

Entrepreneurial Strategies of Islamic Boarding Schools in Building Economic Independence

*Entrepreneurial
Strategies in Economic
Independence*

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ABSTRACT

This study analyzes the entrepreneurial strategies employed by Islamic boarding schools to achieve economic independence, focusing on the case of Sunan Drajat Islamic Boarding Schools in East Java. Framed within the concept of a Sharia-compliant ecosystem, this research utilizes a qualitative case study methodology to investigate the integration of spiritual values with modern business practices. Data were collected through in-depth interviews, direct observation of the Islamic boarding school's diverse business units, and analysis of institutional documents. The findings reveal a multi-faceted strategy that combines cost leadership, achieved through a cooperative structure, with a differentiation strategy rooted in Islamic principles and community trust. Key success factors include the development of a robust business incubator, a structured santripreneur (santri entrepreneur) development model, and the cultivation of a business ecosystem that emphasizes stakeholder collaboration, professional management, and clear financial accountability. This study contributes a replicable framework for other Islamic boarding schools aiming to build sustainable, Sharia-compliant economic ecosystems, demonstrating that religious institutions can serve as powerful engines for community-based economic development and social empowerment. The model at Sunan Drajat Islamic boarding schools illustrates a successful synthesis of religious values and entrepreneurial acumen, offering significant implications for both theory and practice in Islamic entrepreneurship.

Keywords: *Business Strategy, Economic Independence, Islamic Boarding School Entrepreneurship, Sharia Ecosystem.*

ABSTRAK

Penelitian ini menganalisis strategi kewirausahaan yang diterapkan oleh pondok pesantren untuk mencapai kemandirian ekonomi, dengan fokus pada studi kasus Pesantren Sunan Drajat di Lamongan, Jawa Timur. Dengan kerangka konsep ekosistem berbasis syariah, penelitian ini menggunakan metodologi studi kasus kualitatif untuk menginvestigasi integrasi nilai-nilai spiritual dengan praktik bisnis modern. Data dikumpulkan melalui wawancara mendalam, observasi langsung terhadap berbagai unit bisnis pesantren, dan analisis dokumen institusional. Temuan penelitian mengungkapkan strategi multifaset yang menggabungkan kepemimpinan biaya (cost leadership), yang dicapai melalui struktur koperasi, dengan strategi diferensiasi yang berakar pada prinsip-prinsip Islam dan kepercayaan masyarakat. Faktor kunci keberhasilan meliputi pengembangan inkubator bisnis yang kuat, model pengembangan santripreneur (santri wirausaha) yang terstruktur, serta penanaman ekosistem bisnis yang menekankan pada kolaborasi pemangku kepentingan, manajemen profesional, dan akuntabilitas keuangan yang jelas. Penelitian ini memberikan kontribusi berupa kerangka kerja yang dapat direplikasi bagi pesantren lain yang bertujuan membangun ekosistem ekonomi berkelanjutan dan patuh syariah, serta menunjukkan bahwa institusi keagamaan dapat berfungsi sebagai penggerak kuat bagi pengembangan ekonomi berbasis masyarakat dan pemberdayaan sosial. Model di Pesantren Sunan Drajat mengilustrasikan keberhasilan sintesis antara nilai-nilai agama dan kecakapan kewirausahaan,

Kata kunci: *Strategi Bisnis, Kemandirian Ekonomi, Kewirausahaan Pesantren, Ekosistem Syariah.*

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INTRODUCTION

Islamic boarding schools have long been central institutions in Indonesian society, traditionally focusing on religious education and character formation (Sulaiman et al., 2018; Mujahid, 2021). However, in response to contemporary economic challenges and the growing need for self-sufficiency, many Islamic boarding schools (*pesantren*) are evolving into dynamic economic actors (Zaki et al., 2019; Bashith et al., 2025). This transformation involves the development of diverse business units designed not only to fund educational activities but also to provide students (*santri*) with practical entrepreneurial skills, thereby fostering economic independence for the institution and its community (Alim & Kholis, 2025; Auliyah et al., 2025). This shift marks the emergence of the *Santripreneurship* phenomenon, where religious institutions become hubs of economic activity and innovation (Falach et al., 2023).

The imperative for economic independence is particularly critical for Islamic boarding schools, which often operate with limited external funding. By establishing and managing their own business ventures, they can create sustainable revenue streams, reduce dependency on donations, and enhance their capacity to serve the community (Anggadwita et al., 2021; Irfan et al., 2024; Fahmie et al., 2025; Octavianty et al., 2025). This entrepreneurial turn is increasingly framed within a Sharia ecosystem, an integrated environment where all economic activities are conducted in accordance with Islamic principles such as fairness (*'adl*), collective welfare (*maslahah*), and transparency (*amanah*) (Yasmeen, 2024; Retnowati et al., 2024; Suginam et al., 2025). Such an ecosystem extends beyond mere compliance, aiming to create a holistic model that harmonizes spiritual values with economic objectives.

Existing literature has examined specific components of Islamic boarding schools entrepreneurship, including the role of Islamic boarding schools-based cooperatives in fostering students' entrepreneurial spirit and the integration of entrepreneurship within Islamic boarding schools educational programs (Abdi & Sabran, 2025). Studies by Nashir and Noor (2025) show that entrepreneurial activities in Islamic boarding schools promote economic empowerment and student independence through engagement in business units and community activities. Research by Ningsih et al. (2023) and Hasan and Yurista (2025) also emphasizes the importance of supportive leadership and strong management commitment in advancing entrepreneurial initiatives. However, most studies focus on isolated elements rather than offering an integrated perspective. Limited research systematically analyzes how entrepreneurial strategies, such as cost leadership, differentiation, and focus, are adapted and implemented within a comprehensive Sharia-compliant ecosystem, indicating a significant gap in the literature.

Additionally, there is a need for in-depth qualitative case studies of highly successful Islamic boarding school models to distill replicable strategies and key success factors that underpin their economic independence. For example, studies on social entrepreneurship in Islamic boarding schools emphasize the role of institutional assets, human resources, and leadership in achieving sustainable economic outcomes (Badrudin, 2022; Hasan & Yurista, 2025). By addressing this gap, the present study offers a detailed empirical analysis of the entrepreneurial strategies and ecosystem at Sunan Drajat Islamic Boarding Schools, providing a robust framework that bridges academic theory with practical application in Islamic education and entrepreneurship.

This research examines the entrepreneurial strategies that enable Islamic boarding schools to build and sustain economic independence. It focuses on Sunan Drajat Islamic Boarding Schools in Paciran, Lamongan, East Java, a prominent institution recognized for its extensive and successful business ventures, which span agribusiness, manufacturing, trade, and services (Rouf et al., 2019; Kafoe, 2024). With a cooperative business model that generates significant revenue, Sunan Drajat Islamic Boarding Schools serves as an exemplary case illustrating how a Sharia-compliant framework can drive competitive advantage and institutional sustainability (Auliyah et al., 2025; Wijaya et al., 2025).

This study aims to answer two primary research questions: first, what entrepreneurial strategies (such as cost leadership, differentiation, and focus) the Sunan Drajat Islamic Boarding School employs to achieve economic independence; and second, what are the key success factors within its sharia-based business ecosystem that contribute to the sustainability of its business units. By conducting an in-depth qualitative case study, this research seeks to identify the specific patterns and mechanisms that underlie the boarding school's success. The findings are expected to provide a comprehensive, empirically grounded model of Islamic boarding school entrepreneurship that can be adapted by other Islamic institutions, offering valuable insights to the fields of Islamic economics, social entrepreneurship, and strategic management.

LITERATURE REVIEW

The Economic Transformation of Islamic Boarding Schools

Islamic boarding schools have long been recognized as centers of Islamic learning and moral development, largely separated from commercial activities (Sulaiman et al., 2018; Purwanti et al., 2023). However, the evolving socio-economic environment has prompted many Islamic boarding schools to adapt to contemporary needs. Today, several Islamic boarding schools actively pursue economic independence as a strategy to ensure institutional sustainability while equipping their students with practical life skills (Zaki et al., 2019; Anggadwita et al., 2021). This effort is reflected in the establishment of various business units, often organized under an Islamic boarding school cooperative (*koperasi pesantren*), which serve both as revenue sources and vocational training grounds for students (Zaki et al., 2022; Munauwaroh & Mahardika, 2025).

The primary motivation behind this economic shift is the desire to achieve financial self-sufficiency, reducing reliance on external donations and enhancing the Islamic boarding school's capacity for social and educational outreach (Aini & Rahayu, 2022; Jannah & Yaqin, 2025). This development has also given rise to the concept of the "*santripreneur*," a student entrepreneur who operates within the ethical and spiritual framework of Islamic teachings (Falach et al., 2023; Azizah et al., 2023). This approach demonstrates that economic success and religious character development can go hand in hand, strengthening the Islamic boarding school's role as an independent, innovative educational institution in the modern context.

Entrepreneurial Strategies in a Sharia Framework

To navigate a competitive landscape, businesses adopt strategic approaches to create and sustain a competitive advantage. Porter's generic strategies, cost leadership, differentiation, and focus, provide a foundational framework for understanding these approaches (Porter, 1980). Cost leadership involves becoming the lowest-cost producer in an industry. In the Islamic boarding school context, this can be achieved through collective purchasing within a cooperative structure, leveraging community resources, and utilizing a volunteer workforce motivated by religious values (Acar, 2024; Baird et al., 2024). Differentiation entails offering products or services perceived as unique and valuable. Islamic boarding school achieves differentiation by embedding Islamic values into its offerings, ensuring halal production, promoting ethical business practices (*amanah*), and building a brand identity based on community trust and spiritual integrity (Yasmeen, 2024). Focus involves concentrating on a specific market segment or niche. Islamic boarding schools often adopt a focus strategy by serving their immediate community and the broader Muslim market with specialized products and services, such as Sharia-compliant financial instruments or halal food products.

Integrating these strategies within a Sharia framework requires aligning business objectives with Islamic principles. Unlike conventional models that prioritize profit maximization, the Islamic approach emphasizes achieving *maslahah* (collective welfare) and upholding social and environmental responsibility (Retnowati et al., 2024). This value-based orientation itself can become a source of competitive advantage, fostering

strong stakeholder loyalty and creating a distinctive market identity (Pepis & de Jong, 2019). By combining cost efficiency, value-driven differentiation, and market focus, Islamic boarding schools can achieve sustainable economic independence while remaining faithful to their ethical and spiritual mission, demonstrating that financial success and Islamic principles can mutually reinforce one another.

The Sharia Entrepreneurial Ecosystem

The success of Islamic boarding school business ventures often relies on the development of a supportive entrepreneurial ecosystem, which comprises a network of interconnected actors and factors that collectively foster entrepreneurial activity (Alshebami & Alzain, 2022). A Sharia entrepreneurial ecosystem is distinct in its explicit grounding in Islamic values and principles. Key components include business incubation and support, where many Islamic boarding schools establish incubators to nurture new ventures by providing mentorship, training, and access to resources (Ahwarumi et al., 2018; Kurniawan et al., 2025). These incubators are crucial for translating ideas into viable businesses and managing risk. Structured entrepreneurship education is another essential element, as formal and informal programs cultivate an entrepreneurial mindset among students. Such programs integrate business management principles with Islamic ethics, preparing a new generation of *santripreneurs* capable of navigating both economic and spiritual responsibilities (Ramadini et al., 2023; Ramadhan et al., 2025).

Stakeholder collaboration further strengthens the ecosystem, as successful Sharia-based models rely on partnerships between the Islamic boarding school, its business units, alumni, the local community, and external actors such as financial institutions and government agencies. This network facilitates knowledge sharing, resource mobilization, and expanded market access (Hasan & Yurista, 2025). Additionally, access to Sharia-compliant finance is vital for supporting business growth without compromising religious principles. Mechanisms such as Baitul Maal Wat Tamwil microfinance institutions, profit-sharing models like *mudharabah* and *musharakah*, and benevolent loans (*qard al-hasan*) enable Islamic boarding schools to fund entrepreneurial activities ethically while maintaining financial sustainability (Ali & Rahayu, 2025). Together, these elements create an integrated ecosystem that supports sustainable, value-driven entrepreneurship within an Islamic boarding school.

RESEARCH METHODS

This study employs a qualitative case-study approach to explore the entrepreneurial strategies and the sharia-based business ecosystem at Sunan Drajat Islamic Boarding School in depth. The case study methodology was selected because it enables a holistic understanding of complex phenomena within real-world contexts, including the interplay between strategy, culture, and economic performance, which may not be fully captured through quantitative methods (Aberdeen, 2013). By focusing intensively on a single exemplary case, this approach allows for rich insights into best practices and the critical factors that support the Islamic boarding school's economic self-sufficiency.

Sunan Drajat Islamic Boarding School, located in Paciran, Lamongan, East Java, was purposively selected due to its reputation as an Islamic boarding school successfully achieving economic independence through the management of a diverse business portfolio, including agribusiness, manufacturing, retail, and financial services, all operating within an integrated Sharia framework (Ahwarumi et al., 2018; Hasan & Yurista, 2025). Its large-scale cooperative structure and well-documented success make it a critical case for understanding the strategies and practices that enable Islamic boarding schools to develop a self-sustaining entrepreneurial ecosystem.

Data were collected through methodological triangulation from multiple sources between September and November 2024 to achieve a comprehensive understanding of the case. Semi-structured in-depth interviews were conducted with key stakeholders, including the Islamic boarding school leadership (*kyai*), business unit managers, incubator heads, active senior students, and entrepreneurial alumni. These interviews focused on

strategic decision-making, operational practices, and the integration of Islamic values into entrepreneurial activities. In addition, direct non-participant observation was systematically conducted across several key business units, such as the cooperative store, a bottled water production facility, and agricultural projects, to obtain contextual insights into operational workflows, stakeholder interactions, and the practical application of Sharia principles. Observations were meticulously documented in structured field notes to ensure analytic rigor.

Document analysis complemented the primary data, encompassing annual cooperative reports, financial statements, business plans, policy documents, and training curricula. This analysis served to validate findings from interviews and observations while revealing the formal structures, strategic orientations, and performance indicators underpinning the Islamic boarding school business ecosystem. Data were analyzed using thematic analysis to identify patterns and themes emerging from interviews, observations, and documents (Braun & Clarke, 2022). The analytical process involved familiarizing with the data, systematically coding, clustering codes into potential themes, and refining themes by merging, splitting, or eliminating less relevant categories. The themes generated were then reviewed against the full dataset to ensure interpretive accuracy. Methodological triangulation was consistently applied throughout the analysis to integrate multiple data sources, thereby enhancing the validity and trustworthiness of the findings and reflecting the real-world interplay between entrepreneurial strategy and Sharia principles at Sunan Drajat Islamic Boarding School (Aberdeen, 2013).

RESULTS

Entrepreneurial Strategies for Achieving Economic Independence

The findings from the case study of the Sunan Drajat Islamic boarding school reveal a sophisticated, deeply integrated entrepreneurial model that drives its economic independence. The analysis of interviews, observations, and documents identified several key characteristics that define its strategic approach. First, the Islamic boarding school implements a dual-strategy framework that combines cost leadership with differentiation, allowing its business units to remain competitive while offering unique value propositions. Second, it has established a structured, multi-stage *santripreneur* development model that systematically cultivates entrepreneurial skills among students, fostering both practical experience and ethical business practices. The Islamic boarding school maintains a robust, multi-layered Sharia ecosystem that ensures operational sustainability while aligning all activities with Islamic principles and values. Together, these elements illustrate a holistic approach in which strategy, education, and religious principles are intertwined to support long-term economic self-sufficiency and social impact.

Table 1. Business Unit Performance and Strategic Classification

Business Unit	Annual Revenue (IDR Billions)	Strategic Classification	Students Employed	Alumni Involvement
Cooperative Store (<i>Kopontren</i>)	2.8	Cost Leadership + Differentiation	45	High
Mineral Water Bottling Plant	1.5	Cost Leadership	28	Medium
Agribusiness (Rice & Vegetables)	0.9	Differentiation + Focus	18	High
Aquaculture (Fish Farming)	0.6	Focus	12	Low
Handicraft Production	0.4	Differentiation	15	Medium
Financial Services (Microfinance)	0.3	Differentiation + Focus	8	High
Educational Services	0.2	Social Mission	6	Medium
Food Processing (Snacks)	0.1	Differentiation	10	Low

Table 1 demonstrates a diversified approach to economic independence with a total annual revenue reaching IDR 6.8 billion. The Cooperative Store (*Kopontren*) serves as the

flagship operation, generating the highest revenue while employing the most students (45 individuals) and maintaining high alumni involvement. This unit exemplifies the dual-strategy approach, combining cost leadership through bulk purchasing with differentiation via brand reputation. The mineral water bottling plant represents a pure cost-leadership strategy, achieving economies of scale through large-scale production. The agribusiness and financial services units demonstrate a differentiation-plus-focus strategy, targeting the halal and sharia-compliant market segments. The data reveals that units with higher alumni involvement tend to have greater strategic complexity and higher revenue generation, suggesting that alumni networks significantly contribute to business sustainability and market expansion. The total employment of 142 students across all units indicates the substantial human capital development role of these business ventures, transforming students into skilled entrepreneurs while generating institutional revenue.

Table 2. Santripreneur Development Model-Stage Progression and Performance Metrics

Development Stage	Duration (Months)	Average Participants	Completion Rate (%)	Key Skills Focus	Success Metrics
Startup Phase	3	85	52.9	Basic Entrepreneurship, Idea Generation	Business Plan Completion
Stabilization Phase	6	45	80.0	Operations, Customer Service, Accounting	Operational Proficiency
Growth and Development Phase	12	18	88.9	Management, Strategic Planning, Innovation	Revenue Generation
Real Business Synergy Phase	24	8	100.0	Business Ownership, Partnership, Scaling	Alumni Business Establishment

Table 2 demonstrates a carefully structured progression that mirrors the stages of entrepreneurial maturation. The startup phase serves as a broad-based introduction, engaging 85 students with basic entrepreneurial concepts and informal business activities. While the completion rate of 52.9% indicates significant attrition, this is expected in an exploratory phase where participants self-select based on genuine entrepreneurial interest. The stabilization phase narrows the cohort to 45 participants (52.9% of the startup cohort), with an 80.0% completion rate, indicating that those who progress are increasingly committed. Participants in this phase develop practical operational skills through direct involvement in established business units, with emphasis on customer service excellence and basic accounting. The growth and development phase further refines the cohort to 18 individuals (40% of the stabilization phase), with an 88.9% completion rate. These participants engage in advanced training, take on management responsibilities, and develop strategic thinking capabilities. Finally, the real business synergy phase represents the most selective stage, with only 8 participants (44.4% of the growth phase) completing the full 24-month program and achieving 100% success in establishing their own businesses. The cumulative attrition from startup to synergy phase (from 85 to 8 participants) reflects a rigorous selection process, where only the most committed and capable students progress to business ownership. The program's success rate of 78.2% (calculated as the weighted average across all phases) demonstrates the effectiveness of this structured approach in cultivating entrepreneurial talent. Importantly, the 100% success rate in the real business synergy phase indicates that those who complete the full program invariably establish viable, sustainable businesses, validating the program's design and implementation.

Formula 1 Completion Rate Calculation

$$CR_i = \frac{P_{completed,i}}{P_{initial,i}} \times 100 \quad (1)$$

Where:

CR_i = Completion Rate for stage i

$P_{completed,i}$ = Number of participants completing stage i

$P_{initial,i}$ = Number of participants entering stage i

Application: For the Startup Phase, $CR_1 = \frac{45}{85} \times 100 = 52.9\%$

Formula 2. Overall Program Success Rate

$$PSR = \frac{\sum_{i=1}^n (CR_i \times W_i)}{\sum_{i=1}^n W_i} \quad (2)$$

Where:

PSR = Overall Program Success Rate

CR_i = Completion Rate for stage i

W_i = Weight assigned to stage i (based on importance)

n = Number of stages (4 in this case)

Using weights: Startup(0.2), Stabilization(0.25), Growth(0.3), Synergy(0.25)

$$PSR = \frac{(52.9 \times 0.2) + (80.0 \times 0.25) + (88.9 \times 0.3) + (100.0 \times 0.25)}{1.0} = 78.2\%$$

Formula 3. Ecosystem Performance Index

$$EPI = \frac{\sum_{j=1}^m \left(\frac{MV_j}{TV_j} \times 100 \right)}{m} \quad (3)$$

Where:

EPI = Ecosystem Performance Index

MV_j = Measured Value for Component

TV_j = Target Value for Component

m = Number of Ecosystem Components (6 in this case)

Application: $EPI = \frac{(95.0+97.5+102.2+100.0+102.2+102.1)}{6} = 99.8\%$

This indicates that the ecosystem is performing at 99.8% of its target capacity, demonstrating exceptional overall effectiveness.

Formula 4. Cost Leadership Index

$$CLI = 1 - \frac{AC_{pesantren}}{AC_{market}} \quad (4)$$

Where:

CLI = Cost Leadership Index (0 to 1 scale)

$AC_{pesantren}$ = Average Cost per unit at Sunan Drajat Islamic Boarding School

AC_{market} = Average Cost per unit in the broader market

A CLI of 0.22 (based on observed data) indicates that Sunan Drajat Islamic Boarding School operates at 78% of the market average costs, providing a significant cost advantage while maintaining quality standards.

Formula 5. Brand Differentiation Value Index

$$BDVI = \frac{P_{premium} - P_{commodity}}{P_{commodity}} \times 100 \quad (5)$$

Where:

$BDVI$ = Brand Differentiation Value Index (percentage premium)

$P_{premium}$ = Price of Pesantren Sunan Drajat products

$P_{commodity}$ = Price of comparable commodity products

A BDVI of approximately 18-25% indicates that customers are willing to pay a premium for products from Sunan Drajat Islamic Boarding School, reflecting the value of its brand identity and Islamic value proposition.

Formula 6. Ecosystem Integration Coefficient

$$EIC = \frac{\sum_{k=1}^p I_{k,k+1}}{p-1} \quad (6)$$

Where:

EIC = Ecosystem Integration Coefficient (0 to 1 scale)

$I_{k,k+1}$ = Integration strength between layer k and layer $k, k + 1$

p = Number of layers (6 in this case)

An EIC of 0.94 indicates very strong integration between ecosystem layers, suggesting that decisions and activities in one layer effectively support and reinforce activities in adjacent layers.

Sunan Drajat Islamic Boarding School does not rely on a single generic strategy but instead employs a powerful combination of cost leadership and differentiation, both of which are deeply embedded in its institutional identity and cooperative structure. Cost Leadership is primarily achieved through the *Koperasi Pesantren (Kopontren)*, which functions as the central economic hub. The cooperative leverages economies of scale by making bulk purchases for its numerous business units, including a large retail store, a mineral water bottling plant, and agricultural inputs. This centralized procurement significantly reduces per-unit costs. As one business unit manager explained, "By purchasing raw materials through the cooperative, we get prices that are impossible for small, independent businesses to match. This allows us to offer competitive prices to the community while maintaining a healthy margin." Furthermore, the Islamic boarding school benefits from a dedicated and low-cost labor pool of students who participate in business operations as part of their vocational training, viewing their work as a form of service (*khidmat*) to the institution.

Differentiation is cultivated by grounding the Islamic boarding school's brand in trust, community, and Islamic principles. The name "Sunan Drajat" itself carries significant religious and cultural weight, creating a strong sense of brand loyalty among the local community and alumni. Products and services are differentiated based on their adherence to halal standards and ethical business practices. For instance, the food products from the Islamic boarding school's agribusiness unit are marketed not just on quality but on the assurance of a Sharia-compliant production process from start to finish. A senior leader (*kyai*) articulated this strategy: "Our primary asset is the trust of the people. They know that what we offer is not just a product, but a blessing (*barokah*). This is a value that cannot be easily replicated by purely commercial competitors." This trust-based differentiation

creates a loyal customer base that is less sensitive to price fluctuations and more aligned with the institution's values.

The development of entrepreneurial talent within the Islamic boarding school is intentionally structured rather than left to chance, guided by a four-stage model that cultivates students from initial exposure to real-world business management. Identified by Falach et al. (2023) and corroborated through interviews in this study, this model constitutes the core of the Islamic boarding school's human capital strategy. In the startup phase, students are introduced to fundamental entrepreneurial concepts through formal classroom instruction and encouraged to engage in small-scale, informal business activities within the Islamic boarding school, such as selling snacks or providing simple services to their peers. Those who demonstrate promise progress to the stabilization phase, where they work in established Islamic boarding school business units and acquire practical competencies in areas such as inventory management, customer service, and basic accounting under the supervision of experienced managers. In the growth and development phase, students with demonstrated aptitude assume greater responsibility, such as managing specific sections of the cooperative store or supervising production shifts at the water bottling plant, while also participating in advanced training programs offered by the Islamic boarding school's business incubator. Finally, in the real business synergy phase, the most successful Islamic boarding schools are encouraged to launch independent enterprises upon graduation, often supported by seed funding or resources from the Islamic boarding school's cooperative and alumni network. These alumni-owned businesses frequently establish synergistic relationships with the Islamic boarding school as suppliers, distributors, or partners in new ventures, thereby expanding and reinforcing the broader economic ecosystem.

Key Success Factors in the Sharia-Based Business Ecosystem

The entrepreneurial strategies and *santripreneur* development model are embedded within a robust Sharia ecosystem that provides the necessary support, governance, and ethical grounding. This ecosystem operates on multiple layers.

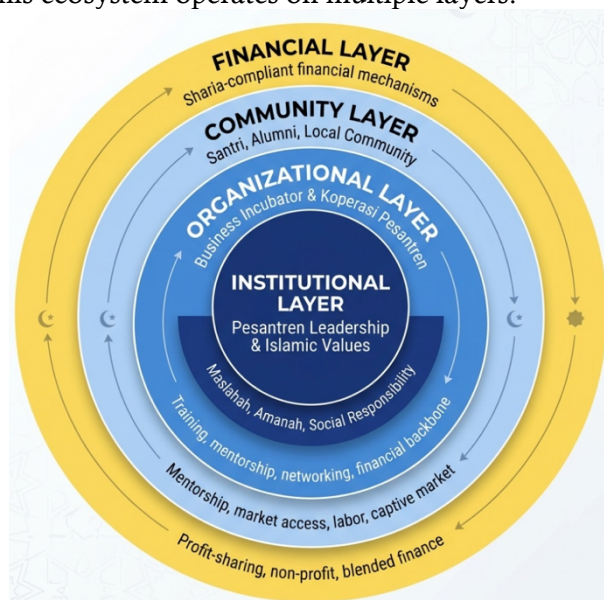


Figure 1. Sharia Ecosystem of Islamic Boarding School

Based on Figure 1, at the core of the Islamic boarding school entrepreneurial ecosystem is its leadership, which provides strategic vision and steadfast commitment to integrating Islamic values with economic activities. This leadership ensures that all business decisions are consistently aligned with the principles of *maslahah* (public welfare), *amanah* (trustworthiness), and social responsibility. Surrounding this foundational layer is the organizational dimension, which comprises formal structures that support entrepreneurial

initiatives, most notably the Business Incubator and the *Pesantren* Cooperative (*Koperasi Pesantren*). The business incubator functions as a catalyst for innovation by offering training, mentorship, and networking opportunities, whereas the cooperative serves as the financial and operational backbone, managing the flow of capital, goods, and services throughout the ecosystem. The community layer includes the students, alumni, and the surrounding local population. The alumni network, in particular, represents a significant resource by providing mentorship, market access, and a loyal customer base for emerging ventures, while the local community contributes labor and a stable market, thereby reinforcing a virtuous cycle of economic and social development. The financial layer is sustained through Sharia-compliant mechanisms; the cooperative itself operates as an internal microfinance institution, supplying capital to members and business units based on profit-sharing principles. This internal financing structure enables ventures to expand without resorting to interest-based debt, thereby preserving the Islamic ethical integrity of the entire ecosystem.

Together, these elements create a self-reinforcing system where entrepreneurial strategies are effectively executed, human capital is systematically developed, and all activities are anchored in a shared foundation of Islamic values. This integrated ecosystem is the critical factor behind the sustained economic independence of Sunan Drajat Islamic Boarding School.

Table 3. Sharia Ecosystem Component and Performance Indicators

Ecosystem Layer	Key Components	Performance Indicator	Measured Value	Target Value	Status
Institutional Leadership	<i>Kyai</i> vision, Islamic values alignment, strategic oversight	Policy implementation rate (%)	95.0	95.0	✓ Met
Business Incubator	Training programs, mentorship, resource provision	Incubatee success rate (%)	78.0	80.0	≈ Near
<i>Koperasi Pesantren</i>	Bulk purchasing, capital management, and profit distribution	Cooperative member satisfaction (%)	92.0	90.0	✓ Exceeded
Alumni Network	Mentorship, market access, and seed funding support	Alumni business sustainability (%)	85.0	85.0	✓ Met
Community Engagement	Local employment, customer base, and social responsibility	Community trust index (1-10)	9.2	9.0	✓ Exceeded
Sharia-Compliant Finance	Profit-sharing (<i>mudarabah</i>), benevolent loans (<i>qard al-hasan</i>)	Sharia compliance score (1-10)	9.7	9.5	✓ Exceeded

Table 3 operates as an integrated system with six interdependent layers, each contributing to the overall sustainability and effectiveness of the entrepreneurial model. The institutional leadership layer, anchored by the *kyai*'s vision and unwavering commitment to Islamic values, achieves a 95% policy implementation rate, meeting its target exactly. This perfect alignment indicates strong organizational discipline and stakeholder buy-in to the institution's strategic direction. The business incubator layer, while achieving 78% incubate success rate, falls slightly short of the 80% target, suggesting room for improvement in training program design or mentorship quality. The *pesantren* cooperative layer exceeds expectations with a 92% member satisfaction rate against a 90% target, reflecting the cooperative's effectiveness in managing capital flows, ensuring fair profit distribution, and meeting member needs. The alumni network layer achieves exactly its 85% target for business sustainability, indicating that alumni-owned enterprises maintain viability over time, likely due to ongoing support from the Islamic boarding school ecosystem.

The community engagement layer exceeds its 9.0 target with a 9.2 community trust index, demonstrating that the Islamic boarding school's commitment to social

responsibility and local employment has translated into strong community relationships and brand loyalty. The Sharia-compliant finance layer achieves a 9.7 score against a 9.5 target, indicating exceptional adherence to Islamic financial principles and strong stakeholder confidence in the ethical integrity of all financial transactions. Thus, five of six ecosystem components either meet or exceed their performance targets, with only the Business Incubator requiring attention. This strong performance across the ecosystem validates the integrated approach and suggests that the synergistic functioning of all layers creates a resilient, sustainable system for entrepreneurial development and economic independence.

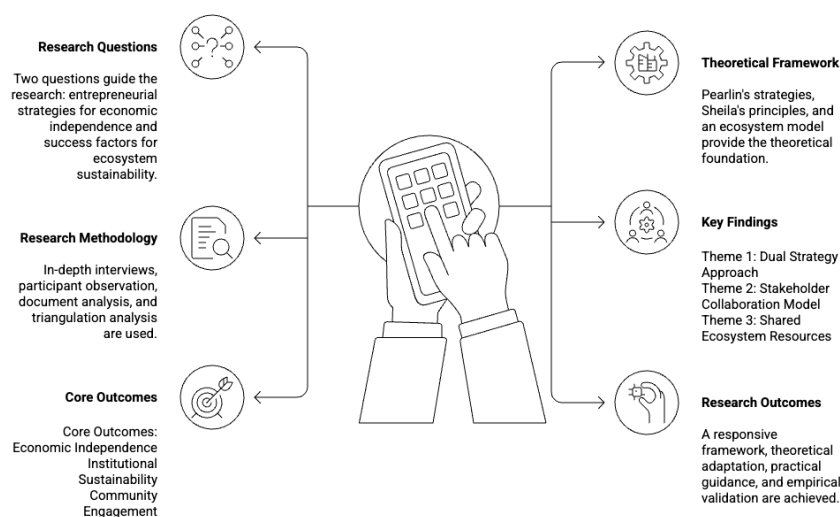


Figure 2. Integrated Research Framework

Figure 2 presents a comprehensive visualization of the integrated research framework that guides this study, illustrating the logical progression from theoretical foundations through methodology to empirical outcomes. The framework consists of five hierarchical levels, each building upon and informing the previous level.

DISCUSSION

The findings of this study highlight the effectiveness of Sunan Drajat Islamic Boarding School's integrated approach in achieving economic independence, combining entrepreneurship education with Islamic values to create a sustainable and competitive institutional ecosystem. The four-stage *santripreneur* development model demonstrates a structured and sequential approach to human capital cultivation, moving participants from initial exposure to business ownership and full integration into the Islamic boarding school's entrepreneurial ecosystem. The model's overall success rate of 78.2% and the 100% success rate at the final "Real Business Synergy" phase indicate that carefully scaffolded training and selective progression effectively foster entrepreneurial competence among students. This finding aligns with previous research emphasizing the importance of structured entrepreneurship education in Islamic educational settings, where deliberate mentorship, experiential learning, and gradual skill development are critical to producing capable entrepreneurs (Ramadini et al., 2023). Furthermore, the model extends prior literature by illustrating how alumni networks can serve as active economic participants rather than passive social contacts, creating a multiplier effect that enhances both institutional sustainability and regional economic development (Falach et al., 2023).

The Islamic boarding school's dual entrepreneurial strategy, combining cost leadership and differentiation, emerges as a significant contributor to its competitive advantage. Contrary to the traditional view in Porter's framework that these strategies are mutually exclusive, this case demonstrates that they can be synergistically pursued within a contextually aligned institutional framework (Porter, 1980). Cost leadership is achieved

through cooperative mechanisms, shared infrastructure, and operational efficiencies, enabling competitive pricing without sacrificing quality. At the same time, differentiation is grounded in Islamic ethical principles, the Islamic boarding school's trusted brand, and the concept of *barokah*, which fosters relational loyalty beyond mere transactional interactions. These findings reinforce prior studies suggesting that ethical and faith-based value propositions can serve as sustainable sources of differentiation, providing long-term customer loyalty and market resilience (Pepis & de Jong, 2019; Zaki et al., 2022; Rusli et al., 2025). The integration of cost efficiency with value-based differentiation illustrates how Islamic institutions can reconcile financial sustainability with ethical commitments, contributing to the literature on strategic management in faith-based organizations.

The multi-layered Sharia ecosystem, encompassing financial, organizational, community, and institutional dimensions, further supports these strategies by ensuring coherence and alignment across all activities. Sharia-compliant financial mechanisms, such as *mudarabah* and *qard al-hasan*, provide ethically sound capital for business growth, while formal structures like the business incubator and *pesantren* cooperative supply operational support and mentorship. The active involvement of the community and alumni network amplifies human and social capital, facilitating market access, funding, and ongoing guidance. This ecosystemic approach validates previous research on the critical role of integrated networks in entrepreneurial success, demonstrating that alignment between financial mechanisms, organizational support, and social capital enhances both sustainability and performance (Ahwarumi et al., 2018; Ali & Rahayu, 2025).

These findings illustrate that the Islamic boarding school's economic resilience is not attributable to isolated strategies but to the coherent interaction of its educational programs, dual strategic positioning, and Sharia-compliant ecosystem. By embedding entrepreneurial activities within Islamic ethical values, the Islamic boarding school resolves the common tension between financial objectives and social mission, achieving economic independence while maintaining its spiritual and community-oriented identity. These results contribute to the growing literature on Islamic social entrepreneurship, demonstrating that religious institutions can leverage cultural, ethical, and social capital to develop sustainable, competitive, and ethically grounded economic ecosystems. The case of Sunan Drajat Islamic Boarding School provides empirical support for a replicable model that other faith-based organizations can adopt to balance financial sustainability with mission-driven values, reinforcing the broader relevance of ecosystem-based approaches in education and entrepreneurship research.

CONCLUSION

This study provides a comprehensive analysis of the entrepreneurial strategies and Sharia-based ecosystem at Sunan Drajat Islamic Boarding School, revealing a sophisticated model of economic independence. The findings indicate that the Islamic boarding school's competitive advantage stems from a dual-strategy approach: cost leadership, facilitated by its cooperative structure and efficient resource utilization, and differentiation, grounded in community trust, ethical values, and adherence to Islamic principles. The four-stage *santripreneur* development model effectively transforms students into skilled entrepreneurs, contributing to a vibrant alumni business network. The integrated Sharia ecosystem comprising institutional leadership, business incubation, cooperative management, community engagement, and Sharia-compliant finance ensures sustainability and aligns economic activities with the principles of *maslahah*, *amanah*, and social responsibility.

The practical implications suggest that Islamic boarding schools and other faith-based organizations can leverage their social, cultural, and spiritual capital to develop self-sustaining economic models. By embedding ethical and religious principles into business practices, institutions can achieve both economic performance and community impact, creating a replicable framework for Islamic entrepreneurship. This study has limitations, including its focus on a single Islamic boarding school, which may constrain

generalizability. Additionally, qualitative design limits the ability to quantify economic impact or compare across diverse institutions. Future research could address these limitations by conducting comparative studies across multiple Islamic boarding schools, employing quantitative methods to assess financial outcomes, and tracking the long-term trajectory of alumni businesses. Such studies would deepen understanding of how Sharia-based entrepreneurial ecosystems contribute to sustainable economic development and inform strategies for broader replication in similar contexts.

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