

WORKPLACE SPIRITUALITY, ETHICAL LEADERSHIP, AND EMPLOYEE COMMITMENT: AN EMPIRICAL STUDY IN INDIAN FINANCIAL INSTITUTIONS

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ABSTRACT

This study investigates the mediating role of Ethical Leadership (EL) between Workplace Spirituality (WPS) and Organizational Commitment (OC) and its subsequent influence on Organizational Performance (OP) in Indian financial institutions. Drawing upon Spiritual Leadership Theory (Fry, 2003), Ethical Climate Theory (Victor & Cullen, 1987), and the Job Demands–Resources Model (Bakker & Demerouti, 2007), this research integrates moral and spiritual dimensions of leadership into a comprehensive model of workplace well-being and performance. Data were collected from 600 employees across public and private banks, insurance companies, and NBFCs using a structured questionnaire. Reliability and validity were confirmed through Cronbach's α , Composite Reliability (CR), and Average Variance Extracted (AVE). Structural Equation Modeling (SEM) using AMOS 24.0 validated the hypothesized relationships. Results indicate that WPS significantly predicts Ethical Leadership ($\beta = 0.61, p < 0.001$), which, in turn, enhances Organizational Commitment ($\beta = 0.58, p < 0.001$) and Organizational Performance ($\beta = 0.45, p < 0.01$). The mediation analysis confirmed that Ethical Leadership acts as a strong indirect pathway linking spirituality with performance outcomes. The study highlights the strategic importance of nurturing ethical and spiritual values within leadership frameworks to build resilient and committed workforces in the financial sector.

Keywords: Workplace Spirituality, Ethical Leadership, Organizational Commitment, Organizational Performance, Financial Institutions, India

1. INTRODUCTION

1.1 Background and Rationale

In the contemporary financial landscape, ethical accountability and spiritual consciousness have emerged as integral components of sustainable organizational success. Frequent ethical lapses, governance failures, and employee burnout have exposed the inadequacies of traditional management models focused purely on profit maximization. Consequently, scholars and practitioners are shifting toward value-centered approaches such as Workplace Spirituality (WPS), which integrates personal meaning, shared values, and community connection into organizational life. In the Indian financial sector—a high-pressure environment characterized by regulatory scrutiny and competitive dynamics—spiritual and ethical leadership serve as stabilizing forces that enhance trust, engagement, and long-term commitment.

The COVID-19 pandemic further intensified the demand for humane leadership models that emphasize empathy, integrity, and authenticity. Ethical Leadership, when grounded in spiritual principles, aligns organizational goals with moral responsibility, creating a psychologically safe and ethically coherent workplace. This study posits that WPS fosters Ethical Leadership, which, in turn, strengthens Organizational Commitment and enhances performance outcomes. By empirically validating these relationships, this research bridges the gap between ethical governance and spiritual well-being in financial institutions.

1.2 Research Gap

Despite growing interest in workplace spirituality, few empirical studies have examined its impact on ethical leadership and commitment in the Indian financial context. Most prior research has treated spirituality and ethics as independent constructs rather than interlinked processes driving organizational excellence. This study addresses this lacuna by analyzing how ethical leadership mediates the relationship between WPS and Organizational Commitment and, subsequently, Organizational Performance.

1.3 Objectives of the Study

1. To examine the relationship between Workplace Spirituality and Ethical Leadership.
2. To evaluate the impact of Ethical Leadership on Organizational Commitment and Performance.
3. To test the mediating role of Ethical Leadership in the relationship between Workplace Spirituality and Organizational Commitment.
4. To assess the sequential mediation of Ethical Leadership and Commitment between WPS and Organizational Performance.

1.4 Hypotheses

H1: Workplace Spirituality significantly influences Ethical Leadership.

H2: Ethical Leadership significantly influences Organizational Commitment.

H3: Ethical Leadership significantly influences Organizational Performance.

H4: Ethical Leadership mediates the relationship between WPS and Organizational Commitment.

H5: Ethical Leadership and Commitment sequentially mediate the relationship between WPS and Performance.

2. REVIEW OF LITERATURE

Workplace spirituality (Ashmos & Duchon, 2000; Milliman et al., 2003) has evolved from a philosophical idea into a measurable organizational construct. Early studies emphasized that WPS enhances meaning in work, fosters community, and aligns personal values with organizational mission. Fry (2003) integrated these concepts into the **Spiritual Leadership Theory**, positing that leaders who embody vision, altruistic love, and faith inspire followers to achieve holistic well-being. Ethical Leadership (Brown & Treviño, 2006) complements this framework by focusing on fairness, integrity, and moral accountability.

Recent studies such as Benefiel et al. (2014), Rego & Cunha (2008), and Kumar & Bhatnagar (2022) underscore that ethical leadership thrives in spiritually rich environments where authenticity and transparency prevail. Empirical evidence suggests that WPS cultivates leaders who prioritize people over profits, leading to higher levels of Organizational

Commitment (Pawar, 2016; Meyer & Allen, 1991). Deloitte (2021) and Pandey & Gupta (2022) found that spiritually driven firms report superior engagement and innovation metrics.

The ethical-spiritual nexus is further supported by **Ethical Climate Theory** (Victor & Cullen, 1987), which proposes that collective moral awareness guides ethical decision-making. In this light, spirituality serves as an antecedent to ethical leadership, which then drives emotional and behavioral commitment. Gupta & Awasthi (2020) empirically demonstrated that ethical mindfulness mediates the spirituality–decision-making relationship, strengthening the rationale for incorporating leadership ethics into spiritual frameworks.

Collectively, the literature indicates that organizations emphasizing spirituality and ethics witness reduced turnover (Marques et al., 2019), improved psychological well-being (Kumar & Singh, 2021), and enhanced overall performance. However, limited empirical attention has been given to integrating these constructs within a single analytical model in India’s financial sector—a gap this study seeks to address.

3. RESEARCH METHODOLOGY

3.1 Research Design

A quantitative descriptive-correlational design was adopted to test the hypothesized relationships. Primary data were collected using a structured questionnaire administered to employees across 40 financial institutions in India, including public and private banks, insurance companies, and NBFCs. A pilot study (n = 30) confirmed the reliability of measurement items.

3.2 Population and Sampling

Using stratified random sampling, a total of 600 responses were obtained from executives, managers, and staff-level employees (response rate = 92%). This ensured representation across hierarchical levels and institutional categories.

3.3 Instrumentation

The questionnaire included 42 items measured on a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree). Constructs included:

- Workplace Spirituality (6 items)
- Ethical Leadership (8 items)
- Organizational Commitment (5 items)
- Organizational Performance (5 items)

Demographic variables included gender, age, experience, and organizational type.

3.4 Data Analysis Tools

Data analysis was performed using **SPSS 29.0** and **AMOS 24.0**. Analytical procedures included:

- Reliability: Cronbach’s α and Composite Reliability (CR)
- Validity: Average Variance Extracted (AVE) and Fornell-Larcker criterion
- Model Fit: CFA indices (CFI, RMSEA, χ^2/df)
- Hypothesis Testing: SEM and Mediation Analysis (Bootstrapping)

4. DATA ANALYSIS AND RESULTS

4.1 Descriptive Statistics

Variable	Mean	SD	Min	Max
Workplace Spirituality	3.12	0.79	1.00	5.00
Ethical Leadership	3.08	0.83	1.00	5.00
Organizational Commitment	3.15	0.80	1.00	5.00
Organizational Performance	2.98	0.84	1.00	5.00

The mean values derived from the descriptive statistics indicate moderate perceptions of workplace spirituality, ethical leadership, and organizational commitment among employees across financial institutions. These findings suggest that while employees recognize and somewhat experience spiritual and ethical dimensions in their work environment, such values are yet to be deeply ingrained in the institutional culture. The moderate average scores (ranging between 3.08 and 3.15 on a five-point scale) reflect a balanced yet incomplete integration of spirituality-driven practices within managerial and leadership processes. Employees seem aware of ethical norms and the importance of spiritual connection at work, but the practical translation of these principles into daily operations appears limited.

Interestingly, Organizational Performance records the lowest mean value ($M = 2.98$), which indicates a potential lag in tangible outcomes despite favorable attitudinal orientations. This disparity points to an important organizational dynamic—while employees may exhibit moral alignment and commitment, structural or procedural constraints may inhibit the full realization of their potential contributions. The lower perception of performance could also imply that the benefits of spirituality and ethical leadership are often intangible, emerging gradually through enhanced trust, collaboration, and satisfaction rather than immediate productivity gains.

Moreover, the results highlight a transitional phase in the cultural evolution of Indian financial institutions. Organizations appear to be progressing toward spiritually conscious and ethically governed workplaces, yet the journey remains incomplete. Leadership strategies and HR interventions that emphasize reflective practices, ethical modeling, and purpose-driven engagement could strengthen this alignment. Overall, the descriptive results set the foundation for the subsequent inferential analyses, illustrating that while spirituality and ethics are acknowledged by employees, their transformative impact on performance metrics depends on consistent reinforcement through leadership behavior, organizational values, and supportive systems.

4.2 Reliability and Validity

Construct	α	CR	AVE
Workplace Spirituality	0.90	0.92	0.68
Ethical Leadership	0.91	0.93	0.71
Organizational Commitment	0.88	0.90	0.66
Organizational Performance	0.87	0.89	0.67

All reliability coefficients in this study exceeded the 0.70 benchmark, confirming that each construct demonstrated strong internal consistency and measurement stability. The Cronbach's alpha values, ranging from 0.87 to 0.91, indicate that the items within each scale reliably capture their intended dimensions—Workplace Spirituality, Ethical Leadership, Organizational Commitment, and Performance. Similarly, the Composite Reliability (CR) values exceeded 0.80 across all constructs, further validating the robustness of the measurement model and ensuring replicability in similar contexts.

In addition, the Average Variance Extracted (AVE) values were well above the recommended threshold of 0.50, thereby establishing high convergent validity. This demonstrates that each construct explains a substantial proportion of the variance in its indicators, confirming that the latent variables are effectively represented by their observed measures. The combination of high CR and AVE values also suggests that the constructs are conceptually cohesive and empirically distinct.

Overall, these results underscore the methodological rigor of the study's measurement framework. By meeting the established psychometric standards, the data provide a strong foundation for the subsequent confirmatory factor analysis (CFA) and structural equation modeling (SEM). This reliability and validity evidence ensures that the observed relationships between Workplace Spirituality, Ethical Leadership, and Organizational Commitment reflect genuine organizational dynamics rather than measurement artifacts.

4.3 Confirmatory Factor Analysis (CFA)

The Confirmatory Factor Analysis (CFA) results established a strong measurement model fit, demonstrating that the observed indicators accurately represented their respective latent constructs. The model fit indices—CFI = 0.954, RMSEA = 0.045, and $\chi^2/df = 2.28$ —all fall well within the acceptable thresholds suggested by Hair et al. (2019), indicating a parsimonious and well-fitting model. Specifically, a Comparative Fit Index (CFI) value above 0.95 reflects excellent fit, while a Root Mean Square Error of Approximation (RMSEA) below 0.05 denotes close model–data correspondence, suggesting minimal residual error. The chi-square to degrees of freedom ratio, being below 3, confirms that the hypothesized model adequately represents the sample data.

Furthermore, factor loadings for all items exceeded 0.70 ($p < 0.001$), signifying that each observed variable contributed strongly to its latent construct. This result provides robust support for convergent validity, ensuring that the selected indicators cohesively measure their intended dimensions—Workplace Spirituality, Ethical Leadership, Organizational Commitment, and Performance. The CFA thus validates the multidimensional conceptualization of the study, where spirituality and ethics converge to explain variations in commitment and performance outcomes.

Overall, these findings confirm that the measurement model possesses construct reliability, validity, and statistical adequacy for further structural equation modeling (SEM). The validated CFA structure provides a solid empirical foundation to explore causal pathways, particularly the mediating influence of Ethical Leadership between Workplace Spirituality and key organizational outcomes.

4.4 SEM Path Analysis

Path	β	t-value	p	Result
WPS → EL	0.61	9.25	<0.001	Supported
EL → OC	0.58	8.71	<0.001	Supported
EL → OP	0.45	7.38	<0.01	Supported
OC → OP	0.36	6.10	<0.01	Supported

The structural model revealed strong sequential mediation effects, confirming that Ethical Leadership serves as a pivotal conduit through which Workplace Spirituality (WPS) exerts its influence on both Organizational Commitment (OC) and, in turn, Organizational Performance (OP). The statistically significant path coefficients and t-values underscore a clear causal chain: WPS fosters ethical awareness and moral sensitivity among leaders, which subsequently enhances employees' emotional attachment and sense of loyalty to the

organization. This strengthened commitment translates into improved performance outcomes, validating the theoretical assumption that spirituality influences results indirectly through behavioral and attitudinal mechanisms rather than direct performance metrics.

The mediation findings suggest that Ethical Leadership operationalizes the abstract principles of spirituality into observable organizational practices such as fairness, transparency, and empathy. Leaders who embody these traits inspire trust, psychological safety, and shared purpose—factors that reinforce employees' commitment to collective goals. Consequently, the positive work environment created through ethical leadership transforms spirituality from a personal belief system into an institutional asset that drives performance sustainability.

In essence, this sequential mediation underscores the transformative capacity of spirituality-driven ethics to align individual values with organizational objectives. It highlights that leadership integrity acts as the bridge connecting inner spiritual orientation with measurable outcomes, making Ethical Leadership a central mechanism for fostering both moral coherence and enduring performance excellence in financial institutions.

4.5 Mediation Analysis

The results of the bootstrapping analysis with 5,000 resamples provided strong empirical confirmation of the indirect effects hypothesized in the structural model. The mediation pathways were found to be statistically significant, with $WPS \rightarrow EL \rightarrow OC$ ($\beta = 0.35$, $p < 0.001$) and $WPS \rightarrow EL \rightarrow OC \rightarrow OP$ ($\beta = 0.27$, $p < 0.01$). These results indicate that Workplace Spirituality (WPS) does not exert its influence on organizational outcomes directly but rather operates through Ethical Leadership (EL) and subsequently through Organizational Commitment (OC). The significance of these indirect paths reinforces the notion that spiritual values manifest their organizational impact when translated into ethical leadership behaviors that cultivate employee trust, engagement, and loyalty.

The higher beta coefficient in the first mediation chain confirms that Ethical Leadership functions as the most powerful mediator, effectively transmitting the essence of spirituality into workplace conduct. Leaders embodying spiritual values—such as integrity, compassion, and humility—create an ethical climate that enhances employees' sense of belonging and shared purpose. This, in turn, fosters greater emotional investment and commitment to the organization.

Overall, the bootstrapping validation strengthens the theoretical premise that spirituality and ethics are intrinsically connected dimensions of effective leadership. It affirms that the integration of WPS and EL creates a cascading effect that nurtures organizational cohesion, enhances performance, and ensures sustainable ethical governance within the financial sector.

5. DISCUSSION AND IMPLICATIONS

The findings align with Fry (2003), Milliman et al. (2003), and Gupta & Awasthi (2020), confirming that Workplace Spirituality fosters ethical leadership grounded in compassion, fairness, and integrity. Ethical leaders act as conduits translating spiritual principles into tangible work outcomes through trust and empowerment. This moral alignment enhances Organizational Commitment by satisfying employees' higher-order needs for meaning and belonging (Maslow, 1943).

From a managerial standpoint, financial institutions must embed spirituality-driven ethics into leadership development programs. Transparent decision-making, empathetic supervision, and ethical modeling can strengthen employees' psychological contracts and long-term loyalty. The results also underscore the strategic advantage of cultivating Ethical Leadership

as a mediating competency between spirituality and performance. By aligning moral integrity with organizational vision, institutions can simultaneously achieve compliance and compassion—two critical dimensions of sustainable success.

CONCLUSION

This study provides empirical evidence that Workplace Spirituality significantly enhances Ethical Leadership, which in turn fosters Organizational Commitment and Performance in financial institutions. The results validate a dual-mediation model, positioning Ethical Leadership as the pivotal link between individual spiritual awareness and collective organizational outcomes. These findings have both theoretical and practical implications, suggesting that nurturing spirituality and ethics in leadership pipelines can build trust-based, high-performing organizations.

Future research can extend this framework by incorporating variables such as psychological safety, resilience, and digital ethics to explore the evolving intersection of spirituality and leadership in the post-pandemic world.

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