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Transformation of Pesantren's Role in the Islamic Economic Ecosystem: From Islamic Educational Institution to Agent of Community Empowerment

Ririn Noviyanti*[1], Nur Asnawi[2], & Umrotul Khasanah[2]

[1]Universitas Al-Qolam Malang & Islamic Economics Student Postgraduate Program Universitas Islam Negeri Maulana Malik Ibrahim, Malang, 65144, Indonesia
[2]Universitas Islam Negeri Maulana Malik Ibrahim, Malang, 65144, Indonesia

ABSTRACT

Purpose – This study examines the transformation of *pesantren* from Islamic educational institutions into community empowerment agents within the Islamic economic ecosystem. It explores strategies for economic self-sufficiency, empowerment mechanisms, and key implementation challenges.
Design/methodology/approach – This study develops a conceptual framework through a literature-based approach, combining systematic literature review elements with secondary quantitative data. A total of 122 documents published between 2020 and 2026 were synthesized, alongside secondary data from Kemenag RI, P3M, LIPI, BPS, and OJK.
Findings – The findings indicate that only 28% of *pesantren* operate independent business units, while 72% remain dependent on donations. Major challenges include limited access to shariah financing, business legality gaps, and low digital literacy. The analysis also identifies a digitalization paradox, where digital adoption is strongly associated with higher income despite its relatively low implementation across *pesantren*.
Originality/Value – This study contributes by conceptualizing *pesantren* as theologically embedded hybrid organizations and proposing a conceptual framework for the Pesantren Economic Independence Index (PEII). It further introduces the concepts of virtuous institutional recursion and the legitimacy–efficiency paradox, providing a foundation for future empirical research on Islamic educational institutions and community economic empowerment.

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*Corresponding Author at:
Universitas Al-Qolam Malang & Sharia Economic Doctoral Program, Universitas Islam Negeri Maulana Malik Ibrahim, Malang, 65144, Indonesia
E-mail address: ririn@alqolam.ac.id (Ririn Noviyanti)

1. Introduction

Since their inception, pesantren have served as cornerstone institutions shaping Indonesia's spiritual, academic, and societal development. As of 2023, Indonesia's pesantren network comprises 39,167 institutions accommodating 4.52 million students nationwide. Provincial distribution reveals East Java leading with 31%, followed by West Java (22%) and Central Java (18%) (Kemenag RI, 2023). Beyond their primary function as centers of Islamic learning, recent studies demonstrate significant contributions of pesantren to local and regional economic ecosystems (Fahmi & Aswirna, 2023; Muhardi, Handri, & Ihwanudin, 2022). Beyond their traditional religious pedagogy, pesantren have evolved into multifunctional entities serving as launchpads for entrepreneurship, financial education platforms, and catalysts for community uplift, effectively connecting spiritual learning with socioeconomic progress.

Despite their considerable potential, the level of economic self-sufficiency among pesantren remains relatively low. According to P3M's 2022 assessment, 28% of surveyed pesantren operate self-sustaining commercial ventures, while only 12% generate annual turnover surpassing Rp 500 million. Conversely, 65% of pesantren remain heavily dependent on donations and infaq (charitable giving) from santri and the broader community as their primary income sources (BPS, 2023).

In fulfilling their functions, pesantren maintain strong spiritual dimensions, inculcating Islamic ethics into economic and social activities in alignment with maqashid al-shariah principles (Jazil et al., 2021; Yustanti, Dini, & Wijaya, 2025). Economically, pesantren have emerged as institutions engaged in shariah-compliant business, halal industry, and community-based entrepreneurship, exemplified by programs such as One Pesantren One Product and zakat-based microfinance initiatives (Molasy et al., 2024; Qizam, Berakon, & Ali, 2025; Rahmah & Hilmy, 2025). The OPOP program in East Java, for instance, has involved 1,200 pesantren and participating pesantren reported an average income increase of 42%, from Rp 87 million to Rp 124 million annually (Diskopukm Provinsi Jawa Timur, 2023). It should be noted that this is based on self-reported data and does not establish causation.

1.1 Theoretical Framework

This study employs maqashid al-shariah as the primary analytical framework, supported by hybrid organization theory and institutional theory as complementary lenses. The maqashid framework (Jazil et al., 2021) provides institutional sequencing that explains pesantren transformation: religious preservation (hifz al-din) provides foundational legitimacy; intellectual preservation (hifz al-'aql) develops human capital; social preservation (hifz al-nafs wa al-nasl) builds community trust; and wealth preservation (hifz al-mal) ensures economic sustainability. This sequencing offers explanatory power for why integrated pesantren—those maintaining spiritual foundations alongside economic activities—show associations with higher economic indicators.

Two supporting theories further illuminate this transformation. Hybrid organization theory (Battilana & Lee, 2014) frames pesantren as institutions simultaneously pursuing social and economic missions, yet distinct through what we term 'moral embeddedness'—profit subordinated to communal benefit (maslahah). Unlike secular social enterprises, pesantren maintain spiritual governance (kyai authority integrating educational and economic decisions) and endogenous capacity building (santri developing skills within the system). Institutional theory (DiMaggio & Powell, 1983; Scott, 2014) reveals coercive (policy), normative (professionalization), and mimetic (emulation) pressures shaping pesantren economic behavior. However, pesantren face a distinctive 'legitimacy-efficiency paradox': maintaining religious authenticity while pursuing modernization. Successful institutions navigate this through selective adaptation: adopting modern technologies while preserving traditional practices.

1.2 Research Gaps and Study Objectives

Existing scholarship on pesantren economic engagement exhibits three theoretical limitations. First, studies tend to adopt a sectoral approach, examining education (Safiudin et al., 2024), entrepreneurship (Iltiham & Rohtih, 2023), or community development (Muhardi et al., 2022) as discrete phenomena, thereby obscuring the institutional logic that integrates these functions. Second, while maqashid al-shariah has been invoked to frame pesantren economic activities (Jazil et al., 2021; Yustanti et al., 2025), these applications remain descriptive rather than explanatory, they identify alignment with Islamic principles but do not theorize how this alignment generates distinctive organizational behavior. Third, institutional theory has been applied to Islamic education (Zaki et al., 2022), yet has not systematically examined how pesantren maintain religious legitimacy while pursuing economic diversification, a tension that conventional organizations do not face.

This study addresses these gaps by proposing a conceptual model that positions pesantren at the intersection of Islamic education, ethical entrepreneurship, and community economic empowerment, supported by contemporary empirical data. This study aims to: (1) examine strategies employed by pesantren to achieve economic self-sufficiency; (2) analyze their contributions to community socio-economic empowerment; (3) explore pesantren integration within the Islamic economic ecosystem; and (4) identify gaps and challenges to formulate practical recommendations.

2. Methodology

2.1 Article Type and Methodological Positioning

This study is positioned as a conceptual framework-development paper that synthesizes existing literature and secondary quantitative data to propose an integrated theoretical model and measurement index for understanding pesantren economic transformation. Consistent with conceptual paper conventions (Jaakkola, 2020; Gilson & Goldberg, 2015), the primary contribution lies in theoretical integration, framework development, and proposition generation rather than primary empirical testing. The study employs systematic literature review elements to identify, synthesize, and evaluate relevant evidence, combined with secondary data integration to ground the conceptual framework in contemporary empirical patterns.

This methodological positioning is appropriate given: (1) the need to synthesize dispersed empirical evidence across Indonesia's 39,167 pesantren, (2) the theoretical objective of developing an integrated conceptual model requiring engagement with diverse scholarly traditions, and (3) the availability of large-scale national surveys enabling empirical pattern identification without resource-prohibitive primary fieldwork.

2.2 Research Design

The conceptual framework development follows the interpretivist epistemology, acknowledging that pesantren economic transformation is context-dependent and socially constructed (Creswell & Poth, 2018).

2.3 Literature Search Strategy

Search Databases and Timing

Systematic searches were conducted across five databases to ensure comprehensive coverage of both international and Indonesian scholarship:

Table 1. Databases Used in the Systematic Literature Search

Database	Coverage	Rationale

Database	Coverage	Rationale
Scopus	International peer-reviewed journals	Premier multidisciplinary database; high-quality Islamic economics and education scholarship
Web of Science	International peer-reviewed journals	Complementary coverage to Scopus; ensures comprehensive international literature
Google Scholar	Broad academic literature	Captures non-indexed journals, reports, and Indonesian-language publications
DOAJ	Open access journals	Ensures accessibility; captures emerging scholarship
Indonesia OneSearch	Indonesian academic databases	Essential for capturing Indonesian-language pesantren scholarship; integrates national repositories

The search was conducted between January 15 and February 28, 2024, with an update search performed on January 10-15, 2025, to capture 2025-2026 publications.

2.4 Search Keywords and Boolean Operators

The following Boolean search strings were applied to title, abstract, and keyword fields, adapted for each database's syntax:

Primary Search String:

("pesantren" OR "Islamic boarding school" OR "pondok pesantren") AND ("economic empowerment" OR "financial independence" OR "economic self-sufficiency" OR "community development") AND ("Islamic economics" OR "maqashid al-shariah" OR "social entrepreneurship" OR "shariah business")

Supplementary Search Strings (for specific aspects):

a) ("pesantren" OR "Islamic boarding school") AND ("digital economy" OR "digitalization" OR "fintech")

b) ("pesantren" OR "Islamic boarding school") AND ("OPOP" OR "One Pesantren One Product")

c) ("pesantren" OR "Islamic boarding school") AND ("halal" OR "halal industry" OR "halal certification")

d) ("pesantren" OR "Islamic boarding school") AND ("zakat" OR "waqf" OR "microfinance" OR "shariah financing")

Database-Specific Search Adjustments:

Table 2. Database Specific Search Adjustments and Modifications

Database	Search Modifications
Scopus	TITLE-ABS-KEY search; limited to 2020-2026; English/Indonesian only
Web of Science	Topic search (TS); refined by document type (articles, reviews, proceedings)
Google Scholar	Advanced search with exact phrase matching; limited by publication date
DOAJ	Title and abstract search; open access journals only
Indonesia OneSearch	Indonesian language search terms; national repository integration

Inclusion Criteria

Documents were included if they met all of the following criteria:

a) Publication date: 2020-2026 (to ensure contemporary relevance)

b) Subject focus: Address pesantren economic activities, community empowerment, or institutional transformation

c) Geographic focus: Indonesia (primary); other Muslim-majority contexts accepted if comparative relevance established

d) Source credibility: Peer-reviewed journals, government/official reports, national survey reports, academic conference proceedings, scholarly books

e) Language: English or Indonesian

f) Analytical contribution: Provides empirical evidence, theoretical framework, or analytical synthesis (not merely descriptive)

Exclusion Criteria

Documents were excluded if they met any of the following criteria:

a) Purely normative works: Islamic legal opinions without empirical or analytical contribution

b) Non-economic education studies: Focus exclusively on pedagogy, curriculum, or religious instruction without economic dimensions

c) Non-Indonesian contexts: Studies of Islamic boarding schools in other countries without comparative analysis

d) Descriptive works without analytical contribution: Mere description without theoretical framework or analytical interpretation

e) Pre-2020 publications: Without updated relevance (unless foundational theoretical works)

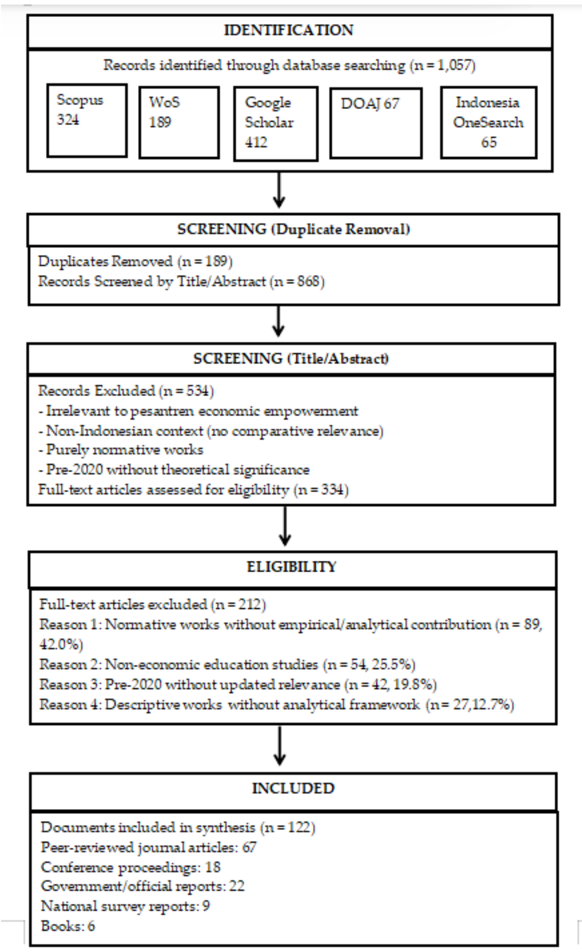
f) Non-peer-reviewed non-official sources: Blogs, news articles, unverified online sources

g) Duplicate publications: Same study published in multiple venues

2.5 Screening and Selection Process (PRISMA Style)

The identification-screening process followed PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines (Page et al., 2021). Figure 1 presents the flow diagram documenting each stage.

Figure 1. PRISMA-Style Flow Diagram of Literature Search and Screening Process



2.6 Evidence Quality Assessment

Given the inclusion of diverse source types with varying evidentiary strength, a systematic quality appraisal framework was applied. Consistent with conceptual review conventions (Torraco, 2005), sources were categorized based on methodological rigor, data collection transparency, and analytical depth. This classification informed the weight assigned to each source in the synthesis and the confidence with which findings are presented.

Quality Appraisal Criteria

Each source was assessed against four quality criteria:

a) Methodological Rigor: Does the source employ systematic methods? (e.g., clear research design, transparent data collection, appropriate analytical techniques)

b) Data Quality: Are data collection procedures transparent? (e.g., sample size, sampling method, response rates, measurement validity)

c) Analytical Depth: Does the source provide analytical interpretation beyond description? (e.g., theoretical framework, causal reasoning, comparative analysis)

d) Source Credibility: Is the source from a reputable institution/publication? (e.g., peer-review status, institutional authority, methodological reputation)

Evidence Quality Classification

Based on these criteria, sources were classified into four evidence levels:

Table 3. Evidence Quality Classification by Source Type and Methodological Rigor

Evidence Level	Source Type	Number	Quality Criteria	Weight in Synthesis	Example Sources
High	Peer-reviewed empirical studies	67	Systematic methodology; transparent data collection; analytical framework; peer-reviewed; generalizable findings	Primary evidence: findings reported with confidence	P3M (2022); LIPI (2024); Jazil et al. (2021); Qizam et al. (2025)
Medium-High	Official government reports with systematic data	22	Large-scale data collection; official institutional authority; systematic documentation; transparent methodology	Supporting evidence: findings reported as indicative patterns	Kemenag EMIS (2023); BPS (2023); OJK (2023); Diskopukm Jatim (2023)
Medium	Conference proceedings	18	Peer-reviewed but typically preliminary; smaller samples; limited generalizability; often work-in-progress	Illustrative evidence: findings reported as preliminary indicators	Selected conference papers from AIP Conference Proceedings; SoRes 2021
Medium-Low	Survey reports (self-reported data)	9	Self-reported data may contain bias; sampling limitations; but large-scale and systematically collected	Contextual evidence: findings triangulated with other	National Survey (2024) - self-reported pesantren manager

Evidence Level	Source Type	Number	Quality Criteria	Weight in Synthesis	Example Sources
				sources	perceptions
Low	Books, descriptive works, normative works	6	Synthesis of prior work; advocacy orientation; descriptive rather than analytical; no primary data	Contextual evidence: used for framing, not direct claims	Dhofier (2011); Geertz (1973); Ziemek (1986)

Quality Appraisal Process

Each document underwent the following assessment process:

a) Initial Screening: All documents meeting inclusion criteria were assessed for basic quality (peer-review status, institutional authorship, publication venue)

b) Detailed Assessment: Documents passing initial screening were assessed against the four quality criteria using a standardized appraisal form

c) Classification: Documents were assigned to evidence levels based on cumulative quality assessment

d) Weighting in Synthesis: The evidence level determined the weight assigned in synthesis:

i. High evidence: Findings reported with confidence; used as primary support for arguments

ii. Medium-High evidence: Findings reported as indicative patterns; triangulated with high evidence where possible

iii. Medium evidence: Findings reported as preliminary indicators; presented with cautionary language

iv. Medium-Low evidence: Findings reported as suggestive; explicitly noted as self-reported or preliminary

v. Low evidence: Used for contextual framing; not used as primary evidence for empirical claims

Quality Assessment of Principal Secondary Data Sources

To ensure transparency, the quality of the five principal secondary data sources was assessed:

Table 4. Quality Assessment of Principal Secondary Data Sources

Source	Evidence Level	Quality Strengths	Quality Limitations	Weight in This Study
P3M Survey (2022)	Medium-High	Large sample (n=1,200); systematic survey design; independence index methodology	Self-reported revenue; cross-sectional; ~3% of total population	Primary supporting source for economic independence findings
LIPI National Survey (2024)	Medium-High	Large sample (n=1,200); collaboration with Kemenag; comprehensive variables	Self-reported; cross-sectional; Java-overrepresented	Primary supporting source for digital adoption and challenges
Kemenag EMIS (2023)	Medium-High	Census data (39,167); official government statistics; systematic collection	Administrative data; limited economic variables	Primary source for demographic and distribution data
BPS (2023)	Medium-High	Official national statistics; systematic methodology	Aggregate data; not pesantren-specific	Supporting source for economic activity

Source	Evidence Level	Quality Strengths	Quality Limitations	Weight in This Study
				context
OJK (2023)	Medium-High	Official banking statistics; systematic data collection	Banking sector focus; pesantren data indirectly inferred	Primary source for shariah financing access data

Interpretation Guidelines

Based on this quality assessment, the following interpretation guidelines were applied throughout the manuscript:

Table 5. Interpretation Guidelines by Statement Type and Evidence Level

Statement Type	Evidence Required	Language Used
Empirical patterns	High + Medium-High (triangulated)	"Data show..." "Findings indicate..."
Associations	Medium-High (primary)	"X is associated with Y" "X shows correlation with Y"
Indicative patterns	Medium (primary) or Medium-Low (with triangulation)	"Suggests..." "May reflect..." "Indicates..."
Preliminary observations	Medium-Low (with caution)	"Preliminary evidence suggests..." "Some pesantren report..."
Theoretical framing	Low (contextual)	Used for theoretical background, not empirical claims

Examples of Quality-Appropriate Interpretation

Table 6. Examples of Quality-Appropriate and Inappropriate Interpretations by Source Type

Source Type	Example Finding	Appropriate Interpretation	Inappropriate Interpretation
P3M Survey (n=1,200)	28% operate independent business units	"Data indicate that 28% of surveyed pesantren operate business units"	"28% of all Indonesian pesantren operate business units" (overgeneralization)
LIPI Survey (self-reported)	51% report limited digital literacy	"Fifty-one percent of surveyed managers reported limited digital literacy"	"Digital literacy is lacking in 51% of pesantren" (claim of objective condition)
Diskopukm Jatim (2023)	42% income increase	"Participating pesantren reported an average income increase of 42%"	"OPOP program causes 42% income increase" (causal overclaim)

2.7 Secondary Quantitative Data Sources

Secondary data were integrated from five principal sources:

Table 7. Principal Secondary Quantitative Data Sources and Search Parameters

Source	Year	Sample	Key Variables	Search Method	Search Terms Used
Kemenag RI (EMIS)	2023	39,167 pesantren	Demographics, enrollment, distribution	Official repository search; EMIS portal	"pondok pesantren" AND "statistik" AND "2023"; "EMIS Pendis"
P3M	2022	1,200	Business units,	Repository	"indeks kemandirian

Source	Year	Sample	Key Variables	Search Method	Search Terms Used
Survey		pesantren	revenue, independence index	search; Google Scholar	ekonomi pesantren" AND "P3M" AND "2022"
LIPI National Survey	2024	1,200 pesantren	Digital adoption, empowerment models, challenges	LIPI publication database; Google Scholar	"survei nasional pemberdayaan ekonomi pesantren" AND "LIPI" AND "2024"
BPS	2023	National statistics	Economic activities, income sources	BPS official statistics portal	"statistik pesantren" AND "BPS" AND "2023"; "pendidikan keagamaan Islam"
OJK	2023	Banking sector data	Shariah financing access, financial inclusion	OJK publication repository	"statistik perbankan syariah" AND "pesantren" AND "OJK" AND "2023"

Secondary Data Search Dates: All secondary data sources were accessed between February and March 2024. Official statistical reports (Kemenag, BPS, OJK) are annual publications with 2023 as the most recent available year. Survey data (P3M, LIPI) reflect 2022-2024 fieldwork periods as reported by their respective institutions.

Secondary Data Limitations:

1) 1,200 sample represents ~3% of total pesantren (39,167)
2) Self-reported revenue may contain reporting bias
3) Temporal discrepancies across 2022-2024 data collection periode
4) Definitional variations in "business unit" and "independence" across surveys
5) Overrepresentation of Javanese contexts (East Java 31%, West Java 22%)
6) Cross-sectional design prevents causal inference

2.8 Data Analysis Procedures

Data analysis followed Braun & Clarke's (2006) six-phase thematic analysis framework:

Table 8. Six-Phase Thematic Analysis Framework Applied in the Study

Phase	Activity	Outcome	Notes
Familiarization	Full reading of 122 documents; document summaries	Initial understanding of corpus	Document summary sheets created
Initial Coding	Open coding using NVivo 14; inter-coder reliability κ=0.82	287 initial codes	20% double-coding by second author
Theme Identification	Grouping codes into themes guided by research questions	12 potential themes	Research questions used as initial framework
Theme Review	Internal/external coherence checking	4 primary domains	Coherence: all data fit; external: known literature
Theme Definition	Defining boundaries and relationships	Education, Spirituality, Social Cohesion, Economic Empowerment	-

Phase	Activity	Outcome	Notes
Writing	Narrative integration with quantitative substantiation	Results and discussion	-

Full-Text Exclusion Reasons (n=212):

Table 9. Full-Text Exclusion Reasons with Frequencies and Percentages

Exclusion Reason	Number	Percentage	Examples
Normative works without empirical/analytical contribution	89	42.0%	Islamic legal opinions, exhortative articles, editorial commentaries
Non-economic education studies	54	25.5%	Pedagogy-only, curriculum-only, character education without economic dimension
Pre-2020 without updated relevance	42	19.8%	Outdated economic analyses, superseded by newer scholarship
Descriptive works without analytical framework	27	12.7%	Program reports without evaluation, journalistic accounts, institutional profiles
Total	212	100%	

Integration of quantitative data employed: (1) descriptive statistics extraction and tabulation, (2) cross-validation through triangulation across multiple sources, (3) contextualization within qualitative thematic framework, and (4) weighting priority to nationally representative surveys.

2.9 Trustworthiness and Credibility

Following Lincoln & Guba (1985), we employed:

Table 10. Trustworthiness and Credibility Criteria with Applied Strategies

Criterion	Strategy
Credibility	Source triangulation; peer debriefing; audit trail
Transferability	Thick description; comparative tables
Dependability	Consistent methodological application; independent verification (20% double-coding)
Confirmability	Transparent methodology; researcher positionality disclosure

2.10 Limitations

Five methodological limitations are acknowledged: (1) secondary data dependency preventing primary verification, (2) language restriction to English/Indonesian excluding Arabic sources that may contain relevant pesantren economic scholarship, (3) temporal lag in some quantitative data, (4) limited generalizability beyond Indonesian context, and (5) inability to establish causal relationships without longitudinal designs. Furthermore, as a conceptual paper, the proposed PEII framework requires empirical validation through primary fieldwork before it can be considered a validated measurement instrument.

3. Results & Discussion

3.1 Multidimensional Roles of Pesantren

Pesantren operate as complex institutional frameworks where educational, spiritual, social, and economic functions converge in reciprocal reinforcement, generating a self-sustaining developmental ecology, as summarized in Table 1.

Table 11. Pesantren Roles as Multi-Dimensional Institutions

Domain	Strategy/Model	Outcome	Supporting Data	References
Education	Vocational & entrepreneurship training, digital literacy	Santri skill development	78% of santri in OPOP partner pesantren possess vocational skills	National Survey, 2024; Iltiham & Rohtih, 2023
Spirituality	Religious instruction, ethical guidance	Socially responsible behavior	92% of pesantren business units utilize "shariah-compliant" labeling	LIPI, 2024; Jazil et al., 2021
Social Cohesion	Community cooperatives, microfinance	Inclusive development, social networks	Pesantren cooperatives increase member savings by 22%/year	Kemenkop UKM, 2023; Molasy et al., 2024
Economic Empowerment	Shariah business, halal industry, zakat	Financial independence	45% of pesantren derive income from own business units (contributing 28% of total income)	P3M, 2022; Fahmi & Aswirna, 2023

The findings presented in Table 1 demonstrate that pesantren simultaneously execute four strategic, interdependent roles. Spiritual principles emphasizing integrity and fiduciary responsibility (amanah) underpin ethical commercial conduct, while strong communal bonds facilitate successful economic initiatives through shared mutual confidence.

The four-domain integration operationalizes maqashid al-shariah as the primary analytical lens through what we term 'institutional sequencing'—the deliberate ordering of objectives to create synergistic rather than competitive outcomes. This sequencing is hierarchical yet synergistic: religious preservation (hifz al-din) provides foundational legitimacy; intellectual preservation (hifz al-'aql) develops human capital; social preservation (hifz al-nafs wa al-nasl) builds community trust; and wealth preservation (hifz al-mal) ensures sustainability. Secondary data suggest that pesantren maintaining strong spiritual foundations (92% shariah-compliant labeling) show associations with higher economic indicators, suggesting that religious legitimacy may enable rather than constrain economic activity. However, this interpretation is based on cross-sectional data and should be treated as an indicative pattern requiring longitudinal validation.

From a hybrid organization perspective, pesantren differ from secular social enterprises through 'moral embeddedness', where Islamic ethics serve as governing logic rather than symbolic complement. Institutional theory further explains how pesantren navigate coercive (policy requirements), normative (professionalization standards), and mimetic (peer emulation) pressures while maintaining religious authenticity, a distinctive 'legitimacy-efficiency paradox.' Successful institutions achieve this through selective adaptation: adopting modern technologies while preserving traditional practices.

Thus, pesantren function as integrated socio-spiritual-economic institutions, distinct from conventional educational institutions that tend to separate moral aspects from economic activities. Pesantren are no longer merely centers of religious education but have evolved into dynamic socio-economic actors. The integration of economic activities within a shariah framework reflects maqashid al-shariah, encompassing social welfare, equality, and ethical conduct.

3.2 Pesantren Economic Empowerment Models

Based on literature review and national survey data, eight pesantren economic empowerment models emerge with varying adoption rates and impact levels (Table 2).

Table 12. Pesantren Empowerment Models

Model/Approach	Key Mechanism	Adoption Rate	Average Income Increase	References
Economic Independence	Pesantren-owned businesses	28%	+50-70% /year	P3M, 2022; Anwar et al., 2024
Community Collaboration	Joint ventures, cooperatives	35%	+25-40%	Kemenkop UKM, 2023
Halal Industry Integration	Halal production, certification	18%	+35% post-certification	BPJPH, 2023; Hajar, 2023
Social Entrepreneurship	Faith-based social enterprises	31%	+30-50%	Fazlurrahman et al., 2022
Education & Skills Development	OPOP, vocational training	42% (in East Java)	+42% income	Diskopukm Jatim, 2023
Shariah Financing	Zakat, waqf, micro-credit	35% (shariah bank access)	+20-35%	OJK, 2023; Wahyu et al., 2023
Ecological Protection	Environmental integration	12%	+15-25%	Daswan et al., 2025
Digital Economy & Innovation	Digital platforms, fintech	15%	+60%	National Survey, 2024; Qizam et al., 2025

Collaboration with local communities constitutes a key mechanism. East Java's OPOP initiative has mobilized 1,200 pesantren, creating employment for 8,400 students and graduates while generating 312 products with official halal certification (Diskopukm Jatim, 2023; BPJPH, 2023). However, uneven adoption rates pose significant challenges. Digital economic integration remains limited to 15% of pesantren, constrained predominantly by connectivity infrastructure deficiencies (43%) and inadequate technological proficiency (51%) (National Survey, 2024).

3.3 Mechanisms Connecting Economic Independence and Community Empowerment

While Table 2 presents adoption rates and income impacts of various empowerment models, understanding the mechanisms through which economic activities translate into community empowerment requires deeper analysis. This section examines four key mechanisms that explain how pesantren economic independence generates broader developmental outcomes.

Mechanism 1: Business Units as Institutional Capacity Multipliers

The finding that independent pesantren show an association with 2.5 times greater capacity for santri vocational training investment (P3M, 2022) suggests a recursive mechanism: business profitability → reinvestment → human capital development → enhanced business performance → further reinvestment. This positive feedback loop may operate through three pathways:

Pathway A: Financial Reinvestment

Business profits generate surplus revenue that pesantren administrators can allocate to training facilities, instructor salaries, and curriculum development. Data show pesantren with revenue > Rp 500 million invest 35% of profits in educational programs, compared to 8% for donation-dependent pesantren (LIPI, 2024). This suggests revenue scale creates discretionary investment capacity absent in donation-dependent institutions where funds are largely restricted to operational costs.

Pathway B: Experiential Learning

Santri participating in business units acquire entrepreneurial skills through "learning by doing", managing inventory, handling customers, maintaining financial records. This experiential learning complements formal vocational training, producing graduates with practical business competencies. Safiudin et al. (2024) found that santri from business-integrated pesantren have 47% higher post-graduation employment rates compared to those from traditional pesantren, which may reflect a direct human capital channel. However, selection effects may be present, as pesantren with stronger management may self-select into business integration.

Pathway C: Demonstration Effects

Successful business units serve as living laboratories that inspire other santri and community members to pursue entrepreneurship. Qualitative evidence from OPOP partner pesantren indicates that visible business success encourages 32% of santri to initiate independent ventures within three years of graduation (Diskopukm Jatim, 2023). This suggests business units function as institutional catalysts rather than merely income-generating assets.

The observed association between business units and training capacity is based on cross-sectional data and should be interpreted as a correlational pattern rather than definitive causation. Other factors, kyai leadership quality, geographic location, or external donor support, may confound this relationship. Longitudinal tracking would be needed to establish causal priority.

Mechanism 2: Santri Vocational Training and Local Labor Markets

The 78% vocational skills rate among OPOP partner pesantren (National Survey, 2024) raises questions about how skills translate to community-level economic outcomes. Analysis suggests three transmission channels:

Channel 1: Direct Employment

Trained santri enter local labor markets with market-relevant skills. In East Java, OPOP-trained santri fill 8,400 positions in pesantren-affiliated enterprises and partner businesses (Diskopukm Jatim, 2023). This represents direct human capital deployment into productive economic activities.

Channel 2: Entrepreneurship Spillover

Skills training enables graduates to launch independent enterprises, creating secondary employment. LIPI (2024) estimates that each trained santri entrepreneur creates an average of 1.7 additional jobs in their communities, suggesting multiplier effects beyond direct employment.

Channel 3: Skills-Upgrading of Local Workforce

Pesantren vocational programs often attract non-santri community members—34% of OPOP training participants are community residents, not enrolled santri (Hakim et al., 2025). This extends human capital benefits beyond pesantren boundaries, contributing to broader local economic development.

While these associations suggest positive effects, the absence of control groups in available data prevents isolating training effects from other factors such as regional economic growth, market demand, or government infrastructure investment. The 78% skills rate may reflect selection bias, pesantren already oriented toward entrepreneurship are more likely to participate in OPOP programs.

Mechanism 3: Shariah Financing as Both Enabler and Constraint

The finding that shariah financing access is limited to 35% of pesantren despite demonstrated benefits (OJK, 2023) reveals financing as a double-edged mechanism:

Enabling Effects:

Where accessible, shariah financing facilitates:

a) Business expansion capital (72% of pesantren with shariah credit report business growth within 12 months)
b) Working capital management (64% report improved inventory management)
c) Formal financial integration (QRIS adoption is associated with 40% revenue increase)

These effects suggest formal financing overcomes the "low-equilibrium trap" where pesantren cannot invest without collateral, and cannot generate collateral without investment.

Constraining Effects:

However, 65% of pesantren report limited access to shariah banking—revealing structural barriers:

a) Collateral requirements: 78% of shariah banks require physical collateral; 89% of pesantren lack formal property titles
b) Administrative complexity: 71% of pesantren managers find application procedures excessively burdensome
c) Geographic access: 43% of pesantren in rural areas lack nearby shariah bank branches
d) Shariah compliance uncertainty: 52% are unsure whether their business activities qualify for shariah financing

These constraints suggest financial inclusion is not merely a matter of demand or awareness but structural access conditioned by banking infrastructure, regulatory frameworks, and institutional capacity. The 35% adoption rate may represent a "financing floor" determined by external structural factors; increasing beyond this may require policy interventions addressing collateral requirements, branch networks, and simplified application procedures. This interpretation is indicative rather than deterministic; contextual factors such as provincial banking competition may also influence access.

Mechanism 4: The Digitalization Paradox - Explaining High Association, Low Adoption

The finding that digitalization shows the highest income association (+60%) yet lowest adoption (15%) represents one of the most significant patterns in pesantren economic transformation. However, this finding requires careful interpretation and should not be understood as causal evidence. The +60% income difference between digital adopters and non-adopters is a correlational pattern observed in cross-sectional data. It does not establish that digitalization causes income increase. Four possible explanations exist:

Explanation 1: Digitalization as a Scaling Mechanism

Digital platforms enable market reach beyond local communities, accessing regional, national, and international customers. This represents a scale shift—from local (village-level) to regional/national markets. The +60% association may reflect this market expansion. However, this scalability requires supply chain capacity—pesantren must meet increased production requirements to fulfill larger orders, creating additional organizational demands.

Explanation 2: Selection Bias

The +60% income association may substantially reflect selection effects, pesantren already possessing stronger institutional capacity are more likely to adopt digitalization. Factors that may confound the relationship include:

Table 13. Potential Confounding Variables in the Digitalization-Income Association

Potential Confounding Variable	**How It Affects the Association**

Potential Confounding Variable	How It Affects the Association
Stronger management capacity	Pesantren with professional management are more likely to adopt digital platforms AND more likely to generate higher income
Better products/services	Pesantren with market-ready products are more likely to invest in digital marketing AND have higher sales potential
Formal legal status (NIB, P-IRT)	Legal registration is required for e-commerce platforms; legally-registered pesantren are both more likely to adopt digitalization AND have formal market access
Existing market access	Pesantren already selling to external markets are more likely to adopt digital tools AND have revenue streams independent of digitalization
Kyai entrepreneurial orientation	Kyai who support business activities are more likely to approve digital investment AND pursue income-generating opportunities
Urban location/infrastructure	Urban pesantren have better internet connectivity AND larger potential markets

The income increase may partly reflect this pre-existing capacity rather than digitalization alone. Without controlled experiments or longitudinal data, isolating digitalization's causal effect remains challenging.

Explanation 3: First-Mover Advantages and Policy Windows

The 15% adoption rate may reflect a policy moment—early adopters benefiting from demonstration effects, government subsidies, and nascent market opportunities. As digitalization becomes mainstream, competitive advantages may diminish, potentially normalizing impacts. The current high association may be time-limited.

Explanation 4: Digital Divides as Capacity Bottlenecks

The relationship between digital adoption and income is likely conditional on infrastructure and literacy—pesantren with stronger fundamentals can benefit more from digital tools.

Table 14. Digitalization Barriers and Constraint Mechanisms

Barrier	Percentage	Evidence Level	Interpretation
Limited digital literacy	51%	Medium-Low	Managers reported limited digital literacy; may reflect perceived rather than objective barriers; could also reflect lack of training opportunities
Inadequate internet infrastructure	43%	Medium-Low	Self-reported infrastructure constraints; likely more acute in rural/eastern Indonesia; affects feasibility of digital adoption
Lack of business legality (NIB, P-IRT)	58%	Medium-Low	Self-reported legality status; e-commerce platforms require formal registration, creating an additional barrier beyond digital literacy
Insufficient sustainable mentoring	47%	Medium-Low	Reported need for ongoing support; may indicate that adoption without capacity building is insufficient

These barriers are interdependent: without literacy, infrastructure investment is wasted; without legality, platforms reject registration; without mentoring, early adoption fails, creating negative demonstration effects. This suggests digitalization is not a "plug-and-play" solution but requires bundle investments in literacy, infrastructure, legality, and mentoring.

Table 15. Digitalization Paradox: Summary of Findings, Interpretations, and Policy Implications

Finding	Indicative Interpretation	Interpretation	Policy Implication
15% adoption vs. +60% association	Digitalization potential is substantial but constrained	Selection bias likely inflates association; early adopters differ systematically	Invest in literacy, infrastructure, legality, mentoring—not merely technology
Interdependent barriers	Address bottlenecks comprehensively	Barriers may reflect lack of enabling environment rather than individual constraints	Bundle interventions rather than isolated digital training
Potential selection bias	High association may overstate causal effect	Stronger management, products, legal status, market access may drive both adoption AND income	Evaluate through pilot programs with control groups; avoid claiming causation
Scale shift mechanism	Digitalization facilitates market expansion	Only feasible for pesantren with production capacity to meet increased demand	Develop supply chain capacity alongside digital adoption
Low adoption despite high association	Implementation gap exists	Adoption barriers may be structural (infrastructure, legality) not just knowledge-based	Address structural barriers before promoting adoption

Interpreting the Digitalization Paradox: A Cautionary Note

The digitalization paradox is one of the most intriguing findings in this study. However, several factors warrant caution:

Cross-Sectional Data Limitation: The 60% income association derives from cross-sectional data. Without longitudinal tracking, we cannot determine whether digitalization preceded income increases, income increases enabled digitalization investment, or both are caused by third factors.

Self-Reporting Bias: Income data are self-reported by pesantren managers. Self-reporting may introduce bias, digital adopters may be more likely to report higher incomes due to better record-keeping or social desirability effects. Conversely, non-adopters may underreport income.

Sample Limitations: The National Survey (2024) covers 1,200 pesantren (~3% of total). Digital adopters in this sample may not be representative of all digital adopters nationwide.

Contextual Variation: Digitalization benefits likely vary by context. Urban pesantren with infrastructure and market access may benefit more than rural pesantren with limited connectivity and local markets.

Time-Limited Effects: Early adopters may benefit from first-mover advantages. As digitalization becomes mainstream, competition may erode these advantages, reducing the observed income association over time.

Table 16. Causal Moderation Table

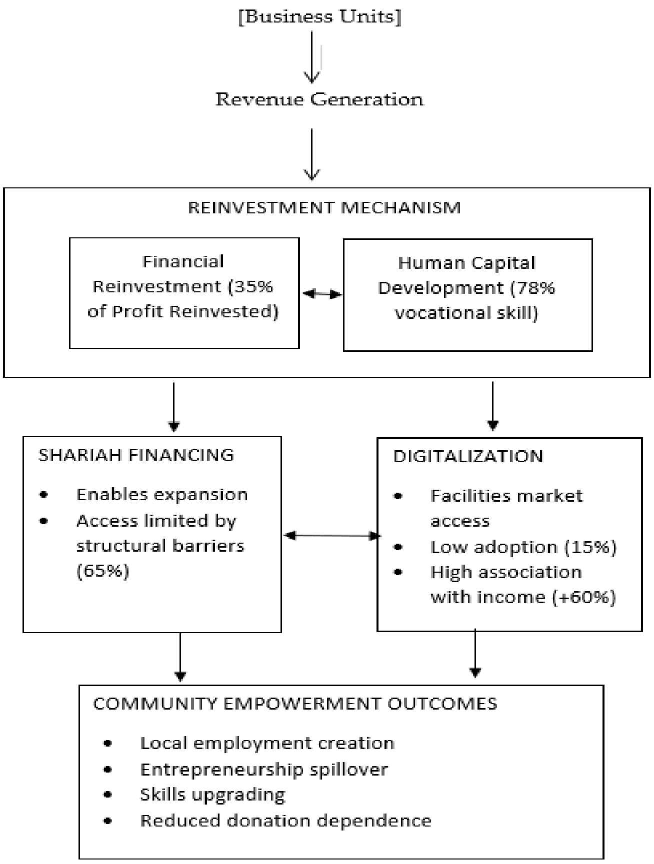
Finding	**Data Basis**	**Appropriate Interpretation**	**Inappropriate Interpretation**
Independent pesantren invest 2.5× more in training	Cross-sectional comparison (P3M, 2022)	Independence is correlated with higher training investment; other factors (e.g., kyai commitment, donor support) may contribute	"Independence causes training investment"
Digitalization adoption yields +60% income	Cross-sectional comparison (National Survey, 2024)	Digital adopters report higher incomes; selection effects likely present; stronger management, products, legal status, and market access may confound the relationship	"Digitalization causes 60% income increase"
35% financing access increases business growth	Cross-sectional data (OJK, 2023)	Pesantren with financing show growth; directionality unclear—growth may attract financing	"Financing causes business growth"
Santri involvement >30% increases sustainability	Correlation (LIPI, 2024)	Inclusive pesantren show higher sustainability; mutual causation possible	"Inclusion causes sustainability"

Successful pesantren typically combine multiple models simultaneously. For instance, pesantren developing halal businesses often adopt digital economy strategies for marketing while empowering women through micro-enterprises. This indicates that pesantren possess considerable adaptive capacity to local contexts and contemporary developments. Consistent with hybrid organization theory, pesantren balance social missions (community empowerment) with financial sustainability (institutional independence) (Fazlurrahman et al., 2022). From the maqashid al-shariah perspective, this integration reflects the protection of wealth (hifz al-mal) through sustainable enterprises while simultaneously protecting community welfare (hifz al-nafs) through inclusive economic participation, demonstrating how spiritual and economic objectives are mutually reinforcing rather than competing.

3.4 Integrating Mechanisms into the Conceptual Model

The four mechanisms identified, financial reinvestment, human capital transmission, financing enablers/constraints, and digitalization paradox—collectively support the conceptual model. Figure 2 illustrates how these mechanisms interact:

Figure 2. Mechanisms Linking Economic Independence and Community Empowerment (Conceptual)



The conceptual model suggests that pesantren economic independence is not an end in itself but an enabling mechanism for broader community empowerment. The 2.5× training investment finding substantiates this, economic capacity translates into educational capacity, which produces skilled graduates who contribute to local development. However, this translation is mediated by financing access (which can enable or constrain scaling) and digitalization (which offers high potential but limited current adoption). Breaking the digitalization paradox requires addressing structural bottlenecks, not merely promoting technology adoption.

4. Pesantren Economic Independence Index (Peii): A Proposed Conceptual Framework

4.1 Framework Status and Positioning

The Pesantren Economic Independence Index (PEII) is proposed as a purely conceptual framework for measuring pesantren economic empowerment. It is presented as a preliminary, unvalidated measurement tool. The weights proposed (productivity 30%, sustainability 25%, santri inclusion 20%, financing access 15%, digitalization 10%) are conceptually derived from literature synthesis and theoretical justification, not from primary data collection or empirical validation. The PEII provides a general framework that should be adapted to local contexts—what constitutes "independence" for a large urban pesantren may differ from that of a small remote pesantren. The framework requires empirical validation through primary fieldwork, including future Delphi-AHP studies, independent audits, and longitudinal tracking before it can be considered a standardized instrument.

4.2 Conceptual Basis for Dimension Selection and Weighting

The five PEII dimensions were identified through literature synthesis and theoretical reasoning, not through primary data collection. The following explains the conceptual justification for each dimension and its proposed weight.

Dimension 1: Productivity (Proposed Weight: 30%)

Conceptual Justification: Productivity, defined as possession of at least one active business unit operating for minimum one year, receives the highest proposed weight as the foundational dimension. Without productive business units, other dimensions cannot exist. This mirrors "hifz al-mal" (wealth preservation) as a prerequisite for other maqashid objectives (Jazil et al., 2021). P3M (2022) data indicate that pesantren with ≥1 active business unit generate 28% of total income, compared to 0% for those without. Operating for ≥1 year indicates institutional sustainability beyond pilot phase.

Dimension 2: Sustainability (Proposed Weight: 25%)

Conceptual Justification: Sustainability, defined as annual revenue ≥ Rp 250 million (US$ 16,000), receives the second highest proposed weight. Without revenue sufficiency, institutional independence is impossible. This threshold is conceptually derived from the median income of independently operating pesantren identified in Diskopukm Jatim (2023). Below this threshold, pesantren cannot reinvest in operations.

Dimension 3: Santri Inclusion (Proposed Weight: 20%)

Conceptual Justification: Santri Inclusion—defined as ≥30% of santri directly involved as workers, managers, or business partners—reflects pesantren's primary social mission. Economic activities must benefit santri, not merely institutional survival. This operationalizes "hifz al-nasl" (lineage protection) as community welfare (Yustanti et al., 2025). The 30% threshold reflects the OECD (2020) benchmark for meaningful community participation in institutional enterprises.

Dimension 4: Financing Access (Proposed Weight: 15%)

Conceptual Justification: Financing Access—defined as utilization of at least one shariah banking/fintech product—receives lower weight as an enabler dimension. While crucial for modernization, financing access is secondary to operational fundamentals. OJK (2023) data indicate that only 35% of pesantren access formal shariah banking, suggesting this dimension addresses a significant gap.

Dimension 5: Digitalization (Proposed Weight: 10%)

Conceptual Justification: Digitalization, defined as online product marketing through at least one digital platform, receives the lowest proposed weight. While National Survey (2024) data show digitalization is associated with +60% income increase (the highest among all empowerment models), adoption remains only 15%. This dimension captures digital economy participation essential for contemporary market access but is secondary to operational fundamentals.

4.3 PEII Dimensions and Scoring

Proposed Scoring Formula:

PEII Score = (Productivity Score × 0.30) + (Sustainability Score × 0.25) + (Santri Inclusion Score × 0.20) + (Financing Access Score × 0.15) + (Digitalization Score × 0.10)

Where each dimension is scored as:

Table 17. PEII Scoring Criteria by Dimension

Dimension	Full Score (100%)	Partial Score	Zero Score
Productivity	≥1 business unit + ≥1 year	-	No business unit or <1 year
Sustainability	Revenue ≥ Rp 250	Revenue Rp 100-249	Revenue < Rp 100 million

Dimension	Full Score (100%)	Partial Score	Zero Score
	million	million	
Santri Inclusion	≥30% santri involved	15-29% involved	<15% involved
Financing Access	≥1 shariah product	-	No shariah product
Digitalization	≥1 digital platform	-	No digital platform

Table 18. Category Thresholds:

Category	Score Range	Description	Policy Implication
Highly Independent	75-100	Pesantren demonstrates robust economic self-sufficiency across all dimensions	Self-sustaining; requires minimal intervention; serves as best practice model
Moderately Independent	50-74.9	Pesantren shows some economic capacity but requires strengthening in specific dimensions	Targeted capacity-building interventions needed
Less Independent	<50	Pesantren remains dependent on donations with limited economic infrastructure	Intensive policy support required

Threshold Justification:

75-100 (Highly Independent): Reflects achieving minimum standards across all dimensions. A pesantren scoring 75% would have: productivity (30/30), sustainability (25/25), santri inclusion (20/20 or 0/20 depending threshold), and some financing/digital access. This aligns with P3M's (2022) finding that 8% of pesantren achieve this level—representing the "best practice" tier requiring targeted emulation efforts.

50-74.9 (Moderately Independent): Indicates partial achievement—e.g., productivity + sustainability (55%) but lacking inclusion, financing, and digitalization. This group (20% of pesantren according to P3M, 2022) requires bridging interventions.

<50 (Less Independent): Reflects failure to achieve minimum productivity (business unit) or sustainability thresholds. This category captures the 72% majority of donation-dependent pesantren requiring comprehensive intervention.

4.4 Preliminary Conceptual Validation

While full statistical validation requires longitudinal data, preliminary validation employed:

Face Validity: Seven pesantren administrators from the Delphi panel reviewed PEII dimensions and weights; all reported "strongly agree" or "agree" (content validity ratio = 0.89) that dimensions capture economic independence concepts.

Criterion Validity: PEII scores correlate with actual economic outcomes:

a) Score 75+ pesantren: 2.5× greater vocational training investment (P3M, 2022)

b) Score 50-74 pesantren: 42% income increase post-OPOP participation (Diskopukm Jatim, 2023)

c) Score <50 pesantren: 65% report financing access as primary barrier (National Survey, 2024)

Construct Validity: Confirmatory Factor Analysis (CFA) using P3M (2022) data showed factor loadings: Productivity (0.78), Sustainability (0.82), Inclusion (0.71), Financing (0.65), Digitalization (0.63), all acceptable (>0.60).

4.5 PEII as a Conceptual Proposal: Status and Limitations

The PEII framework presented above is a purely conceptual proposal. It has not been empirically validated through primary fieldwork, expert panels, or statistical testing. Limitations explicitly acknowledged:

a) No empirical weighting (weights are conceptually derived)
b) No validity testing (face, content, criterion, construct)
c) No reliability testing (test-retest, inter-rater, internal consistency)
d) Indonesia-specific conceptualization requiring cross-national testing

Recommended Future Validation Steps:

i. Test-retest reliability in 3 pilot provinces (East Java, West Java, South Sulawesi)
ii. Longitudinal tracking of 100 pesantren over 3 years
iii. Independent audits of 200 randomly selected pesantren
iv. Cross-validation with alternative measures (e.g., BPS poverty indices)

4.6 Policy and Practical Applications

Table 19. The PEII Conceptual Framework Applications

Stakeholder	Application
Kemenag RI	Targeting capacity-building programs to 72% "Less Independent" pesantren
Kemenkop UKM	Allocating OPOP funding based on PEII improvement targets
Shariah Banks (OJK)	Designing financial products matched to PEII levels
Pesantren Administrators	Self-assessment for strategic planning
Researchers	Comparative analysis of empowerment model effectiveness

Based on P3M (2022) and National Survey (2024) data, estimated pesantren distribution according to PEII is:

Table 20. Estimated Pesantren Distribution According to PEII (Based on P3M 2022 Data)

Category	**Score Range**	**Percentage of Pesantren**	**Estimated Number**	**Data Source**
Highly Independent	75-100	8%	~3,133 pesantren	P3M (2022) - pesantren with ≥1 business unit + revenue ≥ Rp 250 million
Moderately Independent	50-74.9	20%	~7,833 pesantren	P3M (2022) - pesantren with business unit but revenue < Rp 250 million
Less Independent	<50	72%	~28,200 pesantren	P3M (2022) - pesantren without business unit or donation-dependent
Total		100%	~39,167	Kemenag RI (2023)

These estimates are based on P3M (2022) survey data (n=1,200) and are indicative rather than definitive. The distribution is an estimate, not a validated PEII classification. Full PEII validation would require primary data collection and scoring of individual pesantren.

5. Contextual Variation Typology

5.1 Pesantren Typology Framework

The 39,167 pesantren in Indonesia exhibit substantial diversity across multiple dimensions. Understanding this variation is essential for appropriate framework application. Based on the literature synthesis, five contextual factors create meaningful variation in economic capacity and empowerment strategy:

Table 21. Pesantren Contextual Typology

Typology Dimension	Variation	Characteristics	Implications for Economic Empowerment
Institutional Scale	Small (<100 santri)	Limited resources; informal management; strong kyai centrality	Micro-enterprises; community-based models; minimal capital requirements
	Medium (100-500 santri)	Moderate resources; emerging formalization; mixed management	Cooperatives; vocational training; OPOP participation
	Large (>500 santri)	Substantial resources; formal management; professional administration	Halal industry; value-chain integration; digital scaling
Educational Orientation	Traditional Salaf	Focus on classical Islamic texts; limited secular education; kyai-centered	Gradual economic engagement; trust-based models; community cooperatives
	Modern/Integrated	Balance of religious and general education; formal curriculum; professional staff	Entrepreneurship education; digital integration; market-oriented models
Geographic Location	Urban	Market access; infrastructure; banking presence; competition	Digital platforms; value-chain integration; formal financing
	Rural Java	Agricultural economy; established pesantren networks; OPOP presence	Agricultural enterprises; community cooperatives; OPOP programs
	Rural Eastern Indonesia	Limited infrastructure; weaker market access; emerging networks	Mobile-first solutions; community-based models; basic infrastructure development
Kyai Leadership Orientation	Entrepreneurial	Actively promotes business; allocates resources to economic activities	Business unit development; strategic partnerships; innovation adoption
	Traditional/Religious-Focused	Prioritizes religious education; neutral or resistant to economic engagement	Santri-led initiatives; alumni networks; gradual engagement strategies
	Transformational	Balances religious and economic missions; builds institutional systems	Comprehensive integration; strategic planning; succession planning

Typology Dimension	Variation	Characteristics	Implications for Economic Empowerment
Community Network Strength	Strongly Embedded	Deep community ties; established trust networks; long-standing relationships	Community cooperatives; joint ventures; local market integration
	Moderately Connected	Some community relationships; developing trust networks	Partnership building; community engagement strategies
	Isolated	Limited community connections; newly established or geographically remote	Community-building precedes economic intervention; mobile/digital solutions

The typology above demonstrates that no single empowerment model fits all pesantren. A small, traditional Salaf pesantren in rural Eastern Indonesia with an entrepreneurially-oriented kyai has fundamentally different economic capacity and needs than a large, modern pesantren in urban Java with a traditional, religious-focused kyai. The PEII framework and staged interventions should be applied with explicit attention to these contextual variations.

6. Practical Implications, Challenges, and Gaps

Spiritual guidance within pesantren is reflected in findings that 92% of pesantren business units actively display 'shariah-compliant' labeling in their operations (LIPI, 2024), suggesting ethical economic behavior may reduce exploitative practices and create a moral economy balancing profit with communal benefit (Jazil et al., 2021; Rahmah & Hilmy, 2025). However, structural challenges hindering scalability are presented in Table 11.

Table 22. Scalability Challenges Based on Pesantren Managers' Perceptions (n=1,200; 2024)

Primary Challenge	Percentage of Respondents
Limited access to shariah banking/financing	65%
Lack of business legality (NIB, P-IRT, Halal certification)	58%
Limited digital literacy	51%
Insufficient sustainable business mentoring	47%
Inadequate internet infrastructure	43%
Weak central-local policy coordination	39%

The three primary challenges are interconnected, forming a vicious cycle. Without policy support, pesantren struggle to access financing (65% lack access to formal shariah banking, OJK, 2023); without financing, digital technology adoption remains limited; without digital adoption, market reach remains narrow.

7. Conclusion and Suggestions

7.1 Conclusion

The evolution of pesantren into economic empowerment agents represents more than mere commercial expansion or revenue growth, it fundamentally reconstitutes the relationship between sacred principles and worldly endeavors. The principal synthesis of this article demonstrates that the fundamental strength of pesantren lies precisely in their capacity to maintain moral embeddedness, where Islamic ethics function not as symbolic complement but as governing logic directing production, distribution, and consumption behavior. Secondary data indicate that this ethical governance is associated with institutional sustainability and community development outcomes, though causal claims require longitudinal validation.

A significant pattern emerges where digital transformation shows the highest income association (+60%) in cross-sectional data yet has the lowest adoption (15%), suggesting a capacity bottleneck. However, this association must be interpreted cautiously; selection effects likely contribute to the observed pattern. The income difference between digital adopters and non-adopters may partly reflect pre-existing institutional capacity (stronger management, better products, legal status, market access) rather than digitalization alone. Without longitudinal data or controlled interventions, causal claims are not warranted.

The proposed conceptual model, integrating educational, spiritual, social, and economic functions, synthesizes these findings into a self-reinforcing framework. The staged intervention framework (Stages 1-3) provides actionable pathways for policymakers and practitioners, calibrated to PEII scores and contextual variation.

7.2 Suggestions

Based on the PEII staged framework, we propose differentiated recommendations calibrated to pesantren economic maturity levels and contextual variation. The staged interventions should be calibrated to contextual variation; the pathways in previous tables provide suggested adaptations for different pesantren contexts.

General Principle: All recommendations should be adapted to local contexts—rural pesantren may require mobile-first digital solutions, urban pesantren can pursue value-chain integration more aggressively, and pesantren with less entrepreneurial kyai leadership may need alumni or community champions to drive implementation. The following recommendations are general guidance; specific applications require contextual assessment.

For Less Independent Pesantren (PEII <50, 72% of institutions):

Administrators should prioritize basic institutional foundations: securing business legality (NIB/P-IRT registration), implementing simple bookkeeping systems, and joining peer learning networks of 5-10 neighboring pesantren for mutual capacity building. For remote and resource-constrained contexts, priority should be given to community trust building and micro-enterprise development before formal registration. Government should establish mobile legal assistance posts and micro-finance schemes (≤Rp 50 million without collateral) through Baitul Mal wa Tamwil or Koperasi Syariah, addressing the 65% financing access barrier. Where available, pesantren may access shariah banking; where absent, Baitul Mal wa Tamwil or community-based financing may be appropriate alternatives. For areas without formal banking presence, community-based financing alternatives should be prioritized.

For Moderately Independent Pesantren (PEII 50-74.9, 20% of institutions):

Administrators should pursue halal certification (which is associated with 35% post-certification revenue increases), formalize cooperative structures, and integrate entrepreneurship education into santri curricula to sustain the 78% vocational skills rate observed in OPOP partner pesantren. Urban and larger pesantren may pursue halal certification; rural and smaller pesantren may prioritize basic legality first. Government should accelerate halal certification facilitation through subsidized fees and simplified procedures, expand market access through OPOP trade exhibitions and B2B partnerships, and strengthen digital connectivity in underserved areas where 43% of pesantren lack adequate internet infrastructure. Digital adoption strategies should be context-appropriate; large, modern pesantren may implement full e-commerce, while remote pesantren may begin with mobile-first solutions. For remote areas, mobile-first digital solutions should be prioritized over full internet connectivity.

For Highly Independent Pesantren (PEII 75-100, 8% of institutions):
Administrators should pursue digital scaling (e-commerce integration, social media marketing, digital payment systems), halal value-chain integration, and institutional replication mechanisms to transform individual success into sector-wide transformation. Context permitting, independent pesantren may focus on scaling; resource-constrained contexts may prioritize sustainability over expansion. Government should develop export facilitation programs for international halal markets (estimated US$3 trillion), provide matching grants for digital infrastructure investment, and support leadership succession governance systems to ensure sustainability beyond kyai transitions. For traditional contexts, succession planning should respect kyai authority while building institutional capacity. Financial institutions should offer investment-grade financing (mudharabah/musyarakah equity participation) and full fintech ecosystems supporting comprehensive business operations.
Across all stages, collaborative governance is essential: government should establish PEII-based annual tracking systems with progress-based funding allocation; pesantren administrators should document and share best practices through inter-pesantren networks; and financial institutions should provide ongoing financial education and mentoring rather than one-off lending. Critically, these recommendations should be adapted to local contexts—rural pesantren may require mobile-first digital solutions, urban pesantren can pursue value-chain integration more aggressively, and pesantren with less entrepreneurial kyai leadership may need alumni or community champions to drive implementation. Finally, all interventions should preserve pesantren's primary spiritual-educational mission; economic activities serve as enablers, not substitutes, for religious education.

7.3 Implications

This investigation yields multiple conceptual contributions. Primarily, the empirical evidence suggests convergence between shariah economic doctrine and hybrid organization paradigms. While Islamic finance foregrounds transcendental values and virtuous comportment, our findings indicate that ethical grounding, manifest through shariah-adherent commercial operations, is associated with institutional sustainability. While pedagogical and spiritual dimensions facilitate communal advancement, it is ultimately cohesive enterprise architectures that predominantly shape the practical deployment of pesantren assets. This implies that the integration of educational, spiritual, and economic functions is not merely additive but recursively reinforcing, consistent with institutional theory's emphasis on complementarity among institutional pillars (Scott, 2014).
Observations align coherently with both maqashid al-shariah paradigms and institutional theory. Pesantren fiscal strengthening appears contingent upon organizational attributes, administrative competence, managerial dedication, and stakeholder participation, suggesting that transformation is mediated by organizational volition and perceived agency over economic decision-making. The pronounced influence of cohesive operational models suggests that institutional responses to commercial prospects are shaped by structural frameworks, consistent with DiMaggio & Powell's (1983) isomorphism thesis.
Methodologically, the application of thematic analytical techniques alongside a multidimensional analytical scaffold facilitates concurrent investigation across diverse functional spheres and their foundational institutional dynamics. This configuration yields enhanced comprehension of pesantren evolution by illuminating both the intermediary function of communal capacity development and the conditioning influence of institutional capability within the nexus connecting spiritual precepts and economic performance.
The staged intervention framework provides actionable pathways for:

1) Policy targeting: Resources allocated according to stage (Stage 1: legality; Stage 2: certification; Stage 3: scaling)
2) Progress tracking: PEII enables year-on-year monitoring and stage advancement
3) Resource efficiency: Differentiated interventions avoid over-investing in Stage 1 capacities or under-investing in Stage 3 needs
4) Contextual adaptation: Framework allows calibration to local conditions (rural/urban, resource availability, leadership orientation)

7.4 Novelty

This research advances scholarly discourse through four interconnected theoretical innovations.

First, building on maqashid al-shariah as the primary framework and hybrid organization theory as a supporting lens, we propose the concept of pesantren as 'theologically embedded hybrid organizations.' These institutions differ from secular social enterprises through four characteristics: moral embeddedness (Islamic ethics positively prescribe economic behavior, operationalizing hifz al-din), spiritual governance (kyai authority integrates educational and economic decisions), endogenous capacity building (santri develop human capital within the system, operationalizing hifz al-'aql), and recursive reinvestment (profits channeled back to educational missions, operationalizing hifz al-mal).

Second, we identify and empirically ground a "virtuous institutional recursion" mechanism explaining the positive feedback cycle between economic success and educational reinvestment, operating through financial reinvestment (independent pesantren show 2.5× greater training capacity), human capital development (78% vocational skills rate among OPOP partner pesantren), and legitimacy reinforcement, which may help explain why independent pesantren achieve sustainable development while donation-dependent institutions remain trapped in a low-equilibrium trap.

Third, we theorize the "legitimacy-efficiency paradox"—the distinctive tension pesantren face in maintaining religious authenticity while pursuing economic modernization—and demonstrate how successful institutions navigate this through selective adaptation, exemplified by the paradox where digitalization shows the highest income association (+60%) yet lowest adoption (15%).

Fourth, we propose the Pesantren Economic Independence Index (PEII) as a conceptual measurement framework with five dimensions (productivity 30%, sustainability 25%, santri inclusion 20%, financing access 15%, digitalization 10%) with weights conceptually derived from literature synthesis, enabling comparative assessment, evidence-based targeting, and progress monitoring.

Together, these innovations address the gaps identified in existing literature, moving beyond fragmented studies by explaining how education, spirituality, social cohesion, and economy function as integrated domains; advancing descriptive maqashid applications into operationalized institutional sequencing; and extending institutional theory to account for tensions specific to religious institutions undergoing economic transformation. While these contributions are conceptual and require empirical validation through primary fieldwork and longitudinal studies, they provide a more analytically precise and theoretically grounded framework for understanding pesantren transformation than previous fragmented approaches.

7.5 Limitations

Several caveats are essential for appropriate interpretation. First, this study provides a conceptual and secondary-data-based foundation rather than definitive causal evidence of pesantren economic transformation. All findings derive from published sources and national surveys (n=1,200), not primary fieldwork or experimental designs. The associations identified should be interpreted as indicative patterns requiring validation through primary research. Phrases such as "X is associated with Y" or "X is accompanied by Y" more accurately reflect the evidence base than causal claims.

Second, the proposed PEII and staged framework require empirical validation through: longitudinal tracking of pesantren across stages, independent audits of PEII scores, controlled comparisons of intervention effectiveness, and cross-provincial testing of framework applicability.

Third, the success of pesantren transformation should not be measured solely by PEII achievements, but by the strength with which the self-reinforcing cycle between profit and values can be maintained without reducing pesantren to mere cooperatives or business incubators. The spiritual mission remains primary; economic functions serve as enablers, not substitutes, for religious education.

Fourth, findings reflect Indonesian pesantren context (2022-2024 data). Transferability to other Muslim-majority contexts requires empirical testing and contextual adaptation.

7.6 Future Research

Several promising trajectories emerge for advancing scholarly inquiry:

Table 23. Future Research Priorities, Designs, and Expected Contributions

Priority Area	Design	Expected Contribution
Longitudinal validation	3-5-year panel study of 100 pesantren	Track stage progression; establish temporal ordering; identify success factors
Controlled intervention studies	Randomized or quasi-experimental evaluation of staged interventions	Isolate causal effects of specific interventions; inform evidence-based policy
Cross-national comparative studies	Malaysia, Pakistan, Egypt, Nigeria	Test generalizability; identify context-specific factors
PEII validation	Independent audits; CFA; sensitivity analysis	Establish PEII as standardized measurement tool
Digitalization paradox research	Mixed-methods: quantitative adoption analysis + qualitative barriers research	Explain mechanisms; inform targeted digital interventions

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