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Article
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Pakistan Journal of Commerce and Social Sciences (PJCSS)

Provided in Cooperation with:
Johar Education Society, Pakistan (JESPK)

Suggested Citation: Naeem, Fizza; Khurram, Sobia (2020) : Influence of toxic leadership on turnover intention: The mediating role of psychological wellbeing and employee engagement, Pakistan Journal of Commerce and Social Sciences (PJCSS), ISSN 2309-8619, Johar Education Society, Pakistan (JESPK), Lahore, Vol. 14, Iss. 3, pp. 682-713

This Version is available at:
http://hdl.handle.net/10419/224956

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Influence of Toxic Leadership on Turnover Intention: The Mediating Role of Psychological Wellbeing and Employee Engagement

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Abstract
The purpose of this study is to examine the presence of toxic leadership in banking sector of Pakistan with its influence on various job related outcomes which are psychological wellbeing, employee engagement and turnover intention of employees. Through random sampling technique six conventional private and public banks were selected based on quantitative approach. In total, 393 participants completed a self-completion structured questionnaire based on voluntary participation. Structural Equation Modelling (SEM) technique was employed by using SmartPLS version 3.0. Results supported the presence of toxic leadership in banking sector of Pakistan due to which turnover intention increases. Toxic leaders also seemed to have significant negative influence on psychological wellbeing and employee engagement. Furthermore, the relationship among toxic leadership and employee’s turnover intention is partially intervened by psychological wellbeing and employee engagement. Understanding leaders'/supervisors’ behavior is essential for banks which assist them in retaining employees by creating an environment that boost their wellbeing and make them engaged in their work. The HR managers should focus on considering employees’ feedback regarding their supervisors in the form of survey or one on one interviews which will help in identifying supervisors with toxic traits. This study contributes to the existing literature by studying an understudied emerging concept of toxic leadership and its various consequences in the banking sector of Pakistan. This study is the first to consider toxic leaders as an antecedent of turnover intention in banking sector in Pakistani context.

Keywords leadership styles, toxic leadership, turnover intention, psychological wellbeing, employee engagement, banks, Pakistan.
1. Introduction

Leadership style has been given importance in social science research because leaders are considered to be an essential part of an organization’s success. Leadership styles are derived from leaders’ personality which reflect in their behavior ultimately influencing the employees’ work engagement and performance (Hogan & Kaiser, 2005). Therefore, a leader depicting good characteristics such as competence, vision, integrity and persistent can result in effective leadership, increasing the performance of employees (Kouzes & Posner, 2002) and on the other hand, a leader depicting negative characteristics, such as self-promoting, manipulative and dominant behavior, results in unsatisfactory performance of employees (Hogan and Hogan, 2002; Schmidt, 2008, 2014). Lipman-Blumen (2005) and Brandel (2006) have stated that a combination of negative characteristics makes a leadership style ‘toxic’. According to Webster et al. (2016), toxic leadership can cause harm not only to the followers but to the whole organization. Previous studies have identified that it can result in adverse negative consequences such as decreased motivation, productivity, performance and involvement in the work and increased financial losses, intention to leave, absenteeism and work deviant behavior (Hyson, 2016; Zaabi et al., 2018; Kılıç & Günsel, 2019; Morris, 2019).

This research study focuses on the turnover intention as the consequence of toxic leadership as employees leaving is considered to be a costly affair for their organizations as it increases the recruitment and training costs and might also prove to be dysfunctional for the organizations (O’Connell & Kung, 2007; Kumar et al., 2012). The proposed relationship is studied in the banking sector of Pakistan which is three fourth of the financial sector with an overall approximate 6% contribution in the service sector making it one of the major contributing sectors towards country’s GDP (Pakistan Economic Survey 2018-19, 2019). In addition to this, the banking sector is observed to be suffering from high turnover rate due to various job related factors (Hassan et al., 2012; Khan, 2014; Pahi et al., 2019; Hassan & Jagirani, 2019). Therefore, this study aims to identify whether leaders’ behavior contributes to the employees’ decision of leaving their organizations.

As per the literature there exists a relationship among leaders’ behavior and employees intention to leave. Labrague et al. (2020) have identified that employees working under supportive leaders such as transformational leaders, have lower turnover intentions as compared to those working under leaders depicting toxic traits. This study tests this relationship on the basis of embeddedness model and social exchange theory (Mitchell et al., 2001; Cook et al., 2013). On the basis of these theories it can be assumed that an employee’s commitment and expectations are negatively influenced by their leader’s toxic traits which ultimately force them to find opportunities elsewhere. Further, this study also proposed that toxic leadership can also have adverse impact on psychological wellbeing and employee engagement that ultimately result in creating high turnover intention. The relationship of toxic leadership with psychological wellbeing and employee engagement are tested on the basis of psychological contract theory and social exchange theory respectively (Rousseau, 2011; Cook et al., 2013). Based on the proposed relationships an integrated model for this research study was developed which is a
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contribution to the existing literature as this kind of model has not been tested before especially in the context of Pakistan.

Furthermore, only few research studies can be found which have investigated the role of supervisor’s behavior on job related outcomes in context of Pakistan especially in the banking sector (Iqbal & Rasheed, 2019; Danish et al., 2019; Ahmad & Begum, 2020). In addition, despite the increasing prominence of toxic leadership, only a handful of research studies are available which have particularly studied toxic leadership and its various consequences in the banking sector of Pakistan (Hadadian & Zarei, 2016; Saqib & Arif, 2017). This shows the existence of a gap in the present literature in Pakistan context. Therefore, through this research study the role of toxic leadership on employees’ turnover intention in the banking sector of Pakistan is investigated along with the underlying constructs of psychological wellbeing and employee engagement.

This research study is proposed to be a contributing factor as it considered an understudied emerging concept i.e. toxic leadership and its various consequences in banking sector of Pakistan. Further, it provides practical suggestions to HR managers of focusing on the leaders’ behavior towards their subordinates by taking anonymous feedback and conducting one on one interviews with employees regarding their managers/leaders along with the traditional practice of managers providing feedback on their subordinates’ performance. This will help in timely recognition of toxic leaders and minimizing any major negative impact.

2. Literature Review

2.1 Toxic Leadership

The concept of leadership is dynamic that has been studied by various scholars. The common factor seen in leadership definitions is the leader’s influence on his/her work team for achieving goals (Hemphill & Coons, 1957; Rauch & Behling, 1984). The concept of leadership has been studied from multiple perspectives. From traits (Zaccaro et al., 2018) to behaviors (Larsson & Vinberg, 2010) from leadership theories (Khan et al., 2016) to leadership styles (Nanjundeswaraswamy & Swamy, 2014), from its importance (Ciulla, 2007) to its impact (Ekaterini, 2010). The main focus of these studies was the positive aspects of leadership. Until recently the researchers have started studying its negative aspects. It has been found that over the past decade the number of failed leaders are increasing and almost 50% to 75% of leaders have unsatisfactory performance (Hogan & Hogan, 2002). Different terminologies, such as abusive supervisor, destructive leadership and toxic leadership are mentioned by various scholars for studying the negative leadership aspects. In this research study, the term toxic leadership is used which is defined as “narcissistic, self-promoters who engage in an unpredictable pattern of abusive and authoritarian supervision” (Schmidt, 2008).

Heppell (2011) defined toxic leader as an individual who behaves destructively and displays nonfunctional characteristics. According to Padilla et al. (2007), a toxic triangle emerge as a result of the interaction among leader, subordinates and organization which results in the creation of toxic leadership. Based on the toxic triangle theoretical model, toxic leaders are created in a poor organization with weak system and centralized power where subordinates agree with the leaders without any questions asked (Thoroughgood &
Toxic leadership results in negative consequences for followers as well as organizations (Pelletier, 2010, Webster et al., 2016; Zaabi et al., 2018). A leader having toxic characteristics makes the work more complicated and stressful. They are not concerned about their staff morale and well-being and are perceived to be arrogant, selfish, inflexible and a bully (Lubit, 2004; Reed & Bullis, 2009). Hence, it is essential for organizations to study leadership behavior, so they are able to recognize the toxic tendencies in a leader before they create any major negative impact.

2.2 Toxic Leadership and Turnover Intention

Employees are considered to be the members of an organization, change in status of their membership, i.e. moving outside membership boundary, is considered as turnover (Price, 1977). The final stage of an employee turnover decision process is turnover intention. Therefore, it is deemed as an excellent indicator of turnover decision (Bester, 2012). Tett and Meyer (1993) have defined turnover intention as “the conscious and deliberate willfulness to leave the organization” (p. 262). The Theory of Reasoned Action (TRA) explained that the behavioral intention of an individual determines the actual behavior because if an individual has a strong intention about doing something, the chances of it happening increases (Ajzen & Madden, 1986; Southey, 2011). According to Cascio (2003) and Saeed et al. (2014), organizations suffer from three different types of costs when employees leave the organization: separation, recruitment and training costs. These costs can vary from 1.5 to 2.5 times of the annual salary of employees. Therefore, turnover intention is considered an undesirable factor for any organization.

Leadership style has been identified as one of the antecedents of turnover intention (Basak et al., 2013). For example, ethical leadership and leadership effectiveness has been found to significantly decrease the turnover intention among employees (Elçi et al., 2012). Conversely, abusive supervisors have been identified to negatively affect the organizational commitment, satisfaction and justice which ultimately increase employees’ intent to leave (Tepper, 2000; Tepper et al., 2006; Weberg & Fuller, 2019). According to Mitchell et al. (2001)’s embeddedness model of turnover intention, employees tend to stay until they feel connected and an important part of their organizations. But toxic leaders can make their employees feel less embedded within their organizations by negatively affecting the employees’ commitment subsequently making them quit. Similarly, on the basis of social exchange theory (SET) it can be assumed that toxic leaders violates the basic principle of SET, i.e. mutual benefit among individuals, by their self-centered, self-interest and controlling behavior which can eventually make the employees quit (Cook et al., 2013). Moreover, Chen et al., (2011) and Zeffane and Melhem (2017) have discussed that employees tend to leave their employers when they are dissatisfied and stressed, and as already established a toxic supervisor makes employees unhappy and their lives difficult. Thus, on the basis of above literature discussion it can be proposed that:

- **H1**: Toxic Leadership has a positive and significant relationship with Turnover Intention
2.3 Toxic Leadership. Psychological Wellbeing and Turnover Intention

An individual’s psychological functioning effectiveness is defined as the psychological wellbeing (Wright & Cropanzano, 2000). Diener (1994) have stated that wellbeing considers an individual’s overall life experience. Russell et al. (1989) and Diener et al. (2010) have identified that psychological wellbeing helps to determine the pleasantness dimension of an individual’s feelings (i.e. happiness vs depression) which, in turn, helps in determining various actions of an individual, such as a person feeling depressed will tend to have low self-esteem. This results in demotivation and pessimistic behavior.

Various research studies have empirically proven the association between leaders’ behavior and their employees’ psychological wellbeing. For instance, abusive leaders act as a source of psychological distress for their subordinates (Tepper, 2000). An organization having corporate psychopaths as leaders experience more conflicts because such leaders act as a bully for the subordinates which results in decline of employees’ wellbeing (Boddy, 2014). Pelletier (2010) has argued that a leader is declared to be toxic when subordinates are considered to be psychologically disturbed by the leader’s behavior ultimately creating a prolonged emotional damage to them. According to the theory of attachment presented by Bowlby (1969), leadership style has a great influence on employees’ psychological wellbeing due to the effect of leader-member support and relationship (Hudson, 2013). Van Katwyk, Fox, Spector and Kelloway (2000) have identified that the wellbeing is affected by the positive and negative emotions employees experience regarding different job characteristics. Thus, leaders by providing social support and attachment create a positive environment for their employees which in-turn can positively influence their wellbeing. Conversely, leaders who fail to provide such supportive environment to their employees negatively influence their wellbeing as they cause psychological distress among them (Sonnetag & Frese, 2003; Hudson, 2013; Bhandarker & Rai, 2019).

Furthermore, psychological wellbeing is considered to be significantly associated with different job characteristics (Danna & Griffin, 1999; Simone, 2014). Employees whose psychological wellbeing is negatively affected in an organization do not remain committed and ultimately start looking for opportunities elsewhere (Langove et al., 2016). Employees are assets of organizations and for retaining this valuable asset, Amin and Akbar (2013) have suggested organizations to focus on their employees’ wellbeing to control the turnover rate. The association between leaders and their employees can be explained through psychological contract theory (Rousseau, 2011). As per this theory, there exists a give and take relationship among managers and subordinates and the breach of this contract can result in negative consequences having implications for employees’ wellbeing (Ali, 2014). Henceforth, based upon this theory it can be assumed that with their self-centered attitude toxic leaders breach this contract which affects the employees wellbeing ultimately forcing them to leave (Bhandarker & Rai, 2019; Labrague et al., 2020). The rationale of this association is also provided in SET. Therefore, it is necessary to maintain a positive association between leaders and employees so that the psychological wellbeing of employees remains intact which can become a reason for decrease in their turnover intention (Robertson & Cooper, 2011; Ali, 2014). Therefore, based on the above literature discussion it can be proposed that:
Toxic Leadership has a negative and significant relationship with Psychological Wellbeing
Psychological Wellbeing has a negative and significant relationship with Turnover Intention
Psychological Wellbeing mediates the relationship between Toxic Leadership and Turnover Intention

2.4 Toxic Leadership, Employee Engagement and Turnover Intention

In order to create a competitive work environment leading towards effective organizational performance, employee engagement is one of the tools needed by the organizations (Kaliannan & Adjovu, 2015). It is considered to be a multidimensional concept and has been defined as “a positive fulfilling, work–related state of mind that is characterized by vigor, dedication, and absorption” (Schaufeli et al., 2002). Employee engagement is essential for the overall organizational performance because engaged employees are more focused on their work than employees having low engagement (Rich et al., 2010).

Leaders’ behavior is identified to be among one of employee engagement determinants (Christian et al., 2011). For instance, leaders with the positive and supportive behavior provide motivation to employees making them more productive, engaged and enthusiastic about their work (Serrano & Reichard, 2011). Conversely, abusive supervisors tend to have negative influence on employee engagement (Kahn, 1990; Lyu et al., 2016). According to Moss (2009), when supervisors provide recognition and support to the employees they tend to be more concentrated in their job as based on SET they feel obligated to pay back to the organization (Croppanzano & Mitchell, 2005). Jose and Mampilly (2015) have identified that for achieving high level of employee engagement there needs to be a mutual relationship among leaders and employees. Thus, by keeping in view social exchange theory (SET) it can be assumed that toxic leaders do not fulfill the mutually beneficial relationship with their subordinates which ultimately makes them disengaged with the work.

Furthermore, employee engagement tends to have implication for job related outcomes such as turnover intention. It has been identified that highly engaged employees tend to have lower turnover intention because it is difficult to detach oneself where one has invested a lot of efforts and has gained positive experience. This two-fold mechanism makes an employee stay and not look for opportunities in other organizations (De Lange et al., 2008). If the organization cannot provide such an environment the employees will feel less committed and ultimately leave (Schaufeli & Bakker, 2004). Leaders who provide support and recognize the work of their employees make the employees more engaged (Serrano and Reichard, 2011; Jose & Mampilly, 2015). On the other hand, toxic leaders create hindrances and psychological distress for their employees which create negative feelings that ultimately negatively influence their work engagement (Webster et al., 2010; Crawford et al., 2010; Weberg & Fuller, 2019). Because it is unlikely that employees will remain dedicated and engaged in their work when facing psychological
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distress and hence their intention to leave the organization increases (Hobfoll, 2001). Therefore, it can be proposed that:

- **H3a**: Toxic Leadership has a negative and significant relationship with Employee Engagement
- **H3b**: Employee Engagement has a negative and significant relationship with Turnover Intention
- **H3c**: Employee Engagement mediates the relationship between Toxic Leadership and Turnover Intention

3. Conceptual Framework

The following figure 1 illustrates the conceptual framework of this research study that is based on the review of existing literature. It shows the relationships among main constructs such as toxic leadership, turnover intention, psychological wellbeing and employee engagement. These relationships were based on the understanding of embeddedness model, social exchange theory and psychological contract theory.

![Conceptual Framework](image)

**Figure 1: Conceptual Framework of the Study**

4. Methods

4.1 Sampling and Data Collection

This study is based on quantitative research design and the most appropriate research setting was considered to be the banking sector of Pakistan. Banking industry has made major contributions to economy of Pakistan over the years (Gulzar, 2018). The contribution of financial sector towards overall service sector of Pakistan is 5.7% and its share in GDP is 3.37% (Yusufzai, 2017). The three-fourth of financial sector of Pakistan is comprised of banking sector. Various research studies have identified that banking sector of Pakistan is suffering from high turnover rate due to different job-related factors (Khan, 2014; Pahi et al., 2019; Hassan & Jagirani, 2019). Therefore, studying the
The banking sector of Pakistan was deemed necessary so that the antecedents of turnover intention can be analyzed. A list of banks generated from State Bank of Pakistan’s website showed that there was a total of twenty public and private conventional banks in Pakistan. By using random sampling technique, a total of six conventional banks were chosen: Bank of Punjab (BOP), National Bank of Pakistan (NBP), Bank Alfalah (BAFL), Habib Bank (HBL), Allied Bank (ABL), and Faysal Bank (FBL). Self-completing structured questionnaire was used for data collection from selected banks’ branches and offices of Lahore region only for convenience and due to researcher’s limitations of travelling cost. Total number of questionnaires that were disseminated to the banking sector employees were 505 from which 36 questionnaires were not returned and a total of 393 (78% response rate) completed and usable questionnaires were gathered for analysis after eliminating those containing missing data (50) and response sets (26).

The questionnaire also included a section about demographic characteristics of the participants. In this study 70% of the participants were males and remaining 30% were females. On the basis of education, majority of participants held a masters degree i.e. 70% and approximately 33% and 27% of the participants had an overall work experience of 1 to 5 years and 6 to 10 years respectively. Furthermore, almost 49% of the participants had 1 to 5 years of working experience within their current organization and 17% had a working experience of less than 1 year. Results also showed that 15% of participants had been working with their current organizations for 6 to 10 years and the remaining 19% had been working in the same organization for 11 to 15 years or more. These figures demonstrate that the majority of the participants do not stay in the same organization for a long period of time.

4.2 Measures

The questionnaire consisting of 42 items was used to gather data. Five-point Likert scale was used to measure each item. For measuring toxic leadership, Schmidt’s (2014) toxic leadership scale of fifteen items was used. Turnover intention was measured through Bothma and Roodt’s (2013) turnover intention scale (TIS-6) having six items. Psychological wellbeing was measured by Goldberg and Williams’s (1988) General Health Questionnaire (GHQ-12) having twelve items and employee engagement was measured by Schaufeli, Bakker and Salanova’s (2006) Utrecht Work Engagement Scale (UWES) having nine items. The items in turnover scale were modified from questions into statements in order to use a five-point Likert scale due to which validity and reliability of overall instrument were measured again.

4.3 Analysis Technique

Structural equation modelling (SEM) was used in this study to measure the structural relationships among latent variables (Babin et al., 2008). It is considered as the second generation of multivariate analysis as it unites the factor analysis and multiple regression analysis (Hair et al., 2012). Two models are analyzed in this technique including the measurement model and the structural model. The measurement model is the outer model which performs confirmatory factor analysis (CFA) which is used to study the relationship among observed variables (indicators) and their latent variables. The
structural model analyzes the relationships existing among latent constructs by performing multiple regressions. There are two main reasons for using SEM technique in this research study as compared to other techniques. Firstly, it analyzed multiple stages of relationship between latent variables in a single model and can perform multiple tests simultaneously as compared to regression analysis in SPSS, which required separate analysis for different requirements (Brown, 1997; Preacher & Hayes, 2004). Secondly, it provided better and more accurate estimation of analysis in comparison to regression analysis as it identifies and eliminates the measurement error (Chin, 1998).

PLS-SEM was used for analyzing the data which is a path modelling method. Its use has been extensively increasing in the fields of management, marketing, finance, information technology and behavioral sciences (Hair et al., 2012; Hair et al., 2012; Sarstedt et al., & Hair, 2014; Avkiran & Ringle, 2018). PLS-SEM was deemed suitable for this study in comparison to CB-SEM because it is a maximum likelihood method for which multivariate normality and large sample size assumptions must be fulfilled which PLS-SEM does not require and if CB-SEM is used for non-normal data, the results are not accurate. The data of this research study does not fulfill the assumption of multivariate normality as its value was greater than the threshold value of 1.96. Thus, PLS-SEM is used as it overcomes the restrictions of data distribution and sample size (Hair et al., 2014; Hair et al., 2017).

5. Results

5.1 Measurement Model

The first step in analyzing the gathered data through PLS-SEM is the evaluation of the measurement model. It determines the relationship among latent variables and its respective indicators (observed variables). Through this model convergent validity and discriminant validity are measured which are discussed below.

5.2 Convergent Validity

In PLS-SEM, convergent validity is measured through internal consistency (Cronbach’s alpha and Composite Reliability (CR)), indicators reliability and Average Variance Extracted (AVE) having threshold values of 0.7 to 0.9, 0.7 and 0.5 respectively. For indicators reliability, all indicators having values between 0.4 to 0.7 should be eliminated only when their elimination increase the values of CR and AVE above the threshold values (Hair et al., 2016, 2017).

The results of initial PLS algorithm showed that the majority of outer loadings, Turnover Intention (TI) Cronbach’s alpha and AVE of each construct were below their threshold values. Therefore, in order to improve the model fit, at first 11 indicators having outer loadings below 0.4 were eliminated as recommended by Hulland (1999) and Hair et al. (2016). The results indicate that AVE of Employee Engagement (EE) and Toxic Leadership (TL) were still below the suggested value of 0.50. For further improvements, indicators having least value among all other indicators were removed (i.e. two) which resulted in AVE of EE > 0.5 but the AVE of TL = 0.499. Therefore, another indicator of TL having the lowest value was removed which resulted in AVE of TL > 0.50. The outer loading values of the remaining indicators ranged between 0.59 to 0.839. As suggested by
Hair et al. (2016), the remaining indicators which had outer loadings below 0.7 were eliminated only when their elimination result in increasing the values of CR and AVE. Eliminating only one indicator (EE7) resulted in increased CR value while elimination of others did not made a significant change. Therefore, all other indicators were retained. The final values of the model represent the achievement of convergent validity. (See Table 1).

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Outer Loadings (IR)</th>
<th>Cronbach’s Alpha (α)</th>
<th>Composite Reliability (CR)</th>
<th>Average Variance Extracted (AVE)</th>
<th>Items Eliminated</th>
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<tbody>
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<td>0.738</td>
<td>0.913</td>
<td>0.926</td>
<td>0.511</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
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<tr>
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<tr>
<td></td>
<td>TL5</td>
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<tr>
<td></td>
<td>TL6</td>
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<td></td>
<td>TL7</td>
<td>0.736</td>
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<td></td>
<td>TL8</td>
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<td>TL9</td>
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<td>TL12</td>
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<td>Turnover Intention</td>
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<td>0.843</td>
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<td>TI5, TI6</td>
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<td></td>
<td>TI3</td>
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<td>PW11</td>
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<td>0.877</td>
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</table>

Note: TL = Toxic Leadership, TI = Turnover Intention, PW = Psychological Wellbeing, EE = Employee Engagement
5.3 Discriminant Validity

Cross factor loading and Fornell and Larcker (1981) criterion were used to determine the discriminant validity (Hair et al., 2016; Hamid, Sami, & Sidek, 2017). Cross loading refers to the cross indicators’ loading of one construct in relation to the other construct (i.e. their correlation) which should be lower than the loadings of indicators with its associated construct (Hair et al., 2016, 2017). In Table 2, factor loadings of indicators with their associated constructs are greater in comparison to the loading values with other constructs. Hence, these values show that discriminant validity was present for the constructs in the model.

Table 2: Cross Loadings

<table>
<thead>
<tr>
<th></th>
<th>TL</th>
<th>TI</th>
<th>PW</th>
<th>EE</th>
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</thead>
<tbody>
<tr>
<td>TL1</td>
<td>0.738</td>
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<td>-0.328</td>
<td>-0.079</td>
</tr>
<tr>
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<td>0.732</td>
<td>0.404</td>
<td>-0.29</td>
<td>-0.041</td>
</tr>
<tr>
<td>TL3</td>
<td>0.734</td>
<td>0.448</td>
<td>-0.302</td>
<td>-0.039</td>
</tr>
<tr>
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<td>-0.100</td>
</tr>
<tr>
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<td>0.433</td>
<td>-0.284</td>
<td>-0.106</td>
</tr>
<tr>
<td>TL6</td>
<td>0.649</td>
<td>0.374</td>
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<td>-0.100</td>
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<td>TL7</td>
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<td>0.402</td>
<td>-0.305</td>
<td>-0.037</td>
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<tr>
<td>TL8</td>
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<td>-0.346</td>
<td>-0.091</td>
</tr>
<tr>
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</tr>
<tr>
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<td>0.175</td>
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<td>-0.077</td>
<td>-0.315</td>
<td>0.264</td>
<td>0.759</td>
</tr>
</tbody>
</table>

Note: TL = Toxic Leadership, TI = Turnover Intention, PW = Psychological Wellbeing, EE = Employee Engagement.
Another technique for determining the discriminant validity is Fornell and Larcker (1981) criterion. It measures this validity by making a comparison between the square root of AVE and the correlation of constructs. For constructs to be discriminant, the correlations of construct with one another should not be greater than the square root value of AVE because it will indicate that the construct explains variance better with its own indicators rather than with other constructs (Hair et al., 2016; Garson, 2016). In Table 3, diagonal values are indicating the square root of AVE which are higher than the inner diagonal values that are representing the correlation among constructs. Hence, this proved that the constructs have discriminant validity.

<table>
<thead>
<tr>
<th></th>
<th>TL</th>
<th>TI</th>
<th>PW</th>
<th>EE</th>
</tr>
</thead>
<tbody>
<tr>
<td>TL</td>
<td>0.715</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>TI</td>
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<td>0.757</td>
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<td>EE</td>
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<td>0.345</td>
<td>0.768</td>
</tr>
</tbody>
</table>

**Note:** TL = Toxic Leadership, TI = Turnover Intention, PW = Psychological Wellbeing, EE = Employee Engagement.

### Structural Model

Structural model is concerned with the evaluation of structural relationships among the latent variables in the path model (Hair et al., 2016). Before analyzing these relationships, the assumption of multicollinearity was tested. Its identification is necessary because it influences the statistical inferences about the data (Alin, 2010). Table 4 represents that the tolerance value for all predictors was greater than the suggested value of 0.2 with corresponding values of VIF (Variance Inflation Factor) below the suggested value of 5. This indicates that there is no multicollinearity among predictors (Rogerson, 2001; Hair et al., 2011).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
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<td>TL</td>
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</tr>
<tr>
<td>PW</td>
<td>.694</td>
</tr>
<tr>
<td>EE</td>
<td>.647</td>
</tr>
</tbody>
</table>

**Note:** TL = Toxic Leadership, PW = Psychological Wellbeing, EE = Employee Engagement.

Structural model tests the association among constructs by analyzing the path coefficients (β) and their significance (p) (Hair et al., 2011; Hair et al., 2016). The value of β lies between -1 and +1 which represent the size and direction of relationship among constructs. The value closer to +1 or -1 will represent a strong positive or negative relationship among constructs respectively. However, if it is closer to zero then it will
represent a weak relationship among constructs (Garson, 2016). In order to identify the significance level of β bootstrapping is performed through which standard error is obtained. This standard error helps in determining t-statistic (original path coefficient/standard error) that represents the significance level of β.

PLS technique of bootstrapping was applied with standard bootstrapping of 5000 subsamples for assessing path coefficient with a 0.05 significance level (p<0.05) (Hayes, 2009; Hair et al., 2016). Figure 2 represents the structural model analysis of this research study.

![Figure 2: Research Model of the Study Depicting Measurement and Structural Models (Outer model represents the indicators reliability, inner model depicts the path coefficient and constructs represent the composite reliability).](image-url)
5.5 Hypotheses Testing

Seven hypotheses were based on the review of literature representing the direct and indirect relationships between constructs. In PLS-SEM, path co-efficient ($\beta$) and significance ($p$) determine the proposed relationships. The bootstrapping algorithm in PLS-SEM provide values of path coefficient ($\beta$), standard error, $t$ statistic (critical ratio) and confidence interval on the basis of which hypotheses are either supported or not. There are two conditions under which hypotheses are rejected. Firstly, when the sign of $\beta$ is opposite to the proposed direction of relationship among constructs and secondly, when the value of $\beta$ is insignificant which is when $p>0.05$, $t<1.96$ and there lies a zero between confidence interval limits (Gefen, Straub, & Boudreau, 2000; Hair et al., 2016). The results of bootstrapping measuring direct and indirect relationships are discussed below.

5.6 Direct Relationships

Results of PLS-SEM bootstrapping process showed that the relationship of toxic leadership with turnover intention was significantly positive that supported $H_1$ ($\beta = 0.468$, $t = 10.020$, $p = 0.000$). $\beta$ represents that with every one-unit increase in toxic leadership, turnover intention of employees will increase by 0.468 units. Thus, indicating that a leader depicting toxic characteristics increases employees’ intention to quit. Results also showed a significantly negative relationship of toxic leadership with employee psychological wellbeing ($\beta = -0.431$, $t = 9.740$, $p = 0.000$). Hence, supporting $H_2a$. This indicates that with the presence of a toxic leader the psychological wellbeing of employees decreased as the negative value of $\beta$ shows that with every one-unit increase in toxic leadership, the psychological wellbeing of employees decrease by 0.431 units. Furthermore, the relationship of psychological wellbeing with turnover intention was also found negative and significant, supporting $H_{2b}$ ($\beta = -0.237$, $t = 4.667$ $p = 0.000$). Thus, indicating that employees perceiving poor psychological wellbeing will have greater turnover intentions as the negative value of $\beta$ shows that with every one unit decrease in psychological wellbeing the turnover intention will increase by 0.237 units.

Also, a negative and significant relationship of toxic leadership with employee engagement was identified providing support to $H_{3a}$ ($\beta = -0.129$, $t = 2.339$ $p = 0.019$) which indicated that in the presence of a toxic leader employees are less likely to be engaged in work because $\beta$ value signifies that with every one-unit increase in toxic leadership, employee engagement will decrease by 0.129 units. Further, the study also found the relationship of employee engagement with turnover intention to be negative and significant ($\beta = -0.213$, $t = 6.074$ $p = 0.000$). Hence, also supporting $H_{3b}$. This indicates that employees less engaged with their work probably have high intentions to leave as the negative $\beta$ value shows that with every one unit decrease in employee engagement turnover intention increases by 0.213 units. It can also be seen in the results that psychological wellbeing is more negatively influenced by the toxic leadership as compared to employee engagement as the $\beta$ coefficient of toxic leadership’s relationship with psychological wellbeing (-0.431) is greater than the $\beta$ of its relationship with employee engagement (-0.129). Results of direct relationships are summarized below.
5.7 Indirect (Mediating) Relationships

Analyzing the mediation effect of a variable is testing its indirect impact between predictor and outcome variables. The product of relationships between predictor and mediator and mediator and outcome variables is known as the indirect effect (Preacher & Hayes, 2004; Hair et al., 2014). In this study, psychological wellbeing and employee engagement were proposed as mediators between TL and TI.

Preacher and Hayes (2008) and Hayes (2009) contemporary mediation procedure of bootstrapping has been adopted which does not involve unnecessary data assumptions as the Sobel (1982) test requires. The bootstrapping process was used to overcome the normality issue of indirect effect in finite sample size which is rarely normal as it is a product of two relationships. According to Efron (1987) and Tofighi and Kelley (2019) biased corrected percentile bootstrapped confidence interval should be used as it corrects the median bias in bootstrapped sample. This is considered a more accurate and valid approach in comparison with other methods of mediations such as causal steps and product of co-efficient approaches (Preacher & Hayes, 2008).

The mediation procedure by Preacher and Hayes (2008), involves fulfillment of three stages. First, the direct relationship between predictor and outcome variables, known as path c, should be significant. Second, the relationship between predictor and mediator, known as path a, and mediator and outcome variables, known as path b, should be analyzed. Finally, the third stage requires analyzing indirect relationship among predictor and outcome variables through the mediator, known as path c’. All three stages are performed simultaneously in PLS-SEM bootstrapping. The first two stages are already performed and proved significant (See table 5). For analyzing the third stage the values of β, t statistics and bias corrected confidence interval are used. Here, β will represent the product of relationships among predictor and mediator and mediator and outcome variables and the value will range between -1 and +1. For mediation to be significant t > 1.96 and there must not be a zero between limits of confidence interval. Standard bootstrapping of 5000 subsamples was applied for assessing product of path coefficients (β) with a 0.05 significance level (p<0.05) (Hayes, 2009; Hair et al., 2016).

Results indicate that toxic leadership and turnover intention have a significant indirect relationship through the intervening effect of psychological wellbeing as β = 0.102, t = 4.131 and p = 0.000. Here, β represents the product of relationships between predictor and
mediator (TL→PW) and mediator and outcome variable (PW→TI). In addition, there was no zero between confidence interval lower and upper limits (0.054, 0.149). Also, a direct effect of predictor on outcome variable (TL→TI) was already identified which was positive and significant. Hence, supporting hypothesis 2c (H2c) which indicates that there is a partial mediation of employee’s psychological wellbeing on the relationship among predictor and outcome variable (TL→TI).

Similarly, toxic leadership and turnover intention of employees also have an indirect and significant relationship through intervening effect of employee engagement as β = 0.028, t = 2.111 and p = 0.035. Here, β represents the product of relationships between predictor and mediator (TL→EE) and mediator and outcome variable (EE→TI). Furthermore, there was no zero between confidence interval lower and upper limits (0.003, 0.051). As the direct effect of predictor on outcome variable (TL→TI) was positive and significant, H3c is supported. Thus, indicating that employee engagement partially mediates between toxic leadership and turnover intention. It can also be seen that the mediation impact of psychological wellbeing between the association of toxic leadership and turnover intention is greater as compared to employee engagement mediation effect because the value of β for the indirect effect of psychological wellbeing (0.102) is greater than the β for the indirect effect of employee engagement (0.028). Results of indirect relationships are summarized in Table 6.

Table 6: Indirect Relationships between Latent Variables

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Relationship</th>
<th>Beta (β)</th>
<th>SD (error)</th>
<th>t-statistic</th>
<th>p value</th>
<th>Biased Corrected Confidence Interval</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H2c</td>
<td>TL-&gt; PW -&gt; TI</td>
<td>0.102</td>
<td>0.024</td>
<td>4.131</td>
<td>0.000</td>
<td>0.054</td>
<td>0.149</td>
</tr>
<tr>
<td>H3c</td>
<td>TL-&gt; EE -&gt; TI</td>
<td>0.028</td>
<td>0.012</td>
<td>2.111</td>
<td>0.035</td>
<td>0.003</td>
<td>0.051</td>
</tr>
</tbody>
</table>

Note: TL = Toxic Leadership, TI = Turnover Intention, PW = Psychological Wellbeing, EE = Employee Engagement.

6. Discussion
The main focus of this study was to quantitatively measure the direct relationship among toxic leadership and their employees’ turnover intention. It also investigated this relationship indirectly through underlying constructs of employees’ psychological wellbeing and employee engagement. These relationships were examined in the financial sector of Pakistan focusing on the banking industry because it is among the significant contributing sectors to the economy of Pakistan (Gulzar, 2018; Pakistan Economic Survey 2018-19, 2019). The data was gathered from banking employees working under some supervision to analyze the impact of their leaders’ behavior on their job-related outcomes. The empirical analysis indicated that the results obtained were in accordance with the hypothesized relationships.

6.1 Direct Effects
The data analysis results found that there is a strong positive association between toxic leaders and employees turnover intention (β = 0.468, p < 0.05). This result indicates that
Influence of Toxic Leadership on Turnover Intention

A leader exhibiting toxic characteristics makes it difficult for employees to stay, thus, increasing their intention to leave their current banks. This result is in accordance with the previous literature that has studied the impact of leaders’ behavior on employees’ intention to leave directly or indirectly. According to Labrague et al. (2020), employees having toxic leaders tend to have increased job distress and turnover intentions as compared to the ones working under transformational leaders. Weberg and Fuller (2019) have identified that leaders with their behavior can create toxic environment for their subordinates either intentionally or unintentionally that results in decreased performance and work efforts at individual level and increased turnover rate, job stress and decreased commitment at the organizational level. Furthermore, Saeed et al. (2014) have studied the relationship between leaders and subordinates and have identified that leaders who provide support and exchange information to their subordinates clearly decrease their intentions to quit. But as per Schmidt (2014) such traits are absent in a toxic leader which also results in the violation of SET principle that initiates the employees’ cognitive process of leaving (Akca, 2017). This discussion indicates that the results are also supported by the existing literature, hence, providing valuable guidance to the banking sector that to control the turnover rate in banking sector, the management needs to take into account the behavior of supervisors/leaders.

The results of this study also showed a significant and negative association of toxic leaders with their employees’ psychological wellbeing ($\beta = -0.431, p < 0.05$). This represents that in the presence of toxic leaders the psychological wellbeing of employees will decline. It is in consistent with the existing literature that has studied these variables in different contexts. According to Bhandarker and Rai (2019), employees suffer from psychological distress when their supervisors exhibit toxic traits. Carlson, Ferguson, Hunter and Whitten (2012) have found that employees working under toxic leaders have reported to suffer from depression, detachment and withdrawal. Guest and Conway (2004) have found that positive and supportive interactions at workplace play a significant role in maintaining the psychological wellbeing of employees. Conversely, Toxic leaders fail to provide such an environment and become a cause of stress for their employees. Thus, decreasing their wellbeing (Weberg & Fuller, 2019; Bhandarker & Rai, 2019). This discussion shows that the results are supported by the existing literature and it is important for the banking sector of Pakistan to consider the supervisors/leaders behavior with their subordinates to improve their psychological wellbeing.

Moreover, the data analysis showed that the association between psychological wellbeing and turnover intention is significantly negative ($\beta = -0.237, p < 0.05$). This means that employees who are not feeling psychologically well will have greater intentions to leave their current banks. This result is also supported by the existing literature. Amin and Akbar (2013) have recommended that for minimizing the turnover rate of employees their psychological wellbeing is essential to consider. Because if employees are not feeling psychologically well they will not be committed to their organizations which has implications for turnover intention. Similarly, Langove et al. (2016) have identified that employees will have high intention to leave their organizations when their psychological wellbeing is negatively affected. According to Harter et al. (2002), employees having high psychological wellbeing perform their job well and often work for longer time.
periods thus reducing their intention to quit. This discussion shows that the results are in accordance with the existing literature and highlight the importance of focusing on employees’ psychological wellbeing to overcome the issue of turnover rate in banking industry of Pakistan.

The results of data analysis also found that there is a significant and negative association of toxic leadership with employee engagement ($\beta = -0.129, p < 0.05$). This indicates that employees are less likely to be engaged in their work when their supervisors are depicting toxic characteristics. Its support has also been provided in the existing literature which has studied these constructs in various settings. According to Jose and Mampilly (2015), supervisors play a significant role in maintaining an environment that keeps their employees enthusiastic and engaged which is in accordance with SET as there needs to be a mutual beneficial relationship between leaders and subordinates. On the other hand, employees working under toxic leaders tends to have low level of work engagement as such leaders acts as stressors which creates negative feelings thus, making it difficult for the employee to be engaged (Lyu et al., 2016; Weberg & Fuller, 2019). This discussion shows that the results are consistent with the previous literature and indicates that to increase engagement of employees in banking sector it is of crucial importance that leaders display supportive behavior rather than displaying toxic characteristics.

Furthermore, results also show that there is a significant and negative relationship between employee engagement and their intent to leave ($\beta = -0.213, p < 0.05$). This means that employees disengaged in their work tend to have high intentions to leave. This result is consistent with the existing literature. According to De Lange et al. (2008), employees tend to stay with their current organization when they have invested their time, resources and energy and have gained positive experience in the organization. Hence, due to the fear of starting over employees’ intent to leave decreases. Conversely, Schaufeli and Bakker (2004) have discussed that employees engagement decreases when the organization fails to provide enough resources which results in the violation of SET principle thus, making the employees look for opportunities at other organizations. This discussion shows that the results are supported by the existing literature. Moreover, it also indicates the importance of keeping employees engaged at work as it might help the banks to minimize their turnover rates.

6.2 Mediating Effect

Results further identified that the psychological wellbeing of employees act as a mediator between the relationship of toxic leadership and turnover intention ($\beta = 0.102, p < 0.05$). This means that toxic leaders in banking sector indirectly influence the turnover intention of employees through affecting their psychological wellbeing. This result is in accordance with the existing literature that has studied these constructs in various settings. According to Ali (2014), the nature of relationship between leaders and subordinates has implications on employees’ intent to leave and psychological wellbeing is also found to have a significant impact between these relationships. Similarly, Samad, Reaburn, Davis, and Ahmed (2015) have studied a similar model and have identified that the leadership style influences psychological wellbeing of employees which in turn
Influence of Toxic Leadership on Turnover Intention

Influence their turnover intention. Based on psychological contract theory, there exists a mutual relationship between leaders and subordinates but as per Schmidt (2014) toxic leaders posses such characteristics that might result in the violation of this contract as they cause psychological distress to the employees which lead them to look for opportunities elsewhere (Bhandarker & Rai, 2019; Fahie, 2019; Labrague et al., 2020). This discussion shows that the results are consistent with existing literature. Hence, this study identified that for minimizing turnover rate in banking sector of Pakistan, banks need to take into account the relationship between managers/leaders and subordinates and also take into account the wellbeing of employees.

Similarly, the results also show that the employee engagement acts as a mediator between toxic leadership and turnover intention ($\beta = 0.028$, $p < 0.05$). This means that toxic leaders indirectly influence the turnover intention of employees through affecting their work engagement. This result is consistent with the existing literature that has studied these construct in various contexts. According to Jose and Mampilly (2015), support provided by the leaders makes the employees more engaged in their work which results in decreasing their turnover intention. Conversely, toxic leaders are a source of stress for their employees and as per Ahmed et al. (2017) and Weberg and Fuller (2019) stressors makes the employees less engaged with work as a result of which their intention to leave increases (Qureshi et al., 2013; Labrague et al., 2020). Its rationale is also provided in SET. This discussion shows that our results are in accordance with the previous literature. It also indicates that banking sector of Pakistan needs to measure the relationship between leaders/managers and their employees for controlling the turnover rate and in evaluating the work engagement level of employees.

7. Implications

Target population for conducting this research was the conventional banking sector in Pakistan and many practical suggestions can be made which can not only be used by conventional banking sector but also by different sectors of the country where employees are facing job related issues. First of all, it identified the existence of toxic leadership in banking sector of Pakistan which has resulted in various negative outcomes. It has been a traditional practice in organizations where supervisors provide feedback regarding their subordinates’ work performance and behavior and not the other way around. Therefore, to improve the working environment for employees and for achieving organizational goals, banks can take anonymous feedback of their employees regarding the behavior of their current supervisors which might help in identifying toxic leaders so that necessary steps can be taken to reduce their impact on employees and work environment. Secondly, the management or HR team can initiate one-on-one sessions with employees who are not performing their job duties well to identify the actual cause of such problems. Third, this study focuses on intention to leave which is the best indicator of employees’ turnover rate. Banks along with other organizations rather than focusing on actual turnover rate should divert their focus towards employees’ intentions to leave. Organizations need to identify the actual cause of turnover intention and take necessary steps to eliminate it before actual turnover happens. Hence, by implementing proper strategies and feedback system from employees regarding their supervisors and work environment, organizations
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can create a healthy work environment and can retain their employees not only in banking sector but in other sectors as well.

In Pakistan, the concept of toxic leadership is understudied as it is an emerging concept. As per the knowledge of researcher, the present research study is one of a kind that has found the empirical evidence of the presence of toxic leadership in banking sector of Pakistan and identified it as the antecedent of turnover intention because after exhaustive literature search no empirical evidence was found in this context. Further, by studying the concept of turnover intention in banking sector it made contribution to the existing literature because it is one of the challenging issues faced by banks of Pakistan. Similarly, underlying concepts of employees’ psychological wellbeing and employee engagement having the mediating role on the relationship of toxic leadership with turnover intention are not sufficiently studied especially in Pakistan context. Henceforth, the present research contributed to the existing literature by attempting to address the identified gaps in literature.

8. Limitations and Recommendations

There are certain limitations in the study which can be taken into consideration by future researchers. First, the population of this study was restricted to the conventional banking sector of Pakistan. This puts a constraint to the generalizability to the whole financial sector of Pakistan and even on other sectors. Future researchers can take into consideration the overall financial institutions of Pakistan which includes investment companies, brokerage firms, insurance firms, and mortgage firms etc. A comparison study between different financial institutions or between financial and other sectors in Pakistan can be conducted.

Furthermore, this research study took into account public and private banks of Pakistan but a comparison between these two was not considered. Therefore, future researchers can also conduct a comparison study between these two types of banks to identify where toxic leaders and turnover intention among employees is more prevailing. Moreover, future researchers can take into consideration equal participation from the selected banks which could not be made possible in this research study due to cost and time restrictions.

The results of demographic distribution show that most of the participants of the present research study were males which is considered to be a limitation of this research study in terms of equal inclusion of male and female employees. Future researchers can represent an equal participation of both and can also conduct a comparison of opinions regarding their supervisors/leaders.

This study was cross sectional in nature. Future researchers can conduct a longitudinal study to analyze the influence of toxic leaders on their employees due to which relationships among constructs can be better comprehended.

This study has a quantitative research design and during the process of data collection the researcher faced hesitance from participants to fill out the questionnaire regarding their supervisors. Therefore, future researchers can conduct one on one interview with participants which might result in better understanding of the constructs.
Furthermore, this research study only focused on a few constructs that are influenced by the toxic leaders. Future researchers can consider other constructs which when interact with toxic leaders might create problems in the organization such as work deviant behavior, organizational cynicism, and organizational citizenship behavior. Moreover, in addition to understanding the consequences of toxic leaders, future researchers can focus on identifying the coping mechanism to deal with such leaders.

Finally, due to the restrictions of time and cost the researcher was only able to collect data from banks in the Lahore region that result in limiting the generalizability of this research study. Therefore, future researchers can collect the data from multiple cities of Pakistan.

Grant Support Details / Funding
This research work received no research grant.

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