



# Islamic Ethical Leadership: Improving the Performance of Sharia Financial Institutions with CSR during the Covid 19 Pandemic

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## Abstract

**Purpose** - This research was conducted with the aim of identifying the relationship between Islamic Ethical leadership on organizational performance with social responsibility as a mediation moderated by the covid 19 pandemic.

**Method** - The research data were obtained from BMT Al-Amin located in Wonosobo Regency, Central Java Province. Samples were taken from the population using census sampling. Data collection is taken directly from the object of research through a questionnaire. Then the data were analysed by Structural Equation Modelling (SEM) with Amos software version 20.

**Result** - From the research that has been done, it is found that Islamic Ethical leadership has an effect on organizational performance at BMT Al-Amin. CSR apparently does not mediate the relationship of Islamic Ethical leadership to organizational performance. And the COVID-19 pandemic has also not moderated CSR's relationship to organizational performance.

**Implication** - This study uses data on BMT Al-Amin, Wonosobo Regency, Central Java Province.

**Originality** - This paper looks at the relationship of ethical leadership to organizational performance with social responsibility as a mediation moderated by the covid 19 pandemic in order to support the creation of BMT growth in Wonosobo Regency during the covid 19 pandemic which is influenced by ethical leadership attitudes through CSR.

**Keywords:** islamic ethical leadership, social responsibility, Covid 19 pandemic.



## Introduction

The social responsibility approach to business is based on a sustainable progress paradigm exemplified by the contributions of great management thinkers (Randy Evans et al., 2013). SR continues to grow until this modern business era and includes it in its Management Control System to be socially responsible. Integrating the issue of social responsibility and social accounting from the perspective of how it should fit or be aligned with an organization's management control system (MCS) (Norris, Gweneth & O'Dwyer, 2004). This is done in order to maintain how the company can always be in an ethical and socially responsible position.

In order to go hand in hand between socially responsible and ethical in a company, a leader who has ethical values is needed. Experts have made the concept of ethical leadership, among others (Kanungo, 2001) noted that ethical leaders engage in actions and behaviors that are beneficial to others, and at the same time, they refrain from behaviors that can cause harm to others. other people. (Brown, M. E., Trevino, L. K., & Harrison, 2005) suggest that a combination of integrity, ethical standards, and fair treatment of employees is the cornerstone of ethical leadership. (Brown, Michael & Treviño, 2006) propose that ethical leadership, in its true sense, promotes ethical behavior by practicing and managing ethics and holding everyone accountable for it.

Talking about ethical leadership, most of the views are western. Rafik in his article reviews ethical leadership from an Islamic perspective. (Beekun and Badawi, 2005) Understanding the Islamic Normative approach to business ethics can help the wider world understand the mindset of Muslim entrepreneurs. Building Islamic leadership and social responsibility materials are rarely available in the field of Islamic business ethics (Beekun, 1997); (Saeed, Mohammad;Ahmed, Zafar U;Mukhtar, 2001); (Jamal Uddin, 2003).

The problem that the researchers raised in this study was how necessary during the Covid pandemic 19 companies implemented social responsibility supported by ethical leadership based on Islamic ethical values in running the



company. Meanwhile, in reality, many companies were unable to survive to operate, many of which ended up closing.

## Literature Review

### Organizational Performance

Performance shows the level of achievement of a mission in the workplace that develops employee jobs (Cascio WF., 2015). (Treacy M and Wiersema F., 1995) cited in (Zack M, 2009) suggest three organizational performance-related capabilities that provide the basis for competitive advantage: customer intimacy, product leadership and operational excellence. Product leadership refers to competition based on product and service innovation. Customer intimacy is related to competition in terms of strength of customer satisfaction and retention. On the other hand, operational excellence is related to competition with internal process efficiency (Cascio WF., 2015).

### Islamic Ethical Leadership

Leadership Ethics have been described in a number of ways. (Kanungo, 2001) noted that Ethical Leaders engage in actions and behaviors that benefit others, and at the same time, they refrain from behaviors that can cause harm to others. (Brown, M. E., Trevino, L. K., & Harrison, 2005) suggest that the combination of integrity, ethical standards, and fair treatment of employees is the foundation of ethical leadership. (Trevino, L. K., & Brown, 2004) propose that ethical leadership, in its true sense, promotes ethical behavior by practicing and managing ethics and holding everyone accountable for it. (Khuntia, R., & Suar, 2004) suggest that Ethical Leaders incorporate moral principles into their beliefs, values, and behavior.

Speaking of ethical leadership, most of the views are western. Rafik in his article reviews ethical leadership in an Islamic perspective. (Beekun and Badawi, 2005). Understanding the Islamic Normative approach to business ethics can help the world at large understand the mindset of Muslim entrepreneurs. Building Islamic leadership and social responsibility materials



is rarely available in the field of Islamic business ethics (Beekun, 1997); (Saeed, Mohammad;Ahmed, Zafar U;Mukhtar, 2001); (Jamal Uddin, 2003).

### **Social Responsibility**

The Industrial Revolution period was marked by the emergence of modern factories and large-scale business organizations, which gave rise to the need to deal with SR to the workforce. Robert Owen (1771-1858) As a successful entrepreneur, Owen realized that it was in the employer's best interest to support the welfare of his workers through fair treatment and adequate wages. At the beginning of the 20th century, the scientific management movement not only heralded a focus on task efficiency, but also emphasized improving working and living conditions.

Frederick Winslow Taylor, recommends equal responsibility between employees and management, with managers helping, encouraging, and paving the way for their employees (Randy Evans et al., 2013). The concept of SR was not formally defined until the mid-twentieth century (Howard R. Bowen, 1953), the seeds of SR emerged thousands of years ago and have grown with the evolution of commerce. Keith Davis, who is considered the pioneer of modern CSR, states that he was actually pushed into the arena of social problems by businessmen in the 1960s (Wokutch, 1998), where many businesses seemed lost at the time and were seeking guidance on how to deal with social problems that arise as a result of the operation of the company.

### **Arguments in favor of CSR**

Government regulations are often expensive and can limit alternative decisions. SR is of great benefit to companies, proactively engaging in socially responsible behavior to reduce government interference and restrictions (Davis, 1973). (Wood, D.J., 1991) asserts "businesses are responsible for the outcomes associated with their primary and secondary engagement areas with society." In simple terms, businesses are responsible for their own actions. SR actions and investments can reduce the risk of diversification in stock returns, lower the overall business risk of a company, and potentially



improve long-term risk-adjusted performance (François Boutin-Dufresne and Patrick Savaria, 2004).

### **Arguments against CSR**

Profit maximization is probably the most common argument against CSR policies (Davis, 1973). As stated by (Milton Friedman, 1970) that the main responsibility of the company is to its shareholders, pursuing social problems can reduce this goal and thus result in less productivity and weakened business (Davis, 1973). Businesses have limited resources and cannot afford to pay the bills for large community initiatives because they feel that these expenses often do not generate sufficient returns (Davis, 1973).

(McWilliams, Abigail & Siegel, 2001) present a theoretical argument that SR decisions should be evaluated exactly like all other investment decisions. If CSR policies increase the cost of goods, these costs will be passed on to the buyer (Davis, 1973). Combining social activity with economic activity will create a greater concentration of power. This argument is based on the fear of "big business" overpowering those with little power (Davis, 1973).

### **Pandemic Covid 19**

Corona virus or severe acute respiratory syndrome corona virus 2 (SARS-CoV-2) is a virus that attacks the respiratory system. This disease due to viral infection is called COVID-19. The Corona virus can cause minor disorders of the respiratory system, severe lung infections (pneumonia), and death.

Severe acute respiratory syndrome corona virus 2 (SARS-CoV-2), better known as the Corona virus, is a new type of corona virus that is transmitted to humans. Although it mostly affects the elderly, this virus can actually affect anyone, from babies to children to adults, including pregnant women and breastfeeding mothers. Corona virus infection is called COVID-19 (Corona Virus Disease 2019) and was first discovered in the city of Wuhan, China at the end of December 2019. This virus is spreading very quickly and has spread to almost all countries, including Indonesia, in just a few months.



This has led several countries to implement policies to impose lockdowns in order to prevent the spread of the Corona virus. In Indonesia itself, a Large-Scale Social Restriction (PSBB) policy was implemented to suppress the spread of this virus.

To date, the focus of research involving the implementation of collaborative activities during times of crisis has not been studied. Therefore, it is unclear how practitioners in organizations (small and large) can manage the interactions between cooperation and competition to address the potentially devastating effects of a widespread emergency (eg, COVID-19). In particular, there needs to be research to offer an illustration of the application of the various forms of SR that occur during a pandemic crisis, as well as the advantages and disadvantages for the companies involved (along with their customers and other key stakeholders (Crick, J. M., & Crick, 2020).

#### **Relationship between Islamic Ethical Leadership and Organizational Performance**

Ethical Leadership is the study of ethical issues and challenges that are unique to and inherent in the process, practice, outcome of leading and following. In organizations, the greatest ethical challenges stem from the pressure for results (eg, profit) at all costs (eg, harm to the individual or society) and the tension between self-interest. Leaders use power not for self-interest but for employee growth, organizational survival, and responsibility to society. Leaders are able to empower employees to the fullest by focusing on assessing and developing people by allowing autonomy and removing bureaucratic constraints. Ethical leadership creates the image of a leader who has ethics and becomes a role model, thus creating a conducive organization that is able to uphold high ethical standards (Mary Uhl-Bien, John R. Schermerhorn Jr., 2013). Understanding the Islamic Normative approach to business ethics can help the world at large understand the mindset of Muslim entrepreneurs. Building Islamic leadership and social responsibility materials is rarely available in the field of Islamic business ethics (Beekun, 1997); (Saeed, Mohammad;Ahmed,



Zafar U;Mukhtar, 2001); (Jamal Uddin, 2003). Based on the description above, the following propositions can be put forward:

*Islamic Ethical Leadership is a leader who has ethics and is a role model, has the ability to use his power for employee growth, organizational survival and responsibility to society in accordance with Islamic values so as to improve organizational performance.*

### **Islamic Ethical Leadership Relationship with Social Responsibility**

(Brown, M. E., Trevino, L. K., & Harrison, 2005) suggest that the combination of integrity, ethical standards, and fair treatment of employees is the foundation of ethical leadership. Ethical leadership is related to a variety of outcomes, including deviant behavior (Mayer, D. M., Aquino, K., Greenbaum, R. L., & Kuenzi, 2012); (Mayer, D. M., Kuenzi, M., Greenbaum, R., Bardes, M., & Salvador, 2009), task performance (Walumbwa, F. O., Mayer, D. M., Wang, P., Wang, H., Workman, C., & Christensen, 2011), voice behavior (Walumbwa, F. O., & Schaubroeck, 2009), and organizational citizenship behavior (Mayer, D. M., Kuenzi, M., Greenbaum, R., Bardes, M., & Salvador, 2009).

Several criteria are relevant in the Islamic ethical system from a stakeholder perspective: fairness and balance, trust, and virtue. The criterion of justice is explained by two words in the Qur'an: 'adl and qist; 'adl means "equity, balance". While Qist means "to share, portion, measure, allotment, [or] the amount". "Surely Allah loves those who act justly" (Al-Qur'an, 49: 9). In the company's relationship with shareholders, halal and haram guidelines are the main considerations where a company is not allowed to operate in an illegal business field. Then the company must be trustworthy in carrying out the funds invested by its shareholders. Then in the company's relationship with its employees, Islam teaches fair behavior, gender equality and does not exploit employees.

CSR is a scientific management movement that not only touts a focus on task efficiency, but also emphasizes improving working and living conditions (Owen, 1771-1858). Frederick Winslow Taylor, recommends equal responsibility between employees and management, with managers helping,



encouraging and paving the way for their employees (Frederick Winslow Taylor, 1911). Keith Davis, who is considered the pioneer of modern CSR, stated that he was actually pushed into the arena of social problems, where many businesses seemed lost at the time and were looking for guidance on how to deal with social problems that arose as a result of operating the company. Based on the description above, the following propositions can be submitted:

*Cooperate Social Responsibility (CSR) is the ability of an organization/ company to be able to improve working and living conditions, form equal responsibility between employees and management, encourage managers to be able to help and pave the way for employees to the arena of social problems, be able to deal with social problems that arise. as a result of the operation of the company. Increased CSR supported by ethical leadership can improve organizational performance.*

An empirical model of research on the relationship between Islamic Ethical leadership and organizational performance is formed, the authors propose the following hypothesis:

H1: Islamic Ethical leadership has an effect on organizational performance.

H2: Islamic Ethical leadership has an effect on social responsibility.

H3 : Islamic Ethical leadership has an effect on organizational performance through social responsibility.

During the Covid-19 pandemic, most companies experienced a decline in production, this resulted in a decline in company profits. So it becomes very difficult for companies to provide activities and funding related to Social Responsibility which obviously requires a lot of funds. Therefore, it is necessary to study more deeply how big the impact of the Covid-19 pandemic on corporate social responsibility is on organizational performance. From the explanation above, the researchers propose hypotheses, including:

H4: Social Responsibility has an effect on organizational performance.





H5: Social Responsibility affects organizational performance by being moderated by the covid 19 pandemic.

## Methods

The type of research used in this research is quantitative research. The method used through surveys is a method of collecting data by using questionnaires to obtain responses from respondents who became the sample in this study. This study is a quantitative study in which researchers seek to find direct and indirect effects of the independent variable, namely Islamic Ethical leadership on organizational performance with social responsibility mediating variables moderated by the covid 19 pandemic.

The population is a generalization area consisting of research objects or subjects that have certain quantities and characteristics that are determined by the researchers to be studied and then conclusions are drawn (Sugiyono, 2012) The population in this study are employees at BMT Al-Amin Wonosobo, which will take a sample of 105 people.

Sampling in this research uses certain considerations. according to (Hair et al., 2010) that if the sample size is too large, for example 400, then the method becomes very sensitive so it is difficult to get good goodness-of-fit measurements. So it is recommended that the minimum sample size is 5-10o observations for each parameter that is estimated.

In the Chisquere test of the SEM model which is sensitive to the number of samples, a good sample is needed ranging from 100-200 samples to draw the maximum likelihood estimation technique (Ferdinand, 2014). This study used a sample of 105.

Research requires data analysis and interpretation techniques that will be used to answer research questions to reveal certain phenomena. So that data analysis is a process of simplifying data into a form that is easier to read and interpret. The model that will be used in this study is a model of causality or relationship or influence and to test the proposed hypothesis.



**Table 1. Validity Test Result**

Variable	KisaranoKorelati	Sig	
IEL	0,750** - 0,830**	0,000	Valid
CSR	0,794** - 0,875**	0,000	Valid
CV	0,671** - 0,786**	0,000	Valid
KO	0,788** - 0,842**	0,000	Valid

Source: Processed primary data, (2021)

The use of the SEM analysis method is due to being able to identify the dimensions of a construct and at the same time being able to measure the influence or degree of relationship between the dimensions that have been identified (Ferdinand, 2014). According to (Ferdinand, 2014) a complete SEM model basically consists of Measurement Models or their empirical indicators. Structural Models are models of the structure of relationships that form or explain the quality between factors.

## Results and Discussion

The following are the results of the validity test of BMT Al-Amin employees in Wonosobo. According to (Imam Ghozali, 2016) the validity test was carried out by calculating the bivariate correlation between each indicator score and the total score. An indicator is declared valid if the correlation between indicators shows significant results at the 0.00 and 0.05 levels. The following is the result of processing the questionnaire data for BMT Al-Amin employees:

The data in the table 1, it can be concluded that all indicators of the validity test are declared valid. This is because the correlation between indicators shows significant results, which is less than 0.05.

The reliability test was carried out on items that were considered valid. Reliability is an index that shows the extent to which a measuring instrument can measure if performed by the same person at different times, then the measuring instrument is reliable. According to (Ghozali, 2005) the level of reliability of a construct can be seen from the results of the Cronbach Alpha statistical test. A construct is said to be reliable if it gives a Cronbach Alpha value > 0.06. The results of data processing in this study are as follows:

**Table 2. Reliability Test Result**

Variable	Cronbach Alpha	Limit	
IEL	0,719	0,6	Reliable
CSR	0,840	0,6	Reliable
CV	0,663	0,6	Reliable
KO	0,828	0,6	Reliable

Source: Processed primary data, (2021)

From the table data above, it is based on information (Ghozali, 2005) which explains that the indicators and variables are said to be reliable if the Cronbach Alpha value is  $> 0.06$ . Based on this information, it can be concluded that all variables are reliable.

In this study, the data analysis technique used is Structural Equation Modeling (SEM) with AMOS software because the amount of data used in this study was 105 respondents, with the following steps:

#### **Development of Theory-Based Models**

The first step in developing an SEM model is the development or search for a model that has a strong theoretical justification. A researcher must conduct a series of intense literature studies in order to obtain justification for the theoretical model developed.

#### **Flowchart Development**

The development of the diagram will make it easier for researchers to see causality relationships that they want to test. Researchers usually work with “constructs” or “factors”, namely concepts that have sufficient theoretical footing to explain various relationships. The constructs built in the flowchart can be divided into two groups, namely endogenous constructs and exogenous constructs.

A summary of the structural equation modeling can be seen in the following table 3.



**Table 3. Output Full Modified Model**

Goodness of fit index	Cut-off Value	Estimation	Description
Chi-square ( $\chi^2$ )	Expected small	48,745	Good
Significance probability	$\geq 0,05$	0,190	Good
RMSEA	$\leq 0,08$	0,040	Good
GFI	$\geq 0,90$	0,931	Good
AGFI	$\geq 0,90$	0,889	Marginal
CMIN/DF	$\leq 3,00$	41,00	Good
TLI	$\geq 0,95$	0,981	Good
CFI	$\geq 0,95$	0,986	Good

Source: Processed primary data, (2021)

It appears that the existing test has met the specified requirements or is close to the recommended value, in this case it is AGFI if  $> 0.08$  to  $0.90$  is in the marginal category. Thus, it is stated that the model has been declared fit for analysis (Setyo Hari Wijanto, 2008).

### SEM Assumption Test

#### Data Normality

The data distribution to be normal at a significance level of  $0.05$  if the critical ratio (CR) skewness is not more than  $\pm 2.58$  (Santoso, 2007).

**Table 4. Normality Test Results**

Variable	Min	Max	Skew	c.r.	kurtosis	c.r.
CSR4	2,000	5,000	-,593	-2,482	-,257	-,537
CSR3	2,000	5,000	-,389	-1,628	-,868	-1,815
CSR2	2,000	5,000	-,545	-2,281	-,214	-,448
CSR1	2,000	5,000	-,447	-1,871	-,511	-1,070
KO4	2,000	5,000	-,580	-2,425	,551	1,153
KO3	2,000	5,000	-,896	-3,748	,157	,329
KO2	2,000	5,000	-,835	-3,493	,064	,134
KO1	2,000	5,000	-,593	-2,480	-,177	-,370
IEL3	2,000	5,000	-,390	-1,632	-,557	-1,166
IEL2	2,000	5,000	-,533	-2,231	-,329	-,688
IEL1	2,000	5,000	-,601	-2,513	-,424	-,887
Multivariate					2,998	,908

Source: Processed primary data, (2021)



Table 5. Data Univariate Outliers

	N	Minimum	Maximum	Mean	Std. Deviation
Zscore(CV1)	105	-2,08812	1,16007	,0000000	1,0000000
Zscore(CV2)	105	-2,55049	1,16898	,0000000	1,0000000
Zscore(CV3)	105	-2,99339	1,16043	,0000000	1,0000000
Zscore(CV4)	105	-2,12641	1,25056	,0000000	1,0000000
Zscore(EL1)	105	-2,32361	1,08075	,0000000	1,0000000
Zscore(EL2)	105	-2,64515	1,12508	,0000000	1,0000000
Zscore(EL3)	105	-2,94474	1,15966	,0000000	1,0000000
Zscore(CSR1)	105	-2,72455	1,14136	,0000000	1,0000000
Zscore(CSR2)	105	-2,55049	1,16898	,0000000	1,0000000
Zscore(CSR3)	105	-2,41188	1,10545	,0000000	1,0000000
Zscore(CSR4)	105	-2,36246	1,14780	,0000000	1,0000000
Zscore(KO1)	105	-2,57507	1,12880	,0000000	1,0000000
Zscore(KO2)	105	-2,83215	,93210	,0000000	1,0000000
Zscore(KO3)	105	-2,52545	,94842	,0000000	1,0000000
Zscore(KO4)	105	-2,90783	1,31322	,0000000	1,0000000
Valid N (listwise)	105				

Source: Processed primary data, (2021)

Based on the table 4, it can be seen that the value of c.r for multivariate is 0.908 which is  $\pm 2.58$  so it can be concluded that the data are normally distributed in multivariate manner.

### Outliers Test

Testing the presence or absence of univariate outliers by analyzing the value (Z-score) of the research data used. If there is a Z score in the range + 3, it will be categorized as an outlier (Wuryanto, 2007). The results of data processing for testing the presence or absence of outliers are in the following figure table 5. The test results show that none of the dimensions has outliers. Thus it can be concluded that there are no extreme data.

### Multivariate Outliers

Evaluation of multivariate outliers needs to be done because even though there are data analyzed showing no outliers at the univariate level, these observations can become outliers when they are combined. The Mahalanobis distance for each observation can be calculated and will show the distance of



**Table 6. Multicollinearity Test Result**

Variable	Tolerance	VIF	Description
IEL	0,766	1,306	There is no multicollinearity
CSR	0,766	1,306	There is no multicollinearity
CV	0,999	1,001	There is no multicollinearity

Source: Processed primary data, (2021)

An observation from the average of all variables in a multidimensional space. Based on the output results above, it can be seen that there are no extreme data so that there are no outliers and can be carried out to the next stage.

**Evaluation and Multicolleniarity and Singularity**

The next test of the data is to see if there is multicollinearity and singularity can be seen from the tolerance value of more than 0.1, the value of VIFo less than 10. The following table 6 shows the results of multicollinearity and singularity.

Based on the table above, it can be seen that all variables have a tolerance value of more than 0.1. While the VIF value also shows the same thing, namely all variables have a VIF value of less than 10. So it can be concluded if there is no multicolleniarity and singularity.

**Hypothesis Testing and Discussion**

After all the assumptions can be met, then the hypothesis testing will be carried out as proposed in the next chapter. Hypothesis testing in this study was carried out based on the Critical Ratio (CR) value of a causal relationship from the results of SEM processing as shown in the following figure:

**Table 7. Regression WeightoStructural Equations Model**

			Estimate	S.E.	C.R.	P	Label
CSR	<---	Islamic_Ethical_Leadership	,608	,138	4,410	***	par_11
Organisasi_Performance	<---	Islamic_Ethical_Leadership	,654	,166	3,933	***	par_6
Organisasi_Performance	<---	CSR	,304	,143	2,122	,034	par_10

Source: Processed primary data, (2021)



The results of the mediation test using Sobel (Sobel Test) obtained the following results:

$$\text{Sat} = 0,3042 \cdot 0,1382 + 0,6082 \cdot 0,1432 + 0,1382 \cdot 0,1432$$

$$\text{Sat} = 0,092 \cdot 0,019 + 0,369 \cdot 0,020 + 0,019 \cdot 0,020$$

$$\text{Sat} = 0,002 + 0,007 + 0,001$$

$$\text{Sat} = 0,01$$

$$\text{Sat} = 0,1$$

$$t = 0,019$$

$$0,1$$

$$t = 0,197$$

The t-count value is compared with the t-table value, if the t-count value > the t-table value, it can be concluded that there is a mediation effect (Thing, 2018). The calculated t value of 0.197 is smaller than the t table value (n-1, 105-1=104) of 1.66, which means that social responsibility does not mediate the relationship between Islamic Ethical leadership and organizational performance at BMT Al-Amin Wonosobo.

### **H1: Islamic Ethical leadership has a positive influence on Organizational Performance**

The estimated parameter for testing Ethical Leadership on Organizational Performance shows a CR value of 3.933 with a probability of 0.000. Because these two things meet the requirements for H2 acceptance, namely CR 3.933 is greater than 1.96 and probability is less than 0.05. Thus it can be concluded that Islamic Ethical leadership has an effect on Organizational Performance. This means that the better the Islamic Ethical leadership, the higher the Organizational Performance.

Research is in line with research conducted by (Mulyadi, 2021) which proves that Islamic Ethical leadership has a positive and significant effect on organizational performance. The results of the study (Yates, 2011) High ethical leadership shows job satisfaction and higher organizational commitment than



low ethical leadership. (Sutherland, 2010) Ethical leadership has an effect on transformational and transactional leadership. Ethical leadership affects organizational commitment. (Brown, M. E., Trevino, L. K., & Harrison, 2005) describes the characteristics of an ethical leader is someone with a personal character who is honest, trustworthy, fair, puts the public interest above his own interests when making decisions. Ethical leaders apply ethical, moral principles in their personal and professional lives. This study proves that empirically ethical leadership has a significant positive effect on organizational performance. The higher the ethical leadership, the better the organizational performance.

### **H2: Islamic Ethical leadership has a positive effect on CSR**

The parameter estimation for testing Islamic Ethical leadership on CSR shows a CR value of 4.410 with a probability of 0.000. Because these two things meet the requirements for H1 acceptance, namely CR 4.410 greater than 1.96 and probability less than 0.05. Thus it can be concluded that Ethical Leadership has an effect on CSR. This means that the better a leader and has ethical values, the implementation of CSR will increase as well.

This result is in line with research (Ria Anindita, 2020) which states that the role of leadership ethics in corporate CSR practices is very high. When leaders behave ethically, it will influence decision making in CSR practices.

### **H3 : Islamic Ethical leadership has a positive influence on Organizational Performance through CSR**

The results of the mediation test using the Sobel test obtained a t-count of 0.197, this is smaller than the t-table of 1.66. Thus, it can be said that CSR does not mediate the relationship between Ethical Leadership and Organizational Performance. Ethical leadership relationships based on good attitudes, policies and decisions and in accordance with the ethical values adopted in the organization will motivate employee performance without having to apply CSR excessively.

### **H4 : CSR has a positive influence on Organizational Performance**





The parameter estimation for testing CSR on Organizational Performance shows a CR value of 2.122 with a probability of 0.034. Because these two things meet the requirements for H1 acceptance, namely CR 2.122 is greater than 1.96 and probability is less than 0.05. Thus it can be concluded that CSR has an effect on Organizational Performance. This means that the more companies implement CSR, the organizational performance will increase.

This study is in line with previous research conducted by (Singh and Misra, 2021) which stated that CSR, when carried out on external stakeholders, affects organizational performance. These results are not in line with research conducted by (Siddiq and Javed, 2014) which states that the regression results are not significant and appear to reject the proposed model. Namely the relationship of CSR to the improvement of organizational performance. The existence of these different research results can be a more in-depth study for further research.

#### **H5 : The Covid 19 pandemic moderates the relationship between CSR and Organizational Performance.**

The results of the moderation test using the available amos software stated that there was no moderation between CSR and organizational performance. From this research, it is evident that the implementation of CSR does not strengthen organizational performance during the covid 19 pandemic. CSR is a must for companies to empathize with their environment which is in a state of calamity. Generating a sense of togetherness that will create sympathy and the existence of the company towards its environment. If the environment is good, the company will be able to carry out its operations safely and well, even though it does not directly improve organizational performance.

#### **Conclusion**

Implementing social responsibility during the Covid-19 pandemic requires careful calculations that need to be done by an ethical leader in pumping up organizational performance improvements. The foresight of a leader in implementing a social responsibility policy is needed so that it is appropriate and does not backfire which can reduce organizational performance.



Ethical leaders are chosen in order to become role models for members of the organization/ company to improve working and living conditions, establish equal responsibilities between employees and management, encourage managers to be able to help and pave the way for employees to the arena of social problems, be able to deal with social problems that are arises as a result of the operation of the company.

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