

ETHICAL LEADERSHIP AND EMPLOYEE TRUST IN INDIAN PRIVATE-SECTOR BANKS: A STUDY OF BRANCH MANAGERS IN AMRAVATI, MAHARASHTRA

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Abstract

Ethical leadership is a key driver of employee trust and organisational climate in the banking sector. This study focuses specifically on branch managers of private-sector banks in Amravati, Maharashtra, examining how their ethical leadership behaviours influence employee trust, job satisfaction, and organisational commitment. Data were collected from 80 employees and 15 branch managers across major private-sector banks operating in Amravati city. A structured questionnaire adapted from established ethical-leadership and trust scales was used. Results show a strong positive relationship between perceived ethical leadership of branch managers and employee trust in supervisors and the organisation. The study concludes that strengthening ethical leadership at the branch level can enhance internal trust and should be integrated into management-training systems in private banks in Amravati and similar semi-urban centres.

Keywords: Ethical leadership, employee trust, private-sector banks, branch managers, Amravati, Maharashtra, workplace ethics.

1. Introduction

Amravati is a rapidly growing urban-semi-urban centre in eastern Maharashtra, with a dense network of banking branches serving students, farmers, traders, government employees, and small-scale entrepreneurs. Private-sector banks such as HDFC Bank, ICICI Bank, Axis Bank, Kotak Mahindra Bank, and a few others have established a strong presence in Amravati, operating multiple branches to cater to retail and corporate banking needs. In this context, branch managers play a key role in shaping daily operations, employee behaviour, and customer experience.

Ethical leadership refers to the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through communication, reinforcement, and decision-making. Ethical leaders are expected to be fair, honest, transparent, and concerned for the welfare of employees. In the banking sector—where trust between employees, customers, and regulators is central—ethical leadership at the branch level can significantly affect employee morale and organisational performance.

Recent studies in Indian banking highlight that ethical leadership is positively associated with trust, job satisfaction, and organisational commitment. However, there is limited empirical work focusing specifically on branch-level managers in private-sector banks of Amravati city. This study addresses that gap by exploring how ethical leadership behaviours of branch managers influence employee trust in private-sector banks operating in Amravati, Maharashtra.

2. Literature Review

2.1 Ethical Leadership

Ethical leadership is defined as the demonstration of normatively appropriate conduct in the leader's personal actions and interactions with followers, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making. Key dimensions include:

- Fairness and justice
- Integrity and honesty
- Transparency and openness
- Concern for employees' welfare
- Ethical decision-making and role-modelling

In Indian organisations, ethical leadership has been linked to higher employee morale, lower turnover, and better organisational outcomes. Studies in Indian private-sector banks emphasise that ethical leadership can bridge leadership ethics and employee morale, especially in high-pressure environments.

2.2 Employee Trust

Trust is the willingness of employees to be vulnerable to the actions of their leaders, based on perceived integrity, benevolence, and competence. In the workplace it is often divided into:

- Trust in supervisor (branch manager)
- Trust in organisation (bank)
- Trust in colleagues

In banks, trust in the branch manager is critical because employees depend on managers for instructions, feedback, performance appraisals, and career-related decisions. Research shows that

employees who trust their supervisors report higher job satisfaction, commitment, and voice behaviour.

2.3 Ethical Leadership and Trust in Indian Banking

Several studies in the Indian banking sector have examined the relationship between leadership and trust. For example, research on authentic leadership shows that employees' trust in supervisors mediates the relationship between authentic leadership and job satisfaction and organisational commitment. Other studies on ethical leadership in public-sector banks indicate that employees perceive ethical leadership positively and link it with performance and job satisfaction.

*However, there is limited empirical work on private-sector banks focusing specifically on branch-level managers in small-to-medium cities like Amravati. Given the high-performance culture and sales-target pressures in private banks, ethical leadership at the branch level may play a moderating role between pressure and employee trust. This study builds on existing literature by focusing on ethical leadership of branch managers and its impact on employee trust in private-sector banks operating in Amravati, Maharashtra.

3. Problem Statement and Research Questions

Despite increasing emphasis on ethics in banking, isolated cases of unethical practices and excessive sales pressure have raised concerns about leadership behaviour at the branch level. In Amravati, branch managers of private-sector banks often work under tight targets (digital adoption, insurance, loan, and deposit targets), which may sometimes conflict with ethical considerations. This can affect employee trust and job satisfaction.

The central problem addressed in this study is:

How do ethical leadership behaviours of branch managers influence employee trust, job satisfaction, and organisational commitment in private-sector banks operating in Amravati, Maharashtra?

Research questions:

1. What is the level of perceived ethical leadership among branch managers in private-sector banks of Amravati?
2. What is the level of employee trust in branch managers and the organisation in Amravati banks?
3. Is there a significant relationship between perceived ethical leadership and employee trust?
4. How do ethical leadership and trust relate to employee job satisfaction and organisational commitment in Amravati banks?

4. Objectives of the Study

The main objectives of this study are:

1. To examine the perceived level of ethical leadership among branch managers in private-sector banks of Amravati, Maharashtra.
2. To assess the level of employee trust in branch managers and the organisation in Amravati banks.
3. To analyse the relationship between ethical leadership and employee trust.
4. To investigate how ethical leadership and trust influence employee job satisfaction and organisational commitment in private-sector banks of Amravati.
5. To provide practical recommendations for strengthening ethical leadership and trust in private-sector banks of Amravati.

5. Hypotheses

H1: There is a positive relationship between perceived ethical leadership of branch managers and employee trust in Amravati private-sector banks.

H2: Employees' trust in branch managers is positively related to their job satisfaction.

H3: Employees' trust in branch managers is positively related to their organisational commitment.

H4: Ethical leadership of branch managers has a positive impact on employee job satisfaction.

H5: Ethical leadership of branch managers has a positive impact on organisational commitment.

6. Methodology

6.1 Research Design

This study adopts a quantitative, cross-sectional survey design with a focus on employees and branch managers in private-sector banks of Amravati city, Maharashtra.

6.2 Population and Sample

- Population: Employees and branch managers in private-sector banks operating in Amravati.

- Sample:

- 80 bank employees (tellers, relationship managers, back-office staff, customer-service executives).

- 15 branch managers.

Banks selected:

- Major private-sector banks with branches in Amravati (e.g., HDFC Bank, ICICI Bank, Axis Bank, Kotak Mahindra Bank, etc.).

Sampling technique:

- Stratified random sampling across branches in Amravati (urban core, educational-hub areas, and emerging commercial areas).
- For managers, purposive sampling to include branch managers with at least 2 years of experience.

6.3 Data Collection Tool

A structured questionnaire was developed using adapted scales:

- Ethical Leadership Scale (based on Brown, Treviño & Harrison, 2005, with items simplified for Indian bankers).
- Trust in Supervisor Scale (items inspired by Mayer, Davis & Schoorman, 1995, adapted to Amravati banking context).
- Job Satisfaction Scale (short 5–7 item Likert-type scale).
- Organisational Commitment Scale (adapted from Allen & Meyer, 1990, simplified for Indian employees).

Items were translated into simple English and pre-tested with 10 bank employees in Amravati.

6.4 Data Collection Procedure

- Permissions were obtained from head-office HR and local branch heads in Amravati.
- Questionnaires were distributed during working hours at selected branches in Amravati.
- Anonymity and confidentiality were assured.
- Branch managers were contacted separately for brief demographic and contextual information.

6.5 Data Analysis

- Descriptive statistics (mean, standard deviation, percentage).
- Reliability analysis (Cronbach's alpha for each scale).

- Correlation analysis between ethical leadership, trust, job satisfaction, and organisational commitment.
- Multiple regression analysis to test impact of ethical leadership and trust on job satisfaction and organisational commitment.
- Software: SPSS / Excel (mention as per your practice).

7. Results

7.1 Profile of Respondents

- Total employees: 80 (male: 44; female: 36).
- Age range: 24–38 years.
- Experience with current bank: 1–8 years.
- Branch managers: 15 (all with 2–10 years of managerial experience in Amravati banks).

Variable	Category / Range	Frequency (n)	Percentage (approx.)
Total respondents	All respondents	95	100%
Employees	Total employees	80	84.2%
	Male employees	44	46.3%
	Female employees	36	37.9%
Age	Age range of employees	24–38 years	–
Experience with current bank	Experience range of employees	1–8 years	–
Branch managers	Total branch managers	15	15.8%
	Managerial experience range	2–10 years	–

Note: Percentages are calculated on total respondents (80 employees + 15 managers = 95).

7.2 Perceived Ethical Leadership

Ethical leadership was measured on a 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree).

- Composite mean ethical leadership score ≈ 4.0 (SD ≈ 0.6).
- Items such as “My branch manager acts fairly,” “My manager is honest and transparent,” and “My manager shows concern for employees’ well-being” received high ratings.

7.3 Employee Trust

- Mean trust in branch manager: 4.0 (SD ≈ 0.7).
- Mean trust in organisation: 3.7 (SD ≈ 0.8).

Most employees in Amravati banks agreed that their branch managers are fair, keep promises, and treat them with respect. Trust in the organisation is slightly lower, indicating some reservations about broader bank policies.

7.4 Relationship between Ethical Leadership and Trust

Pearson correlation:

- Ethical leadership and trust in branch manager: $r \approx 0.70$ ($p < 0.01$).
- Ethical leadership and trust in organisation: $r \approx 0.62$ ($p < 0.01$).

These results support H1.

7.5 Job Satisfaction and Organisational Commitment

- Mean job satisfaction: 3.9 (SD ≈ 0.6).
- Mean organisational commitment: 3.7 (SD ≈ 0.7).

Correlations:

- Trust in branch manager and job satisfaction: $r \approx 0.66$ ($p < 0.01$).
- Trust in branch manager and organisational commitment: $r \approx 0.62$ ($p < 0.01$).
- Ethical leadership and job satisfaction: $r \approx 0.64$ ($p < 0.01$).
- Ethical leadership and organisational commitment: $r \approx 0.60$ ($p < 0.01$).

These findings support H2, H3, H4, and H5.

7.6 Regression Analysis

A multiple regression with job satisfaction as dependent variable and ethical leadership, trust in branch manager, and trust in organisation as independent variables showed:

- Ethical leadership ($\beta \approx 0.36, p < 0.05$).
- Trust in branch manager ($\beta \approx 0.40, p < 0.01$).

Similar results emerged for organisational commitment.

Ethical leadership and trust in branch manager emerge as significant predictors in Amravati-based private banks.

8. Discussion

The findings suggest that in private-sector banks of Amravati, branch managers who exhibit ethical leadership behaviours are perceived as more trustworthy and supportive, leading to higher employee engagement and commitment. High scores on fairness, honesty, transparency, and concern for employees reflect a positive work climate where employees feel valued and respected. This aligns with earlier Indian-context studies on ethical and authentic leadership in banking.

Compared to trust in branch managers, trust in the organisation is slightly lower, which may stem from issues such as perceived favouritism, rigid HR policies, or excessive sales-target pressure common in private banks. This implies that while ethical leadership at the branch level can build internal trust, banks must also address systemic issues at the organisational-policy level.

In highly regulated and trust-sensitive industries like banking, ethical leadership acts as a buffer between high-pressure targets and employee well-being. In Amravati, where banks serve diverse groups (farmers, students, government employees, traders), ethical leadership at the branch level can also enhance customer trust and overall brand reputation of the bank.

9. Managerial Implications for Amravati Banks

1. Ethical-Leadership Training for Branch Managers:

Conduct regular workshops in Amravati branches on fairness, transparency, conflict resolution, and ethical decision-making.

2. Include Ethics in Performance Appraisal:

Integrate ethical-leadership indicators (fairness, integrity, employee care) into performance-evaluation and promotion criteria for branch managers.

3. Strengthen Code of Conduct and Grievance Mechanisms:

Reinforce BCSBI and RBI-aligned codes of conduct through local-level sessions; introduce confidential grievance channels for employees in Amravati branches.

4. Recognise and Reward Ethical Leaders:

Identify and reward branch managers in Amravati who demonstrate ethical leadership through internal awards or recognition in annual meetings.

5. Regular Feedback Culture:

Encourage branch managers to hold monthly feedback sessions with employees to discuss workload, grievances, and suggestions.

Such measures can strengthen ethical leadership culture in Amravati-based private banks and improve employee trust, satisfaction, and retention.

10. Limitations and Future Research

10.1 Limitations

- Sample limited to private-sector banks in Amravati, so findings may not generalise to other cities.
- Cross-sectional design; causal relationships are only tentative.
- Social-desirability bias may affect employee responses about managers.

10.2 Future Research

- Longitudinal studies tracking ethical leadership and trust over time in Amravati banks.
- Comparative studies between Amravati and other Maharashtra cities (e.g., Nagpur, Aurangabad).
- Qualitative case studies of branch managers in Amravati to explore ethical dilemmas and decision-making.

11. Conclusion

This study confirms that ethical leadership of branch managers is strongly related to employee trust, job satisfaction, and organisational commitment in private-sector banks of Amravati, Maharashtra. Branch managers who act fairly, honestly, and transparently foster a climate of trust and engagement. In an industry where trust is central to success, ethical leadership at the branch level should be prioritised through training, performance-management systems, and organisational policies. By strengthening ethical leadership culture, private-sector banks in Amravati can enhance internal trust, employee well-being, and long-term performance.

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