

IMPACT OF ETHICAL LEADERSHIP ON TURNOVER INTENTION THROUGH THE MEDIATING EFFECT OF ORGANIZATIONAL POLITICS: EVIDENCE FROM BANKERS IN SRI LANKA

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ABSTRACT

Employee retention is critical to organizational success, as long-term employees provide both financial and nonfinancial benefits to companies. To highlight the importance of retention, this study explores the direct and indirect effects of ethical leadership on turnover intention in Sri Lanka's banking industry, focusing on the mediating role of the perception of organizational politics analyzed through the lens of social exchange theory. A questionnaire was administered to 367 conveniently selected banking employees. Validity and reliability analyses were conducted, followed by regression analysis using Smart PLS 4.0 to test the hypotheses. These results confirm that ethical leadership has a negative effect on turnover intention. Additionally, ethical leadership was found to reduce the perception of organizational politics, which in turn lowered turnover intention, demonstrating a partial mediation effect. This study expands on the existing literature by presenting a more comprehensive model that explains how perceptions of organizational politics mediate the relationship between ethical leadership and turnover intention. Moreover, by applying this model in the context of a developing nation like Sri Lanka, the study provides empirical evidence from a non-Western perspective, adding a new dimension to the existing research on employee outcomes. Future research should examine these relationships across various industries and cultural contexts by incorporating additional employee outcome metrics. This study contributes to the understanding of the relationship between ethical leadership and turnover intention in Sri Lanka's banking sector, both theoretically and experimentally, by investigating the mediating role of organizational politics.

Keywords: Banking industry, ethical leadership, perception of organizational politics and turnover intention