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KEYWORDS	ABSTRACT
Financial Transparency, Internal Audit Effectiveness, and Organizational Justice on Employee Engagement: The Moderating Role of Transformational Leadership in SMEs Introduction	This study investigates that how the financial transparency, internal audit effectiveness, and organizational justice influence employee engagement in small & medium-sized enterprises (SMEs). It further examines moderating role of transformational leadership. A quantitative, cross-sectional survey was conducted among 380 employees and managers from textile and glass SMEs in Faisalabad, Pakistan. Data were collected using validated 5-point Likert scales. The proposed model was analyzed using structural equation modeling (SEM) with moderation testing. The results reveal that financial transparency, internal audit effectiveness, and organizational justice each significantly enhance employee engagement. Moreover, transformational leadership moderates the relationships, indicating that governance, audit, and fairness practices are more strongly linked to engagement when employees perceive their leaders as inspirational, motivating, as well as supportive. This study develops fit multidisciplinary model linking finance, auditing, along with the ethics to employee engagement, while identifying leadership style as boundary condition. Thus, it provides novel insights for SMEs in emerging economies seeking to strengthen workforce commitment and productivity.
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## INTRODUCTION

The small and medium sized enterprises (SMEs) are the backbone of many developing and emerging economies and play a critical role in job creation, income generation and industrial growth. In Pakistan, especially in industrial agglomerations like Faisalabad, SMEs in industries like textiles and glass not only play an important role in the national GDP but also act as an important source of

employment to a considerable part of working population. Although SMEs in emerging economies are very crucial to the economy, they are often plagued by structural inefficiencies, lack of access to resources, governance and leadership issues that cumulatively contribute to poor motivation and performance in the organization (Karadayı, Yazıcı & Ömür, 2025). The employee engagement has become one of the most important factors in the long-term competitiveness of an organization. The employee engagement, which can be defined as the psychological and emotional commitment of the employees to their organizations, has been repeatedly associated with productivity, innovation, and long-term organizational success. However, in most SMEs, the participation is weak because of poor governance structures, lack of transparency in financial reporting as well as poor systems of fairness and accountability.

In order to overcome these shortcomings, one must consider the role of the financial transparency, effectiveness of internal audit, and organizational justice in fostering employee engagement and acknowledge that these structural factors work within context of leadership behavior, especially transformational leadership (Mong & Thanh, 2025). Financial transparency is the degree to which organizations openly, clearly disclose financial information to employees and other stakeholders, that minimizes information asymmetry and establishes trust. Financial transparency in SME context is not merely an accounting practice, but a governance tool that conveys credibility, accountability, and inclusivity. Clear financial communication instills a sense of security on the employees about the stability of their organizations, removes the uncertainties. According to the previous literature, when employees receive the correct and up-to-date financial information, they are inclined to trust the management and respond with the increased engagement levels. The effectiveness of internal audits, on other hand, makes sure that organization operations are reviewed, risks are considered, and irregularities are identified and resolved in methodical way (Munteanu, Zuca, Horaicu, Florea, Poenaru & Anghel, 2024).

Effective internal audit system gives confidence to employees that resources are used effectively, controls are operating effectively and mal practices are kept to a minimal. This guarantee increases the sense of reliability of the organization among the employees, boosting their commitment and engagement. Besides financial transparency and auditing, organizational justice is also a critical aspect that influences the attitudes of employees. Organizational justice incorporates the concepts of distributive justice, which deals with the fairness of results; procedural justice, which is concerned with fairness of procedures; and the interactional justice, which is concerned with the fair treatment in a transparent manner. Empirical evidence has consistently supported idea that when employees feel fair in these areas, they are more inclined to develop trust towards the organization, affective commitment and are more likely to proactively participate in their jobs (Alshaabani, Naz, Magda & Rudnák, 2021). Although financial transparency, internal auditing, and organizational justice are vital governance & ethical practices, they may not have same effect on employee engagement in all organizational settings. The leadership style is the boundary condition that may intensify or reduce these relationships.

Transformational leadership, is typified by inspirational motivation, individualized consideration, intellectual stimulation, and idealized influence, has been found to be a very powerful leadership

style in the development of positive attitudes and behaviors in employees. Transformational leaders do not only express powerful visions that motivate followers but also develop trust, fairness, and support the employees in a manner that increases their intrinsic motivation (Adeoye, 2025). In a SME sector where structural deficiencies are likely to be present and the resources are often scarce, transformational leadership can offset these shortcomings by establishing a sense of shared purpose and reinforcing organizational values as it provides the leadership lens over which transparency, auditing and fairness are viewed. Employees who feel that their leaders are transformational tend to adopt governance practices as genuine attempts to embrace inclusivity and accountability and not as forms of the compliance (Tsekouropoulos, Vasileiou, Hoxha, Theocharis & Grigoriadis, 2025). Although the standing of employee engagement as key determinant of organizational performance is well-acknowledged, the study of antecedents of employee engagement in SMEs in the emerging economies is scarce.

Most of the existing literature on engagement has been on large companies in advanced economies where governance set-ups, leadership development, ethical frameworks are fairly well developed. Also, past research has generally focused on financial transparency, auditing and organizational justice separately, without bringing them together in a multidisciplinary model (Al-Raggad & Al-Raggad, 2024). This disjointed style of governance and ethical practices leaves some questions unanswered on how they interact with leadership behaviors to affect employee engagement. This research gap indicates that integrative model is required to establish antecedents of engagement in addition to specifying the conditions under which the antecedents have greater or lesser effects (Decuyper & Schaufeli, 2020). Still, when financial disclosure is poor, auditing system is not well developed, unfairness is rife, employee trust is undermined, and workforce is disengaged. Unless these challenges are addressed, SMEs will continue to be inefficient, suffer high turnover rates, and be less competitive in the local and global markets. This study is of direct relevance to current issue of disengagement in SMEs, as it tests a model that considers the interplay of governance, auditing, justice, and leadership.

## LITERATURE REVIEW

The theoretical basis of the study of impact of financial transparency, internal audit effectiveness, and organizational justice on employee engagement is based mainly on the framework of the social exchange theory (SET). The relationships are driven by reciprocity, whereby positive treatment by the employers is returned through positive attitudes and behaviors of the employees. Employees believe that when organizations are transparent, fair, and have a system of accountability that can be trusted, then the organizations have invested in them and they are expected to reciprocate them with loyalty and commitment. In addition to SET, the job demands-resources (JD-R) model holds that organizational resources including transparency, justice, and supportive auditing mechanisms will reduce job stressors and increase intrinsic motivation resulting in greater engagement (RAUSI, 2023). Transformational leadership builds upon these theoretical schools of thought by influencing manner in which employees perceive & react to organizational practices. By means of inspirational motivation, individualized consideration, leaders become catalysts of positive impact of governance

mechanisms that allow the employees to perceive them as genuine and supportive as opposed to procedural formalities.

A mixture of these theoretical lenses leads to a multidimensional conceptualization of interaction between governance and leadership to promote employee engagement (Jia & Hou, 2024). In terms of financial transparency, empirical studies have proved that it plays a pivotal role in development of employee trust and engagement. Research has established that, transparent financial disclosure helps to reduce information asymmetry, which sends signals of integrity and accountability, which in turn enhances the feeling of security and belongingness by the employees. Recent studies have shown that in SMEs, where informal practices tend to prevail, financial transparency offers a crucial means of minimizing uncertainty as well as allowing the employees to feel that their employment relationship is stable. The transformational leadership is the moderating factor that has been well researched regarding innovation, change management, and performance of organizations, but has not been fully researched on governance practices and involvement in SMEs. Transparency does not only increase trust but also encourages workers to align themselves to the organizational objectives because they feel better informed about the strategic direction and performance of the enterprise (Jiang & Shen, 2023).

Therefore, the results of such settings cannot be directly transferred to SMEs in emerging economies, where the governance systems are very informal, leadership training is poorly emphasized, and the institutional contexts are quite different. The research problem, thus, lies in the need to comprehend how the governance mechanisms and ethical practices, i.e., financial transparency, the effectiveness of internal auditing, and organizational justice influence the engagement of employees in SMEs, and how transformational leadership mediates these associations. The SMEs in Pakistan present a rather pertinent context in which to study issue. These are labor-based businesses & their competitiveness and growth depend on the commitment and productivity of the employees. Empirical research in developing economies supports idea that transparency in context of low institutional enforcement, where employees use organizational cues to determine what is fair and sustainable. Accordingly, financial transparency can be viewed as a significant antecedent of engagement, but the nature of relationship between the two dimensions might be contingent on the existence of the leaders who promote and explain transparency as an authentic organizational value and not as a compliance act (Kulachai, 2025).

The effectiveness of internal auditing is also very instrumental in the determination of employee perceptions on reliability of organizations. A good internal audit will lead to protection of resources, management of risks, reduction of unethical practices therefore, making a culture of accountability. Studies have revealed that employees are more committed and engaged when they feel that there is good internal control that minimizes chances of mismanagement. Internal auditing can also act as an alternative to more institutionalized systems in SMEs, as it provides employees with confidence that the company is acting in a responsible manner. Recent research also shows that internal audit efficiency does not only boost financial performance, but leads to positive employee performance in that it builds trust in governance (Roussy, Barbe & Raimbault, 2020). This guarantee will eliminate job-related anxieties, as employees will be able to spend their energies on engagement rather than

insecurity. Nevertheless, where leadership does not encourage auditing activities or conveys them ineffectively, audits can be perceived by employees as punishment and not as a helpful endeavor. The leaders, in their turn, present audits as positive tools, which are consistent with organizational development and justice, hence, attractive their positive influence on engagement (Uman, Argento, Grossi & Mattei, 2024).

Organizational justice has been researched extensively as a factor of employee attitudes, and there is strong evidence that supports the role of organizational justice in influencing commitment, job satisfaction, and engagement. Perceptions of justice include distributive justice in terms of outcome, procedural justice in decision-making process and interactional justice in terms of interpersonal treatment. Empirical studies continue to show that employees who feel that they are being treated fairly are likely to respond with organizational loyalty and discretionary effort and institutional contexts are quite different. Recent research has elaborated these findings by demonstrating that organizational justice directly and indirectly influences employee engagement, with perceptions of fairness contributing to trust and a sense of psychological safety as the antecedents to engaged behaviors (Khairy, Liu, Sheikhsouk, Sherbeeney, Alsetoohy & Romeedy, 2023). In SMEs, where more formalized systems might not be in place, perceptions of justice become even more important, since employees may tend to base perceptions of organizational fairness on their daily interactions with the managers and leaders. When there is no fairness, engagement is compromised resulting in absenteeism and turnover.

The moderating effect of leadership is especially applicable here because transformational leaders have been known to exemplify fairness, transparency, and respect, which supports the perception of justice and inspires employees to go above & beyond expectations (Correa, 2025). Transformational leadership has also been a subject of great empirical research with the findings showing positive effects on engagement, motivation and performance across sectors and settings. Transformational leaders communicate a vision that motivates the followers, encourage creativity by questioning the status quo, and show individualized consideration to employees to make them feel appreciated. The recent research has found transformational leadership to be associated with a greater engagement level through trust-building, psychological empowerment, and intrinsic motivation (Yobouet, 2025). Transformational leadership is especially effective within SMEs since the leaders are in close contact with the employees, and their actions directly influence climate. Transformational leaders can reaffirm transparency, support audit systems & exemplify fairness, provide backdrop in which governance will not be merely theoretical policies but will be lived experiences that employees can trust and buy into.

This indicates that transformational leadership not only has independent influence on engagement but that it moderates impact of governance variables to enhance their effects (Boussaidi & Korbi, 2025). Although the independent effects of financial transparency, internal audit effectiveness, and organizational justice on the employee outcomes is established, literature has not provided a comprehensive framework to explain combined effects of factors on engagement, and especially in SMEs in emerging economies. The previous studies have tended to examine individual constructs in

isolation and thus there is a lack of understanding on how these governance and ethical practices may interact to affect engagement. In addition, role of transformational leadership in moderating relationships has not been examined, although theoretical evidence has suggested that leadership behaviors play dominant role in determining how employees respond to governance practices (Din & Zhang, 2023). The absence of holistic models in the SME environment presents a critical research gap since these businesses operate in environments that are branded by high levels of vulnerability including weak institutions, and unstable markets. The role of governance, justice and leadership in the promotion of engagement therefore needs to be understood to both develop theory and also to apply it in practice.

## RESEARCH METHODOLOGY

The quantitative research design was used in present study because it is well suited to examining hypothesized relationships among several variables in the organization and testing the moderating effect of leadership in the systematic way. Quantitative research enables one to operationalize the abstract concepts like financial transparency, internal audit effectiveness, organizational justice, transformational leadership, and employee engagement using validated scales of measurement and statistically test the strength and significance of interrelationships thereof. The philosophical basis of the research is positivism that presupposes that organizational phenomenon are measurable objectively and cause-and-effect relationships can be determined by the empirical observation and statistical analysis. The use of positivist paradigm in research will make results more reliable, replicable, and generalizable because they are based on a systematic data collection and rigorous quantitative analysis.

The sample of the study included employees and managers of small and medium-sized enterprises in Pakistan, namely the textile and glass industries in Faisalabad. The industries were chosen based on the fact that they comprise some of the largest SME clusters in the region, and have a significant contribution to employment and economic growth, but are faced with governance, transparency & leadership issues that makes them relevant context of study. SMEs in industries have wide variety of workers in terms of managerial, supervisory, and operational levels, and this offers an appropriate population to sample regarding the various views on transparency, auditing, justice, and leadership. The sample of this research was 380 respondents, which is sufficient to perform a structural equation model according to suggested sample size thresholds of models. This sample size is large enough to have good statistical power to find significant relationships among the study variables and consider measurement errors.

Purposive sampling strategy was used to select respondents, i.e., only those SMEs were selected that satisfied the criteria of being classified as an SME according to official definition in Pakistan, having a minimum of five years of operation, and having some formalized financial and managerial systems in place. In these enterprises, the participants were chosen at the managerial, supervisory, and staff levels to represent enterprises at all the levels of the hierarchy. Purposive sampling was selected since it enables researcher to target respondents with pertinent knowledge and experience in regard to organizational governance, justice, and leadership, which is vital in obtaining valid and



meaningful responses. Though random sampling would be more effective in terms of generalizability, it was considered that purposive sampling would capture more insights of employees in relevant contexts of their organizations. The survey questionnaire was a structured survey questionnaire that has been thus used in the quantitative research in organizations to obtain standardized responses in the large populations.

The questionnaire included closed-ended questions, which were measured on five-point Likert scales, where the strong disagreement and strong agreement were two opposite ends of scale. All constructs: financial transparency, internal audit effectiveness, organizational justice, leadership, and employee engagement were measured with established & validated scales that were adapted to prior research, guarantees content validity and reliability. As an example, financial transparency items were directed to the perceptions of the employees regarding the openness of the financial communication, and financial information sharing, whereas internal audit effectiveness items were directed to the perceived adequacy and reliability of internal control mechanisms. Organizational justice was measured in terms of distributive, procedural, and interactional dimensions whereas transformational leadership was measured in terms of individualized consideration & inspirational motivation. Thus, the items used to measure employee engagement were vigor, dedication, and absorption at work.

The questionnaire was given out physically and electronically to employees and they were assured of anonymity to reduce social desirability bias and to encourage them to be honest. The data analysis was done by structural equation modeling (SEM), which is a powerful multivariate analysis that estimates both measurement and structural models simultaneously. EM was selected since it offers possibility of testing intricate relationships among various latent variables with consideration of measurement error which is very much applicable to the present conceptual framework. The analysis was done in two steps. First, the validity and reliability of the measurement model were evaluated with the help of CFA, which was used to check the factor loading, composite reliability, average variance extracted, and discriminant validity. After the validation of the measurement model, the structural model was examined to test the hypothesized relationships of the financial transparency, internal audit effectiveness, organizational justice, transformational leadership, and employee engagement. Moderation analysis was conducted under SEM framework to determine whether transformational leadership is significant to enhance the connections between governance variables and engagement.

## RESULTS OF STUDY

Table 1 Reliability Analysis

	CA	RHO A	CR	AVE
Internal Audit Effectiveness	0.79046	0.81184	0.84561	0.50457
Employee Engagement	0.70934	0.72728	0.77256	0.51963
Financial Transparency	0.80083	0.83858	0.85173	0.54275
Organizational Justice	0.78816	0.791	0.83172	0.50541
Transformational Leadership	0.75593	0.7586	0.81911	0.50564

The reliability test shows that all constructs show acceptable internal reliability and validity. Cronbach alpha values are between 0.71 and 0.80 and this is above recommended 0.70, indicating good reliability. In the same way, the composite reliability (0.77-0.85) shows a good measurement consistency between items. AVE values of all constructs are greater than 0.50, indicating sufficient convergence validity and that over 50 percent of the variance in the indicators is shared by the latent constructs.

Table 2 Validity HTMT

	[1]	[2]	[3]	[4]	[5]
Employee Engagement [2]	0.59089				
Financial Transparency [3]	0.59302	0.73922			
Organizational Justice [4]	0.84976	0.76607	0.54599		
Transformational Leadership [5]	0.45576	0.79548	0.70085	0.6937	

The HTMT analysis indicates that constructs have a reasonable discriminant validity with most of values being less than 0.85. Internal Audit Effectiveness has moderate relationship with Employee Engagement (0.59), Financial Transparency (0.59), stronger relationship with Justice (0.85), which is very close to the threshold, and thus some conceptual overlap between these two constructs should be considered. The EE has moderate to high correlations with the FT (0.74) and Transformational Leadership (0.80) but they are not critical. The correlations of Transformational Leadership with Financial Transparency (0.70) and Organizational Justice (0.69) are moderate as well, which further proves the construct distinctiveness. The HTMT outcomes substantiate discriminant validity, albeit the high correlation between Internal Audit Effectiveness and Organizational Justice suggests that one should pay due attention in the future analysis to the fact that these constructs should be empirically different.

Figure 1 Measurement Model

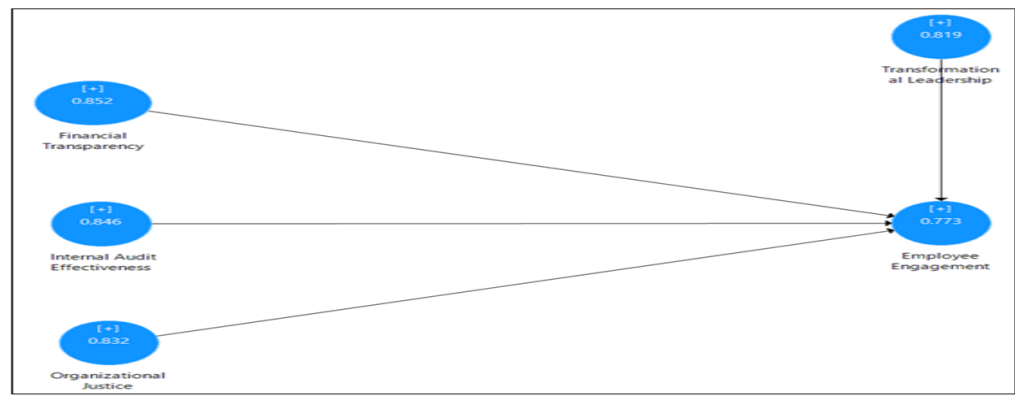


Table 3 PLS SEM Direct & Moderating

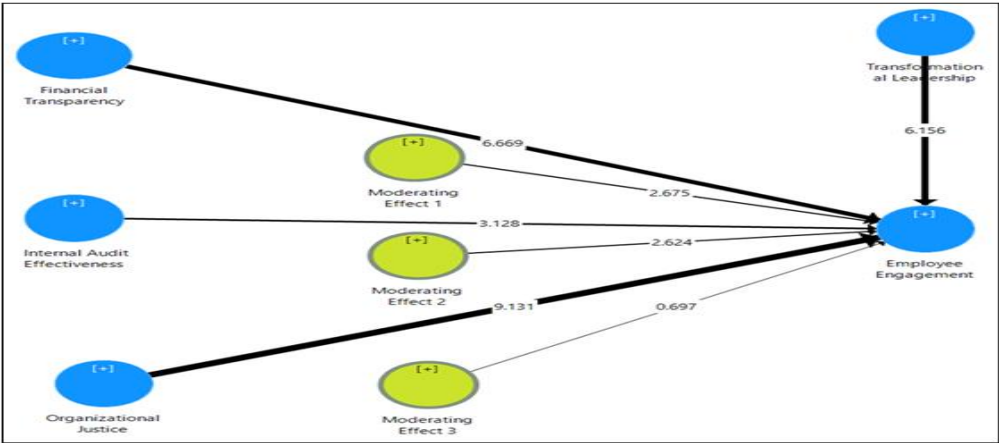
	OS	SM	SD	TS	PV
Internal Audit Effectiveness -> Employee Engagement	0.10521	0.11912	0.03364	3.12792	0.01073



Financial Transparency -> Employee Engagement	0.1982	0.19592	0.02972	6.66915	0.00006
FT- Moderating Effect 1 -> Employee Engagement	0.05575	0.05689	0.0215	2.67474	0.0233
IAE-Moderating Effect 2 -> Employee Engagement	0.06219	0.0501	0.0237	2.62359	0.02544
OJ- Moderating Effect 3 -> Employee Engagement	-0.01795	-0.02309	0.02574	0.69736	0.50147
Organizational Justice -> Employee Engagement	0.32768	0.31224	0.03589	9.1312	0
Transformational Leadership -> Employee Engagement	0.24955	0.24562	0.04054	6.15591	0.00011

The PLS-SEM findings show that there are a couple of factors that have a significant effect on employee engagement either directly or indirectly. The strongest predictor is OJ, followed by the transformational leadership and financial, indicating that fairness, leader style, and openness in financial matters are critical in creating engagement. There is also a smaller but significant direct effect of Internal Audit Effectiveness. In the case of moderating effects, both Financial Transparency and Internal Audit Effectiveness have been found to have significant positive effects in moderating the relationship with Employee Engagement, implying that they have a moderating effect on the relationship. But, in case of OJ, moderating effect is not significant. In general, the results indicate that justice, leadership, and transparency are the key drivers of engagement that have a direct impact, but financial transparency and audit effectiveness are important moderators that enhance employee commitment.

Figure 2 Structural Equational Model



### DISCUSSION & CONCLUSION

The results of present study present persuasive evidence that financial transparency, effectiveness of internal audit, and organizational justice are important determinants of employee engagement in SMEs. These findings are similar to found in previous studies that employees feel more motivated and committed when they believe that their organizations are open, accountable and fair. Financial transparency proved to be an especially strong engagement factor in case of Pakistani SMEs, where employee trust is undermined by a combination of uncertainty and resource scarcity. When access to timely and accurate financial information was provided to the employees, they felt more secure and belonged to organization, which consequently increased their vigor, dedication, and absorption

to work. This confirms the assumptions made by the SET because transparency was investment and employees returned the favor by being more committed. The findings also support the postulations of the job demands-resources model, as transparency was an organizational resource that reduced uncertainty and served as buffer to stressors, allowing the employees to direct their energies toward positive work engagement.

The research also found out that the effectiveness of internal audit plays a significant role in the engagement by enhancing the perceptions of employees regarding accountability and reliability of the organization. In situations where audit mechanisms were seen to be effective, employees were more confident about integrity of organizational processes and less worried about mismanagement or exploitation. This is consistent with earlier studies that indicate that good auditing leads to the development of a psychological safety and employees are more willing to contribute to their jobs. Interestingly, findings point out that internal audit systems in SMEs do not only serve as technical or procedural tools but they also hold significant symbolic values to employees as they indicate that organization is serious about fairness and proper governance. The workers in the smaller firms where informalities are common practice perceive effectiveness of audits as indication of organizational maturity and reliability, which consequently increases their engagement. Organizational justice also proved to be a very essential antecedent of employee engagement. Thus, the employees who felt distributive, procedural and interactional fairness were more enthusiastic, energetic and loyal to their organizations.

These results support previous research that justice perceptions have a direct impact on trust and affective commitment. Nevertheless, the findings of this research contribute to the existing body of knowledge by showing that in SMEs working in emerging economy, where formal legal protections are relatively weak, workplace justice takes on a greater role as alternative to institutional fairness. Employees depend the lot on the fairness of the managerial practices to determine their own worth and future in the organization and hence organizational justice plays a crucial role in engagement. Another important finding of the research was moderating role of transformational leadership. The results showed that financial transparency, and organizational justice had more positive impacts on employee engagement under the condition of high perception of transformational leadership. This means that the leadership behavior influences way employees perceive and react to governance and ethical practices to great extent. The transformational leaders by their inspirational motivation, idealized influence and individualized consideration strengthen the authenticity of organizational practices that allow employees to see transparency, auditing and fairness as a true commitment and not a symbolic gesture.

This observation combines leadership theory with governance and engagement studies by showing that leadership is not a stand-alone factor but interacts with structural practices to bring about meaningful employee outcomes. Although governance mechanisms and fairness are prerequisites of engagement, they are only effective when leaders are in place who can communicate, model and embody these values in their everyday interactions with employees. Collectively, the results add to the knowledge base by providing a comprehensive model that incorporates financial transparency,

auditing, justice, and transformational leadership as mutually reinforcing factors of the employee engagement. The paper validates theoretical arguments of social exchange theory, since employees returned organizational investments in transparency, auditing, justice with increased engagement. It corroborates the job demands-resources model, as governance and leadership practices acted as organizational resources that facilitated resilience and motivation. The results address significant gap by applying these theoretical frameworks to the SME environment in Pakistan, where issues of governance are particularly severe, and testing empirically moderating effect of leadership in this particular environment.

The findings contribute a subtle insight into interplay amid governance practices and leadership behaviors in influencing the employee attitudes in the context where formal structures tend to be weak. The inference that can be made on the basis of these results is that employee engagement in SMEs is not just a matter of individual motivation, but a direct result of organizational practices and leadership behavior. Financial transparency, effectiveness of internal audit, and organizational justice are essential in developing the trust, fairness and reliability which is basis of engagement. Nevertheless, such structural practices be effective only when complemented by transformational leadership that enhances their effects by creating the favorable and motivating environment. This conclusion indicates that there is a symbiotic relationship between governance and leadership and that SMEs wishing to improve engagement should therefore emphasize both structural reforms and leadership development instead of laying primary emphasis on one of two aspects. First, managers of SMEs ought to focus on the financial transparency by ensuring that they talk about financial performance, objectives, and issues frequently in a manner that is not only understandable but also meaningful to employees.

This openness does not only foster trust but enables employees to feel closer to the organizational goals. Second, the SMEs should enhance their internal audit systems which not only ought to be technically sound but should also be viewed by employees as equitable and accountable systems. To improve the perception of effectiveness, training audit personnel to communicate findings in a constructive manner and involving the employees in the risk assessment processes can be helpful. Third, managerial practices should be aimed at promoting organizational justice and particular emphasis should be put on the fair allocation of resources, transparency of decision-making, and respectful patterns of interaction. These practices have direct impact on engagement and should be incorporated into day-to-day organizational practices. Lastly, SMEs need to invest in leadership development programs that would foster transformational leadership behaviors among managers and supervisors. By ensuring that leaders are trained to communicate vision, show empathy, and act in a fair manner, SMEs can go a long way in ensuring that positive impact of transparency, auditing, and justice on engagement is maximized. The implications of study are multi-faceted, theoretically, in practice and policy.

Theoretically, the study enriches the engagement literature by combining governance, ethical, and leadership perspectives into a single model, and in the process, broadening the explanatory scope of the social exchange theory and the job demands-resources model in small and medium enterprise

settings. In practice, the study offers SME managers with practical information on how structural practices and leadership behaviors can be coordinated in a manner that maximizes engagement, which leads to productivity, innovation and competitiveness. The study is vital to policymakers who should consider assisting SMEs through training programs and resources that enhance internal governance and leadership capacity, in emerging economies where the institutional environment is weak. Through culture of transparency, accountability and fairness, is enabled by transformational leadership, SMEs will be able to not only increase employee engagement but also create long-term resilience & competitiveness in volatile markets. Finally, research highlights employee engagement be supported by structural governance mechanisms and inspirational leadership, thus providing SMEs in Pakistan and other countries with a blueprint to succeed in a world where competition is becoming fierce.

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