

## Authentic Leadership Impact on Perceived Organizational Performance: Case of Islamic Banking in Pakistan

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### Abstract

Authentic leadership significantly impacts organizational environment and play a pivotal role for the achievement of organizational performance. Authentic leadership style oriented with Islamic values crafts momentous economic growth to turn businesses into prosperous organizations surrounded by its competitors with great value to Islamic banking business in the country and prohibit them from “**Ribā**”. This research recapitulates all-encompassing literature review established with data collection essentially commenced from qualified professionals of Islamic banking service industry employed at different leadership roles in national and international Islamic banking organizations of Hazara region KP, Pakistan. Outcomes appearance is a robust credence in the implication of authentic leadership style merged with Islamic moral values connecting moderated mediation effect of moral intensity and ethical decision making. A constructive organizational background with connected communication and cultural achievements relating to the authentic leaders as the strategic progression elevate all dimensions of authentic leadership in connection with moral intensity and ethical decision making constructs dimensional relationships.

**Keywords:** Leadership style, authentic leadership, Islamic values, Moral intensity, Ethical decision making, Perceived Organizational Performance, authentic moral self, Islamic ethical values, Islamic banking.

### Introduction:

In south Asian region the Islamic banking services industry never remained stagnant and plays an important role for the development country in region through perceived organizational performance (POP). The compliance of “*Sharī‘ah*” through introduction of new Islamic values based products and services, innovative strategies, use of visionary Islamic ideology oriented authentic leadership (AL) style and intense “**Ribā**” free economy determined highly effective performance. These types of organizations occasionally remain in problems while “*Sharī‘ah*” compliance is additionally leading them towards the emerging banking organizations and dealing with market prevailing competition. The tough market prevailing competition, organizational psychological issues like cynicism, addressing through authentic moral and Islamic leadership implementation are big constraints for doing business. There are different solutions to accommodate these types of situations in organizations, ambition and imaginings of their individuals to supremacy extensive tenure development.

The basic purpose for these organizations is objectives achievement of strategic level and established organizational goals however binding is basic faith.<sup>1</sup>

Authenticity construct is not a simple word in its meaning but accumulated on the entrenched in diverse levels of sincerity. Allah says:

إِنَّا أَنْزَلْنَا إِلَيْكَ الْكِتَابَ بِالْحَقِّ فَاعْبُدِ اللَّهَ مُخْلِصًا لَهُ الدِّينَ.

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<sup>1</sup>Wohlers-Scharf, T. Arab and Islamic Banks, (Paris: New Business Partners for Developing Countries, 1983), OECD.

“Surely we have revealed to you the Book with the truth, therefore serve Allah, being sincere to Him in obedience”.<sup>2</sup> The sayings of Prophet (PBUH) is “Certainly there is a reality of every truth and a servant cannot reach the reality of *Ikhlas* unless he doesn’t like people to praise him for the actions he has done (only) for the sake of God”.<sup>3</sup> The same is dealing with internal and in depth sophisticated moral awareness by using ethical, moral and authentic based self-Islamic values schemas. One way the organizations are confident but in fact very well prearranged on practicing values engraved in their time based gradual developed culture. Similarly on the other hand creating an enormous hope for the organizational members and employees develop to be talented and get involved in exploring their personal expectations, thoughts and anxieties in extreme honest and harmless styles for their organizations<sup>4</sup>. It is a global occurrence derived from the organizational performance contextual point of view. It is linked and has more emphasis on south Asia which shows that as a global business revenue contributor. The research shows that more than seventy per cent of the profit comes from Asian countries. This is in fact more appropriate for the banking service industry and its related practicing organizations belong to this global region in south Asia<sup>5</sup>. Further with more intentional research focus on this topic which also shows that the leadership styles affect subjective performance interchangeably used as POP denoted as the non-financial performance and correspondingly on the financial performance by the involvement of different organizational levels of leadership.<sup>6</sup>

Therefore amongst the leadership styles AL is a new and emerging leadership style derived from very deep rooted and old Greek’s construct authenticity intensely known in ancient western culture? This concept is also present in the area of recognized positive organizational psychology and Islamic thoughts particularly in “Fiqh”. According to Islamic thoughts the leadership is to the one that seeks happiness for the individual and society.<sup>7</sup> Bestowing with the concentration on home grown levels of research the modern Islamic banking service industry based organizations top managerial level challenges need positive, moral, ethical and authentic leadership style according to their vision for handling these new and modern emerging challenges in day to day stimulating and competitive business for maintaining it to industry which is unambiguous in the current competitive and modest world.<sup>8</sup> Word competition is the broadest and usable term known and further understandable for the survival of today’s organizations having and equipped with modern tactics. However, those organizations particularly banking service organizations which can familiarize and keep them associated or aligned with knowledge management in this competitive area survive or in other words competitions get these types of organizations absorb, otherwise vanish them from the business world or merge them in any other big joint. In the recent years in Pakistan

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<sup>2</sup> Al-Qur’ān, Al-Zumr 39:2

<sup>3</sup> Al-Majlisi, *Bihar al-Anwar*, vol. 72, 304, hadith: 51

<sup>4</sup> Harper, C. *Organizations: Structures, processes and outcomes*. Routledge, 2016.

<sup>5</sup> Grant, Robert M. *Contemporary Strategy Analysis Text Only*. John Wiley & Sons, 2016.

<sup>6</sup> Scott, W. R., & Davis, G. F. *Organizations and organizing: Rational, natural and open systems perspectives*. Routledge, 2015.

<sup>7</sup> Ismail Mat, *ibid*, 29.

<sup>8</sup> Hassan, Arif, and Forbis Ahmed. "Authentic leadership, trust and work engagement." *International Journal of Human and Social Sciences* 6, no. 3 (2011), 164-170.

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banking service industry's environment has witnessed Union Banks merger into the Standard Chartered Bank Limited is a recent example.<sup>9</sup>

The Authentic leadership is a contemporary, emerging, however extensively investigated and researched leadership style with a heavy focus at global level after 9/11 change. It is a new growing idea based theory in modern leadership styles literature derived from the prehistoric ancient Greek concept of authenticity based on concept of authentic, ethical and moral self. By exploring this area more the Authenticity is fundamentally addressing the combination of individual's personal experiences, sentiments, standards, judgments, perceptions and resultant performance with an arrangement to private and realistic personality. By presenting what someone really thinks, believes and performs in society as a whole and with individual organizational work settings.

According to the appreciation of ethical and moral practices act in command to present authentic and ethical moral self in a proper direction. This direction is dependable with its inside ethical believes and its genuine point of view.<sup>10</sup> As indicated and mentioned in above lines the theory of an AL is determined from the most and reliable research centered with construct authenticity grounded on ancient Greek thinking "To thins own self be true".<sup>11</sup> Detailed in this historical point of view, the definition is available with body of knowledge establishing the AL. For the same purpose the previous empirical research has already been stemmed the foundations for AL in very early definitions of authenticity.

Some authors divided authenticity components as four component model distinct as the relational orientation, unbiased processing, awareness and behaviour. On the Fundamental principles these are initial authenticity built dimensions and are now research linked these to the AL and now universally known as dimensions of this emerging leadership style mostly equipped with these facts and discussed in modern organizational research.

The researcher understands the concepts of authenticity. Actually this construct is the definite question legitimacy, unaffectedness, dependability, honesty, and purity based on determination. Authenticity promotes self-awareness in characters which is reflection to the culture and guidelines for AL style. According to the Carroll & Buchholtz (2014) the last two decades have witnessed authentic, ethical and moral behavioral believes essence in organizational environmental settings throughout the business world. Resulted from this the focus on organizational needs in surprising manners rose with special emphasis on moral and so called the EDM concepts.<sup>12</sup>

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<sup>9</sup>Arshad, A. Post-Merger Performance Analysis of Standard Chartered Bank Pakistan. *Interdisciplinary Journal of Contemporary Research In Business*, 4 (6), 164.

<sup>10</sup> Rego, Armenio, Filipa Sousa, Carla Marques, and Miguel Pina e Cunha. "Hope and positive affect mediating the authentic leadership and creativity relationship." *Journal of Business Research* 67, no. 2 (2014), 200-210.

<sup>11</sup> McShane, Lindsay, and Peggy Cunningham. "To thine own self be true? Employees' judgments of the authenticity of their organization's corporate social responsibility program." *Journal of business ethics* 108, no. 1 (2012), 81-100.

<sup>12</sup> Treviño, Linda K., Gary R. Weaver, and Scott J. Reynolds. "Behavioral ethics in organizations: A review." *Journal of management* 32, no. 6 (2006), 951-990.

Empirical foundational research has also shown AL needs and importance, its impact on organizational leadership, followership and their ethical and moral development role during ethical organizational and individual states particularly in the episodes of predominantly dealing with organizational ethical dilemmas situations which are actually the core issues in ever changing individual behaviours concentrating towards the organizational business enterprises. In this regard the literature also supports organizational citizenship behaviours<sup>13</sup> and their impact on POP. Different studies show impressive results of AL style on POP in modern workplaces with moral and ethical psychological impact.<sup>14</sup> To reach up to the mark performance and get the organization dominant in the competitive market AL plays an important and pivotal role for POP. Therefore this research has proposed the investigation impact of AL on POP with moderated mediation effect of Moral intensity MI and Ethical decision making EDM. The EDM is a concept in Islam as Al-Bir in a hadith Prophet (PBUH) said "Al-Bir (piety and righteousness) entails good conduct, while Al-Ithm (evil) is that which crosses your mind and which you hate for people to find out about".<sup>15</sup> AL construct sometimes interchangeably used as authentic moral leadership due to its authentic moral and ethical self traits and also known as a contemporary and moral leadership style amongst all other previous different leadership styles.

This is an important style of leadership which has initially emerged from positive organizational psychology created on its old roots. In a similar debated way of expression too stemmed through transformation leadership style. This is the style which has also similar properties to deal with followers in an ideal way and work on concrete shared vision of an authentic leader.<sup>16</sup> Extensively reviewed literature also shows an established relationship between POP and the EDM constructs. According to these facts there is a positive change seen in negative attitudes of individuals including the leader follower relationships in organizational work settings emphasizing managerial context. The issue relates to AL impacts with the EDM mediation, MI moderation, POP and as a result foster business and organization's performance.<sup>17</sup> However, these relationships to inside organizational problems and competitive challenges with keeping sharp eyeing on authentic behaviours in organizations guard ethical decisions with their implementations indistinguishable to EDM principles. In this regard the MI construct has been seen as mediator influencing AL with the EDM and POP.

Similarly the construct EDM as a process is directly getting influence through the construct MI. In this way worker's performance growth affect with this construct and as a result foster the POP. The construct AL and its further detailed dimensions itself witnessed morality, ethics and authenticity. On the fundamental grounds authentic moral

<sup>13</sup> Walumbwa, Fred O., and John Schaubroeck. "Leader personality traits and employee voice behavior: mediating roles of ethical leadership and work group psychological safety." *Journal of applied psychology* 94, no. 5 (2009), 1275.

<sup>14</sup> Landy, Frank J., and Jeffrey M. Conte. *Work in the 21st Century, Binder Ready Version: An Introduction to Industrial and Organizational Psychology*. John Wiley & Sons, 2016.

<sup>15</sup> Kamali, Mohammad Hisham (2007), 'Commodity futures: an Islamic legal analysis', *Thunderbird International Business Review*, 49 (3), 309–39.

<sup>16</sup> Zhang, Haina, André M. Everett, Graham Elkin, and Malcolm H. Cone. "Authentic leadership theory development: Theorizing on Chinese philosophy." *Asia Pacific Business Review* 18, no. 4 (2012), 587-605.

<sup>17</sup> Wu, Chen-Fong. "The relationship of ethical decision-making to business ethics and performance in Taiwan." *Journal of Business ethics* 35, no. 3 (2002), 163-176.

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 leader has a good practicing concept of self with the power abstraction from EDM. The literature shows that the words moral leadership, authentic moral leadership and AL have same foundations and sometimes used in different investigations interchangeably constructed on authentic moral and ethical concepts related to self, predominantly in the commonality as indicated in above discussed lines and also in the moral self and its literature where it reveals similar and identical results established through different previous studies.

As identified earlier the AL is encompassed and demarcated in four elementary dimensions. These are also defined as facets of this construct and further proven to be known as dimensions of this construct further as defined as self-awareness, relational transparency, and balance processing of information also the forth one internalized moral perspective.<sup>18</sup> The in hand research study focus is to attempt on the exploration of impression relating to AL and its impact on POP.

As defined in earlier details this is a further contribution to the existing literature with a special emphasis to banking service organizations and industry providing business in Hazara region situated at the northern region of Pakistan with its practical benefits to all over the country, remaining world and serving to different cultures based on its reliability and proven validity with the working on different adapted scales. Therefore, the main objective of this research is to make a valuable contribution for the service sector business, its governance area and AL literature in the presence of moderating effect of MI and mediating role of EDM. The ethical organizational culture development is an additive property of this research and in other arguments countervailing to those factors remained focus of the research which are also addressed in it this newly connected relationship. As stated above in different explanations the research in hand also investigates and explores the impact of AL on POP with mediated moderation effect of MI and the role of EDM. Therefore, most of the time the researches in previous literature remained focused on authentic leaders, their personal ethical and moral development and in a similar manner the individual followership. However, research in hand focused subjective or POP addressing through other dimensions like moral component of AL with mediation of EDM and moderation of MI constructs distinct and collective manners in the literature.<sup>19</sup> The work on AL reveals that MI with higher concentration effect in a particular situation sometimes takes the charge of AL construct.<sup>20</sup> This similar situation technically addressed in the literature also supports that sometime this moderating variable takes the charge of primary variable as indicated in the research in hand and rendering to the higher MI organizational situations.<sup>21</sup>

The particular focused research in hand discourses these types situations in service sector organizations mainly banking sector and addresses AL with its impact on

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<sup>18</sup> Walumbwa, Fred O., Bruce J. Avolio, William L. Gardner, Tara S. Wernsing, and Suzanne J. Peterson. "Authentic leadership: Development and validation of a theory-based measure." *Journal of management* 34, no. 1 (2008), 89-126.

<sup>19</sup> Bhal, Kanika T., and Anubha Dadhich. "Impact of ethical leadership and leader-member exchange on whistle blowing: The moderating impact of the moral intensity of the issue." *Journal of Business Ethics* 103, no. 3 (2011), 485-496.

<sup>20</sup> Cianci, Anna M., Sean T. Hannah, Ross P. Roberts, and George T. Tsakumis. "The effects of authentic leadership on followers' ethical decision-making in the face of temptation: An experimental study." *The Leadership Quarterly* 25, no. 3 (2014), 581-594.

<sup>21</sup> Bhattacharjee, Anol. "Social science research: Principles, methods, and practices." (2012).

POP with moderation of MI and mediation of EDM. The key focus of this research study is service industry particularly national and international banking organization practicing in Haripur, Abbottabad and Mansehra districts of KPK province of Pakistan and a famous region of Hazara division situated on famous silk route to China and future economic corridor throughout Islamic republic of Pakistan with huge banking services needs in forth coming near future.

#### **Research objectives:**

1. To find out how authentic leadership with Islamic values affects perceived organizational performance.
2. To examine Moral Intensity as moderator between authentic leadership and Ethical decision making in the light of Islamic values.
3. To examine mediating effect of Ethical decision making between AL and POP.
4. The main objective is to measure the POP of national and International Islamic banks in the chosen sampled regional area of Islamic republic of Pakistan.

#### **Authentic Leadership and Impact of human organizational behaviour:**

In the above cited detailed discussion on authentic, moral and ethical self-it has been established a fact that human behaviour is unpredictable and can only be regulated through authentic, moral and ethical self-concept. In previous literature the facts revealed according to the Avolio (2004) the same has also been shown that human behaviour as a one unit or entity is very complex and can be categorized in to different classifications. These classifications are consistency, altruistic actions, transparency and many more. The research on latest grounds shows that these are also known to be the facets of complex human behaviour.

#### **Authentic leadership:**

Authentic Leadership is an optimistic leadership reveals leaders' inside affirmative conduct connected to praise optimistic progress. These leaders are self-assured, confident, positive, strong, translucent, ethical and moral. They have the property to provide excellent growth of their followers towards leadership.<sup>22</sup> This brief definition sets path for other researchers to explore AL style. Many authors focused its dimensions for defining it with their own opinions. In every definition authors comprehended with exceptional knowledge, but always focusing one of its aspect or facet of AL theory. It is a development drained from encouraging emotional aptitudes and vastly established organizational background consequences in countless self-regulations especially optimistic performances on behalf of leaders and their followers nurturing constructive individual growth.<sup>23</sup>

It can be defined by progression for leaders cognizant to reflect and perform as professed by their followers with focus on dimensions self-awareness, internalized moral

<sup>22</sup> Luthans, Fred, Bruce J. Avolio, James B. Avey, and Steven M. Norman. "Positive psychological capital: Measurement and relationship with performance and satisfaction." *Personnel psychology* 60, no. 3 (2007), 541-572.

<sup>23</sup> Walumbwa, Fred O., Bruce J. Avolio, William L. Gardner, Tara S. Wernsing, and Suzanne J. Peterson. "Authentic leadership: Development and validation of a theory-based measure." *Journal of management* 34, no. 1 (2008), 89-126.

Authentic Leadership Impact on Perceived Organizational Performance: Case of Islamic Banking in Pakistan perspective, and balanced processing of information and relational transparency.<sup>24</sup> This leadership style offers compassionate and optimistic atmosphere somewhere attitude is cultivated. AL impacts others with categorical reliance on their chunk, optimistic passions and assurance to nurture self-willpower and progression of cliques. AL has four dimensions as described in brief above. To understand operational definition of this construct in detail as primary variable of this study these dimensions are self-awareness, internalized moral perspective, balanced processing of information and relational transparency. In literature these are operationally defined as under:-

**Self-awareness:**

This dimension elaborates that leader knows himself, how he maintains confidence on his personality by recognizing his own individualities, morals and ethics, approaches, and intellects. Islam guides as “ من اعرف نفسه اعرف ربه ”. This dimension comprises of familiarity of leader with his intrinsic inconsistency facets impacting his contemplations, spirits, movements and performances. This has also been labeled as a developing method through which a leader comprehends his exceptional competencies, acquaintances and understandings specifically connected with the role to be performed in front of others to accomplish intelligibility in reference to fundamental morals, ethics, spiritual and psychological prototypes.<sup>25</sup>

**Balance processing of information:**

Balanced processing of information and impartial assessment of any evidence, data, news, report and even a word relating to leaders are that where researchers embarked on absence of denials, amplifications, false hoods or unawareness of inner experiences and outer assessments of the self. It added an acceptance of individual potency and faintness, negative and positive qualities and being objective about these. The question is authentic leader equally devoted to focus mutually optimistic and disparaging considerations. The balance processing of information gives the answer as it is core of individual truthfulness and personality which meaningfully manipulating premeditated movements of authentic leaders towards EDM.<sup>26</sup>

**Internalize moral perspective:**

Accordance to third dimension of AL called internalized moral perspective contains substitute in rendering to comportments, superciliousness with prominence on person's factual personality. Accomplishment authentic refers to performing in accordance with the morals, partialities and desires for others rather than stand-in only for satisfying others or evading the disadvantages by not acting imperfectly internalized moral perception demarcated as an accepted and combined self-regulation decoration, and it directed by internal ethical values and standards versus collection, organizational, and

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<sup>24</sup> Ilies, Remus, Frederick P. Morgeson, and Jennifer D. Nahrgang. "Authentic leadership and eudaemonic well-being: Understanding leader-follower outcomes." *The Leadership Quarterly* 16, no. 3 (2005), 373-394.

<sup>25</sup> Gardner, William L., Kevin B. Lowe, Todd W. Moss, Kevin T. Mahoney, and Claudia C. Cogliser. "Scholarly leadership of the study of leadership: A review of The Leadership Quarterly's second decade, 2000–2009." *The Leadership Quarterly* 21, no. 6 (2010), 922-958.

<sup>26</sup> Kernis, Michael H. "AUTHOR'S RESPONSE: Optimal Self-Esteem and Authenticity: Separating Fantasy from Reality." *Psychological Inquiry* 14, no. 1 (2003), 83-89.

societal pressures.<sup>27</sup> Internalized moral perspective actually is the controlling procedure for conformation of ethics with purpose and activities. In nutshell it consists of motivations, objectives and morals totally crystal clear to admirers by prominent guiding them along with set specimens from front. It is a true demo of reliability amongst championed philosophies and viewpoints in custom, a monitoring arrangement should from within ambition and not answer or feedback of outside influential drivers. Particularly, talking about inner morals and expected results.

#### **Relational transparency:**

Relational transparency is fourth dimension of AL it is based on stated to paying value for, working towards and reaching clarity and sincerity in the relationships. During the year 2002, Goldman & Kernis stated that "the authenticity in the relationships includes the active process of revealing one's heart, the development of mutual sincerity and trust; thus sincere friends will see the others' real negative and positive faces". In authentic relationships, the individuals' behaviour should be natural, not fake. Apart from the other AL components, the relational authenticity closely related to self-awareness, objective evaluation and authentic behaviour. In short, the authenticity in relationships means being sincere and not making a false show.<sup>28</sup>

#### **Moral Intensity:**

MI is a construct dimensions of silent awareness, sensation or inner moral value forces, which effect a judgment ethically, emotional. It is a ruling, usually unwritten, as to the degree to which a verdict is ethically charged. This is a theory that captures the amount of delinquent associated principled authoritarian in a state. Research in hand is predominantly accentuating on MI as moderating variable. Available literature shows it as a paradigm partaking six different facets engaged with ethical and moral concerns and decisions making methods.

This is not related to the arrogances of decision maker, nor for a specific state during enduring development of decision-making. By description this concept, MI preoccupied as a six dimensional philosophies, linked to the moral and ethical apprehension, but not to the aptitudes of decision maker or the situational context professed privileged the decision maker. This theory was originate in moral viewpoint with importance on primarily in the idea of proportionality describes to the steadfastness of the condition, the predictability of magnitudes, the ability of the decision maker to impression on actions.<sup>29</sup> It did not include personae of moral or ethical decision makers, like moral growth, self-image, strength, field requirement, any other organizational features e.g. organizational values and culture.<sup>30</sup>

<sup>27</sup> Walumbwa, Fred O., Bruce J. Avolio, William L. Gardner, Tara S. Wernsing, and Suzanne J. Peterson. "Authentic leadership: Development and validation of a theory-based measure." *Journal of management* 34, no. 1 (2008), 89-126.

<sup>28</sup> Kernis, Michael H. "AUTHOR'S RESPONSE: Optimal Self-Esteem and Authenticity: Separating Fantasy from Reality." *Psychological Inquiry* 14, no. 1 (2003), 83-89.

<sup>29</sup> Jones, M. C., and S. J. Sheather. "Using non-stochastic terms to advantage in kernel-based estimation of integrated squared density derivatives." *Statistics & Probability Letters* 11, no. 6 (1991), 511-514.

<sup>30</sup> Trevino, Linda Klebe. "Ethical decision making in organizations: A person-situation interactionism model." *Academy of management Review* 11, no. 3 (1986), 601-617.

MI based in criminal justice system where the literature explains it that penalty essentially similar to the cruelty of the wrongdoing somebody commits.<sup>31</sup> If researchers deeply look the term moral issue extensively, it has decision impacts to others like violation on behalf of moral manager, which have amoral component. Most of the organizational choices hurt greater on a minute matter and provoke in total. In organizations, people always make activism over any type of moral problem. There is a connection between moral thinking plans and decision standards. The big example is sexual harassment, where victim has a bad position on work and its costs being handled. Operationally we can define MI with its six dimensions.

#### **Magnitude of consequences:**

The first dimension of this paradigm means piece of grievance of genuine action as predictable to core preys of the lash. The severer apprehensions of a given act MI will be high. Research also says that, it is defined with phrasebook connotations as the unabridged harm or plus resultant from an ethical decision. This has its place to social actuality nature because the insights take some grievances or ills very extremely and control more ethical due to their concentration than an action with low serious results.<sup>32</sup> Thorough going literature investigation on this dimension investigated in the context of damages or welfares to others relatively than concentrating on the magnitudes to decision-makers. If decision-makers observe ideal results, like smart monetary benefits linked through a morally doubtful substitute, they are probable to hunt a fewer best judgment if it is promising to their performance. A person can recognize a substitute being the greatest moral alternate then, still, propose toward indicate different due to definite chosen values.

There can be substantial optimistic significances to own self by way of a consequence of selecting the fewer moral substitutes. Definitely, the problems and welfares to decision-makers appears problem dependent and inclined to unpredictable stages of strength. When magnitude of consequences seen from managerial point of view it seems harmful observation results with a moral problem so these managers become more lenient towards that particular situation.<sup>33</sup> Here researchers cannot understand that how these managers answer when encounter with such kind of problem. Therefore, magnitude of consequence is the actual unit of harm expected to root victims of the stroke. It can be concluded here that perception based things might address the harm in that situation in a proper way or otherwise in the light of current research.

#### **Social consensus:**

Social consensus is second dimension of MI construct, which defined as amount of community arrangement that an anticipated action is malicious or moral. Promise by culture that an act is ethically suitable drops the MI of the stroke. Equally, communal arrangement that an act is ethically not correct higher the MI of the whack. Social consensus is the forecaster variable of moral decision in the second stage of James Rest's

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<sup>31</sup> Davis, Mark A., Nancy Brown Johnson, and Douglas G. Ohmer. "Issue-contingent effects on ethical decision making: A cross-cultural comparison." *Journal of Business Ethics* 17, no. 4 (1998), 373-389.

<sup>32</sup> Barnett, Tim, and Sean Valentine. "Issue contingencies and marketers' recognition of ethical issues, ethical judgments and behavioral intentions." *Journal of Business Research* 57, no. 4 (2004), 338-346.

<sup>33</sup> Murphy, Patrick E. "Character and virtue ethics in international marketing: An agenda for managers, researchers and educators." *Journal of Business Ethics* 18, no. 1 (1999), 107-124.

model.<sup>34</sup> When we talk in terms of generic research this term refers to a pact of a social cluster regarding an act, which is immoral or worthy. This social cluster can be the entire culture reason behind it is that the whole society always reacts towards unlawful action. When we see social consensus in terms of higher MI it refers to an act, which is morally and ethically wrong towards the whole society.

In reputes of wisdom, a big trouble to exercise morally because of circumstances of a judgment compact the possibility that doubt occurs. In a specific condition, the demand rises, whether an individual sense what are decent or immoral ethics. Unlawful judgments should be excluded in many situations instead of immoral decisions. This reveals that society has strong social consensus against unlawful decisions due to large impression on the society. Therefore, answer properly in specific condition chosen essentials has a compromise of what really was the correct act.

#### **Probability of effect:**

In MI, researchers used the term probability of effect. It is third dimension of this construct. Here it can be elaborated with an example of a medical store, if some medical store owner sells a medicine to a known drug abuser, then it has greater probability of injury then selling it to an ordinary person of the society. The results of a moral act would be the outcome of magnitude of consequences, predict the probability of this kind of damage. In short, individuals may not be good estimator of probabilities. Defining this term from other literature it is possibility that can guess degrees and scale of injury or benefit that will happen and reason, which guessed the damage, is unusual which possible MI to become high. In other words, it can be said that a dual meaning of possibility that exploit in grilling will truly occurred and the performance under consideration will essentially the reason to injury or advantage anticipated. This term concerned with the occurrence of an event, in MI it is the part of this construct and the motive behind it is judgment. In an ethical situation, under the other dimension magnitude of consequences, the probability that take charge due to its action, if there is a benefit it addresses towards the hurt due to its prediction capacity or nature.<sup>35</sup>

#### **Temporal immediacy:**

The fourth dimension of MI is temporal immediacy. This term is known to be the interval of time among current and beginning of consequences of an ethical action in argument. From government sectors example of employees taken who are getting payment for requisition hiring of houses on behalf of government having their own houses and on the other side those employees who have not their own shelters. By withdrawal of this facility then there will be a greater temporal immediacy on them who did not have self-houses. So it will be a component of MI for any two related reasons as if known will occur in future and second has expansion in future. There should be two interrelated reason for this term, here for this term an example from time value of money taken. A currency in hand today is more worthwhile than a currency come after tomorrow or onwards. It reveals in terms of MI like temporal length of time can be affiliated with forecasted consequence.

<sup>34</sup> O'Fallon, Michael J., and Kenneth D. Butterfield. "A review of the empirical ethical decision-making literature: 1996–2003." *Journal of business ethics* 59, no. 4 (2005), 375-413.

<sup>35</sup> Kahneman, Daniel, and Amos Tversky. "Variants of uncertainty." *Cognition* 11, no. 2 (1982), 143-157.

**Concentration of effect:**

The fifth dimension of MI is concentration of effect. This terminology means a situation studies the opposite meaning of the individuals charged by an action of specified scale. This can also be defined as the number of person's impact by a particular action. Research shows that number of people with this impact is charged with low effect but the decision effect is more.<sup>36</sup>

**Proximity:**

The last dimension of MI is termed as proximity means sensation of relationship that ethical mediator has for victims for example in the days of shortage sale of wheat in Punjab has more ethical proximity than sale in Kandahar. When the word perception sees the individuals caution about persons who were near to them not called proximity in MI. When researchers talk, in legal terms role of proximity it revolves around social, cultural, psychological and physical variables but for the term, we use these in a single combination Proximity. In Concentration of effect, researchers seen number of persons influenced by an act of some magnitude opposite to the definition. If researchers deal in property and fake deal with some people in a big population have more concentrated effect than it has with all sum, like a housing society, the part of MI due to intuition. This construct is a multi-dimensional denotes moral concern, which comprised six mechanisms comparable to magnitude of consequences, probability of effect, social consensus, temporal immediacy, proximity and concentration of effect also known as, dimensions of MI based on human behavior, common sense, perception and observation.<sup>37</sup>

**Perceived organizational Performance (POP):**

Organizational performance defined as conversion of ideas, vision and mission to achieve targeted goals and objectives. It means putting raw form of data in a proper system gets to be processed and received desirable results in return dully set by the visionary leadership. The purpose behind this practice is to accomplish specific, measureable, smart and achievable organizational goals. These objectives processing in a system and achievement of goals means an idea or vision for which organization came in being. It is an association amongst cost effective and efficient performance.<sup>38</sup>

Here the study under reference focusing subjective performance of banking sector in Pakistan and targeting it as regional study of Hazara division in KPK region. Organizations contribute in economic growth of the country and their role becomes important on day-to-day basis. The country's overall growth shows this role in all economic indicators towards progress, GDP and GNP reveal economic health of the country. It is actually role of successful organizations in development of the country. Similarly, for the country growth measurement of organizations have central role. The continuous growing organizational performance develops reputation of organizations and side-by-side country's growth on the globe. During the last many decades, different

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<sup>36</sup> Carlson, Dawn S., K. Michele Kacmar, and Lori L. Wadsworth. "The impact of moral intensity dimensions on ethical decision making: Assessing the relevance of orientation." *Journal of Managerial Issues* (2002), 15-30.

<sup>37</sup> Alba, Richard D., and Charles Kadushin. "The intersection of social circles: A new measure of social proximity in networks." *Sociological Methods & Research* 5, no. 1 (1976), 77-102.

<sup>38</sup> Chen, Li Yueh, and F. Barry Barnes. "Leadership behaviors and knowledge sharing in professional service firms engaged in strategic alliances." *Journal of Applied Management and Entrepreneurship* 11, no. 2 (2006), 51.

research studies used organizational performance as secondary variable for their research on perceived issues but yet no proper definition of organizational performance is available in literature. Perhaps the reason behind this concept is its many meanings. But still there was no universally and globally accepted definition available in literature. During the era of 1950's organizations seen as social systems to fulfil their objectives.<sup>39</sup> Particularly embarking on quality of service, research in previous literature categorize it in many areas like presence of organization means what they are providing to ease customers, which type of electronic or physical facilities available for their customers and modern tools delivered by the business concerned. Likewise, ability of people in service organization to execute assured facilities according to proclaimed in mission statement sentences contents exactly. In a similar fashion, assurance means provision of information to the customers and politeness of organizational affiliates, specific attention towards clients particularly in Islamic mode.<sup>40</sup>

### **Ethical Decision Making (EDM):**

Ethical decision-making is mediating variable of this research. This construct demarcated as a process of a moral decision that is acceptable to whole society on legal and ethical grounds. In other words, the culture and society accept this decision.<sup>41</sup> The distinct features that influence moral or ethical decision-making process contain mental ethical development, business power including entrepreneurial behaviour, self-esteem, education, gender and phase. Last 30 years' era remained witnessed and focused the research processes on moral/ethical behaviours in business organizations, also contributed to the body of knowledge academically, non-academically through industrial and social research processes. It is useful for today's businesses while addressing with ethical and moral issues, especially addressing to moral or ethical dilemmas situations in organizations. This specific research is focused on the role of ethical decision-making construct on its mediating role between AL and perceived organizational performance/non-financial performance (POP) particular to the regional research relating to banking sector with its operations in Hazara Division, KPK region, Islamic Republic of Pakistan.

Ethical decision-making process involved many developments. These developments have impacts on individual, their background and moral decision-making affairs. One of the major difficulties in ethical decision-making is moral problem based in ethical condition. An individual or business makes a choice between essentially assessed counteractive or no remedial actions. Here research focused on moral issues, most of the time these are vague. In other words, it explained as transformed in different ways or in meanings, from forthcoming point of view, mostly ambiguous. Major problem in moral issues is behavioural interpretation due to their non-conventional or dilemma based approach as most of them are first time in nature and never occurred prior and cannot be assessed with some classification structures. When individual meets with this state of

<sup>39</sup> Georgopoulos, Basil S., and Arnold S. Tannenbaum. "A study of organizational effectiveness." *American Sociological Review* 22, no. 5 (1957), 534-540.

<sup>40</sup> Naser, Kamal, Ahmad Jamal, and Khalid Al-Khatib. "Islamic banking: a study of customer satisfaction and preferences in Jordan." *International journal of bank marketing* 17, no. 3 (1999), 135-151.

<sup>41</sup> Chau, Lewis Long-fung, and Wai-sum Siu. "Ethical decision-making in corporate entrepreneurial organizations." *Journal of Business Ethics* 23, no. 4 (2000), 365-375.

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mind it provokes manner of intellect building from side to side, which the persons edge that position and make coherent explanations for permission to exploit.<sup>42</sup>

Research shows connection between ethical decision-making and MI constructs. MI dimensions found addressed in literature. The EDM process with MI relation had number of steps to be involved. Literature also established that there are two different constructs, moral awareness and MI. There exists a relationship amongst moral judgment and MI, both combination effects on ethical decision-making process. Increase in ethical challenges in organizations is a big question of research on ethical decision-making. It became particular social science in business world. In a similar fashion, moral component of AL plays central role in organizations to meet these challenges. Followers with ethical dilemma have options to choose within variety of solutions. Moral problem or ethical condition is basic difficulty for ethical decision-making construct individual or business that makes a choice between many essentially assessed corrective or in corrective actions. Ethical decision focuses moral disputes mostly misleading and translating issue in hand by many means influencing forthcoming ethical decision-making. In a similar fashion these are challenging due to non-occurrence ever before or first time appearance, not being able to classify and most of them have moral or ethical issues holding an ethical predicament.<sup>43</sup> When research talk about MI, moderating variable of this study, it focuses the moral issue and takes charge of provoked dilemma. This variable firms as a moderator with its<sup>44</sup> entire six dimensions and focuses vigorous influence on moral or ethical decision-making process Research shows that MI of a matter impacts on its gratitude as moral/ethical issue or some of its content, which is actually its interpretation point. Research also focused on another opinion arises here that spoken reactions to different ethical problems authenticate personalities for allocation dissimilar conditions to different problems.<sup>45</sup>

The individuals with different environments and dissimilar organizations assess moral standards as a new way from situational point of view assumed the variety of moral problems in businesses. It is appropriate to take a chance that convinced matters rationally interlinked with various moral beliefs. Problem particularly intricate delivery of welfares may provoke standards connected to fairness even if clash of concentration circumstances may absorbed on person's care to moral standards stuck in vanity. Based on different studies literature recommended that persons display substantial differences in moral intellects transversely moral issues due to distinct insides arouse different estimations and moral cognitive standards.

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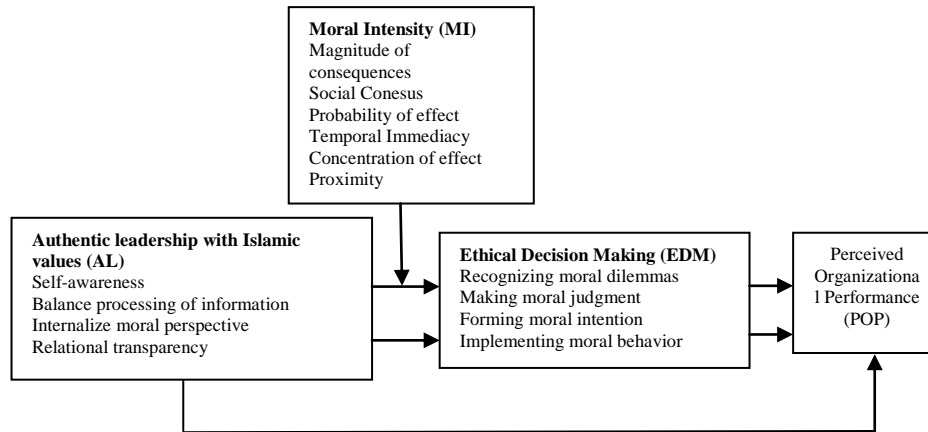
<sup>42</sup> Maitlis, Sally. "The social processes of organizational sense making." *Academy of management journal* 48, no. 1 (2005), 21-49.

<sup>43</sup> Dutton, Jane E., and Janet M. Dukerich. "Keeping an eye on the mirror: Image and identity in organizational adaptation." *Academy of management journal* 34, no. 3 (1991), 517-554.

<sup>44</sup> Kish-Gephart, Jennifer J., David A. Harrison, and Linda Klebe Treviño. "Bad apples, bad cases, and bad barrels: meta-analytic evidence about sources of unethical decisions at work." (2010), 1.

<sup>45</sup> Premeaux, Shane R. "The current link between management behaviour and ethical philosophy." *Journal of Business Ethics* 51, no. 3 (2004), 269-278.

### Theoretical Framework:



### Hypotheses of study:

**H1:** Authentic Leadership is associated with POP

**H2:** Authentic leadership is associated with Ethical Decision Making

**H3:** Ethical Decision Making impacts Perceived organizational performance

**H4:** Ethical Decision Making mediates the relationship between Authentic Leadership and Perceived organizational performance

**H5:** Moral Intensity moderates the relationship between Authentic Leadership and Ethical Decision Making

### Research Methodology:

Research methodology refers to research process. It is method to ensue for answer of an exact and defined problem. The term validity means to assess through the content including the construct validity. Furthermore construct validity examined through discriminant and convergent validity. As per research the convergent validity castoff factor analysis technique and discriminate validity was measured through correlation. Name, age, experience, qualification, gender and number of employees are the measures of demographics. A regression analysis was applied to check the relationship between independent variable with dependent variable. This research is based on causal relationship; means there is cause and effect relationship between different variables of interest.

### Data Collection Methods and Tools:

This research used the questionnaire and interviews methods for data collection. The questionnaire has been divided into four sections addressing primary, moderating variable, secondary variable and mediating variable. Introductory section is separately providing information regarding bank names, branch, city and designation of individuals. Based on five point scale have the quantifying the responses. Research shows that the questionnaire is a set of questions used for collection of data from respondents by giving them certain options to choose, that helps in defining the variables of interest at the analysis stage. 5-point scale d includes the questions regarding to four main frameworks of study i.e. authentic leadership, moral intensity, ethical decision making and perceived organizational performance. On the basis of extensive study framework addressed all

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#### **Targeted Population:**

It refers to a group of people used in inferential process. The specific group of people, events or things of concern from which the researcher wants to get some result is labeled as targeted population.<sup>46</sup> Population for this research is Islamic banking organizations doing business in Hazara Region, KP, Pakistan including national and international scheduled Islamic banks. In this study convenience sampling technique was used. It is very easy and convenient way for data collection. Convenience sampling is obtaining by group of people who are mostly and easily accessible.<sup>47</sup>

#### **Reliability of Data:**

The reliability of a measurement always stipulate the amount to which it is without bias and therefore ensures consistent measurement across time and across the various items in the instrument.<sup>48</sup> In reliability, we check the stability and consistency. In the case of reliability we check the accuracy and precision of the procedure of measurement. Reliability means numerous things to numerous people, however in several circumstances, the conception of consistency emerges.<sup>49</sup> The measurement fulfills the requirements of reliability when it produces consistent results it is determined through Cronbach's alpha.<sup>50</sup>

#### **Cronbach's Alpha of the Study Variables:**

S No.	Variables	Cronbach's Alpha	Number of Items
1	POP	0.65	10
2	EDM	0.83	16
3	MI	0.68	12
4	AL	0.79	16

#### **Analysis of Prerequisites for All Hypotheses:**

Prerequisites for regression analysis have been calculated for all hypotheses. To fulfill the requirements of these prerequisites Durbin-Watson test has been performed. The value of Durbin-Watson test is 1.62 which is in the acceptable range. In all hypotheses the tolerance value is 1 and variance inflation factor is 1 shows that results are within the range and there is no multicollinearity found.<sup>51</sup>

<sup>46</sup> Zenger, Todd R., and Barbara S. Lawrence. "Organizational demography: The differential effects of age and tenure distributions on technical communication." *Academy of Management journal* 32, no. 2 (1989), 353-376.

<sup>47</sup> George, Darren. *SPSS for windows step by step: A simple study guide and reference, 17.0 update, 10/e*. Pearson Education India, 2011.

<sup>48</sup> George, Darren. *SPSS for windows step by step: A simple study guide and reference, 17.0 update, 10/e*. Pearson Education India, 2011.

<sup>49</sup> Shang, Kuo-Chung, and Chin-Shan Lu. "Effects of safety climate on perceptions of safety performance in container terminal operations." *Transport reviews* 29, no. 1 (2009): 1-19.

<sup>50</sup> Teboul, Jc Bruno. "Determinants of new hire information-seeking during organizational encounter." *Western Journal of Communication (includes Communication Reports)* 59, no. 4 (1995), 305-325.

<sup>51</sup> Farrar, Donald E., and Robert R. Glauber. "Multicollinearity in regression analysis: the problem revisited." *The Review of Economic and Statistics* (1967), 92-107.

**Empirical Hypotheses Testing of the Model:  
Authentic Leadership Regression Outputs:**

Model Summary					
Model	R	R Square	Adjusted R Square	Standard error of estimate	Durbin Watson
1	.705 <sup>a</sup>	.496	.495	3.430	1.623

- a. Predictors: (Constant), AL  
b. Dependent Variable: NF

The table reported above represents the model summary of the predictors and predicted variable of the research study. As shown from the above mentioned table the value of R square is 0.496 which shows the researcher and tells that the primary or independent variable AL explains 49.6% variance in secondary or dependent variable non-financial or perceived organizational performance/non-financial performance(NF). The value according to Durbin Watson is 1.62 which lies in the acceptable range of 1.5 to 2.5 hence there is no issue of autocorrelation in the data.

As the researcher knows that Durbin Watson test is meant for uncovering of autocorrelation which means an association amongst standards disconnected from everyone in a stipulated time interval among the remaining forecasted inaccuracies in a regression line.

**ANOVA:**

Model	SS	df	MS	F	Sig.
Regression	5426.898	1	5426.898	461.301	.000
1 Residual	5505.712	468	11.764		
Total	10932.61	469			

- a. Predictors: (Constant), AL  
b. Dependent Variable: NF

The above table shows ANOVA statistics of AL and non-financial perceived or organizational performance (NF). The most important value in this table is F-stat value. Here the F-stat value is 461.301 which are significant at 0.01 level of confidence level. Researcher knows that F-stat value shows the overall model fitness. The F test was termed by the name of Sir Ronald Fisher. This test calculates two variance ratios just like measure of dispersion. This means that from average or arithmetic mean dispersion, in simple words researchers understand how much away data is distributed from Arithmetic Mean (AM) represents higher dispersion in enormous values. It is used in different circumstances due to its flexibility. However used for testing of significance in a tested regression model for evaluation of miscellaneous representations from ordinary to specific mean test to determine the impartiality. This distribution naming F-distribution is actually mean square ratio represents the estimates from whole population and sampled data from its variance according to the degree of freedom utilized to computer the desired estimates.

The above significance value indicate that the  $R^2$  value discussed in the table 53a is a true value and not due to sampling error. The regression mean square value is 5426.898 and the residual mean square value is 11.764 which resulted in an F-value of 461.301. As discussed in detail in previous paragraph of the above

Authentic Leadership Impact on Perceived Organizational Performance: Case of Islamic Banking in Pakistan same argument. The test was applied to compute F statistics for determination of results amongst the primary variable AL, secondary variable NF as predictors and dependent variables.

Coefficients				
		Unstandardized	Standardized	
Model		Coefficients	Coefficients	t sig
	B	SE	Beta	
Const.	-3.529	1.607		-2.196 .029
AL	.0590	.027	.705	21.478 .000

The above mentioned table (4-14) shows the regression coefficients for primary variable of the research AL and secondary variable of the research NF. As per details shown in the table the t-value of AL is 21.478, which shows the primary variable statistically significant at 95% confidence interval at 0.05. The coefficient of AL is 1.607 which means that a unit change in independent or primary variable AL will bring 1.607 changes in dependent/secondary variable NF/POP or NF. As it can determine in the above mentioned table, AL is positively and significantly related with non-financial (NF)/POP or NF. So, the first hypothesis (H<sub>1</sub>) of this research study that as, AL is significantly related with POP is accepted.

#### **The Effect of Mediator EDM:**

This section explains the mediating effect of EDM as mediating variable of the research in hand on the relationship between dependent variable POP and independent variable AL. Hayes (2016) suggested that in one time or in one model there should be one predictor variable and one predicted variable in case of checking the effect of mediation or moderation. The researcher runs regression analysis in accordance with A.F.Hayes moderated mediation with the help of software embedded in SPSS between one independent variable and dependent variable individually in the presence of mediator EDM in mind first. In this regard the researcher have run the PROCESS application in SPSS to get the moderated mediation effects of MI and EDM to get the desired results as indicated in topic of the research in hand.

#### **Relationship between AL and POP with moderator EDM:**

According to the Baron & Kenny (1986) proposed model of four steps for the purpose to check the mediating effect, researcher will have to follow each steps suggested. As suggested by Baron & Kenny (1986), Initially the first step is to find out the actual relationship between independent/primary variable and mediating variable. Now in accordance with this model and step mediating variable of research in hand will be considered as a dependent variable and the relationship between them should be significant. In the second step of model under discussion mediating variable EDM and dependent variable perceived organizational or NF will be checked. In this step the mediating variable EDM should be taken as an independent variable and the relationship between them must be significant in order to proceed further.

In the third step the relationship between independent and dependent variable should also be tested. The relationship between them must be significant. And in the last step mediating variable and independent variables are collectively tested as an independent variable with dependent variable. However, we use the

software called PROCESS which perform all the above steps of mediating analysis and further it performs test automatically for the purpose to verify the mediating role is played by the mediator or not. Let us examine the same as discussed above.

**Step 1: Relationship between Independent Variable and Mediating Variable by Taking Mediating Variable as a Dependent Variable:**

Model Summary						
R	R <sup>2</sup>	MSE	F	df1	df2	p
.7124	.5075	14.571	482.346	1.00	468.00	.000

**Outcome: EDM:**

Above table reports the model summary of the association amongst predictor variable AL and dependent variable EDM. As shown in the above mentioned table the R<sup>2</sup> value is 0.5075 which shows that predictor variable AL explains 50.75% of the variance in the predicted variable EDM. The F-stat value is 482.346 which tell about the model fitness. The p value is significant which proves that our model is fit accordingly.

Coefficients				
Model	Coefficient	SE	t	p
Constant	18.93	1.78	10.58	.000
AL	.724	.056	12.779	.000

**Outcome: NF**

The above table shows the regression coefficients of the predictor and predicted variable. It is evident from the table that AL is positively and significantly related with EDM as outcome of POP. So, the first requirement for mediation analysis is fulfil according to the Baron & Kenny (1986).

**Step 2: Relationship between Independent Variable and Dependent Variable:**

Model Summary						
R	R <sup>2</sup>	MSE	F	df1	df2	p
.71	.50	11.70	233.51	2.00	467.00	.000

**Outcome: NF:**

The above table shows the values of R, R<sup>2</sup>, F, and P. The value of R<sup>2</sup> is 0.50 which shows that the predictor variable AL explains 50% of the variance in dependent variable NF. The F-stat value tells about model fitness. Here the F value is 233.51. This high value of F indicates that our research model is extremely fit. It is also confirmed by p value. In case where the p – value is less than 0.05 indicate that research model is fit which shows the success of research in hand.

Coefficients				
Model	Coefficient	SE	t	p
Constant	-4.97	1.78	-2.78	.005
EDM	.76	.041	1.83	.066
AL	.539	.039	13.80	.000

**Outcome: NF**

The above table shows the regression coefficients of independent variable AL and dependent variable POP. As shown in the table the relationship between AL and POP is significant at 95% per cent confidence interval with the presence of mediator EDM. Therefore it is found that EDM mediates the relationship between AL and POP.

Researcher also confirmed the mediating effect of EDM by conducting SOBEL test of SPSS. The table below represents the result of SOBEL test. In this case the effect size is 0.5 which is statistically greater than zero with 0.05 level of confidence. Also the significant p value ( $p < 0.05$ ) indicates that the mediating effect is found between these variables. Here the p value is significant, thus we say that EDM mediate the relationship between AL and POP.

However, the effect of EDM does not change the relationship between AL and NF/POP or NF, thus EDM mediate the relationship between AL and POP. This is proven that the model of research in hand with mediation of EDM exists amongst the AL and POP which is the actual outcome of the research study in hand.

**The Effect of Moderation**

In this section the researcher check and test the moderating effect of MI which is the moderating variable of the research in hand on the relationship between AL and POP. The moderator explains when the predictor variable and predicted variable are related. Moderation applied an interaction effect, where introducing moderator will change the direction or magnitude of the relationship between two variables.

**Relationship between authentic leadership, POP and moral Intensity:**

Model Summary						
R	R <sup>2</sup>	MSE	F	df1	df2	p
.7	.5	11.2	209.4	3.00	466.00	.000

**Outcome: NF**

The table reported above represents the value of R, R<sup>2</sup>, F, and p values. As shown from the table the R<sup>2</sup> value is 0.5 which shows that independent variables explain 50 percent variance in our dependent variable. The F value tells about model fitness. Normally the value of F greater than 10 shows that the model is fit but there is no such agreement regarding the standard value of F. However greater the value of F represents the good case. In this case the higher F value indicates that the model is fit. We also confirm it from p value. If p value is less than 0.05 we say that our model is fit. In this case the p value is 0.000 so we say that our model is fit.

Coefficients						
Model	Coefficient	SE	t	p	LLCI	ULCI
Constant	30.6	0.2	157.6	0.000	30.2	31.0
MI	0.2	0.1	3.9	0.000	0.1	0.3
AL	0.5	0.0	13.5	0.000	0.4	0.6
Int_1	0.0	0.0	2.3	0.000	0.0	0.0

The above table shows the relationship between AL and POP with moderating variable MI. The last row of the table shows the interaction effect of moderating variable MI is positively related with POP ( $p < 0.05$ ).

The most important point to be noted here is the p value of interaction term. If the p value of interaction term (int\_1) is significant than we say that the moderator moderates the relationship between independent variable and dependent variable. As shown from the above table the p value of interaction term is significant with 95% per cent confidence interval. Thus MI moderates the relationship between AL and POP. Thus one of the current study hypotheses (H5) is accepted.

#### **Hypothesis and Research Questions discussion:**

The research under reference reconnoitered association amongst authentic leadership and POP relating to different Islamic banking organizations practicing in Hazara division there districts Abbottabad, Haripur and Mansehra, KPK, Islamic republic of Pakistan. These Islamic banks have to stimulate optimistic work arrogances, including faithfulness to the organization, arrogance in work, and an emphasis on shared organizational goals. From the analysis of data collected from targeted population it proved that ethical decision making is playing role as mediating variable but on the other side moral intensity play a significant role as moderating variable. The moderating variable also contributed to conclude the relationship between primary variable and secondary variable of banking organizations practicing in this region.

#### **Conclusion:**

The empirical evidence was found in this research which confirmed that authentic leadership with embedded Islamic values is positively impacting POP of Islamic banks. All hypotheses advocated this research as significant. It seems constructive and optimistic, there is much so far to be achieved by these Pakistani Islamic banks. Based on literature review model for this study was developed and tested through validity and reliability. Reliability and validity of research instrument were evaluated by Cronbach's alpha and factor analysis was done. Basically purpose of this research was to answer the research questions, mainly after examining impact of authentic leadership on POP of Islamic banking services sector of KP, Hazara region Pakistan. This research indicated positive and significant relationship between authentic leadership and perceived organizational performance. The findings of this research also revealed if authentic leadership with Islamic values involvement is practiced in Islamic banking services industry and conventional banking brings valuable improvements. This research also indicated that teamwork among employees would pave the path for continuous improvement play differentiating role to achieve the desired goals. This research can be further extended and replicated to different organizations. The other future research area can also be included at provincial and country levels side by side internationally.