

The Effect of Ethical Leadership on Employee Loyalty the Mediating Role of Orgnaizational Justice: Evidence from Jordanian Joint Stock Companies

تأثير القيادة الأخلاقية على ولاء الموظف: الدور الوسيط للعدالة التنظيمية: دليل من شركات المساهمة الأردنية

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Abstract:

Objectives: This study aims to investigate the relationship between ethical leadership and employee loyalty in Jordanian joint stock companies. The research also examines how ethical leadership influences employee loyalty through the lens of the Social Exchange Theory, highlighting the importance of ethical behaviors and fairness in organizational settings.

Methods: Quantitative research methods were used, and data were analyzed using SmartPLS software to examine the hypothesized relationships, the study population included all Jordanian joint stock companies (N = 239) with a total of 3,612 directors.

Results: The findings indicate a positive and direct effect of ethical leadership on employee loyalty. Directors demonstrating ethical behavior, fairness, and transparency significantly influence employees' commitment and loyalty, The study also highlights the mediating role of organizational justice in strengthening this relationship.

Conclusions: The study confirms that ethical leadership is a crucial determinant of employee loyalty in Jordanian joint stock companies. Organizations should prioritize ethical leadership development and foster organizational justice to enhance employees' engagement and long-term commitment. These findings provide practical insights for managers aiming to build a loyal and ethically committed workforce.

Keywords: Ethical Leadership; Employee Loyalty; Organizational Justice; Social Exchange Theory; Jordanian Joint Stock Companies.

الملخص:

الأهداف: تهدف هذه الدراسة إلى استكشاف العلاقة بين القيادة الأخلاقية وولاء الموظفين في شركات المساهمة الأردنية. كما تبحث الدراسة في كيفية تأثير القيادة الأخلاقية على ولاء الموظفين من خلال منظور نظرية التبادل الاجتماعي، مع التركيز على أهمية السلوكيات الأخلاقية والعدالة في بيئة العمل.

المنهجية: استخدمت الدراسة المنهج الكمي في جمع البيانات، وتم تحليلها باستخدام برنامج SmartPLS لفحص العلاقات المفترضة بين المتغيرات، وشملت عينة الدراسة جميع شركات المساهمة الأردنية (N = 239) وعدد مديريها الإجمالي 3,612 مديرًا.

النتائج: تشير النتائج إلى وجود تأثير إيجابي ومباشر للقيادة الأخلاقية على ولاء الموظفين، حيث يؤثر المديرون الذين يتمتعون بالسلوك الأخلاقي والعدالة والشفافية بشكل كبير على التزام الموظفين وولائهم. كما تسلط الدراسة الضوء على الدور الوسيط للعدالة التنظيمية في تعزيز هذه العلاقة.

الخلاصة: تؤكد الدراسة أن القيادة الأخلاقية تعد عاملاً حاسماً في تحديد ولاء الموظفين في شركات المساهمة الأردنية. يجب على المنظمات إعطاء الأولوية لتطوير القيادة الأخلاقية وتعزيز العدالة التنظيمية لتعزيز التفاعل والالتزام طويل المدى لدى الموظفين. توفر هذه النتائج رؤى عملية للمديرين الراغبين في بناء قوة عاملة مخلصه وملتزمة بالقيم الأخلاقية.

الكلمات المفتاحية: القيادة الأخلاقية؛ ولاء الموظفين؛ العدالة التنظيمية؛ نظرية التبادل الاجتماعي؛ شركات المساهمة الأردنية.

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1 Introduction

Various nations are experiencing economic development; however, recent events such as geopolitical instability, wars, natural catastrophes, and pandemics like COVID-19 have affected global economic growth (Al Halbusi, Tang, Williams, & Ramayah, 2024). These unforeseen circumstances have exposed organizations to risks and uncertainties, necessitating adaptive strategies and effective leadership for successful navigation. In this context, employees play a crucial role in ensuring organizational success, and increasing employee loyalty has become a key factor in enhancing overall organizational performance (Fan, Li, Mao, & Lu, 2021; Abdi & Rahman, 2024).

A broad spectrum of factors, including working conditions, wages, incentives, and leadership styles, influence employee loyalty (Ramlawati et al., 2023; Seth, Sethi, Yadav, & Malik, 2022). Among these, ethical leadership has been highlighted as particularly vital. Ethical leadership focuses on moral character and principled behavior, which fosters trust, respect, and commitment among employees (Halbusi, Ismail, & Omar, 2021; Alhaidan, 2025). Ethical leadership is defined as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to employees through two-way communication, reinforcement, and decision-making” (Brown et al., 2005, as cited in Kılıç, Kılıç, & Uzunyaylalı, 2024, p. 120). Leaders who demonstrate honesty, integrity, transparency, and ethical commitment set a positive example, thereby enhancing employee trust and loyalty (Alpkan, Karabay, Şener, Elçi, & Yıldız, 2021; Walumbwa et al., 2017).

Ethical leadership is also linked to employee attitudes such as trust, perceptions of organizational justice, affective commitment, and positive behaviors including organizational citizenship and creativity (Hermanto & Srimulyani, 2022; Jio, Kant, & Lemi, 2025). Loyalty, being integral to workplace ethics, is expected to be strengthened under ethical leadership (Almanbahi, Ghonim, Alabsy, & Shemais, 2025). Employee perceptions of fairness, honest treatment, and participative decision-making enhance social exchange processes, which reinforce loyalty, identification, and trust toward the organization (Fan et al., 2021; Subedi & Bhandari, 2025).

Organizational justice plays a central mediating role in this relationship. Employees constantly evaluate the fairness of decisions and actions taken by leaders, encompassing distributive, procedural, and interactional justice (Taamneh et al., 2024; Al Halbusi et al., 2024). Perceptions of injustice can reduce job satisfaction and commitment while increasing turnover intentions, whereas perceptions of fairness boost satisfaction, loyalty, and performance (Fan et al., 2021; Abdi & Rahman, 2024). Ethical leaders, by promoting fairness and justice, indirectly enhance employee loyalty, creating a virtuous cycle that supports organizational performance (Halbusi et al., 2021; Kılıç et al., 2024).

Most studies on ethical leadership have been conducted in financial institutions due to their exposure to ethical scandals (Alpkan et al., 2021; Bello, 2012; Halvorsen et al., 2023). Accordingly, this study focuses on employees in Jordanian joint-stock banks, examining how ethical leadership influences organizational justice and, subsequently, employee loyalty. By employing organizational justice as a mediator, this research provides a nuanced understanding of how organizations can cultivate ethical leadership and strengthen loyalty, offering practical recommendations for management strategies in Jordanian firms (Alhaidan, 2025; Ramlawati et al., 2023). Moreover, this study contributes to the Arab literature on ethical leadership, organizational justice, and employee loyalty in Middle Eastern contexts.

1.1 Study Problem

In today's dynamic business environment, organizations face increasing challenges arising from economic fluctuations, geopolitical instability, and rapid technological changes (Al Halbusi, Tang, Williams, & Ramayah, 2024). These challenges create uncertainties that require not only strategic planning but also effective leadership to maintain organizational stability and competitive advantage. One of the critical factors that determine organizational resilience and success is employee loyalty, which directly affects productivity, performance, and long-term sustainability (Fan, Li, Mao, & Lu, 2021; Abdi & Rahman, 2024).

Despite its importance, many organizations, including joint-stock companies in Jordan, struggle to maintain high levels of employee loyalty. Factors such as perceived unfair treatment, lack of trust in leadership, and inadequate ethical practices can reduce employee commitment and increase turnover intentions (Taamneh et al., 2024; Hermanto & Srimulyani, 2022). Research indicates that leadership style, particularly ethical leadership, plays a pivotal role in shaping employees' perceptions of fairness, trust, and organizational justice, which in turn influence loyalty and commitment (Halbusi, Ismail, & Omar, 2021; Kılıç, Kılıç, & Uzunyaylalı, 2024).

However, despite growing awareness of the importance of ethical leadership, there remains a lack of empirical evidence in the Jordanian context regarding the mechanisms through which ethical leadership affects employee loyalty. Specifically, while organizational justice is recognized as a key mediator in this relationship, there is insufficient understanding of how ethical leadership practices by managers in Jordanian joint-stock companies translate into perceptions of justice and, consequently, loyalty among employees (Alhaidan, 2025; Ramlawati et al., 2023).

Thus, the problem this study seeks to address is: how ethical leadership in Jordanian joint-stock companies affects employee loyalty, and to what extent organizational justice mediates this relationship. Addressing this problem is essential for developing strategies that enhance employee commitment, reduce turnover, and strengthen organizational performance in the Jordanian financial and corporate sector.

What is the impact of ethical leadership on employee loyalty?

Sub-Questions are:

- RQ1: To what extent do ethical leadership affect employee loyalty?
- RQ2: To what extent do ethical leadership affect organizational justice?
- RQ3: To what extent does organizational justice affect employee loyalty?
- RQ4: Does organizational justice mediates the relationship between ethical leadership and employee loyalty?

1.2 Objectives of the Study

This study is principally aimed to investigate the effects of ethical leadership on employee loyalty of Jordanian commercial banks. The specific objectives include the following:

- To investigate the impact of ethical leadership on employee loyalty.
- To examine the impact of ethical leadership on organizational justice.
- To identify the effect of organizational justice on employee loyalty.
- To investigate the mediating role of organizational justice on the relationship between ethical leadership and employee loyalty.

1.3 Limitations of Study

There are some limitations that are worthwhile to be discussed and clarified in this study. This study investigated the impact of ethical leadership on employee loyalty: the mediating role of organizational justice. Thus, the findings of this study are limited to Jordanian joint stock companies. This study investigated the impact of ethical leadership on employee loyalty: the mediating role of organizational justice only for Jordanian joint stock companies, it is important in empirical studies to be careful in generalizing the results. It is important in empirical studies to be careful in generalizing the results.

In the survey research design, the data obtained only shows the degree of association between variables. While causal relationships can be inferred based on the results obtained, they cannot be strictly ascertained. A quantitative approach was utilized in this study to examine the factors influencing the employee loyalty. Examining the association between the variables may lack accuracy since the results will be dependent on the time of implementation. In addition, this study did not include any control variable due to the notion that the study investigated Jordanian joint stock companies and almost similar in term of the size and listing.

Finally, the organizational structure is a set of routine rules and procedures that rely on a set of models and their schedules, which means that compliance is difficult, especially as it depends on the understanding of the implementers, which means that they may not be implemented as required by managers.

1.4 Study Hypotheses

Based on the study questions and its objectives, the following hypotheses have been set and tested as follows:

- Hypothesis 1: Ethical leadership has a positive effect on employee loyalty.
- Hypothesis 2: Ethical leadership influences employee loyalty through the mediating role of organizational justice.

1.5 Ethical Leadership

Ethical leadership is essential for an organization's long-term success and sustainability. It helps build trust and credibility with stakeholders, including employees, customers, investors, and the wider public (Al Halbusi, Tang, Williams, & Ramayah, 2024; Fan, Li, Mao, & Lu, 2021). Ethical leaders cultivate an environment of transparency, fairness, and accountability, which enhances employee commitment, loyalty, and motivation

(Ramlawati et al., 2023; Abdi & Rahman, 2024). By prioritizing the well-being of employees, customers, and the environment over short-term profits, ethical leadership can improve long-term organizational performance and financial outcomes (Alhaidan, 2025; Jio, Kant, & Lemi, 2025).

Moreover, ethical leaders emphasize respect for employees, support their personal and professional development, and encourage participation in decision-making. They promote transparency and fairness, fostering a collaborative, team-oriented organizational culture. Such practices enable organizations to achieve long-term success and favorable outcomes for all stakeholders (Almanbahi, Awad, Ghonim, Alabsy, & Shemais, 2025; Subedi & Bhandari, 2025).

Ethical leadership goes beyond mere compliance with organizational rules; it involves a commitment to moral integrity and fair treatment of employees, as well as engagement in resolving ethical dilemmas (Halbusi, Ismail, & Omar, 2021; Alpkhan, Karabay, Şener, Elçi, & Yıldız, 2021). It requires leaders to make decisions that consider the impact on all stakeholders, including society, the environment, employees, and business partners, while upholding organizational values and promoting the greater good (Kılıç, Kılıç, & Uzunyaylalı, 2024; Alhaidan, 2025). Research demonstrates that ethical leaders maintain high levels of mutual trust among employees, clients, shareholders, and the broader community, which is critical for organizational sustainability and long-term success (Taamneh et al., 2024; Hermanto & Srimulyani, 2022).

1.6 Organizational Justice

Organizational justice refers to employees' perceptions of an organization's actions, decisions, and behaviors, and how these perceptions shape their attitudes and behaviors in the workplace (Al Halbusi, Tang, Williams, & Ramayah, 2024; Fan, Li, Mao, & Lu, 2021). Employees expect fair treatment and equal opportunities, and their sense of justice can significantly influence motivation, job satisfaction, and overall well-being (Halbusi, Ismail, & Omar, 2021; Abdi & Rahman, 2024).

Organizational justice encompasses employees' evaluations of fairness regarding various aspects of the work environment, such as equitable treatment from supervisors, access to development opportunities, compensation, and workplace equality (Taamneh et al., 2024; Hermanto & Srimulyani, 2022). Employees continuously assess organizational decisions and behaviors, forming judgments about whether they are just or unjust. When employees perceive unfairness, it can lead to negative outcomes, including reduced motivation, decreased engagement, and workplace deviance (Alhaidan, 2025; Seth, Sethi, Yadav, & Malik, 2022).

Individual perceptions of justice are shaped by comparisons with others in similar positions and by personal experiences, values, and cultural backgrounds (Kılıç, Kılıç, & Uzunyaylalı, 2024; Jio, Kant, & Lemi, 2025). Because fairness is inherently subjective, organizations must recognize workforce diversity and create transparent and equitable systems that meet the expectations of all employees (Almanbahi, Awad, Ghonim, Alabsy, & Shemais, 2025; Subedi & Bhandari, 2025).

Employees' perceptions of organizational justice directly affect workplace attitudes and behaviors. When employees feel fairly treated, they demonstrate higher job satisfaction, motivation, commitment, engagement, and performance (Ramlawati et al., 2023; Abdi & Rahman, 2024). Conversely, perceptions of unfair treatment can increase turnover intentions and decrease productivity (Alpkhan, Karabay, Şener, Elçi, & Yıldız, 2021; Taamneh et al., 2024). Therefore, fostering organizational justice is critical for enhancing employee loyalty, performance, and overall organizational effectiveness.

1.7 Employee loyalty

Employee loyalty has been studied extensively, and scholars have offered various definitions. It generally refers to the employees' commitment to the organization, their willingness to support its goals, and their intention to remain with it over time (Fan, Li, Mao, & Lu, 2021; Abdi & Rahman, 2024). Employee loyalty can be conceptualized as an emotional bond between an individual's role and the organization's values, objectives, and mission, reflecting strong identification with and acceptance of organizational goals (Ramlawati et al., 2023; Alhaidan, 2025). It also involves the willingness of employees to prioritize organizational interests, even at the expense of personal gain (SaeedAlmanbahi, Awad, Ghonim, Alabsy, & Shemais, 2025).

From a behavioral perspective, employee loyalty includes attitudes, intentions, and actions that indicate readiness to exert effort for organizational success and dedication to long-term tenure (Taamneh et al., 2024; Subedi & Bhandari, 2025). It also reflects employees' acceptance and internalization of organizational values and objectives (Kılıç, Kılıç, & Uzunyaylalı, 2024).

Empirical studies highlight multiple factors influencing employee loyalty. Job satisfaction is positively associated with loyalty, indicating that satisfied employees are more likely to remain committed and engaged (Hermanto & Srimulyani, 2022; Jio, Kant, & Lemi, 2025). Workplace conditions, such as workload, motivation, knowledge support, and supervision, also play a crucial role in shaping loyalty (Al Halbusi, Tang, Williams, & Ramayah, 2024; Alpkhan, Karabay, Şener, Elçi, & Yıldız, 2021). Moreover, organizational policies, reward systems, and leadership practices significantly affect employees' loyalty by influencing their engagement, satisfaction, and commitment to organizational goals (Fan et al., 2021; Ramlawati et al., 2023).

Thus, employee loyalty is not only an outcome of individual attitudes but also a product of organizational practices, leadership behavior, and the work environment. Understanding the determinants of loyalty is essential for organizations, including Jordanian joint-stock companies, to foster commitment, reduce turnover, and enhance overall performance.

1.8 The Effect of Ethical Leadership on Employee Loyalty

The influence of ethical leadership on employee loyalty is examined in this study through the lens of social exchange theory, which posits that individuals respond to how they are treated, creating a system of reciprocity. Employees who perceive fair, respectful, and ethical treatment from their leaders tend to reciprocate with positive attitudes and behaviors toward the organization (Al Halbusi, Tang, Williams, & Ramayah, 2024; Fan, Li, Mao, & Lu, 2021). Ethical leaders are characterized by integrity, fairness, and concern for employees' well-being, creating a supportive work environment. In response, employees demonstrate loyalty, commitment, and engagement (Alhaidan, 2025; Ramlawati et al., 2023).

Employee loyalty, in this context, refers to the positive psychological attachment an employee has toward the organization, reflecting willingness to stay and contribute to organizational goals (Abdi & Rahman, 2024; Subedi & Bhandari, 2025). Social exchange theory suggests that ethical leadership fosters such loyalty because employees perceive that their efforts and dedication are recognized and fairly reciprocated (Taamneh et al., 2024; Kılıç, Kılıç, & Uzunyaylalı, 2024).

Empirical research supports this relationship. For example, Fan et al. (2021) found that ethical leadership significantly enhanced employee loyalty among 234 hotel employees in China. Similarly, Abdi and Rahman (2024) demonstrated that ethical leadership positively affects employee commitment and loyalty in public sector organizations, mediated by trust in leadership. Ramlawati et al. (2023) showed that ethical leaders improve employees' job satisfaction and engagement, which in turn increases loyalty. Moreover, Alpkhan, Karabay, Şener, Elçi, and Yıldız (2021) reported that in the banking sector, ethical leadership strengthens loyalty through fair treatment and support, highlighting the universality of this effect across different industries.

These findings collectively indicate that ethical leadership is a critical antecedent of employee loyalty. By promoting fairness, transparency, and moral conduct, leaders encourage employees to reciprocate with increased commitment, satisfaction, and dedication, supporting organizational sustainability and long-term performance (Almanbahi, Awad, Ghonim, Alabsy, & Shemais, 2025; Jio, Kant, & Lemi, 2025).

1.9 Mediating Role of Organizational Justice between Ethical Leadership and Employee Loyalty

Organizational justice reflects employees' perceptions of fairness in workplace decisions, actions, and treatment, and it significantly influences employee attitudes and behaviors (Al Halbusi, Tang, Williams, & Ramayah, 2024; Hermanto & Srimulyani, 2022). Employees continuously evaluate the fairness of organizational practices and leadership decisions, forming judgments that affect their motivation, satisfaction, and commitment (Alhaidan, 2025; Taamneh et al., 2024).

Research indicates that ethical leadership strongly promotes organizational justice. Ethical leaders set clear ethical standards, lead by example, and ensure fairness and equity in decision-making, thereby enhancing employees' perceptions of organizational justice (Fan, Li, Mao, & Lu, 2021; Abdi & Rahman, 2024). Studies also demonstrate a positive relationship between ethical leadership and organizational justice, mediated by ethical ideology, trust, and moral attentiveness (Alpkhan, Karabay, Şener, Elçi, & Yıldız, 2021; Ramlawati et al., 2023).

The consequences of perceived injustice are substantial. Employees who perceive unfair treatment often experience negative emotions, reduced job satisfaction, lower organizational commitment, and higher turnover intentions (Seth, Sethi, Yadav, & Malik, 2022; Kılıç, Kılıç, & Uzunyaylalı, 2024). Conversely, when employees perceive fairness and justice, they are more likely to develop loyalty, commitment, and engagement with the organization (Saeed Almanbahi, Awad, Ghonim, Alabsy, & Shemais, 2025; Jio, Kant,

&Lemi, 2025). Perceptions of organizational justice signal that the organization values and respects employees, recognizes their contributions, and rewards them equitably, thereby strengthening employee loyalty and enhancing overall organizational performance (Alhaidan, 2025; Fan et al., 2021).

2 Study Methodology

Research can be defined as the systematic and purposeful nature of the investigative process, with the ultimate goal of creating new knowledge (Swanson and Holton, 2005). The selection of research methods is contingent on the researcher's intent, whether it involves pre-specifying the information to be collected or allowing it to emerge during the study. A research design is characterized as a map, blueprint, structure, and strategy that guides the observation process to address the study's statement of problems (Creswell, 2003). The metaphorical description of research design as a "map for researchers" suggests its role in providing guidance and direction in the overall research process. Research design is likened to a blueprint, emphasizing its function in outlining the overall structure and plan for conducting the study (Kerlinger et al., 1973; Davis, 1996).

The primary data sources for the study include Arabic books and references, periodicals, articles, reports, research, and previous studies related to the subject. The researcher has also utilized information from various internet sites as part of the primary data sources. The aim is to use primary sources to identify foundations and sound scientific methods in writing the study. Additionally, the researcher aims to gain a general view of the latest developments in the subjects of the current study. A questionnaire has been developed for the study, and data will be collected through this questionnaire.

The researcher will design and develop it to cover the hypotheses on which it is based. The sampling unit consisted of the Jordanian managers of different scientific levels.

2.1 Population

The study population includes top and middle managers in Jordanian shareholding industrial companies. The population data is obtained through the Jordanian Ministry of Industry and Trade. A large company is defined as one with 500 or more employees. The research population comprises 239 companies (Jordanian Ministry of Labor, 2023; ASE, 2023). The number of directors in the study population is 3612 managers. A sample will be taken from the study population.

According to González (1999), the sampling frame is defined as the process for the research units derived from the population of the study. Louw & Zuber-Skeritt (2009) mentioned that the sample size must be sizeable for the study, ensuring it is sufficiently large to predict aspects of the population for a valid result. According to Louw & Zuber-Skeritt (2009), choice of sample size is governed by several factors including: 1) The researcher's required confidence in the data, 2) The acceptable level of error the researcher can tolerate, 3) The specific analyses to be undertaken, and 4) The size of the population from which the sample is drawn.

The proportional stratified random sampling method was used. The rationale behind using proportional stratified sampling is to account for the differences in company size (number of employees) and ensure that the sample reflects the distribution of managers across different companies. Proportional stratified random sampling is a systematic approach that helps ensure representation from various strata within the population, considering factors like company size. This method enhances the validity of the sample and generalizability of findings to the entire population. accordingly, Simple random sampling is a straightforward and unbiased method that provides each individual in the population an equal chance of being selected. This approach is suitable when the goal is to make generalizable inferences about the broader population (Bryman and Bell 2015). The total population of 3612 managers work in the 239 companies are registered with Amman Stock Exchange (ASE, 2023), the determination of the appropriate sample size is based on the guidance provided by the table developed by Krejcie and Morgan (1970) it will be 350. However, to overcome the non-response rate in a mail survey that can be as high as 80% (Khan et al., 2016). The sample size determination formula of (Krejcie and Morgan 1970):

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note.—*N* is population size.
S is sample size.

Source: (Krejcie and Morgan 1970).

2.2 Validation and Reliability of the Study Instrument

The researcher developed a questionnaire to cover all dimensions of the independent and dependent variables in a way that enables the testing of the hypotheses of the study, which were constructed, configured, and distributed to the sample members.

The researcher tested the apparent honesty to identify the correlation of questions and their connection with the variables of the study, and also to ensure the consistency of the answers of the sample members, in achieving the goals of the study and answering its questions, as it was presented to the experienced and specialized and a panel of arbitrators from the management professors as a panel of referees' committee to judge the validity as a tool to collect data.

To increase the validity of the questionnaire, the researcher relied as much as possible on measuring the variables of the study based on the measures of previous studies, where they proved their validity. The responses of the study sample were distributed according to the Likert quintile scale, which indicates the extent of the respondent's agreement with the questionnaire paragraphs ("strongly agree" signs 5, "agree" signs 4, "neutral" signs 3, 2 for "disagree", and 1 for "strongly disagree"), Sekaran equation, (2010) (Sekaran, (2010; Hair, 2010).

2.3 Reliability

Reliability was tested by the Cronbach-Alpha coefficient to determine the degree of consistency and internal validity in the scale used to measure the variables of the hypotheses. According to (Sekaran, 2003; Nunnally, 1978), if the Cronbach-Alpha coefficient is more than 60%, then it is reliable to analyse and interpret the data of the study. Table 1. shows that:

Table 1: Internal consistency coefficients (Cronbach Alpha)

variables	Cronbach Alpha
Organizational Justice	0.909
Ethical Leadership	0.823
Employee Loyalty	0.866
Total of paragraphs	0.929

Table 1. demonstrates that the coefficients of the variables were higher than 60%. This shows the internal consistency between the paragraphs (92.9%), which is higher than 60% showing inside consistency among all paragraphs, this percentage is considered acceptable depending on (Sekaran & Bougie, 2010, p. 311), which indicates that the paragraphs of the questionnaire with their dimensions have internal consistency.

2.4 Predictive significance of the dependent variable (Q²)

The current study showed interest in performing the predictive relevance (Q²), because it enables the study to assess the quality of the structural or constructivist model, as there is a major assumption associated with this analysis indicating its ability to measure the constructive model by testing the ability of independent variables to predict dependent change (Ramayah et al. al., 2018), and to achieve this purpose, the study conducted the appropriate procedure for this analysis, called the (Blindfolding) test, which is mainly concerned with calculating (Q²) using (Smart PLS) on the reflexive dependent variable, which must be greater than zero (0<Q²), To indicate the predictive importance of the model (Hair et al., 2017), (Table 2) indicates the results of the predictive importance of the dependent variable through the independent variables.

Table 2: Predictive significance of the dependent variable

Variable	Predictive significance	Result
Ethical Leadership	0.324	The independent variable has predictive significance over the dependent variable (0<Q ²)
organizational justice	0.163	The mediating variable has predictive significance over the dependent variable (0<Q ²)

2.5 Test Hypotheses

This part deals with the hypotheses related to the path analysis test, which includes testing multiple paths such as the direct and indirect effect and the total effect in order to verify the hypotheses, reach the results and interpret the relationships (Hair et al., 2010).

H1: Ethical leadership has a positive effect on employee loyalty.

To test this hypothesis1, the researcher used the critical path analysis, in which the impact of the independent factor on Ethical leadership on the dependent variable of employee loyalty was analysed.

Table 3: Table of Coefficient Ethical leadership on employee loyalty

Element	B	Mean	S. D	T	P	Result
Ethical Leadership -> Employee Loyalty	0.645	0.649	0.025	25.608	0.000	accept

Table 3. presents the results of the hypothesis analysis of the impact of ethical leadership on the dependent variable (employees' loyalty). And based on the decision rule related to t, which stipulates the rejection of the null hypothesis if the value of the significance of t is less than (0.05). It turns out that there is a positive and direct impact of ethical leadership on employee loyalty.

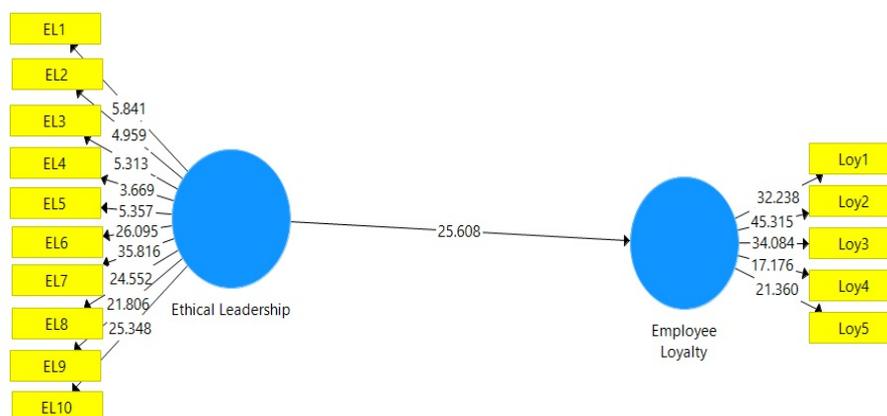


Figure 1: shows the value of the effect size (R²) for Ethical leadership on employee loyalty

Hypothesis 2: Ethical leadership influences employee loyalty through the mediating role of organizational justice.

To test this hypothesis2, the researcher used the critical path analysis, in which Ethical leadership influences employee loyalty through the mediating role of organizational justice was analysed.

Table 4: Table of Coefficient Ethical leadership on employee loyalty through the mediating role of organizational justice

Element	B	Mean	S. D	T	P	Result
Ethical Leadership -> Employee Loyalty	0.373	0.379	0.055	6.730	0.000	accept
Ethical Leadership ->Organizational Justice	0.703	0.705	0.020	34.762	0.000	accept
Organizational Justice -> Employee Loyalty	0.279	0.272	0.057	4.929	0.000	accept
Ethical Leadership ->Organizational Justice -> Employee Loyalty	0.196	0.192	0.040	4.875	0.000	accept

Table 4 presents the results of the hypothesis analysis of the impact of Ethical leadership on employee loyalty through the mediating role of organizational justice. And based on the decision rule related to t, which stipulates the rejection of the null hypothesis if the value of the significance of t is less than (0.05). It turns out that there is a positive and direct impact of Ethical leadership on employee loyalty through the mediating role of organizational justice.

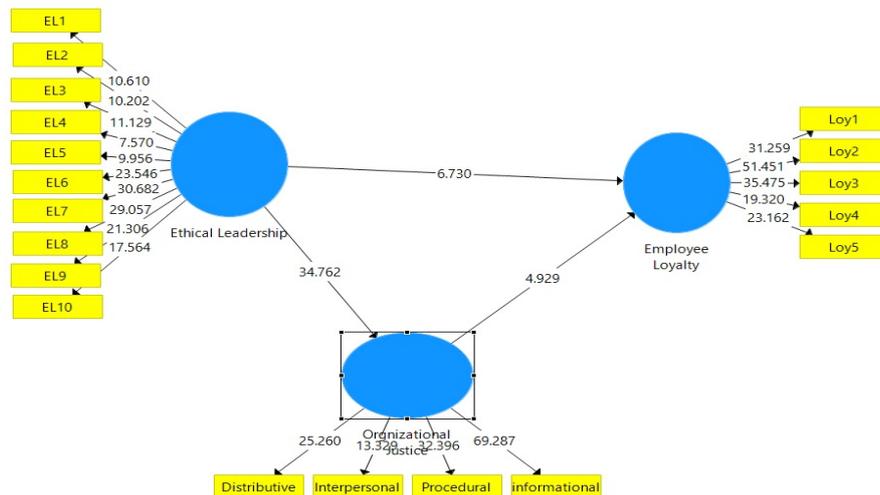


Figure 2: shows the value of the effect size (R2) for Ethical leadership on employee loyalty through the mediating role of organizational justice

3 Discussion

The result showed that there is a positive and direct impact of ethical leadership on employee loyalty.

Fan et al. (2021) demonstrated a positive and direct impact of ethical leadership on employee loyalty, aligning with the broader literature on the influence of ethical leadership in organizational behavior (Al Halbusi, Tang, Williams, & Ramayah, 2024; Ramlawati et al., 2023). Ethical leadership is consistently linked to favorable outcomes, including increased employee loyalty, job satisfaction, and organizational commitment (Abdi & Rahman, 2024; Alhaidan, 2025). These findings support earlier research, such as Qin et al. (2014) and Karatepe (2012), indicating that the positive effects of ethical leadership are observed across different cultural and organizational contexts (Almanbahi, Awad, Ghonim, Alabsy, & Shemais, 2025).

The prestige and influence of ethical leaders are reinforced by their decision-making capabilities and demonstration of strong managerial competence (Alpkan, Karabay, Şener, Elçi, & Yıldız, 2021). In many organizations, supervisors and team leaders who directly interact with front-line employees may not hold formal high-status positions; however, their ethical conduct and fairness can still foster loyalty and respect among team members (Taamneh et al., 2024). Identification with leaders—employees perceiving similarity in traits, values, and behaviors—also strengthens loyalty, as employees internalize the ethical norms and values modeled by their leaders (Kılıç, Kılıç, & Uzunyaylalı, 2024; Jio, Kant, & Lemi, 2025).

Further analyses of ethical leadership dimensions indicate that employees' respect for their leaders is positively associated with leaders' moral traits and ethical behaviors, consistent with the theory that ethical leaders gain influence and loyalty through integrity, fairness, and role modeling (Fan et al., 2021; Alhaidan, 2025). This highlights the importance of ethical behavior, fairness, and transparent leadership practices in fostering strong employee loyalty and organizational commitment.

Organizational justice refers to the perceived fairness in the distribution of rewards, resources, and decision-making processes within an organization. There are several dimensions of organizational justice, including distributive, procedural, interpersonal, and informational justice.

The mediation model suggests that the ethical behavior of leaders influences perceptions of organizational justice, and these perceptions, in turn, impact employee loyalty. This model provides a more nuanced understanding of how ethical leadership's impact on loyalty operates through the lens of organizational justice dimensions. It's worth noting that this mediation effect may vary based on specific organizational contexts and individual employee perceptions.

The result showed that there is a positive and direct impact of Ethical leadership on employee loyalty through the mediating role of procedural justice. In this context, a mediating role implies that procedural justice acts as an intermediary factor between ethical leadership and employee loyalty. It suggests that the impact of ethical leadership on employee loyalty is, at least in part, influenced by the perceived fairness of the processes and procedures within the organization.

The positive and direct impact indicates that when leaders demonstrate ethical behavior, it has a direct and positive effect on employee loyalty. However, this impact is not only direct but also influenced by the mediating factor of procedural justice. In other words, the positive effect of ethical leadership on employee loyalty is, in part, because ethical leaders tend to establish fair and just procedures.

3.1 Recommendations

Organizations, particularly Jordanian banks, should implement structured training programs to enhance ethical leadership among managers. Training should focus on moral decision-making, fairness, transparency, and integrity to ensure leaders can model ethical behavior effectively, thereby fostering employee loyalty.

Companies should establish clear, fair, and transparent policies for performance evaluation, rewards, promotions, and grievance handling. By ensuring employees perceive fairness in organizational processes, managers can reinforce loyalty and commitment.

Encouraging participative management practices, where employees are actively involved in decisions affecting their work, can strengthen the social exchange relationship and enhance loyalty. Mechanisms such as suggestion schemes, feedback systems, and team-based decision-making can be effective.

Future leadership development initiatives should target both middle and top-level managers to ensure consistent ethical practices across all hierarchical levels. Involving top management will strengthen organizational culture and reinforce employee trust and loyalty.

Companies should introduce periodic assessments of managerial ethical behavior and its impact on employee attitudes. This could involve employee surveys, 360-degree feedback, and performance audits to identify areas for improvement and implement corrective actions.

Organizations should adopt long-term strategies, such as career development plans, mentorship programs, and recognition initiatives, to strengthen employees' commitment to the organization over time. These strategies should align with ethical leadership and organizational justice principles.

To address knowledge gaps and validate the findings, future studies can explore other industries (e.g., SMEs or large corporations) and include additional mediating or moderating variables such as organizational culture, trust, or perceived organizational support. Longitudinal or experimental research designs can help examine causal relationships and the evolution of employee loyalty over time.

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