The Role of Ethical Climate on Workplace Deviance under Ethical Leadership

Ali Fazal Abbas[1], Dr. Khalid Hussain[2], Dr. Saiqa Sadiq[3], Dr. Yasir Tanveer[4]

Abstract

On the reasonable grounds of social exchange, this research investigates the moderation of ethical climate on ethical leadership and workplace behaviour diversity in the banking sector of Pakistan to reduce notable incidents of employee losses sufficiently. A survey Questionnaire was distributed among 650 employees of banks working in Pakistan, out of which 425 respondents returned the filled questionnaire and 25 responses were found not fit for the research, that's why 400 responses were taken to testify the linkage among Ethical Leadership, Workplace deviant behaviour and Ethical climate by instigating SEM via Amos. The consistent results of the research project sufficiently indicate that EL is directly associated with WDB inversely in the banking sector. Moreover, EC undoubtedly retains a negative association with WDB; furthermore, EC moderates the direct linkage between EL and WDB in the financial industry. Properly implementing this comprehensive study can progressively eliminate the economic loss due to workplace deviant behaviour. Further ethical climate of financial institutions may promptly lead to effective ethical leadership which ultimately reduces the negativity among the prospective employees of established banks in Pakistan. Modern policies can be carefully formulated by adequately applying this empirical study to improve tremendously the stable environment of the legitimate banks towards ethics implementation at the workplace. This research realistically represents a great addition to the extant literature on ethical climate and leadership. This empirical research highlighted EC moderation on the relationship of EL and WDB in the banking sector of Pakistan. This intensive study invariably delivers keen insights that consider the potential to reliably inform policies, existing practices and further research in the fertile field of the banking sector.

Keywords: Ethical leadership, Ethical Climate, Workplace Deviant Behavior, Banking Sector

1. Introduction

Banking financial companies (BFC) play a vital role in the sustainable development of da dependent economy correctly being a single channel of economic transactions between the depositor and loaned persons, as in developing economic countries correctly are the primary source of boosting the centered economy and maintaining the financial health of the specific country (Seven & Yetkiner, 2016). Pakistan is developing into an adequately fertile country, having a GDP growth rate, i.e. 3.94% in FY-2021-2022. BFC is realistically composed of two distinct types of established institutions, i.e. longtime local and foreign; in Pakistan, 97% are regional, and only 3% are overseas. A total of 32 banks knowingly operates in Pakistan under the umbrella of SBP, of which seven financial institutions are rightfully owned by govt and private individuals typically own 27. More than 0.250 million employees are working in the banking sector, sufficiently covering a considerable portion of active employment. Many employees working in BFC typically face workman-deviant attitudes at their workplace, suffering financial performance and unsatisfied internal customers.

The deliberate violation of organizational norms by an active worker is referred as deviant behavior (Pariyanti, Rosid, & Adawiyah, 2022). Deviance undoubtedly has two key aspects: personal and organizational (Michel & Hargis, 2017). Interpersonal deviance affectionately refers to an unhealthy relationship with co-workers, i.e., stealing, abusing, taunting and rude behavior with colleagues. In contrast, organizational affectionately refers to the harmful act with an established organization, like coming late to the office, stealing company assets, or harming employer image/goodwill (Tufan et al., 2023). Organizational misbehavior, oriented as any activity that violates necessary organizational standards and poses risks to organizational welfare or its members' well-being, represents an essential concern to organizations. It can be expressed through workplace deviance, such as theft, sabotage, truancy and interpersonal aggression and is likely to harm the organization's productivity, morale, and efficiency (Miller, 2016). This empirical study focuses on both types of deviance because it invariably included personal and organizational immoralities by the striking workers.

Ethical leadership is critical in regulating employees' conduct and organizational goals. Many prior studies have discussed the relationship between ethical leadership and positive change in different factors related to employees and the organization, including in-role performance, employee voice, and psychological well-being (Afsar & Shahjehan, 2018; Kia et al., 2019; Sarwar et al., 2020). Ethical Leaders are the distinctive list of those prominent leaders who adequately treat their principal subordinates honestly and fairly. They naturally find trustworthy decision-makers, tend to implement maker rules in the organization, and communicate well about rewards and punishment (Mohammed Sayed Mostafa & Shen, 2020). On the other hand, unethical practices by supervisors harm the ethical climate and instantly become the apparent reason for deviance from the worker side (Klasmeier et al., 2022; Alvi et al., 2024).

Finally, it is essential to understand the approach to communication of workplace deviance, which could connect ethical leadership with developing the organizational ethical climate. The ethical atmosphere is the set of ideas defined by the policies, practices, and rules regarding the ethical behavioral patterns in the company. Employees are most likely to act unethically and deviant in an organization whose ethical climate they consider weak or non-supportive (Adewale et al., 2021). Workers observe that the ethical environment in their organizations is not robust enough to discourage them from other unethical and deviant behaviors (Al Halbusi et al., 2021; Khan & Wali, 2020). It is a stable environment where organizations are surrounded by consistent ethics and established norms without deliberated violation (Shafer, 2015).

According to the social exchange theory, people relate with others with the hope of benefitting in equal measure. In the process, they ensure a healthy social relationship with other people (Ahmad et al., 2023). In the case of ethical management, ethical managers who are fair and receptive to their subordinates' needs and wants can create a sense of responsibility. In return, the employees would be more responsive to act ethically and refrain from performing undesirable acts (Antunez et al., 2024). Similarly, a robust ethical culture, which indicates the organization's appreciation of moral behaviors, can strengthen

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[1] The University of Faisalabad, Pakistan
[2] Government College University Faisalabad, Pakistan
[3] Government College Women University Faisalabad, Pakistan
[4] Corresponding Author, Government College University Faisalabad, Pakistan, yasirtanveerch@yahoo.com

the social exchange process, whereby in exchange for a positive relationship with the organization and its leaders, employees are likely to abide by the set standards and avoid engaging in unethical behaviors (Hess & Broughton, 2014). As per previous studies, it has been established that the influence of EL on WDB is a growing issue with h lot of potential to be explored further to dugout with different dimensions and moderations (Bush, Welsh, Baer, & Waldman, 2021). Thus, the current study with the social exchange theory would help explain more links between ethical leadership, climate, and deviance in the workplace.

EL is a relatively pristine area in the context of workplace deviant behavior (WDB). The researchers typically investigate the direct link between EL and WBD with diverse aspects (Niu et al., 2022; Ishaque & Audi, 2024). Thus, based on the social exchange theory (Cook & Emerson, 1987), this comprehensive study investigates the relationship between EL and WDB through the moderating role of EC in the banking sector of Pakistan. This research brings valuable input into the existing literature on ethical leadership and its effects on employees' perceptions and attitudes. Understanding the exact mechanisms by which ethical leadership works can help design even more efficient leadership management programs and establish the necessary organizational practices to encourage ethical decision-making and better overall organizational performance.

2. Review of Literature
2.1. Ethical Leadership
An increasing trend of ethical issues at the workplace in almost every distinct type of independent organization has increased the paramount necessity of EL. To instantly understand EL, it has been satisfactorily established that integrity and straightforward honesty correctly represent the essential traits of EL (Peñaredondo-Untong, 2020). Many comprehensive surveys have established that trustworthiness remains a divine element for being ethical. EL realistically remain a specific person who has been found impartial, trustworthy, and appropriately considers the principal subordinates reasonably at the Workplace (Saleem et al., 2020). Ethical aspects of the employer at established organizations have been taken as moral climate and ethical code, whereas ethical behaviour has been conveniently ignored; this indicates that organizations have not focused on considered behaviour of the employer and their ethical development (Zoysa, 2022). EL encourages ethical conduct at the principal workplace and discourages unethical acts to sufficiently protect authoritarian behaviour and organizational norms. EL correctly applies the transactional approach of tangible reward and appropriate punishment to sufficiently inspire the principal subordinates regarding ethical standards and potential consequences of possible violations in the Workplace (Niu et al., 2022; Audi, 2019).

2.2. Workplace Deviant Behavior
WDB refers to the intentional violation of set norms, or any organization may submit to organizational aberrance; in contrast, unethical treatment with dear co-workers refers to interpersonal deviance (Bennett & Robinson, 2000). In previous studies, WDB correctly stuck to unethical treatment and promptly stealing at the workplace, but a possible violation of organizational norms was not included (Bennett et al., 2018). Deviance in the banking sector is a growing issue as many financial institutes have accurately reported possible financial losses due to employee stealing or necessary Miss appropriation at the workplace. WDB does not stick to unethical behaviour. It may vary tremendously from intentional disobedience to pecuniary corruption, allegedly stealing at the workplace, late coming to the concerned office and all other aspects which deviate from the organizational norms (Haldorai et al., 2020).

2.3. Ethical Climate
EC affectionately refers to an accurate perception of the workplace environment, adopted by independent organizations with ethical content. EC equally refers to the moral values of that organization, which is observed by the striking workers at the principal workplace with ethical content (Al Halbusi et al., 2021). EC adequately develop a stable environment in which organizations typically follow ethical practices as per essential matter of fact to avoid norms violations carefully. EC intends the prominent member of the independent company to do all the deliberate acts per ethical standards, and any breach of ethical standards may typically lead to deviance (Friend et al., 2020). EC intentionally creates an ethical environment in which ethical leaders usually influence the extraordinary behavior of key employees due to EC. It typically has excellent importance with proper regards to undoubtedly influence ethical leadership and extraordinary behavior of striking workers to reduce unethical instances at work progressively (Kuenzi et al., 2020).

2.4. Hypothesis development
2.4.1. Ethical Leadership and Workplace Deviant Behaviour
Ethical leadership is a managerial work culture that entails ethics, morality and fairness to the employees (Antunez et al., 2024). Such leaders have stringent personal moral standards and can demonstrate responsibility and concern for their subordinates' personal growth. They encourage people in the workplace to practice integrity and do things in the best interest of the business and the employees. Workplace deviance is another result of ethical leadership, and this voluntary behavior is against the significant organizational norms and is detrimental to the welfare of the organization and the persons within the company (Al Halbusi et al., 2021). Ethical leaders can also utilize their authority to exemplify ethical behaviorism and to underline the importance of ethical standards among staff members, to heighten organizational values consensus. This necessarily reduces the chances of subordinates indulging in deviant behaviors such as embezzlement, product tampering, and attacking other workers, thus reducing organizational performance, motivation, and efficiency.

Considering this, much prior research has looked at the relationship between ethical leadership and workplace deviance. Ethical leadership has been associated with a lower level of counterproductive work behaviors. Since ethical leaders encourage ethical behaviors and promote moral reasoning, they can minimize subordinates' level of moral disidentification, preventing them from indulging in aberrant behaviors (Liu & Loi, 2012). Descriptive ethics in the business literature describes the behavioral code of conduct that the workers should follow within an organization to accomplish the organizational goals without violating norms (Tufan et al., 2023). Hence, Ethical leadership is believed to affect employee behavior positively and minimize deviance in organizations.

H1: EL is directly associated with workplace deviant behaviour in the banking sector.
2.4.2. Ethical Leadership and Ethical Climate

Ethical climate has been defined as the beliefs held by the members of a particular organization concerning the ethical standards of policies, procedures, and working practices that are endorsed, reinforced and required in that organization (Roy et al., 2024). It is the level to which ethical behaviours, ethical standards and decisions, and clear structures are valued, encouraged, and modelled in the working environment (Adewale et al., 2021). Personal ethical standards of leaders and the staff in general, together with the policies and practices developed, form the ethical culture within the organization. Researchers identified a positive correlation between ethical leadership and the ethical climate that subsequently lowers employee deviance (Al Halbusi et al., 2021).

This can be explained by ethical leaders acting as ethics champions, providing direction and supporting the organization's ethical culture. This was shown by the ability of ethical leaders to ensure that ethical standards are practised throughout the workplace by setting good examples, encouraging others to practice good standards, and ensuring that employee misconduct is punished (Hassan et al., 2023). When employees conduct themselves based on the ethical principles being taught, this makes them recognize and act following the organization's ethical standards, and this minimizes the chances of those employees being involved in any deviant behaviours (Bush et al., 2020). More particularly, ethical leaders can influence ethical culture at the organizational level on general ethical guidelines, ethical orientation, and ethical benchmarking, as well as ethical role models. Then, this creates an organizational culture whereby employees have a heightened ethical standard that makes them embrace the right way of conducting affairs as defined by the organization, as opposed to indulging in behaviours that are entirely detrimental to the organization.

Previous studies have established that EL has a strong association with EC because EL are responsible for developing the EC in organizations (Jiang & Lin, 2022). Ethical leaders always clarify the ethical comportment of a culture which collaboratively develops into an independent company by treating their employees with profound respect and manner. Thus, it is assumed that.

H2: Ethical leadership has a connection with the Ethical Climate in the banking sector.

2.4.3.   Ethical Climate and workplace deviant behaviour

When an organization has an excellent ethical climate, which entails ethical beliefs and values that everybody in the organization must embrace, then ethical conduct, guidelines, and standards or measures that define acceptable behaviours among the employees in the organization must embrace ethical responsibility, organizational deviant behaviours are discouraged (Yasir & Rasli, 2018). Such can adversely impact the organizational production capability, employees' morale, and general organizational efficiency. On the other hand, an ethical climate enhances the feeling of moral responsibility and restraint among the employees to avoid indulging in the wrong working practices damaging to the organization and all those in it (Joe et al., 2018). On the other hand, when the ethical climate of an organization is either weak or unclear, the employee will not be under much pressure to act ethically. Therefore, the rate of workplace deviance will be high (Kong & Yuan, 2018). Research literature review confirms that ethical climate maintains an inverse relationship with workplace deviance. Chen et al. (2013) argued on the antecedents and consequences of ethical climate. They showed that ethical climate negatively correlated with deviant workplace behaviour including theft, sabotage, and abusive supervision.

The social exchange theory explains the likelihood of this relationship because individuals prefer to interact with like-minded people. An ethical climate is a precondition for the mutual trust-respect-obligation relation being established between employees and the organization (Al Halbusi et al., 2021). Thus, as employees experience the organization as being considerate of their welfare, it motivates them to embrace the proper conduct of the organization without involving in behaviors that will negatively impact the entire entity (Park et al., 2020). The place that links these two constructs together is that a proper ethical climate encourages perceived norms of ethical values in the specified organization, as well as inculcating self-check on the part of the employees. Suppose the employees know that the organization has moral standards and expects the employees to embrace these standards. In that case, the employees are forced to absorb these norms and thus are less likely to indulge in actions that can jeopardize the entire organization or its members (Bush et al., 2020).

On the other hand, organizations with a poor or vague ethical culture expose the workers to exhibit decency. Thus, there are increased levels of deviance. It is established that ethical climate had a negative correlation with perceived employee deviancy, including theft, absenteeism and misuse of organizational facilities. Thus, it is assumed that.

H3: EC has a negative linkage with workplace deviant behaviour in the banking sector.

2.4.4.   Ethical leadership, Ethical climate and workplace deviant behaviour:

It is established that ethical leadership causes workplace deviance. However, by their actions and policies, ethical leaders can influence an organization's ethical standards as exemplified in role modelling, communication and enactment of ethical practices (Niu et al., 2022). Thus, the attitude and actions of ethical leaders in terms of communicating with their followers and supporting and encouraging ethical decision-making within the organization through promoting and practising ethical standards can influence the organization's ethical environment. According to the findings of the study, Hofstede's five cultural dimensions of work-related values underscores that ethical leaders can foster ethical conduct in their organizations through organizations values/standards: In all the firms being studied, establishing proper ethical standards and providing ethical training for organizational members so that ethical standards set would be valued and even rewarded (Ashfaq et al., 2021). In return, this enhances moral responsibility and ethical behaviours the employees to avoid any unlawful deeds that may harm the organizations.

Through their behavior and communication, the EL can set example and ensure that the organization's ethical standards are upheld through the practices, policies, and standards adopted in an organization thus avoiding any deviant behavior that are detrimental the well-being and business performance (Hess & Bto roughton, 2014). This way the influence of ethical leader and ethical climate prevent workplace deviance underscores their critical role in driving positive behavioral change in organization. The EC is posited to be the first of these mediating factors through which ethical leadership impacts deviance in the workplace. Thus, ethical leaders' communications, actions and adoption of ethical practices and policies can help in building a robust ethical culture that only supports and rewards behaviours from the employees (De Silva & Opatha, 2015). This strong ethical culture in turn creates a deep ethical perspective of responsibility and compliance mainly among the employees, this is essence deters from practicing any wrongdoing that may affect the organization its members negatively. In

this way, the ethical leader is a central actor in the development in the ethical climate, responsible for the generation of the ethical organization

Hence, when the employees have ethical attitudes towards their leaders, they are likely to emulate the leadership and support the ethical climate (Xue et al., 2021). It has been found that this results in the improvement of ethical climate within the organization. Numerous studies established a positive link between ethical leadership and increased ethical practice at the workplace, the outcome of which is a decrease in employees' deviant behavior (Halbusi et al., 2018; Aryati et al., 2018). Through this manner, EL can help manage the ethical tone to affect employees' behavior as they avoid playing the part of the deviant that is detrimental to the welfare and productivity of the organization (Bush et al., 2020). Hence, the ability of ethical leaders to influence the ethical climate, and consequently reduce workplace deviance, underscores their central role in modelling ethical heights and encouraging appropriate conduct in other employees.

In this research, the ethical climate was proposed to be the main moderator through which ethical leadership affects workplace deviance. Promoting an ethical tone entail helping organization embrace high ethical standards through the leaders' actions, words, and decisions concerning ethical polices and the general organizational culture (Fu et al., 2020). This sound ethical weather then cultivates a very deep ethical feeling and accountability among the personnel and reduce them from conducting themselves in a prohibited manner that would be detrimental to the company or its stakeholders. Ethical leaders have been considered crucial for driving and creating the ethical culture since they actively work at changing the ethical expectations and standards throughout the organization, it is assumed that.

H4: EL intermediates the indirect connection concerning EL and workplace deviant behaviour in the banking sector.
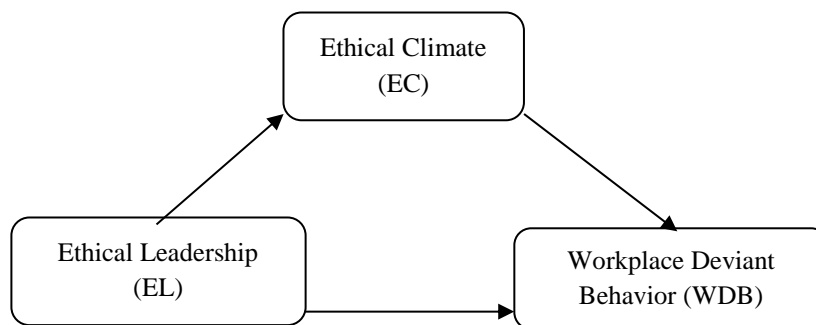

Figure 1: Theoretical framework

3. Research Methodology

A research methodology is essential for achieving consistent results; it typically encompasses specific dimensions that are vital for researchers to effectively utilise during data collection to acquire the desired knowledge. Research methods remain an effective tool for understanding objective reality (Hair Jr, Page, & Brunsveld, 2019). Independent researchers face significant challenges in obtaining reliable data from a robust population due to various research constraints, necessitating a meticulously selected sample that accurately represents the population, thereby allowing for the generalisation of findings based on the chosen sample (MacCallum et al., 2001). Cluster sampling is effectively utilised as a form of probability sampling; it is particularly advantageous when the population is geographically dispersed. In this method, the population is systematically divided into distinct groups, with each cluster accurately reflecting the demographic characteristics of its respective area. This particular technique is extensively illustrated in national studies where essential data in the public domain are generally collected from across the entire country (Alvi, 2016). KPMG (2022) reported that a total of 203,540 bankers are appropriately employed by all reputable banks in Pakistan (Hadi, 2022). According to the population table provided by esteemed academics, a population size over 140,000 is deemed suitable, allowing for a sufficient sample size to generalise the empirical findings of the research study (Israel, 1992). A total of six hundred survey questionnaires were freely distributed and, in certain instances, physically given to bank executives employed at established branches of conventional banks in Pakistan. No potential respondents received adequate compensation for their relevant survey questionnaire responses.

A total of 425 employees responded adequately to the administered questionnaire, while 175 potential employees failed to react effectively. A total of 425 employees completed the questionnaire; of these, 400 replies were deemed suitable for independent analysis in our full study. Twenty-five suitable responses were disregarded due to insufficient information and potential replies from the chosen respondents. The comprehensive survey included essential enquiries regarding particular demographics and employee perceptions of leadership style, ethical climate, and workplace deviance among key employees resulting from ineffective leadership approaches.

3.1. Measurement Scales

The pre-existing scales have been utilized and modified for all constructions in this research. The 19-item scale developed by Bennett and Robinson (2000) to assess workplace deviant behavior has been utilized; a comprehensive Likert scale ranging from strongly disagree (1) to strongly agree (7) has been employed to evaluate the intensity of the observed behavior. Ethical leadership behavior has been precisely quantified using a 10-item scale created by Brown et al. (Brown & Treviño, 2014), which has been utilized, with each item assessed on a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). Ethical climate (E.C.) has been assessed using a four-item scale created by Victor and Cullen in 1988. Each item has been assessed using a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree).

4. Results and Analysis

The study style is predominantly quantitative, utilising SPSS20 software for meticulous analysis of quantitative data, complemented with Amos23 for structural equation modelling. Structural equation modelling comprises two methods, i.e., exploratory factor analysis and confirmatory factor analysis, where theories that have already been developed must be investigated. CFA is being used. In this study, CFA has been used to investigate the hypothesis and compatibility of the factors.

Table 1: Factor Analysis, Composite Reliability, Average Variance Extracted

Constructs	Items	Factor loadings	CR	AVE	MSV
Ethical Leadership			0.915	0.694	0.108
	EL-8	.847			
	EL-7	.805			
	EL-6	.827			
	EL-5	.751			
	EL-4	.714			
	EL-3	.720			
	EL-2	.783			
Ethical Climate			0.958	0.715	0.099
	EC-9	.911			
	EC-8	.858			
	EC-7	.871			
	EC-6	.880			
	EC-5	.877			
	EC-4	.778			
	EC-3	.843			
	EC-2	.821			
	EC-1	.761			
Workplace Deviant Behavior			0.938	0.578	0.194
	WDB-6	.762			
	WDB-7	.792			
	WDB-8	.800			
	WDB-9	.772			
	WDB-10	.812			
	WDB-11	.736			
	WDB-12	.742			
	WDB-13	.727			
	WDB-14	.833			
	WDB-16	.748			

4.1. Measurement Model

For examining the dependability and legitimacy of the concepts, the value of C.R. and AVE has been taken out, as the table below indicates that the value of composite reliability is > 0.70 for convergent validity value of Average variance extracted (AVE) > 0.5 to check the discriminant validity MSV value must be less than the value of AVE. As per Table 1, the values of MSV are not more significant than those of AVE; moreover, all MSV values are below AVE's. As the value of E.L. MSV is =0.108, which is less than the value of AVE, i.e., =0.694 in the case of E.L. Further MSV of E.L. is =0.915 in each table, this shows that reliability and validity of constructs are valid and established which led the study towards authenticity. As far as E.C. is concerned, the values of C.R. are =0.958 AVE=0.715 and MSV=0.099, which are ideal based on the criteria of reliability and validity. In the case of WDB, the value of CR=0.938, MSV=0.194, and AVE=0.578 means that values of C.R., AVE, and MSV are encouraging, which validated that the steadfastness and legitimacy of concepts have remained valid. All those factors were taken in CFA, with a value of>0.7. However, all the factors with values lower than 0.7 were removed to attain model fit. Items deleted from the manuscript are mentioned as EL-1, EL-9, EL-10, EC-10, EC-11to EC-14, and WDB-1 to WDB-5, WDB-17 to WDB-19.

Good model fit has been achieved, as all indicators of it are positive: Incremental Admirably Fit Index (NFI) =.927, Relative Fit Index (RFI) = 0.920, Effective Comparative Fit Index (CFI) = 0.957, and Tucker Lewis Index (TLI) = 0.961. All of these significant values are close to one.

Table 2: Model Fit Indices

Fit Statistic	DF	CMIN/DF	P value	NFI	IF	RFI	CFI	TLI	RMSEA
Standard Values	-------	< 5.0	< 0.05	> 0.90	> 0.90	> 0.90	> 0.90	> 0.90	< 0.05
Obtained	296	2.049	.000	.927	.920	.961	.957	.961	0.05

In addition, a satisfactory fit has an RMSEA value less than 0.08. The fitness of our measurement model is demonstrated by all the values indicated in the acquired Table 2.

Table 3: Direct Effect

Construct code			Estimate	S.E.	C.R.	P	Label
WDB	<---	EL	-.435	.055	-7.861	***	par_16
EL	<---	EC	0.446	0.052	8.500	***	par_14

As Table 3 presents, E.L. has a negative association with WDB, whereas EC has a direct positive linkage with EL in the banking sector, as due to one unit change in EL, a decrease of -0.43 units has been observed in WDB. On the other hand, if ethical leadership is implemented effectively, then an increase in one unit of EL will increases the 0.446 units of EC in the banking sector of Pakistan, and an effective E.L. style in the banking industry may reduce WDB. Moreover, the P-value is <0.05, meaning the hypothesis is accepted. EL HAS a direct positive linkage with EC, which is consistent with the previous study that already validated that EL positively influences EC (Demirtas & Akdogan, 2015). Moreover, our study is in contrast to previous studies where it is established that EL has no direct effect on WDB (Tufan et al., 2023).
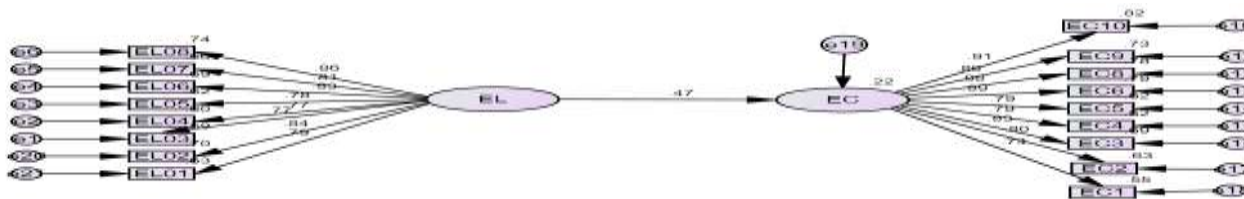

Figure 2: Direct Effect of E.L. on WDB

All the items of the constructs indicate the favourable factor loading, i.e.,>0.7; the further effect of E.L. on WDB is also shown in the figure, i.e., -0.43.
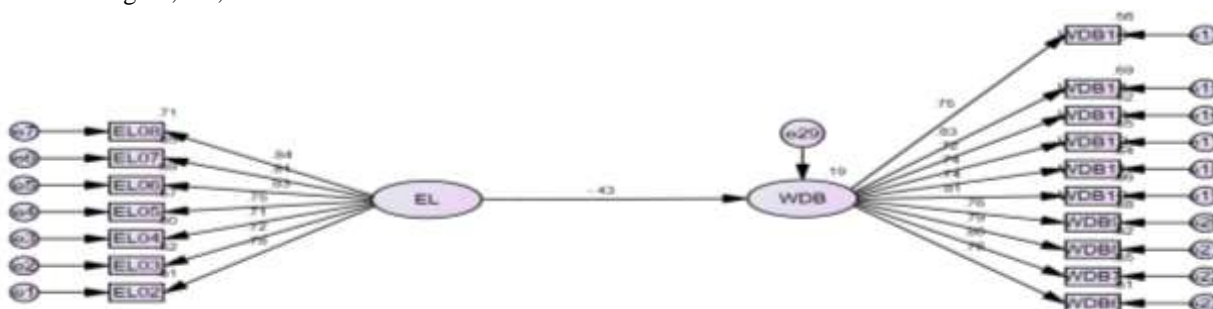

Figure 3: Direct Effect of E.L. on EC

All the items of the constructs indicate the favourable factor loading, i.e.,>0.7; the further effect of E.L. on EC is also shown in the figure, i.e., 0.47, a positive effect. It is concluded that E.L. has a positive linkage with EC and a negative linkage with WDB in Pakistan's banking sector.

Table 4: Regression Weights of Moderating Effect

Constructs			Estimate	S.E.	C.R.	P
Workplace Deviant Behavior	<---	Zscoreethical	-.550	.044	-12.496	***
Workplace Deviant Behavior	<---	Zscoreclimate	-.246	.046	-5.382	***
Workplace Deviant Behavior	<---	Moderator	.365	.047	7.827	***

As indicated in Table P, the potential interaction value is substantial. E.C. serves as a moderating factor in the critical relationship between E.L. and WDB; as E.L. is negatively correlated with WDB, and E.C. also exhibits an inverse relationship with WDB, it follows that an increase in E.C. results in a decrease in employee deviance. The cumulative interaction impact of E.C. on E.L. and WDB is 0.36, indicating significance and so validating our hypothesis.
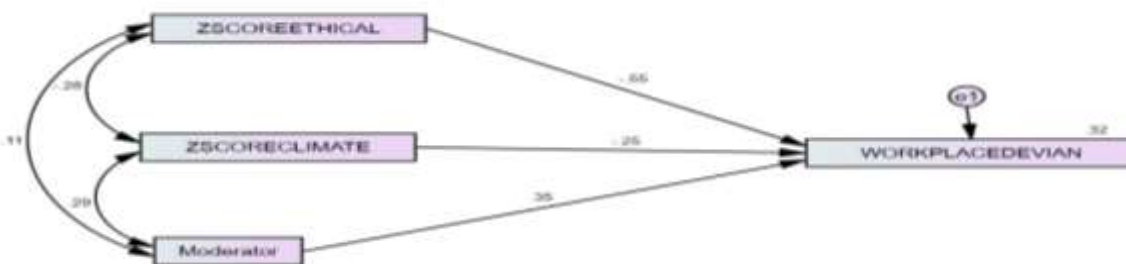

Figure 4: Factor loadings and Regression of Latent variables

The figure demonstrates that beta values are substantial, specifically, Beta value > 0.2 and R^2 = 0.32. The overall variance explained by MV and IV is 0.32, which adequately signifies content moderation and implicitly supports the validity of our hypothesis. Results indicate that EL has a negative effect of -0.55 units on WDB, and EC's inverse effect is -0.25, which means that the practical implementation of EL and EC will decrease WDB in Pakistan's banking sector. Further, the ethical climate also moderates the linkage between EL and WDB in Pakistan's banking sector, as EC has a positive linkage with EL and a negative linkage with WBD. Considering all the results, it has been concluded that all the study hypotheses are accepted.

4.2. Study implications

The findings of the study have several theoretical and practical implications. This study has theoretical implications on the body of knowledge relating to EL, WDB, and EL. Through the empirical testing of a model that posited ethical climate as a mediator between ethical leadership and workplace deviance, this study contributes to the understanding of the process by which ethical leadership influences and directs employees' behaviors in Banks of Pakistan. The Findings are relevant in

understanding the role of ethical leaders in fostering a positive ethical climate which in turn discourages the employees from indulging in negative behaviours that could be detrimental to the organization (Al-Dhuhouri et al., 2020). This research enriches our theoretical understanding by identifying and explaining the ethical climate as a dominant moderator that buttresses the work done in showing the relationship between ethical leadership and tackling of disruptive behaviours in organizations.

In this way, ethical leaders also purposely build the ethical culture, which is crucial for developing the ethical and prosocial practices in the organization. This potential of ethical leaders to promote a powerful ethical climate and, accordingly, to lessen the manifestations of deviant conduct in the workplace speaks to their significance in creating and enforcing the correct ethical environment in the enterprise (Yasir & Rasli, 2018). In addition, this study calls on the organization to adopt ethical leadership as a key strategy of developing a best ethical climate that in turn will help to keep off undesirable behaviours that are unwholesome to the overall productivity of the firm. In this regard, increase in the organizational climate through ethical leadership can promote culture that fosters every employee's sense of ethical reasons to behave ethically regulate their behaviour preventing them from inflicting any harm organization and its members. Of course, it leads to the concept of the general advancement and effectiveness of business, as they allow the formation of integrity, responsibility, and ethical behavior in relation to all company employees. The results of this study corroborate that enhancing ethical leadership and constructing the infrastructure of ethical culture remain unsolved problems for organization, which aspire to create a positive work environment and bring about the desired levels of productivity.

As with its theoretical contribution, this research's findings also hold managerial relevant implications. To manage organizational ethical climate, ethical leaders can facilitate the modelling of ethical standards, the explaining of ethical tone and practices of ethical norms. When the ethical climate is borne and strengthened, then employees cannot be pointed towards workplace deviance, which is normally inimical to the welfare and productivity of an. Organization. Based on the suggested strategies, the managers should focus on the cultivation of ethical leadership from top to bottom (Al Halbusi et al., 2021). Moreover, it is essential to create specific ethical standard organization, mandatory and effective ethical training, as well as the regular practice of ethical decision-making being appreciated. By doing so organization will enhance the ethical deliverables (De Silva & Opatha, 2015). In the end, the adoption of the ethical climate accompanied by an ethical leadership can become the powerful weapon for changing the employee's behavior for the better and protecting the organizations' interest in the longer run.

4.3. Limitation and Future recommendations

The findings of this study may not be generalized to other countries of the world because the exploratory study was conducted in Pakistan Which can restrict the view on nuances and peculiarities of other industries in Pakistan if we limit the analysis to the results of only the banking sphere. It is possible to conduct the research on ethical leadership, ethical climate, and workplace deviance in other industries of the economy in the future. As for the areas of improvements in this study they should focus on increasing generalizability by analysing than one country in the future. Nonetheless, the fact that this study adopts a cross-sectional design means that it is rather hard to pinpoint the directional causality between ethical leadership, ethical climate, and workplace deviance. The studies used in the present paper could be replicated using a longitudinal research design to get a clearer understanding of the temporal ordering of the variables under consideration. The results of this study have depended on the self-administered questionnaires from the employees, for such data could have over or under reported information given the tendency of socially desirable response bias. Possible future studies could include the use of more than one source of data collection like supervisor's feedback or actual concrete behaviors of misconduct in the workplace, among others.

It is recommended to work more on an exploration of the impact of Pakistani culture on EL, WBD, and EC. The contribution of culture in the definition of these constructs where insights can be gathered in the Banking sector in Pakistan. It is also apparent that there is a significant relationship between the regulatory structures of Pakistan and ethics within the banking industry; hence, more research on this topic is required. Future research could focus on the moderating role of concise regulations, individual policies, and enforcement strategies on ethical leadership & workplace deviance.

Since there is a high implementation of Islamic banking in Pakistan, future directions of the research could look at the different ethical issues as well as challenges within this banking sector. This could entail a study that looks at the differences between ethical leadership in Islamic banks and workplace deviance as observed in conventional banks. The ever-advancing scale of innovating in banking like fintech and digital banking create new ethical issues and possibilities. Thus, to fill this gap, future research needs to examine how these technological developments impact the degree of ethical leadership, ethical climate, and workplace deviance in Pakistani banking.

Through eradicating these shortcomings and integrating the future recommendations the researchers can play their significant role towards casting light on the better understanding of these variables in context with the Pakistani banking sector. Using this knowledge, it is then possible to develop interventions, and/or policies geared towards enhancing ethical organizational health.

5. Conclusion

There is a great need for ethical leaders to increase the presence of an ethical culture in any organization especially applies to banking firms. Hence, by promoting proper ethical standards in the workplace, these leaders ensure that the employees drop any inclinations towards committing deviant acts at the workplace. The present study highlights that in banking industry, ethical leadership is the key factor that can prevent the occurrence of workplace deviance. The study aims to understand how EL can boost EC, and how it will decrease perceptions of contract breach and WDB. It is concluded from the investigation; the study unveils a negative correlation between ethical leadership and workplace deviance. Also, affective commitment is established to mediate the relationship between ethical leadership and workplace deviance.

The findings also echo past studies which establish the EL-WDB negative association as true. To be specific, the studies by Gamasiwi, et al. (2023), Resick et al. (2013) and Yasir & Rasli (2018), also proved that there is a direct inverse relationship between ethical leadership and workplace deviance. The existing literature by Haldorai et al. (2020) and Raza et al. (2023)

reveal the negative correlation between ethical leadership and workplace deviance. This means that who feels a close organizational link will not indulge in employee deviance.

Therefore, based on the research analysis, the following conclusion can be drawn: Ethical leadership is found to have a significant position on building the ethical climate in turn, has a significant indirect influence on organizational deviance among employees. This study supports the main line of thought in the theoretical framework: the direct effect of ethical leadership on decreasing workplace deviance and the moderation of ethical climate.

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