

## **Theoretical Integration of Emotional Intelligence and National Leadership: Consequences for SME Development in Emerging Economies**

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### **Abstract:**

*Emotional Intelligence (EI) has become a fundamental leadership attribute marked by maturity and ongoing development, especially in the context of national government. Small and Medium-sized Enterprises (SMEs) are essential to economic development, representing 40% of Pakistan's GDP and providing employment for 80% of the non-agricultural labor population. It's evident that SMEs are crucial for economic growth and employ a substantial segment of the population, constituting the biggest voting demographic for national leaders. Notwithstanding their significance, SMEs in developing countries have enduring obstacles, such as restricted access to financing, regulatory inefficiencies, and political instability. Comprehending the emotional intelligence of national leadership and its relationship to sustainable economic development at the grassroots level is essential for all stakeholders, including politicians, small and medium-sized enterprise owners, and people. This research, based on a comprehensive literature analysis rather than empirical surveys, examines how emotionally intelligent leadership cultivates inclusive policies that enhance innovation, revenue growth, employment expansion, and sustainability in SMEs. A conceptual framework is suggested that integrates Goleman's Emotional Intelligence Theory with Mayer and Salovey's Four-Branch Model, connecting emotional intelligence traits—self-awareness, self-regulation, motivation, empathy, and social skills—to quantifiable small and medium-sized enterprise results. This study synthesizes ideas from more than 40 peer-reviewed studies, highlighting the transformational potential of emotionally intelligent leadership in formulating adaptive policies and fostering inclusive economic development. This research offers practical insights for policymakers and stakeholders to emphasize emotional intelligence in leadership, hence ensuring sustainable growth in developing economies.*

**Keywords:** Emotional Intelligence, National Leadership, Small and Medium Enterprises, Emerging Economies, Maturity, Continuous Evolution, Policy Adaptation, Sustainability, Electorate, Goleman's Emotional Intelligence Model, Mayer and Salovey's Four-Branch Model.

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## Introduction

National leadership is a crucial factor in shaping a nation's socio-economic path, significantly impacting sectors like Small and Medium-sized Enterprises (SMEs). Small and medium-sized firms (SMEs), including more than 90% of worldwide businesses, are essential for economic development, job creation, and innovation (Santa, Simões, & Franco, 2023). In Pakistan, SMEs account for over 40% of GDP and employ more than 80% of the non-agricultural labor force, highlighting their essential role in the economy (State Bank of Pakistan, 2022). SMEs operate in several sectors such as manufacturing, agriculture, and services, while also addressing regional inequities and promoting inclusive development by creating job possibilities in disadvantaged regions (Mujahid & Noman, 2018). Systemic impediments, such as restricted access to money, bureaucratic inefficiency, and political instability, impede their capacity to sustainably grow and promote sustainable development.

Confronting these issues requires innovative leadership that surpasses conventional policy structures. Emotional Intelligence (EI), characterized by attributes like self-awareness, empathy, self-regulation, motivation, and social skills, has become a critical leadership characteristic (Goleman, 1995). Although the significance of emotional intelligence in business leadership is well-established, its applicability to national government is yet little examined. This is particularly true in developing economies, such as Pakistan, because political instability and economic insecurity call for emotionally intelligent leadership that can come up with inclusive, flexible policies which will facilitate SME development.

Socio-economic issues that an emotionally intelligent leader can address accordingly involve making policies more meaningful, involving stakeholders, and inspiring innovation (Mayer & Salovey, 1997; Ashkanasy & Daus, 2005). The policies must be more adaptive to the special circumstances of SMEs and give them stability in times of political and economic upheaval based on self-regulated leadership (Lammers, Dubois, & Rucker, 2018; Mouat & Devere, 2020). Despite its promise, the interface of emotional intelligence and national leadership remains under researched, especially in terms of its influence on policies toward SMEs in volatile economic environments.

The current literature mainly focuses on transformational and transactional leadership styles, which neglect the emotional and cognitive competencies that are crucial for effective governance (Boyatzis, 2023; Carroll & Day, 2004). In addition, studies on emotional intelligence are often focused on corporate and organizational contexts have resulted in a

massive deficiency in the comprehension of the implications of emotional intelligence on national leadership. This research fills the gap by exploring the impact of emotional intelligence traits on governance and policymaking processes that influence SME outcomes, thus contributing to both theoretical debates and practice strategies.

This study is pertinent and significant, since it investigates the intersection of three critical dimensions: emotional intelligence, national leadership, and SME growth. The research establishes a solid basis for comprehending how emotionally intelligent leadership may surmount systemic obstacles to SME success by merging Goleman's behavioral framework with Mayer and Salovey's cognitive model.

### **Research Objectives**

1. To investigate the incorporation of emotional intelligence (EI) into national leadership and its theoretical ramifications for the development of SMEs in developing economies.
2. To ascertain deficiencies in the existing literature about the influence of emotionally intelligent leadership on policy formulation for SME growth, especially within unstable economic and political environments.
3. To provide a conceptual framework that connects essential emotional intelligence qualities (self-awareness, self-regulation, motivation, empathy, and social skills) to results for small and medium-sized enterprises, including innovation, revenue growth, employment expansion, and sustainability.
4. To provide practical insights for policymakers and academics to promote emotionally intelligent leadership techniques that facilitate sustained economic development in SMEs.

### **Research Questions**

1. In what ways can emotional intelligence be conceptually incorporated into the framework of national leadership to facilitate the development of SMEs in developing economies?
2. What are the significant deficiencies in the current research about emotionally intelligent leadership and its impact on SME development?
3. In what ways do certain emotional intelligence qualities affect national leaders' capacity to formulate and execute policies that promote innovation and sustainability in small and medium-sized enterprises?

4. Which conceptual model most effectively illustrates the correlation between emotionally intelligent leadership and quantifiable SME success in developing economies?

### Literature Review

Emotional intelligence (EI) has become a crucial notion in comprehending leadership efficacy, especially in governance and organizational dynamics. Goleman's foundational books (1995, 1998) delineate five essential emotional intelligence traits: self-awareness, self-regulation, motivation, empathy, and social skills. These characteristics together empower leaders to maneuver through intricate socio-political landscapes, cultivate trust, promote cooperation, and galvanize collective action. Self-awareness enables leaders to comprehend their emotional triggers and biases, hence facilitating thoughtful decision-making (Gardner, 2022). Likewise, self-regulation enhances decision-making stability, especially in crises, by reducing impulsive actions (Goleman, 1998).

The Four-Branch Model introduced by Mayer and Salovey (1997) enhances Goleman's paradigm by highlighting the cognitive mechanisms inherent in emotional intelligence. This perspective focuses on the perception, utilization, understanding, and control of emotions. Recognizing emotions is identifying emotional signals in oneself and others, a vital talent for leaders in assessing public opinion. Utilizing emotions to aid cognition improves problem-solving and decision-making, whilst comprehending emotions offers insights into emotional dynamics and social reactions. Ultimately, emotional regulation enables leaders to preserve calm and public confidence in high-pressure circumstances (Mayer & Salovey, 1997).

Recent research substantiates these core principles. Tan, Voon, and Ngui (2022) discuss the role of emotional intelligence in leadership performance. Emotional intelligence is significantly crucial in decision-making because of the complexity of relationship management with stakeholders and conflicting goals among stakeholders in governance settings by leaders. According to Gardner (2022), EI should be used to build trust and accountability, as the leaders with high EI levels are more skilled in conflict resolution and will ensure that their actions meet the needs of society. Furthermore, Baldi and Franco (2021) suggest the mediating role of EI in collaborative behaviors, which are necessary for policy implementation and organizational commitment.

### *Emotional Intelligence in National Governance*

The role of emotional intelligence in national leadership has gained much attention, especially in the shaping of macroeconomic conditions and sustainable development. In developing economies, leaders face challenges of political instability, regulatory uncertainty, and resource constraints. Leaders with emotional intelligence are well equipped to tackle these difficulties by developing inclusive policies, promoting stakeholder engagement, and successfully handling crises (Smith & Doe, 2023). Nkurunziza and Munene (2023) provide a persuasive case study on Rwanda, illustrating how emotionally savvy leadership bolstered SME resilience. Empathy-driven policies reduced bureaucratic inefficiencies and fostered innovation clusters, so creating a more conducive ecology for SMEs. Okeke & Nwankwo (2023) similarly emphasized the transforming influence of emotional intelligence in Nigeria. According to them, emotionally intelligent leaders established adaptable policies that enhanced financial inclusion, diminished socio-economic inequities, and fortified governance results.

Jones and Olken (2005) associate leadership attributes, particularly emotional intelligence (EI), with national economic growth, contending that leaders with elevated EI features are more adept at managing economic crises and promoting sustained progress. This is especially apparent in the realm of policy innovation. Angela Merkel's leadership during the Eurozone crisis showed how emotionally savvy governance stabilized SMEs and alleviated wider economic disturbances (Gardner, 2022).

The amalgamation of emotional intelligence with situational leadership, as articulated by Smith and Doe (2023), underscores its significance in maneuvering through political intricacies. Leaders that can modify their leadership styles according to contextual requirements while using their emotional intelligence are more likely to attain collaborative decision-making and sustained economic resilience.

### *Emotional Intelligence and Governance*

Governance is significantly dependent on emotional intelligence, especially in the formulation and execution of policies that cater to varied social requirements. Leaders with elevated self-awareness may synchronize their policies with national goals, cultivating public trust and confidence in governance systems (Gardner, 2022). Davis and Bedwell (2018) examine the ethical aspects of emotional intelligence, demonstrating that emotionally intelligent leaders are more inclined to make judgments that maintain integrity and openness in governance.

Empathy is a critical element of emotional intelligence in governance. Okeke and Nwankwo (2023) demonstrate that the implementation of empathetic policies in Nigeria has improved market access for SMEs and enhanced financial inclusion. Wamsler and Restoy (2020) draw parallelism of Emotional Intelligence with the realization of the Sustainable Development Goals, furthering the importance of Emotional Intelligence in facilitating inclusive and participatory governance. This leads to the conclusion that those leaders who have emotional intelligence have a better ability at overcoming systemic challenges and accelerating equitable development.

Self-regulation is a vital attribute in crisis management. Leaders who maintain coolness and consistency amid crises are more likely to execute successful countermeasures. Barack Obama's leadership during the 2008 financial crisis exemplifies how his administration's counter-cyclical initiatives alleviated the recession's effects on SMEs (Smith & Doe, 2023). Notwithstanding its importance, the function of self-regulation in governance is still little examined, especially within the framework of developing economies.

#### *Emotional Intelligence and Sustainable Economic Development*

The role of EI to economic development is becoming more acknowledged. Leaders with elevated motivation emphasize long-term advancement, implementing policies that foster innovative ecosystems, infrastructure enhancements, and skill development initiatives (Jones & Olken, 2005). Tan et al. (2022) contend that motivated leadership cultivates an atmosphere favorable to innovation, facilitating the integration of SMEs into global markets.

Empathy and teamwork are both essential for promoting economic progress. Carroll and Day (2004) illustrate that leaders with emotional intelligence can proficiently handle issues and establish coalitions, which are essential for executing economic changes. These results correspond with Ugoani (2014), who associates emotional intelligence (EI) with transparent and accountable government, contending that emotionally intelligent leaders are more adept at managing institutional dynamics and fostering economic stability.

#### *Emotional Intelligence in Policy Execution*

The efficacy of policy execution often depends on emotional intelligence abilities. Gardner (2022) emphasizes that social skills empower leaders to mobilize resources and cultivate relationships, so assuring the effective implementation of programs. Merkel's sympathetic

strategy during the Eurozone crisis exemplifies how emotionally aware administration may stabilize economies and alleviate disruptions.

Baldi and Franco (2021) examine the relationship between emotional intelligence (EI) and collaborative behaviors, demonstrating that emotionally intelligent leaders promote corporate commitment and improve policy results. Wamsler and Restoy (2020) underscore the significance of emotional intelligence in attaining policy objectives, especially in scenarios necessitating inclusive and participative decision-making.

### **Gaps in the Literature**

Notwithstanding considerable progress in comprehending the importance of emotional intelligence in leadership and governance, some gaps persist.

**Underrepresentation in National Governance:** Emotional Intelligence research mostly emphasizes organizational leadership, overlooking its wider implications in governance (Tan et al., 2022; Gardner, 2022).

**Empirical Validation:** Limited research statistically connects emotional intelligence qualities with governance outcomes, including economic development, SME innovation, and job creation (Nkurunziza & Munene, 2023; Okeke & Nwankwo, 2023). **Contextual Insights from Emerging nations:** There is a paucity of research examining the function of EI in tackling the distinct socio-economic difficulties faced by emerging nations (Smith & Doe, 2023).

**Integration of Theoretical Frameworks:** A complete framework that amalgamates behavioral and cognitive elements of emotional intelligence to elucidate governance efficiency is lacking (Goleman, 1998; Mayer & Salovey, 1997). To a great extent, the impact of emotional intelligence-based leadership features on specific policy objectives that involve financial inclusion and sustainability development remains underexplored (Davis & Bedwell, 2018; Wamsler & Restoy, 2020).

This literature review demonstrates that the inclusion of emotional intelligence in leadership models has immense potential to address governance and policy issues. Recent research indicates that emotional intelligence plays a critical role in addressing inclusive governance, sustainable economic development, and equitable policy outcomes. The current deficiency calls for a more holistic approach to validate and contextualize the impact of EI on governance.

## Methodology

This study uses a conceptual and theoretical framework that focuses on the integration of EI theories with sustainable development in SMEs. This helps lay a basis for empirical research and enhances the understanding of the subject matter by incorporating previous studies.

## Research Methodology

The research applied a conceptual qualitative methodology with the help of already done literature to build the conceptual framework. This methodology allows the critical identification of elements, analysis of their interconnections, and development of a model that relates attributes of emotional intelligence to sustainable growth of small and medium enterprises in developing countries. The study is highly theoretical and does not collect primary data, but it lays solid ground for further empirical work.

- Research Objective: Conceptualize a framework linking emotional intelligence to the sustainable development of SMEs.
- Method: Systematic review of journal articles, books, and reports over the last two decades with an emphasis on recent studies in 2023–2024.
- Theoretical Framework: Synthesis of Goleman’s Emotional Intelligence Theory (1995, 1998) and Mayer and Salovey’s Four-Branch Model (1997).

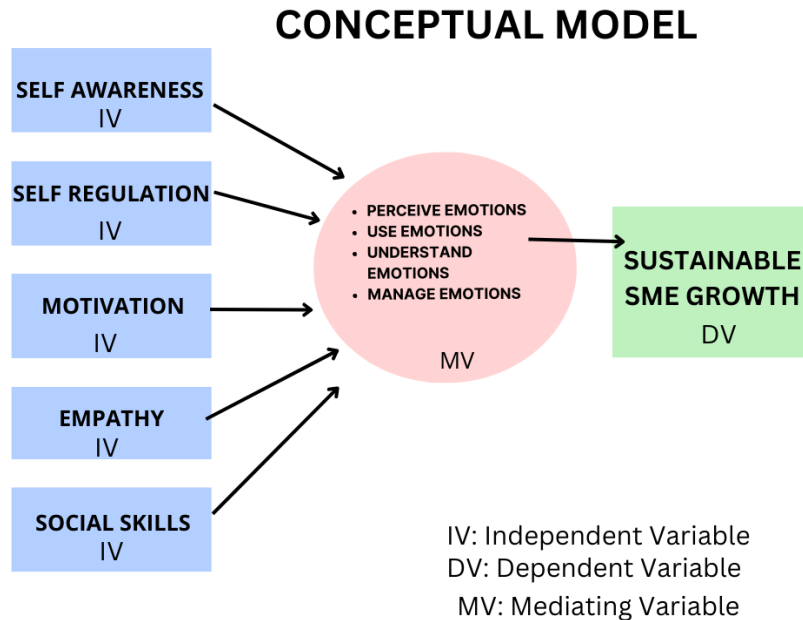
## *Specification of Variables and Operational Definitions*

This research designates EI qualities as independent factors and sustainable development of SMEs as the dependent variable. Their operational definitions are based on published literature.

## *Conceptual Framework*

This paper provides a conceptual model by integrating the framework developed by Goleman regarding emotional intelligence into those from Mayer and Salovey. It considers sustainable development in small and medium-sized enterprises as a single dependent variable. From here, the model deems five qualities of emotional intelligence as independent variables where each makes a unique contribution to the sustainability of small and medium-sized enterprises.





#### *Components of the Conceptual Model*

This is how the conceptual model combines Goleman's EI Framework with Mayer and Salovey's Four-Branch Model of Emotional Intelligence; thus, there is rich ground for understanding the impact of an emotionally intelligent national leadership on the sustainable development of SMEs.

#### *Independent Variables (IV)*

The model applies five key characteristics of emotional intelligence from Goleman's framework:

- **Self-Awareness:** The ability of leaders to recognize their emotions and understand how this impact their choices and interactions with others. Self-aware executives anticipate challenges and opportunities, ensuring strategy alignment with SME development (Carroll & Day, 2004).
- **Self-Regulation:** The capacity of leaders to manage and adjust their emotional reactions in high- pressure situations. This guarantees stability during crises and facilitates consistent policy execution (Lammers, Dubois, & Rucker, 2018).

- **Motivation:** The inherent urge in leaders to attain enduring national goals and promote innovation. Driven executives stimulate strategic initiatives that benefit SMEs (Boyatzis, 2023).
- **Empathy:** The ability of leaders to comprehend and resonate with stakeholders' viewpoints, hence facilitating inclusive and equitable policies designed to meet the requirements of SMEs (Mensah, Amoako, & Opoku, 2024).
- **Social Skills:** The capacity of leaders to establish coalitions, negotiate, and promote cooperation between public and private sectors, crucial for efficient government and the growth of SMEs (Ashkanasy & Daus, 2005).

#### *Mediating Variable (MV)*

Mayer and Salovey's Emotional Intelligence processes the mediating variable connects the behavioral and cognitive aspects of emotional intelligence, facilitating a more dynamic implementation in leadership scenarios:

- **Emotion Perception:** Identifying and comprehending emotions in oneself and others to assess public opinion and policy requirements (Mayer & Salovey, 1997).
- **Utilizing Emotions:** Employing emotional insights to augment critical thinking and problem-solving in governance.
- **Comprehending Emotions:** Analyzing the intricacies of emotional dynamics to anticipate the social consequences of legislation.
- **Emotion Management:** Regulating emotional reactions to provide stability, foster trust, and adapt to socio-political difficulties (Gardner, 2022).

#### *Dependent Variable (DV) Sustainable Small and Medium Enterprise Growth*

- The dependent variable includes quantifiable results that indicate the effects of emotionally intelligent leadership:
- **Financial Performance:** Strategies that assist SMEs in obtaining funding and attaining profitability (Mujahid & Noman, 2018).
- **Job Creation:** Generation of employment prospects via the growth of small and medium enterprises (SMEs).
- **Innovation:** Cultivating settings that encourage creativity and technical progress inside SMEs.
- **Environmental and Social Responsibility:** Promoting SMEs to implement sustainable practices in accordance with national and global objectives (Santa, Simões, & Franco, 2023).

The model integrates the behavioral components of Goleman's framework (such as empathy and self-regulation) with the cognitive processes of Mayer and Salovey's Four-Branch Model, resulting in a holistic framework. This integration underscores the capacity of emotionally aware leaders to:

- Identify and Manage Emotions: Employing self-awareness and self-regulation to establish solid, consistent policies in unpredictable political contexts.
- Inspire and Engage: Utilizing motivation and interpersonal skills to stimulate innovation and cultivate collaborations between SMEs and other stakeholders.

## Results

The integration of Goleman's (1995) Five Traits of Emotional Intelligence (EI) with Mayer and Salovey's (1997) Four-Branch Model provides a sound theoretical framework for the instantaneous effects of emotionally intelligent national leadership on the sustainable development of small and medium enterprises (SMEs). These two frameworks successfully combined the behavioral and cognitive dimensions of emotional intelligence. Goleman's Five Traits highlight the emotional skills important for inspiring and engaging stakeholders, while Mayer and Salovey's Four-Branch Model is focused on the cognitive mechanisms related to the perception, processing, and regulation of emotions.

This integration is crucial for effective governance and enables the leaders to find their path through the intricate socio-political landscape, build trust, and make agile policies in line with the specific needs of small and medium-sized enterprises. The suggested framework integrates behavioral elements like empathy and self-awareness with cognitive mechanisms, like emotion perception and regulation, for formulating a holistic approach toward the systemic barriers for SME development, including access to finance, regulatory inefficiencies, and political instability.

### *Self-Awareness: Strategic Insight and Policy Precision*

Governance Implications: Self-awareness, as described by Goleman and in terms of the emotional perception model developed by Mayer and Salovey, enables a leader to predict problems in advance and align decisions towards long-term goals. With contemporary research, self-awareness in governance has been linked to coordination between the goals of the nation and economic development, which paves the way for

sustainable development (Okeke & Nwankwo, 2023; Boyatzis, 2023). This fosters clear and transparent policy frameworks, thus building stakeholder trust and stability.

It therefore has strategic governance implications for SMEs because it fosters both development and formalization due to reduced compliance risks and uncertainties. Empirical studies conclude that self-awareness has improved the resilience and creativity of SMEs, including the study by Tan et al. (2022) and Nkurunziza & Munene (2023).

#### *Self-Regulation: Stability and Crisis Mitigation*

Governance Implications: Self-regulation, an important element of Goleman's model and a necessary condition for the emotion regulation framework by Mayer and Salovey, ensures that leaders are composed and stable during crises, thus making sure that policies are well implemented. Research has emphasized that self-regulation is important in maintaining economic stability and enhancing the resilience of SMEs during turbulent times (Gardner, 2022; Wamsler & Restoy, 2020).

The implications for SMEs entail that effective governance reduces volatility, thus stimulating investment and innovation. Recent research demonstrated that self-regulatory management practices in SME leadership dampen volatility and promote their growth, especially during economic crises (Santa et al., 2023).

#### *Empathy: Involved Governance and Inclusiveness*

Governance Implications: In Goleman's model, the central attribute is empathy which has emotional understanding as part of Mayer and Salovey's definition. Empathy enables policy creation that is sensitive to the needs of different stakeholders. Emerging evidence indicates that empathy serves as a crucial factor which would enable SMEs to address the systemic issues and develop a degree of resilience (Okeke & Nwankwo, 2023; Ugoani, 2014).

Implications for SMEs: Empathy-based management ensures that SMEs receive equitable access to financing, capacity-building programs, and market opportunities, thus greatly improving productivity and growth (Gardner, 2022; Tan et al., 2022).

#### *Inspiration: Encouraging Innovation and Sustainable Competitiveness*

Implications for Governance: The motivation element, that has been a core to Goleman's model, and more closely aligned with the emotional aspects of Mayer and Salovey, allows managers to shift attention to medium-term development goals as it fosters innovation ecosystems. It fosters growth based on visionary policy-making with

innovation sustainability in SMEs (Tan et al., 2022; Nkurunziza & Munene, 2023).

### *Implications for SMEs*

Conducive governance promotes innovations and therefore enables SMEs to thrive in competitive environments. Empirical studies across different countries are always linked competent leadership to significant productivity improvements for SMEs (Gardner, 2022).

### *Interpersonal Skills: Collaborative Interaction and Policy Delivery*

Governance Considerations: Social competencies in the Mayer and Salovey model support leaders in developing coalitions and partnerships necessary to carry out effective policies. The research studies presented clear evidence that proves that social competencies in leaders significantly contribute to policy implementation as well as small and medium-sized enterprises' development (Mouat & Devere, 2020; Wamsler & Restoy, 2020).

The implications for SMEs suggest that collaborative governance optimizes processes, increases resource accessibility, and engenders stakeholder trust hence significantly improving scalability and resilience (Santa et al., 2023).

This integrated model illustrates that emotionally intelligent leadership, which integrates Goleman's behavioral traits with Mayer and Salovey's cognitive processes, can ensure sustainable success in SMEs. This dual-model approach enables national leaders to develop adaptive policies that enhance innovation, resilience, and inclusion in SMEs by overcoming systemic barriers such as financial constraints, regulatory inefficiencies, and market access problems.

### **Suggestions**

In light of the results, the following suggestions are put forth:  
To Policymakers:

- Invest in leadership training programs that prioritize emotional intelligence attributes, including empathy and self-regulation.
- Formulate inclusive policies aimed at SMEs, guaranteeing access to capital, innovation resources, and market entrance chances.
- Promote cooperation between small and medium-sized enterprises and governmental bodies to cultivate a stable and supportive business climate.

For Owners and Leaders of Small and Medium Enterprises:

- Participate in capacity-building initiatives to improve self-awareness and social competencies, facilitating greater alignment with national policies.
- Utilize public-private partnerships to access resources and networks enabled by emotionally savvy leadership.

For Academics:

- Perform empirical research to substantiate the conceptual model and analyze the contextual variations across rising economies.
- Examine sector-specific differences in the influence of emotionally intelligent leadership on small and medium-sized enterprises (SMEs).

### **Limitations and Prospective Avenues**

This research emphasizes the significance of emotional intelligence in the development of SMEs; however, it has limitations. Theoretical emphasis, reliant on secondary evidence, is devoid of empirical substantiation. The conceptual model is unverified, necessitating additional research to validate its practical significance. The emphasis on developing economies restricts the applicability of results to established countries with different economic frameworks.

Subsequent study need to include empirical validation using surveys and interviews with leaders of SMEs and policymakers to collect both qualitative and quantitative data. Cross-national research may elucidate the variations in emotionally intelligent leadership across different political and economic frameworks. Furthermore, sector-specific study may investigate the distinct effects of leadership characteristics on sectors such as manufacturing, services, and technology, uncovering intricate dynamics.

### *Implications for Management*

This study offers practical insights for policymakers, leaders of small and medium enterprises, and academics. Policymakers need to include emotional intelligence into governance to promote stability, innovation, and resilience. Integrating attributes such as empathy and self-regulation into policy frameworks helps mitigate issues specific to SMEs in developing economies.

For SME leaders, combining strategy with policies developed by emotionally intelligent leaders may facilitate development prospects, enhance regulatory compliance, and cultivate relationships. Leadership training programs may include emotional intelligence frameworks to provide leaders with the abilities necessary to manage unpredictable

circumstances. This strategy can guarantee that SMEs prosper and contribute to economic development. This research emphasizes the essential significance of emotional intelligence in leadership, strategy, and governance for the sustainable success of SMEs.

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