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The moderating effect of religiosity on ethical behavioural intentions

An application of the extended theory of planned behaviour to Pakistani bank employees

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Abstract

Purpose – The purpose of this paper is to investigate Pakistani bank front-line employees' intentions to behave ethically by using the extended theory of planned behaviour (ETPB) into which religiosity (i.e. religious activity, devotion to rituals and belief in doctrine) is integrated as a moderating variable.

Design/methodology/approach – The authors collected 234 self-administered questionnaires and analysed them using SmartPLS 2.0, a second generation structural equation modelling technique.

Findings – This paper demonstrates that the ETPB can explain intentions to behave ethically. Moral norms (i.e. the rules of morality that people believe they ought to follow) and perceived behavioural control (i.e. people's perceptions of their ability to perform a given behaviour) are the best predictors of ethical behavioural intentions. The effects of injunctive norms (i.e. perceptions of which behaviours are typically approved or disapproved in an organisation) and of perceived behavioural control on behavioural intent are moderated by religiosity.

Practical implications – Leading by example, providing ethics training, empowering employees and encouraging the expression of religiosity are proposed as ways to foster an ethical culture in the workplace.

Originality/value – Even though numerous empirical studies have utilised variants of the theory of planned behaviour to explain consumer behaviour, its applicability to ethical behaviour in the workplace has scarcely been explored. Moreover, its tests in non-western contexts are scant. This study demonstrates the applicability of the ETPB in a broader circumstantial and cultural context and enriches it with religiosity, a pertinent characteristic of billions of people around the world. Finally, this is one of the very few ethics studies focusing on banking, an industry fraught with allegations of moral breaches.

Keywords Pakistan, Ethics, Banking, Quantitative, Religiosity, ETPB, Front-liners

Paper type Research paper

Introduction

In the post-industrial service and information economies of the twenty-first century, value is co-created by service providers and customers through "the exchange of pure, unembedded knowledge" (Vargo and Lusch, 2004) which is enabled by the customers' perception that there exists an ethical culture in the service organisation (Brunk, 2010). This holds especially true for high-contact businesses such as banking. Bank employees directly interact with customers during service encounters thus laying the basis of trust that leads to mutually beneficial relationships for both parties. Customers observing employees' ethical and fair conduct during service encounters form positive impressions about the firm (Hu *et al.*, 2012), propagate a positive "organisational social reputation" (Garavan and Mcguire, 2010) and, eventually, become loyal thus greatly contributing to an improved bottom line (Poole, 2009). On the contrary, the observation of employees' unethical conduct by customers triggers negative word-of-mouth about both the organisation and its employees and causes loss of business.

Moreover, when employees observe their colleagues' unethical behaviours they experience moral discomfort (Zarkada-Fraser and Fraser, 2000; Zarkada-Fraser and Skitmore, 1997) whilst there is strong empirical evidence (Zarkada-Fraser and Skitmore, 2000; Mumtaz *et al.*, 2011) that when employees feel that their organisational environment is in accord with their values they experience moral comfort and are thus more likely to experience higher levels of job satisfaction. Moral comfort is also positively related to increased length of service in the organisation (Zarkada-Fraser and Skitmore, 2000). An ethical organisation also enjoys employee engagement and loyalty (Mumtaz *et al.*, 2011; Poole, 2009) whilst an unethical climate threatens organisational as well as employee well-being (Hsieh and Wang, 2016). It is obvious, then, that there is a need for understanding the mechanism of ethical behaviour in business in order to foster ethical organisational cultures for the benefit of employees, customers, organisations and society at large. This paper aims to contribute towards this broad aim.

Rationale for the study
Even though various factors affecting the (un)ethical behaviour of managers have been empirically explored (as shown in the literature reviews by Loe *et al.*, 2000; Schlegelmilch and Öberseder, 2010), they have yet to be integrated into a coherent theoretical framework (Chang, 2013). Chang (1998, 2013) attributes this to the fact that researchers have not employed comprehensive psychosocial theories such as Ajzen's (1985) theory of planned behaviour (TPB) to the examination of ethical decision making in a business context. Indeed, our literature review revealed only two empirical studies (Jirotmontree, 2013; Chang, 1998) in which the TPB was applied to study business ethics but they were both focussed on consumer behaviour. We hereby attempt to advance our understanding by testing the applicability of the TPB to managerial decision making regarding ethical dilemmas.

Less than one-third of the 188 papers on ethical decision making in business reviewed in Loe *et al.* (2000) involved samples of managers; the rest utilised student samples in hypothetical situations. When the responses of students to moral decision making in a business context are compared to those of managers, however, they are found to differ (cf. Zarkada-Fraser *et al.*, 1998, with Ray *et al.*, 1999; Zarkada-Fraser and Skitmore, 2000). The practice of using students as surrogate managers has repeatedly been shown to have serious limitations (Greenberg, 1987; Oliver, 1980), so, in this paper, we aim to contribute to the general ethics literature by providing evidence regarding bank front-line personnel and managers' intentions to behave ethically in their professional life.

The father of the TPB has noted "the utility of adding more predictors" to his model (Ajzen, 2001). Recent studies have also highlighted the need to broaden the scope of constructs under consideration in ethical decision-making research by adding inherent as well as socially constructed influencers of the ethical intentions and behaviours of managers. One of the most interesting socio-cultural value systems that has been proposed as relevant to ethical behaviour in the workplace is religiosity (Singhapakdi *et al.*, 2013; Hunt and Vitell, 1986, 1992; Zarkada-Fraser, 2000; Singhapakdi *et al.*, 2000; Ho, 2010). Religiosity, also referred to as religiousness (Singhapakdi *et al.*, 2000) or religious conviction (Mcdonald and Pak, 1996), is a term used primarily in sociology to denote the numerous aspects of the effect of religion on the behaviour and mindset of its observers. It involves a faith in a superior being that guides individuals to pursue a path established by God and dictated by religious doctrine. Religiosity comprises "primarily utilitarian motivations that might underlie religious behaviours" and "religious involvement for somewhat selfish reasons" as well as "motivations based upon the inherent goals of religious tradition itself" and "commitment and involvement for more inherent, spiritual objectives" (Singhapakdi *et al.*, 2013). People express their religiosity through religious activity, devotion to rituals, adherence to doctrine and service to their religion.

It follows that religiosity is a most complex human trait because it acts as both an intrinsic and an extrinsic behavioural motive. It has been argued that religious practices strengthen faith, that faith helps people maintain moral standards and that high levels of individual morality make an overall ethical social setting (Winchester, 2008) – what has come to be known as the "good barrel" hypothesis (Singhapakdi *et al.*, 2013; Kish-Gephart *et al.*, 2010). Religiosity has been found to be an important ethical decision-making factor for managers (e.g. Singhapakdi *et al.*, 2013; Zarkada-Fraser, 2000; Ho, 2010) but it has never been incorporated into an existing comprehensive and well-established psychosocial model such as the TPB. Our study aims to bridge this gap in the literature.

Religion is one of the most influential value systems as it provides billions of individuals around the world, not only with a code by which they live their lives, but also with a social identity (Ysseldyk *et al.*, 2010). The level of religiosity, defined "as subjective (self-perceived strength of religious affiliation), behavioural (church attendance), and quasi institutional (extent of respect given to religious leaders)" (Alston, 1975), varies across countries and religions (Ho, 2010; Alston, 1975). As most of the work on religiosity has been carried out in western and Christian societies, we aim to add to the extant literature by focusing on Pakistan, a typical Asian Muslim country.

Context of the study
Pakistan, despite its importance as a fast growing next-11 economy (Lawson *et al.*, 2007), has not attracted much attention from scholars engaged with the TPB. There is some evidence of the applicability of the TPB in Pakistan in the context of consumer behaviour (Muzaffar, 2015; Al-Swidi *et al.*, 2014; Kashif and De Run, 2015) and only one study (Mumtaz *et al.*, 2011) on the ethical behaviour of bank personnel.

We hereby focus on the Pakistani banking sector which has been growing consistently through the active participation of both foreign and local investors (Awan and Shahzad Bukhari, 2011) in conventional (interest-based) and Islamic (non-interest based) banks. The banks in Pakistan perform several functions such as facilitating payments, mobilising savings and funding the country's development. They operate in a dynamic competitive environment which has been said to breed unethical marketing and procurement practices. Unethical behaviours and corruption in banking is common in collectivist cultures (Zheng *et al.*, 2013) and Pakistan, a typically collectivist culture (Khilji *et al.*, 2010), is no exception.

There have been press reports of misleading bank advertising, small print and failure to disclose to customers crucial facts about their accounts during service encounters. There is also anecdotal evidence that both front-liners and their managers often exploit the gross information asymmetry that naturally exists between them and their customers. In the fiercely competitive environment they operate in, bank employees can easily be tempted into taking advantage of novice consumers in order to meet their personal and organisational targets. In developing countries, where markets are still immature and people have low levels of financial literacy, self-serving misleading advice has the potential to negatively impact consumers' financial behaviours (Shih and Ke, 2014). When such practices become widespread the effect of bank employees' moral breaches on naïve, vulnerable or disadvantaged consumers is socially very costly. At the same time, unethical practices leave negative impressions on consumers, reduce consumers' perception of quality and erode consumer trust (Kashif *et al.*, 2014). Despite close monitoring of the banking sector by regulatory authorities, consumer malcontent stemming from banks' fraudulent, unethical or morally questionable practices is evident in Pakistan (Ram *et al.*, 2011).

To reverse negative public sentiment, and safeguard the system from personally and socially costly unethical behaviours we hereby propose that we first need to understand the moral decision-making mechanism of bank customer service personnel. We focus on this particular group of financial services workers because they come into direct contact with

customers but also influence the behaviours of large numbers of other front line personnel. In this way we also control for demographic factors such as education and income which must be taken into account when investigating ethicality (Sinha *et al.*, 2001). We seek to understand their decision-making patterns in order to pinpoint ways of intervening in order to foster a workplace culture that promotes ethical behaviour.

In the following sections of this paper we present a review of the literature on the TPB and religiosity leading to the conceptual model and the hypotheses that were tested through our empirical study, a description of the methods employed to collect and analyse the data, the results of the SEM analysis and a discussion of implications, contributions, limitations and recommendations.

Literature review
In this section we present a brief overview of the conceptual foundations of the study and we elaborate on the constructs used in the empirical study and their proposed relationships.

Conceptual foundations of the study
The exhibition of ethical behavioural intent by employees during service encounters is important in high context service settings such as banking as it is positively rated by both customers and co-workers and results in higher levels of trust (Hansen and Riggle, 2009). Of all the models that aim to predict human behaviour the TPB (Ajzen, 1991) – drawn from philosophy, sociology and psychology – stands out for its being well-documented and applicable to a variety of decision-making contexts. It has been used extensively to investigate and predict various types of workplace behavioural intents.

The TPB asserts that human behaviour is under volitional control which, in the absence of significant deterrents, triggers intentions to behave in a certain way. Ajzen and Fishbein (1980) demonstrated that the drivers of behavioural intentions are attitudes and norms. Later, Ajzen (1991) demonstrated that perceived behavioural control not only influences behavioural intent but also affects actual behaviour. Perceived behavioural control is important as, despite their positive attitude towards an act and its perceived social desirability, individuals might not eventually perform it because they feel they are not capable of it. To this conceptualisation (Ajzen, 2002) added past behaviour as another determinant of behavioural intention. Norms were distinguished into moral and descriptive ones thus leading to the extended theory of planned behaviour (ETPB) which is considered as a rather comprehensive model of social behaviour (Ajzen, 2011). We hereby propose the incorporation of religiosity as an element moderating the effect of existing ETPB constructs on ethical behavioural intents. In the following section we elaborate on the constructs and their hypothesised relationships.

Constructs and hypothesis development
As discussed above, the ETPB model comprises attitude, norms, perceived behavioural control and past behaviours. Attitude refers to a person's judgment of the outcomes of a particular behaviour. Here, with the "attitude" construct we explore how people feel towards making an ethical decision in the future. Do they think it is a pleasant and satisfying experience, for example, or do they see it as an unpleasant and unsatisfying one? Norms are distinguished into injunctive, descriptive and moral ones. Injunctive norms express people's perception of how certain behaviours of theirs are evaluated by their family, friends or peers. In our study, we explore the degree to which Pakistani banks' front-line employees and managers (thereafter summarily referred to as "managers") think their colleagues approve of their behaving ethically at work. Not all reference groups, however, have the same impact on people's behavioural intent, so we

explore the impact of subjective norms by asking about relationships of varying degrees
of psychic distance such as the people closest to them, friends in the organisation and the
majority of the members of their organisation. Descriptive norms reflect respondents'
beliefs that other people in their organisation behave ethically. Moral norms reflect
people's reaction to higher order principles that determine what is seen as essentially right
and wrong. Whilst subjective norms are internalisations of external influences, moral
norms are intrinsic to the individual. Perceived behavioural control is a personal
characteristic that refers to people's perceptions of their ability to perform a given
behaviour. In the context of the study presented here we explore how empowered bank
managers feel. Do they feel free to behave according to their personal moral standards?
Are they confident in their ability to select their course of action? The construct of past
behaviour, which was added to the TPB model at a later stage, has been shown capable of
shaping people's attitudes (Goles *et al.*, 2008). The proposition that behaviours of the past
determine future intentions and behaviours has been well supported in the literature
(Knowles *et al.*, 2012) and so has their effect on attitudes towards behaving in an ethical
way (Tenbrunsel *et al.*, 2010). Ethical behaviours performed in the recent past strengthen
moral identity and perceived behavioural control in people (Gino and Bazerman, 2009).
Once a sense of control is instilled, then attitude starts working as a positive stimulus
that triggers ethical decision making. Similarly, memories of unethical behaviours are
also important.

To the ETPB, we here propose the inclusion of religiosity. Religiosity refers to the
strength of people's faith in the existence of God, their relationship with divinity, their acting
in accordance with religious principles and their observing practices concerning various
aspects of life (Alhouti *et al.*, 2015). Individuals who strictly follow religious principles score
high on religiosity and are more likely to exhibit an attitude that fosters ethical intent
(Weaver and Agle, 2002). The combined effect of education, age, gender and religiosity has
been found to influence the ethical intentions of individuals (Bateman and Valentine, 2010;
Atakan *et al.*, 2008). Moreover, religiosity shapes people's self-identity which increases
perceived behavioural control. Despite the fact that religiosity has been explored in the
context of ethics before (see the literature review of Vitell, 2009), Gundolf and Filser (2013)
conclude their literature review with a call for further investigation of the effect of
expressions religiosity in the workplace on corporate ethics. So, in this study we heed the
call and incorporate it alongside the constructs defined above into the conceptual model of
the research presented in Figure 1. All the hypotheses shown in the model for this study are
elaborated below.

The relationship between the past behaviour of managers, their attitudes and norms, on
the one hand, and their intentions to behave ethically in the workplace, on the other, has
been found to be a complex, non-linear one. Further research into it has been strongly
recommended (Treviño *et al.*, 2014) so, it is here proposed that:

H1. Past behaviour positively influences attitude to making an ethical decision in
the future.

For employees to behave ethically during service encounters there needs to exist an
ethical culture in the workplace (Hansen and Riggle, 2009). Indeed, certain organisational
factors such as peer behaviours, reward systems and socialisation (Mcclaren, 2013) or
social pressure to conform to organisational norms (Phau and Kea, 2007) can positively or
negatively influence members' attitude towards making ethical decisions. For example,
attitude towards time-theft behaviours in the workplace has been found to be negatively
related to organisational support for ethical decision-making and work-life balance (Henle
et al., 2010). Thus we surmise that both role modelling and company policies act as
triggers of a favourable attitude to making ethical decisions (Park and Blenkinsopp, 2009).
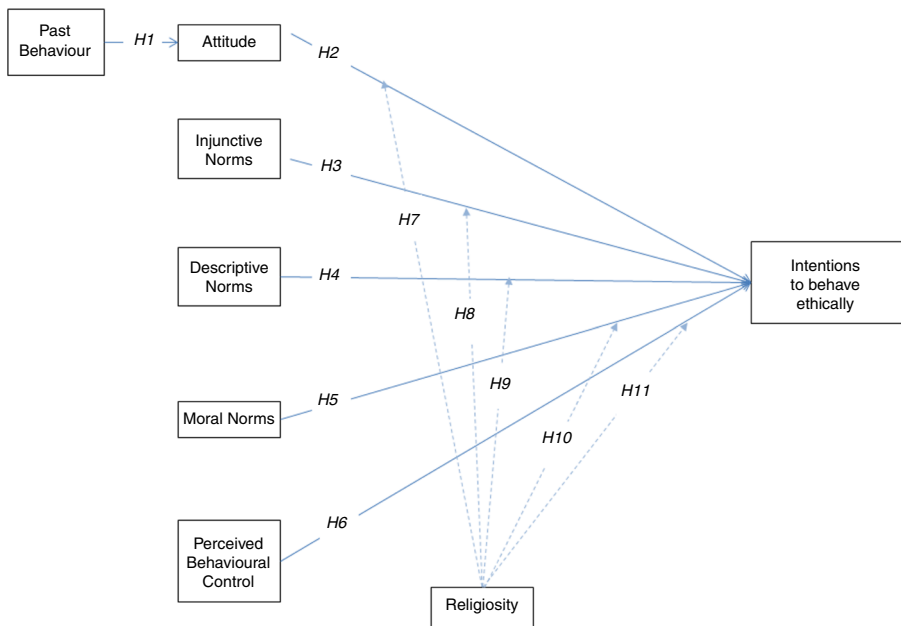
Figure 1.
The conceptual
research model

We hereby summarise the above in order to test them in the context of Pakistan through the following hypothesis:

H2. Managers' favourable attitude to making an ethical decision in the future positively contributes to their ethical behavioural intentions.

In the initial TPB model (Ajzen, 1991), the impact of norms on behavioural intent was highlighted. Workplace research has empirically demonstrated the importance of subjective norms in predicting ethical behaviours (Gino and Bazerman, 2009). These can be impersonal, extrinsic factors such as social pressures at work. The personal values of people, their self-identity and ideology are also of great importance in predicting the ethical intentions of individuals (Ruiz-Palomino and Martinez-Cañas, 2011). Moral norms are, to a great extent, culturally determined. So are the impact of people's propensity to conform and the effect of reference groups on both the attitude and the social behaviour and behavioural intentions of individuals. For example, the impact of subjective norms on social behaviours can be much higher in collectivist cultural settings where people seek to maintain their in-group identity and value human relations more than workplace formalities (Husted and Allen, 2008). We hereby test the applicability of the findings of earlier studies in the context of banking in Pakistan through the following hypotheses:

H3. Injunctive norms positively contribute to managers' ethical behavioural intentions.

H4. Descriptive norms positively contribute to managers' ethical behavioural intentions.

H5. Moral norms positively contribute to managers' ethical behavioural intentions.

The belief in ones' self, also known as perceived behavioural control, is a strong predictor of decision making in social settings (Ajzen, 1985). Perceived behavioural control is an individual phenomenon and a product of national and corporate culture (Chun *et al.*, 2013). Organisational policies and codes of ethics have been found to influence perceived

behavioural control in work settings (Cohen, 1988) and their effect is enhanced by their unequivocal top-down communication (Henle *et al.*, 2010). A strong and explicitly communicated ethical culture can encourage a feeling of empowerment as well as act as a binding force that supports managers in their decision to remain ethical (Sauser, 2005; Sauser, 2008; Sauser and Sims, 2007). Even though perceived behavioural control is culturally determined, it has also been found to be related to personal characteristics such as education and work experience (Cherry, 2006). We are here controlling for all sociodemographic elements except age and gender and test the following hypothesis:

H6. Perceived behavioural control positively contributes to managers' ethical behavioural intentions.

In the Muslim world, religiosity strongly influences all types of management decisions and practices (Shah Alam *et al.*, 2011). It is expressed in praying at work, being honest, respecting confidences and working towards each other's welfare (Beekun and Badawi, 2005). Based on the above, we incorporate religiosity in the ETPB model though the following hypothesis:

H7. Religiosity moderates the relationship between attitude to making an ethical decision and the intention of managers to behave ethically.

Higher levels of religiosity have been found to positively influence individuals' developing stronger moral identities which, in turn, increase the likelihood of their forming the ethical intentions (Vitell, 2009) that lead to ethical decision making (Bloodgood *et al.*, 2008). Managers that exhibit higher levels of religiosity are not only less likely to become involved in unethical activities but also more likely to report financial irregularities of their peers (Dyreng *et al.*, 2012). We hereby propose that what we see in these studies is the effect of religiosity on the norms and, subsequently, the ethical intentions of managers. This idea is expressed in the following hypotheses:

H8. Religiosity moderates the relationship between injunctive norms and the intention of managers to behave ethically.

H9. Religiosity moderates the relationship between descriptive norms and the intention of managers to behave ethically.

H10. Religiosity moderates the relationship between moral norms and the intention of managers to behave ethically.

Levels of religiosity vary according to social factors such as religion and culture (Shah Alam *et al.*, 2011). Religiosity is also linked with the levels of perceived behavioural control exhibited by people in both social and organisational settings (Cohen *et al.*, 2012; Cherry, 2006; Vitell, 2009). Employees who score high on religiosity tend to exhibit higher levels of perceived behavioural control (Walker *et al.*, 2012). The reverse has also been found to be true: people exhibiting higher levels of perceived behavioural control were found to be more likely to be influenced by religious teachings and practices (Welch *et al.*, 2006). Finally, perceived behavioural control has been found to be influenced by people's orientation towards religious beliefs which in turn affect their ethical intentions (Baumeister *et al.*, 2007). To integrate all the above, we hypothesise the following:

H11. Religiosity moderates the relationship between perceived behavioural control and the intention of managers to behave ethically.

Research methods
Sampling and data collection procedures
The population of the empirical study is defined as customer service (front-line) clerks and managers in the private banks of Pakistan. To maintain a subject-to-item ratio of 10:1

stipulated by Randall and Gibson (2013) a minimum of 230 respondents was required. We approached a random sample of 280 employees of which 234 people returned complete and useable questionnaires (the rest declined because of their busy work schedule). The response rate was 83.5 per cent, well above the average of 35.7 per cent commonly achieved in quantitative organisation studies (Baruch and Holtom, 2008).

The participants were personally contacted during office hours at the bank. The purpose of the research was fully explained to them and, after they agreed to participate, the questionnaire and an unmarked envelope were handed to them. The researcher remained available in the waiting area until the questionnaires were completed and returned to him by the participants in the sealed envelope. Customer service personnel and mangers of Pakistani banks are allocated single-occupancy offices so there were no chances of discussion and no eye contact among participants while completing the questionnaire. We also went to great lengths to avoid visual contact between the participants and the researcher during the survey completion time. The questionnaires, comprising self-reported measures only, were anonymous and uniform in appearance with no identifying marks on them. Moreover, the personal details of the participants (such as their names on their doors, branch or rank) were not recorded. These measures, an adaptation of procedures followed, in earlier business ethics research projects (Henle *et al.*, 2010; Ray *et al.*, 1999; Zarkada-Fraser and Skitmore, 2000), were adopted in order to reduce social desirability bias, a common problem with this type of research (Conway and Lance, 2010).

Measures and survey instrument design
The language of the questionnaire was English because it is the formal language of everyday communication in Pakistani banks. All the respondents were well-educated and bilingual in Urdu and English.

The questionnaire consisted of three parts: ETPB-related measures, religiosity and demographics (only age and gender to preserve complete anonymity). The scales were developed for this study. To avoid common method bias, the total number of items in the survey was kept to the minimum required. All constructs and the items comprising them are listed in Table II.

Attitude to making an ethical decision in the future (six items, see "Attitude" in Table II) was measured on a five-point semantic differential scale expressed in the questionnaire as follows: "In the near future, making an ethical decision in my organization would be: unpleasant/pleasant, useless/useful, unsatisfying/satisfying, unfavourable/favourable, negative/positive, bad/good". Moral norms (three items), perceived behavioural control (four items), past behaviour (three items), behavioural intention (three items), and Religiosity (five items) were measured on a five-point Likert scale from 1 = "strongly disagree/most unlikely" to 5 = "strongly agree/highly unlikely".

Data analysis procedures
We used a single source of data for both the dependent and the independent variables, therefore, we first checked for common method bias by performing an un-rotated principal component factor analysis on all measurement items (Simonin, 1999). The analysis extracted seven factors with eigenvalues greater than 1.0 which accounted for 60.26 per cent of the total variance with the first factor accounting for only 24.26 per cent of the variance. We also examined the correlation matrix. As the highest inter-construct correlation was only 0.631 (see Table III) which is substantially lower than the recommended 0.90 (Bagozzi *et al.*, 1991) we conclude that common method variance does not appear to be a problem in this data set.

To test the model we developed for this research (shown in Figure 1), we applied the partial least squares structural equation modelling technique using SmartPLS 2.0, a second generation analysis software that can be used to test complex models with latent variables

(Ringle *et al.*, 2005). We followed the recommended two-stage analytical procedure suggested by Anderson and Gerbing (1988) so the measurement model was first tested to validate the instruments and then we proceeded to test the structural model of the hypothesised relationships.

Findings
The sample consisted of 164 (71 per cent) male and 70 (29 per cent) female respondents. The age distribution of the sample is summarised in Table I.

As no identifying information was asked of the respondents we can only surmise from the age distribution that approximately 30 per cent of the respondents held a managerial position. Based on our experience we can say that the sample is adequately representative of the population.

Measurement model analysis
To assess the measurement model we first assessed the loadings of the indicators to ensure that they were above the threshold level of 0.6 (Chin *et al.*, 1997). The average variance extracted (AVE) should be above 0.5 and the composite reliability should be above 0.7 (Hair *et al.*, 2014). It can be seen from Table II that all the values are above the recommended thus ensuring that convergent validity (the degree to which two measures of constructs that theoretically should be related, are in fact related) was achieved.

Discriminant validity (the extent to which a construct differs from other constructs within the established model) was checked by comparing the square root of the AVE with the correlations among constructs (Fornell and Larcker, 1981). The square roots of the AVE values are higher than the correlation values in the respective row and column (shown in Table III). Moreover, the difference between the loadings and the cross loadings shown in Table III are all higher than the recommended 0.1 (Hair *et al.*, 2014) so it is confirmed that the measures are discriminant.

Finally, we examined predictive relevance using the Stone-Geisser Q^2 criterion with the blindfolding omission distance set at the default value of 7 (Hair *et al.*, 2014). Since the Q^2 values of the two endogenous constructs "Attitude" and "Behavioural Intention" were 0.024 and 0.179, respectively, which is larger than the recommended 0 (Bagozzi *et al.*, 1991) we can conclude that the model has sufficient predictive relevance.

Structural model analysis
After the measurement model was validated we proceeded with the path analysis to test the 11 hypotheses generated for this study. Table IV presents the results of the structural model analysis. We first controlled for age and gender by regressing the two control variables with the intention to behave ethically. Only gender was found to be significant ($\beta = 0.201$, $p < 0.01$) with males having a higher intention to behave ethically than females. Age was not significant.

Next we modelled all the main effects. The R^2 value was 0.049 for attitude suggesting that 4.9 per cent of the variance in attitude can be explained by past habits ($\beta = 0.222$, $p < 0.01$) which supports *H1*. Next we tested the direct effects of the main constructs on intention to behave ethically. Moral norms ($\beta = 0.307$, $p < 0.01$) and perceived behavioural

Age groups	Frequency	%
22-27	62	26.5
28-35	99	42.3
36-45	53	22.6
45 and above	20	8.6
Total	234	100

Table I.
Sample demographics

Constructs	Variables	Loadings	AVE	CR
Attitude	Unpleasant – pleasant	0.696	0.571	0.888
	Useless – useful	0.662		
	Unsatisfying – satisfying	0.787		
	Unfavourable – favourable	0.797		
	Negative – positive	0.821		
	Bad – good	0.760		
Behavioural intention	I will behave ethically for the next three months	0.794	0.664	0.855
	I would like to behave ethically for the next three months in this organisation	0.873		
	How likely do you think it is that you will behave ethically?	0.774		
Subjective norms				
Descriptive norms	Most people in this organisation behave ethically	0.822	0.589	0.740
	My friends behave ethically in this organisation	0.709		
Injunctive norms	The people closest to me support me to behave ethically in this organisation	0.840	0.571	0.798
	Most of the people in this organisation would approve of my intentions to behave ethically	0.760		
	My friends in this organisation will approve my intentions to behave ethically	0.657		
Moral norms	I am the kind of person who will behave ethically in this organisation	0.753	0.629	0.836
	I would feel guilty if I did not behave ethically in this organisation	0.826		
	I believe I have a moral obligation to behave ethically in this organisation	0.798		
Past behaviour	In the last three months I behaved ethically during my job	0.755	0.603	0.819
	In the last three months I took many ethical decisions	0.715		
	In the last three month, I advised people around me to behave ethically	0.853		
Perceived behavioural control	My intentions to behave ethically can change my behaviour in my organisation	0.608	0.631	0.870
	Overall, I have much control over my ethical behaviour in this organisation	0.856		
	It depends mostly upon me to behave ethically in this organisation	0.867		
	I am very confident that I would be able to behave ethically in this organisation	0.818		
Religiosity	I regularly pray five times a day	0.641	0.521	0.844
	I have a great sense of Allah's presence	0.741		
	It is important for me to spend more time on religious activities	0.774		
	I live my life according to my religious beliefs	0.770		
	I follow religion because it gives me comfort in times of trouble and sorrow	0.675		

Table II.
Measurement model

Notes: AVE, average variance extracted; CR, composite reliability. The italicised cells indicate the ETPB constructs used

control ($\beta = 0.214$, $p < 0.01$) were positively related to the intention to behave ethically whereas attitude, injunctive norms and descriptive norms were not significant with all the variables explaining 29.3 per cent of the variance. Thus *H5* and *H6* were supported whereas *H2*, *H3* and *H4* were not supported. Finally, religiosity was positively ($\beta = 0.100$, $p < 0.1$) related to the intention to behave ethically.

To test the moderating effect of religiosity we used the product-indicator approach (Henseler and Fassott, 2010) and mean-cantered the predictor and the moderator variables to reduce multicollinearity (Cohen, 1988). When the interaction effect was entered into the

Construct	Mean	SD	1 AT	2 BC	3 BI	4 DN	5 IN	6 MN	7 PB	8 RE
1. Attitude – AT	4.192	0.622	*0.756*							
2. Perceived behavioural control – BC	4.011	0.696	0.244	*0.794*						
3. Behavioural intention – BI	4.072	0.729	0.159	0.396	*0.815*					
4. Descriptive norms – DN	3.949	1.052	0.075	0.360	0.221	*0.767*				
5. Injunctive norms – IN	3.923	0.706	0.193	0.566	0.272	0.477	*0.756*			
6. Moral norms – MN	4.052	0.715	0.206	0.449	0.437	0.329	0.312	*0.793*		
7. Past behaviour – PB	4.027	0.698	0.222	0.382	0.631	0.252	0.321	0.577	*0.776*	
8. Religiosity – RE	4.254	0.591	0.278	0.349	0.276	0.163	0.214	0.259	0.354	*0.722*

Note: Values on the diagonal (italicised) represent the square root of the average variance extracted while the off diagonals are correlations

Table III.
Discriminant validity

Hypothesis	Relationship	Std Beta	SE	*t*-value	Decision
H1	Past behaviour → attitude	0.222	0.057	3.904**	Supported
H2	Attitude → behavioural intention	0.024	0.036	0.661	Not supported
H3	Injunctive norms → behavioural intention	0.063	0.062	1.016	Not supported
H4	Descriptive norms → behavioural intention	−0.011	0.052	0.214	Not supported
H5	Moral norms → behavioural intention	0.307	0.083	3.704**	Supported
H6	Perceived behavioural control → behavioural intention	0.214	0.081	2.640**	Supported
H7	Attitude × religiosity → behavioural intention	−0.003	0.069	0.049	Not supported
H8	Injunctive norms × religiosity → behavioural intention	0.159	0.092	1.741*	Supported
H9	Descriptive norms × religiosity → behavioural intention	−0.059	0.064	0.914	Not supported
H10	Moral norms × religiosity → behavioural intention	0.039	0.081	0.473	Not supported
H11	Perceived behavioural control × religiosity → behavioural intention	0.149	0.087	1.709*	Supported

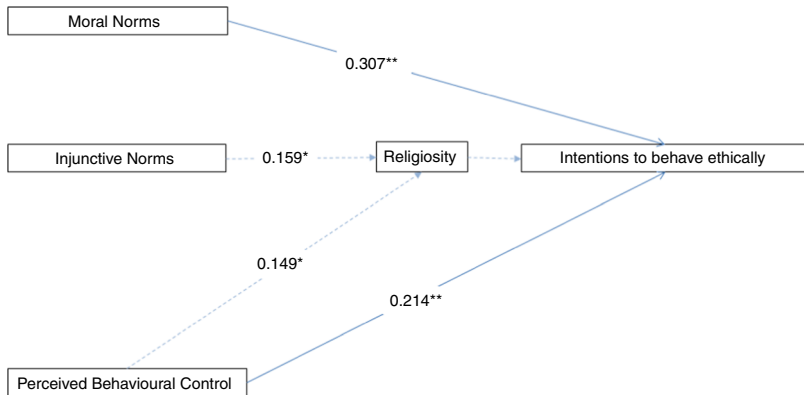**Notes:** **$p < 0.01$, *$p < 0.05$

Table IV.
Hypothesis testing

model the R^2 increased to 0.312 which gives an R^2 change of 1.9 per cent. The effect size f^2 was 0.026 which is considered small (Cohen, 1988).

The interaction terms of injunctive norms × religiosity ($\beta = 0.159$, $p < 0.05$) and perceived behavioural control × religiosity ($\beta = 0.145$, $p < 0.05$) were significant whereas the other three interaction terms of attitude × religiosity, descriptive norms × religiosity and moral norms × religiosity were not found significant. Thus, *H8* and *H11* were supported whereas *H7*, *H9* and *H10* were not supported. Thus the empirical model of the study (shown in Figure 2) was generated.

Finally, we plotted the interaction effect to see how the moderator changes the relationship between injunctive norms → intention to behave ethically and perceived behavioural control → intention to behave ethically as stipulated by Dawson (Dawson, 2014). The results are shown in Figures 3 and 4.

As shown in Figure 3, the positive relationship between injunctive norms and intention to behave ethically is stronger when religiosity is high whereas for those with lower religiosity there is no impact. This supports the notion that religiosity enhances the positive relationship between injunctive norms and intention to behave ethically.

As shown in Figure 4, the positive relationship between perceived behavioural control and intention to behave ethically is stronger when religiosity is high, whereas, for those with lower religiosity there is no impact. This supports the notion that religiosity enhances the positive relationship between perceived behavioural control and intention to behave ethically.

Figure 2.
Empirical model
of the study

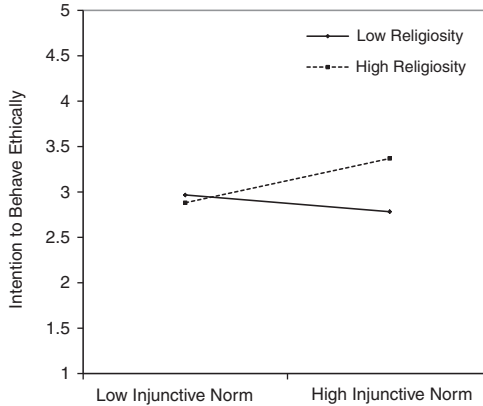**Notes:** **$p<0.01$; *$p<0.05$

Figure 3.
The moderating effect
of religiosity on
injunctive
norms →intention to
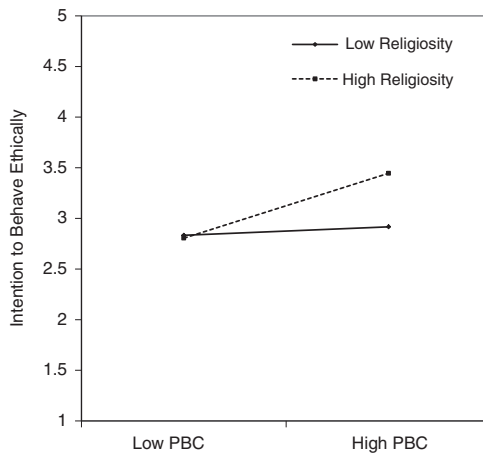behave ethically
relationship

Figure 4.
The moderating effect
of religiosity on
perceived behavioural
control →intention to
behave ethically
relationship

Discussion

We offer our findings in the belief that the testing of an elaboration of an established psychosocial theory, such as the ETPB, on a sample of managers increases the credibility of the findings. The study has demonstrated that aspects of the ETPB can be successfully applied to the investigation of a developing country's bank managers' intentions to behave ethically. Its most important contribution to the literature lies with the incorporation of religiosity into the ETPB and the empirical testing of its effect on bank managers' intentions to behave ethically. We found that, the effect of injunctive norms and perceived behavioural control on the intention to behave ethically is mediated by religiosity. Descriptive norms had no impact on behavioural intent, a finding we attribute to the magnitude of intrinsic factors that out-shadow the desire to conform. This is consistent with the findings of similar studies in different contexts (e.g. Mcclaren, 2013) in which attitude and norms did not individually predict ethical behaviour. Moral norms, however, had a direct effect on the intention to behave ethically as had perceived behavioural controls.

The memory of past ethical behaviours was not found to have an impact on the managers' attitude towards making an ethical decision in this data set. This finding points to the need for a qualitative approach to exploring fine nuances in attitudes that cannot be captured by a semantic differential scale, no matter how robust and internally consistent it might be. Moreover, a deeper examination of the types and intensity of the past behaviours of bank front-liners and customer service managers as well as of their contextualised intentions could provide useful insights into the complex process of ethical decision making which is known to be anything but spontaneous.

The best predictors of ethical behavioural intentions of bank managers in Pakistan were found to be intrinsic factors, namely moral norms and perceived behavioural control. The role of moral identity has also been highlighted by Ruiz-Palomino and Martinez-Cañas (2011). Our findings are also consistent with those of studies of the demographic, social, religious, and organisational antecedents of professionals' perceived behavioural control (Chun et al., 2013) and the effect of moral norms and perceived behavioural control on the intentions to behave ethically in the workplace (Henle et al., 2010).

It could be argued that the in-group effect on the behavioural intention of individuals found in consumer studies (such as the one by Husted and Allen, 2008) reflects the strong impact of a social desirability bias inherent in consumption which, however, is not experienced by professionals in the course of duty, especially in organisations such as banks, where every employee is individually accountable for his or her actions. The overall mitigating effect of individual accountability has also been highlighted by Zheng et al. (2013) and, especially its link with perceived behavioural control has been previously documented (Cherry, 2006).

Another reason why the findings of applications of the ETPB on consumption decisions, especially when these utilise student samples, are only partially confirmed by our data could be sample demographics. There are indications, but not enough conclusive evidence, of the influence of demographics on managers' intentions to behave in an ethical way in the literature (Bateman and Valentine, 2010). In this study we only included two demographic attributes (age and gender) in order to ensure that respondents were not only anonymous but also completely unidentifiable. Nevertheless, our results reveal the significance of gender. In this data set, males were more likely to report an intention to behave ethically than females. We can offer no explanation of this finding. Further examination of the complete sociodemographic profile of the respondents is required to establish the root cause of this finding. For example, gender differences here might actually reflect workplace inequalities as the employee's hierarchical level and job description can make a big difference in empowerment levels as well as on the thinking patterns that are pivotal in shaping perceptions of the self and one's place in society and the employing organisation.

Furthermore, the results of our study reveal that injunctive norms and perceived behavioural control better predict the ethical intentions of those managers who exhibit higher levels of religiosity. Religiosity has been previously addressed in psychology studies (Alhouti *et al.*, 2015) but its applications in business contexts are scant and lacking in theoretical rigour (Loe *et al.*, 2000). Our results strengthen the evidence provided by studies of the positive effect of religiosity on the promotion of corporate ethics (such as the one by Gundolf and Filser, 2013), especially in the financial services sector (e.g. Dyreng *et al.*, 2012). A belief in a supreme being, devotion to higher order principles, a strong sense of belonging and a full-hearted immersion in religious rituals not only help establish a moral identity (Vitell, 2009) and provide a way life but also act as socialisation agents and a source of strength and courage to stand up for what one believes in – sometimes even irrespective of consequences. It follows that, in a country such as Pakistan where religion is openly practiced in social and even professional settings, the results that show the predominance of moral and injunctive norms as well as behavioural controls are understandable. Our results support the findings of recent studies (Walker *et al.*, 2012) on the effect of religiosity on ethical judgements.

Limitations and recommendations for further research
Despite its conceptual and methodological rigor, our study is not without its limitations. First, the data were collected only from bank managers so it is likely that the generalisability of the findings to other sectors remains limited (Cohen, 1988). Data drawn from other high-contact service sectors are needed for the theoretical advances offered here to be verified. Moreover, a single country setting also limits the generalisability of the findings. Cross-cultural ethics research, especially when practicing managers provide the data, have amply demonstrated that both culture and ethnicity strongly affect not only perceptions of ethicality but also peoples' thinking patterns – even when their job contexts are identical and their cross-cultural exposure is high (see for example Fraser and Zarkada-Fraser, 1999; Zarkada-Fraser and Fraser, 2001; Zarkada-Fraser and Fraser, 2002). A triangulation approach, whereby employees' self-reports would be examined *vis-a-vis* the perceptions of clients as well as in view of corporate policy communication and enforcement would add strength and clarity to the model presented in this study.

Second, the research design employed in this study is a cross-sectional one, and as such, it does not take into account changes in behaviour, societal attitudes and norms over a period of time. It also cannot establish changes in the level of religiosity and overall ethicality for which regular, repeated rounds of data collection would be required.

Finally, in this exploratory study, ethicality is examined in an abstract sense. The wording of the data collection instrument was such that each respondent was left to define ethicality in her own way. What, however, one person considers as immoral another one might not even perceive as a moral issue (Zarkada-Fraser and Fraser, 2001; Ray *et al.*, 1999; Zarkada-Fraser and Skitmore, 2000). Moreover, critical issues such as the context of the judgement or the probability and severity of the consequences of the intended act have been purposefully left out of this study but we hereby acknowledge the need for them to be taken into account.

Managerial implications of the study
We believe that our testing an established theory using data reflecting the everyday experiences of managers increases the likelihood of corporate audiences, especially those in banking with an interest in the Muslim world, adopting our recommendations. This study has demonstrated the importance of cultivating organisation-wide moral norms, empowering employees to follow them and encouraging religiosity in the workplace in order to further strengthen ethical behaviour. Even though in this study past behaviours

were only found to impact on attitude, the importance of memory in encouraging and supporting an ethical work climate has been amply demonstrated before (Shahriar Ferdous and Polonsky, 2013). These findings call for the elaboration and application of strategies for the institutionalisation of ethicality in the workplace. We concur with some of the recommendations offered in earlier ethics studies (Sauser, 2005; Sauser and Sims, 2007; Zarkada-Fraser and Fraser, 2001; Zarkada-Fraser, 2000), namely, being proactive in hiring and promoting people of integrity, adopting codes of ethics and providing consistent ethics training.

This study has demonstrated the importance of empowering employees to act on their beliefs and to uphold ethical norms thus becoming "guardians of integrity" (Sauser, 2005). In practice, this finding calls for periodic and systematic ethics audits, establishing a whistle blower protection system, celebrating ethical and correcting unethical behaviour and rewarding integrity.

Our most important contribution was the firm positioning of religiosity in the decision making schemata of managers. The institutionalisation of expressions of religiosity, however, is not without legal, ethical or psychological ramifications with respect to anti-discrimination and human rights legislation and policies (Poole, 2009). These need to be balanced with the benefits of spiritual leadership that liberates employees' higher self, gets the best out of people at work as they experience higher levels of well-being and accelerates organisational change (Poole, 2009). We propose that the careful and sensitive promotion of certain religious activities in the workplace can help spread and reinforce moral norms thus curtailing unethical behaviours and inspire the resolve to behave ethically. In countries such as Pakistan, it is relatively straightforward and not particularly controversial to introduce, for example, formally timetabled prayer times during the work day, group discussions of Islamic morality and elaboration of religious beliefs into corporate codes of practice. Religion-specific ethics training has been found to contribute towards increased levels of ethicality (Taek Yi *et al.*, 2012). Our findings, albeit indirectly, support the suggestion that the ethics training should emphasise the religious dimension in order to increase the levels of religiosity and its linkage with ethicality, again, with a caveat towards the rights of non-believers. In more secular or multicultural societies a non-denominational approach to religiosity can also be adopted.

The importance of injunctive (i.e. perceptions of which behaviours are typically approved or disapproved in an organisation) and moral norms (i.e. the rules of morality that people believe they ought to follow) alongside the effect of perceived behavioural control (i.e. people's perceptions of their ability to perform a given behaviour) that this study has demonstrated strongly suggest that ethicality is contagious and that religiosity (i.e. religious activity, devotion to rituals and belief in doctrine) facilitates and accelerates the contagion. So if we want workplaces that inspire trust and loyalty in both customers and employees we need to institutionalise a culture of religiosity and ethicality.

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