

Ethics in Financial Service Industry as Panacea for Organizational Performance in Osogbo and Iree Metropolis, Osun State, Nigeria

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Abstract

The study investigates the argument and counterargument within the scientific discussion on ethics as the panacea to organizational performance in the financial service industry using ethical leadership, organizational ethical culture and public perception on ethics to measure organizational performance. The objective of this study is to examine the relationship between ethical leadership and organizational performance in Osogbo and Iree United Bank of Africa. Secondly, this study aimed at determining the relationship between organizational ethical culture and organizational performance in Osogbo and Iree United Bank of Africa. Thirdly, the study intends to establish the relationship between public perception of organizational ethics and organizational performance in Osogbo and Iree United Bank of Africa. The research questions formulated to guide this study are: What is the effect of ethical leadership on organizational performance in Osogbo and Iree United Bank of Africa; How does organizational ethical culture impacts organizational performance in Osogbo and Iree United Bank of Africa? What is the relationship between public perception of organizational ethics and organizational performance in Osogbo and Iree United Bank of Africa? This study adopted the survey research design and obtained its data from primary sources. The primary data were obtained through a questionnaire administered on 100 respondents of United Bank for Africa Plc, Iree and Osogbo branches. A simple random sampling technique was also used to conduct a personal interview on 50 customers of the bank. Regression analysis was used to test the hypotheses at a 0.05 level of significance. The study showed a positive and significant relationship between ethical leadership and organizational performance, organizational ethical culture and organizational performance, and public perception of ethics and organizational performance. The study, therefore, recommends that management should not only communicate organizational ethical values to employees in words but also in action; they should lead by example, proper attention should be placed on organization's culture to ensure that it is ethical as employees are willing to do more in an organization with ethical culture and also, service industries in Nigeria must ensure that their organizations are managed in a way that will enhance a positive public perception.

Keywords: Financial Service Industry, Organizational Performance, Ethical Issue, Public Perception.

JEL Classification: H0, J18.

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1. Introduction

The ethical issue is a worldwide phenomenon vital to corporate organizations for which corporate leaders must take proactive measures. Business ethics are essential to the success of any organization. (Ahmed, Vveinhardt

& Streimikiene, 2017). Establishing an ethical climate within an organization helps to create ethically behaved employees who can make ethical decisions. (Amine, Chakor & Alaoui, 2012). Ethics refers to the discipline which has to do with what is morally right and wrong. It is also called moral philosophy and is applied to any system or theory of moral values or principles (Peter, 2021).

Since ethics is essential to an organization, it must start with the top management. What is being expected from followers must be exemplified by leaders. Formal and written code of ethics and ethics training cannot succeed unless top management's ethical behavior reflects what they teach (Bello, 2012). Organizational ethical culture is also very germane as it helps to cultivate ethical behavior and practices in the employees within an organization (Eisenbeis, Knippenberg & Fahrbach, 2015). The study intends to establish the relationship between ethical leadership, organizational ethical culture, and organizational performance in the financial service industry.

Unethical practices have led to the distress of financial institutions in the banking industry (Ikpefan & Ayeni, 2012). In August 2011, three banks, Afribank Plc, Spring Bank Plc and Bank PHB, failed due to unethical practices of the top management (Agha, Nwekpa, & Eze, 2017). An organization led by leadership characterized by unethical practices is likely to experience a downturn, employees' loss of jobs, loss of revenue for the organization and shareholders. Ethical leaders play essential roles in enabling and shaping ethical organizational culture and it is the ethical culture that influences the people's moral judgment in an organization (Ershaghi, 2013). Financial Service Industry are regarded as Bank and Non-Bank Financial Institutions that performs the role of financial intermediation i.e., mobilization of funds from the surplus spending economic unit to the deficit spending economic unit. This study focuses on the financial service industry, specifically United Bank for Africa in Iree and Osogbo Metropolis.

The broad objective of this study is to establish the relationship between ethics and organizational performance in the United Bank of Africa. Specific objectives are to examine the relationship between ethical leadership and organizational performance in Osogbo and Iree United Bank of Africa, to determine the relationship between organizational ethical culture and organizational performance in Osogbo and Iree United Bank of Africa, to establish the relationship between public perception on organizational ethics and organizational performance in Osogbo and Iree United Bank of Africa.

The research questions formulated to guide this study are: What is the effect of ethical leadership on organizational performance in Osogbo and Iree United Bank of Africa; How does organizational ethical culture impacts organizational performance in Osogbo and Iree United Bank of Africa; What is the relationship between public perception on organizational ethics and organizational performance in Osogbo and Iree United Bank of Africa. The hypotheses of this study were formulated in a null form: ethical leadership does not have significant relationship with organizational performance in Osogbo and Iree United Bank of Africa; organizational ethical culture does not have significant impact on the performance of an organization in Osogbo and Iree United Bank of Africa; public perception on organizational ethics does not have significant impact on organizational performance in Osogbo and Iree United Bank of Africa. This study is of great importance to organizations in the financial service industry (Bank and Non-Bank Financial Institutions) to know how important ethics is to organizational performance and in making rational decisions on how to enforce ethical values in the organization. It is also of great importance to researchers who would like to carry out their study in this area or take the study further.

2. Literature Review

Organizational Ethics and Performance. Keily (2020) stated that ethical leadership is the kind of leadership influenced by respect for ethical beliefs and values and the dignity and the rights of others. It is also concerned with demonstrating appropriate conduct by leaders who demonstrate good values through their words and actions. In their explanation of ethical leadership, Norwich University states that ethical leadership is essential for an organization to thrive. Ethical leadership influences an organization's external reputation positively and impacts company culture.

According to McLaughlin (2013), organizational culture refers to the system of shared assumptions, values, and beliefs governing the behavior of people in an organization. Ethical culture of an organization refers to a set of experiences, assumptions, and expectations of managers and employees regarding how the organization prevents them from unethical behavior and encourages them to behave ethically. Ethical culture includes both formal and informal systems. The former are tangible organizational elements relating to ethics, purposefully designed, and implemented, while the latter are unwritten policies, practices, and values relevant to ethics (Guillem, 2019). The successful and productive use of an organization's resources to meet the business's

ultimate goals is known as organizational performance. These goals cover shareholders' wealth and profit maximization goals (Olayiwola, Olugasa, Kajola, & Akinrinade, 2020). According to the Market Business News, Organizational performance measures the organization's performance against its objectives and goals. It means that actual results or outputs are compared with forecasted outputs. The analysis of organizational performance is focused on three major areas: Shareholders' value, financial performance, and market performance. Shareholders' value concerns how much an organization enriches its shareholders, that is, the total shareholders' return. Financial performance has to do with measuring an organization's operations and policies in monetary terms, which could be in the form of return on assets, return on investment, profitability, etc. The market performance involves analyzing how well the products and services of a company perform in the marketplace. It could be in the form of sales, market share etc.

Ethical Theories and Moral Practice in Organization. The fundamental ethical theories and organizational ethics are relativism, consequential ethics, deontology, theory of justice, virtue ethics, and postmodern view. The theory of *ethical relativism* means that morality must be examined in the context of the norms of one's culture. The same action may be morally right in one society but be morally wrong in another. Ethical relativism is the most customary variety of relativism, and it embodies the position that there are no moral absolutes (Messerly, 1994).

Deontology is an ethical theory that uses rules to differentiate right from wrong. The real significance is in determining the moral intent of action itself.

Consequentialism is an approach to ethics that concentrates on the rightness or wrongness of the consequences of actions, aiming at the utmost good for the most significant number of people. It is an ethical theory that justifies whether something is right by what its consequences are. Morality is about generating the right kinds of overall consequences.

Virtue ethics is an approach to ethics that concentrates on the character and habits of the actor. Morality is regulated based on how well we are achieving our human potential

The Complexity of Ethics and Moral Theories. Ethics, morals, and values are deeply rooted in human social structures; in some instances, we share common principles, such as being courteous by holding the door for a young mother as she is holding her child. On the other hand, individual views on specific situations are subjective, for instance, a young man stealing food to feed his family who does not have the means to support them. Despite this being illegal, some may believe it is unethical, where others would understand his motivations. These contrasting views may be related to the likes of cultural background, upbringing, and social environment.

Brown, Trevino & Harrison (2005) defined leadership as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (cited in Lawton and Páez, 2015: 641). Within the study, three forms of leadership were identified; the first was 'leadership in', which consisted of activities where leaders are highly driven by their desire for knowledge, looking to seek new challenges and facing them head-on (Lawton and Páez, 2015: 640). Lawton and Páez specified that this form of leading is not concerned about the outcome as it is unpredictable; in a sense, this form of leadership has its ups and downs. The second stream was 'leadership of', a target-driven form of leadership, where leaders may have to encourage others to achieve targets. Finally, 'leadership for' is concerned with external target setting, "creating a vision for ethical purposes" (Lawton and Páez, 2015: 640).

Stakeholder Theory. Stakeholder Theory is the theory of the management of an organization and organizational ethics, accounting for different constituencies impacted by business entities such as employees, suppliers, creditors, local communities, government, shareholders, and customers. A common version of this theory aims to define the company's specific stakeholders and examine the conditions under which these stakeholders are treated (Ollie, 2021). Freeman (1984), in his popular and influential book titled *Strategic Management; A Stakeholder Approach*, argued that managers are not only answerable to shareholders but should also consider any other group or individuals that can be affected by the achievement of the firm's objectives. Freeman's book set the pace for what is now known as a Stakeholder Theory. Widely accepted is the fact that businesses need to consider more than profit maximization, there however, have been critics of this theory. It was argued that while it seems ethical to involve the stakeholders, it is also unethical because it breaks the fiduciary duties that managers have to shareholders (Morphy, 2021). A point of view within business ethics is stakeholder theory. It holds that organization managers are ethically obligated to seek jointly or balance the interests of all stakeholders in the conduct of their business (Chris & Alexie, 2020).

Ronald (2016) explains that where the objective of a business is focused on shareholder’s wealth maximization, excluding other stakeholders who also assume obligations associated with the business, an imbalance of benefits received for obligations undertaken is created. Hence, there is a business ethics problem. He further stated that many of these obligations could greatly exceed the long-term benefits, leading to structural business ethics problems. These problems persist because the main business objective of shareholders’ wealth maximization hinders reciprocity. Too much focus on one stakeholder can create an imbalance and distorted environment that can lead to ethical lapses. The stakeholder theory creates an avenue for considering the various stakeholder group of an organization to achieve a balance of all stakeholders in decision making and to relate with all stakeholders on a consistently ethical and value-oriented basis (Alexandre et al., 2008).

3. Methodology

This study adopted the survey research design and obtained its data from primary sources. The primary data were obtained through a questionnaire administered on 100 respondents of United Bank for Africa Plc, Iree and Osogbo branches. The reason for choosing Iree United Bank of Africa is simply because the Bank branch is located close to Osun State Polytechnic, Iree. Since it is a student area, patronage is increased, which results in improved staff. The staff attended to the questionnaire and gave responses to the interview for this study. The reason for choosing Osogbo United Bank of Africa is that Osogbo is a Capital City of Osun State. Osogbo is a huge town with high patronage of customers, resulting in an increased number of Staff. The staff in Osogbo also attended to the questionnaire and responded to the interview for this study. Another reason for choosing Iree and Osogbo is because UBA Bank has branches in Osogbo and Iree, which other Banks do not have. A simple random sampling technique was used. The researcher was able to retrieve all the questionnaires. A personal interview was conducted on 50 customers of the bank who were randomly selected to establish their opinion on the impact of organizational ethical culture on the organization’s performance.

The questionnaire contains twenty-two (22) items which are stated in the Appendix. It is structured based on a 5-point rating scale as Strongly Agreed (5), Agreed (4), Undecided (3), Disagreed (2) and Strongly Disagreed (1). The study used the primary method of data collection through questionnaire administration. Questionnaires distributed were retrieved one week after distribution with the assistance of the faculty presidents employed to do so. Secondary data were sourced from the works of relevant authorities in related fields. The sourced primary data were analyzed using mean ratings to describe responses to questionnaire items. A mean score of 3.50 and above is taken to be strongly agreed, between 2.50 and 3.49 is agreed, 2.0 to is strongly disagreed. Regression analysis was used to test the hypotheses at a 0.05 level of significance.

This study employed a modified version of the econometric model as follow:

$$OP = f(LE, OEC, PPE) \dots \dots \dots (1)$$

$$OP = \beta_0 + \beta_1LE + \beta_2OEC + \beta_3PPE \dots \dots \dots (2)$$

where: OP is Organisational Performance; LE is Leadership Ethics; OEC is Organisational Ethical Culture; PPE is Public Perception on Ethics.

4. Data Presentation and Analysis

This section deals with the presentation and analysis of the data obtained from the respondents in UBA bank Plc in Iree and Osogbo branches. The study was conducted to determine effect of ethics in financial industry on organizational performance. The main instrument used for data collection as said earlier in this work was a questionnaire. The data was summarized and presented in form of frequencies and mean ratings, and regression analysis was used to test hypothesis using SPSS version 21.

Table 1. Demographic Information of the Respondents

Variables	Frequency	Percent (100%)
Age		
18-24	28	28.0
25-34	52	52.0
35-44	14	14.0
45-54	5	5.0
Total	100	100.0
Gender		
Male	51	51.0
Female	49	49.0
Total	100	100.0

Table 1 (cont). Demographic Information of the Respondents

Marital Status		
Single	51	51.0
Married	48	48.0
Divorced	1	1.0
Total	130	100.0
Job Position		
Managerial	34	34.0
Non-managerial	66	66.0
Total	100	100.0

Source: Field Survey, 2021

Age: The age classification as indicated in the above shows that most of the respondents were within 25-34 years, 28(28.0%) were within 18-24 years, 14 (14.0) were 35-44 years whereas 5 (5.0%) were within 45-54 years.

Gender: The table reveals that 59 respondents who constituted 51.0% of the total respondents are male while 49 (49.0%) are female.

Marital Status: The classification of marital status of the respondents showed that 15 (51.0%) were single, 48(48.0%) were married whereby1 (1.0%) was divorced.

Job Position: The job position as indicated in the table above shows that 34 (34.0%) were in managerial position whereas 66 (66.0%) were performing non-managerial roles.

Table 2. Mean and Standard Deviation of Respondents on Leadership Ethics

	N	Mean	Std. Deviation	Remark
Management listens to employees' observations	100	3.69	1.070	Agreed
Management's decisions are fair and just	100	3.67	0.985	Agreed
Management is reliable	100	3.57	0.987	Agreed
Management communicates business ethics with employees	100	3.49	1.314	Agreed
Management exemplifies the ethical values of the organization	100	4.01	1.087	Agreed
Weighted Average		3.69	1.09	

Source: Field Survey, 2021

The above table reveals that staff of UBA bank Plc unanimously agreed that leadership ethics are available in UBA bank Plc in Iree and Osogbo branches. It is evidenced by the analysis results in the above table, where the mean scores ranged from 3.57 to 4.01, and the standard deviation varies between 0.985 and 1.314. Furthermore, the aggregate mean and standard deviation stood at 3.69 and 1.09, respectively, depicting minor variations in the score's distributions.

Table 3. Mean and Standard Deviation of Respondents on Organizational Ethical Culture

	N	Mean	Std. Deviation
The organization has a written and formal code of ethics	100	4.5	0.732
The organization strictly enforces code of ethics	100	4.15	1.029
The management made it known clearly that unethical behavior will not be tolerated.	100	4.17	1.129
Any employee discovered to have acted unethically which resulted into corporate gain will be reprimanded	100	3.81	1.074
Any employee discovered to have acted unethically which resulted into personal gain will be promptly reprimanded	100	3.86	1.045
The Organization defines success not just by result but also by the way they are obtained	100	4.04	0.724
Penalties are enforced strictly for unethical behavior	100	4.11	0.963
Ethically behaved employees are usually rewarded	100	4.21	1.044
Weighted Average		4.10	0.98

Source: Field Survey, 2021

The above table reveals that the staff of UBA bank Plc universally agreed that organizational ethical culture exists in UBA bank Plc in Iree and Osogbo branches. It is evidenced by the analysis results of the above table, where the mean scores ranged from 3.81 to 4.21. The standard deviation varies between 0.732 and 1.129. Furthermore, the aggregate mean and standard deviation stood at 4.10 and 0.98, respectively, depicting minor variations in the score's distributions.

Table 4. Mean and Standard Deviation of Respondents on Public Perception

	N	Mean	Std. Deviation
You will shun the services of your bank as a result of unethical behavior	50	4.30	0.909
Weighted Average		4.30	0.909

Source: Field Survey, 2021

The above table reveals that customers of UBA bank Plc Iree and Osogbo branches stated that they would shun the bank's services as a result of unethical behavior. It is evidenced by the analysis results in the above table with the mean score of 4.30 and the standard deviation of 0.91.

Table 5. Mean and Standard Deviation of Respondents on Organizational Performance

	N	Mean	Std. Deviation
With the existing ethical culture in your organization, you feel safe working with the organization	100	3.97	.717
You can engage in extra efforts for the well-being of the organization	100	4.03	1.298
The organization's ethical values have helped in retaining customers	100	3.84	1.080
Observance of the organization's ethical values leads to increased productivity.	100	3.82	1.095
The perpetual existence of the organization depends on its ethical values	100	3.94	1.162
Weighted Average		3.92	1.07

Source: Field Survey, 2021

The above table reveals that staff of UBA bank Plc Iree and Osogbo branches unanimously agreed that financial ethics plays a crucial role in organizational performance. It is evidenced by the analysis results in the above table, where the mean scores ranged from 3.82 to 4.03. The standard deviation varies between 0.717 and 1.298. Furthermore, the aggregate mean and standard deviation stood at 3.92 and 1.07, respectively, depicting minor variations in the score's distributions.

Table 6. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.790 ^a	.552	.297	.392

a. Predictors: (Constant), Public Perception, Organizational Ethical Culture, Leadership Ethics

Source: Field Survey, 2021

From the model summary table above, R square is 0.552, indicating that organizational ethical culture, public perception, and leadership ethics jointly contributed 55.2% of the total variation in organizational performance in the financial service industry. It implies that 44.8% of the variation in organizational performance in the financial service industry is contributed by factors other than organizational ethical culture, public perception and leadership ethics.

Table 7. Anova^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.268	3	.423	8.757	.003 ^b
	Residual	7.052	46	.153		
	Total	8.320	49			

a. Dependent Variable: Organizational Performance; b. Predictors: (Constant), Public Perception, Organizational Ethical Culture, Leadership Ethics

Source: Field Survey, 2021

In the table above, the significance level of the model is shown, which is equal to (0.003), and the F statistic value is 8.757. Hence, it is an indication that this model is highly significant as the criteria for the significance level is 0.05.

Table 8. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.023	1.333		1.517	.136
	Leadership Ethics	.166	.218	.337	2.763	.029
	Organizational Ethical Culture	.663	.270	.360	3.452	.018
	Public Perception	.110	.086	.222	2.114	.040

a. Dependent Variable: Organizational Performance

Source: Field Survey, 2021

As per the table above, checking at the column for significance, the independent variables (organizational ethical culture, public perception, and leadership ethics) have positive coefficients and significant with value lesser than the p-value of 0.05, fixing the regression equation. β_1 (Organizational Performance) = .166, $t = 2.736$, $p < 0.05$; this implies that a unit improvement in leadership ethics will bring about 0.166 unit increase in contributing significantly to organizational performance of the financial service industry in Nigeria. Thereby, the null hypothesis that leadership ethics have no significant effect on organizational performance of the financial service industry in Nigeria is rejected. Also, β_2 (Organizational Performance) = .663, $t = 3.452$, $p < 0.05$; this implies that a unit improvement in organizational ethical culture will bring about a 0.3452 unit increase in contributing significantly to the organizational performance of the financial service industry in Nigeria. Thereby, the null hypothesis that organizational ethical culture has no significant effect on organizational performance of the financial service industry in Nigeria is rejected. Lastly, β_3 (Organizational Performance) = .110, $t = 2.114$, $p < 0.05$; this implies that a unit improvement in public perception will bring about a 0.110 unit increase in contributing significantly to the organizational performance of the financial service industry in Nigeria. Thereby, the null hypothesis that public perception of organizational ethics has no significant effect on organizational performance of the financial service industry in Nigeria is rejected.

5. Conclusion

It is evident from the study results that the strategies adopted in the organization have been geared towards achieving positive organizational performance. As a result of this, leaders' activities in the organization impacted positively on organizational performance. Also, ethical leadership enhances external reputation in the organization, which impacts positively on company culture. Ethical organizational culture increases workers' commitment to the organization's objectives as employees feel safer and dedicated to work. Also, public perception of leadership and organization's commitment to ethics has a significant impact on organizational performance as most customers will shun the services of the bank as a result of unethical behavior.

6. Recommendations

Based on the objectives and findings of this study, the study, therefore, recommends that:

- Management should communicate organizational ethical values to employees in words and action; they should lead by example.
- Proper attention should be placed on the organization's culture to ensure it is ethical since employees are willing to do more in an organization with an ethical culture.
- There is a need for the financial service industry to ensure that employees have copies of the organization's code of ethics. It would facilitate better relationships between staff of the financial service industry and clients in Nigeria.
- The financial service industry should thus put in place strict policies for monitoring employees' activities to ensure that they act in line with the organization's ethical values and culture.
- The employee of financial service industry needs to adopt a culture of good behaviour in their operations. It is recommended that the employees operate within the frameworks provided by the management and ethics should be highly considered in all their activities relating to clients.

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APPENDIX

Section A (Demographic Information)

1. Age
18-24 () 25-34 () 35-44 () 44-54 () 55 and above ()
2. Gender
Male () Female ()
3. Marital Status
Single () Married () Divorced ()
4. Job Position
Managerial () Non-managerial ()

Section B (Leadership Ethics)

5. Management listens to employees' observations.
Strongly Agree 1 2 3 4 5 Strongly Disagree
6. Management's decisions are fair and just.
Strongly Agree 1 2 3 4 5 Strongly Disagree
7. Management is reliable
Strongly Agree 1 2 3 4 5 Strongly Disagree
8. Management communicates business ethics with employees
Strongly Agree 1 2 3 4 5 Strongly Disagree
9. Management exemplifies the ethical values of the organization
Strongly Agree 1 2 3 4 5 Strongly Disagree

Section C (Organizational Ethical Culture)

10. The Organization has a written and formal code of ethics
Strongly Agree 1 2 3 4 5 Strongly Disagree
11. The Organization strictly enforces code of ethics
Strongly Agree 1 2 3 4 5 Strongly Disagree
12. The management made it known clearly that unethical behavior will not be tolerated.
Strongly Agree 1 2 3 4 5 Strongly Disagree
13. Any employee discovered to have acted unethically which resulted in corporate gain (not personal gain) will be promptly reprimanded.
Strongly Agree 1 2 3 4 5 Strongly Disagree
14. Any employee discovered to have unethically which resulted in personal gain will be promptly reprimanded.

- Strongly Agree 1 2 3 4 5 Strongly Disagree
15. The organization defines success not just by results but also by the way they are obtained.
- Strongly Agree 1 2 3 4 5 Strongly Disagree
16. Penalties are enforced strictly for unethical behavior.
- Strongly Agree 1 2 3 4 5 Strongly Disagree
17. Ethically behaved employees are usually rewarded.
- Strongly Agree 1 2 3 4 5 Strongly Disagree

Section D (Organizational Performance)

18. With the existing ethical culture in your organization, you feel safe working with the organization.
- Strongly Agree 1 2 3 4 5 Strongly Disagree
19. You can engage in extra efforts for the well-being of the organization.
- Strongly Agree 1 2 3 4 5 Strongly Disagree
20. The organization's ethical values have helped in retaining customers.
- Strongly Agree 1 2 3 4 5 Strongly Disagree
21. Observance of the organization's ethical values lead to increased productivity.
- Strongly Agree 1 2 3 4 5 Strongly Disagree
22. The perpetual existence of the organization is secured through ethics.
- Strongly Agree 1 2 3 4 5 Strongly Disagree