

NPRC Journal of Multidisciplinary Research Volume 2, Issue 3, March, 2025 Pages: 228-240 OF ISSN: 3059-9148 (Online)



DOI: https://doi.org/10.3126/nprcjmr.v2i3.76297

# Ethical Leadership and Organizational Commitment: Mediating Role of Psychological Empowerment

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**Original Research Article Corresponding Author\*** Received: February 1, 2025 Copyright: Author(s) (2025)

Revised & Accepted: March 24, 2025

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## Abstract

This study aim was to analyze the influence of EL on OC intervened by psychological empowerment. The research design has used descriptive and casual-comparative research design. 348 respondents from permanent employees in Nepali public service sector as sample size. Data was collected through the structural questionnaire. Structural equation modeling has been applied to examine the direct and indirect effect. The results exposed that EL positively and significantly influenced OC. Psychological empowerment partially intervened in the affiliation between EL and OC. Psychological empowerment is important component in Nepali public service sector that enhance the connection between EL and OC.

**Keywords:** Ethical Leadership, Psychological Empowerment, Organizational Commitment, Nepali Public Service Sector

## Introduction

Ethical leadership (Brown et al., 2005) is the practice of modeling normatively acceptable behavior for followers through one's own behavior and interpersonal interactions, as well as communicating, reinforcing, and making decisions in a two-way fashion. Organizational commitment (Ridwan et al., 2020) is the mindset that allows employees to recognize the objectives of the company and make investments in it in order to remain there. A motivating



# NPRC Journal of Multidisciplinary Research Volume 2, Issue 3, March, 2025 Pages: 228-240 OPEL ISSN: 3059-9148 (Online)



#### DOI: https://doi.org/10.3126/nprcjmr.v2i3.76297

circumstance known as psychological empowerment (PE) (Spreitzer, 1995) is defined by sentiments of importance, competence, autonomy, and influence in one's work role. Ethical leadership (Oing et al., 2019; Sattar et al., 2020; Suifan et al., 2020; Shan & Hussain, 2022; Ramlawati et al., 2023; Chao et al., 2024), organizational commitment (Smith & Johnson, 2020; Tamer, 2021; Ramlawati et al., 2023; Chao et al., 2024), and psychological empowerment (Zhu, 2008; Rantika & Yustina, 2017; Qing et al., 2019; Smith & Johnson, 2020; Sattar et al., 2020; Suifan et al., 2020; Shan & Husain, 2022; Chao et al., 2024) were used. Ethical leadership enhances affective commitment by creating a meaningful and supportive work environment (Qing, 2019). Leaders who demonstrate ethical behavior create a trustworthy and supportive work environment, which strengthens employees' organizational commitment to the organization (Ramlawati et al., 2023; Tamer, 2021; Smith & Johnson, 2020). Ethical leadership enhances employees' feelings of autonomy, competence, meaning, and impact in their work, which collectively constitute PE. This empowerment, in turn, increases employees' organizational commitment (Smith & Johnson, 2020). In Nepalese cooperatives societies, EL enhances employee commitment to the organizations, and leadership trust is important role to enhance the affiliation between EL and employee commitment (Bhandari & Subedi, 2024). Former study did not work in Nepali public service sector, Hence, this study was to assess the influence of EL on OC, and the intervening influence of PE in the affiliation between EL and OC in Nepali public service sector.

#### **Literature Review**

#### **Theoretical Review**

Social learning theory (SLT) suggests that individuals learn behaviors through observation, imitation, and modeling, particularly when they observe others being rewarded for those behaviors (Bandura, 1977). SLT recommends that ethical leaders influence organizational commitment by serving as role models and reinforcing ethical behavior, which fosters trust and identification among employees (Bandura, 1977; Brown et al., 2005). Self-determination theory (SDT) (Deci & Ryan, 1985) posits that individuals are motivated by the necessity for relatedness, competence, and independence, which are indispensable for psychological growth and well-being. Ethical leaders satisfy employees' needs for relatedness, competence, and independence, which enhances their commitment.

Social exchange theory (SET), developed by <u>Blau (1964)</u>, posits that relationships are built on mutual exchanges, where individuals reciprocate positive treatment with favorable attitudes and behaviors. SET suggests that ethical leadership fosters psychological empowerment, which enhances organizational commitment by creating a positive reciprocal relationship between leaders and employees (<u>Blau, 1964; Cropanzano & Mitchell, 2005</u>). SDT advises that ethical leadership enhances psychological empowerment by satisfying employees' needs for independence, competence, and relatedness, which in turn increases organizational commitment (<u>Deci & Ryan, 1985</u>).



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## Empirical Review EL and OC

Ethical leadership (Brown et al., 2005) entails modeling morally righteous behavior and promoting it in staff members via dialogue and decision-making. By emphasizing honesty, equity, and the moral treatment of workers and stakeholders, it promotes a climate of trust and responsibility. Organizational commitment (Chaudhary, 2020) refers to how much a company's members identify with and are committed to advancing and accomplishing ecological sustainability objectives. Ethical leadership positively and significantly influenced affective commitment (Qing, 2019). Ethical leadership positively and significantly impacted organizational citizenship behavior (Sattar et al., 2020; Shah & Hussain, 2022). Ethical leadership positively and significantly commitment (Ramlawati et al., 2023; Tamer, 2021; Smith & Johnson, 2020). Ethical leadership positively and significantly impacted employee commitment in Nepalese co-operative societies (Bhandari & Subedi, 2024). Based on the literature, SLT, and SDT, the first hypothesis was developed.  $H_1$ : Ethical leadership positively impacts organizational commitment.

#### Mediating of Psychological Empowerment Between EL and OC

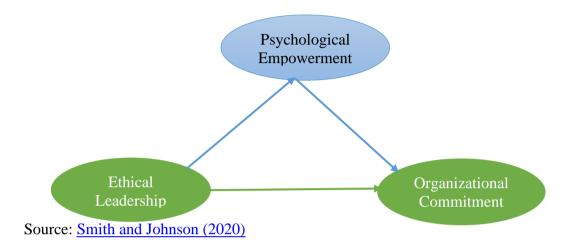
Leadership in organizations has been a subject of extensive study for several decades, and in contemporary times, a wide range of approaches is employed to ensure effective management practices (Awan et al., 2023). Ethical leadership is crucial in building trust, enhancing organizational reputation, and fostering long-term success (Brown et al., 2005). Organizational commitment refers to an individual's emotional attachment, perceived costs of leaving, and sense of obligation to remain with an organization (Mowday et al., 1979). Psychological empowerment (PE) (Muduli & Pandya, 2018) is the process of increasing employees' feelings of self-efficacy by identifying situations that make people feel powerless and getting rid of them through both formal organizational practices and informal ways of giving information about efficacy. The connection between EL and moral identity was mediated by PE (Zhu, 2008). PE mediated the affiliation between EL and work engagement (Rantika & Yustina, 2017). The linkage between EL and OC intervened by PE (Smith & Johnson, 2020). PE mediated in the relationship between EL and affective commitment (Sattar et al., 2020; Qing et al., 2019). PE had a significant mediating role in the relationship between EL and turnover intention (Suifan et al. 2020). PE mediated in the relationship between EL and OCB (Shah & Hussain, 2022). The affiliation between EL and OC mediated by job satisfaction (Ramlawati et al., 2023). The connection between EL and OC to environmental issues was intervened by PE (Chao et al., 2024). The affiliation between EL and employee commitment was interceded by leadership trust in Nepalese co-operatives societies (Bhandari & Subedi, 2024). The second hypothesis was estimated based on the literatures, SET, and SDT.

 $H_2$ : Psychological empowerment mediates in the affiliation between ethical leadership and organizational commitment.



### **Conceptual Framework**

Figure 1: Conceptual Framework of the Study



#### **Research Method**

This study used both descriptive and causal-comparison research designs. The frequency distribution was utilized to determine respondents' gender, marital status, age, and education level. The measurement model was utilized to demonstrate the data's goodness of fit. Structural model has been used to explore the direct impact of ethical leadership on organizational commitment, and the indirect impact of PE in the relationship between EL and OC. The primary data has been composed through structured questionnaire. The population included two thousand six hundred eighty-five (2685) permanent employees in Nepal's public service sector (Ministry of Finance, 2079). The sample size of 348 was determined using a statistical method proposed by <u>Yamane (1967)</u>. Purposive sampling was applied to select only permanent employees from the Nepali public service sector. The Cronbach's alpha value was applied to measure the reliability of variables-related questions and variables. The validity of integrity, honesty, fairness and justice, role modeling and ethical guidance, psychological empowerment, and organizational commitment was examined using confirmative factor analysis.

#### Instrumentation of Variables-Related Questions, Reliability, and Reference

Ethical leadership was measured by the integrity honesty, fairness and justice, and role modeling and ethical guidance (Brown et al., 2005; Trevino et al., 2000). Table 1 shows instrumentation of variables-related questions, reliability, and references.

Variables	Variables-related questions	Cronbach's	References
		Alpha	
Ethical Leadership	<b>Integrity Honesty</b> (IH1) My leader demonstrates honesty in their actions and decisions.	.835	( <u>Brown et</u> al., 2005)

 Table 1: Variables-Related Questions, Reliability, and Reference



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	(IH2) My leader keeps their promises and commitments.	.890	
	(IH3) My leader is truthful, even when it is difficult.	.874	
	Fairness and Justice		
	(FJ1) My leader treats all team members	.834	
	fairly and equally.		(Trevino et
	(FJ2) My leader makes decisions based on	.860	al., 2000)
	ethical principles, not favoritism.		
	(FJ3) My leader ensures that rewards and	.893	
	punishments are distributed justly.		
	<b>Role Modeling and Ethical Guidance</b> (RMEG1) My leader sets an model of ethical		
	behavior for others to follow.	.884	
	(RMEG2) My leader provides clear guidance		( <u>Brown et</u>
	on what constitutes ethical behavior.	.889	<u>al., 2005</u> )
	(RMEG3) My leader encourages others to		
	work ethically, even in challenging situations.	.876	
	(PE1) I can select my personal work how to	011	
	drive it.	.911	
	(PE2) I have important chance for		
	individuality and independence in how I	.897	
Psychological	organize my work.		(Spreitzer,
Empowerment	(PE3) I have the skills and knowledge needed	.886	1995)
Linpowerment	to do my job effectively.	.000	<u></u> )
	(PE4) I am self-possessed about my	.901	
	competences to do my task activities.	.,	
	(PE5) I am self-assured in my capacity to	.893	
	perform my job well.		
	(OC1) I feel emotionally devoted to the	.873	
	organization.		
	(OC2) Staying in the organization is a matter of need for me.	.866	
Organizational			(Allen &
Organizational Commitment	(OC3) I sense a moral duty to stay in the organization.	.861	<u>Meyer,</u>
Communent	(OC4) I sense like part of the family at the		<u>1990</u> )
	organization.	.877	
	(OC5) If I left this organization, I would lose	•	
	important benefits that I value.	.879	
	•		



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All variables-related questions of reliability range from .834 to. 911.The all-variables-related questions coefficient of Cronbach's alpha is above .70. Thus, all questions are acceptable (<u>Hu</u> <u>& Bentler, 1999</u>). All responses have been taken by using the seven-point Likert scale question that ranges from 1, "strongly disagree," to 7, "strongly agree" in this study.

### **Reliability of Variables and Number of Items**

The reliability of variables is presented in Table 2.

Variables	Cronbach's	No. of I	No. of Items	
	Alpha			
Ethical Leadership (EL)	ć	745	9	
Integrity and Honesty (IH)	.907	3		
Fairness and Justice (FJ)	.904	3		
Role Modeling and Ethical Guidance (RMEG)	.919	3		
Psychological Empowerment (PE)		917	5	
Organizational Commitment (OC)		394	5	

Table 2: Variables' Cronbach's Alpha and Number of Items

Cronbach's alpha coefficients for EL (.745), IH (.907), FJ (.904), RMEG (.919), PE (.917), and OC (.894) are all greater than 0.7. Therefore, variables are allowed (<u>Hu & Bentler, 1999</u>).

#### **Convergent and Discrimination Validity**

The convergent and discriminant validity-related construct values are presented in Table 3.

**Table 3:** Values of CR, AVE, MSV, Square Root of AVE (Diagonal), and Inter-ConstructCorrelation (off Diagonal)

	(J) = (J)							
	CR	AVE	MSV	IH	FJ	RMEG	PE	OC
IH	0.908	0.768	0.013	0.876				
FJ	0.905	0.762	0.057	0.023	0.873			
RMEG	0.919	0.792	0.059	-0.014	0.238	0.890		
PE	0.917	0.689	0.258	0.059	0.155	0.049	0.830	
OC	0.896	0.633	0.260	0.112	0.156	0.058	0.509	0.796

The composite reliability (CR) scores of IH (0.908), FJ (0.905), RMEG (0.919), PE (0.917), and OC (0.896) all exceed 0.70 (Collier, 2020). Therefore, all constructs are reliable. The AVE values for all constructs [IH (0.768), FJ (0.762), RMEG (0.792), PE (0.689), and OC (0.633)] are bigger than 0.5. Additionally, the CR values for each construct [IH (0.908), FJ (0.905), RMEG (0.919), PE (0.917), and OC (0.896)] exceed the separate construct's AVE (Bagozzi & Yi, 1988). Therefore, the convergent validity is proved. The separate construct score of AVE [IH (0.768), FJ (0.762), RMEG (0.792), PE (0.689), and OC (0.633)] is greater than each MSV



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[IH (0.013), FJ (0.057), RMEG (0.059), PE (0.258), and OC (0.260)], and the square root of AVE scores [IH (0.876), FJ (0.873), RMEG (0.890), PE (0.830), and OC (0.796)] at the is bigger than the inter-construct affiliation scores (Chin, 1998). Therefore, the constructs' discriminant validity is proven.

## The Study Results

## **Respondents' Profile**

Table 4 shows that 348 respondents are utilized to obtain data on gender, marital status, age, and educational level.

		Frequency	Percent
Gender	Male	209	60.1
	Female	139	39.9
Marital Status	Single	51	14.7
	Married	297	85.3
Age	Less than 25	10	2.9
	25-40	153	44.0
	40-55	154	44.2
	More than 55	31	8.9
Educational Level	Bachelor level	37	10.6
	Master level	299	85.9
	M. Phil.	12	3.5

 Table 4: Gender, Marital Status, Age, and Educational Level

N = 348

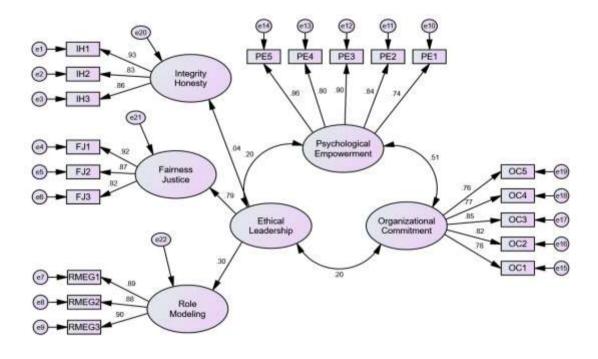
The highest figures of male (209, 60.1 percent), married (297, 85.3 percent), 40-55 age group (154, 44.2 percent), and master level (299, 85.9 percent) are in respondents' profile.

## Mediating Effect of PE Between EL and OC

The second-order constructs of EL, PE and first-order construct model are revealed in Figure 2.



Figure 2: Affiliation Among EL, PE, and OC



The model exhibits goodness-of-fit with the data in Table 4.

<b>Table 4:</b> Model Fit Measures of EL, PE and OC						
Measure	Estimate	Threshold	Interpretation	References		
Chi-square (CMIN)	322.635					
DF	146					
CMIN Associated P	.000					
CMIN/DF	2.210	< 3	Good fit	Byrne, 2010		
GFI	.916	$\geq 0.90$	Satisfactory fit	<u>Hair et al., 2010</u>		
AGFI	.890	0.85 to 0.90	Satisfactory fit	<u>Dogan &amp; Ozdamar,</u>		
AOP	.890	0.85 10 0.90	Satisfactory In	<u>2017</u>		
CFI	.961	> 0.95	Good fit	Bentler, 1990		
RMSEA	.059	$\leq 0.08$	Satisfactory fit	<u>Hair et al., 2010</u>		

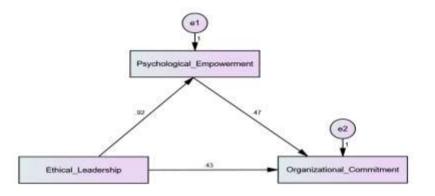
Note: CMIN = Minimum Discrepancy, DF = Degrees of Freedom, P-Value = Probability value, CMIN/DF = Relative Chi-square, GFI = Goodness-of-Fit Index, AGFI = Adjusted Goodness-of-Fit Index, CFI = Comparative Fit Index, RMSEA = Root Mean Square Error of Approximation

The Chi-square  $x^2$ ) value for 146 degrees of freedom is 322.635. The relative chi-square  $(x^2/df)$  ratio is 2.210 smaller than the specified threshold (i.e., < 3), indicating a good fit (Byrne,



<u>2010</u>). The GFI value of 0.916 exceeds the recommended threshold ( $\geq 0.90$ ) (<u>Hair et al., 2010</u>), indicating a satisfactory fit. The AGFI value of 0.890 is within the suggested threshold (i.e., 0.85 to 0.90), showing a satisfactory fit (<u>Dogan & Ozdamar, 2017</u>). The CFI value of 0.961 is greater than the suggested cut-off value of 0.95 (<u>Bentler, 1990</u>), indicating a good fit. RMSEA value of 0.059 is lesser than the suggested threshold (i.e.,  $\leq 0.08$ ) (<u>Hair et al., 2010</u>), showing a satisfactory fit. Thus, all indices confirm the model's good fit to the data.

The path diagram of the mediation test from EL through PE to OC is demonstrated in Figure 3.



A path exhibits that EL significantly (p = 0.000) and positively ( $\beta$  = 0.921) impacts PE. Similarly, the B path reveals that PE significantly (p = 0.000) and positively (( $\beta$  = 0.478) influences OC. Finally, the C path shows that EL significantly (p = 0.004) and positively ( $\beta$  = 0.432) affects OC.

The bootstrapping technique is used to compute the 95% bias-corrected confidence interval (CL) for the indirect effect (Collier, 2020). This method comprises random sampling (N= 5,000) to measure the CL. Taylor et al. (2008) proposed that the bootstrapping analysis use unstandardized coefficients. The mediation is considerable when the CL does not include the zero value (Preacher & Hayes, 2008). The mediation test of PE between EL and OC is shown in Table 5.

**Table 5:** Mediation Test of OC Using 95% Confidence Interval with a Bootstrap Analysis

Relationship Path	Direct Effect	Indirect Effect	Confidence Interval		p- value
			Lower Bound	Upper Bound	-
EL> OC	0.432(2.868)				0.004



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EL> PE> OC	0.436	0.257	0.650	0.000
Note: Unstandardized coefficients	reported. C.R	Values in	parenthesis. 5,000	for the
bootstrap sample with replacement				

EL has a significant (p = 0.004) and positive ( $\beta = 0.432$ ) effect on OC. Thus,  $H_1$  is accepted. Ethical leadership plays a critical role in strengthening organizational commitment in Nepali public service sector. The confidence interval (0.436 – 0.257 = 0.179) does not cross zero. Thus, this shows a significant indirect effect (<u>Collier, 2020</u>). The p-value of 0.000 at the intersection of EL and OC reveals the two-tailed significance. Therefore, PE mediates the relationship between EL and OC. So,  $H_2$  is accepted. Thus, EL increases OC through PE.

Moreover, there is a significant (p = 0.000) indirect and positive ( $\beta$  = 0.436) effect of EL on OC. Likewise, there is a significant (p = 0.004) and positive ( $\beta$  = 0.432) direct impact of EL on OC. The indirect and direct effects are significant and show partial mediation (<u>Collier</u>, 2020). Thus, PE partially mediates the association between EL and OC. Ethical leadership takes an important role in strengthening organizational commitment through the PE in Nepali public service sector.

## Discussion

The result unveils that EL have a positive and significant influence on OC in Nepali public service sector. This finding is constant with the previous findings found that EL significantly and positively influenced OC (Ramlawati et al., 2023; Tamer, 2021; Smith & Johnson, 2020), and affective commitment (Qing, 2019). Social learning theory (SLT) (Bandura, 1977) and self-determination theory (SDT) (Deci & Ryan, 1985) suggests that ethical leaders satisfy employees' needs for relatedness, competence, and independence, which enhances organizational commitment. Thus, this finding supports the SLT and SDT.

The finding reveals that the affiliation between EL and OC is intervened through PE in Nepali public service sector. This result is constant with the former findings that the affiliation between EL and OC was intervened by PE (<u>Smith & Johnson, 2020</u>). Similarly, this result is consistent with preceding research finding of <u>Satter et al. (2020)</u> and <u>Qing et al. (2019)</u>, who notice that the connection between EL and affective commitment was mediated by PE. SET (<u>Blau, 1964</u>) and SDT (<u>Deci & Ryan, 1985</u>) suggest that ethical leadership fosters psychological empowerment, which enhances organizational commitment. Therefore, this result supports SET and SDT.

## **Conclusion and Implication**

Ethical leadership plays a critical role in strengthening organizational commitment by creating a work environment characterized by integrity, honesty, fairness, justice, role modeling and guidance in Nepali public service sector. Psychological empowerment plays a critical role to enhance the affiliation between ethical empowerment and organizational commitment in Nepali public service sector. This study is expected to provide references for manager to design



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effective EL for enhancing OC, and PE as mediator that strengthens an imperative role in augmenting the affiliation between EL and OC and then make polices in Nepal public service sector.

## Limitations and Future Research

The study used cross-sectional data. A longitudinal data will be used for future research. The study's sample consists of permanent employees. But all employees or contractual employees will be used in future research. Future studies will use additional mediators such as, ethical climate, leader-member exchange.



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