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THE EFFECT OF ETHICAL LEADERSHIP ON INNOVATIVE WORK BEHAVIOR: DOES EMPLOYEE SELF-EFFICACY PLAY A ROLE?

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ABSTRACT

This study has examined the influence of ethical leadership on employees' innovative work behavior with self-efficacy as mediating variable. Respondents were selected using a purposive sampling method, and a total of 227 employees from the financial sector in Bangladesh participated in this study. A cross-sectional research design was employed, and the proposed model was tested using Smart-PLS 4.0. The findings indicated that ethical leadership has a significant positive effect on employees' innovative work behavior. Furthermore, self-efficacy was found to significantly mediate the relationship between ethical leadership and innovative work behavior. This study contributes to a deeper understanding of how ethical leadership fosters innovative work behavior through enhanced self-efficacy within the context of Bangladesh's financial sector. The findings are discussed in terms of their theoretical contributions and practical implications. Finally, the study outlines its conclusion, limitations, and directions for future research.

Keywords: Ethical leadership, self-efficacy, innovative work behavior.

INTRODUCTION

In recent years, organizations have increasingly recognized the importance of fostering innovative work behavior (IWB) among employees. Such behavior is essential for sustaining, promoting, and cultivating innovation, which ultimately provides a firm with a competitive advantage in today's rapidly evolving marketplace (Arshad et al., 2023; Srirahayu et al., 2023; Tu & Wu, 2021; Ye et al., 2023). Innovative behavior among employees enhances organizational performance, satisfaction, competitiveness, and productivity (Alshebami, 2021; Hanafi et al., 2024; Knezović & Drkić, 2021). Recently, academics have shown growing interest in studying innovative work behavior (Li et al., 2020). However, such behavior does not occur automatically (Wang et al., 2021). Several factors have been identified as influencing

employee innovative behavior, including self-efficacy and psychological empowerment (Huang et al., 2016), knowledge sharing (De Clercq & Belausteguigoitia, 2019), and ethical leadership (Gu et al., 2015). Prior research has highlighted various leadership styles, particularly Ethical Leadership (EL), as significant drivers of innovative work behavior among employees (Ali Chughtai, 2016; Dhar, 2016; Javed et al., 2018; Jiang & Chen, 2018; Nham et al., 2023; Shafique et al., 2020; Ullah et al., 2021; Wen et al., 2021; Zacher & Rosing, 2015). Ethical leadership is characterized by values, behaviors, and actions that prioritize ethical considerations and moral principles in organizational decision-making (Hafiz et al., 2024; Yuan et al., 2023; Zaim et al., 2021; Zainol et al., 2024). According to Islam et al. (2024), this leadership style can enhance organizational performance by increasing employee trust, commitment, and job satisfaction. As noted by Shafique et al. (2020), innovative work behavior is a key outcome of ethical leadership, involving the generation, promotion, and implementation of new ideas that improve organizational processes and outcomes. Although substantial evidence exists in the literature (Alblooshi et al., 2021; Li et al., 2024; Sarwar et al., 2020; Shafique et al., 2020; Wadei et al., 2023) linking ethical leadership to innovative work behavior, the underlying mechanisms of this relationship remain unclear. Uppathampracha and Liu (2022) suggest that self-efficacy may serve as a mediator in explaining the link between ethical leadership and innovative work behavior. Self-efficacy, a personality attribute has been found to encourage creativity (Slåtten, 2014; Teng et al., 2020). Individuals with higher self-efficacy are more likely to undertake challenging tasks that require creative problem-solving (Carmeli & Schaubroeck, 2007; Rahman, 2024; Slåtten, 2014). Drawing on social learning theory, the relationship between ethical leadership and employees' innovative work behavior is believed to be influenced by self-efficacy. This occurs when ethically grounded leaders enhance employees' self-efficacy through interaction and role modelling (Bandura, 1986). While prior studies have examined alternative mediators such as psychological empowerment (Ahmad & Gao, 2018), perceived meaningful work (Tahir, 2020), trust (Engelbrecht et al., 2017), and self-esteem (Wen et al., 2021), relatively few have explored self-efficacy as a mediator in the relationship between ethical leadership and innovative work behavior.

The financial sector in Bangladesh plays a key role in driving the country's economic growth by contributing substantially to GDP and employment (Rahman & Taniya, 2017). However, the industry faces numerous challenges including strict regulations, unethical practices, corruption, lack of transparency, and intense competition. At the same time, it must continuously innovate to meet customers' evolving needs. In this context, understanding how ethical leadership influences innovative work behavior (IWB) is crucial. Organizations in the financial sector can harness employees' creative potential, drive innovation, and achieve sustainable growth in an increasingly complex and competitive environment by fostering a leadership culture that emphasizes ethics and self-efficacy. This study, which examines the mediating role of self-efficacy in the relationship between ethical leadership and IWB, is particularly relevant to the financial sector in Bangladesh. Much of the existing research on ethical leadership and innovation has been conducted in Western or developed economies, where leadership models and cultural dynamics differ significantly from those in developing countries such as Bangladesh.

The present study seeks to address the gap by examining the mediating role of self-efficacy in the relationship between ethical leadership and innovative work behavior. In doing so, it contributes to the literature on social exchange theory and social learning theory by exploring how ethical leadership fosters innovative work behavior through self-efficacy, based on empirical evidence from employees in the Bangladeshi financial sector. Despite the substantial body of research on the effects of ethical leadership on innovative work behavior, limited attention has been given to self-efficacy as a psychological mechanism in developing countries such as Bangladesh. Accordingly, this study aims to examine: (1) the direct effect of ethical leadership on innovative work behavior; (2) the influence of ethical leadership on self-efficacy; (3) the effect of self-efficacy on innovative work behavior; and (4) the mediating role of self-efficacy in this relationship.

LITERATURE REVIEW

Ethical Leadership

Ethical behavior is one component of leadership, alongside others such as inspiration, vision, and motivation. Brown et al. (2005) proposed one of the most widely used and comprehensive theories of ethical leadership, suggesting that leaders should act ethically in their relationships and serve as role models for their subordinates. They further argue that leaders should encourage similar behavior among subordinates through mechanisms such as positive reinforcement, open communication, and shared decision-making. According to Zhu et al. (2004) and Resick et al. (2006), ethical leadership is distinguished from other leadership styles by its emphasis on people, honesty, fairness, transparency, support, collective motivation, mutual respect, vision, and balanced, altruism-driven decision-making. Research by Brown et al. (2005) and Wang et al. (2015) further indicate that, ethical leadership significantly influences followers' attitudes and behaviors, including job satisfaction, organizational citizenship, job performance, and voice behavior.

Innovative Work Behavior

De Jong (2006) coined the term "innovative work behavior" to describe how employees generate fresh ideas that benefit their teams, organizations or roles. It is a multifaceted process that involves generating, promoting and implementing new ideas within one's job, team, or organization (Janssen 2003). According to De Jong and Den Hartog (2007), innovative work behavior often arises from recognizing problems in existing working practices, unmet needs, or emerging trends. Such behavior is widely regarded as a cornerstone of organizational change and innovation (Tsai & Tseng, 2010). As employees' innovative behavior is essential for enhancing organizational performance; it is important to identify the factors that promote or stimulate this behavior (Scott & Bruce, 1994).

Self-Efficacy

The term "self-efficacy" refers to an individual's confidence in their ability to perform a task successfully, reflecting their perception of their own competence (Bandura, 1999). It represents the belief individuals hold about their capacity to carry out actions or achieve specific goals (Nugraha et al., 2020). According to Bandura (1999), self-efficacy influences individuals' thoughts, motivation, and actions. Herath and Mahmood (2014) suggest that individuals are less likely to exert effort in tasks when they believe their actions will not produce the desired outcomes. Furthermore Bandura (2005), highlights that employees' self-efficacy significantly affects their choices, efforts, and persistence. Similarly, Stajkovic (2006) posits that belief in one's capabilities fosters confidence in accomplishing goals, thereby motivating individuals to take the necessary actions. Consequently, self-efficacy plays a critical role in shaping individuals' efforts and performance, enabling them to translate their capabilities into successful outcomes.

Theoretical Foundation

Social exchange theory is a widely used framework for explaining employee attitudes and behaviors within organizations (Gould-Williams & Davies, 2005; Uppathampracha & Liu, 2022). It posits that individuals engage in relationships based on reciprocity and mutual benefit (Kim & Qu, 2020; Meira & Hancer, 2021). In line with this theory, employees are more likely to act in ways that benefit the organization when they believe their contributions will be recognized and rewarded (Raza et al., 2021). Ethical leadership, which emphasizes fairness, transparency, and trustworthiness, is likely to foster positive social exchange relationships between leaders and employees, thereby promoting innovative work behavior (Özsungur, 2020; Ullah et al., 2022). Employees are more inclined to engage in productive behaviors when they perceive their supervisor's actions as supportive (Anwar et al., 2019; Raman et al., 2021). Furthermore, ethical leadership upholds principles of fairness, autonomy, respect, and fundamental human rights in social

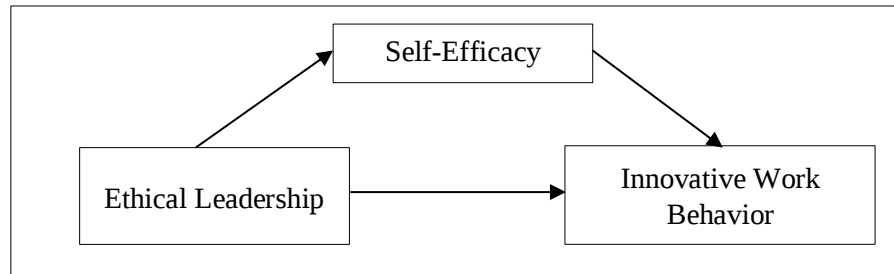
interactions, reinforcing employees' sense of value and support (Xiao & Zhao, 2017). Accordingly, this study adopts social exchange theory to explain the underlying mechanism linking ethical leadership and employees' innovative work behavior.

In addition, this study draws on social learning theory to explain how ethical leadership influences employees' self-efficacy and their capacity for creativity and innovation (Chen & Hou, 2016; Mo et al., 2019; Shafique et al., 2020; Wadei et al., 2021). Social learning theory suggests that individuals acquire new behaviors by observing and imitating others (Bandura, 1986; Zhong et al., 2022). Leaders who demonstrate ethical conduct provide role models for their employees, who are then more likely to adopt similar ethical and innovative behaviors (Ullah et al., 2021).

Overall, the relationship between ethical leadership and innovative work behavior is grounded in social exchange theory, while social learning theory helps explain the direct, indirect and mediating relationships proposed in this study. The conceptual model is presented in Figure 1.

Figure 1

Conceptual Model



HYPOTHESIS DEVELOPMENT

Ethical Leadership and Innovative Work Behavior

Leadership style, particularly ethical leadership, can significantly impact employees' job-related behaviors (Aboramadan & Dahleez, 2020; Halbusi et al., 2021; Niinihuhta & Häggman-Laitila, 2022; Sarwar et al., 2020). Shafique et al. (2020) found that ethical leadership plays a crucial role as a key driver of organizational innovation. Previous studies have shown that ethical leadership positively influences employees' innovative work behavior (Ahmed Iqbal et al., 2020; Sarwar et al., 2020; Shafique et al., 2020; Ullah et al., 2021; Wen et al., 2021). Similarly, Zahra et al. (2017), in a study conducted at public universities in Pakistan, reported a positive effect of ethical leadership on workplace creative behavior. However, some studies suggest that ethical leadership does not directly influence innovative work behavior; instead, the relationship becomes significant when mediated by other variables (Dhar, 2016; Ma et al., 2013; Yidong & Xinxin, 2013), indicating the need for further investigation. Ethical leadership can foster innovative work behavior by creating an ethical climate characterized by trust, fairness, and psychological safety (Ahmad et al., 2023a). When employees perceive their leaders as ethical and supportive, they are more likely to feel valued and respected, which in turn enhances their creativity and contributes positively to organizational outcomes (Shafique et al., 2020). Based on the above theoretical arguments and empirical evidence, the following hypothesis is proposed:

H1: There is a positive relationship between ethical leadership and innovative work behavior.

Ethical Leadership and Self-Efficacy

The relationship between ethical leadership and self-efficacy is a central focus in organizational behavior and leadership research (Ashfaq et al., 2021; Ren & Chadee, 2017; Walumbwa et al., 2011). Studies have shown that when leaders demonstrate ethical behaviors such as honesty, integrity, fairness, and transparency, employees tend to perceive both their leaders and the work environment more positively (Al Halbusi et al., 2021). This, in turn, can strengthen employees' self-efficacy beliefs (Ren & Chadee, 2017). Ethical leaders serve as role models by demonstrating ethical behavior and decision-making aligned with organizational values and norms (Moore et al., 2019). Consistent ethical conduct fosters trust, respect, and admiration among employees (Enwereuzor et al., 2020). When employees work for leaders who prioritize ethical practices, they are more likely to feel empowered, inspired, and supported, which enhances their self-efficacy (Ashfaq et al., 2021; Uppathampracha & Liu, 2022). Moreover, employees with higher self-efficacy tend to perform more effectively than counterparts (Walumbwa et al., 2011). A substantial body of research supports the positive relationship between ethical leadership and self-efficacy (Ma et al., 2013; Ren & Chadee, 2017; Wang et al., 2015). Accordingly, the following hypothesis is proposed:

H2: There is a positive relationship between ethical leadership and self-efficacy.

Self-efficacy and Innovative Work Behavior

Self-efficacy plays a critical role in shaping employees' willingness and ability to engage in innovative work practices within organizations (Rahman et al., 2023; Usmanova et al., 2023). Individuals with high self-efficacy are more likely to take on challenging tasks, persevere in the face of setbacks, and demonstrate creative work behavior (Raza et al., 2024; Ud din Khan et al., 2023). Studies indicate that employees who believe in their capabilities are more inclined to take risks and think creatively in their roles, such as generating new ideas, implementing innovative solutions, and contributing to the development of new products or services (Gelaidan et al., 2023; Kafeel et al., 2024). By cultivating a culture that values and nurtures employees' self-efficacy, organizations can empower individuals to engage in innovative behaviors and enhance organizational performance through creativity and innovation (Islam & Asad, 2024). Previous studies have consistently demonstrated a significant relationship between self-efficacy and innovative work behavior (Gkontelos et al., 2023; Kumar et al., 2022; Liang et al., 2023; Raihan & Uddin, 2023; Rodrigues & Rebelo, 2023; Teng et al., 2020; Xiang et al., 2023), with empirical evidence further supporting this association (Mielniczuk & Laguna, 2020; Teng et al., 2020; Wei et al., 2020). Moreover, individuals with higher self-efficacy (SE) are more likely to improve work processes, undertake complex tasks, and actively engage in innovative work behavior (IWB) (Gelaidan et al., 2023; Usmanova et al., 2023). Accordingly, the following hypothesis is proposed:

H3: There is a positive relationship between self-efficacy and innovative work behavior.

Self-efficacy as a Mediator

Several factors may influence the relationship between ethical leadership and innovative work behavior (Ahmed Iqbal et al., 2020; Ahmad et al., 2023b; Yidong & Xinxin, 2013). Drawing on Bandura's (1986) social learning theory, self-efficacy is proposed as a key mediating mechanism. Existing literature indicates that ethical leadership is associated with IWB, with SE acting as a mediator (Ashfaq et al., 2021; Ma et al., 2013; Uppathampracha & Liu, 2022; Zahra et al., 2017). Ethical leaders can enhance employees' self-efficacy by treating them with respect and fairness (Ashfaq et al., 2021). Scholars argue that ethical leadership strengthens employees' internal empowerment by boosting self-efficacy, thereby fostering innovation (Zahra et al., 2017). Organizations that prioritize ethical leadership practices and support employees' self-efficacy beliefs are more likely to cultivate a culture of innovation, creativity, and positive change (Yang et al., 2023). Furthermore, SE influences employees' perceptions of their ability to generate and implement creative ideas, thereby mediating the relationship between EL and IWB (Zahra

et al., 2017). Empirical evidence also supports the individual link within this relationship; ethical leadership is positively associated with self-efficacy (Ashfaq et al., 2021), and self-efficacy is positively related to innovative work behavior (Hsiao et al., 2011; Shahzadi & Khurram, 2020). Collectively, these findings suggest that self-efficacy mediates the relationship between ethical leadership and innovative work behavior. Accordingly, the following hypothesis is proposed:

H4: Self-efficacy significantly mediates the relationship between ethical leadership and innovative work behavior.

METHODS

Population and Sample

The target population for this study comprises permanent officer-level employees who directly interact with leadership and engage in innovation-related tasks within Bangladesh's financial sector. This group was selected because such employees are likely to have sufficient experience with organizational decision-making and leadership to provide informed insights into ethical leadership and innovative work behavior. Data were collected from personnel working in financial institutions located in Dhaka, Chittagong, and Khulna, Bangladesh. Purposive sampling was employed to select participants based on their relevance to the research objectives. To minimize potential bias, clear instructions regarding participation were provided to all respondents (Tabachnick & Fidell, 2007). A total of twenty organizations were included in the study, and questionnaires were distributed accordingly. Of the questionnaires disseminated, 227 valid responses were received and deemed suitable for analysis. According to Hoe (2008), a sample size of 200 is considered adequate for structural equation modelling (SEM) analysis.

Measures

This study examined ethical leadership, self-efficacy, and innovative work behavior, all measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). A total of 29 items were adapted from established scales in prior studies to suit the research context. Ethical leadership was measured using a 10-item scale developed by Brown et al. (2005). Innovative work behavior was assessed using a 9-item scale developed by Janssen (2003), while self-efficacy was measured using 10-item scale from Schwarzer and Jerusalem (1995). In addition, participants were asked to complete a demographic questionnaire.

Common Method Variance

The potential for common method variance (CMV) was evaluated in this study using both procedural and statistical remedies. Procedurally, the questionnaire was carefully designed, incorporating verbal anchors for scale midpoints, a double-back-translation process, and the use of pre-validated measurement scales. Statistically, Harman's single-factor test was employed to examine CMV. The results indicated that no single factor dominated the first unrotated factor, accounting for only 39.06% of the total variance. This suggests that CMV is not a significant concern in this study.

RESULTS AND DATA ANALYSIS

Demographic Profile of the Respondents

Table 1 presents the demographic profile of the respondents in this study. Male respondents comprised 165 (72.7%) of the sample, while female respondents accounted for 62 (27.3%). Most respondents were aged 25-35, representing 90 individuals (39.6%), whereas under 25 constituted the smallest group (2.6%). Most respondents (90, 39.6%) held a master's degree, while only 8 (3.5%) possessed other qualifications. In terms of work experience, 152 (67%) respondents had more than 10 years of experience, whereas only 3 (1.3%) had less than one year of service.

Table 1

Demographic Profile of the Respondents

Demographic Characteristics		Frequency (n=227)	Percentage
Gender	Male	165	72.7
	Female	62	27.3
Age	Below 25 Years	6	2.6
	25-35 Years	90	39.6
	36-45 Years	87	38.3
	46 or above	44	19.4
	Diploma	18	7.9
Educational Background	Bachelor	84	37
	Master's	90	39.6
	PhD	14	6.2
	Professional Degree	13	5.7
	Others	8	3.5
Experience	Less than 1 Year	3	1.3
	1 to 5 Years	45	19.8
	5 to 10 Years	27	11.9
	More than 10 Years	152	67

Measurement Model Assessment

Smart PLS was employed for data analysis due to its widespread use in business research as a robust analytical tool (Hair Jr et al., 2017). Table 2 and Figure 2 present the factor loadings used to assess convergent validity. Only items with loadings above 0.50 were retained for analysis. Additionally, all constructs exhibited average variance extracted (AVE) values exceeding the recommended threshold of 0.50 and composite reliability values above 0.70. Discriminant validity was assessed using two approaches. First, the Fornell-Larcker criterion was applied by comparing the square root of the AVE for each construct with its correlations with other constructs. As recommended by Fornell and Larcker (1981), discriminant validity is established when the square root of the AVE exceeds the corresponding inter-construct correlations. As shown in Table 3, this criterion was satisfied for all constructs. Second, the Heterotrait-Monotrait ratio (HTMT) was used to further assess discriminant validity. HTMT values exceeding 0.90 may indicate potential issues with discriminant validity (Henseler et al., 2015; Hair Jr et al., 2016). The results presented in Table 3 show that all HTMT values were below the threshold, confirming adequate discriminant validity.

Figure 2

Measurement Model

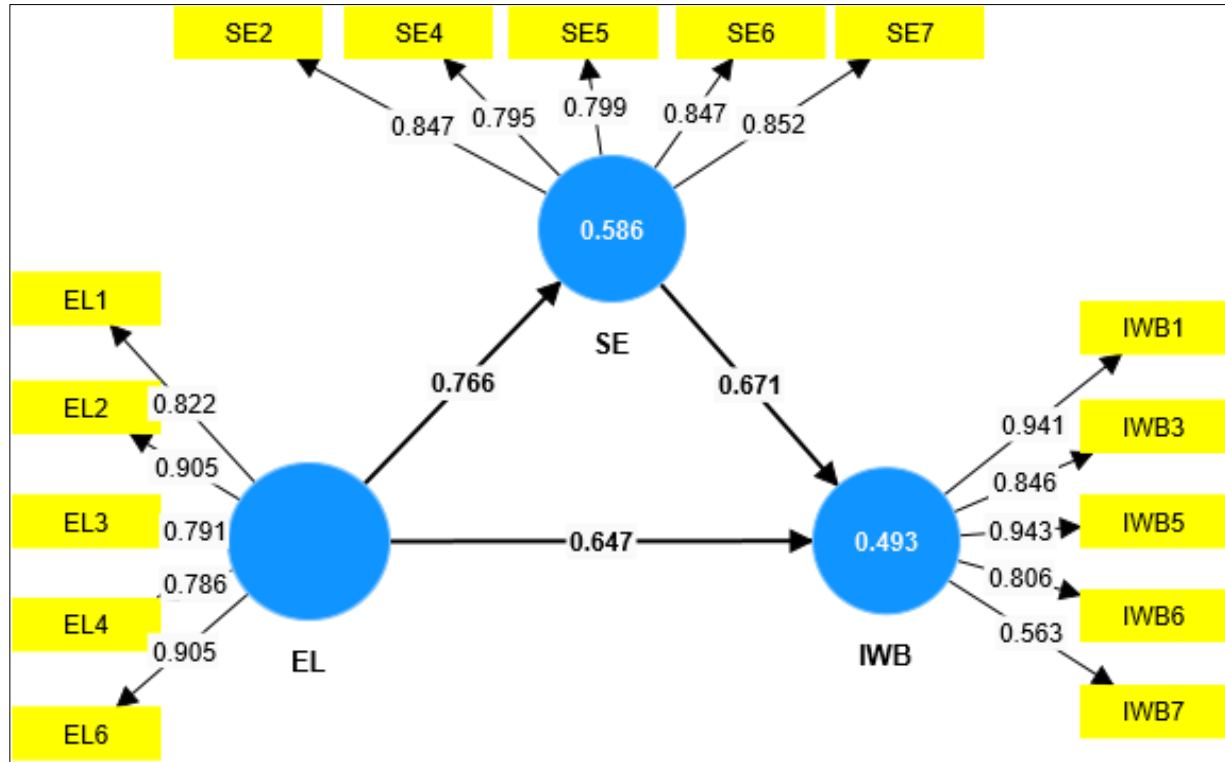


Table 2

Convergent Validity

Constructs	Items	Loading	Cronbach's Alpha	CR	AVE
Ethical Leadership	EL1	0.822	0.897	0.898	0.712
	EL2	0.905			
	EL3	0.791			
	EL4	0.786			
	EL6	0.905			
Innovative Work Behavior	IWB1	0.941	0.879	0.896	0.691
	IWB3	0.846			
	IWB5	0.943			
	IWB6	0.806			
	IWB7	0.563			
Self-Efficacy	SE2	0.847	0.885	0.885	0.686
	SE4	0.795			
	SE5	0.799			
	SE6	0.847			
	SE7	0.852			

Table 3

Fornell-Larcker and the HTMT Criterion for Discriminant Validity

Serial No.	Constructs	EL	IWB	SE
1	Ethical Leadership	0.844	0.732	0.857
2	Innovative Work Behavior	0.647	0.831	0.756
3	Self-Efficacy	0.766	0.671	0.828

Structural Model Assessment

Assessing the structural model is the next stage in PLS-SEM analysis. The coefficient of determination (R^2) which indicates the proportion of variance in the dependent variables explained by the independent variables, was used to evaluate the model's predictive accuracy. The results show that self-efficacy ($R^2=0.584$) and innovative work behavior ($R^2=0.488$) exhibit substantial explanatory power. These findings suggest that ethical leadership explains 58% of the variance in self-efficacy and 49% of the variance in innovative work behavior. To examine the hypothesized relationship, path coefficients and t-values were calculated. The mediation effect was assessed using a bootstrapping approach. The results for H1 indicate a positive and significant relationship between ethical leadership and innovative work behavior ($t=4.364$; $p\text{-value} = 0.000$), as shown in Table 4, supporting H1. Similarly, the results support H2, demonstrating a significant positive relationship between self-efficacy and ethical leadership ($t = 27.63$; $p\text{-value} = 0.000$). The findings also confirm H3, indicating that self-efficacy is positively related to innovative work behavior ($t = 6.298$; $P\text{-value} = 0.000$). Finally, the results support H4, showing that self-efficacy significantly mediates the relationship between ethical leadership and innovative work behavior ($t = 6.147$; $p\text{-value} = 0.000$), as shown in Table 5.

Figure 3

Structural Model

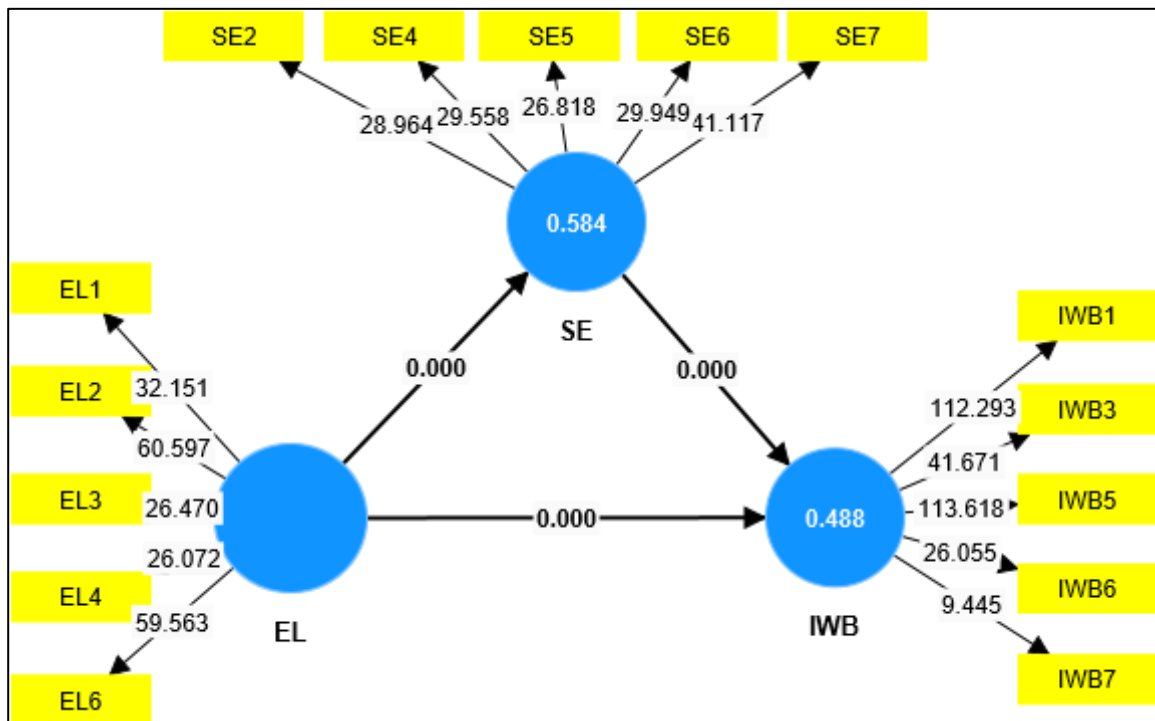


Table 4

Path Analysis

Hypotheses	Relationship	SD	T statistics	P values	Decision
H1	EL -> IWB	0.074	4.364	0.000***	Supported
H2	EL -> SE	0.028	27.63	0.000***	Supported
H3	SE -> IWB	0.067	6.298	0.000***	Supported

Table 5

Mediation Analysis

Hypotheses	Relationship	SD	T statistics	P values	Decision
H4	EL -> SE -> IWB	0.053	6.147	0.000***	Supported

DISCUSSION AND IMPLICATIONS

The findings of this study are consistent with prior research. Specifically, the results confirm that ethical leadership positively influences innovative work behavior (Özsungur, 2019; Tahir, 2020; Wen et al., 2021). Through ethical leadership practices, employees are more likely to feel valued and integral to the organization, which in turn encourages the adoption of innovative work behavior. The results also support earlier studies demonstrating a positive relationship between ethical leadership and employees' self-efficacy (Ma et al., 2013; Ren & Chadee, 2017; Wang et al., 2015). Ethical leaders enhance followers' self-efficacy by setting a positive example and providing verbal encouragement. In addition, a significant positive relationship between self-efficacy and innovative work behavior was observed, aligning with previous research (Hsiao et al., 2011; Zahra et al., 2017).

Furthermore, Haines-Gadd (2015) reported that innovative work behavior is associated with specific job-related skills and that training can enhance individuals' self-efficacy. In this study, self-efficacy served as a key mediating mechanism linking ethical leadership and innovative work behavior through a single mediating pathway. The findings confirm found that self-efficacy significantly mediates the relationship between ethical leadership and innovative work behavior, which is consistent with the results reported by Zahra et al. (2017).

The findings suggest that employee learning supports innovative work behavior, primarily through the various forms of support it provides. Such support enables employees to develop a strong sense of self-efficacy, which, in turn, motivates them to engage in innovative work behavior. Based on the available evidence, only limited studies have examined self-efficacy as a mediator in the relationship between ethical leadership and innovative work behavior. However, related findings exist, for example, Ma et al. (2013), demonstrated that self-efficacy mediates the relationship between ethical leadership and employees' creativity. By introducing self-efficacy as a mediating variable, this study helps address an existing gap in the literature (Yidong & Xinxin, 2013). As hypothesized, self-efficacy mediates the relationship between innovative work behavior and ethical leadership. This study thus contributes to the growing body of research demonstrating the positive mediating role of self-efficacy in linking ethical leadership to innovative outcomes. It also provides empirical evidence that self-efficacy can stimulate innovative work behavior, offering a foundation for further research into the relationship between ethical leadership and innovation. In the context of Bangladesh's financial sector, ethical leadership enhances self-efficacy by fostering an environment of trust, psychological safety, and empowerment, while also providing support

and constructive feedback. These leadership practices strengthen employees' confidence in their ability to perform and innovate within organizational constraints. In turn, higher self-efficacy encourages employees to take risks, engage in creative problem-solving, overcome barriers to innovation, and collaborate effectively with others. Collectively, these outcomes enable financial institutions to think innovatively, which is essential for maintaining competitiveness and adapting to a dynamic market environment.

This research contributes to the existing body of knowledge by examining the mediating role of self-efficacy in the relationship between ethical leadership and innovative work behavior. It identifies a critical mechanism underlying the link between ethical leadership and employee creativity. By integrating social exchange theory and social learning theory, this study examines how ethical leadership influences employees' self-efficacy beliefs and, in turn, their engagement in innovative work behavior. This integrated theoretical approach provides a more comprehensive framework for understanding the complex interplay among ethical leadership, self-efficacy, and innovative work behavior. In addition, insights from related research, such as Zahra et al. (2017), which examined faculty members in public universities in Pakistan, suggest that these findings may also be relevant in academic contexts.

For instance, the results could inform efforts to enhance academic integrity and foster a work environment conducive to intellectual growth and academic excellence, particularly in settings where hierarchical structures may be less rigid than in corporate organizations (Christensen, 2011). There remains a relative scarcity of research on ethical leadership and innovation within Bangladesh's financial sector, which is the focus of the current study. Given the highly regulated nature of the industry, ethical leadership is particularly important. Leaders in the financial sector often face the challenges of balancing ethical considerations with regulatory requirements, financial performance, and client expectations. In this context, ethical leadership involves promoting sound moral decision-making while ensuring that employees have the autonomy to be innovative within regulatory constraints.

Financial organizations can benefit significantly from the study's findings on ethical leadership and innovative work behavior to enhance employee engagement, foster innovation, and strengthen regulatory compliance. The results offer valuable insights for the development of leadership development programs and ethical frameworks that promote innovation in Bangladesh's banking sector without compromising compliance or ethical standards.

The findings can inform the design and implementation of leadership development initiatives that emphasize the importance of ethical leadership behaviors in building employee confidence and fostering an environment conducive to innovation. Bangladeshi financial institutions have an opportunity to train their leaders to act ethically, build strong relationships with employees, and foster self-efficacy. Furthermore, organizations can implement targeted training programs to enhance employees' self-efficacy, especially in relation to innovation and creativity. By providing opportunities for continuous learning and skill development, organizations can cultivate a more innovative workforce. The findings also highlight the importance of creating a work environment that supports ethical leadership, self-confidence, and creativity. In addition, organizations can strengthen employees' confidence in their abilities by implementing policies and practices that promote ethical conduct, recognize and reward innovative efforts, and provide the necessary resources to support such initiative. Ultimately, by aligning organizational practices with the study's findings, financial institutions in Bangladesh can enhance their performance and competitiveness while fostering a culture of ethical leadership and innovation.

CONCLUSION, LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This study aimed to address several questions regarding ethical leadership and its impact on employee innovation in the workplace, including whether and how this relationship is influenced, the role of employees' self-efficacy, and how self-efficacy can be strengthened. The findings highlight the importance

of key behavioral constructs, particularly self-efficacy, in fostering innovative work behavior. It is anticipated that these results will stimulate further interest in this important area of research. Although this study was conducted in Bangladesh, the findings may have broader applicability. This is particularly relevant for developing countries or emerging markets, where financial institutions are undergoing digital transformation and aligning with global standards. By adopting ethical leadership practices, organizations can promote innovation while navigating challenges associated with both local and international regulations. Countries such as India, Pakistan, and Vietnam may find these insights particularly relevant, given their similar economic conditions and challenges related to financial-sector development, employee motivation, and leadership dynamics. In developed economies, where there is a strong emphasis on technological innovation and organizational agility, this study also demonstrates how ethical leadership can foster employee innovation, even within highly competitive environments.

Several limitations of this study highlight the need for further investigation. First, the findings may not be generalizable to other industries or countries, as the study focused solely on the financial sector in Bangladesh. In addition, the sample may not fully represent all employees within the sector, which may affect the robustness of the results. The reliance on self-reported data may also introduce response bias. Furthermore, cross-sectional design limits the ability to draw definitive conclusions regarding causality. The study examined the mediating role of self-efficacy in the relationship between ethical leadership and innovative work behavior. Future Research could incorporate additional mediating or moderating variables, such as organizational identity and creativity to provide a more comprehensive understanding of the relationship. Researchers may also consider collecting data from multiple sources-for example, by having managers assess their own ethical leadership behaviors and evaluate employees' creativity-to enhance the validity of the findings. Moreover, future studies could adopt longitudinal design and multilevel analysis to examine the mediating role of self-efficacy at both individual and organizational level across different cultural and national contexts. Qualitative approaches, such as focus group or interviews, may also offer deeper insights into the relationships between ethical leadership, self-efficacy, and innovative work behavior. In addition, while this study draws on social exchange theory to develop its hypotheses, future research could explore these relationships by incorporating other theoretical perspectives, such as the componential theory of creativity, which emphasizes the role of individual creative ability in problem-solving and innovative performance.

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