (less than the recommended threshold of 3) indicated a good fit. Furthermore, the GFI with a value of 0.866 falls within the suggested range of 0.80 to 0.90, signifying an acceptable fit (Byrne, 2010). AGFI at 0.849 is found within the recommended range had confirmed as an acceptable fit (Hair et al., 1998;

Byrne, 2010). CFI at 0.936, falling within the suggested threshold of 0.90 to 0.95, further indicates the acceptable fit for the proposed model (Gaskin & Lim, 2016). RMSEA value of 0.046, below the suggested threshold of 0.05 has signified a good fit for the proposed model (Byrne, 2010). In summary, all fit indices collectively have affirmed that the proposed model would be suitable for further analysis across various aspects of fit tests.

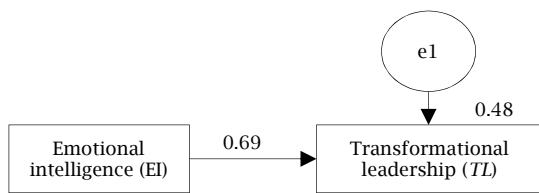
Table 3. Model fit measurement of EI and TL

Measure	Estimate	Threshold	Interpretation	References
Chi-square	1088.519			
DF	592			
p-value	0.000			
CMIN/DF	1.839	< 3	Good fit	Byrne (2010)
GFI	0.866	0.80 to 0.90	Acceptable fit	Byrne (2010), Hair et al. (1999)
AGFI	0.849	0.80 to 0.90	Acceptable fit	Byrne (2010), Hair et al. (1999)
CFI	0.936	0.90 to 0.95	Acceptable fit	Gaskin and Lim (2016)
RMSEA	0.046	< 0.05	Good fit	Byrne (2010), Hair et al. (1999)

4.4. Structural relationship between EI and TL

Path analysis has been operated to present the structural relationship between EI and TL. The path diagram shows the impact of EI on TL in Figure 4.

Figure 4. Impact analysis of EI on TL



The path model has shown the hypothesized association between EI and TL. The hypothesized model has explained the 48% of the variance of TL.

The hypothesized association is presented in Table 4. EI has a significant positive impact on TL (p-value = 0.000). It indicates that the intervention in the EI factors; SA, SoA, SM, and RM changes the effectiveness of TL.

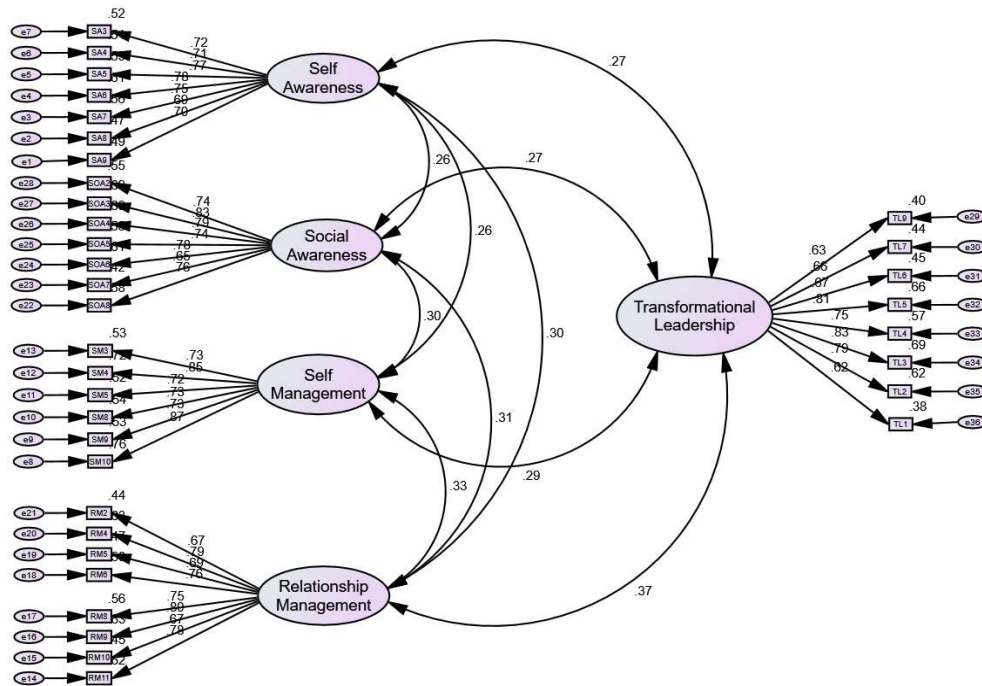
Table 4. Hypothesized relationship between EI and TL

Hypothesized relationship	Standardized estimate	CR	p-value
TL ← EI	0.695	19.046	0.000

4.5. Association between SA, SoA, SM, RM, and TL

The measurement model is adopted to test the goodness of fit indices. The model has used four first-order constructs; SA, SoA, SM, RM, and the first-order construct of TL which is presented in Figure 5.

Figure 5. Association between SA, SoA, SM, RM, and TL



The result of the model for goodness of fit is presented in Table 5. The Chi-square value with 584 degrees of freedom is 1083.498. The relative Chi-square ratio of 1.855 is less than the suggested threshold (< 3) and has shown a good fit for the model (Byrne, 2010; Hu & Bentler, 1999). A GFI value of 0.866 is within the suggested threshold (0.80 to 0.90), which also proves an acceptable fit for

the hypothesized model (Hair et al., 1998; Byrne, 2010). AGFI value of 0.848 is within the suggested threshold (0.80 to 0.90). It also confirms an acceptable fit of the proposed model (Hair et al., 1998; Byrne, 2010). A CFI value of 0.935 is within the suggested threshold (0.90 to 0.95) and has confirmed the acceptable fit of the proposed model (Gaskin & Lim, 2016). RMSEA value of 0.047 is lower than

the suggested threshold (<0.05) and has confirmed a good fit of the hypothesized model (Hair et al., 1998; Byrne, 2010). Therefore, all indices have

proven the goodness of fit of the hypothesized model. Therefore, further study can be undertaken using this model.

Table 5. Model fit measures of SA, SoA, SM, RM, and TL

Measure	Estimate	Threshold	Interpretation	References
Chi-square	1083.498			
DF	584			
p-value	0.000			
CMIN/DF	1.855	< 3	Good fit	Byrne (2010), Hu and Bentler (1999)
GFI	0.866	0.80 to 0.90	Acceptable fit	Byrne (2010), Hu and Bentler (1999)
AGFI	0.848	0.80 to 0.90	Acceptable fit	Byrne (2010), Hu and Bentler (1999)
CFI	0.935	0.90 to 0.95	Acceptable fit	Gaskin and Lim (2016)
RMSEA	0.047	< 0.05	Good fit	Byrne (2010), Hu and Bentler (1999)

4.6. Structural relationship between SA, SoA, SM, RM, and TL

Path analysis is adopted to show the structural relationship between SA, SoA, SM, RM, and TL. The path diagram in Figure 6 shows the impact of SA, SoA, SM, and RM on TL.

The path model has illustrated the hypothesized relationships among SA, SoA, SM, RM, and TL. The model has accounted for only 23% of the variance ($R^2 = 0.23$). This suggests that when

the first-order constructs are applied individually, their explanatory power is lower than when EI constructs are considered collectively. The anticipated associations between EI constructs and TL constructs are detailed in Table 6. All EI constructs proposed in the model; SA, SoA, SM, and RM have a significant positive effect on TL (p-value < 0.05) (p-values are 0.004, 0.016, 0.004, and 0.000, respectively). It has implied that intervention in these EI constructs might help to make TL more effective.

Figure 6. Impact of SA, SoA, SM, RM, and TL

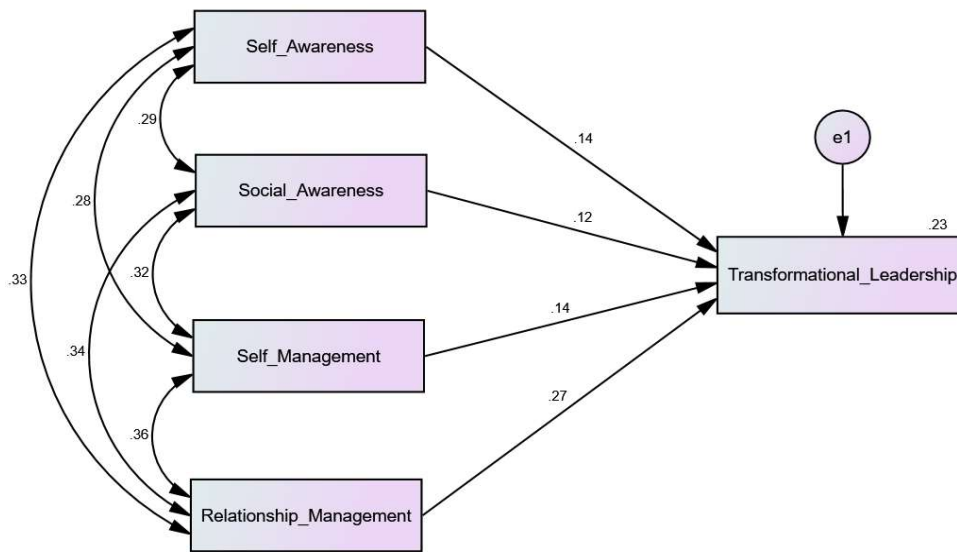


Table 6. Hypothesized relationship between SA, SoA, SM, RM, and TL

Hypothesized relationship	Standardized estimate	CR	p-value
Transformational leadership (TL) ← Self-awareness (SA)	0.140	2.867	0.004
Transformational leadership (TL) ← Social awareness (SoA)	0.119	2.402	0.016
Transformational leadership (TL) ← Self-management (SM)	0.141	2.855	0.004
Transformational leadership (TL) ← Relationship management (RM)	0.266	5.284	0.000

4.7. Moderating the role of gender between EI and TL

The SPSS process macro process v. 4.1 is utilized to analyze the moderating effect of gender on the relationship between EI and TL. The results are presented in Table 7. EI has exerted a significant positive influence on TL ($\beta = 0.983$, $t = 5.905$, $p = 0.000$). Conversely, gender has demonstrated a negative and statistically insignificant effect on TL ($\beta = -0.0214$, $t = -0.435$, $p = 0.664$). The interaction

term (EI * G) has exhibited a positive but insignificant effect on TL ($\beta = 0.0502$, $t = 0.413$, $p = 0.680$). The unconditional interaction test (X * W) has revealed a minimal change in R^2 (0.000), indicating that the interaction with gender would result in a negligible alteration, specifically 0.02%. However, the moderation of gender is deemed insignificant ($p = 0.680$, R^2 -change = 0.000). This implies that gender has not significantly moderated the relationship between EI and TL. In simpler terms, the effectiveness of TL does not vary significantly across genders.

Table 7. Moderating the role of gender in the relationship between EI and TL

Panel A: Model 1. Summary						
<i>p-value</i>	<i>R</i>	<i>R²</i>	<i>MSE</i>	<i>F</i>	<i>df1</i>	<i>df2</i>
0.000	0.695	0.483	0.213	120.22	3	386
Panel B: Model 1						
	<i>Coeff.</i>	<i>Std. error</i>	<i>T</i>	<i>p-value</i>	<i>LLCI</i>	<i>ULCI</i>
Constant	5.008	4.869	0.702	69.334	0.000	4.732
EI	0.983	0.166	5.905	0.000	0.656	1.310
G	-0.214	0.049	-0.435	0.664	-0.118	0.075
Int_1	0.502	0.122	0.413	0.680	-0.189	0.289
Panel C: Test of highest-order unconditional interaction						
	<i>R² Chg.</i>	<i>F</i>	<i>df1</i>	<i>df2</i>	<i>p</i>	
X * W	0.000	0.170	1	386	0.680	

Note: MSE – mean squared error, LLCI – lower limit confidence interval, ULCI – upper limit confidence interval.

4.8. Moderating role of age in between EI and TL

Emotional intelligence has demonstrated a significant positive impact on TL ($\beta = 1.006$, $t = 17.949$, $p = 0.000$). On the other hand, age has exhibited a positive but statistically insignificant effect on TL ($\beta = 0.056$, $t = 1.863$, $p = 0.063$). The interaction term (EI * Age) has displayed a significant negative effect on TL

($\beta = -0.212$, $t = -2.737$, $p = 0.007$). The test of unconditional interaction (X * W) indicates that the change in R^2 is 0.009, signifying that the interaction with age results in a nominal variance increase of 0.98%. Importantly, the relationship is statistically significant ($p = 0.007$), implying that age significantly moderates the relationship between EI and TL.

Table 8. Moderating the role of age in between EI and TL

Panel A: Model 1. Summary						
<i>p-value</i>	<i>R</i>	<i>R²</i>	<i>MSE</i>	<i>F</i>	<i>df1</i>	<i>df2</i>
0.000	0.704	0.496	0.208	126.62	3	386
Panel B: Model 1						
	<i>Coeff.</i>	<i>Std. error</i>	<i>T</i>	<i>p-value</i>	<i>LLCI</i>	<i>ULCI</i>
Constant	4.849	0.023	208.199	0.000	4.803	4.895
EI	1.006	0.056	17.940	0.000	0.896	1.117
Age	0.056	0.299	1.862	0.063	-0.003	0.114
Int_1	-0.212	0.078	-2.737	0.007	-0.365	-0.059
Panel C: Test of highest-order unconditional interaction						
	<i>R² Chg.</i>	<i>F</i>	<i>df1</i>	<i>df2</i>	<i>p</i>	
X*W	0.009	7.489	1	386	0.007	

5. DISCUSSION OF THE RESULTS

EI has a significant and positive impact on TL within the financial sector of Nepal. This finding aligns with similar conclusions drawn in studies by Baba et al. (2021), Barbuto and Burbach (2006), and Rahman et al. (2012). These studies have identified a crucial direct link between EI and TL. The consistency in findings is further supported by additional research, including studies by Barling et al. (2000), Martell and DeSmet (2001), Sivanathan and Fekken (2002), and Wang et al., (2009). The uniformity in these findings could be attributed to the fact that the outcomes of EI such as teamwork and empathy are prevalent in various contexts.

Moreover, specific components of EI, namely SA, SoA, SM, and RM were found to have a significant positive impact on TL. This result is consistent with the argument presented by Baba et al. (2021), who contended that EI competencies among academic leaders, including managing relations, SA, empathy, emotional stability, value orientation, and integrity are positively associated with TL. The suggestion is that the management of EI could inherently lead to a transformation in leaders, fostering qualities like teamwork and consideration for the interests of employees.

The study found that gender does not act as a moderator in the relationship between EI and TL, and any changes observed are minimal. This aligns with the similar finding reported by Baba et al. (2021). In essence, it has been suggested that

the level of engagement with EI and TL practices would be comparable across genders. On the other hand, age significantly moderates the association between EI and TL. This implies that the variations in the relationship between EI and TL are more pronounced across different age groups. This outcome is consistent with the results obtained by Baba et al. (2021), indicating that the practice of EI and TL varies across age groups. In practical terms, it implies that individuals from different age brackets handle their leadership roles differently, showing distinct approaches to dealing with their followers.

Overall, the findings of this study have provided substantial support for the theoretical foundation of EI and TL. A leader who possesses an awareness of both their own emotions and those of others understands the interests and feelings of others, fosters positive work relations that are responsive to the emotions of others, and is attuned to the emotions of a diverse workforce demonstrates qualities associated with effective leadership. Such a leader is adept at managing tense situations, navigating challenges, adjusting behavior according to the circumstances, upholding excellence standards in job performance, and fostering open communication with coworkers.

6. CONCLUSION

This study suggests that a transformational leader is one who not only motivates employees but also maintains relationships, considers diverse

perspectives in problem-solving, prioritizes group goals, manages teams effectively, takes calculated risks to accomplish tasks, and encourages individuals to actively participate. Thus, it can be concluded that a leader with the capability of SA, SM, SoA, and strong RM skills can be considered a transformational leader. Such leaders have the ability to inspire innovation, encourage growth, and chart a course toward the future success of the company. Additionally, the study challenges the notion that gender significantly influences the performance of transformational leaders. Instead, it highlights that age groups exhibit different approaches to integrating EI into their leadership styles. Consequently, the performance of TL varies across different age levels, suggesting diverse strategies and practices among leaders of different age brackets. The study finding supports the research hypothesis that financial sector leaders who adopt EI can enhance TL. Leaders exercising TL can enhance positivity and stimulate others (Raziq et al., 2018). Transformational leaders can improve team cohesion and communication in all situations (Ali et al., 2021). It also validates the concept that the development of EI employees through TL can accomplish organizational goals in any situation. Furthermore, the findings are supported by literature that shows the importance of EI in TL performance (Brière et al., 2015; LaFave et al., 2014).

The study findings suggested that financial sector managers in Nepal should concentrate on the cognitive side of leadership if they want to succeed. Organizations should arrange training to help Nepalese financial industry managers use their EI. EI managers who practice TL can contribute better to the success of an organization. According to Muller et al. (2010), training should be organized

for project managers to develop leadership competencies in addition to technical and management skills.

Furthermore, while selecting employees in the financial sector, managers should focus on emotional competencies. It is hoped that this study will draw the attention of higher-level managers of the financial sector of Nepal to give emphasis to the utilization of the concept of EI and TL to increase financial sector managers' performance and overall outcome of the organizations. The study specifically focused on the financial sector in Nepal, yet the Nepalese economy encompasses various significant sectors such as hospitality, healthcare, communication, manufacturing, and education. While the study findings have provided valuable insights into the financial sector, their applicability to other industries remains uncertain. To enhance the generalizability of the findings, future research could replicate the study's approach in diverse industries to confirm and extend the applicability of the conclusions. Additionally, the study has employed only four indicators to assess EI, overlooking several other factors like empathy, social skills, and internal motivation that are integral to EI. Future researchers are encouraged to consider these additional variables in their investigations, providing a more comprehensive understanding of the relationship between EI and TL. Furthermore, the study has utilized cross-sectional data to measure the impact of EI on TL. To strengthen the robustness of the findings, future researchers might consider incorporating longitudinal data, allowing for a more in-depth and nuanced examination of how EI influences TL over time that would contribute to a more thorough validation of the study's results.

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