

The Mediating Roles of Job Satisfaction and Organizational Commitment in the Business Ethics–Employee Productivity Relationship: Evidence from Micro Enterprises in Punjab, India

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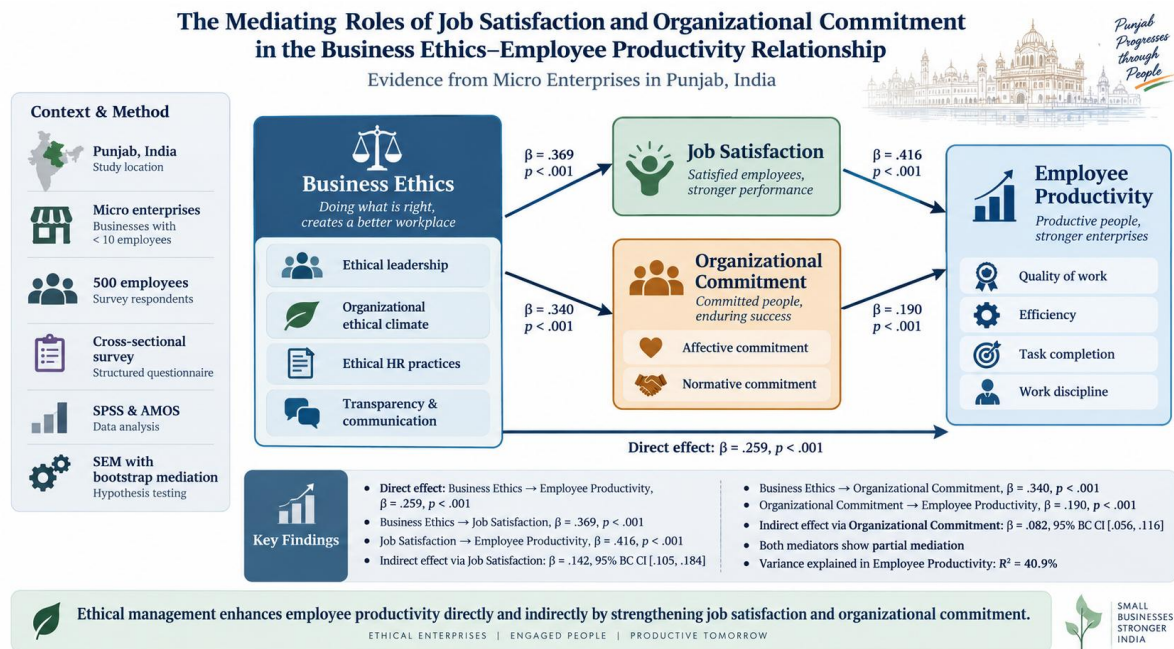
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Abstract

Business ethics may enhance employee productivity not only through direct behavioural and managerial mechanisms but also by shaping employees' work attitudes. The analysis examines whether JS and OC operate as distinct attitudinal pathways linking BE with EP among employees of micro enterprises in Punjab's MSME context. A quantitative, cross-sectional explanatory design was used. The final analytical sample comprised 500 employees from micro enterprises located in Ludhiana, Jalandhar, Amritsar, Patiala and SAS Nagar. Business ethics was modelled as a higher-order construct comprising ethical leadership, organizational ethical climate, ethical HR practices, and transparency and communication; organizational commitment was represented by affective and normative commitment. Measurement adequacy was assessed through reliability analysis, convergent and discriminant validity, and first- and second-order confirmatory factor analysis. Structural relationships were examined using AMOS, followed by 5,000-resample bias-corrected bootstrap mediation analysis. Bootstrap estimates confirmed an indirect pathway via job satisfaction (standardized indirect effect = .142, 95% BC CI [.105, .184]) and a second indirect pathway via organizational commitment (standardized indirect effect = .082, 95% BC CI [.056, .116]). In both models, the direct business ethics–productivity effect remained significant, indicating partial mediation. The findings indicate that ethical organizational systems are associated with productivity partly through employees' immediate evaluation of their work and partly through their attachment to the organization. The study contributes context-specific evidence from Indian micro enterprises while identifying two distinct, complementary attitudinal pathways through which business ethics is associated with productivity.

Keywords: *business ethics; job satisfaction; organizational commitment; employee productivity; micro enterprises; Punjab; mediation analysis*



I. Introduction

Business ethics has moved from being treated as a peripheral compliance concern to being recognized as an organizational system that shapes how employees interpret leadership, human-resource decisions, workplace norms, and managerial communication. Employees encounter ethics through routine experiences: whether supervisors act consistently, whether rewards and opportunities are distributed fairly, whether organizational expectations are principled, and whether management communicates openly. These experiences are consequential because employees' productive contribution is not determined only by technology, capital, or task design. It is also influenced by the quality of the employment relationship and by the psychological meanings employees attach to organizational practices (Brown et al., 2005; Victor & Cullen, 1988).

This issue is particularly salient in micro and small-enterprise settings. Compared with large corporations, smaller firms frequently operate with fewer formalized HR systems, closer owner–employee relationships, shorter communication channels, and greater managerial discretion. Under such conditions, business ethics is often experienced less through formal codes and compliance departments and more through the conduct of owners, supervisors, and day-to-day people-management practices. Ethical leadership, fair HR decisions, a principled workplace climate, and transparent communication can therefore become highly visible features of the employee experience. Conversely, inconsistency, favouritism, opaque decisions, or disrespectful treatment can rapidly influence morale and work behaviour.

Punjab offers a relevant setting for investigating these relationships because of its dense entrepreneurial and industrial base. The state's MSME ecosystem spans manufacturing and service activities and is dominated numerically by micro enterprises. Such firms are important sources of employment but often operate under resource constraints and productivity pressure. In these settings, managerial practices that build trust and cooperation may represent economically meaningful intangible resources. The present study therefore focuses on employees working in micro enterprises across five major Punjab districts, while situating the evidence within the wider MSME context.

Existing studies connect ethical leadership, ethical climate, socially responsible HRM, and corporate social responsibility to employee attitudes and performance, yet the evidence remains dispersed across two important dimensions. First, many studies isolate a single ethics-related practice rather than conceptualizing business ethics as a broader organizational system. Yet employees simultaneously experience leadership conduct, HR fairness, organizational norms, and communication transparency. Treating these domains as a higher-order business-ethics construct provides a more integrated representation of the ethical employment environment. Second, existing evidence often establishes direct associations without clarifying the attitudinal pathways through which ethical practices translate into productive behaviour. This mechanism is especially important in smaller enterprises, where employee reactions to managerial conduct may be immediate and personally consequential.

Perceptions of ethical leadership, equitable treatment, supportive workplace norms, and trustworthy communication can foster a more favourable assessment of the job. Satisfaction can then support concentration, cooperation, initiative, and sustained task effort. Affective commitment captures emotional attachment, whereas

normative commitment reflects a sense of loyalty or obligation (Allen & Meyer, 1990; Meyer & Allen, 1991). Ethical treatment can strengthen both forms of attachment, which may subsequently encourage employees to invest greater effort and remain aligned with organizational objectives.

These two mechanisms are conceptually distinct and therefore warrant separate consideration. Satisfaction is a comparatively proximal evaluation of the quality of the work experience, whereas commitment represents a broader bond with the organization. Both may transmit the influence of business ethics to productivity, but not necessarily to the same extent. Evidence for the two routes has emerged in separate strands of research (Fu & Deshpande, 2014; Shafique et al., 2018; Story & Castanheira, 2019). More recent studies likewise indicate that ethical leadership and socially responsible HR systems shape outcomes through employee attitudes, including job satisfaction and affective commitment (Li, 2024; Pimenta et al., 2024). Evidence from Punjab micro enterprises, however, remains limited.

This study addresses that gap by testing two complementary mediation mechanisms linking business ethics with employee productivity. Business ethics is specified as a higher-order construct composed of ethical leadership, organizational ethical climate, ethical HR practices, and transparency and communication. The model specifies JS and OC as separate mediators, whereas EP is operationalized through employees' self-reported individual work performance. The study contributes in three ways: it provides a multidimensional operationalization of business ethics, isolates two distinct attitudinal mechanisms, and extends ethics–performance research to employees in Punjab's micro-enterprise context.

1.1 Research objectives

1. To examine whether employees' job satisfaction mediates the relationship between business ethics and employee productivity.
2. To examine whether organizational commitment mediates the relationship between business ethics and employee productivity.
3. To compare descriptively the magnitude of the two indirect pathways while recognizing that the mediation models are estimated separately.

II. Literature Review and Hypothesis Development

2.1 Business ethics as an organizational system

Business ethics concerns the values, norms, and principles used to judge organizational decisions as fair, responsible, honest, and respectful of stakeholder interests. At the employee level, ethics is not an abstract corporate attribute; it is experienced through specific organizational practices. Ethical leadership establishes behavioural standards through role modelling and fair decision-making (Brown et al., 2005). Ethical climate shapes shared perceptions of what constitutes appropriate conduct and how ethical issues are handled (Victor & Cullen, 1988). Ethical HR practices embed fairness and responsibility into employment decisions such as appraisal, rewards, development, participation, health and safety, and career opportunities (Shen & Zhu, 2011; Barrena-Martínez et al., 2019). Transparency and communication provide employees with timely, credible, and sufficiently complete information while enabling accountability and voice (Rawlins, 2008, 2009).

These four dimensions are conceptually related but not interchangeable. Leadership concerns the conduct of influential organizational actors; ethical climate concerns shared normative expectations; HR practices concern the distributive and procedural consequences of people-management decisions; and transparency concerns the quality of the information environment. Modelling them as dimensions of a higher-order construct recognizes that employees form an overall judgement about the ethical quality of their organization from multiple recurring signals. This integrated perspective is especially appropriate in micro enterprises, where formal policies may be limited but employees observe managerial conduct closely and experience the consequences of decisions directly.

2.2 Theoretical basis: social exchange and organizational justice

Social exchange theory provides a central explanation for why ethical organizational practices should generate favourable employee responses. Social exchange relationships are sustained by reciprocity: perceived fairness, respect, and organizational support can create an obligation to respond with constructive attitudes and behaviours (Blau, 1964). Ethical leadership, responsible HR practices, and transparent communication signal that the organization values employees as legitimate stakeholders rather than merely as production inputs. These signals can improve the perceived quality of the exchange relationship and create a basis for both satisfaction and commitment.

Organizational justice complements this explanation by emphasizing employees' judgements about the fairness of outcomes, procedures, interpersonal treatment, and informational processes. Although the present model does not measure justice as a separate latent construct, the components of business ethics strongly overlap with the situations in which justice judgements are formed: supervisors make decisions, HR systems allocate

opportunities and rewards, organizational climates establish acceptable behaviour, and communication practices determine whether decisions are adequately explained. Ethical practices should therefore improve attitudes when they reduce uncertainty and perceived arbitrariness and when they signal dignity, consistency, and accountability (Colquitt, 2001).

Satisfaction reflects a positive evaluation of the work experience, whereas commitment reflects a stronger psychological attachment to the organization. Both attitudes can subsequently influence the intensity and consistency of productive behaviour.

2.3 Job satisfaction as a mediating mechanism

A substantial body of research associates ethical work-place conditions with JS. For example, Koh and Boo (2001) found that managers' perceptions of organizational ethics were related to their job satisfaction. Valentine and Fleischman (2008) similarly linked formal ethics programmes and perceived corporate social responsibility with satisfaction. Ethical leadership research suggests that leaders influence satisfaction by combining role modelling with fair treatment and by shaping the broader ethical climate (Neubert et al., 2009). Ethical climate studies further indicate that benevolent, principled, and employee-oriented climates are more likely to support positive work evaluations than climates dominated by self-interest (Elçi & Alpkan, 2009).

The connection between satisfaction and performance is also well established. Job satisfaction is not equivalent to productivity, but favourable job attitudes can support work effort, cooperation, persistence, and lower withdrawal tendencies. Riketta's (2008) meta-analysis of panel studies supported a longitudinal relationship between job attitudes and performance, while research at the business-unit level has linked employee satisfaction and engagement with performance-related outcomes (Harter et al., 2002). In ethical-workplace settings, this mechanism becomes especially plausible because employees' satisfaction reflects their accumulated evaluation of supervisory behaviour, recognition, growth opportunities, work-life balance, and management responsiveness.

Studies that examine mediation directly strengthen this reasoning. Jaramillo et al. (2006) showed that ethical climate influences job attitudes and performance-related outcomes. Story and Castanheira (2019) likewise found that satisfaction transmitted part of the effect of responsible organizational practices to employee performance. More recent evidence shows that ethical leadership continues to influence constructive employee behaviour through internal job satisfaction (Li, 2024). Taken together, the literature suggests that ethical business practices first improve employees' evaluation of the work environment and that this positive evaluation can be converted into more productive behaviour.

Accordingly, the first hypothesis is stated as follows:

H1: Employees' job satisfaction significantly mediates the relationship between business ethics and employee productivity.

2.4 Organizational commitment as a mediating mechanism

Business ethics can also influence productivity by strengthening employees' attachment to the organization. Corporate ethical values have long been associated with organizational commitment, indicating that employees are more willing to identify with and remain loyal to organizations whose values they view positively (Hunt et al., 1989; Valentine et al., 2002). Ethical climate research has shown that benevolent climates support stronger commitment, whereas self-interested climates can weaken it (Cullen et al., 2003). Ethical leadership and socially responsible HR practices further contribute to affective commitment by signalling that employees are respected and supported (Demirtas & Akdogan, 2015; Shen & Zhu, 2011). Recent evidence similarly indicates that socially responsible HRM can foster work engagement through affective commitment and perceived organizational support (Pimenta et al., 2024), while benevolent ethical climates remain relevant antecedents of affective commitment (Santiago-Torner & Jiménez-Pérez, 2025).

Commitment has behavioural implications because employees who are emotionally attached to an organization or who feel a normative obligation toward it are more likely to sustain effort, cooperate, and align their conduct with organizational goals. This magnitude is theoretically important: commitment contributes to performance but is not sufficient by itself, leaving room for direct ethical effects and other attitudinal mechanisms.

Integrated studies support a mediated pathway. Fu and Deshpande (2014) linked caring climate, organizational commitment, and performance within a common model. Story and Castanheira (2019) showed that affective commitment can transmit the effect of responsible business practices to employee performance. In micro-enterprise settings, this pathway may be especially relevant because employment relationships are often interpersonal and owner-employee proximity is high. Fair treatment and credible ethical conduct can create a sense of loyalty and attachment that encourages employees to contribute consistently.

Accordingly, the second hypothesis is stated as follows:

H2: Organizational commitment significantly mediates the relationship between business ethics and employee productivity.

Figure 1. Conceptual model of the two complementary mediation pathways

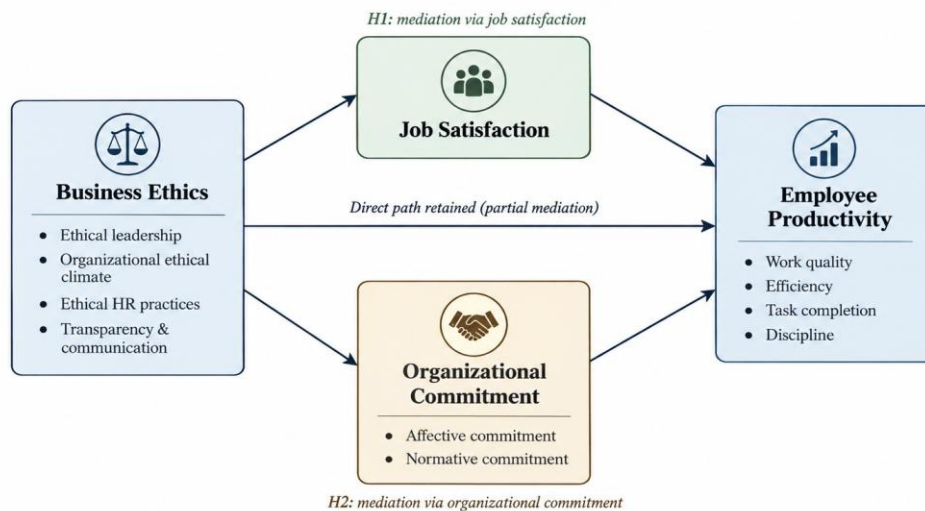


Figure 1. Conceptual model of the two complementary mediation pathways.

III. Methodology

3.1 Research design and empirical context

The study used a quantitative, cross-sectional, explanatory research design. Employee perceptions were collected through a structured questionnaire and analysed using IBM SPSS Statistics and AMOS. The design was appropriate for examining theoretically specified relationships among latent constructs and for estimating indirect effects through bootstrap mediation analysis. Because the data were collected at one point in time, the model is interpreted in terms of statistically supported directional associations rather than definitive temporal causality.

The target population consisted of employees working in Punjab-based enterprises within the MSME context. A district-stratified sampling design was used, with Ludhiana, Jalandhar, Amritsar, Patiala, and SAS Nagar treated as five geographic strata. The final analytical dataset contained 500 complete employee responses. Because every enterprise-category observation was coded as micro enterprise, the study's empirical scope is confined to the sampled micro-enterprise employees and should not be extended directly to employees of small or medium enterprises. Of the 500 respondents, 176 were from Ludhiana, 95 from Jalandhar, 81 from Amritsar, 76 from Patiala, and 72 from SAS Nagar. Service-sector employees represented 74.0% of the sample and manufacturing employees 26.0%.

3.1.1 Respondent profile

Characteristic	Category	n	%
Gender	Male	406	81.2
	Female	94	18.8
Age	Below 25	53	10.6
	25–35	243	48.6
	36–45	133	26.6
	Above 45	71	14.2
Education	12th	48	9.6
	Graduate	222	44.4
	Postgraduate	206	41.2
	Other	24	4.8

Characteristic	Category	n	%
Sector	Service	370	74.0
	Manufacturing	130	26.0

Table 1. Selected characteristics of the final analytical sample (N = 500).

3.2 Measurement of constructs

Responses to all substantive statements were recorded on a five-point likert scale. The construct tables contain 72 substantive items in total: 40 items for the four dimensions of business ethics, 9 for job satisfaction, 10 for organizational commitment, and 13 for employee productivity. All items were positively keyed; therefore, reverse scoring was not required.

Business ethics was specified as a second-order construct comprising four first-order dimensions. Ethical Leadership was measured with seven items adapted from Brown et al. (2005). Organizational Ethical Climate was measured with eight items based on Victor and Cullen (1988). Ethical HR Practices was measured using ten items informed by Shen and Zhu (2011) and Barrera-Martínez et al. (2019). Transparency and Communication comprised fifteen items adapted from Rawlins (2008, 2009). Together, these dimensions represented employees' overall perception of the ethical quality of organizational conduct and systems.

Nine adapted items, drawing on Spector's (1985) Job Satisfaction Survey framework and covering multiple job facets, were used to assess Job Satisfaction. The items covered recognition, enjoyment of daily work, accomplishment, supervisory competence, management responsiveness, promotion, growth, work-life balance, and overall satisfaction. Continuance commitment was not included because the study focused on affective and obligation-based attachment rather than perceived costs of leaving.

Employee Productivity was measured using thirteen adapted items derived principally from the Individual Work Performance Questionnaire (Koopmans et al., 2014). The scale captured goal orientation, planning, work quality, efficiency, independence, extra-task behaviour, initiative, skill updating, problem solving, meeting participation, and creative solutions. Accordingly, the dependent construct is best understood as employee-rated individual work performance and productivity rather than an objective physical-output ratio.

Construct	Operationalization	Items	Principal source(s)
Business Ethics	2nd-order: Ethical Leadership, Ethical Climate, Ethical HR Practices, Transparency & Communication	40	Brown et al. (2005); Victor & Cullen (1988); Shen & Zhu (2011); Barrera-Martínez et al. (2019); Rawlins (2008, 2009)
Job Satisfaction	Single first-order factor	9	Spector (1985)
Organizational Commitment	2nd-order: Affective + Normative Commitment	10	Allen & Meyer (1990); Meyer & Allen (1991)
Employee Productivity	Self-reported individual work performance	13	Koopmans et al. (2014)

Table 2. Measurement framework used in the article.

3.3 Data analysis strategy

The analysis followed a measurement-first sequence. SPSS was used for descriptive statistics and internal-consistency reliability, while AMOS was used for confirmatory factor analysis, second-order CFA, structural modelling, and mediation analysis. Reliability was evaluated through Cronbach's alpha, with values of .70 or higher treated as acceptable. Convergent validity was assessed using standardized factor loadings, average variance extracted (AVE), and composite reliability (CR), with thresholds of .50, .50, and .70, respectively (Fornell & Larcker, 1981; Hair et al., 2019). Discriminant validity was assessed using the Fornell-Larcker criterion.

Using maximum-likelihood estimation, the direct structural model assessed the hypothesized relationships among BE, JS, OC, and EP. Model adequacy was evaluated through multiple fit indices rather than a single statistic, including the normed chi-square, GFI, AGFI, NFI, IFI, TLI, CFI, RMR, and RMSEA (Kline, 2016). Squared multiple correlations were examined to assess explained variance in the endogenous constructs.

The two mediation hypotheses were tested separately using composite construct scores. Indirect effects were estimated using 5,000 bootstrap resamples with 95% bias-corrected confidence intervals. Mediation was considered statistically supported when the confidence interval for the indirect effect excluded zero (Preacher & Hayes, 2004; Hayes, 2018). A significant indirect effect together with a significant residual direct effect was interpreted as partial mediation. Because each composite-score mediation model was just-identified, global fit indices were not used to evaluate those models; the mediation decisions were based on path coefficients and bootstrap confidence intervals.

3.4 Procedural controls and research ethics

The questionnaire introduced the academic purpose of the study and assured respondents that personal and organizational information would be treated confidentially. The final analytical dataset contained no missing values on the substantive measures. The use of employee self-reports for both predictors and outcome variables creates a potential common-method limitation; the study therefore interpreted relationships conservatively and relied on CFA-based construct distinctiveness rather than treating common-method bias as fully ruled out.

IV. Results

4.1 Descriptive statistics and measurement quality

Mean scores for the four principal constructs were above the scale midpoint: business ethics ($M = 3.7448$, $SD = 0.5355$), job satisfaction ($M = 3.7576$, $SD = 0.7483$), organizational commitment ($M = 3.7500$, $SD = 0.6090$), and employee productivity ($M = 3.7617$, $SD = 0.7705$). The distributions showed modest negative skewness, with no missing observations.

Internal-consistency reliability was satisfactory across all first-order dimensions and principal constructs. Cronbach's alpha ranged from .842 for affective commitment to .957 for employee productivity. Convergent validity was also supported: first-order AVE values ranged from .502 to .633, while CR values ranged from .842 to .957. At the second-order level, business ethics recorded $AVE = .647$ and $CR = .880$, while organizational commitment recorded $AVE = .773$ and $CR = .872$. All standardized factor loadings exceeded .50.

Construct / dimension	Loading range	Cronbach α	AVE	CR
Ethical Leadership	.761–.793	.917	.612	.917
Organizational Ethical Climate	.755–.809	.927	.615	.927
Ethical HR Practices	.757–.807	.941	.613	.941
Transparency & Communication	.654–.739	.938	.502	.938
Job Satisfaction	.743–.796	.927	.586	.927
Affective Commitment	.678–.768	.842	.517	.842
Normative Commitment	.771–.822	.891	.623	.892
Employee Productivity	.776–.823	.957	.633	.957
Business Ethics (2nd order)	.785–.824	—	.647	.880
Organizational Commitment (2nd order)	.863–.895	—	.773	.872

Table 3. Reliability and convergent-validity evidence.

Discriminant validity was supported at the structural-construct level because the square root of AVE for each construct exceeded its correlations with the other constructs. Business ethics correlated .416 with productivity, .310 with job satisfaction, and .265 with organizational commitment.

Construct	BE	OC	JS	EP
Business Ethics (BE)	.804	.265	.310	.416
Organizational Commitment (OC)	.265	.879	.404	.399
Job Satisfaction (JS)	.310	.404	.766	.541
Employee Productivity (EP)	.416	.399	.541	.796

Table 4. Fornell–Larcker matrix at the structural-construct level. Diagonal values are $\sqrt{AVE}$.

4.2 Structural model

The full direct-effect structural model demonstrated acceptable overall fit. Although the chi-square statistic was significant, the normed chi-square was 1.070 and the approximation and incremental fit indices were strong: IFI = .993, TLI = .992, CFI = .993, RMR = .036, and RMSEA = .012 (90% CI [.007, .016]). GFI (.878) and AGFI (.871) were below the conventional .90 preference but remained acceptable for a complex model with a large number of observed indicators. NFI (.897) was similarly close to the .90 reference point.

All five direct paths required to contextualize the mediation mechanisms were positive and statistically significant at $p < .001$. Business ethics showed significant positive paths to employee productivity ($\beta = .259$),

job satisfaction ($\beta = .369$), and organizational commitment ($\beta = .340$). JS showed the strongest standardized direct effect on EP ($\beta = .416$), while OC also had a positive direct effect on EP ($\beta = .190$). The full structural model explained 40.9% of the variance in employee productivity.

Fit index	Observed	Interpretation
χ^2/df	1.070	Accepted
GFI	.878	Acceptable for complex model
AGFI	.871	Acceptable for complex model
NFI	.897	Accepted
IFI	.993	Accepted
TLI	.992	Accepted
CFI	.993	Accepted
RMR	.036	Accepted
RMSEA	.012	Accepted
RMSEA 90% CI	.007–.016	Satisfactory

Table 5. Selected fit indices for the direct structural model.

Structural path	B	SE	CR	β	p
Business Ethics → Employee Productivity	.375	.071	5.264	.259	< .001
Business Ethics → Job Satisfaction	.536	.076	7.047	.369	< .001
Business Ethics → Organizational Commitment	.351	.057	6.148	.340	< .001
Job Satisfaction → Employee Productivity	.414	.046	9.025	.416	< .001
Organizational Commitment → Employee Productivity	.266	.063	4.185	.190	< .001

Table 6. Direct structural paths in the full model.

4.3 Mediation through job satisfaction

In the job-satisfaction mediation model, business ethics significantly predicted job satisfaction ($\beta = .310$, $p < .001$), and job satisfaction significantly predicted productivity while controlling for business ethics ($\beta = .456$, $p < .001$). The residual direct effect of business ethics on productivity remained significant ($\beta = .274$, $p < .001$). The standardized total effect was .416, the direct effect was .274, and the standardized indirect effect through job satisfaction was .142. The 95% bias-corrected confidence interval for the standardized indirect effect was [.105, .184], excluding zero. H1 was therefore supported, and the pattern indicates partial mediation.

For descriptive interpretation, the job-satisfaction pathway accounted for about 34.1% of the standardized total effect (.142/.416). This proportion is used only as an interpretive aid and not as a formal effect-difference test.

4.4 Mediation through organizational commitment

In the organizational-commitment mediation model, business ethics significantly predicted organizational commitment ($\beta = .265$, $p < .001$), and organizational commitment significantly predicted productivity while controlling for business ethics ($\beta = .311$, $p < .001$). The direct effect of business ethics remained significant after commitment was introduced ($\beta = .333$, $p < .001$). The standardized indirect effect was .082, with a 95% bias-corrected confidence interval of [.056, .116]. H2 was therefore supported, again indicating partial mediation.

The commitment-mediated effect represented approximately 19.7% of the standardized total effect (.082/.416). The indirect effect through job satisfaction was descriptively larger than the indirect effect through organizational commitment; however, because the mediators were estimated in separate simple-mediation models, the present analysis does not claim a statistically tested difference between the two indirect effects.

Mediator	Total effect β	Direct effect β	Indirect effect β	95% BC CI for indirect effect	Mediation
Job Satisfaction	.416	.274	.142	[.105, .184]	Partial
Organizational Commitment	.416	.333	.082	[.056, .116]	Partial

Table 7. Bootstrap mediation results based on 5,000 resamples.

V. Discussion

5.1 Job satisfaction as the more proximal attitudinal pathway

A central result is that job satisfaction carries part of the association between business ethics and employee productivity, consistent with partial mediation. Ethical organizational conditions were associated with higher satisfaction, and satisfaction was in turn strongly associated with productivity. This result is consistent with the view that employees interpret leadership conduct, HR fairness, ethical climate, and communication quality as components of the immediate work experience. When these experiences are positive, employees are more likely to evaluate their jobs favourably and to translate that evaluation into constructive work behaviour.

The result aligns with prior evidence linking ethical leadership and climate to job satisfaction (Koh & Boo, 2001; Neubert et al., 2009) and with studies that position satisfaction as a mechanism connecting ethical or responsible organizational practices with performance (Fu & Deshpande, 2014; Shafique et al., 2018; Story & Castanheira, 2019). The finding also corresponds with recent evidence that ethical leadership can stimulate constructive employee behaviour through internal job satisfaction (Li, 2024). In the present data, the indirect effect remained meaningful even though a significant direct effect persisted, suggesting that satisfaction is an important but not exclusive translation mechanism.

This pattern is theoretically consistent with social exchange logic. Employees who experience fair and transparent treatment receive signals that the organization values them and that the employment relationship is trustworthy. Satisfaction can be viewed as an attitudinal response to those signals. In turn, satisfied employees may invest greater attention, discretionary effort, persistence, and cooperation in their work. The partial nature of the mediation is equally important: business ethics may also affect productivity through channels not included in the model, such as trust, role clarity, psychological safety, reduced deviance, or identification.

5.2 Organizational commitment as an attachment-based pathway

The second major finding is that organizational commitment also partially mediates the ethics–productivity relationship. This supports the proposition that ethical treatment does more than improve employees’ immediate satisfaction; it can also strengthen their broader attachment to the organization.

The result is consistent with studies linking ethical values, ethical climate, ethical leadership, and responsible HR practices with organizational commitment (Cullen et al., 2003; Demirtas & Akdogan, 2015; Shen & Zhu, 2011; Valentine et al., 2002). It also fits the commitment–performance literature, where attitudinal commitment is generally associated with better performance but with moderate effect sizes (Riketta, 2002). Pimenta et al. (2024) similarly show that socially responsible HRM can operate through affective commitment, while contemporary ethical-climate research continues to identify commitment as an important psychological outcome of benevolent ethical environments (Santiago-Torner & Jiménez-Pérez, 2025).

The smaller magnitude of the commitment-mediated effect relative to the satisfaction-mediated effect is substantively plausible. Satisfaction reflects employees’ direct appraisal of daily work conditions, and therefore may translate more immediately into day-to-day productivity. Commitment represents a broader relationship with the organization that may influence retention, loyalty, and sustained contribution over a longer horizon. The study does not formally test the difference between the two indirect effects, but the descriptive pattern suggests that the two mediators capture different layers of attitudinal response.

5.3 Theoretical contributions

The study makes three theoretical contributions. First, it conceptualizes business ethics as a higher-order organizational system rather than reducing ethics to one leadership behaviour or one climate dimension. This is important because employees experience ethical quality through multiple channels simultaneously. The satisfactory second-order measurement model supports the empirical coherence of ethical leadership, ethical climate, ethical HR practices, and transparency and communication as dimensions of a broader business-ethics construct.

Second, the study separates two attitudinal mechanisms. Demonstrating significant indirect effects through both constructs provides a more differentiated explanation of how business ethics is associated with productivity. The findings therefore move beyond a simple ethics → performance relationship toward a mechanism-based model.

Third, the study extends this mechanism-based explanation to an underexamined empirical context. The final sample consists entirely of employees in micro enterprises located across five districts of Punjab. Much ethics and performance research is conducted in large corporations, public institutions, or single professional sectors. Micro enterprises provide a setting in which formalization is lower, leadership proximity is greater, and employees may experience ethical decisions more directly. The observed mediation effects indicate that attitudinal mechanisms remain relevant in this comparatively informal organizational environment.

5.4 Managerial implications for micro enterprises

For owners and managers, the findings imply that ethics should be managed as a productivity-relevant organizational capability rather than as a symbolic code. The higher-order business-ethics construct points to four practical levers: supervisors should model fair and trustworthy conduct; HR decisions should be consistent and explainable; workplace norms should reward principled behaviour; and communication should be timely, candid, and responsive to employee voice.

The mediation results further suggest that employee attitudes can be used as intermediate indicators of whether ethical reforms are functioning. If management introduces fairer appraisal, clearer promotion criteria, stronger grievance handling, or more transparent communication but job satisfaction does not improve, the intended pathway to productivity may remain weak. Regular, confidential measurement of recognition, supervisory quality, growth opportunities, work-life balance, and management responsiveness can therefore help identify where ethical policies are not translating into a better employee experience.

Commitment should be built through credible practices rather than through appeals to loyalty alone. Perceptions of authentic support, equitable treatment, opportunities for development, and accountable leadership are conditions likely to strengthen both affective and normative commitment. For micro enterprises with limited financial capacity, these practices can be especially valuable because many require managerial consistency and communication rather than large capital expenditure. At the same time, the persistence of a significant direct effect cautions against reducing ethical management to an employee-satisfaction initiative; ethical systems can support productivity through multiple behavioural and relational mechanisms.

VI. Conclusion, Limitations and Future Research

This study examined two attitudinal mechanisms through which business ethics is associated with employee productivity in micro enterprises in Punjab. The higher-order BE construct, represented by EL, OEC, EHRP, and T&C, was positively related to EP, JS, and OC. Each mediator carried a statistically significant indirect effect between business ethics and employee productivity. Because the direct effect remained significant in both models, the evidence supports partial rather than full mediation.

The findings imply that ethical organizational systems contribute to productivity through both immediate work evaluations and broader organizational attachment. Descriptively, the indirect effect through JS was greater, while OC represented a distinct attachment-based mediating pathway. This dual-path interpretation offers a more nuanced account of why business ethics matters for employee performance and suggests that managerial efforts should simultaneously improve the quality of the work experience and strengthen credible, value-based attachment to the organization.

Several limitations qualify the findings. First, the cross-sectional design does not establish temporal causality; longitudinal or time-lagged studies are needed to determine whether changes in ethical practices precede changes in attitudes and productivity. Second, all focal constructs were self-reported, creating a risk of common-method variance and perceptual inflation. Future research should combine employee perceptions with supervisor-rated or objective productivity indicators. Third, although the broader research frame concerns MSMEs, the final sample was entirely coded as micro enterprises and was concentrated in five Punjab districts, with 74% of respondents from the service sector. Generalization to small and medium enterprises, other states, or different industrial compositions therefore requires caution.

Fourth, the two mediators were tested in separate simple-mediation models. Future research should estimate a simultaneous parallel-mediation model and formally test the difference between indirect effects. Finally, the model can be extended by examining trust, perceived organizational support, organizational justice, psychological safety, employee voice, and leadership proximity as additional mechanisms or boundary conditions.

Despite these limitations, the study provides empirically validated evidence that business ethics is not merely a compliance attribute in micro enterprises. It is associated with productive employee behaviour partly because ethical management improves how employees experience their jobs and how strongly they attach to their organizations. For resource-constrained enterprises, the result is practically significant: fair leadership, responsible HR practices, principled workplace norms, and transparent communication represent relational resources that can support both employee well-being and productive contribution.

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