

Ethical Leadership And Employee Performance Of Public Sector Banks In Thiruvananthapuram District

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ABSTRACT

Ethical leadership and its impact on the behavior of employees has emerged as an important issue for contemporary organisations, especially within the banking and finance industry. This research makes a contribution to the ethical leadership literature by addressing three under-researched areas. First, this thesis contributes to the extant research on ethical leadership theory by unpacking the process through which ethical leadership influences employee performance. By unpacking the boundary factors through which ethical leadership influences employee in-role performance, this research contributes to understanding of the ethical leadership-performance chain as a situational process in which ethical climate, organisational identification, customer orientation and service climate play an important role. Second, this study has attempted to unpack the process through which ethical leadership can influence employee in-role performance through service climate and customer orientation. Third, this research examined ethical leadership in banks. The findings of this study have implications for leaders and human resources managers in the banking and finance sector. Most importantly, the findings are expected to assist leaders in developing their skills and knowledge regarding ethical leadership behavior.

Keywords: Gross Domestic Product, Human Resource Management, Global Financial Crisis, Information and Technology.

INTRODUCTION

Ethical leadership and its impact on the behavior of employees have emerged as an important issue for contemporary organisations, especially within the banking and finance industry. Interest in this sector is particularly strong given the Global Financial Crisis (GFC), which witnessed the collapse of banks in some European countries and large government bailouts of the sector in the United States. Despite the 'promises' of banking leadership to reform their 'greedy' and 'unethical management practices', this research argues from a human resource management (HRM) perspective that no longstanding change in the behavior among bankers can take place in the absence of ethical leadership and subsequent development of an ethical and customer-focused organisational climate, underpinned by congruent HRM practice (e.g., rewarding customer orientation and the creation of customer value). This thesis is situated to enhance understanding of the process through which ethical leadership among managers may lead to improved employee performance through refocusing on customer orientation, developing greater organisational identification among employees and advocating the role of ethical leadership to support the development of ethical and service climates. Ethical leadership can be defined as 'the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making, ethical leadership comprises two major aspects: 'a leader must be a moral person (demonstrating moral

characteristics and traits in his/her behavior as a role model) and a moral manager

STATEMENT OF THE PROBLEM

The research conducted in this paper centres on the banking industry in Thiruvananthapuram District of Kerala State. The banking industry is important because the sector and its activities play a vital role in the Indian economy. In addition to providing significant financial services, this industry is a major contributor to employment, gross domestic product (GDP) and information and technology. Forces such as globalisation, technological change, deregulation and growing competition have brought evolutionary changes in the banking industry. Together, regarding customer expectations of service quality and product knowledge in various dimensions, banking managers need to explore effective approaches to influence and assist employees to perform complicated and unstructured tasks effectively.

Previous studies have revealed that in different cultures and organisational settings—including financial institutions—leadership styles can have an important influence on performance outcomes. Effective strategies to create an ethical organisational environment provide a tool for banking managers to align the organisational environment and encourage trust and ethical behavior among all organisational employees. This research argues that ethical leadership style could be a critical step in the banking sector to increase employee in-role performance. Based on the importance of business ethics in the banking industry and lack of research on ethical leadership in this sector, this research will investigate the relationship between ethical leadership and employee in-role performance in this context. This research could be important because it can be generalised to banking sectors, and help managers facing leadership challenges.

OBJECTIVES OF THE STUDY

- The objective of this research is to examine the relationship between ethical leadership and employee in-role performance.
- This study predicts that there is a chain relationship between EC, OID, CO and EL. One of the objectives of this research is to examine the relationship between the variables included in this study.

HYPOTHESES OF THE STUDY

The following hypotheses were framed and analysed in the study

HYPOTHESIS I: There is no significant difference between Opinion on Ethical Leadership and Factors behind Ethical Climate.

HYPOTHESIS II: There is no significant difference between Years in Services and Dimensions behind Ethical Leadership.

METHODOLOGY

Research Design

- **Mixed-Methods Approach:** The study will integrate both quantitative surveys and qualitative interviews to gather a broad and deep understanding of responses of the respondents from the study area.

Sample Selection

- **Simple Random Sampling Method:** For the survey process a simple random sampling is performed.
- **Sample Size:**

75 survey respondents were targeted to ensure statistical reliability. 75 respondents selected for the study.

DATA ANALYSIS

Data analysis is an essential process that entails examining, purifying, changing, and modelling data to uncover valuable insights, derive conclusions, and facilitate decision-making. In research and industry, data analysis facilitates the interpretation of intricate data sets, reveals patterns, and identifies trends.

Table: 1

Demographic Background of Sample Respondents

Demographic Characteristics	n (Total = 75)	% of n
Gender Type		
Male	48	64
Female	27	36
Age group		
Below 20 years	23	31
21 – 30 years	20	27
31 – 40 years	17	23
41 – 50 years	10	13
Above 50 years	05	7
Educational Level		
Higher Secondary	11	15
UG Degree	18	24
PG Degree	26	35
Diploma	14	19
Others	06	8
Years of Services		
Less than 1 year	9	12
1-5 years	29	39
6-10 years	21	28
More than 10 years	16	21
Ethical Leadership (EL)		
Listens to what employees have to say	8	11
Conducts his/her personal life in an ethical manner	7	9
Makes fair and balanced decisions	11	15
Discusses business ethics or values with employees	16	21
Disciplines employees who violate ethical standards	28	37
Defines success not just by results but also the way that they are obtained.	5	7
Organisational Identification (OID)		
I am very interested in what others think about this bank	11	15
This bank's successes are my successes	21	28
When someone criticises my company, it feels like a personal insult	28	37
When someone praises this bank, it feels like a personal compliment	15	20
Customer Orientation (CO)		
I have specific ideas about how to improve the service I give to customers	22	29
I often make suggestions about how to improve customer service in my department.	12	16
I am always working to improve the service I give to customers	7	9
No matter how I feel, I always put myself out for every customer I serve	20	28
I often go out of my way to help customers	14	18
Ethical Climate (EC)		
People are expected to do anything to further the (company) interests, regardless of the consequences	26	35
Our major concern is always what is best for the other person	18	24
Each person in this (company) decides for themselves what is right and wrong	9	12

Successful people in this (company) go by the book	7	9
People are expected to comply with the law and professional standards over and above other considerations	15	20

Source: Primary data

n - Number of respondents

The above table shows that demographics wise distribution of the respondents. It reveals that the most of respondent's age group were Below 25 years and Majority of the respondents were Male. When compared with educational groups, there PG Degree were higher than others and most of the respondents they working 1-5 years of services. The majority of the respondents answered that the Disciplines employees who violate ethical standards in Ethical Leadership (EL). In Organisational Identification (OID), most of the respondents answered that when someone criticises my company, it feels like a personal insult. In Customer Orientation (CO), the majority of the respondents said that I have specific ideas about how to improve the service I give to customers. In Ethical Climate (EC), most of the respondents answered that the People are expected to do anything to further the (company) interests, regardless of the consequences.

HYPOTHESIS I

Null Hypothesis: There is no significant difference between Opinion on Ethical Leadership and Factors behind Ethical Climate.

Table: 2

One-way analysis for Opinion on Ethical Leadership and Factors behind Ethical Climate

Particulars		Sum of Squares	df ^a	Mean Square	F ^b	Sig. ^c
Opinion on Ethical Leadership	Between Groups	10.054	2	5.027	0.733	0.004**
	Within Groups	494.132	72	6.863		
	Total	504.187	74			
Factors behind Ethical Climate	Between Groups	1.494	2	0.747	0.051	0.000**
	Within Groups	1048.826	72	14.567		
	Total	1050.320	74			

Source: Statistically analyzed data

Note: ^aDegrees of Freedom, ^bF-Statistic, ^cSignificance

The purpose of the table 2 is to provide the findings of a one-way analysis of variance (ANOVA) that investigated the link between the Opinion on Ethical Leadership and Factors behind Ethical Climate. With two degrees of freedom (df), the total of squares between the groups is 10.054, and the mean square is 5.027. This is the outcome of the calculation. The F-statistic is 0.733, and the p-value indicates that the significance level is 0.004.

The mean square for the group between the two groups is 0.747, and the total of squares is 1.494. There are two degrees of freedom in this equation. 0.051 is the value of the F-statistic, and the p-value, which measures significance, is 0.000.

There is an obvious distinction between the two aspects of the Opinion on Ethical Leadership and Factors behind Ethical Climate., as shown by the findings. In light of the fact that the p-values are lower than 0.05 (0.004 and 0.000, respectively), the null hypothesis is rejected for both dimensions simultaneously.

HYPOTHESIS - II

Null Hypothesis: There is no significant difference between Years in Services and Dimensions behind Ethical Leadership.

Table: 3

One-way analysis for Years in Services and Dimensions behind Ethical Leadership

Particulars		Sum of Squares	df ^a	Mean Square	F ^b	Sig. ^c
Years in Services	Between Groups	5.853	3	1.951	0.278	0.041*
	Within Groups	498.334	71	7.019		
	Total	504.187	74			
Ethical Leadership	Between Groups	16.706	3	5.569	0.383	0.006**
	Within Groups	1033.614	71	14.558		
	Total	1050.320	74			

Source: Statistically analyzed data

Note: ^aDegrees of Freedom, ^bF-Statistic, ^cSignificance

The table 3 presents the findings of a one-way analysis of variance (ANOVA) that was conducted to investigate the link between the Years in Services and Dimensions behind Ethical Leadership. The sum of squares between the groups is 5.853, and there are three degrees of freedom (df), which results in a mean square value of 1.951 per group. 0.278 is the value of the F-statistic, and the p-value, which measures significance, is 0.041. When comparing the groups, the sum of squares is 16.706 and there are three degrees of freedom, which leads to a mean square estimate of 5.569. 0.383 is the value of the F-statistic, and the p-value, which measures significance, is 0.006.

FINDINGS

1. Most of respondent's age group were Below 25 years.
2. Majority of the respondents were Male.
3. When compared with educational groups, there PG Degree were higher than others.
4. Most of the respondents they working 1-5 years of services.
5. The majority of the respondents answered that the Disciplines employees who violate ethical standards in Ethical Leadership (EL).
6. In Organisational Identification (OID), most of the respondents answered that when someone criticises my company, it feels like a personal insult.
7. In Customer Orientation (CO), the majority of the respondents said that I have specific ideas about how to improve the service I give to customers.
8. In Ethical Climate, most of the respondents answered that the People are expected to do anything to further the (company) interests, regardless of the consequences.

CONCLUSION

The banking sector is a key sector in the economy. Recently, Public Sector banks engaged in much unethical behavior such as selling insurance to clients who were not eligible to make claims, selling Credit Card Plus and Personal Loans, and wrongly charging customers for financial advice. This research examined the relationship between ethical leadership and employee in role performance in Public Sector banks, specifically, potential mechanisms through which ethical leadership influenced employee in-role performance. This study highlighted how EC, OID, CO and EL significantly influenced the relationship between ethical leadership and employee in role performance. This thesis provides a more complete picture of how to translate ethical leader behavior into follower actions such as effective employee in-role performance. This research will assist bank managers to apply ethical leadership to improve employee in-role performance. Managers should improve ethical leadership by discussing business ethics, completing ethics training, modelling exemplary ethical practice and considering the best interests of employees. The findings will encourage future research to examine further variables that influence the relationship between ethical leadership and employee performance in other contexts.

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