Influence of Ethical Leadership on Employee Engagement in Commercial Banks in Kenya

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Masters in Business Administration

JUNE 2026

DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

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DEDICATION

I dedicate this thesis to God, whose grace, wisdom, and strength have sustained me throughout this journey. To my family, for their unwavering support, sacrifices, and belief in my dreams—this achievement is as much yours as it is mine. To my friends, thank you for your encouragement, patience, and constant motivation during both the challenging and rewarding moments. Finally, I dedicate this work to everyone who inspired me to persevere and to pursue knowledge with purpose and passion.

ACKNOWLEDGEMENT

This study has been completed through the sustenance and encouragement from various individuals to whom I'm appreciative. First, I thank God for His grace and mercies that He saw me through my studies in good health and right mind. I give all glory and honour to Him.

Special appreciation goes to my supervisor Dr. Patricia Gachambi, for her time, patience, and constructive advice throughout the entire project. She shared her professional experience which made this study a worthwhile undertaking. She was also very helpful for consultation; her professional guidance and supervision were key in helping me complete this document.

I extend my sincere appreciation to the defence committee for their expertise and constructive input, which greatly contributed to the refinement of my research proposal.

I am thankful to my friends and classmates for their continuous feedback and moral support throughout this journey.

I would like to acknowledge my family that has stood by and supported me in the course of my entire education, including SBS MBA Program.

Finally, I would like to acknowledge the banks and all the research participants for providing the requisite data needed to complete this study.

ABSTRACT

Employee engagement has become a critical management issue that greatly influences the achievement of strategic goals and overall organizational success. Despite its importance, global engagement levels remain low worldwide as well as locally, which is contributing to high turnover levels in the banking sector. This study examined the influence of ethical leadership on employee engagement in commercial banks listed on the Nairobi Securities Exchange (NSE). Specifically, it investigated the effect of dimensions of ethical leadership, including character, technical skills, moral integrity, empowering behaviour, and psycho-emotive attributes, on employee engagement. The study was grounded in Ethical Leadership Theory and adopts a positivist philosophy with a descriptive correlational research design. The target population consisted of 33,008 employees drawn from nine listed commercial banks, from which a sample of 395 respondents was selected through stratified random sampling. Data was collected using a structured questionnaire and analysed through both descriptive and inferential statistics using the Statistical Package for the Social Sciences (SPSS version 25). The findings revealed that all five dimensions of ethical leadership had a positive and statistically significant influence on employee engagement. Correlation and regression analyses showed strong associations between ethical leadership and engagement, with the moral dimension emerging as the strongest predictor, followed by the psycho-emotive and technical dimensions. Character and empowerment behaviour dimensions also demonstrated significant positive effects, indicating that fairness, integrity, participation, and autonomy-enhancing practices play an important role in fostering employee engagement. Diagnostic tests confirmed that the data met the assumptions for parametric analysis, and the regression model explained a substantial proportion of variance in employee engagement. The study concludes that ethical leadership is a critical driver of employee engagement in commercial banks in Kenya. The findings imply that bank leadership and policymakers should institutionalize ethical leadership practices by strengthening moral integrity, emotional intelligence, technical competence, and empowerment-oriented management approaches. The study contributes to ethical leadership literature by empirically validating the multidimensional nature of ethical leadership and highlighting the relative strength of its dimensions in predicting employee engagement within a developing-country banking context. The results offer valuable insights for organizational leaders, policymakers, and scholars seeking to enhance employee engagement and organizational sustainability through ethical leadership practices.

TABLE OF CONTENTS

DECLARATION ..... **ii**

DEDICATION ..... **iii**

ACKNOWLEDGEMENT ..... **iv**

LIST OF TABLES ..... **xxi**

LIST OF FIGURES ..... **xii**

ABBREVIATION AND ACRONYMS ..... **xiii**

DEFINITION OF TERMS ..... **xiv**

CHAPTER ONE **1**

INTRODUCTION **1**

1.1 Background of the Study 1

1.1.1 Ethical Leadership 2

1.1.2 Employee Engagement 4

1.1.3 Commercial Banks in Kenya 7

1.2 Statement of the Problem 9

1.3 Objectives of the Study 11

1.3.1 General Objective 11

1.3.2 Specific Objectives 12

1.4 Hypotheses 12

1.5 Significance of the Study 13

1.5.1 Commercial Banks Management 13

1.5.2 Policy Makers 13

1.5.3 Future Scholars 13

1.6 Scope of the Study 14

1.7 Chapter Summary 14

CHAPTER TWO 15

LITERATURE REVIEW 15

2.1 Introduction 15

2.2 Theoretical Review 15

2.3 Empirical Review 19

2.3.1 Character Dimension of Ethical Leadership and Employee Engagement 20

2.3.2. Technical Dimension of Ethical Leadership and Employee Engagement 22

2.3.3 Empowerment Behaviour Dimension Ethical Leadership on Employee Engagement 24

2.3.4. Moral Dimension of Ethical Leadership on Employee Engagement 27

2.3.5 Psycho-Emotive Dimension of Ethical Leadership on Employee Engagement 29

2.3.6 Summary of Literature and Gaps 32

2.4 Conceptual Framework 35

2.5 Operationalization of Study Variables 38

2.6 Chapter Summary 41

CHAPTER THREE 42

RESEARCH METHODOLOGY 42

3.1 Introduction 42

3.2 Research Philosophy 42

3.3 Research Design 43

3.4 Target Population 44

3.5 Sampling Design 44

3.6 Data Collection Methods 46

3.6.1 Data Collection Instruments 46

3.7 Research Quality 47

3.7.1 Pilot Testing 47
3.7.2 Validity of Research Instruments 47
3.7.3 Reliability of Research Instruments 48
3.7.4 Diagnostic Test 49
3.8 Data Analysis Methods 51
3.9 Ethical Considerations 52
3.10 Chapter Summary 52
CHAPTER FOUR 54
PRESENTATION OF RESULTS 54
4.1 Introduction 54
4.2 Response Rate 54
4.3 Respondents' Demographic Data 54
4.4 Descriptive Statistics 56
4.4.1 Character Dimension of Ethical Leadership 56
4.4.2 Technical Dimension 57
4.4.3 Empowerment Behaviour Dimension 58
4.4.4 Moral Dimension 59
4.4.5 Psycho-Emotive Dimension 60
4.4.6 Employee Engagement 61
4.5 Inferential Statistics 61
4.5.1 Correlation Analysis 62
4.5.2 Multiple Regression Analysis 63
4.7: Chapter Summary 75
CHAPTER FIVE 76
DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS 76
5.1 Introduction 76

5.2 Summary of Main Findings 76

5.3 Discussion of Findings 76

5.3.1 Influence of Character Dimension of Ethical Leadership on Employee Engagement . 76

5.3.2 Influence of Technical Dimension of Ethical Dimension of Ethical Leadership on Employee Engagement 78

5.3.3 Influence of Empowerment Behaviour Dimension of Ethical Leadership on Employee Engagement 79

5.3.4 Influence of Moral Dimension of Ethical Leadership on Employee Engagement 80

5.3.5 Influence of Psycho-emotive Dimension of Ethical Leadership on Employee Engagement 82

5.4 Conclusions 83

5.5 Recommendations 84

5.5.1 Policy Recommendations 84

5.5.2 Managerial Recommendations 85

5.5.3 Theoretical Recommendations 85

5.6 Limitations 86

5.7 Suggestions for Further Research 87

5.7 Chapter Summary 87

REFERENCES 89

APPENDICES ..... Error! Bookmark not defined.

Appendix I: Letter Of Introduction ..... **Error! Bookmark not defined.**

Appendix II: Participant Information Sheet and Consent Form **Error! Bookmark not defined.**

Appendix III: Ethical Approval and NACOSTI License ..... **Error! Bookmark not defined.**

Appendix IV: Questionnaire ..... **Error! Bookmark not defined.**

Appendix V: Workplan ..... **Error! Bookmark not defined.**

Appendix VI: Budget .....**Error! Bookmark not defined.**

Appendix VII: List of NSE-Listed Commercial Banks .....**Error! Bookmark not defined.**

LIST OF TABLES

Table 2. 1: Summary of Research Gaps 34
Table 2. 2: Operationalisation of Variables 39
Table 3. 1: Sample size distribution 45
Table 3. 2: Cronbach's Alpha 49
Table 4.1: Response Rate 54
Table 4.2: Demographic Information of Respondents 54
Table 4.3: Descriptive Statistics for Character Dimension 56
Table 4. 4: Descriptive Statistics for Technical Dimension 57
Table 4.5: Descriptive Statistics for Empowerment Behavior Dimension 58
Table 4. 6: Descriptive Statistics for Moral Dimension 59
Table 4. 7: Descriptive Statistics for Psycho-emotive Dimension 60
Table 4. 8: Descriptive Statistics for Employee Engagement 61
Table 4. 9: Correlations 62
Table 4. 10: Normality Tests 63
Table 4.11: Collinearity Diagnostics 67
Table 4.12: Model Summary 69
Table 4. 13: ANOVA Results 70
Table 4. 14: Regression Coefficients 71
Table 4. 15: Summary of Hypothesis Testing Results 73

LIST OF FIGURES

Figure 2. 1: Conceptual Framework 37
Figure 4. 1: Scatter Plot - Employee Engagement by Character Dimension 65
Figure 4. 2: Scatter Plot - Employee Engagement by Technical Dimension 65
Figure 4. 3: Scatter Plot - Employee Engagement by Empowerment Behvaior Dimension 66
Figure 4. 4: Scatter Plot - Employee Engagement by Moral Dimension 66
Figure 4. 5: Scatter Plot - Employee Engagement by Psycho-emotive Dimension 67
Figure 4. 6: A scatterplot: residuals versus predicted values 69

ABBREVIATION AND ACRONYMS

ANOVA:	Analysis of Variance
CBK:	Central Bank of Kenya
CEO:	Chief Executive Officer
CSQ:	Communication Satisfaction Questionnaire
EL:	Ethical Leadership
EE:	Employee Engagement
ELT:	Ethical Leadership Theory
HRM:	Human Resources Management
IRB:	Institutional Review Board
KBA:	Kenya Bankers Association
KS:	Knowledge Sharing
NACOSTI:	National Commission for Science, Technology and Innovation
NSE:	Nairobi Securities Exchange
PDM:	Participatory Decision Making
PLS–SEM:	Partial Least Square–Structural Equation Modelling
SEM:	Structural Equation Modelling
SPSS:	Statistical Package for Social Science

DEFINITION OF TERMS

Ethical Leadership

Ethical leadership entails the manifestation of acceptable behavioural norms through personal conduct and interpersonal connections. This leadership style involves actively promoting and emphasizing ethical behaviours among subordinates through consistent interaction and decisiveness (Brown et al., 2006). It consists of five dimensions, namely, the technical dimension, the empowerment behaviour dimension, the moral dimension, the character dimension and the psycho-emotive dimension.

Technical Dimension

The technical component pertains to a leader's array of technical talents, including their knowledge and expertise, which enhance their capacity to exercise influence (Babalola et al., 2022).

Empowerment Behaviour Dimension

Hawass (2016) asserts that the empowerment behaviour component includes including subordinates in goal-setting and decision-making, motivating them to do tough tasks, and permitting them to express creativity.

Moral Dimension

According to Cai et al. (2024), the moral dimension is a leader's morally sound choices and acts coupled with their good intentions.

Character Dimension

Sarros and Cooper (2006) assert that the character dimension represents the exterior expression of an individual's ideals and integrity to attain morally commendable outcomes.

Psycho-Emotive Dimension

According to Catania (2014), a leader's psychological characteristics, social skills, and capacity to foster a positive organizational work environment make up the psycho-emotive dimension.

Employee Engagement

Employee engagement is distinguished by a dedicated commitment and a positive attitude, which are the antithesis of fatigue (Sun & Bunchapattanasakda, 2019).

Hayes ' PROCESS macro

Hayes' PROCESS macro is a statistical instrument that is employed in SPSS and R to perform conditional process analysis, moderation, and mediation (also known as moderated mediation). Andrew F. Hayes devised it, and it is widely employed in research in the fields of business, psychology, and social sciences.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The growing recognition of employee engagement as a fundamental management challenge has gained significant prominence in recent years. This is because organizations increasingly recognize its crucial role in achieving strategic objectives and enhancing overall organizational effectiveness (Ye, 2024). Empirical data demonstrates a good association between employee engagement and numerous favourable outcomes. These outcomes include elevated job satisfaction, reduced turnover rates, and enhanced profitability. Nonetheless, the sustained maintenance of high levels of engagement poses considerable challenges for numerous organizations (Shahid, 2019). A notable issue is the lack of thorough exploration in the academic literature regarding the antecedents and consequences of employee engagement, despite the growing scholarly interest in this area (Kamboj & Sarmah, 2022). This highlights the complex nature of employee engagement and the need for diverse strategies to effectively tackle its challenges.

Leadership can be defined as the capacity to motivate and inspire followers to accomplish their tasks with enthusiasm, expertise, and a readiness to engage. It involves the formulation of perceptions, the generation of value, and the realization of achievements through cognitive, creative, and communicative processes (Babalola et al., 2022). Effective leaders embody a diverse array of characteristics, including integrity, the ability to identify talent, comprehensive job knowledge, and both social and self-awareness (Cai et al., 2024). Furthermore, successful leaders demonstrate adaptability in their leadership styles, ensuring alignment with the organizational culture and values (Cavazotte et al., 2021). Another important role that falls on the shoulders of leaders is the promotion of an ethical climate in organizations through personal ethical conduct and setting up ethical standards as well as offering ethical education to followers (Chakrabarti & Chatterjea, 2020). Therefore, it is important to recognise that responsible leadership is a key part of creating a good work environment that makes employees more engaged in their jobs.

1.1.1 Ethical Leadership

Ethical leadership has been widely discussed in management literature as a moral and value-driven form of leadership that influences both leader and follower behaviour. Brown et al. (2006) describe ethical leadership as the exhibition of normatively appropriate behaviour through personal actions and interpersonal relationships, coupled with the promotion of similar conduct among followers. Similarly, Mihelic et al. (2010) view ethical leadership as the demonstration of ethical norms through behaviour and relationships. According to Al Muhannaa (2023), ethical leadership involves guiding followers toward socially responsible and environmentally sustainable actions that benefit the community and future generations. Stouten et al. (2012) further emphasize that ethical leaders demonstrate commitment to ethical standards across decision-making, communication, and organizational conduct.

Ethical leadership is multi-dimensional, encompassing five major constructs: technical, empowerment behaviour, moral, character, and psycho-emotive dimensions (Cai et al., 2024). The technical dimension focuses on the leader's knowledge, expertise, and ability to influence others effectively (Fatuma & Gatobu, 2022). It relates to the leader's capacity to set organizational goals, make sound decisions, and improve performance quality (Langlois et al., 2015). Technically skilled leaders serve as credible role models who inspire confidence through competence. The empowerment behaviour dimension highlights the leader's effort to enhance employee autonomy, participation, and competence (Hawass, 2016). Ethical leaders empower followers by involving them in decision-making, encouraging creativity, and fostering self-efficacy, which leads to higher job satisfaction and engagement (Frazier & Jacezko, 2020).

The moral dimension reflects a leader's moral integrity, fairness, and self-regulation (Kanungo & Mendonca, 2012). Ethical leaders model ethical behaviour, ensure adherence to moral standards, and reward ethical conduct among employees (Verdorfer & Peus, 2019). They act as moral managers who establish ethical norms within their organizations (Babalola et al., 2022). The character dimension refers to the internalization of moral values and virtues that guide ethical decision-making (Sarros & Cooper, 2006). It reflects universalism, compassion, and transformational intent in leadership (Chakrabarti & Chatterjea, 2020). This dimension highlights authenticity and integrity as foundations for ethical behaviour (Almutairi et al., 2016). The psycho-emotive dimension focuses on leaders' emotional intelligence, interpersonal skills, and ability to

create a positive organizational climate (Catania, 2014). Leaders who exhibit this dimension cultivate trust, motivation, and psychological safety among followers (Lu & Guy, 2014). This emotional awareness enables ethical leaders to foster harmonious relationships, reduce conflict, and enhance employee engagement.

For this study, ethical leadership was conceptualized using the five-dimensional model proposed by Cai et al. (2024), comprising technical, empowerment behavior, moral, character, and psycho-emotive dimensions. The adoption of this multidimensional approach was informed not only by theoretical considerations but also by the operational realities of Kenya's banking sector. Commercial banks operate within highly competitive, performance-driven, and technologically dynamic environments where employees interact with leaders under conditions of regulatory pressure, sales targets, customer service demands, and continuous organizational change. In such contexts, ethical leadership may not be adequately understood through moral integrity alone.

For instance, employees in banking institutions may evaluate leaders not only based on ethical conduct, but also on technical competence, emotional support, fairness in decision-making, empowerment practices, and the ability to manage workplace pressure. Studies conducted within Kenyan banking and related service sectors have shown that employees are increasingly concerned with participatory leadership, psychological support, trust, fairness, and competence-based leadership practices (Ananga et al., 2024; Mosong et al., 2023; Afwande & Kiiru, 2023). Consequently, disaggregating ethical leadership into multiple dimensions provides a more contextually grounded framework for understanding how different leadership attributes may independently or jointly influence employee engagement within Kenyan commercial banks.

Furthermore, prior ethical leadership studies have often treated ethical leadership as a generalized construct, thereby limiting understanding of whether specific dimensions exert stronger, weaker, or overlapping influences on employee engagement (Babalola et al., 2022). The multidimensional framework adopted in this study therefore provides greater analytical depth by allowing examination of the distinct relational, behavioural, technical, and moral components of ethical leadership within the Kenyan banking environment.

1.1.2 Employee Engagement

This study's dependent variable was employee engagement, which is often defined as the combination of different behavioural factors, including psychological presence, commitment, involvement, attachment, energy, good attitude, and discretionary effort (Cavazotte et al., 2021). Employee engagement is a good, fulfilling state of mind at work that is marked by energy, commitment, and focus (Sun & Bunchapattanasakda, 2019). It is the reverse of burnout, and it shows that an individual is eager to put in effort at work, stay excited about their job, and build a strong bond with their company. When employees are engaged, they are more motivated, committed, and willing to go the extra mile, which leads to better job performance and success for the company. The Utrecht Work Engagement Scale (UWES) will be utilised to assess the dependent variable, evaluating three critical dimensions of employee engagement: vigour, dedication, and absorption (Cai et al., 2024). Absorption is being completely focused on a task, vigour is having a lot of mental and physical energy, and dedication is having a strong sense of purpose and joy.

Achieving and maintaining high levels of engagement remains a challenge for many organizations due to factors such as leadership style, workplace culture, and intrinsic motivation (Kamboj & Sarmah, 2022). Particularly as companies bounce back from economic difficulties, employee engagement is seen as a crucial organizational issue (Andrew & Sofian, 2012). Employee involvement, commitment, enthusiasm, and passion for their work are all part of it (Attridge, 2009). It is becoming more widely recognized as an ongoing, highly organization-specific process (Ciulla & Ciulla, 2020). As organizations face unprecedented changes in job descriptions and workforce diversity due to globalization, employee engagement has emerged as a crucial management focus for competing in dynamic environments (Babalola et al., 2022).

Ethical leadership is recognised as a significant factor in enhancing employee engagement by promoting a culture of trust, fairness, and inclusivity within organisations. Leaders demonstrating ethical behaviour foster a workplace where employees experience value, respect, and empowerment, consequently improving their engagement levels (Ouma & K'Aol, 2019). Research indicates that ethical leadership directly influences employee commitment and motivation by aligning employees' values with those of the organisation (Adnan et al., 2022). Furthermore, ethical leaders cultivate a strong ethical climate, which has been shown to affect the relationship

between leadership behaviour and employee engagement (Sarwar et al., 2020). Ethical leadership holds significant importance in the banking industry due to the frequent emergence of moral dilemmas. It influences employee cognition and behaviour, resulting in a more engaged and committed workforce.

It is a common problem for organizations across the globe to foster and maintain employee engagement in the face of changing business dynamics. Despite extensive research on employee satisfaction, productivity, and work-life balance (Catania, 2014; Ehrich et al., 2015), significant opportunities for enhancement remain. The discussion on employee engagement is evolving, highlighting intersections with concepts like job involvement and organisational commitment, which calls for additional theoretical clarification (Kamboj & Sarmah, 2022). Managers face the considerable challenge of discerning and implementing an effective array of factors that could enhance employee engagement. These factors consist of various domains, including leadership styles, communication practices, opportunities for development, workplace culture, interpersonal dynamics, and the balance between work and personal life (Ye, 2024). Compounding these challenges is imperative to tailor engagement strategies to distinct organizational contexts, such as navigating the complexities of a VUCA (Volatile, Uncertain, Complex, and Ambiguous) environment (Ye, 2024) and the rising emphasis on green management practices (Kuuyelleh et al., 2021).

Although factors such as remuneration, work-life balance, technological change, organizational culture, and career progression have been widely associated with employee engagement, many of these explanations emphasize structural and operational conditions while paying comparatively limited attention to the ethical and relational processes through which employees interpret leadership behaviour (Chelangat, 2023; Afwande & Kiiru, 2023; Magambo, 2023). For instance, remuneration and career development opportunities may improve employee satisfaction and retention, yet they do not necessarily explain employees' perceptions of fairness, trust, psychological safety, or emotional attachment to organizational leadership. Similarly, technological transformation within banking institutions has improved operational efficiency but has also intensified performance pressure, employee surveillance, and role ambiguity, thereby creating new relational and ethical tensions between leaders and employees (Ananga et al., 2024). Consequently, structural explanations alone may be insufficient in explaining why disengagement persists even in organizations with relatively competitive human resource systems.

To tackle the details of worker engagement, scholars like Clack (2021) have attempted to pinpoint the factors that influence work engagement and could potentially predict job performance, which in turn affects employee engagement levels (Chakrabarti & Chatterjea, 2020). According to Cavazotte et al. (2021), engaged workers demonstrate a deep dedication to their jobs and work-related activities, which improves task performance and job satisfaction and, taken together, improves an organization's financial results (Ciulla & Ciulla, 2020). Companies must promote employee engagement through effective leadership, especially by focusing on ethical leadership practices, given the critical role that employee engagement plays in corporate performance (Cai et al., 2024).

Ethical leadership has become a prominent topic of study in organizational contexts. Nevertheless, current literature reveals a lack of research exploring the relationship between ethical leadership and employee behaviour, leading to inconsistent and ambiguous results (Junaidi, 2023). The ongoing conversation on employee engagement is a considerable challenge for both researchers and business people (Catania, 2014). A lot of work still needs to be done to show how certain aspects of moral leadership can make workers more interested in their jobs in various service industries, especially in Kenya.

Although several Kenyan studies have examined employee engagement within the banking sector, many have primarily focused on human resource practices, talent management, organizational culture, or employee satisfaction while giving comparatively limited attention to the ethical dimensions of leadership (Afwande & Kiiru, 2023; Mosong et al., 2023). In addition, many of these studies adopt cross-sectional survey approaches that rely heavily on generalized leadership constructs and self-reported employee perceptions, making it difficult to isolate the distinct mechanisms through which leadership behaviour influences engagement outcomes. Some studies also assume that leadership effects operate uniformly across organizational contexts without adequately accounting for the unique pressures associated with Kenya’s commercial banking environment, including technological disruption, performance targets, regulatory demands, and changing employee expectations. Consequently, limited attention has been given to whether different dimensions of ethical leadership may exert distinct or overlapping influences on employee engagement within Kenyan commercial banks.

Locally, employee engagement remains a persistent concern. Only 17 percent of Kenyan employees are actively engaged in their work, with the majority demonstrating low motivation and limited commitment to organizational goals (Gallup Inc., 2026). This disengagement has been reported across multiple sectors, including banking, education, and public service, where performance and retention challenges continue to emerge (Cavazotte et al., 2021). In the banking sector, for instance, employee disengagement has been linked to high turnover rates and low productivity (Dust et al., 2018).

In commercial banks specifically, a worrying trend of declining engagement levels among staff has been noted. This decline is attributed to various organizational, cultural, and operational hurdles. A study by Ananga et al. (2024) revealed that numerous employees in Kenyan banks see a deficiency in their influence on decision-making processes, adversely impacting their organizational commitment and overall job satisfaction. The competitive dynamics of the financial industry, marked by swift technology advancements and a pronounced emphasis on profitability, have intensified the pressures on employees, resulting in a disconnect between individual workers and organizational objectives.

Chelangat (2023) identifies several key factors contributing to this issue, including insufficient support systems like limited career advancement opportunities and a lack of acknowledgement for employee contributions. Such shortcomings can lead to higher turnover rates and diminish employee morale. Furthermore, cultural misalignment is particularly evident in foreign-owned banks, where employees often find it challenging to integrate local cultural values with practices imported from abroad (Magambo, 2023).

1.1.3 Commercial Banks in Kenya

In 2024, the number of licensed commercial banks in Kenya stood at thirty-eight, indicating a steady trend of consolidation over the past ten years (Central Bank of Kenya, 2024a). The sector comprises large locally controlled institutions, foreign-owned subsidiaries, and a few state-owned banks, with a small number of large banks dominating assets and deposits (Cytonn Investments, 2025). In recent years, digital transformation has become a defining feature, with most banks adopting mobile and internet platforms to enhance efficiency and reach, while maintaining branch networks concentrated in urban areas (CBK, 2024b). Additionally, macroeconomic headwinds,

including slower growth and fiscal pressures, have affected credit demand and profitability in commercial banks in Kenya (Central Bank of Kenya, 2024a).

The banking sector in Kenya is experiencing significant challenges in sustaining employee engagement and retaining talent. Heavy workload pressures, driven by intense competition for talent and understaffing, have led to employee fatigue and low satisfaction (Ananga et al., 2024). Work–life balance remains a concern; flexible work arrangements and employee support programs have been found beneficial, yet not all banks have implemented such measures effectively (Afwande & Kiiru, 2023). Employee turnover is particularly high in foreign-owned banks, with rates reaching up to sixty percent over the past several years, often driven by poor remuneration, limited career progression, and cultural mismatches (Magambo, 2023). Retention strategies are mixed; while effective recruitment, career management, and training are proven to enhance retention, weaknesses in performance appraisal and inconsistent benefits undermine these efforts (Kiragu & Marwa, 2022).

According to Kenya Bankers Association (2024), Kenyan commercial banks' average employee turnover rate was 14.6%, indicating a disengaged workforce. This issue was attributed to various factors, including a lack of effective leadership practices. Furthermore, Kenya Bankers Association (2024) reveals that only 17% of Kenyan employees are engaged in their jobs, while 83% are either quietly or loudly quitting. Additionally, 81% of Kenyan workers are dissatisfied with their jobs and actively seeking new opportunities (Gallup Inc., 2026). This figure surpasses the continental average of 75% and the global average of 77% (Gallup Inc., 2026). These research outcomes demonstrate that employee engagement is a significant issue affecting not only the commercial banks in Kenya but also all sectors in the country, making it crucial to address this matter.

Further studies have shown effective methods to improve employee engagement. For example, a comprehensive study involving 43 banks in Nairobi County highlighted that flexible work arrangements, such as flexible scheduling, telecommuting, and job sharing, along with robust employee support initiatives, have a positive impact on engagement levels (Afwande & Kiiru, 2023). Additionally, Mosong et al. (2023) conducted research involving 354 employees from 42 different banks in Nairobi, revealing that effective talent management practices were strongly correlated with higher levels of employee engagement. These findings show the importance of developing inclusive human resource practices and nurturing a participatory leadership style

within the banking sector. This study focused on all the nine commercial banks listed on Nairobi-Stock Exchange as they take up more than 60% of the market share and have the biggest number of employees. Specifically, data was collected from employees in various departments within these institutions from the Nairobi based branches.

However, the study acknowledges that exclusive focus on NSE-listed commercial banks may limit the extent to which findings can be generalized to all commercial banks in Kenya. NSE-listed banks operate within relatively larger, highly regulated, and more formalized organizational environments characterized by stronger governance structures, advanced technological systems, and greater public accountability. Consequently, smaller non-listed banks and other financial institutions may differ in leadership structures, organizational culture, employee experiences, and operational practices. The findings of this study were therefore interpreted primarily within the context of NSE-listed commercial banks and should be generalized cautiously to other banking institutions with different structural and operational characteristics.

1.2 Statement of the Problem

Employee engagement is widely recognized as a key driver of organizational success because it influences productivity, innovation, job satisfaction, organizational commitment, and employee retention (Cai et al., 2024). Globally, however, employee disengagement remains a major organizational challenge, with Gallup Inc. (2026) reporting that only about 23 percent of employees are actively engaged at work, while disengagement costs organizations nearly 9 percent of their annual revenue. Similar trends have been reported in Sub-Saharan Africa, where low engagement levels have been associated with weak leadership practices, ineffective communication, and limited employee empowerment (Amah & Okafor, 2023). In Kenya, the problem is particularly evident within the financial services sector, where commercial banks continue to experience high employee turnover, declining morale, and low engagement levels despite increased investments in human resource practices and organizational restructuring initiatives (Catania, 2014). These challenges negatively affect operational efficiency, service quality, customer satisfaction, and long-term organizational sustainability.

Although employee disengagement within the banking sector has been linked to factors such as inadequate remuneration, heavy workload pressures, limited career advancement opportunities, organizational culture, and technological disruption (Chelangat, 2023; Magambo, 2023; Afwande

& Kiiru, 2023), these explanations remain largely structural and operational in nature. While such factors help explain dissatisfaction and turnover intentions, they insufficiently account for the relational and ethical processes through which employees interpret leadership behaviour and develop trust, psychological attachment, and commitment toward their organizations. Consequently, these explanations do not adequately explain why disengagement persists even in organizations that have implemented competitive compensation systems, digital transformation strategies, and formal human resource policies (Ananga et al., 2024; Mosong et al., 2023). This limitation suggests the need to examine leadership-related factors that shape employee perceptions of fairness, empowerment, emotional support, and organizational integrity.

Ethical leadership has increasingly emerged as a potentially important explanatory mechanism because ethical leaders promote fairness, accountability, moral integrity, transparency, and concern for employee welfare, thereby fostering trust, psychological safety, and employee commitment (Brown & Treviño, 2014). Studies conducted in different organizational contexts have shown that ethical leadership positively influences employee engagement by strengthening intrinsic motivation, organizational identification, and commitment (Ouma & K'Aol, 2019). However, empirical findings remain inconsistent, particularly within developing economies where cultural, institutional, and organizational conditions shape leadership behaviour differently (Junaidi, 2023). For instance, while Ouma and K'Aol (2019) found that ethical leadership enhanced employee engagement within Kenyan state corporations, Mwangi and Obuya (2022) reported that technical leadership competencies alone did not significantly influence engagement within commercial banks in Nairobi. Similarly, Gonzalez and Rivera (2023) observed that technical leadership skills produced limited engagement outcomes in the absence of emotional intelligence and interpersonal support. These inconsistencies suggest that the relationship between ethical leadership and employee engagement may be more complex and multidimensional than many studies assume.

Furthermore, important conceptual and contextual gaps remain within the ethical leadership literature. Many studies have treated ethical leadership as a generalized or unidimensional construct despite evidence suggesting that employees may respond differently to specific leadership attributes such as technical competence, empowerment behaviour, moral integrity, psycho-emotive support, and leader character (Babalola et al., 2022). Consequently, limited empirical attention has been given to whether these dimensions exert distinct influences on

employee engagement, particularly in high-pressure and performance-driven environments such as commercial banking. In Kenya, most studies have focused on general leadership styles, organizational culture, talent management, or employee satisfaction while paying limited attention to the multidimensional nature of ethical leadership within the country's socio-cultural and regulatory environment (Mosong et al., 2023). As a result, evidence regarding how the different dimensions of ethical leadership influence employee engagement in Kenyan commercial banks remains fragmented, contextually limited, and theoretically underdeveloped.

This study therefore sought to investigate the influence of ethical leadership on employee engagement among listed commercial banks in Kenya by examining the distinct effects of the character, technical, empowerment behaviour, moral, and psycho-emotive dimensions of ethical leadership. The study aimed to address the identified contextual and conceptual gaps by providing localized empirical evidence that may contribute to leadership development, employee retention strategies, and organizational effectiveness within Kenya's banking sector.

Although ethical leadership is commonly examined as a unified construct, emerging literature suggests that its dimensions may influence employee outcomes differently depending on organizational context, employee expectations, and workplace pressures (Junaidi, 2023). In high-pressure environments such as commercial banking, employees may place varying levels of importance on leaders' technical competence, moral integrity, empowerment practices, emotional support, and character attributes. Furthermore, prior studies have reported inconsistent findings regarding which dimensions of ethical leadership most strongly influence employee engagement, particularly within developing economies and service-oriented sectors (Mwangi & Obuya, 2022; Gonzalez & Rivera, 2023). Examining the dimensions separately therefore allows for deeper analytical understanding of whether certain ethical leadership attributes exert stronger, weaker, or overlapping influences on employee engagement within Kenyan commercial banks.

1.3 Objectives of the Study

1.3.1 General Objective

The main goal of the study was to examine how ethical leadership influences employee engagement in Kenyan commercial banks.

1.3.2 Specific Objectives

The specific objectives are to:

i. To examine how the character dimension of ethical leadership influences employee engagement among employees in listed commercial banks in Kenya.
ii. To assess the extent to which the technical dimension of ethical leadership influences employee engagement among employees in listed commercial banks in Kenya.
iii. To evaluate the influence of empowerment behaviour practices on employee engagement among employees in listed commercial banks in Kenya.
iv. To analyse the influence of the moral dimension of ethical leadership on employee engagement among employees in listed commercial banks in Kenya.
v. To determine how the psycho-emotive dimension of ethical leadership relates to employee engagement among employees in listed commercial banks in Kenya.

1.4 Hypotheses

Given the mixed and sometimes contradictory findings regarding the dimensions of ethical leadership and employee engagement in prior studies, the study tested the following hypotheses to determine whether statistically significant relationships existed within the context of Kenyan commercial banks.

H01: There is no significant impact of the ethical leadership character dimension on employee engagement in Kenyan commercial banks listed on the NSE.

H02: The technical dimension of ethical leadership does not significantly affect employee engagement in Kenyan commercial banks listed on the NSE.

H03: The empowerment behaviour dimension of ethical leadership does not significantly influence employee engagement in Kenyan commercial banks listed on the NSE.

H04: The moral dimension of ethical leadership has no significant effect on employee engagement in Kenyan commercial banks listed on the NSE.

H05: The psycho-emotive dimension of ethical leadership does not significantly impact employee engagement in Kenyan commercial banks listed on the NSE.

1.5 Significance of the Study

1.5.1 Commercial Banks Management

The financial sector plays a vital role in Kenya's economic development, making employee engagement an important element in enhancing both organizational performance and employee morale. In commercial banks, engagement contributes to improved service delivery, innovation, and employee retention. This study provided insights that can help bank managers adopt ethical leadership practices that promote fairness, transparency, and empowerment. By applying these practices, managers can strengthen employee trust, motivation, and commitment, which are critical in reducing turnover and improving productivity. The findings can guide the design of workplace strategies that create a positive organizational climate and encourage sustained employee participation, ultimately improving overall organizational effectiveness within Kenya's banking sector.

1.5.2 Policy Makers

The findings of this study are valuable to policymakers, particularly those involved in human resource and labour policy formulation within Kenya's financial sector. Ethical leadership has a strong influence on employee behaviour, productivity, and workplace culture. Policymakers can use the study's insights to develop policies that encourage ethical leadership standards, strengthen employee welfare, and promote fair management practices. Such policies can help create an enabling environment where organizations prioritize integrity, accountability, and employee engagement. Aligning labour regulations with these values can support national efforts to improve employee satisfaction and enhance organizational competitiveness across the financial industry

1.5.3 Future Scholars

This study contributes to academic research by providing new contextual insights into the relationship between ethical leadership and employee engagement in Kenya's banking sector. It addressed existing gaps in global literature that has largely focused on Western settings by exploring how ethical leadership operates within an African context. These findings can help scholars refine theoretical models and support future research exploring the role of leadership

ethics in shaping employee engagement and performance across diverse cultural and institutional environments.

1.6 Scope of the Study

The study intended to determine the impact of ethical leadership on employee engagement within NSE-listed commercial banks in Kenya. The research was conducted at the nine NSE-Listed commercial banks in Kenya given they cover more than 70% of the total banking staff in Kenya, focusing on the representative sample across various departments and units in these institutions. The study took place between January and February of 2026.

1.7 Chapter Summary

This chapter presented an overview of the study and the research problem statement. It outlined the study's significance, provided definitions for key terms, and introduced the general and specific study objectives.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The theoretical foundations supporting the study of ethical leadership and its impact on employee engagement are critically examined in this chapter. The conceptual model linked to this theory is next examined, and its applicability to the current investigation is outlined. After that, a thorough analysis of the empirical literature on ethical leadership is presented, emphasizing how it relates to the study's research questions. There is a summary at the end of the chapter.

2.2 Theoretical Review

This study was grounded in the ethical leadership theory initially proposed by Treviño et al. (2003) and later expanded upon by Brown et al. (2006). These scholars contend that ethical leaders exemplify behaviours that align with accepted normative standards through their personal conduct and interpersonal relationships. Moreover, ethical leaders propagate such behaviours among subordinates through mutual interaction, emphasis, and decisive action. The theory was developed in reaction to ethical failures and the need for ethical decision-making in organizations (Kim & Vandenberghe, 2021). There have been several definitions of ethical leadership throughout the years, but the most generally used one was offered by Brown et al. in 2006. Ethical theory outlines the standards of conduct that would enable one differentiate between the right and wrong.

The ethical leadership theory has developed over time with a focus on different dimensions of leader behaviour and the effects on the followers. At the beginning of the theory's development, the theory focused on the ethical conduct of leaders, which entails the right actions of a leader (Verdorfer & Peus, 2019). This approach emphasizes the fact that leaders must be ethical at all times to influence their followers in the right way. As the theory evolved, studies started to examine how and why ethical leadership affects followers. For example, it has been established that leader integrity can indirectly foster ethical leadership behaviours through moral identification (Din & Zhang, 2023). Also, self-leadership based on ethics has been defined as an approach that can help followers regulate themselves in ethical behaviour (Steinbauer et al., 2013).

The development of ethical leadership theory has shifted from the study of the ethical conduct of leaders to the processes and dynamics of ethical leadership. Contemporary studies focus on the notion of moral identity (Skubinn & Herzog, 2014), critical events that help to identify ethical leaders (Skubinn & Herzog, 2014), and the need to develop a cross-disciplinary approach that incorporates knowledge from management, humanities, and social sciences (Skubinn & Herzog, 2014). As the area of study expands, there is a rising concern on how critical leadership ethics can help to solve the ethical dilemma that is characteristic of leadership (Price, 2017).

Although ethical leadership theory has its merits, it faces significant challenges in its definition and measurement. Mainstream literature highlights a weak theoretical foundation and a misalignment between conceptualization and operationalization (Sheer et al., 2018). This discrepancy complicates the identification and implementation of effective ethical leadership measures. Furthermore, the theory's reductive approach overlooks the complexities of authenticity and the leader's role in defining meaning within organizations. Although research in this area is growing, it remains limited, with insufficient dissemination of knowledge (Hsieh et al., 2023) and a lack of consensus on core elements of ethical leadership (Kennedy et al., 2016). The key weaknesses include an underdeveloped theoretical framework, which leads to inconsistencies in understanding and applying ethical leadership across different contexts. Additionally, there is inadequate attention to the communication aspects of leadership and challenges in reconciling universal ethical standards with cultural differences, particularly in non-Western contexts like China (Sheer et al., 2018). Thus, there is a pressing need for a more nuanced understanding of ethical leadership that integrates ethical principles with cultural contexts.

Despite its widespread application in organizational leadership studies, Ethical Leadership Theory has largely been developed and validated within Western organizational contexts characterized by relatively low power distance, individualistic cultural orientations, and formalized institutional systems (Brown & Treviño, 2006). Such assumptions may not fully reflect the realities of many African organizational environments, including Kenya’s banking sector, where leadership relationships are often shaped by collectivist cultural values, hierarchical organizational structures, socio-economic pressures, and strong interpersonal networks. In such contexts, employees may evaluate leadership not only on the basis of ethical conduct and procedural fairness, but also

through relational expectations such as emotional support, mentorship, accessibility, and communal responsibility.

Furthermore, Ethical Leadership Theory has frequently been criticized for conceptual ambiguity and construct overlap with related leadership approaches such as transformational, servant, and authentic leadership (Yukl et al., 2013). The theory also tends to emphasize moral behaviour and fairness while paying comparatively limited attention to contextual organizational pressures such as technological disruption, regulatory demands, performance targets, and emotional labour, which strongly characterize the modern banking environment. Consequently, relying exclusively on generalized ethical leadership constructs may oversimplify how employees in commercial banks interpret leadership effectiveness and organizational engagement.

Nevertheless, the theory remains relevant to the present study because it provides an important framework for understanding how leaders' ethical conduct, fairness, integrity, and interpersonal behaviours shape employee attitudes and workplace engagement. However, rather than treating ethical leadership as a purely moral construct, this study adopts the multidimensional perspective proposed by Cavazotte et al. (2021), which incorporates technical competence, empowerment behaviour, psycho-emotive support, moral conduct, and character dimensions. This broader conceptualization was considered more appropriate for the Kenyan banking context because it accommodates both the ethical and relational complexities associated with leadership within highly competitive, performance-driven, and culturally diverse financial institutions.

Although the five dimensions of ethical leadership are conceptually distinguishable, existing literature suggests that they may also exhibit important areas of overlap in practice (Yukl et al., 2013; Sheer et al., 2018). For instance, leaders perceived as morally upright may simultaneously be viewed as fair, emotionally supportive, empowering, and trustworthy, thereby creating interrelationships among the dimensions. Similarly, psycho-emotive support and empowerment behaviours often operate together through relational trust and psychological safety, while character and moral dimensions may both reflect employees' perceptions of leader integrity and ethical consistency. These overlaps have contributed to ongoing concerns regarding conceptual redundancy and discriminant validity within ethical leadership research (Kennedy et al., 2016).

The multidimensional conceptualization adopted in this study therefore does not assume that the five dimensions operate as completely independent leadership behaviours. Rather, the dimensions are understood as interconnected and potentially complementary aspects of ethical leadership that may simultaneously shape employee perceptions and workplace experiences. However, treating the dimensions as analytically distinct predictors was considered important because prior studies suggest that employees may respond differently to particular leadership attributes depending on organizational context, professional expectations, and workplace pressures (Junaidi, 2023; Mwangi & Obuya, 2022). For example, employees may value technical competence during periods of operational uncertainty, while psycho-emotive support and empowerment behaviours may become more influential under conditions of stress or emotional exhaustion. Furthermore, although some scholars argue that ethical leadership dimensions may operate hierarchically or reflect broader underlying ethical orientations, limited empirical research has examined whether specific dimensions exert relatively stronger, weaker, or overlapping influences on employee engagement within African banking environments (Kennedy et al., 2016; Sheer et al., 2018). Consequently, separating the dimensions in the conceptual framework was intended not to imply absolute independence, but rather to facilitate more detailed examination of their distinct relational, behavioural, emotional, and ethical contributions to employee engagement. This approach allowed the study to explicitly acknowledge concerns regarding conceptual overlap while still investigating whether meaningful analytical distinctions could be observed within the Kenyan banking context. The dimensions therefore remain analytically valuable because they capture different, though interconnected, aspects of ethical leadership behaviour, including competence, ethical judgment, empowerment practices, integrity, emotional intelligence, and relational sensitivity (Cai et al., 2024).

The identified theoretical limitations significantly informed the conceptual and methodological choices adopted in this study. First, concerns regarding conceptual ambiguity and construct overlap within Ethical Leadership Theory (Sheer et al., 2018; Yukl et al., 2013) informed the decision to examine ethical leadership as a multidimensional construct rather than as a single generalized leadership variable. Disaggregating ethical leadership into character, technical, empowerment behaviour, moral, and psycho-emotive dimensions enabled more nuanced examination of the distinct and potentially overlapping ways through which leadership behaviours influence employee engagement (Babalola et al., 2022). Second, criticisms regarding cultural insensitivity

and the dominance of Western-based ethical leadership models (Brown & Treviño, 2006; Sheer et al., 2018) informed the study's contextual focus on Kenyan commercial banks, where organizational relationships are shaped by unique socio-cultural expectations, regulatory pressures, and workplace dynamics (Ananga et al., 2024). Third, because existing ethical leadership studies have relied heavily on generalized cross-sectional survey approaches and self-reported employee perceptions (Ashfaq et al., 2021; Gwamanda & Mahembe, 2023), the study incorporated multiple diagnostic tests and construct-specific measures to strengthen conceptual clarity and measurement validity. Consequently, the conceptual framework and research design were developed not merely to apply Ethical Leadership Theory, but to critically adapt and contextualize it within Kenya's banking environment.

Ethical leadership is essential in the formation of ethical organizations. It can enhance the efficiency in dealing with suppliers and customers, improve the business performance, enhance the competitiveness, and ensure sustainable success in the international market (Kasemsap, 2015). Organizations can implement the principles of ethical leadership into their planning and assessment of organizational outcomes to improve organizational ethical behaviour. Companies can integrate ethical leadership principles into their strategic planning and performance evaluation processes to enhance overall organizational ethics. Practical applications of ethical leadership extend to business excellence and organizational performance. Ethical leadership behaviour influences employee engagement, performance, efficiency, and productivity (Alshammari et al., 2015). Additionally, it has a negative correlation with the intention to quit and a good correlation with followers' job happiness, emotional commitment, trust in the leader, organizational citizenship behaviour, and moral identity (Zheng et al., 2011).

2.3 Empirical Review

The main rationale of this empirical review section is to evaluate findings from different studies regarding the influence of ethical leadership on employee engagement. This process involves reviewing and summarizing the outcomes from various studies to draw conclusions based on the obtained literature on ethical leadership.

2.3.1 Character Dimension of Ethical Leadership and Employee Engagement

The character dimension of ethical leadership refers to the leader's inner moral qualities and virtues that shape ethical behaviour and decision-making. According to Sarros and Cooper (2006), the character dimension represents the outward expression of an individual's values, integrity, and moral principles in pursuit of ethically commendable outcomes. This dimension emphasizes consistency between personal values and leadership actions, ensuring that leaders maintain ethical conduct even when such actions may not produce immediate personal or organizational benefits (Northouse, 2021). Within organizational contexts, character-based leadership is often associated with integrity, fairness, transparency, accountability, compassion, and trustworthiness, all of which influence how employees interpret organizational justice and leadership credibility.

Several studies have associated character-oriented ethical leadership with higher levels of employee engagement. Kalshoven et al. (2011) found that benevolence and fairness positively influenced employee trust, which subsequently enhanced engagement through greater discretionary effort and task absorption. Similarly, Ouma and K'Aol (2019), in a Kenyan context, reported that ethical leaders who demonstrated fairness, inclusion, and respect for diversity significantly enhanced employee enthusiasm and organizational commitment within state corporations. These findings suggest that employees are more likely to become emotionally and psychologically invested in their work when they perceive leaders as morally grounded and equitable.

Further evidence supporting the positive role of character-based leadership was provided by Khairy et al. (2023) in Egypt's hospitality industry. The study found that benevolent leadership enhanced employee engagement indirectly through psychological safety and workplace friendship. Employees who perceived leaders as caring and morally supportive reported stronger emotional attachment to their work and greater interpersonal trust within teams. Likewise, Xu e al. (2014), using a path-analysis model in Australia, established that leader integrity and organizational transparency increased psychological empowerment, which in turn enhanced employee engagement. Notably, the study found that integrity did not directly influence engagement, suggesting that character-based leadership may operate through relational and psychological mechanisms rather than through direct behavioural influence alone.

A qualitative study by Gemechu (2025) in Ethiopia further reinforced the importance of ethical character traits such as transparency, accountability, fairness, and role modelling in fostering employee motivation and trust. Employees reported that leaders who consistently demonstrated ethical conduct enhanced team cohesion and organizational commitment, whereas inconsistent ethical behaviour undermined confidence in leadership and reduced engagement. Although the study provided valuable contextual insights, its findings were limited by a very small sample size involving only seven public service employees, thereby restricting the generalizability of the results.

Despite the predominance of positive findings, some studies have challenged the assumption that character-based leadership independently drives employee engagement. Johnson and Reiley (2021), studying multinational corporations in Western Europe, found that leader integrity alone had limited influence on engagement when not supported by structural fairness and participatory management practices. Similarly, Mburu and Kimani (2023), in a study of commercial banks in Nairobi County, established that while employees respected leaders with strong ethical character, such traits did not significantly predict engagement unless accompanied by empowerment opportunities and career development support. These findings suggest that ethical character may not operate independently, but rather in combination with other relational and organizational factors.

Collectively, the literature suggests that the character dimension of ethical leadership contributes to employee engagement primarily through the development of trust, fairness perceptions, psychological safety, and organizational attachment. However, the literature remains theoretically and methodologically inconsistent. While most studies report positive relationships, many rely heavily on cross-sectional survey designs and self-reported employee perceptions, increasing susceptibility to common method bias and limiting causal interpretation. Furthermore, studies have been conducted across diverse sectors and cultural contexts, including hospitality, public administration, education, and multinational corporations, making it difficult to generalize findings to Kenya's highly regulated and performance-driven banking sector. Contradictory findings by Johnson and Reiley (2021) and Mburu and Kimani (2023) also suggest that ethical character alone may be insufficient in predicting employee engagement without complementary leadership practices such as empowerment, emotional support, and procedural fairness. Consequently, the

extent to which the character dimension independently influences employee engagement within Kenyan commercial banks remains conceptually and contextually unresolved, thereby justifying further investigation.

2.3.2. Technical Dimension of Ethical Leadership and Employee Engagement

The technical dimension of ethical leadership refers to a leader's professional knowledge, expertise, and technical competence that enhance their ability to exercise influence and make effective decisions (Chakrabarti & Chatterjea, 2020). This dimension emphasizes the leader's capacity to analyse complex situations, apply specialized knowledge, solve organizational problems, and make informed ethical judgments that align with organizational values and stakeholder interests. Leaders with strong technical competence are often perceived as credible, reliable, and capable of balancing moral intent with practical organizational effectiveness (Northouse, 2021). Within contemporary organizations, particularly in highly regulated and performance-driven sectors such as banking, technical competence may shape employee confidence in leadership and influence perceptions of organizational direction and stability.

Several studies have reported positive associations between technical aspects of ethical leadership and employee engagement. Ouma and K'Aol (2019), examining senior management within Kenya's parastatal transportation sector, found that the technical and character dimensions of ethical leadership positively influenced employee commitment and engagement. The study further established that the ethical climate moderated the relationship between ethical leadership and engagement, suggesting that leadership competence may be more effective when supported by a favourable organizational environment. Similarly, Fatuma and Gatobu (2022), studying county administration employees in Tana River County, Kenya, found that leaders who demonstrated technical proficiency improved organizational decision-making, employee confidence, and alignment with organizational objectives. Employees perceived technically competent leaders as more capable of providing direction and maintaining organizational effectiveness.

Related findings were reported by Engelbrecht et al. (2017), whose cross-sectional study across multiple industries established that ethical leadership significantly enhanced employee engagement through increased trust in leadership. Employees who perceived leaders as technically competent and fair demonstrated higher levels of vigour and dedication. Likewise, Van Minh et al.

(2017) found that technical competence strengthened employee trust in leadership, which subsequently enhanced engagement. Walumbwa et al. (2011), in a Sub-Saharan African cross-industry study, similarly reported that technically competent and ethically grounded leaders enhanced psychological empowerment, leading to greater employee energy and commitment at work. These studies collectively suggest that employees may interpret technical competence as an indicator of leadership credibility, thereby strengthening confidence in organizational leadership and increasing willingness to invest effort in organizational goals.

However, the literature also reveals important inconsistencies regarding the independent influence of technical competence on employee engagement. Javed et al. (2016), examining supervisor–subordinate relationships in Pakistan's textile sector, found that emotional intelligence and empowerment behaviours were more influential predictors of employee engagement than technical competence. Similarly, Mwangi and Obuya (2022), in a study of commercial banks in Nairobi, established that employees recognized leaders' technical abilities but did not necessarily become more engaged as a result. Instead, employee engagement was more strongly associated with fairness, empowerment, and emotional support. Gonzalez and Rivera (2023) reached comparable conclusions in Spanish public sector institutions, where technical competence produced limited engagement outcomes in the absence of interpersonal support and emotional intelligence. These findings challenge the assumption that technical competence alone is sufficient to generate employee engagement and instead suggest that employees may value relational and emotional leadership qualities more strongly in service-oriented environments.

Methodological limitations within the literature further complicate interpretation of the relationship between technical leadership competence and employee engagement. Many studies, including Engelbrecht et al. (2017) and Gwamanda and Mahembe (2023), relied heavily on cross-sectional survey designs and self-reported questionnaires, increasing susceptibility to common method bias and limiting causal interpretation. Additionally, several studies used generalized ethical leadership scales without clearly isolating technical competence as a distinct construct. For example, Gwamanda and Mahembe (2023) examined ethical leadership as a unified construct among private security firms in Zimbabwe without separately analysing professional competence or technical decision-making skills. Engelbrecht et al. (2017) similarly acknowledged the need to refine ethical leadership scales into more distinct dimensions such as technical and moral

components. These methodological limitations raise concerns regarding construct overlap and the extent to which technical competence independently influences employee engagement.

Furthermore, much of the existing literature has been conducted in contexts outside Kenya's commercial banking sector, including public administration, manufacturing, transportation, and private security industries, where organizational demands and leadership expectations differ substantially from highly competitive banking environments. In Kenya's banking sector, leaders are expected not only to possess technical expertise but also to manage customer relationships, regulatory compliance, digital transformation, employee pressure, and ethical risk simultaneously. Consequently, the extent to which technical competence independently contributes to employee engagement within Kenyan commercial banks remains conceptually and contextually unresolved. This unresolved tension justifies further investigation into whether technical leadership competence exerts distinct, complementary, or overlapping effects on employee engagement alongside other dimensions of ethical leadership.

2.3.3 Empowerment Behaviour Dimension Ethical Leadership on Employee Engagement

The empowerment behaviour dimension of ethical leadership refers to leadership actions that encourage, support, and enable employees to take initiative, participate in decision-making, and contribute meaningfully toward organizational goals (Hawass, 2016). This dimension involves fostering employee autonomy, sharing authority, providing guidance, and building followers' confidence to act responsibly and ethically within the workplace (Kalshoven et al., 2011). Ethical leaders practicing empowerment behaviours create environments characterized by trust, fairness, participation, and mutual respect, thereby encouraging employees to feel valued, psychologically safe, and committed to organizational objectives (Brown & Treviño, 2006). In service-oriented sectors such as banking, empowerment-oriented leadership may be particularly important because employees are frequently required to make independent decisions, manage customer interactions, and adapt to changing organizational demands.

Several studies have associated empowerment-oriented ethical leadership with higher employee engagement. Hawass (2016), studying private sector organizations in Egypt, found that empowerment practices such as power sharing, team building, and participatory decision-making fostered psychological ownership among employees, which subsequently enhanced emotional and

cognitive engagement. Employees who perceived themselves as active contributors to organizational success demonstrated stronger attachment to their work and greater commitment to organizational goals. Similarly, Amundsen and Martinsen (2015), in a cross-sectional study across multiple European industries, established that empowerment behaviours enhanced employees' perceived autonomy, which significantly predicted higher job engagement. Employees reported increased enthusiasm and motivation when leaders trusted them with responsibility and independent decision-making authority.

Within the Kenyan context, Ouma and K'Aol (2019) found that ethical leaders who empowered employees through skills development, responsibility sharing, and participation significantly enhanced employee engagement within commercial banks. Employees who felt trusted and empowered demonstrated higher loyalty, greater discretionary effort, and improved customer service performance. Zhu et al. (2015) similarly found that empowerment-oriented leadership strengthened team cohesion and collective efficacy, which positively influenced group-level engagement. Their findings suggest that empowerment behaviours may enhance employee engagement by strengthening interpersonal trust and promoting collaborative organizational climates.

Additional support for the relationship between empowerment-oriented ethical leadership and employee engagement was provided by Akanni et al. (2019) in Nigeria's banking sector. Using a quantitative survey of 226 employees, the study established that ethical leadership and leaders' emotional intelligence positively predicted employee engagement. The findings further showed that ethical leadership mediated the relationship between emotional intelligence and engagement, while burnout moderated these relationships. Employees experiencing lower burnout demonstrated stronger positive responses to empowerment-oriented leadership behaviours. Similarly, Liu et al. (2023), using a two-wave survey in China's service sector, found that ethical leadership enhanced work engagement indirectly through psychological safety. Employees who perceived leaders as supportive, fair, and empowering reported stronger engagement and innovative work behaviour. These findings suggest that empowerment-oriented ethical leadership may influence engagement through important psychological mechanisms such as safety, trust, and perceived organizational support.

Despite the predominance of positive findings, the literature also reveals important contradictions regarding the effectiveness of empowerment behaviour in all organizational contexts. Santos and Almeida (2023), studying government agencies in Portugal, found that excessive employee autonomy without sufficient structure, guidance, or accountability created role ambiguity and confusion, ultimately contributing to disengagement. Employees in the study expressed preference for clearer supervision and organizational direction, suggesting that empowerment may become counterproductive when not supported by effective leadership coordination. Similarly, Chen and Wang (2021), examining financial service firms in Beijing, established that empowerment behaviours did not significantly enhance engagement where leaders failed to provide consistent feedback, support, and interpersonal trust. These findings indicate that empowerment alone may not guarantee engagement outcomes unless accompanied by relational support and clear organizational structures.

Methodological limitations within the literature further complicate interpretation of the relationship between empowerment-oriented ethical leadership and employee engagement. Many studies relied heavily on cross-sectional survey designs and self-reported questionnaires, thereby increasing susceptibility to common method bias and limiting causal interpretation. For instance, studies by Hawass (2016), Akanni et al. (2019), and Ouma and K'Aol (2019) primarily depended on employee perceptions collected at a single point in time. Additionally, several studies were conducted in organizational contexts substantially different from Kenya's commercial banking environment, including hospitality, manufacturing, public administration, and insurance sectors. Such contextual differences may influence how employees interpret empowerment practices, particularly within highly regulated banking institutions where operational controls, compliance requirements, and performance targets may limit employee autonomy.

Furthermore, the literature reveals conceptual overlap between empowerment behaviour and other dimensions of ethical leadership, particularly psycho-emotive support, fairness, and emotional intelligence. Many studies attribute positive engagement outcomes to empowerment while simultaneously incorporating relational trust, psychological safety, and leader support as mediating variables, making it difficult to isolate the independent contribution of empowerment behaviour itself. Consequently, the extent to which empowerment-oriented ethical leadership independently influences employee engagement within Kenyan commercial banks remains theoretically and

contextually unresolved. This unresolved tension justifies further investigation into how empowerment behaviour interacts with other ethical leadership dimensions in shaping employee engagement within Kenya's banking sector.

2.3.4. Moral Dimension of Ethical Leadership on Employee Engagement

The moral dimension of ethical leadership refers to leaders' morally sound choices, actions, and intentions that promote fairness, justice, integrity, and concern for the welfare of others (Catania, 2014). This dimension emphasizes the leader's commitment to doing what is ethically right while upholding organizational and societal values (Brown & Treviño, 2014). Leaders demonstrating strong moral leadership are expected to act consistently with ethical norms, display accountability and transparency, and serve as role models for ethical conduct within organizations (Northouse, 2021). In organizational settings, moral leadership may shape employees' perceptions of fairness, trustworthiness, organizational justice, and psychological safety, all of which are associated with employee engagement and commitment.

Several studies have reported positive relationships between moral leadership behaviours and employee engagement. Bhana and Suknunan (2019), studying employees at a South African university, found that although overall engagement levels were relatively low, employees who perceived their leaders as fair, honest, and ethically grounded demonstrated significantly higher engagement. The study suggested that ethical leadership may compensate for weak organizational climates by strengthening employee trust and moral confidence in leadership. Similarly, Junaidi (2023), examining employees within an Islamic bank in Indonesia, established that ethical leadership behaviours such as honesty, integrity, and fairness enhanced employee trust, knowledge sharing, and job satisfaction, which subsequently increased work engagement. These findings imply that moral leadership may influence engagement indirectly through the creation of psychologically supportive and trust-based work environments.

Comparable findings were reported in Nigeria's banking and insurance sectors. Gaji et al. (2017), studying employees at Access Bank in Nigeria, found that leadership integrity, transparency, and fairness were strongly positively correlated with employee engagement and satisfaction. Employees who perceived leaders as morally upright and trustworthy demonstrated greater commitment and involvement in organizational activities. Likewise, Fubara and Onuoha (2023),

examining employees within Nigeria's insurance sector, established significant positive relationships between leadership integrity, fairness, vigour, and employee dedication. The authors concluded that morally grounded leadership practices enhanced employees' emotional investment and enthusiasm toward work.

Additional support for the importance of moral leadership was provided by Gemechu (2025) in Ethiopia's public administration sector. Through interviews and document analysis, the study found that role modelling, transparency, fairness, accountability, and ethical consistency strengthened employee trust, motivation, and organizational commitment. Employees reported that leaders who applied ethical standards consistently fostered stronger team cohesion and workplace confidence, whereas inconsistent ethical behaviour undermined trust and weakened engagement. Although the study offered valuable contextual insights into ethical leadership processes, its findings were limited by a small localized sample, thereby constraining broader generalizability.

Despite the predominance of positive findings, the literature also reveals theoretical and contextual contradictions regarding the influence of moral leadership on employee engagement. Ashfaq et al. (2021), studying public and private organizations in Pakistan, found that ethical leadership did not directly influence engagement but instead operated indirectly through self-efficacy and organizational commitment. This finding suggests that moral leadership alone may not automatically produce engagement outcomes unless supported by important psychological mechanisms. Similarly, Bautista and Reyes (2021), examining private technology firms in the Philippines, found no significant relationship between moral leadership behaviours and employee engagement. Employees within fast-paced and innovation-oriented environments appeared to prioritize career growth opportunities, creativity, and performance support over ethical alignment with leadership values.

Further contradictions were reported by Mehta and Singh (2023) within India's pharmaceutical sector, where overly rigid moral leadership created perceptions of moral superiority and emotional distance. Employees reported that leaders who strongly emphasized ethical standards without demonstrating interpersonal warmth or emotional connection failed to inspire engagement, particularly among younger employees who valued relational authenticity and collaborative leadership. These findings challenge the assumption that moral leadership universally enhances

engagement and instead suggest that excessive moral rigidity may weaken leader–employee relationships in certain organizational contexts.

Methodological limitations within the literature further complicate interpretation of the relationship between moral leadership and employee engagement. Many studies relied predominantly on cross-sectional survey designs and self-reported employee perceptions, thereby increasing susceptibility to common method bias and limiting causal interpretation. For instance, studies by Bhana and Suknunan (2019), Ashfaq et al. (2021), and Gaji et al. (2017) measured ethical leadership and engagement simultaneously using perceptual questionnaires, making it difficult to determine temporal or causal relationships. Additionally, several studies utilized single-organization samples within highly specific sectors such as education, banking, insurance, and technology, thereby limiting contextual generalizability.

Furthermore, the literature demonstrates conceptual overlap between moral leadership and other ethical leadership dimensions such as character, psycho-emotive support, and fairness-based empowerment practices. Many studies attribute positive engagement outcomes to integrity, fairness, trust, and transparency simultaneously, making it difficult to isolate the independent influence of the moral dimension itself. Consequently, while the literature generally supports a positive association between moral leadership and employee engagement, the extent to which the moral dimension independently predicts engagement within Kenya's commercial banking sector remains theoretically and contextually unresolved. This unresolved tension justifies further investigation into the distinct contribution of moral leadership to employee engagement within highly regulated and performance-driven banking environments.

2.3.5 Psycho-Emotive Dimension of Ethical Leadership on Employee Engagement

The psycho-emotive dimension of ethical leadership refers to a leader's ability to understand, regulate, and appropriately express emotions in ways that promote ethical behaviour, positive interpersonal relationships, and psychological well-being within the organization. This dimension incorporates emotional intelligence, empathy, self-awareness, emotional regulation, and sensitivity to the emotional needs of followers (Northouse, 2021). Leaders demonstrating psycho-emotive competence are better positioned to manage ethical dilemmas with compassion, maintain constructive workplace relationships, and create emotionally safe organizational environments that

encourage trust, openness, and collaboration (Kalshoven et al., 2011). In organizational contexts characterized by pressure, uncertainty, and interpersonal complexity, psycho-emotive leadership may significantly influence employee morale, psychological safety, and work engagement.

Several studies have reported positive relationships between psycho-emotive ethical leadership behaviours and employee engagement. Wang et al. (2017), studying 2,502 Chinese nurses, found that caring leadership characterized by concern, support, and attentiveness toward employees significantly enhanced work engagement. The study established that leaders who demonstrated emotional support strengthened employees' sense of calling and organizational commitment, which subsequently increased engagement. Similarly, Rice et al. (2025), surveying Black professionals in the United States, found that supervisors who exhibited ethical, empathetic, and inclusive behaviours fostered stronger perceptions of psychological diversity climate, making employees feel welcomed, respected, and valued. These perceptions significantly increased workplace engagement, suggesting that psycho-emotive leadership may strengthen engagement through emotional inclusion and psychological belonging.

Comparable findings were reported by Njoku and Okere (2024), whose study among Nigerian academics established that psychological safety and perceived ethical leadership significantly predicted vigour, dedication, and absorption. Employees working under emotionally supportive and ethically sensitive leaders demonstrated greater enthusiasm and psychological investment in their work. Likewise, Gwamanda and Mahembe (2023), examining psychological safety and ethical climate, found that leaders who expressed care, empathy, and consideration for employees' needs significantly enhanced employee engagement. Their structural modelling analysis further revealed that ethical climate partially mediated this relationship, implying that psycho-emotive leadership contributes to engagement partly through fostering supportive and ethically grounded work environments.

Sarwar et al. (2020), studying hospitality professionals in Italy and Pakistan, similarly found that ethical leadership and ethical organizational culture positively influenced employee well-being, job engagement, and organizational performance. Interestingly, the study revealed contextual differences in the influence of psycho-emotive leadership behaviours. Ethical leadership had a stronger effect on employee well-being among Italian employees, while its effect on job engagement was more pronounced among Pakistani employees. These findings suggest that the

influence of emotionally supportive leadership behaviours may vary across cultural and institutional environments, thereby highlighting the contextual sensitivity of psycho-emotive leadership outcomes.

Despite the predominance of positive findings, the literature also reveals contradictory evidence regarding the effectiveness of psycho-emotive leadership behaviours. Ali and Raza (2022), studying logistics firms in Pakistan, found that excessive emotional involvement by leaders sometimes blurred professional boundaries and contributed to employee emotional exhaustion. Employees in the study expressed greater preference for task-oriented leadership emphasizing structure, clarity, and performance expectations rather than extensive emotional involvement. Similarly, Yeo and Tan (2021), examining public universities in Singapore, found no significant relationship between emotional leadership behaviours and employee engagement. Employees valued fairness, intellectual stimulation, recognition, and career growth opportunities more strongly than emotional expressions from leaders. Although emotional support was appreciated, it did not directly increase vigour, dedication, or involvement in work activities.

These contradictory findings suggest that psycho-emotive leadership may not universally enhance employee engagement across all organizational settings. In some contexts, employees may interpret emotional leadership positively as empathy and support, while in others it may be perceived as intrusive, excessive, or insufficiently task-oriented. Such inconsistencies indicate that the effectiveness of psycho-emotive leadership may depend on contextual factors such as organizational culture, employee expectations, professional norms, and the nature of work being performed.

Methodological limitations within the literature further complicate interpretation of the relationship between psycho-emotive ethical leadership and employee engagement. Many studies relied heavily on cross-sectional survey designs and self-reported employee perceptions, thereby increasing susceptibility to common method bias and limiting causal interpretation. Studies such as Wang et al. (2017), Njoku and Okere (2024), and Gwamanda and Mahembe (2023) primarily measured leadership behaviours and engagement simultaneously, making it difficult to establish causal direction. Additionally, several studies were conducted in highly specialized sectors such as healthcare, hospitality, logistics, and higher education, which differ considerably from Kenya's

commercial banking environment in terms of emotional labour demands, organizational hierarchy, and customer interaction pressures.

Furthermore, conceptual overlap exists between the psycho-emotive dimension and other dimensions of ethical leadership, particularly empowerment behaviour, moral leadership, and character-based leadership. Many studies simultaneously associate emotional support, trust, fairness, empathy, and psychological safety with positive engagement outcomes, making it difficult to isolate the independent contribution of psycho-emotive leadership itself. Consequently, although the literature generally supports a positive relationship between psycho-emotive ethical leadership and employee engagement, the extent to which psycho-emotive leadership independently predicts engagement within Kenya's commercial banking sector remains theoretically and contextually unresolved. This unresolved tension justifies further investigation into the role of psycho-emotive ethical leadership within highly regulated, performance-driven, and emotionally demanding banking environments.

2.3.6 Summary of Literature and Gaps

The reviewed literature demonstrates that ethical leadership is generally associated with positive employee outcomes such as trust, commitment, psychological safety, job satisfaction, and employee engagement. However, the literature also reveals several unresolved conceptual, contextual, and methodological gaps that justify the present study.

First, an important contextual gap exists within the ethical leadership literature. Many existing studies on ethical leadership and employee engagement have been conducted predominantly in Western, Asian, or developed economy contexts, including studies by Frazier and Jacezko (2020), Van Minh et al. (2017), and Wang et al. (2017). Although these studies provide important insights into ethical leadership practices, their findings may not be fully generalizable to African organizational environments due to differences in cultural values, institutional structures, leadership expectations, and workplace dynamics. Within Kenya, existing studies such as Ouma and K'Aol (2019), Mwangi and Obuya (2022), and Mburu and Kimani (2023) have examined leadership and employee engagement primarily within state corporations, selected commercial banks, or other service sectors, but have provided limited analysis of ethical leadership as a multidimensional construct within NSE-listed commercial banks. Furthermore, limited attention

has been given to how Kenya's banking sector-specific conditions, including regulatory pressure, digital transformation, performance targets, and changing employee expectations, shape the relationship between ethical leadership and employee engagement.

Second, the literature reveals important conceptual and theoretical gaps regarding the multidimensional nature of ethical leadership. Many studies, including Walumbwa et al. (2011), Ashfaq, Abid, and Ilyas (2021), and Gwamanda and Mahembe (2023), conceptualize ethical leadership as a generalized or unified construct without clearly distinguishing between technical competence, moral conduct, empowerment behaviour, psycho-emotive support, and character-based leadership attributes. Consequently, existing studies provide limited understanding of whether these dimensions exert distinct, complementary, or overlapping influences on employee engagement. In addition, limited conceptual attention has been given to concerns regarding construct overlap and discriminant validity within ethical leadership research, particularly regarding the relational overlap between empowerment behaviour, psycho-emotive support, moral integrity, and character-based leadership behaviours (Kennedy et al., 2016; Sheer et al., 2018). As a result, prior literature has not sufficiently clarified whether ethical leadership dimensions should be interpreted as independent predictors, hierarchical constructs, or interconnected aspects of broader ethical leadership orientations.

Third, the literature reveals unresolved methodological and analytical gaps. A substantial proportion of prior studies have relied heavily on cross-sectional survey designs and self-reported employee perceptions collected within single organizations or sectors (Ashfaq et al., 2021; Gwamanda & Mahembe, 2023; Fubara & Onuoha, 2023). Although such approaches remain widely accepted in organizational leadership research, they may increase susceptibility to common method bias and limit strong causal interpretation if findings are not carefully contextualized and diagnostically assessed. Furthermore, many studies utilized generalized ethical leadership scales that did not isolate specific leadership dimensions, thereby limiting deeper understanding of the distinct relational, emotional, technical, and ethical mechanisms through which leadership behaviours influence employee engagement.

The literature also demonstrates contradictory findings regarding the influence of ethical leadership dimensions on employee engagement. Some studies report that ethical leadership enhances employee engagement through fairness, technical competence, empowerment, and

emotional support (Fatuma & Gatobu, 2022; Ouma & K'Aol, 2019; Wang et al., 2017). However, other studies suggest that ethical leadership behaviours may produce limited engagement outcomes when employees prioritize rewards, job security, procedural support, or task-oriented leadership practices (Lu & Guyot, 2023; Bautista & Reyes, 2021). Similarly, studies such as Ashfaq et al. (2021) found that ethical leadership influences engagement indirectly through mediating mechanisms such as self-efficacy and organizational commitment rather than through direct behavioural effects. These inconsistencies suggest that the relationship between ethical leadership and employee engagement remains theoretically and contextually complex, particularly within high-pressure organizational environments.

Consequently, the present study was designed not merely to confirm the existence of a relationship between ethical leadership and employee engagement, but to critically examine how distinct yet interconnected dimensions of ethical leadership influence employee engagement within NSE-listed commercial banks in Kenya. The study specifically adopted a multidimensional framework to address limitations associated with generalized ethical leadership constructs, conceptual overlap, and insufficient contextual analysis within prior literature. By focusing on character, technical, empowerment behaviour, moral, and psycho-emotive dimensions simultaneously, the study sought to provide more nuanced understanding of how different ethical leadership attributes shape employee engagement within Kenya's highly regulated and performance-driven banking sector.

Table 2.1: Summary of Research Gaps

Type of Gap	Description	Supporting Studies	Justification for the Current Study
Contextual Gap	Most studies on ethical leadership and employee engagement have been conducted in Western or developed economies, with limited research in African or Kenyan contexts. The Kenyan banking sector faces unique challenges such as turnover, regulatory pressure, and digital transformation, which may influence	Frazier & Jacezko (2020); Van Minh et al. (2017)	The study focuses on NSE-listed commercial banks in Kenya to provide context-specific insights into the link between ethical leadership and

	leadership–engagement dynamics differently.		employee engagement.
Conceptual Gap	Many studies examine ethical leadership as a single construct without exploring its core dimensions (character, technical, empowerment, psycho-emotive, and moral). This generalization limits understanding of how each dimension uniquely affects employee engagement.	Walumbwa et al. (2011); Ashfaq et al. (2021)	The study disaggregates ethical leadership into its key dimensions to examine their distinct influence on employee engagement.
Contradictory Findings Gap	Prior studies show inconsistent results on how ethical leadership affects employee engagement. Some report positive effects through empowerment and technical competence, while others find contextual factors like job security and rewards more influential. Emotional traits also show varied effects across organizational contexts.	Fatuma & Gatobu (2022); Ouma & K'Aol (2019); Lu & Guyot (2023); Ashfaq, Abid, & Ilyas (2021)	The study investigates how specific organizational conditions and leadership dimensions interact to influence employee engagement, helping clarify inconsistencies in previous findings.

Source: Author (2026)

2.4 Conceptual Framework

A conceptual framework presents information and ideas systematically about a specific subject or research topic. It visually outlines essential elements, variables, and connections in research (Buder, 2017). Such frameworks are important for structuring ideas and guiding subsequent research (Zizic et al., 2023). Unlike theoretical frameworks derived from specific theories, conceptual frameworks can be based on multiple theories or studies (Majeed et al., 2023). They include questions, hypotheses, findings, concepts, and their interconnections, making them adaptable to various real-life scenarios (Lambert et al., 2011). These frameworks also facilitate the development and understanding of measurement tools across disciplines (Jeffries et al., 2021).

For this study the independent variables were derived from five aspects of ethical leadership as described by Hawass (2015; 2016) and these are character dimension, which has three attributes namely; universalism, transformation and benevolence; technical dimension which encompasses

goal setting, formal routines and decision making; empowering behaviour dimension which involves power sharing, team building and building staff competencies; fourthly moral dimension which refers to a leader as role model, code of conduct and unselfish practices; and lastly psycho-emotive dimension whose sub-constructs include psychological traits, social skills and reward and remuneration. The dependent variable for this study is employee engagement and is explained using three attributes, namely: vigour, dedication and absorption.

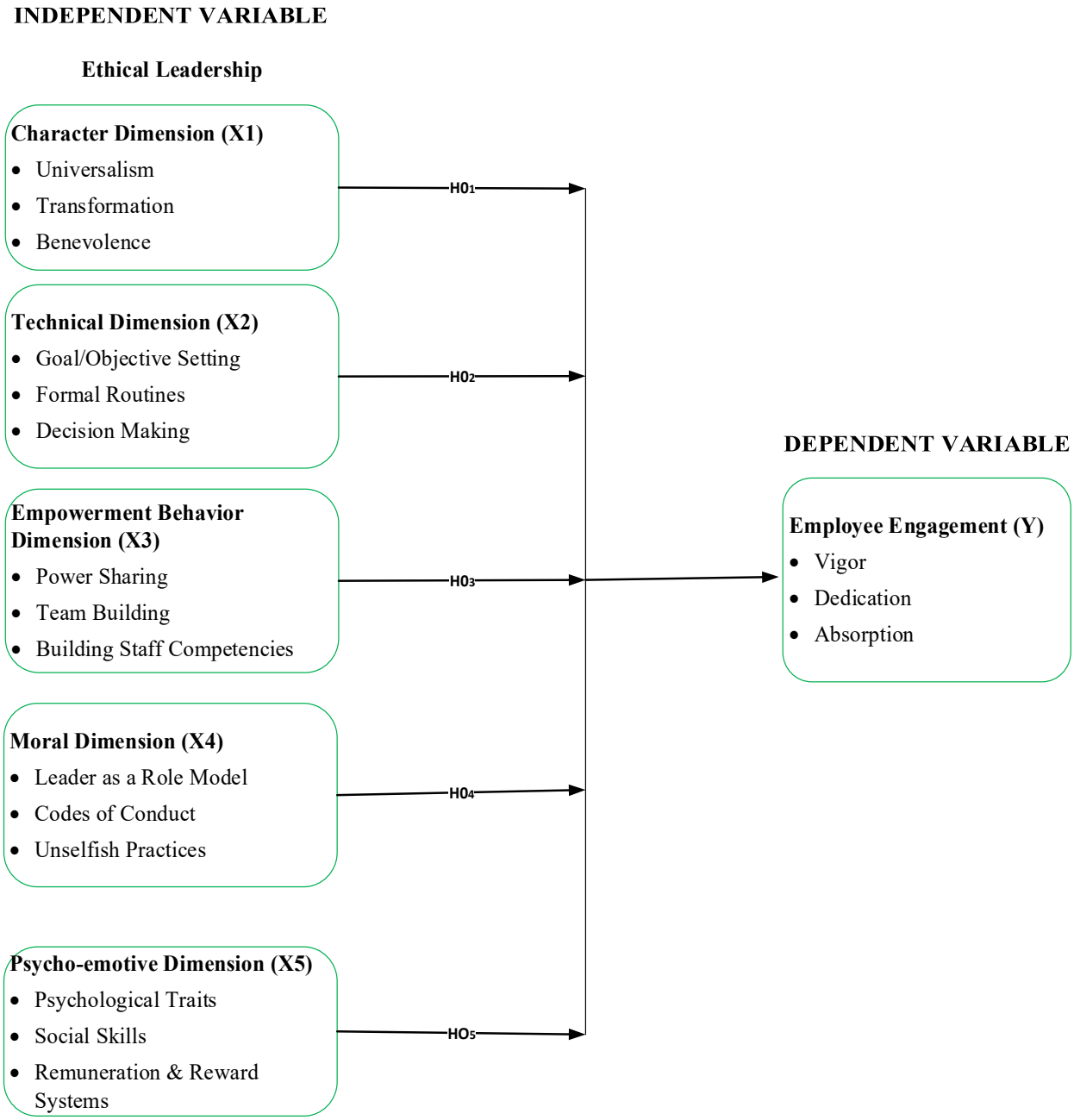


Figure 2. 1: Conceptual Framework

Source: Author (2026)

2.5 Operationalization of Study Variables

The study identifies the five dimensions of ethical leadership as the independent variables namely; the character, the empowerment-behaviour dimension, the moral dimension and the psycho-emotive dimension. The dependent variable of this study is employee engagement.

Table 2. 2: Operationalisation of Variables

Variable	Nature of Variable	Operational indicators	Measurement scale	Analysis	Supporting Literature
Character Dimension(X1)	Independent	Universalism	5-Point Likert Scale	Descriptive Analysis: frequency distributions, percentages, means, and standard deviations Inferential Analysis: Pearson correlation coefficient and regression analysis	Xu et al. (2014) Khairy et al. (2023) Gemechu (2025) Johnson and Reiley (2021)
		Transformation			
		Benevolence			
Technical Dimension(X2)	Independent	Decision making	5-Point Likert Scale	Descriptive Analysis: frequency distributions, percentages, means, and standard deviations Inferential Analysis: Pearson correlation coefficient and regression analysis	Ouma and K'Aol's (2018) Fatuma and Gatobu (2022) Gwamanda and Mahembe (2023)
		Formal routines/procedures			
		Goal/Objective setting			
Empowerment-Behaviour Dimension(X3)	Independent	Power sharing	5-Point Likert Scale	Descriptive Analysis: frequency distributions, percentages, means, and standard deviations Inferential Analysis: Pearson correlation coefficient and regression analysis	Sarwar et al. (2020) Hawass (2016) Akanni et al. (2019) Santos and Almeida (2023
		Team building			
		Building staff competencies			
Moral Dimension(X4)	Independent	Leader as a role model	5-Point Likert Scale	Descriptive Analysis: frequency distributions, percentages, means, and standard deviations Inferential Analysis: Pearson correlation coefficient and regression analysis	Bhana and Suknunan (2019) Ashfaq, Abid, and Ilyas (2021)
		Codes of conduct			
		Unselfish practices			
Psycho-emotive Dimension(X5)	Independent	Psychological traits	5-Point Likert Scale	Descriptive Analysis: frequency distributions,	Ouma and K'Aol's (2019)
		Social skills			

		Remuneration and reward systems		percentages, means, and standard deviations Inferential Analysis: Pearson correlation coefficient and regression analysis	Wang et al. (2017) Rice et al. (2025) Njoku and Okere (2024)
Employee Engagement(Y)	Dependent	Vigor	5-Point Likert Scale	Descriptive Analysis: frequency distributions, percentages, means, and standard deviations Inferential Analysis: Pearson correlation coefficient and regression analysis	Catania (2014)
		Dedication			
		Absorption			

Source: Author (2026)

2.6 Chapter Summary

This chapter discussed the foundational theory underpinning the study and presented an appropriate theoretical framework. A conceptual connection between the study variables was suggested, along with their operationalization and measurements. The chapter also analysed relevant literature about the study questions. An empirical examination of ethical leadership and employee commitment was conducted. The forthcoming chapter will examine the research technique that was employed in this study, including elements such as research philosophy, research design, and suitable research procedures.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methods employed in the study. The chapter covers an overview of the research philosophy and design, the target population and sample methodology, data collection methods and instruments, research protocols, and data analysis methodologies. The chapter concludes with a summary.

3.2 Research Philosophy

This study adopted the positivist research philosophy. Positivism is founded on the assumption that knowledge can be generated through empirical observation, objective measurement, and scientific analysis of observable phenomena (Park et al., 2020). The philosophy posits that reality exists independently of the researcher and can therefore be examined using systematic, structured, and unbiased methods. Positivist research emphasizes objectivity, standardization, hypothesis testing, and statistical analysis in order to generate reliable and generalizable findings (Saunders et al., 2019). Consequently, positivist studies commonly employ quantitative techniques such as surveys, experiments, and structured observations to measure relationships among variables and test theoretical propositions.

The positivist philosophy was considered appropriate for the present study because the study sought to examine the relationships between dimensions of ethical leadership and employee engagement using quantifiable data collected from employees within listed commercial banks in Kenya. The study specifically aimed to determine whether statistically significant relationships existed between character, technical, empowerment behaviour, moral, and psycho-emotive dimensions of ethical leadership and employee engagement. The use of positivism therefore facilitated structured measurement of variables, hypothesis testing, statistical analysis, and comparison of responses across a relatively large respondent population (Cooper & Schindler, 2014).

However, the study also acknowledges that ethical leadership and employee engagement are inherently perceptual and socially interpreted constructs influenced by employees' personal experiences, organizational relationships, and workplace contexts. From an interpretivist perspective, concepts such as fairness, empowerment, emotional support, trust, and ethical conduct may carry different meanings depending on employees' experiences, cultural orientations, and organizational environments.

Consequently, interpretivist or mixed-methods approaches could potentially provide deeper contextual understanding regarding how employees subjectively experience ethical leadership behaviours within organizations.

Despite the relevance of interpretivist perspectives, the positivist approach remained appropriate for this study because the primary objective was not to explore individualized meanings or develop subjective narratives, but rather to examine measurable relationships among predefined constructs across a broader employee population. In addition, the quantitative approach enabled standardized data collection, objective comparison of responses, and statistical examination of the relative influence of the different ethical leadership dimensions on employee engagement. The approach also supported the study's objective of generating findings that could be generalized across NSE-listed commercial banks in Kenya.

Nevertheless, the study recognizes certain limitations associated with the positivist approach. Positivism tends to place greater emphasis on observable and measurable relationships, which may limit deeper exploration of cultural, emotional, and situational factors influencing ethical leadership experiences within organizations (Saunders et al., 2019). Furthermore, reliance on structured questionnaires and self-reported employee perceptions may be susceptible to response bias and common method variance. Consequently, findings from the study were interpreted cautiously in recognition of the context-dependent and perceptual nature of ethical leadership and employee engagement constructs.

3.3 Research Design

Research design serves as a detailed structure that directs researchers during the implementation of a study. It includes the methodologies, procedures, and techniques employed for data collection and analysis, along with the systematic organization of the research process (Sileyew, 2019). This study employed a descriptive correlational research design to analyse the data and respond to the research questions. Correlational research design is a non-experimental research method used to examine the relationship between two or more variables without manipulating them. It helps determine whether changes in one variable are statistically related to changes in another, but it does not establish causation (Creswell, 2018). This approach was chosen because it allows the researcher to examine the statistical relationship between the dependent and independent variables without manipulating them. It is also effective for determining whether changes in one variable are related to changes in another.

3.4 Target Population

A population denotes a comprehensive collection of things, cases, or individuals that possess specific observable traits (Erickson, 2017). The target population refers to the particular set of individuals or situations that the research concentrates on (McCombes, 2019). The target population must exhibit discernible characteristics that allow the researcher to make generalizations about the entire population. The study's target population consists of 33,008 workers from all 9 NSE-listed commercial banks in Kenya. To address the issue of low responses, oversampling was used to ensure many responses are received and daily reminders were executed to ensure good response rate.

Table 3.1Target Population Distribution

Employee Cadre	**Number of Employees**
Manager	11,469
Team Lead	8, 657
Team Member	12, 882
Total	33,008

Source: CBK Annual Supervision Report (2023)

3.5 Sampling Design

Sampling design is an essential component of research technique that entails the selection of a subset of individuals from a population to infer the attributes of the entire population. It consists of diverse tactics and methodologies to guarantee that the sample is representative and capable of producing accurate and dependable outcomes (Walters, 2021). The sampling design process involves defining the population, establishing the sampling frame, selecting the sampling method, and determining the sample size (Walters, 2021). The elements of a sampling design are the sampling frame, the selected sampling method, and the sample size.

A sampling frame is the entire inventory or catalogue of items in the universe (population)that forms a source for sample generation (XX). A robust sampling frame is fundamental in research as it defines the specific set of units from which a sample is drawn, particularly in studies involving a population of individuals (McCombes, 2019). The sampling frame for this study was derived from the nine (9) commercial banks listed in the Nairobi Stock Exchange and licensed by the Central Bank of Kenya. The choice for these commercial banks is guided by the fact that they are the largest commercial banks in Kenya and have over 70% of employees in the banking industry.

This research employed probability sampling. A stratified random sampling technique was utilized because of the varied characteristics of the target population, allowing for segmentation into multiple strata to provide a representative sample. The target population for this study consists of 33,008 personnel from nine NSE-listed commercial banks in Kenya, categorized into three strata: managerial, supervisory, and clerical staff.

A sample is a subset derived from an accessible population (Erik & Marko, 2019). The sample size of the responders was determined using Yamane's formula. Thus, the target sample size comprised of 395 employees from the nine (9) NSE-listed commercial banks in Kenya

n =N/(1+N(〖e)〗^2): Where **n** is the sample size, **N** is the population size, and **e** is the level of precision (0.05).

n=33,008/ (1+ 33,008 (0.05)2

=33,008 / (1+ 33,008 (0.0025)

=33,008/83.52 n = **395**

Table 3. 1: Sample size distribution

Employee Cadre	**Number of Employees**	**Sample Proportion**	**Sample Size**	**Rounding**
Manager	11,469	= 34.75% *395	137.26	137
Team Lead	8, 657	= 26.23% * 395	103.61	104
Team Member	12, 882	= 39.03% * 395	154.17	154
Total	**33,008**	**= 100/100 * 395**	**395.04**	**395**

Source: Author (2026)

This study acknowledges that the exclusion of senior executive leadership may limit the extent to which ethical leadership practices were examined across all hierarchical levels within commercial banks. Senior executives often play a central role in shaping organizational ethical climate, strategic direction, and leadership culture, and their perspectives may differ from those of middle-level managers and operational employees.

Nevertheless, the study primarily focused on employees and operational management levels because ethical leadership and employee engagement are largely experienced, interpreted, and evaluated through day-to-day workplace interactions between leaders and followers. Employees at these levels are directly

exposed to leadership behaviours related to fairness, empowerment, emotional support, technical guidance, and ethical conduct, making them appropriate respondents for assessing the perceived influence of ethical leadership on engagement. In addition, practical considerations related to accessibility, organizational confidentiality, and executive availability limited inclusion of senior executive respondents within the study scope. Consequently, the findings were interpreted within the context of employee and operational management perceptions rather than as a comprehensive representation of leadership practices across all organizational hierarchy levels.

3.6 Data Collection Methods

3.6.1 Data Collection Instruments

Data collection involves gathering information from various sources to address research questions, test hypotheses, and evaluate outcomes (Saunders et al., 2019). This study utilized structured questionnaires to gather data (see Appendix I). The researcher created a set of structured, closed-ended questions, such as 5-point Likert scale items, ensuring each question is clear and focuses on a single concept. The questionnaire consists of the background section, independent variable section and the dependent variable section. Each section has closed-ended questions to facilitate quick responses and enhance response rates, producing quantitative data that can be easily coded for statistical analysis. This method minimizes ambiguity, ensuring clearer results and reducing bias (Stockemer et al., 2019).

The study acknowledges that reliance on self-reported Likert-scale questionnaires may introduce methodological limitations associated with common method variance, social desirability bias, and halo effects, particularly because ethical leadership and employee engagement involve perceptual and ethically sensitive constructs. Respondents may provide socially desirable responses by portraying organizational leaders or themselves more positively, especially within formal organizational environments such as commercial banks. In addition, employees' overall impressions of leadership may influence how they evaluate multiple leadership dimensions simultaneously, thereby increasing the possibility of overlapping responses across constructs.

Nevertheless, self-administered questionnaires remained appropriate for the study because ethical leadership and employee engagement are primarily experienced and interpreted through employee perceptions and workplace interactions. To minimize these methodological risks, the study utilized standardized measurement scales adapted from prior validated studies, ensured respondent anonymity and confidentiality, and structured questionnaire items to reduce response pattern bias. Furthermore,

diagnostic statistical tests were conducted during data analysis to assess reliability, validity, and multicollinearity

3.6.2 Data Collection Procedures

The data gathering procedure commenced upon receiving consent from the Strathmore Business School ethical committee and a research permit from the National Commission for Science, Technology and Innovation (NACOSTI). The gathering of data from employees of the nine commercial banks was conducted by distributing questionnaires via Google Docs to facilitate tracking and follow-up. Daily follow-ups were executed to monitor the respondents' progress in completing the questionnaires. However, the use of Google Docs may introduce potential online response bias, including limited participation from individuals with inadequate internet access or low digital literacy, which could affect the representativeness and completeness of responses. To reduce this risk, the research hired and trained a research assistant who gave technical support to the respondents to ensure they were able to participate in the survey. The data collection phase lasted around one month.

3.7 Research Quality

The quality of research is essential for guaranteeing that the results are authentic, valid, and significantly enhance the existing body of knowledge (Latwal, 2020). This section addresses pilot testing, the validity of the research tools, and their reliability.

3.7.1 Pilot Testing

A pilot study serves to evaluate the feasibility of a larger study and to identify any potential issues or obstacles that could arise. The results from the pilot study can inform necessary modifications for the main research (Noonan, 2022). In this research, a sample comprising 10% of the sample derived from the target population was used for the pilot study, specifically selecting forty employees from the nine NSE-listed commercial banks. The employees involved in the pilot study did not participate in the actual study.

3.7.2 Validity of Research Instruments

The researcher emphasized the importance of maintaining both validity and reliability in the research instruments utilized. Validity, as defined by Surucu and Maslakci (2020), is the degree to which the test items represent the intended content. This study will focus on content validity, which assesses how well the data gathered aligns with the specific constructs being measured. In this process, subject matter

experts reviewed the instrument items for relevance and representativeness, providing valuable qualitative feedback to ensure comprehensive measurement (Surucu & Maslakci, 2020).

To achieve validity, the researcher proofread the questionnaire to eliminate errors and conducted a pilot study with a small sample to identify any ambiguities. Feedback from participants and experts further refined the instrument, ensuring it effectively captures the full range of the variable's dimensions and accurately reflects its meaning. This pretesting confirmed the instruments' validity in measuring the intended concepts.

3.7.3 Reliability of Research Instruments

Reliability in research refers to the consistency of measurements obtained from a research instrument when applied repeatedly under similar conditions. A research instrument is considered reliable if it produces stable and consistent results across multiple administrations (Bell, Bryman & Harley, 2022). In this study, reliability was assessed using both the test-retest method and Cronbach's Alpha coefficient of internal consistency. The test-retest method evaluates whether an instrument yields consistent responses over time when administered to the same respondents under similar conditions. Cronbach's Alpha, on the other hand, assesses the degree of internal consistency among items measuring the same construct, with a coefficient of 0.70 and above generally considered acceptable for research purposes (Noonan, 2022).

To assess temporal reliability, the questionnaire was administered twice to the same group of respondents within a five-day interval. The results revealed a strong and positive correlation between the initial and follow-up responses ($r = 0.87$, $p < 0.01$), indicating a high level of consistency across the two administrations. This finding confirmed that the questionnaire generated relatively stable and reliable measurements over time.

The study further assessed internal consistency reliability using Cronbach's Alpha coefficients for each study variable. The findings indicated that all constructs exceeded the recommended threshold of 0.70, suggesting acceptable internal consistency among the measurement items. However, the study also recognizes that exceptionally high Cronbach's Alpha coefficients, particularly values above 0.90, may not only indicate strong internal consistency but may also suggest possible item redundancy or conceptual overlap among measurement items (Bell et al., 2022). This concern is particularly relevant in studies involving perceptual and closely related behavioural constructs such as ethical leadership dimensions, where respondents may interpret similar questionnaire items in overlapping ways.

Consequently, although the high reliability coefficients demonstrated consistency in measurement, the findings were interpreted cautiously in recognition of the possibility that some items may have captured closely related aspects of ethical leadership behaviour. To minimize this concern, the questionnaire items were adapted from previously validated instruments and organized according to construct-specific dimensions derived from prior theoretical literature. In addition, the study complemented reliability assessment with validity testing and diagnostic analysis to strengthen construct clarity and reduce potential measurement overlap. Table 3.2 presents the Cronbach's Alpha coefficients for the study variables

Table 3. 2: Cronbach's Alpha

Variable	Cronbach's Alpha Coefficient	Number of Items	Interpretation
Character Dimension	0.973	12	Reliable
Technical Dimension	0.967	12	Reliable
Empowerment Behavior Dimension	0.968	12	Reliable
Moral Dimension	0.911	12	Reliable
Psycho-emotive Dimension	0.895	12	Reliable
Employee engagement	0.901	12	Reliable

Source: Author (2026)

3.7.4 Diagnostic Test

Diagnostic tests are statistical procedures used to assess the validity and robustness of a quantitative research model. These tests help determine whether the underlying assumptions of statistical techniques, particularly regression analysis, are met, ensuring that the conclusions drawn from the data are accurate and reliable (Gujarati & Porter, 2020). For this study, the researcher used the Variance Inflation Factor (VIF) to test for multicollinearity, the Shapiro-Wilk test to perform a normality test and the Breusch-Pagan-Godfrey (BPG) test to perform a heteroscedasticity test.

3.7.4.1 Normality Test

Normality is the presumption that the data follows a normal distribution. This research used the Kolmogorov-Smirnov (K-S) and Shapiro-Wilk Tests to evaluate normalcy. A p-value below 0.05 indicates that the data are not regularly distributed. A p-value exceeding 0.05 indicates that the data are regularly distributed (Gujarati & Porter, 2020).

3.7.4.2 Linearity Test

Assumption of linearity was evaluated using scatter plots with fit line for the dependent variable by the independent variables such that points near the fit line indicated that the data met linearity requirement for regression analysis.

3.7.4.2 Multicollinearity Test

Khatri (2020) define multicollinearity as a condition in which the inclusion of additional variables in a model result in a strong correlation among the independent variables. This indicates that two or more independent variables in a statistical model are significantly correlated with one another. When this occurs, it becomes challenging to discern the distinct impact of each variable on the dependent variable due to the overlap of their effects. Severe multicollinearity can render estimates unstable, elevate standard errors, and complicate the interpretation of regression outcomes (Erickson, 2017).

Given the multidimensional nature of ethical leadership adopted in this study, the research acknowledged the possibility that the independent variables could exhibit substantial interrelationships. Dimensions such as character, moral conduct, psycho-emotive support, empowerment behaviour, and technical competence are theoretically distinguishable but may overlap in practice because employees often evaluate leadership behaviours holistically (Yukl et al., 2013; Sheer et al., 2018). For example, leaders perceived as fair and morally upright may simultaneously be viewed as emotionally supportive, empowering, and trustworthy. Such overlap may increase the likelihood of high intercorrelations among predictors, thereby raising concerns regarding multicollinearity and discriminant validity within regression analysis (Kennedy et al., 2016).

Consequently, diagnostic testing was considered particularly important in this study to assess whether the independent variables exhibited problematic levels of multicollinearity that could distort regression estimates, inflate standard errors, or weaken interpretation of the distinct contribution of each ethical leadership dimension (Saunders et al., 2019). Variance Inflation Factor (VIF) and tolerance statistics were therefore examined to determine whether the predictor variables could be meaningfully analysed as analytically distinct constructs despite their conceptual interconnectedness. A VIF score exceeding 10 indicates the presence of multicollinearity (McCombes, 2019). Variables exhibiting significant collinearity were excluded from the model if multicollinearity is detected.

3.7.4.3 Heteroscedasticity Test

Heteroscedasticity arises in regression analysis when the variability of the error terms is not uniform across all levels of the independent variable. This unequal variation might diminish the reliability of

statistical outcomes by generating biassed standard errors and inefficient estimates. Recognizing and rectifying heteroscedasticity is crucial for generating precise and reliable regression results (Khatri, 2020). Heteroscedasticity is typically examined using a scatterplot of standardized residuals against predicted values, where the absence of systematic patterns, such as funnel or cone-shaped formations, indicates compliance in that the data meets the assumption of homoscedasticity, which requires that the residuals exhibit constant variance across all levels of the independent variables. Upon detection of heteroscedasticity, strong standard errors are required to be utilized.

3.8 Data Analysis Methods

Data analysis involves scrutinizing data to derive important insights that facilitate informed decision-making (Sileyew, 2019). Prior to analysing survey responses, the finalized questionnaires were examined for completeness and consistency. The quantitative data obtained from the surveys was processed and coded for analysis utilizing the Statistical Package for Social Sciences (SPSS version 25). Descriptive and inferential statistical analyses were conducted. Descriptive statistics included frequency distributions, percentages, means, and standard deviations. Subsequently, inferential statistics, including Pearson correlation coefficient and regression analysis, were performed. The results were displayed using tables and graphical representations, including bar charts and pie charts.

Given that there are five independent variables in this research, a multivariate regression model was structured as follows:

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \varepsilon$$

Where:

Y = Employee Engagement

$\beta 0$ = Constant Term; $\beta 1$, $\beta 2$, $\beta 3$, $\beta 4$, $\beta 3$ $\beta 5$ = Beta coefficients

X1= Character Dimension

X2= Technical Dimension

X3= Empowerment Behaviour Dimension

X4= Moral Dimension

X5= Psycho-emotive Dimension

ε = Error term

3.9 Ethical Considerations

Ethical assurances protect participants' well-being and establish respect for their rights, ensuring no unnecessary harm or exploitation occurs. Upholding participant autonomy, privacy, and confidentiality fosters trust in the research process (Erickson, 2017). The research prioritized the ethical rights of the respondents during the questionnaire administration. Informed consent was obtained from participants via a written form that details the study's purpose, procedures, risks, benefits, and rights. Participation is entirely voluntary, allowing individuals to refuse or withdraw at any time without repercussions (Khatri, 2020). Confidentiality involves safeguarding personal information and preventing disclosure without explicit consent (Dubey & Kothari, 2022). Participants were instructed not to include identifying information on the questionnaires. Researchers communicated the extent of data sharing while ensuring anonymization techniques are applied before any publishing (Kamanzi & Romania, 2019).

Anonymity protects participant identities, ensuring responses cannot be traced back to individuals (Erickson, 2017). The researcher instructed respondents to omit their names and aggregated the data in reports to prevent identification (Dyer & Kim, 2021). Privacy protection involves respecting participants' personal information and only collecting data necessary for research objectives while avoiding personal identifiers (Davies & Fisher, 2018). Respondents were assured that their privacy will be maintained, and study findings will be used solely for academic purposes. The researcher adhered to all relevant procedures issued by Strathmore University Institutional Ethics Review Committee throughout the entire process. The researcher sought approval from the Institutional Review Board (IRB) to conduct the study, and thereafter, a research permit was acquired from the National Commission for Science, Technology, and Innovation (NACOSTI) to adhere to obligatory ethical norms. During data collection, consent was sought from the nine banks before questionnaires are completed.

3.10 Chapter Summary

This chapter describes the research approach that was employed in the succeeding chapters to tackle the research questions. The research employed a positivist research philosophy. The target population comprises 33,008 employees from the nine commercial banks listed on the NSE. A probability sampling technique, namely stratified random sampling, was employed to choose a sample of 395 employees. The study collected quantitative data using a questionnaire. Descriptive statistics, including means, standard deviations, and frequencies, were utilized to analyse the data. Additionally, inferential statistics, including Pearson correlation analysis and regression analysis, were performed. Ethical considerations

were crucial during the study, assuring adherence to established standards of conduct and principles to protect participant confidentiality, privacy, and informed consent. The results were displayed with tables and figures.

CHAPTER FOUR

PRESENTATION OF RESULTS

4.1 Introduction

The findings of this study are presented in this chapter. In particular, the chapter details the response rate, descriptive statistics of the variables, and the inferential statistics that show the relationship between the independent and dependent variables in this study.

4.2 Response Rate

Table 4.1: Response Rate

Category	Frequency	Percentage
Questionnaires distributed	395	100%
Questionnaires collected	363	92%
Questionnaires not returned	32	8%

Source: Author (2026)

Table 4.1 outlines details of the response rate. The target sample size for this study was 395. However, 363 complete questionnaires were collected from respondents. This equates to a response rate of 92%, which is adequate to proceed with analysing the data. A response rate that is greater than 60% is sufficient to yield results that can be generalized to the study population.

4.3 Respondents' Demographic Data

The study sought to establish the demographic characteristics of the respondents in order to determine the diversity and representativeness of the sample. The demographic variables analysed included gender, age range, position in the organization, tenure in the organization, and highest level of education attained. Table 4.2 shows the demographic characteristics.

Table 4.2: Demographic Information of Respondents

		Count	Percent
Gender	Male	220	61%
	Female	143	39%
	Total	363	100%
Age Range	Below 25 years	32	9%
	25 – 34 years	106	29%
	35 – 44 years	128	35%
	45 – 54 years	76	21%

	Above 54 years	21	6%
	Total	363	100%
Position in the Organization	Team Member	211	58%
	Team Lead	77	21%
	Manager	75	21%
	Total	363	100%
Tenure in the Organization	Below 5 years	31	9%
	6-10 years	201	55%
	11-20 years	105	29%
	21-30 years	26	7%
	Over 30 years	0	0%
	Total	363	100%
Highest Level of Education Attained	College Diploma	31	9%
	Bachelor's Degree	252	69%
	Master's Degree	80	22%
	Doctoral Degree	0	0%
	Total	363	100%

Source: Author (2026)

The findings on gender distribution show that the majority of respondents were male, which indicates that male employees were more represented in the survey, reflecting the gender composition commonly observed within the Kenyan banking sector. With regard to age distribution, the largest proportion of respondents were aged 35–44 years at 35% (n = 128). These results suggest that the workforce in the surveyed banks is largely composed of mid-career employees, an age group that is typically associated with higher job involvement and organizational commitment. In terms of organizational position, the majority of participants were team members at 58% (n = 211). This distribution demonstrates that the study captured perspectives from multiple hierarchical levels, thereby enhancing the comprehensiveness of the findings on ethical leadership and employee engagement.

The analysis of tenure revealed that most respondents had worked in their organizations for 6–10 years at 55% (n = 201). The predominance of employees with moderate to long tenure suggests that respondents had adequate experience to provide informed assessments of leadership practices and engagement levels. Regarding educational qualifications, the majority of respondents held a Bachelor's degree at 69% (n = 252). This indicates that the respondents were generally well educated, which enhances the reliability of their perceptions on ethical leadership and engagement constructs.

Overall, the demographic profile demonstrates that the sample was diverse and adequately representative of employees working in NSE-listed commercial banks in Kenya. The mix of age groups, positions,

tenure, and educational backgrounds provided a suitable basis for examining the influence of ethical leadership on employee engagement.

4.4 Descriptive Statistics

This section presents the descriptive statistics for the study variables, namely character dimension, technical dimension, empowerment behaviour dimension, moral dimension, psycho-emotive dimension, and employee engagement. Each variable was measured using 12 Likert-scale items, and a composite score for each construct was computed using the mean of the respective items. A higher mean score therefore indicated a higher presence of the measured attribute, while a lower mean score reflected a lower manifestation of the variable. For purposes of interpretation, this study adopted the following mean score ranges: 1.00–1.80 = very low, 1.81–2.60 = low, 2.61–3.40 = moderate, 3.41–4.20 = high, and 4.21–5.00 = very high (Widowati & Satrya, 2023). These thresholds were used to interpret the level of ethical leadership dimensions and employee engagement among respondents.

4.4.1 Character Dimension of Ethical Leadership

The first objective of the study was to determine the influence of the character dimension of ethical leadership on employee engagement among employees in listed commercial banks in Kenya. The character dimension was measured using twelve Likert-scale items that captured aspects such as fairness, benevolence, transformational orientation, and respect for employees. Respondents rated each statement on a five-point scale, and the resulting means were interpreted using the predefined thresholds adopted in this study. The descriptive statistics for character dimension of ethical leadership is presented in Table 4.3.

Table 4.3: Descriptive Statistics for Character Dimension

	N	Mean	Std. Deviation
My leader treats employees fairly regardless of background	363	3.56	1.267
My leader fosters a culture of belonging at work	363	3.55	1.046
My leader supports equal treatment of all employees	363	3.55	1.142
My leader respects employees' rights in decision-making	363	3.45	1.175
My leader encourages new ways of thinking	363	3.44	1.182
My leader supports changes in the workplace	363	3.37	1.039
My leader communicates clear vision for the future	363	3.57	1.039
My leader promotes growth among staff	363	3.32	1.068
My leader shows genuine concern for employees' welfare	363	3.45	1.156

My leader supports employees when faced with challenges	363	3.47	1.237
My leader promotes a caring work environment	363	3.42	1.188
My leader is approachable when employees need help	363	3.39	1.180
Overall Score - Character Dimension	363	3.4677	1.00892

Source: Author (2026)

Overall, the composite mean score for the character dimension was 3.47 (SD = 1.009), which falls within the high range. This indicates that ethical character traits are generally evident among leaders in the surveyed banks. Comparatively, the highest rated attribute was communication of a clear vision for the future (M = 3.57), followed by fair treatment regardless of background (M = 3.56), while the lowest rated aspects were promotion of staff growth (M = 3.32) and leader approachability (M = 3.39). The findings therefore suggest that although ethical character is reasonably well demonstrated, greater emphasis on employee development and accessibility of leaders could further strengthen engagement.

4.4.2 Technical Dimension

The second objective of the study was to examine the influence of the technical dimension of ethical leadership on employee engagement among employees in listed commercial banks in Kenya. The technical dimension focused on leaders' competence in goal setting, adherence to procedures, and rational decision-making. Twelve items were used to assess this construct, and the mean scores were interpreted using the study's established thresholds. These findings are presented in Table 4.4.

Table 4. 4: Descriptive Statistics for Technical Dimension

	N	Mean	Std. Deviation
My leader sets clear goals for work	363	3.46	1.077
My leader explains work objectives to employees	363	3.45	1.069
My leader reviews progress toward goals	363	3.47	1.080
My leader aligns tasks with set objectives	363	3.58	1.093
My leader follows set procedures at work	363	3.52	1.190
My leader uses formal systems for tasks	351	3.54	1.275
My leader applies work routines regularly	363	3.50	1.169
My leader ensures procedures are consistent	363	3.48	1.251
My leader makes timely decisions	363	3.48	1.275
My leader uses facts to make decisions	363	3.49	1.236
My leader considers alternatives before deciding	363	3.63	1.093
My leader evaluates outcomes of decisions	363	3.65	.987
Overall Score - Technical Dimension	363	3.5181	.98741

Source: Author (2026)

The composite mean score for the technical dimension was 3.52 (SD = 0.987), which falls within the high range. This indicates that respondents generally perceived their leaders as technically competent, systematic, and rational in executing their roles. Comparatively, the highest rated attributes were evaluation of decision outcomes (M = 3.65) and consideration of alternatives before deciding (M = 3.63), while the lowest rated aspects were explanation of work objectives (M = 3.45) and setting of clear goals (M = 3.46). The findings suggest that although technical leadership practices are well demonstrated, greater emphasis on communicating objectives and goal clarification could further strengthen employee engagement.

4.4.3 Empowerment Behaviour Dimension

The third objective of the study was to assess the influence of the empowerment behaviour dimension of ethical leadership on employee engagement among employees in listed commercial banks in Kenya. The empowerment behaviour dimension examined the extent to which leaders involve employees in decision-making, encourage autonomy, teamwork, and professional development. Twelve items were used to measure this construct, and the results were interpreted using the mean score ranges adopted in the study, which are presented in Table 4.5

Table 4.5: Descriptive Statistics for Empowerment Behavior Dimension

	N	Mean	Std. Deviation
My leader allows employees to contribute to decisions	363	3.55	1.180
My leader delegates responsibilities	363	3.52	1.275
My leader involves employees in problem-solving	363	3.53	1.028
My leader gives employees freedom to act in their roles.	363	3.56	1.148
My leader encourages teamwork among employees	363	3.41	1.166
My leader promotes cooperation among staff.	363	3.41	1.163
My leader builds trust among team members	363	3.31	1.000
My leader supports joint problem-solving	363	3.48	1.015
My leader helps employees improve their skills	363	3.29	1.028
My leader supports career growth for employees	363	3.41	1.144
My leader provides opportunities for skills development	363	3.45	1.212
My leader encourages employees to take learning opportunities	363	3.47	1.197
Overall - Score - Empowerment Behavior Dimension	363	3.4490	.97270

Source: Author (2026)

The composite mean score for the empowerment behavior dimension was 3.45 (SD = 0.973), which falls within the high range. This indicates that respondents generally perceived their leaders as supportive of

participation, autonomy, and development. Comparatively, the highest rated attribute was granting employees freedom to act in their roles (M = 3.56), followed by involvement in decisions (M = 3.55), while the lowest rated aspects were helping employees improve their skills (M = 3.29) and building trust among team members (M = 3.31). The results suggest that although empowerment practices are evident, greater focus on skill development and trust-building could further enhance employee engagement.

4.4.4 Moral Dimension

The fourth objective of the study was to determine the influence of the moral dimension of ethical leadership on employee engagement among employees in listed commercial banks in Kenya. The moral dimension assessed the extent to which leaders demonstrate integrity, adherence to ethical standards, and selfless conduct. Twelve items were used to measure this construct, and the resulting means were interpreted using the study's established thresholds. These findings are shown in Table 4.6.

Table 4. 6: Descriptive Statistics for Moral Dimension

	N	Mean	Std. Deviation
My leader sets a good moral example	363	3.35	1.140
My leader lives by the values promoted by the organization	363	3.46	1.059
My leader influences others through action	363	3.47	1.067
My leader is honest in their dealings	363	3.50	1.098
My leader follows ethical rules at work	363	3.60	1.121
My leader respects workplace regulations	363	3.54	1.208
My leader acts according to professional standards	353	3.53	1.279
My leader guides others on the rules of conduct	363	3.49	1.148
My leader puts the needs of others before personal needs	363	3.45	1.226
My leader avoids using the position for personal gain	363	3.46	1.244
My leader supports the success of the team	363	3.45	1.184
My leader acts without expecting personal reward	363	3.61	1.047
Overall Score - Moral Dimension	363	3.4898	.99428

Source: Author (2026)

Overall, the composite mean score for the moral dimension was 3.49 (SD = 0.994), which falls within the high range. This indicates that respondents generally perceived their leaders as demonstrating integrity, adherence to ethical standards, and concern for others. Comparatively, the highest rated attribute was acting without expecting personal reward (M = 3.61), followed by following ethical rules at work (M = 3.60), while the lowest rated aspect was setting a good moral example (M = 3.35). The

findings therefore suggest that although moral leadership is reasonably evident, leaders need to strengthen visible role modelling to further enhance employee engagement.

4.4.5 Psycho-Emotive Dimension

The fifth objective of the study was to examine the influence of the psycho-emotive dimension of ethical leadership on employee engagement among employees in listed commercial banks in Kenya. This dimension focused on leaders' emotional stability, interpersonal sensitivity, conflict management, and fairness in recognition and rewards. Twelve items were used to measure the construct, and the means were interpreted using the predefined ranges adopted in the study. These results are demonstrated in Table 4.7.

Table 4. 7: Descriptive Statistics for Psycho-emotive Dimension

	N	Mean	Std. Deviation
My leader remains calm under pressure	363	3.61	.925
My leader shows patience with others	361	3.54	1.130
My leader manages emotions at work	363	3.53	1.260
My leader stays positive in difficult times	363	3.58	1.041
My leader communicates effectively with employees	363	3.58	1.142
My leader builds positive relationships with employees	363	3.46	1.164
My leader listens carefully to others	363	3.46	1.149
My leader resolves conflicts peacefully	363	3.41	1.027
My leader rewards employees for good performance	363	3.58	1.006
My leader recognizes employee achievements	363	3.32	1.018
My leader supports fair promotion practices	363	3.43	1.146
My leader recommends fair pay for employee workload	363	3.42	1.207
Overall Score – Psycho-emotive Dimension	363	3.4945	.93966

Source: Author (2026).

The results indicate that the composite mean score for the psycho-emotive dimension was 3.49 (SD = 0.940), which falls within the high range. This indicates that respondents generally perceived their leaders as emotionally intelligent, supportive, and fair in interpersonal dealings. The highest rated attributes were remaining calm under pressure (M = 3.61) and effective communication and rewarding performance (both M = 3.58), while the lowest rated aspect was recognition of employee achievements (M = 3.32). The findings suggest that although psycho-emotive leadership behaviours are well demonstrated, greater emphasis on employee recognition could further strengthen engagement.

4.4.6 Employee Engagement

The dependent variable of this study was employee engagement, which reflects the extent to which employees exhibit vigour, dedication, and absorption in their work. Employee engagement was measured using twelve items capturing employees' energy levels, resilience, commitment, enthusiasm, and focus at work. The descriptive results were interpreted using the mean score ranges adopted in this study. Table 4.8 shows these results.

Table 4. 8: Descriptive Statistics for Employee Engagement

	N	Mean	Std. Deviation
I feel energetic when working	363	3.45	1.192
I am mentally resilient at work	363	3.37	1.178
I can continue working even when the task is difficult	363	3.46	1.088
I show high effort in my job	361	3.45	1.079
I am enthusiastic about my job	363	3.47	1.085
I am proud of the work that I do	363	3.60	1.094
My work inspires me	363	3.52	1.169
I am committed to achieving organizational goals	352	3.53	1.242
I stay focused on my work	363	3.49	1.118
Time passes quickly when I am working	363	3.44	1.205
I remain involved in tasks until completion	363	3.42	1.238
I enjoy being deeply engaged in my work	363	3.43	1.183
Overall Score - Employee Engagement	363	3.4661	.99738

Source: Author (2026)

The findings indicate that the composite mean score for employee engagement was 3.47 (SD = 0.997), which falls within the high range. This indicates that respondents generally exhibited favourable levels of vigour, dedication, and absorption in their work. Comparatively, the highest rated aspect of engagement was pride in one's work (M = 3.60), followed by commitment to organizational goals (M = 3.53), while the lowest rated aspect was mental resilience at work (M = 3.37). The findings suggest that although employee engagement is relatively strong, interventions aimed at enhancing resilience could further strengthen sustained engagement.

4.5 Inferential Statistics

Inferential analysis in this study was conducted using Pearson's correlation and multiple linear regression. These analyses are provided in the subsection that follow.

4.5.1 Correlation Analysis

Correlation analysis was conducted to examine the strength and direction of the relationships between the dimensions of ethical leadership and employee engagement. Pearson's product–moment correlation coefficient was used because the variables were measured on continuous scales and met the assumptions for parametric testing. The analysis focused on the associations between the independent variables, character dimension, technical dimension, empowerment behaviour dimension, moral dimension, and psycho-emotive dimension, and the dependent variable, employee engagement. Table 4.9 shows the correlation findings.

Table 4. 9: Correlations

		Character Dimension	Technical Dimension	Empowerment Behavior Dimension	Moral Dimension	Psycho-emotive Dimension	Employee Engagement
Character Dimension	r	1					
	p						
Technical Dimension	r	.552**	1				
	p	.000					
Empowerment Behavior Dimension	r	.545**	.621**	1			
	p	.000	.000				
Moral Dimension	r	.646**	.561**	.542**	1		
	p	.000	.000	.000			
Psycho-emotive Dimension	r	.664**	.443**	.568**	.474**	1	
	p	.000	.000	.000	.000		
Employee Engagement	r	.944**	.957**	.947**	.990**	.971**	1
	p	.000	.000	.000	.000	.000	

Source: Author (2026)

All the dimensions of ethical leadership, including character, technical, empowerment behaviour, moral, and psycho-emotive, demonstrated strong, positive, and statistically significant correlations with employee engagement. This means an increase in these dimensions was associated with an increase in employee engagement and vice versa. These significant correlations provide preliminary evidence of meaningful relationships between the independent variables and the dependent variable and form a sound basis for proceeding with regression analysis to examine the predictive influence of ethical leadership dimensions on employee engagement**.**

The correlation analysis revealed exceptionally strong positive relationships between the ethical leadership dimensions and employee engagement. While these findings suggest substantial association between ethical leadership behaviours and employee engagement within the sampled banks, the unusually high correlation coefficients also warrant cautious interpretation. Given the multidimensional

and perceptual nature of ethical leadership, the dimensions may exhibit considerable conceptual overlap because employees often evaluate leadership behaviours holistically rather than as entirely independent constructs (Yukl et al., 2013; Sheer et al., 2018). For example, leaders perceived as morally upright may simultaneously be viewed as emotionally supportive, empowering, technically competent, and trustworthy.

Consequently, the high intercorrelations observed among the predictor variables may partly reflect interconnected employee perceptions of leadership behaviours rather than completely distinct organizational phenomena. In addition, because data were collected using self-reported cross-sectional questionnaires, the possibility of common method variance, halo effects, and socially desirable responding cannot be entirely excluded. However, diagnostic tests conducted during the study indicated that multicollinearity levels remained within acceptable statistical thresholds, suggesting that the variables could still be analysed as analytically distinguishable dimensions despite their conceptual interconnectedness. The findings were therefore interpreted cautiously and within the broader theoretical understanding that ethical leadership dimensions may operate simultaneously and interactively within organizational settings.

4.5.2 Multiple Regression Analysis

Multiple linear regression was performed to determine if the independent variables were significant predictors of employee engagement. Before the analysis, various diagnostic tests were conducted to establish if the data satisfied the assumptions for performing a multiple linear regression.

4.5.2.1 Diagnostic Tests

Table 4. 10: Normality Tests

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Overall Score - Character Dimension	.105	363	.202	.947	363	.394
Overall Score - Technical Dimension	.124	363	.888	.936	363	.213
Overall - Score - Empowerment Behaviour Dimension	.115	363	.176	.943	363	.141
Overall Score - Moral Dimension	.146	363	.133	.917	363	.276

Overall Score – Psycho-emotive Dimension	.133	363	.451	.926	363	.213
Overall Score - Employee Engagement	.128	363	.144	.921	363	.627

Source: Author (2026)

The assumption of normality was checked using Kolmogorov-Smirnov (K-S) and Shapiro-Wilk Tests as shown in Table 4.10. The results showed that all variables had non-significant p-values greater than 0.05 under both tests, including the character dimension, technical dimension, empowerment behaviour dimension, moral dimension, psycho-emotive dimension, and employee engagement. These findings indicate that none of the variables significantly deviated from normality, confirming that the assumption of normal distribution was satisfied. Consequently, the data were deemed appropriate for the application of parametric statistical techniques, and the study proceeded with correlation and multiple regression analyses.

Next, it was established that the data met the linearity assumption. Assumption of linearity was evaluated using scatter plots with fit line for the dependent variable by the independent variables such that points near the fit line indicated that the data met linearity requirement for regression analysis. The scatter plots provided in Figures 4.1 – 4.5 show that this assumption was not violated. In this case, the data points are near the fit line.



Figure 4. 1: Scatter Plot - Employee Engagement by Character Dimension
Source: Author (2026)



Figure 4. 2: Scatter Plot - Employee Engagement by Technical Dimension
Source: Author (2026)

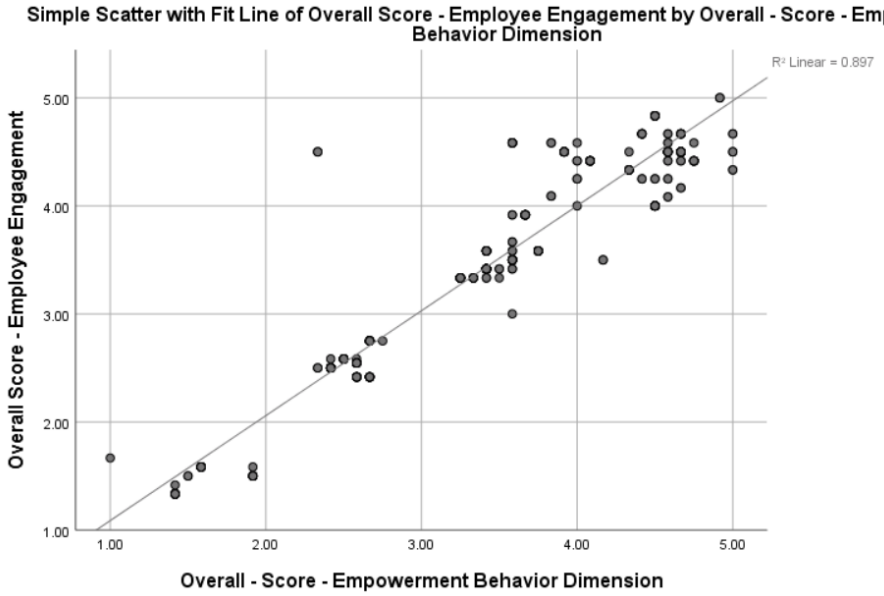


Figure 4. 3: Scatter Plot - Employee Engagement by Empowerment Behaviour Dimension
Source: Author (2026)

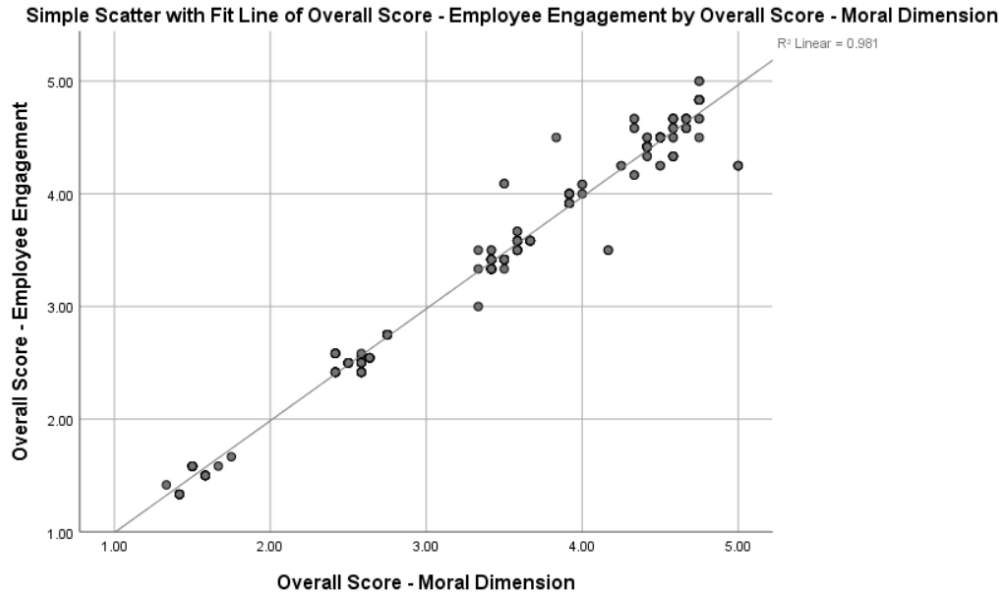


Figure 4. 4: Scatter Plot - Employee Engagement by Moral Dimension
Source: Author (2026)

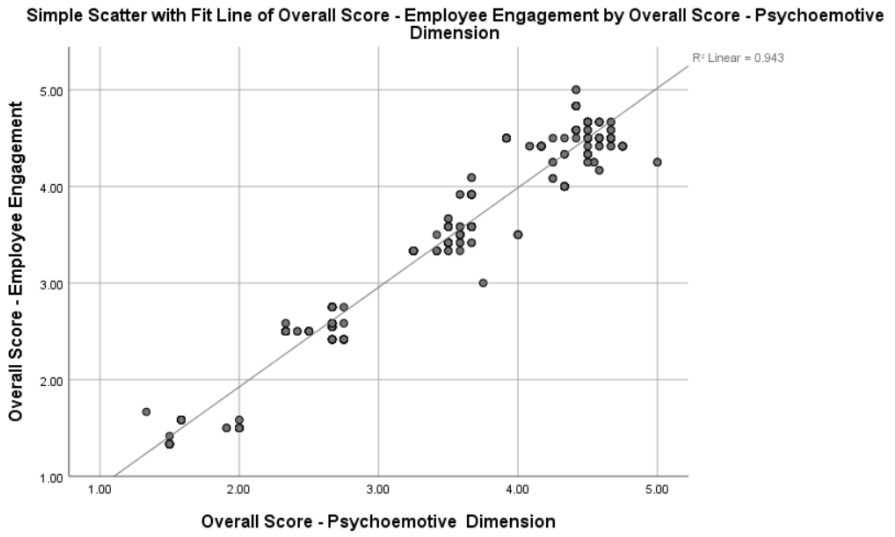


Figure 4. 5: Scatter Plot - Employee Engagement by Psycho-emotive Dimension
Source: Author (2026)

Table 4.11: Collinearity Diagnostics

	VIF
Character Dimension	5.003
Technical Dimension	8.116
Empowerment Behavior Dimension	6.473
Moral Dimension	3.531
Psycho-emotive Dimension	4.820

Source: Author (2026)

It is also necessary to verify the absence of multicollinearity, which occurs when independent variables are highly correlated with one another. Multicollinearity can be assessed using the correlation matrix, where correlation coefficients should remain below the threshold of 0.80. As shown in Table 4.9, none of the correlations among the independent variables exceed this threshold, indicating that the independent variables did not exceed conventional statistical thresholds commonly associated with severe multicollinearity. However, given the conceptual relatedness of the ethical leadership dimensions, the possibility of moderate construct overlap and shared variance was interpreted cautiously during regression analysis. In addition, VIF values presented in Table 4.11 ranged from 3.531 to 8.116. Although some VIF values are moderately high, they remain below the critical threshold of 10, indicating that multicollinearity was not severe enough to invalidate the regression results.

Although the Variance Inflation Factor (VIF) values remained below the conventional threshold of 10, the study recognizes that interpretation of multicollinearity should not rely solely on mechanical

statistical cut-off points. In behavioural and organizational research involving perceptual and conceptually related constructs, relatively high VIF values may still indicate substantial overlap among predictor variables even when formal thresholds are not exceeded (Yukl et al., 2013; Kennedy et al., 2016). This concern is particularly relevant in the present study because the ethical leadership dimensions character, moral, psycho-emotive, empowerment behaviour, and technical competence are theoretically interconnected and may be evaluated holistically by employees.

Furthermore, the exceptionally high correlations and explanatory power observed in the regression model suggest that the predictor variables may share substantial common variance arising from overlapping leadership perceptions and self-reported measurement approaches. Consequently, although the diagnostic statistics suggested that multicollinearity remained within statistically acceptable levels, the findings were interpreted cautiously in recognition that the ethical leadership dimensions may not be entirely empirically separable within organizational settings. The results therefore reflect both the strong relational nature of ethical leadership behaviours and the possibility of conceptual interconnectedness among the study constructs.

Another key assumption assessed in this study was the absence of heteroskedasticity (homoscedasticity), which requires that the residuals exhibit constant variance across all levels of the independent variables. This assumption was examined using a scatterplot of standardized residuals against predicted values, where the absence of systematic patterns, such as funnel or cone-shaped formations, indicates compliance. As illustrated in Figure 4.6, the scatterplot displays a random distribution of residuals with no discernible pattern, confirming that the homoscedasticity assumption was satisfied.

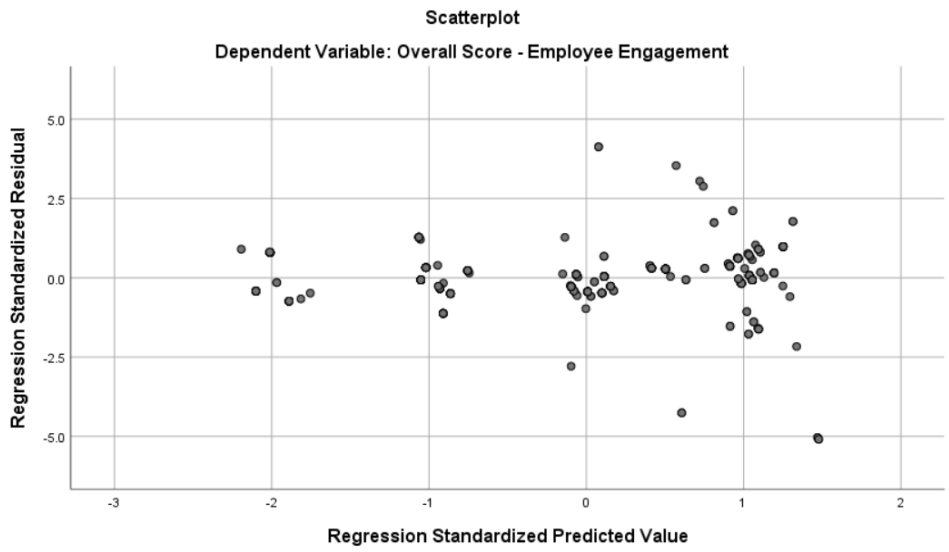


Figure 4.6: A scatterplot: residuals versus predicted values
Source: Author (2026)

4.5.2.2 Regression Findings

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.991[a]	.983	.982	.13277	2.017
a. Predictors: (Constant), Overall Score – Psycho-emotive Dimension, Overall Score - Technical Dimension, Overall - Score - Empowerment Behaviour Dimension, Overall Score - Character Dimension, Overall Score - Moral Dimension					
b. Dependent Variable: Overall Score - Employee Engagement					

Source: Author (2026)

The model summary in Table 4.11 presents the overall explanatory power and goodness of fit of the multiple regression model examining the influence of ethical leadership dimensions on employee engagement. The results indicate a very strong positive relationship between the independent variables and employee engagement, as reflected by a multiple correlation coefficient of R = 0.991. This suggests that the combined dimensions of ethical leadership are highly associated with variations in employee engagement.

The coefficient of determination shows that approximately 98.3% of the variance in employee engagement is explained by the five ethical leadership dimensions included in the model, namely character, technical, empowerment behaviour, moral, and psycho-emotive dimensions. The adjusted R^2

of 0.982, which accounts for the number of predictors in the model, indicates that the explanatory power remains very high even after adjustment, indicating that the model retained substantial explanatory power even after adjustment for the number of predictors included in the analysis.

The regression model explained a remarkably high proportion of variance in employee engagement ($R^2 = 0.983$), indicating that the ethical leadership dimensions collectively exhibited very strong explanatory power within the sampled organizations. While this finding may suggest that ethical leadership behaviours play a substantial role in shaping employee engagement within NSE-listed commercial banks, the exceptionally high explanatory power also requires cautious interpretation. In organizational behavioural research, extremely high R^2 values may sometimes indicate conceptual overlap among predictors, shared method effects arising from self-reported data, or possible redundancy among closely related constructs.

The high explanatory power observed in this study may partly reflect the interconnected nature of the ethical leadership dimensions, where employees who positively evaluate one leadership attribute are also likely to evaluate related leadership behaviours favourably. Consequently, although the regression findings support the theoretical relevance of ethical leadership dimensions in explaining employee engagement, the results should not be interpreted to imply that employee engagement is determined exclusively by ethical leadership practices alone. Other organizational, economic, and personal factors not included in the model may also contribute to employee engagement within the banking sector.

The standard error of the estimate is relatively low, indicating that the predicted values of employee engagement closely align with the observed values. This reflects a high level of precision in the model's predictions. In addition, the Durbin–Watson statistic is close to the ideal value of 2, suggesting the absence of autocorrelation in the residuals.

Table 4. 13: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	353.816	5	70.763	4014.310	.000[b]
	Residual	6.293	357	.018		
	Total	360.109	362			
a. Dependent Variable: Overall Score - Employee Engagement						
b. Predictors: (Constant), Psycho-emotive Dimension, Technical Dimension, Empowerment Behaviour Dimension, Character Dimension, Moral Dimension						

Source: Author (2026)

The ANOVA results in Table 4.12 assess the overall statistical significance of the regression model used to examine the influence of ethical leadership dimensions on employee engagement. The table shows that the regression sum of squares is 353.816, while the total sum of squares is 360.109, indicating that a substantial proportion of the total variation in employee engagement is explained by the model. The residual sum of squares of 6.293 suggests that only a small portion of the variance remains unexplained.

The model has 5 degrees of freedom for regression and 357 degrees of freedom for the residual, corresponding to the five predictor variables and the sample size. The mean square for regression (70.763) is substantially higher than the mean square for the residual (0.018), which reflects a strong explanatory contribution of the independent variables relative to random error.

The F-statistic of 4014.310 is very large and statistically significant at $p < 0.001$, as indicated by the significance value of 0.000. This result demonstrates that the regression model as a whole is statistically significant and provides a better fit to the data than a model with no predictors. In other words, the set of ethical leadership dimensions jointly has a significant effect on employee engagement.

Overall, the ANOVA results confirm that the regression model is valid and suitable for explaining variations in employee engagement among employees in listed commercial banks in Kenya. The significant F-test provides strong justification for proceeding to interpret the individual regression coefficients to determine the specific contribution of each ethical leadership dimension.

Table 4. 14: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.040	.028		1.436	.015		
	Character Dimension	.223	.031	.225	.720	.005	.500	5.003
	Technical Dimension	.526	.030	.520	1.748	.000	.552	8.116
	Empowerment Behaviour Dimension	.132	.029	.129	4.537	.000	.607	6.473
	Moral Dimension	.836	.039	.834	21.568	.000	.328	3.531
	Psycho-emotive Dimension	.696	.049	.656	.142	.009	.228	4.820
a. Dependent Variable: Overall Score - Employee Engagement								

Source: Author (2026)

The coefficients in Table 4.13 presents the results of the multiple regression analysis examining the individual influence of the ethical leadership dimensions on employee engagement while controlling for

the effects of the other predictors. The unstandardized coefficients (B) indicate the magnitude and direction of the relationship between each independent variable and employee engagement, whereas the standardized coefficients (β) allow comparison of the relative strength of each predictor. Statistical significance was evaluated using the t-statistics and corresponding p-values.

The constant term was positive and statistically significant *(B = 0.040, p = 0.015)*, indicating the baseline level of employee engagement when all ethical leadership dimensions are held constant. Although the constant has limited substantive interpretation in behavioural studies, its significance confirms the adequacy of the regression equation.

The character dimension of ethical leadership had a positive and statistically significant association with employee engagement (B = 0.223, β = 0.225, p = 0.005). This suggests that leaders who demonstrate ethical character traits such as fairness, integrity, and concern for employees are generally associated with higher levels of employee engagement within the sampled NSE-listed commercial banks. The standardized coefficient indicates a moderate contribution of the character dimension in explaining variations in engagement. The findings provide evidence suggesting that employees' perceptions of leader character are positively associated with engagement outcomes.

The technical dimension also demonstrated a positive and statistically significant association with employee engagement (B = 0.526, β = 0.520, p < 0.001). The findings suggest that leaders who exhibit technical competence through clear goal setting, adherence to procedures, and informed decision-making are generally associated with higher employee engagement levels. The relatively high standardized coefficient indicates that the technical dimension exhibited comparatively strong explanatory association within the regression model.

The empowerment behaviour dimension was found to have a positive and statistically significant relationship with employee engagement (B = 0.132, β = 0.129, p < 0.001). This indicates that leadership practices involving participation, delegation, teamwork, and employee development were positively associated with engagement levels among respondents. Although the magnitude of the relationship was comparatively smaller relative to other dimensions, the findings still suggest that empowerment-oriented leadership behaviours may contribute meaningfully to employee engagement experiences.

The moral dimension emerged as the strongest predictor within the regression model (B = 0.836, β = 0.834, p < 0.001). The findings suggest that leadership behaviours associated with integrity, adherence to ethical standards, fairness, and selfless conduct were strongly associated with employee engagement

within the sampled organizations. The comparatively large standardized coefficient highlights the potential importance of moral leadership perceptions in shaping employee commitment, dedication, and emotional attachment to work.

Similarly, the psycho-emotive dimension demonstrated a positive and statistically significant association with employee engagement (B = 0.696, β = 0.656, p = 0.009). The findings indicate that leaders' emotional stability, interpersonal sensitivity, supportive communication, and fairness in recognition and rewards were positively associated with employee engagement among respondents. The strength of this relationship suggests that emotionally intelligent leadership behaviours may play an important role in sustaining employee motivation and involvement within banking environments. However, because psycho-emotive behaviours are closely connected to trust, empowerment, and relational leadership processes, the findings may also reflect broader employee perceptions of supportive leadership rather than entirely distinct psycho-emotive effects alone.

Table 4. 15: Summary of Hypothesis Testing Results

Hypothesis	**Statement**	**β Coefficient**	**p-value**	**Decision**
H01	Character dimension has no significant effect on employee engagement	0.225	0.005	Rejected
H02	Technical dimension has no significant effect on employee engagement	0.520	0.000	Rejected
H03	Empowerment behaviour dimension has no significant effect on employee engagement	0.129	0.000	Rejected
H04	Moral dimension has no significant effect on employee engagement	0.834	0.000	Rejected
H05	Psycho-emotive dimension has no significant effect on employee engagement	0.656	0.009	Rejected

Source: Author (2026)

Overall, the findings demonstrate that all five dimensions of ethical leadership positively and significantly predict employee engagement, with the moral and psycho-emotive dimensions exerting the strongest influence. Based on the regression coefficients, the estimated multiple regression equation for the study is expressed as follows:

$$Y=0.040+0.223X1+0.526X2+0.132X3+0.836X4+0.696X5$$

Where:

- Y = Employee Engagement
- X1 = Character Dimension of Ethical Leadership
- X2 = Technical Dimension of Ethical Leadership
- X3 = Empowerment Behaviour Dimension of Ethical Leadership
- X4 = Moral Dimension of Ethical Leadership
- X5 = Psycho-emotive Dimension of Ethical Leadership
- 0.040 = Constant term
- ε = Error term

This equation indicates that, holding all other factors constant, a unit increase in each ethical leadership dimension leads to a corresponding increase in employee engagement by the value of its regression coefficient, with the moral and psycho-emotive dimensions exerting the strongest influence. Overall, the hypothesis testing results indicate that all five dimensions of ethical leadership significantly influence employee engagement, with the moral and psycho-emotive dimensions exerting the strongest effects.

Furthermore, the findings do not necessarily suggest that ethical leadership alone fully explains employee engagement within commercial banks. Employee engagement is a complex organizational phenomenon that may also be influenced by other contextual factors such as organizational culture, workload pressures, remuneration systems, career progression opportunities, technological change, and broader economic conditions. Consequently, while the study findings support the theoretical relevance of ethical leadership dimensions in understanding employee engagement, they also indicate the need for cautious interpretation regarding the relative distinctiveness and independent contribution of each dimension.

The consistently positive findings across all hypotheses may therefore reflect both the importance of ethical leadership within the sampled organizations and the relational interconnectedness among leadership behaviours, employee perceptions, and engagement experiences. Rather than representing unequivocal confirmation of isolated theoretical relationships, the findings suggest that ethical leadership dimensions may function simultaneously and interactively within workplace environments to shape employee engagement outcomes.

Moreover, while the regression analysis provided important insights into the association between ethical leadership dimensions and employee engagement, the study primarily focused on direct relationships among the variables and did not extend to robustness testing, alternative model specifications, or

examination of potential mediation and suppressor effects. This represents an important analytical limitation because prior literature reviewed in Chapter Two suggested that ethical leadership may influence employee engagement indirectly through mechanisms such as trust, psychological safety, self-efficacy, organizational commitment, emotional well-being, and empowerment processes (Ashfaq et al., 2021; Liu et al., 2023).

Furthermore, the exceptionally strong relationships observed among the ethical leadership dimensions suggest that some constructs may interact simultaneously or share overlapping explanatory influence within organizational settings. Consequently, relying primarily on direct regression analysis may not fully capture the complexity of the relational and psychological processes through which ethical leadership shapes employee engagement. The findings should therefore be interpreted as indicating strong associative relationships rather than definitive evidence of isolated causal pathways among the variables.

Nevertheless, the regression approach remained appropriate for the present study because the primary objective was to establish whether statistically significant relationships existed between the dimensions of ethical leadership and employee engagement within NSE-listed commercial banks in Kenya.

4.7: Chapter Summary

This chapter presented the analysis and interpretation of data on the influence of ethical leadership on employee engagement in listed commercial banks in Kenya. Descriptive statistics showed generally high levels of ethical leadership dimensions and employee engagement. Diagnostic tests confirmed that regression assumptions were met. Correlation and regression analyses revealed strong positive associations between the five ethical leadership dimensions and employee engagement, with the moral and psycho-emotive dimensions exhibiting comparatively stronger relationships within the sampled NSE-listed commercial banks.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the findings and presents the recommendations. It begins with a summary of key findings, discussion, limitations and further research.

5.2 Summary of Main Findings

This study established that all dimensions of ethical leadership significantly influence employee engagement in listed commercial banks in Kenya. The character dimension was found to positively affect employee engagement, indicating that leaders who demonstrate fairness, integrity, and concern for employees foster higher levels of commitment and involvement. The technical dimension also showed a significant positive effect, revealing that leaders' competence in goal setting, adherence to procedures, and evidence-based decision-making enhances clarity, confidence, and engagement among employees. In addition, the empowerment behaviour dimension was found to significantly influence employee engagement, highlighting the importance of participative decision-making, delegation, and employee development in strengthening employees' sense of ownership and motivation. The moral dimension emerged as the strongest predictor of employee engagement, demonstrating that leaders' integrity, ethical conduct, and selfless behaviour play a central role in shaping employees' dedication and emotional attachment to the organization. Finally, the psycho-emotive dimension significantly influenced employee engagement, indicating that leaders' emotional stability, interpersonal sensitivity, and fairness in recognition and rewards contribute meaningfully to sustaining employee vigour, dedication, and absorption at work.

5.3 Discussion of Findings

5.3.1 Influence of Character Dimension of Ethical Leadership on Employee Engagement

The first objective of the study was to examine the influence of the character dimension of ethical leadership on employee engagement in NSE-listed commercial banks in Kenya. The findings revealed that the character dimension had a positive and statistically significant association with employee engagement. This suggests that leaders who demonstrate fairness, integrity, inclusion, and concern for employees are generally associated with higher levels of vigour, dedication, and absorption among

employees within the sampled banks. However, the findings should be interpreted cautiously because the character dimension is conceptually related to other ethical leadership dimensions such as moral conduct and psycho-emotive support, which may shape employees' perceptions simultaneously rather than independently.

The findings broadly support Ethical Leadership Theory as advanced by Brown et al. (2006) and Treviño et al. (2005), which proposes that leaders' moral character and role-modelling behaviours influence followers' attitudes and workplace behaviours. The theory suggests that employees observe leaders' ethical values and integrity and may reciprocate through positive organizational attitudes such as trust, commitment, and engagement. Nevertheless, the exceptionally strong relationships observed in the present study also suggest that employees may evaluate ethical character holistically alongside broader leadership behaviours such as fairness, emotional support, and empowerment. Consequently, the findings may reflect not only the isolated influence of character-based leadership, but also broader relational and perceptual evaluations of leadership within organizational settings.

Empirically, the findings generally align with studies by Kalshoven et al. (2011), Ouma and K'Aol (2019), Khairy et al. (2023), and Gemechu (2025), which reported that fairness, benevolence, and integrity positively influence employee engagement and trust. Similarly, Xu et al. (2014) found that leader integrity contributes to employee engagement through psychological empowerment mechanisms. However, the findings differ from Johnson and Reiley (2021) and Mburu and Kimani (2023), who reported that character-based leadership produced weaker engagement outcomes unless combined with empowerment practices, structural fairness, or career development opportunities.

Rather than attributing these differences solely to contextual variation, the contradictory findings may also reflect differences in how ethical leadership was conceptualized and measured across studies (Kennedy et al., 2016; Sheer et al., 2018). Some studies examined ethical leadership as a generalized construct, while others focused specifically on relational, empowerment, or organizational support mechanisms (Ashfaq et al., 2021). In addition, organizational environments characterized by performance pressure, procedural rigidity, or career uncertainty may shape how employees interpret ethical character and leadership effectiveness (Johnson & Reiley, 2021; Mburu & Kimani, 2023). Consequently, the present findings should not be interpreted as suggesting that ethical character alone fully determines employee engagement, but rather as indicating that character-based leadership may

interact with broader organizational and relational factors in shaping employee engagement experiences within banking environments.

5.3.2 Influence of Technical Dimension of Ethical Dimension of Ethical Leadership on Employee Engagement

The second objective of the study was to assess the influence of the technical dimension of ethical leadership on employee engagement in NSE-listed commercial banks in Kenya. The findings revealed that the technical dimension had a positive and statistically significant association with employee engagement. This suggests that leaders' competence in goal setting, adherence to procedures, informed decision-making, and operational guidance was generally associated with higher levels of employee confidence, clarity, and commitment within the sampled banks. However, the relatively strong relationship observed should be interpreted cautiously because employees may not always separate technical competence from other leadership attributes such as fairness, trustworthiness, emotional support, and empowerment when evaluating leadership effectiveness.

The findings broadly support Ethical Leadership Theory, which argues that ethical intent alone may not be sufficient unless accompanied by competent execution and responsible organizational decision-making (Northouse, 2021). The theory suggests that technically competent leaders are more likely to gain legitimacy and trust from followers because employees perceive them as capable of translating ethical principles into effective organizational practices. Nevertheless, the exceptionally strong association observed in the present study may also reflect the interconnected nature of ethical leadership dimensions, where employees who perceive leaders as technically competent may simultaneously evaluate them positively on relational and ethical attributes. Consequently, the findings may represent broader employee confidence in leadership effectiveness rather than entirely isolated effects of technical competence alone.

Empirically, the findings generally align with studies by Ouma and K'Aol (2019), Fatuma and Gatobu (2022), Engelbrecht et al. (2017), Van Minh et al. (2017), and Walumbwa et al. (2011), which reported that technically competent ethical leaders enhance employee trust, psychological empowerment, and engagement. These studies suggest that employees are more likely to remain motivated and committed when leaders demonstrate operational competence alongside ethical conduct. However, the findings differ from Mwangi and Obuya (2022) and Gonzalez and Rivera (2023), who found that technical

leadership produced limited engagement outcomes when not accompanied by relational support, emotional intelligence, or empowerment practices.

Beyond attributing these contradictory findings solely to contextual differences, the inconsistencies may also reflect variations in theoretical conceptualization and measurement approaches across studies (Kennedy et al., 2016; Sheer et al., 2018). Some studies conceptualized technical leadership primarily as procedural competence, while others examined it together with relational trust, empowerment, or organizational support mechanisms (Van Minh et al., 2017; Engelbrecht et al., 2017). In addition, organizational environments characterized by high performance targets, operational pressure, technological disruption, and regulatory compliance demands may shape employees' expectations regarding leadership competence differently across sectors. Consequently, the present findings should not be interpreted as suggesting that technical competence alone fully determines employee engagement, but rather as indicating that technically competent leadership may interact with broader ethical, relational, and organizational factors in shaping employee engagement experiences within banking environments.

5.3.3 Influence of Empowerment Behaviour Dimension of Ethical Leadership on Employee Engagement

The third objective of the study was to determine the influence of the empowerment behaviour dimension of ethical leadership on employee engagement in NSE-listed commercial banks in Kenya. The findings revealed a positive and statistically significant association between empowerment behaviour and employee engagement. This suggests that leadership practices involving participative decision-making, delegation, autonomy, teamwork, and employee development were generally associated with higher levels of employee engagement within the sampled banks. However, the relationship should be interpreted cautiously because empowerment-oriented leadership behaviours are closely connected to relational trust, psycho-emotive support, and organizational fairness, which employees may evaluate simultaneously rather than as completely distinct leadership attributes.

The findings broadly support Ethical Leadership Theory, which emphasizes power sharing, trust, follower development, and supportive leadership relationships as important mechanisms through which ethical leaders influence employee attitudes and behaviours (Brown & Treviño, 2006; Kalshoven et al., 2011). The theory suggests that when leaders empower employees by involving them in organizational processes and supporting their development, employees may experience greater psychological ownership, autonomy, and intrinsic motivation, which can strengthen engagement. Nevertheless, the

strong positive relationship observed in the present study may also reflect the broader interconnectedness of ethical leadership dimensions, where empowerment practices reinforce employees' overall perceptions of leadership support, fairness, and organizational inclusion. Consequently, the findings may capture broader relational and psychological experiences associated with ethical leadership rather than entirely isolated effects of empowerment behaviour alone.

Empirically, the findings generally align with studies by Hawass (2016), Amundsen and Martinsen (2015), Ouma and K'Aol (2019), Zhu et al. (2015), Liu et al. (2023), and Akanni et al. (2019), which found that empowerment-oriented leadership behaviours positively influence employee engagement, psychological ownership, team cohesion, and organizational commitment. These studies suggest that employees are more likely to remain motivated and emotionally invested in their work when leaders provide autonomy, support participation, and encourage personal growth. However, the findings differ from Santos and Almeida (2023) and Chen and Wang (2021), who reported that excessive or unsupported empowerment sometimes resulted in role ambiguity, confusion, and employee disengagement.

Rather than attributing these contradictory findings solely to contextual differences, the inconsistencies may also reflect differences in how empowerment behaviour was operationalized and experienced across organizational settings (Kennedy et al., 2016; Sheer et al., 2018). Some studies conceptualized empowerment primarily in terms of delegated authority and autonomy, while others examined empowerment together with relational support, communication quality, and psychological safety (Liu et al., 2023; Akanni et al., 2019). Additionally, organizational environments characterized by rigid structures, limited guidance, or unclear performance expectations may produce different employee responses to empowerment practices compared to environments where autonomy is accompanied by support, accountability, and procedural clarity. Consequently, the present findings should not be interpreted as suggesting that empowerment behaviour alone fully determines employee engagement, but rather as indicating that empowerment practices may interact with broader relational, organizational, and emotional factors in shaping employee engagement experiences within banking environments.

5.3.4 Influence of Moral Dimension of Ethical Leadership on Employee Engagement

The fourth objective of the study was to examine the influence of the moral dimension of ethical leadership on employee engagement in NSE-listed commercial banks in Kenya. The findings revealed that the moral dimension had the strongest positive and statistically significant association with employee engagement among all the ethical leadership dimensions examined in the study. This suggests that

leadership behaviours associated with integrity, fairness, accountability, selflessness, and adherence to ethical standards were strongly associated with employee dedication, commitment, and emotional attachment within the sampled banks.

The findings broadly support Ethical Leadership Theory, which positions moral conduct as a central foundation of ethical leadership (Brown & Treviño, 2006; Northouse, 2021). The theory proposes that leaders who consistently demonstrate ethical behaviour shape ethical organizational climates, strengthen follower trust, and encourage moral identification among employees, thereby influencing positive attitudinal outcomes such as engagement. Nevertheless, the unusually strong predictive association observed in the present study may also reflect the broader relational and symbolic significance attached to moral leadership within organizational environments. Employees may interpret moral leadership not only as adherence to ethical standards, but also as evidence of fairness, trustworthiness, accountability, and organizational concern, thereby reinforcing interconnected perceptions across multiple ethical leadership dimensions.

Empirically, the findings generally align with studies by Bhana and Suknunan (2019), Gaji et al. (2017), Fubara and Onuoha (2023), and Gemechu (2025), all of which reported positive relationships between moral leadership behaviours and employee engagement, trust, commitment, and organizational attachment. These studies suggest that employees are more likely to remain emotionally invested in their work when leaders demonstrate integrity, fairness, and ethical consistency. However, the findings differ from Bautista and Reyes (2021) and Mehta and Singh (2023), who reported that moral leadership produced weaker engagement outcomes in highly competitive, innovation-driven, or performance-oriented organizational environments.

Rather than attributing these contradictory findings solely to contextual or sectoral variation, the inconsistencies may also reflect differences in how moral leadership was conceptualized and operationalized across studies (Kennedy et al., 2016; Sheer et al., 2018). Some studies focused narrowly on ethical compliance and integrity, while others examined moral leadership together with relational trust, emotional intelligence, or organizational support mechanisms (Fubara & Onuoha, 2023). Additionally, organizational environments characterized by high performance pressure, innovation demands, or transactional workplace relationships may shape employees' interpretations of moral leadership differently from environments emphasizing accountability, trust, and ethical governance. Consequently, the present findings should not be interpreted as suggesting that moral leadership alone

fully determines employee engagement, but rather as indicating that moral leadership may interact with broader organizational, relational, and psychological factors in shaping employee engagement experiences within banking environments.

5.3.5 Influence of Psycho-emotive Dimension of Ethical Leadership on Employee Engagement

The fifth objective of the study was to assess the influence of the psycho-emotive dimension of ethical leadership on employee engagement in NSE-listed commercial banks in Kenya. The findings revealed a positive and statistically significant association between the psycho-emotive dimension and employee engagement. This suggests that leadership behaviours characterized by emotional intelligence, empathy, composure, interpersonal sensitivity, and fairness in recognition and rewards were generally associated with higher levels of employee vigour, dedication, and absorption within the sampled banks. However, the relationship should be interpreted cautiously because psycho-emotive leadership behaviours are closely interconnected with other relational leadership dimensions such as empowerment, moral conduct, and character-based leadership, which employees may evaluate holistically rather than independently.

The findings broadly support Ethical Leadership Theory and emotional intelligence perspectives, which emphasize the importance of emotional regulation, interpersonal sensitivity, fairness, and supportive workplace relationships in shaping ethical organizational environments (Kalshoven et al., 2011; Northouse, 2021). These perspectives suggest that emotionally intelligent leaders foster psychological safety, trust, inclusion, and emotional well-being, which may strengthen employee engagement and organizational attachment. Nevertheless, the strong positive association observed in the present study may also reflect broader employee perceptions of supportive and trustworthy leadership rather than entirely isolated psycho-emotive effects.

Empirically, the findings generally align with studies by Wang et al. (2017), Rice et al. (2025), Njoku and Okere (2024), Gwamanda and Mahembe (2023), and Sarwar et al. (2020), which found that emotionally supportive ethical leadership enhances employee engagement, psychological safety, emotional well-being, and workplace inclusion. These studies suggest that employees are more likely to remain motivated and psychologically connected to their work when leaders demonstrate empathy, emotional stability, and supportive interpersonal relationships. However, the findings differ from Ali and Raza (2022) and Yeo and Tan (2021), who reported that excessive emotional involvement or emotionally expressive leadership behaviours sometimes produced discomfort, role confusion, or disengagement among employees.

In addition to attributing these contradictory findings solely to contextual moderation, the inconsistencies may also reflect differences in theoretical assumptions, organizational cultures, and measurement approaches across studies (Kennedy et al., 2016; Sheer et al., 2018). Some studies conceptualized psycho-emotive leadership primarily in terms of empathy and emotional support, while others examined broader emotional intelligence and relational leadership processes involving trust, inclusion, and psychological safety (Sarwar et al., 2020; Gwamanda & Mahembe, 2024). Additionally, employees operating within highly formalized or performance-oriented environments may interpret emotional involvement differently depending on workplace expectations, professional boundaries, and organizational culture. Consequently, the present findings should not be interpreted as suggesting that psycho-emotive leadership alone fully determines employee engagement, but rather as indicating that emotionally supportive leadership behaviours may interact with broader relational, ethical, and organizational factors in shaping employee engagement experiences within banking environments.

Although the five dimensions were analysed separately, the findings should be interpreted with recognition that ethical leadership dimensions are not entirely independent. Employees may simultaneously perceive morally grounded leaders as trustworthy, emotionally supportive, empowering, and competent. Consequently, some degree of conceptual and behavioural overlap may exist among the dimensions. However, the regression results indicate that each dimension contributed uniquely to explaining employee engagement, thereby supporting the analytical value of examining ethical leadership as a multidimensional construct.

5.4 Conclusions

The conclusions of this study were drawn within the methodological limits of a cross-sectional correlational research design. Consequently, the findings should be interpreted as indicating statistically significant associations between ethical leadership dimensions and employee engagement rather than definitive causal relationships. Although the study found strong positive relationships between the dimensions of ethical leadership and employee engagement within NSE-listed commercial banks in Kenya, the results do not imply that ethical leadership alone exclusively determines employee engagement outcomes. Employee engagement remains a complex organizational phenomenon that may also be influenced by broader organizational, interpersonal, economic, and individual factors beyond the scope of the present study.

Based on the findings, the study concludes that the dimensions of ethical leadership examined were positively and significantly associated with employee engagement among employees in NSE-listed commercial banks in Kenya. The character dimension was associated with higher levels of employee engagement, suggesting that employees who perceived leaders as fair, trustworthy, and ethical also tended to report stronger engagement levels. Similarly, the technical dimension demonstrated a strong positive association with employee engagement, indicating that employees generally valued leadership competence, procedural clarity, and informed decision-making within organizational settings.

The study further concludes that empowerment-oriented leadership behaviours, including participation, delegation, and employee development, were positively associated with employee engagement within the sampled organizations. In addition, the moral dimension exhibited the strongest positive association with employee engagement among all the dimensions examined, suggesting that employees attached substantial importance to leadership integrity, fairness, accountability, and ethical consistency. The psycho-emotive dimension was also positively associated with employee engagement, indicating that emotionally supportive, empathetic, and psychologically sensitive leadership behaviours corresponded with higher employee motivation and involvement.

5.5 Recommendations

5.5.1 Policy Recommendations

Using findings of the study, it is recommended that banking regulators such as the Central Bank of Kenya (CBK), the Kenya Bankers Association (KBA), and corporate governance oversight bodies strengthen ethical leadership requirements within existing governance and human resource management frameworks for NSE-listed commercial banks. Rather than relying solely on broad ethical compliance policies, regulatory guidelines should require banks to incorporate measurable ethical leadership indicators into leadership appraisal systems, succession planning processes, and managerial promotion criteria. For example, banks could be required to include periodic employee-based leadership climate assessments, ethical conduct evaluations, and leadership accountability indicators as part of annual governance reporting.

In addition, because banks operate under high regulatory pressure, operational risk exposure, and performance demands, implementation of ethical leadership initiatives should be integrated gradually within existing compliance, training, and performance management structures to minimize administrative burden and resistance from management. Regulators and industry associations should also

encourage cost-effective leadership development approaches such as internal mentorship programs, ethics-focused management workshops, and digital leadership training platforms rather than relying exclusively on expensive external training interventions. Furthermore, policy implementation should recognize organizational realities such as hierarchical decision-making structures, internal politics, and resource limitations that may constrain empowerment-oriented leadership practices within banking institutions.

5.5.2 Managerial Recommendations

From the study findings, managers and senior leaders in NSE-listed commercial banks should adopt more structured and practical ethical leadership interventions that can realistically be implemented within highly regulated and performance-driven banking environments. Rather than treating ethical leadership as a purely abstract organizational value, banks should integrate ethical leadership behaviours into daily supervisory practices, departmental performance reviews, and leadership accountability systems. Since the moral dimension exhibited the strongest association with employee engagement, managers should prioritize transparent communication, procedural fairness, consistency in decision-making, and accountability in workload allocation, promotions, and performance evaluation processes. To strengthen technical leadership practices, banks should provide middle-level managers with targeted operational leadership training focused on decision-making, regulatory compliance, conflict management, and communication of organizational goals. In relation to empowerment behaviour, managers should adopt controlled empowerment approaches by gradually increasing employee participation in problem-solving, team planning, and service improvement initiatives while maintaining clear reporting structures and accountability mechanisms to avoid role ambiguity within tightly regulated banking operations.

Additionally, because banking environments are often associated with emotional pressure, performance targets, and customer-related stress, managers should strengthen psycho-emotive support systems through regular supervisory feedback sessions, employee recognition programs, peer-support initiatives, and accessible wellness or counselling services. However, implementation of these interventions should consider practical constraints such as staffing levels, operational workload, budget limitations, and organizational resistance to leadership culture change within commercial banks.

5.5.3 Theoretical Recommendations

Based on the findings of the study, it is recommended that future theoretical development of Ethical Leadership Theory move beyond generalized and unidimensional conceptualizations of ethical

leadership and place greater emphasis on the interconnected and context-dependent nature of ethical leadership behaviours. The exceptionally strong associations observed among the ethical leadership dimensions suggest that constructs such as moral conduct, psycho-emotive support, empowerment behaviour, technical competence, and character-based leadership may not operate as entirely independent dimensions in organizational settings. Future theoretical models should therefore incorporate stronger conceptual clarification regarding construct overlap, relational interdependence, and the possibility that employees evaluate ethical leadership behaviours holistically rather than through isolated behavioural categories. In addition, the findings suggest the need for more context-sensitive ethical leadership frameworks capable of accounting for organizational pressures such as regulatory compliance demands, technological disruption, performance management systems, and workplace stress that characterize contemporary banking environments. Future theoretical refinement should also integrate mediating and contextual mechanisms such as psychological safety, trust, organizational justice, emotional exhaustion, and organizational culture in order to better explain how ethical leadership behaviours are associated with employee engagement across different institutional and cultural settings.

5.6 Limitations

The study was conducted using a cross-sectional survey design and relied primarily on self-reported questionnaire data collected from employees in NSE-listed commercial banks in Kenya. Consequently, the findings reflect employee perceptions at a single point in time and should not be interpreted as establishing definitive causal relationships between ethical leadership dimensions and employee engagement. In addition, the use of self-administered Likert-scale questionnaires may have increased the likelihood of common method variance, social desirability bias, and halo effects, particularly because both ethical leadership and employee engagement were measured using perceptual responses from the same respondents. Employees who generally viewed organizational leadership positively may have been inclined to rate multiple leadership dimensions favourably, thereby contributing to highly correlated responses across the constructs. This limitation is particularly relevant given the exceptionally high correlation coefficients and regression explanatory power observed in the study. Although diagnostic tests suggested that multicollinearity remained within conventional statistical thresholds, the unusually strong statistical relationships may partly reflect conceptual overlap, shared perceptual variance, and possible construct redundancy among the ethical leadership dimensions.

Furthermore, while the study conceptualized ethical leadership as comprising character, technical, empowerment behaviour, moral, and psycho-emotive dimensions, these constructs may not be entirely empirically separable within organizational settings because employees often experience and evaluate leadership behaviours holistically rather than as fully independent dimensions. The study also focused exclusively on NSE-listed commercial banks, which are generally larger, more regulated, and structurally formalized than many other financial institutions in Kenya. Consequently, the findings may not be fully generalizable to smaller non-listed banks, SACCOs, microfinance institutions, or organizations operating in less formalized sectors. In addition, the exclusion of senior executive leadership limited the study's ability to compare ethical leadership perceptions across different organizational hierarchy levels. Finally, the study primarily examined direct relationships between ethical leadership dimensions and employee engagement and did not explore possible mediating, moderating, or suppressor effects involving variables such as organizational culture, psychological safety, trust, workload pressure, emotional exhaustion, and organizational justice, which may also shape employee engagement outcomes within banking environments.

5.7 Suggestions for Further Research

Future studies should consider adopting longitudinal research designs to examine how ethical leadership dimensions influence employee engagement over time and to establish causal relationships more clearly. Researchers are also encouraged to incorporate mixed-method approaches by combining quantitative surveys with qualitative interviews to gain deeper insights into how employees experience ethical leadership in practice. In addition, future research could extend the scope of this study by examining other sectors beyond banking or conducting cross-country comparative studies to assess the contextual and cultural influences on ethical leadership and engagement. Further studies may also explore potential mediating and moderating variables, such as organizational culture, psychological safety, trust, or employee well-being, to provide a more comprehensive understanding of the mechanisms through which ethical leadership affects employee engagement.

5.7 Chapter Summary

This chapter presented the conclusions and implications of the study on the influence of ethical leadership on employee engagement in listed commercial banks in Kenya. It discussed the findings in relation to theory and empirical literature, highlighting the significant roles of character, technical, empowerment behaviour, moral, and psycho-emotive dimensions of ethical leadership. The chapter also outlined policy,

managerial, and theoretical recommendations, acknowledged the study's limitations, and proposed directions for future research aimed at strengthening ethical leadership practice and scholarship.

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APPENDICES

Appendix I: Letter Of Introduction

Principal Investigator

Kelvin Kinyua

School of Business, Strathmore University,

Ole Sangale Road, P.O. Box 59857 – 00200,

City Square, Nairobi, Kenya

RE: Request for participating in data collection

I am a student at Strathmore University pursuing a Master of Business Administration at the Strathmore Business School. In partial fulfilment for the award of this degree, I am undertaking a research project titled **INFLUENCE OF ETHICAL LEADERSHIP ON EMPLOYEE ENGAGEMENT IN COMMERCIAL BANKS IN KENYA**.

In doing so, you and your organization have been selected as one of the commercial banks operating in Kenya to participate in this survey. It is my hope that you will take time to respond to the attached questionnaire that will take approximately 15-20 minutes to complete. The information given is strictly for use for this academic research and will therefore not be shared with others in and out of the organisation. Your anonymity and confidentiality are guaranteed and therefore no personal identifying information is needed.

Thank You in Advance

Yours faithfully,

Kelvin Mwangi

Phone Number: +254 714171282

Email: kelvin.kinyua@strathmore.edu

Appendix II: Participant Information Sheet and Consent Form

TITLE OF THE PROPOSED STUDY

Influence of ethical leadership on employee engagement in commercial banks in Kenya.

SECTION 1: INFORMATION SHEET

Principal Investigator: Kelvin Mwangi

Institutional Affiliation: Strathmore University Business School (SUBS)
Mobile: +254 714 171282
Email: kelvin.kinyua@strathmore.edu

Supervisor: Dr. Patriciah Gachambi
Email: pgachambi@strathmore.edu
Institutional Affiliation: Strathmore University Business School (SUBS)

SECTION 2: INFORMATION SHEET – THE STUDY

2.1. Why is this study being carried out?

This study is being carried out in fulfillment of the requirement for the award of a Master of Business Administration at Strathmore University Business School.

This study aims to assess the influence of ethical leadership on employee engagement in commercial banks in Kenya.

2.2. Do I have to take part?

No. Taking part in this study is entirely optional, and the decision rests only with you. If you decide to take part, you will be asked to fill out a questionnaire designed to gather information on the above-mentioned research topic – The influence of ethical leadership on employee engagement in commercial banks in Kenya.

The questionnaire will be well-structured and simple to understand and complete. Further explanation will be provided where necessary. Please note that you are free to decline to take part in this study at any time without explanation.

2.3. Who is eligible to take part in this study?

Bank staff (team members, team leads, managers).

2.4. Who is not eligible to take part in this study?

- Bank executives and bank senior managers.
- Any person under 18 years of age (Minors).
- Those incapable of consenting to participate in this study (signing this form).

2.5. What will taking part in this study involve for me?

You will be requested to take part in the study by filling out a questionnaire. Should you be satisfied that you fully understand the details of this study, you will be asked to sign the informed consent form (this form) and then taken through a questionnaire to complete.

2.6. Are there any risks or dangers in taking part in this study?

There are no risks in taking part in this study. All the information you provide will be treated as confidential and will not be used in any way without your express permission.

2.7. Are there any benefits of taking part in this study?

This study will benefit banking practitioners, particularly staff, chief executive officers and senior managers, by providing evidence-based insights into the influence of ethical leadership on employee engagement in commercial banks in Kenya.

2.8. What will happen to me if I refuse to take part in this study?

Participation in this study is entirely voluntary. Even if you decide to take part at first but later change your mind, you are free to withdraw at any time without explanation.

2.9. Who will have access to my information during this research?

Access to all the information obtained during this research will be restricted. All research records will be stored in securely locked cabinets. That information may be transcribed into our database, but this will be sufficiently encrypted and password protected. Only the people who are closely concerned with this study will have access to your information. All your information will be treated as private and confidential.

2.10. Who can I contact in case I have further questions?

You can contact me, the Principal Investigator, Kelvin Mwangi, at Strathmore University Business School by email at kelvin.kinyua@strathmore.edu. or by calling +254 714 171 282, and a summary report of the findings will be shared via email.

You can also contact my supervisor, Dr. Patriciah Gachambi, at the Strathmore University Business School, Nairobi, or by e-mail at pgachambi@strathmore.edu.

If you want to ask someone independent anything about this research, please contact:

The Secretary
Strathmore University Institutional Ethics Review Board,
P. O. BOX 59857, 00200,
Nairobi.

Email: ethicsreview@strathmore.edu

Telephone: +254 (0) 703 034418

I, _____, confirm that all the issues confirm that all the issues about this study have been clarified. I further affirm that I have asked all the questions that I needed to ask, and all of them have been answered to my satisfaction. I have read and understood the questions. I have been provided with the contacts of the person and institution that I need to contact in case issues arise and I need further clarification.

Please tick the boxes that apply to you;

Participation in the research study

☐ I AGREE to take part in this research

☐ I DON'T AGREE to take part in this research

Storage of information on the completed questionnaire

☐ I AGREE to have my completed questionnaire stored for future data analysis

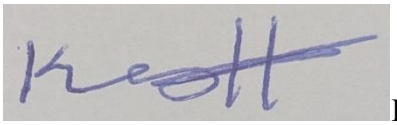
☐ I DON'T AGREE to have my completed questionnaire stored for future data analysis

Participant's signature: _____ Date: ____/ _____/ _____ (DD/MM/YY)

Participant's name: _____ Time: ____: _____ (HH/Mins)

(please print name)

I, Kelvin Mwangi, certify that I have followed the SOP for this study, have explained the study information to the study participant named above, and that s/he has understood the nature and the purpose of the study and consented to the participation in the study. S/he has been given the opportunity to ask questions, which have been answered satisfactorily.

Investigator's signature:  Date: __20__/ __11___/ __2025___

Investigator's name: Kelvin Mwangi Time: 4: 00 pm (HH/Mins)

Appendix III: Ethical Approval and NACOSTI License

Strathmore UNIVERSITY

9th December 2025

Mr Mwangi Kelvin,
kelvin.kinyua@strathmore.edu

Dear Mr Mwangi,

RE: Influence of Ethical Leadership on Employee Engagement in Commercial Banks in Kenya

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** research proposal. Your application reference number is **SU-ISERC3153/25.** The approval period is from **9th December 2025 to 8th December 2026.**

This approval is subject to compliance with the following requirements:

i. Only approved documents including (informed consents, study instruments, and MTA) will be used
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification
iv. Any changes, anticipated or otherwise, that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours
v. Clearance for the export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) https://research-portal.nacosti.go.ke/ and obtain other clearances needed.

Yours sincerely,

Mr Ambrose Rachier,
Chairperson; SU-ISERC

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 319381

Date of Issue: 26/November/2025

RESEARCH LICENSE



This is to Certify that Mr.. kelvin Mwangi of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in on the topic: Influence of ethical leadership on employee engagement in commercial banks in Kenya for the period ending : 26/November/2026.

License No: NACOSTI/P/25/4182371

319381

Applicant Identification Number

Ag. Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

Appendix IV: Questionnaire

Kindly read the instructions carefully before completing the questionnaire. Please note that this survey does not include members of the organization's top senior management.

Section 1: Background Information

This introductory section of the questionnaire seeks to collect the respondent's demographic information information.

Read all the questions first and choose the appropriate answer by putting a tick □ in only one box for each question.

All information will remain confidential, and to maintain anonymity, no names are required.

1. Please indicate your gender.

Male	1
Female	2

2. Please select your age range.

Below 25 years	1
25 – 34 years	2
35 – 44 years	3
45 – 54 years	4
Above 54 years	5

3. What is your position in the organization?

Team Member	1
Team lead	2
Manager	3

4. For how long have you worked in the organization?

Below 5 years	1
6 – 10 years	2
11– 20 years	3
21 – 30 years	4
Over 30 years	5

5. What is your highest educational level attained?

College Diploma	1
Bachelor's Degree	2
Master's Degree	3
Doctoral Degree	4
Other (Specify)	5

Section 2: Ethical Leadership (Independent Variable)

Character Dimension of leadership is the outward expression of personal values and sense of integrity that is intended to achieve morally appropriate outcomes.

Please indicate the extent to which you agree or disagree with the following statements by using the scale provided, where:

1 = Strongly Disagree (SD) **2 = Disagree (D)** **3 = Neutral (N)**

4 = Agree (A) **5 = Strongly Agree (SA)**

Tick in the ☑ box provided

Character Dimension - Universalism					
The following statements are true of my leader:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A**	**5 (SA)**
6. My leader treats employees fairly regardless of background					

7. My leader fosters a culture of belonging at work					
8. My leader supports equal treatment of all employees					
9. My leader respects employees' rights in decision-making					
Character Dimension - Transformation					
The following statements are true of my leader:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
10. My leader encourages new ways of thinking					
11. My leader supports changes in the workplace					
12. My leader communicates clear vision for the future					
13. My leader promotes growth among staff					
Character Dimension - Benevolence					
The following statements are true of my leader:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
14. My leader shows genuine concern for employees' welfare					
15. My leader supports employees when faced with challenges					
16. My leader promotes a caring work environment					
17. My leader is approachable when employees need help					

Technical Dimension

Technical Dimension of leadership is the set of technical abilities, owned by the leader like his or her knowledge and his or her "know-how" that may explain his or her capacity to influence.

Please indicate the extent to which you agree or disagree with the following statements by using the scale provided where:

1 = Strongly Disagree (SD) **2 = Disagree (D)** **3 = Neutral (N)**

4 = Agree (A) **5 = Strongly Agree (SA)**

Tick in the ☑ box provided

Technical Dimension – Goal/Objective Setting					
The following statements are true of my leader:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
18. My leader sets clear goals for work					
19. My leader explains work objectives to employees					
20. My leader reviews progress toward goals					
21. My leader aligns tasks with set objectives					
Technical Dimension – Formal Routings					
The following statements are true of my leader:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
22. My leader follows set procedures at work					

23. My leader uses formal systems for tasks					
24. My leader applies work routines regularly					
25. My leader ensures procedures are consistent					
Technical Dimension – Decision Making					
The following statements are true of my leader:	**1 (SD**	**2 (D)**	**3 (N**	**4 (A)**	**5 (SA)**
26. My leader makes timely decisions					
27. My leader uses facts to make decisions					
28. My leader considers alternatives before deciding					
29. My leader evaluates outcomes of decisions					

Empowerment Behaviour Dimension

Empowerment Behaviour dimension of ethical leadership is the involving of subordinates in goal setting and decision-making, encouraging subordinates to take greater responsibilities and giving subordinates the opportunity to try out innovative methods.

Please indicate the extent to which you agree or disagree with the following statements by using the scale provided where:

1 = Strongly Disagree (SD) **2 = Disagree (D)** **3 = Neutral (N)**

4 = Agree (A) **5 = Strongly Agree (SA)**

Tick in the ☑ box provided

Empowerment Behaviour Dimension – Power Sharing					
The following statements are true of my leader:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
30. My leader allows employees to contribute to decisions					
31. My leader delegates responsibilities					
32. My leader involves employees in problem-solving					
33. My leader gives employees freedom to act in their roles.					
Empowerment Behaviour Dimension – Team Building					
The following statements are true of my leader:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
34. My leader encourages teamwork among employees					
35. My leader promotes cooperation among staff.					
36. My leader builds trust among team members					
37. My leader supports joint problem-solving					
Empowerment Behaviour Dimension – Building Staff Competencies					
The following statements are true of my leader:	**1 (SD)**	**2 (D**	**3 (N)**	**4 (A)**	**5 (SA)**
38. My leader helps employees improve their skills					

39. My leader supports career growth for employees					
40. My leader provides opportunities for skills development					
41. My leader encourages employees to take learning opportunities					

Moral Dimension

Moral Dimension of leadership is a leader's right decisions and actions combined with good intentions, and accompanied by moral correctness of behaviours.

Please indicate the extent to which you agree or disagree with the following statements by using the scale provided where:

1 = Strongly Disagree (SD) **2 = Disagree (D)** **3 = Neutral (N)**

4 = Agree (A) **5 = Strongly Agree (SA)**

Tick in the ☑ box provide

Moral Dimension - Leader as a Role Model					
The following statements are true of my leader:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
42. My leader sets a good moral example					
43. My leader lives by the values promoted by the organization					
44. My leader influences others through action					
45. My leader is honest in their dealings					

Moral Dimension – Codes of Conduct					
The following statements are true of my leader:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
46. My leader follows ethical rules at work					
47. My leader respects workplace regulations					
48. My leader acts according to professional standards					
49. My leader guides others on the rules of conduct					
Moral Dimension – Unselfish Practices					
The following statements are true of my leader:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
50. My leader puts the needs of others before personal needs					
51. My leader avoids using the position for personal gain					
52. My leader supports the success of the team					
53. My leader acts without expecting personal reward					

Psycho-emotive Dimension

Psycho-emotive dimension of leadership refers to the psychological traits of a leader's character, his or her social skills and his or her ability to create an appealing climate.

Please indicate the extent to which you agree or disagree with the following statements by using the scale provided, where:

1 = Strongly Disagree (SD) **2 = Disagree (D)** **3 = Neutral (N)**

4 = Agree (A) **5 = Strongly Agree (SA)**

Tick in the  box provided

Psycho-Emotive Dimension – Psychological Traits					
The following statements accurately describe my leader:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
54. My leader remains calm under pressure					
55. My leader shows patience with others					
56. My leader manages emotions at work					
57. My leader stays positive in difficult times					
Psycho-Emotive Dimension – Social Skills					
The following statements accurately describe my leader:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
58. My leader communicates effectively with employees					
59. My leader builds positive relationships with employees					
60. My leader listens carefully to others					
61. My leader resolves conflicts peacefully					

Psycho-Emotive Dimension – Remuneration and Reward Systems					
The following statements accurately describe my leader:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
62. My leader rewards employees for good performance					
63. My leader recognizes employee achievements					
64. My leader supports fair promotion practices					
65. My leader recommends fair pay for employee workload					

Section 3: Employee Engagement (Dependent Variable)

Employee Engagement is the antithesis of burnout and is characterized by a positive attitude and a committed willingness.

Please indicate the extent to which you agree or disagree with the following statements by using the scale provided, where:

1 = Strongly Disagree (SD) **2 = Disagree (D)** **3 = Neutral (N)**

4 = Agree (A) **5 = Strongly Agree (SA)**

Tick in the ☑ box provided

Employee Engagement – Vigor					
The following statements accurately describe me:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**

66. I feel energetic when working					
67. I am mentally resilient at work					
68. I can continue working even when the task is difficult					
69. I show high effort in my job					
Employee Engagement – Dedication					
The following statements accurately describe me:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
70. I am enthusiastic about my job					
71. I am proud of the work that I do					
72. My work inspires me					
73. I am committed to achieving organizational goals					
Employee Engagement – Absorption					
The following statements accurately describe me:	**1 (SD)**	**2 (D)**	**3 (N)**	**4 (A)**	**5 (SA)**
74. I stay focused on my work					
75. Time passes quickly when I am working					
76. I remain involved in tasks until completion					
77. I enjoy being deeply engaged in my work					

Thank you. Your participation is highly appreciated

Appendix V: Work Plan

Research Activities	Time Frame		
	Start	**Finish**	**Duration**
1. Proposal Development	01 July 2025	30 August 2025	2 months
2. Proposal Submission and Approval	01 September 2025	30 November 2025	3 months
3. Data collection	01 December 2025	31 January 2026	2 months
4. Data Analysis	01 February 2026	30 March 2026	2 months
5. Report Dissemination	15 April 2026	15 May 2026	1 month

Appendix VI: Budget

Item	Unit cost	Cost (KES)
Computer/typing services	Item	12,500
Printing and photocopying of the proposal	Item	2,000
Binding of the proposal	Item	1,000
Data analysis	Item	12,000
Data Collection	Item	102,000
Printing and photocopying of the research Report	Item	2,000
Hardcover binding	Item	4,000
Miscellaneous	Item	8,000
Total		**143,500**

Appendix VII: List of NSE-Listed Commercial Banks

1. KCB Bank
2. Equity Bank
3. Co-operative Bank
4. Standard Chartered Bank
5. ABSA Bank
6. Stanbic Bank
7. NCBA Bank
8. I and M Bank
9. Diamond Trust Bank

Source: Nairobi Securities Exchange, Kenya (2024)