

LEADING ETHICALLY, CREATING IMPACT: PROFIT WITH PURPOSE IN INDIAN FIRMS

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Firms are increasingly expected to balance financial performance with social and ethical responsibilities, giving rise to the concept of profit with purpose. However, evidence on how ethical leadership enables this alignment remains mixed, particularly in emerging economies. This study examines whether ethical governance practices—conceptualized as institutionalized ethical leadership—facilitate the translation of social purpose into financial performance among Indian listed companies. Using a sample of 12 large non-financial Indian firms over two financial years, the study constructs an Ethical Leadership Proxy Index (ELPI) based on objective governance indicators. Social purpose is measured through CSR reach, capturing the scale of beneficiaries served, while firm performance is assessed using profitability metrics. Pooled OLS regressions with robust standard errors are employed. The results show that ethical leadership does not directly influence profitability or CSR spending intensity but is positively associated with CSR reach. Further analysis indicates that CSR reach mediates the relationship between ethical leadership and firm performance. The findings highlight the importance of governance-driven ethical leadership in enabling impact-oriented CSR and advancing profit with purpose in regulated contexts.

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Keywords: *Ethical Leadership, Profit with Purpose, CSR Reach, Corporate Governance, Firm Performance.*