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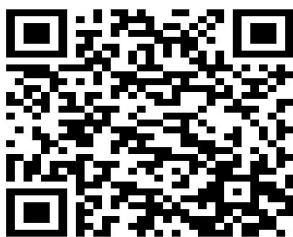
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Rethinking Contemporary Pesantren Law and Economic Independence: A Legal Economic Approach to Institutional Sustainability

Abstract: This study critically examines the relationship between Law No. 18 of 2019 concerning Pesantren and the realization of economic independence within Islamic boarding schools in Indonesia through the perspective of law and economics. Although the law formally recognizes pesantren as institutions of community empowerment, this article questions whether normative legal recognition is sufficient to create sustainable economic autonomy. The research employs a doctrinal legal method combined with an institutional economics approach, emphasizing incentive structures, transaction costs, institutional governance, and economic sustainability. Data were analyzed through statutory interpretation, conceptual analysis, and institutional evaluation of pesantren economic practices in contemporary Indonesia. The findings demonstrate a significant gap between normative legal expectations and practical implementation. Many pesantren continue to experience structural limitations in access to capital, managerial professionalism, market integration, and institutional competitiveness, resulting in continued dependence on state assistance and donor-based programs. The study further reveals that the effectiveness of pesantren law is strongly influenced by the design of legal-economic incentives, institutional differentiation between resource-rich and resource-poor pesantren, and the integration of pesantren enterprises into the broader Islamic financial ecosystem. This article argues that economic independence should not be understood as an automatic consequence of legal recognition, but rather as a dynamic and negotiated process involving the interaction of state regulation, market mechanisms, and religious authority. The study contributes to contemporary Islamic legal scholarship by offering an institutional economics framework for pesantren development and proposing policy recommendations focused on incentive-based regulation, tiered Sharia-

compliant financing, and sustainable institutional capacity building for pesantren economic transformation.

Keywords: Economic Independence; Institutional Sustainability; Legal-Economic Incentives; Islamic Entrepreneurship.

INTRODUCTION

Pesantren, the traditional Islamic boarding schools of Indonesia, have long been the bedrock of religious education and moral development in the archipelago.¹ For centuries, they have served as centers for the transmission of Islamic knowledge and the cultivation of pious individuals.² However, in response to the evolving socio-economic landscape of the 21st century, *Pesantren* are increasingly embracing a dual role, augmenting their traditional educational mission with a new focus on economic empowerment and community development. This transformation is not merely a pragmatic adaptation to modern challenges but is deeply rooted in Islamic tradition, which emphasizes economic self-sufficiency and social welfare.³ However, this transformation is neither linear nor automatic. It is shaped by institutional capacity, access to resources, and the legal design that can either enable or constrain economic behavior. The rise of Islamic entrepreneurship within *Pesantren* is a testament to this evolving paradigm, representing a concerted effort to equip students (*santri*) with the skills and mindset necessary to thrive in the contemporary economy while adhering to the ethical principles of their faith.⁴

¹ Umma Farida and Abdurrohman Kasdi, "Women's Roles in *Iḥyā' 'Ulūm al-Dīn* and Method of Teaching It at Pesantrens in Indonesia," *AlJami'ah: Journal of Islamic Studies* 59, no. 1 (June 2021): 1, <https://doi.org/10.14421/ajis.2021.591.163-190>; Husnul Fatarib et al., "Progressive Legal Reasoning in Contemporary Islamic Legal Reform: Negotiating the *Maqāṣid* and Hermeneutic Approaches," *JURIS (Jurnal Ilmiah Syariah)* 24, no. 2 (December 2025): 277-94, <https://doi.org/10.31958/juris.v24i2.16123>; Mhd Rasidin et al., "Analysing the Pesantren Tradition of Arranged Marriages from the *Kopi Fatwa Trilogy* Perspective," *Al-Istinbath: Jurnal Hukum Islam* 9, no. 1 (May 2024): 285-308, <https://doi.org/10.29240/jhi.v9i1.8436>.

² Muwaffiq Jufri et al., "Religion and State in Islamic Constitutional Law: The Role of Pesantren in Strengthening Symbiotic Islam and the State in Madura," *Justicia Islamica* 21, no. 2 (November 2024): 221-46, <https://doi.org/10.21154/justicia.v21i2.9283>.

³ Ahmad Ihwanul Muttaqin, "Institutional Adaptation of Islamic Boarding Schools in Indonesia: Balancing Tradition and Modern Education," *Al-Tanzim: Jurnal Manajemen Pendidikan Islam* 9, no. 3 (October 2025): 1016-29, <https://doi.org/10.33650/al-tanzim.v9i3.11585>.

⁴ Imam Mustofa et al., "The Authority of Texts in the Dynamics of *Ijtihad* on *Fiqh Mu'amalah* Among Santri in Indonesia," *El-Mashlahah* 14, no. 2 (December 2024): 381-408, <https://doi.org/10.23971/el-mashlahah.v14i2.8074>.

The discourse on Islamic entrepreneurship has gained significant traction in recent years, with scholars and practitioners alike recognizing its potential to foster inclusive and sustainable economic growth. Unlike conventional entrepreneurship, which is often driven by profit maximization, Islamic entrepreneurship is grounded in the principles of *Maqasid al-shariah*, which prioritize the preservation of faith, life, intellect, lineage, and property.⁵ This holistic approach to business emphasizes ethical conduct, social responsibility, and the pursuit of collective well-being (*falah*). Within the context of *Pesantren*, the integration of Islamic entrepreneurship education is seen as a powerful tool for cultivating a generation of ‘*santripreneurs*’ who are not only adept at creating and managing businesses but are also committed to upholding the values of their faith and contributing to the welfare of their communities.

A growing body of literature has explored the various facets of Islamic entrepreneurship education in *Pesantren*. Recent studies have highlighted the importance of integrating entrepreneurial concepts into religious teachings to provide a holistic learning experience.⁶ For instance, Karim's research emphasizes cultivating santri independence through business management in *Pesantren*, demonstrating the practical application of Islamic principles in entrepreneurial ventures.⁷ Similarly, Sahputri and others have examined different models of entrepreneurship education in *Pesantren*, identifying best practices for fostering an entrepreneurial mindset among students.⁸ These

⁵ Mohammad Mufid, Eka Puspa Dewi, and Sebastiana Viphindartin, “A Business Ecosystem Model of Pesantren’s Economic Self-Reliance: A Lesson Learn of Sidogiri for Pesantren in Jember,” December 26, 2025, 115–29, https://doi.org/10.2991/978-94-6463-956-8_10; Ibnu Qizam, Izra Berakon, and Herni Ali, “The Role of Halal Value Chain, Sharia Financial Inclusion, and Digital Economy in Socio-Economic Transformation: A Study of Islamic Boarding Schools in Indonesia,” *Journal of Islamic Marketing* 16, no. 3 (November 2024): 810–40, <https://doi.org/10.1108/JIMA-03-2024-0108>.

⁶ Saktika Rohmah Fajarwati et al., “Model of Entrepreneurship Education in Islamic Boarding Schools in The Entrepreneurship Program at Al-Ittifaq Islamic Boarding School in Bandung Regency,” December 31, 2025, 24–34, https://doi.org/10.2991/978-2-38476-525-6_4.

⁷ Abdul Karim et al., “Islamic Spiritual Leadership of Kyai in Fostering Santris’ Entrepreneurial Spirit and Independence in Boarding School,” *Social Sciences & Humanities Open* 12 (January 2025): 101817, <https://doi.org/10.1016/j.ssaho.2025.101817>.

⁸ Rindi Ardika Melsalasa Sahputri et al., “Entrepreneurship Education, Family Entrepreneurial Orientation and Entrepreneurial Intention among Students in Indonesia,” *Journal of International Education in Business* 16, no. 3 (June 2023): 295–311, <https://doi.org/10.1108/JIEB-02-2022-0010>.

studies underscore the significance of a values-aligned curriculum that not only imparts business acumen but also instills a sense of social and ethical responsibility. While these studies highlight success cases, they rarely examine implementation failures, variations across pesantren, or the structural dependencies on state and market that may accompany legal formalization.

The legal landscape governing *Pesantren* has also undergone a significant transformation with the enactment of Law No. 18 of 2019 concerning *Pesantren*.⁹ This landmark legislation provides a comprehensive legal framework for the recognition, affirmation, and facilitation of *Pesantren* in their multifaceted roles as centers of education, Islamic propagation (*dakwah*), and community empowerment (*pemberdayaan masyarakat*). The law explicitly acknowledges the economic dimension of *Pesantren*,¹⁰ providing a legal basis for them to establish and operate business units, access financing, and participate in the national economy. Research on the impact of the *Pesantren* Law is emerging, with studies by Syadzily indicating its potential to accelerate community economic development and strengthen national resilience.¹¹ However, a comprehensive analysis of how the law specifically facilitates Islamic entrepreneurship education and its impact on the economic independence of *santri* remains a critical area for further inquiry. Existing research remains fragmented—some focusing on entrepreneurship education, others on legal aspects—while few studies integrate both within an institutional economic framework that examines how legal design creates (or fails to create) economic incentives, reduces transaction costs, and builds institutional capacity. Moreover, the assumption that legal recognition automatically leads to economic independence has not been critically interrogated.

⁹ Faiqatul Husna, Umlina Mukhlas, and Nur Rohim Yunus, “Muadalah Policy as a Formal Recognition Solution for Non-Formal *Pesantren* Education under Law Number 18 of 2019,” *MIZAN JOURNAL OF ISLAMIC LAW* 13, no. 2 (December 2025): 288–306, <https://doi.org/10.32832/mizan.v13i2.22616>.

¹⁰ Biyati Ahwarumi et al., “Distributive Justice and Ethical Challenges in Digitizing *Pesantren* Land Certificates,” *JURNAL ILMIAH GEMA PERENCANA* 4, no. 2 (December 2025): 1705–22, <https://doi.org/10.61860/jigp.v4i2.329>.

¹¹ Ahwarumi et al.; Tb Ace Hasan Syadzily, “An Examination of *Pesantren* Regulatory Policy within the Framework of National Resilience,” *Jurnal Lemhannas RI* 13, no. 2 (June 2025): 169–82, <https://doi.org/10.55960/jlri.v13i2.1099>.

This article seeks to address this gap by providing a detailed legal-economic analysis of the role of Law No. 18 of 2019 in fostering Islamic entrepreneurship education in *Pesantren* and its subsequent impact on economic independence and social welfare. The central research question that guides this study is: How does Indonesia's legal framework, particularly Law No. 18 of 2019, facilitate Islamic entrepreneurship education in *Pesantren* to foster economic independence and social welfare? This article argues that Law No. 18 of 2019 provides a necessary but not sufficient condition for *pesantren*'s economic independence. Its effectiveness is contingent upon three factors: (1) incentive design that rewards institutional capacity-building; (2) differentiated support for *pesantren* with varying resource endowments; and (3) integration with a broader economic ecosystem, including Islamic finance and market access. By critically examining the reciprocal relationship between legal structures and *pesantren*'s institutional economic capacity, this study rethinks whether legalization through statutory law automatically enhances independence or may instead create new dependencies on state support and specific financing schemes.

METHOD

This study employs a qualitative research methodology to conduct an in-depth analysis of the legal and economic dimensions of Islamic entrepreneurship education within Indonesian *Pesantren*. The research design is centered on a doctrinal legal analysis, which involves a systematic examination and interpretation of primary legal texts to understand their content, application, and implications.¹² However, to bridge the gap between legal norms and economic realities, this doctrinal analysis is complemented with an institutional economics perspective, focusing on how legal provisions shape incentive structures, transaction costs, and institutional capacity—the core mechanisms that determine whether law works economically. This approach is particularly suited for exploring the legal architecture established by Indonesian law to support the multifaceted functions of *Pesantren*. The primary legal sources for this analysis are Law No. 18 of 2019

¹² Terry Hutchinson, "Doctrinal Research: Researching the Jury," in *Research Methods in Law*, 3rd ed. (Routledge, 2025).

concerning *Pesantren*, which serves as the central legislative framework for this study, and Law No. 20 of 2003 concerning the National Education System, which provides the broader context for educational policy in Indonesia.

In addition to the doctrinal legal analysis, this research incorporates a comprehensive content analysis of secondary sources. This includes a wide range of academic literature, peer-reviewed journal articles published between 2021 and 2026, books, and official reports from government and non-governmental organizations. The selection of these materials is guided by their relevance to the study's core themes: Islamic entrepreneurship, *Pesantren* economics, economic independence, and social welfare in the Indonesian context. The content analysis moves beyond mere synthesis to critically evaluate the literature: it identifies not only what is known but also what remains unexplained—particularly the causal links between legal design and economic performance, implementation failures, and variations across *pesantren*. The literature is used not merely to support but also to test the argument and highlight gaps.

The overall analytical approach of this study is descriptive and interpretive. It seeks to describe the legal provisions and educational models related to Islamic entrepreneurship in *Pesantren* and to interpret their significance for fostering economic independence and social welfare. By triangulating the findings from the doctrinal legal analysis and the content analysis of secondary sources, this research aims to construct a holistic and nuanced understanding of the complex interplay between law, religion, and economics in the unique institutional setting of the *Pesantren*. This qualitative approach explicitly adopts a 'law in action' perspective, contrasting legal provisions (law in the books) with findings from the literature on actual practices (law in action). Wherever possible, limited case study illustrations from *pesantren* such as Al-Ittifaq, Sidogiri, and Sunan Drajat are used as empirical reference points to ground the legal analysis in institutional realities. The analytical lenses employed include incentive structures (how law motivates or discourages economic behavior), transaction costs (how legal procedures affect access to finance and

markets), and institutional capacity (how pesantren's organizational capabilities mediate legal impact).

RESULTS AND DISCUSSION

The Legal Architecture for *Pesantren's* Economic Empowerment

The enactment of Law No. 18 of 2019 concerning *Pesantren* marks a watershed moment in the legal recognition of these institutions within the Indonesian state apparatus.¹³ This legislation moves beyond a narrow conception of *Pesantren* as mere centers of religious instruction, formally acknowledging their integral role in community empowerment and national development. A doctrinal analysis of the law reveals a robust legal architecture designed to facilitate the economic functions of *Pesantren*, thereby providing a solid foundation for cultivating entrepreneurship and pursuing economic independence. The law's explicit recognition of the community empowerment function (*pemberdayaan masyarakat*) as one of the three pillars of *Pesantren*, alongside education (*pendidikan*) and Islamic propagation (*dakwah*), is a cornerstone of this new legal paradigm.¹⁴

This legal recognition is not merely symbolic; it carries with it a set of rights and obligations that empower *Pesantren* to engage directly in economic activities. Article 4 of the law, which outlines the scope of *Pesantren's* functions, provides the legal mandate for these institutions to develop and manage business units, forge partnerships with other economic actors, and access resources from both public and private sources. This provision effectively transforms *Pesantren* from passive recipients of state support into active agents of economic change, capable of generating their own income and contributing to the economic well-being of their surrounding communities. The law's emphasis on *kemandirian* (self-reliance or independence) as a core principle further reinforces this shift, encouraging *Pesantren* to leverage their unique cultural and social capital to build sustainable economic

¹³ Syadzily, "An Examination of Pesantren Regulatory Policy within the Framework of National Resilience."

¹⁴ Syarifah Gustiawati Mukri and Gilang Rizki Aji Putra, "Legalitas Pesantren Sebagai Lembaga Pendidikan Keagamaan Masyarakat Indonesia," *BULETIN ADALAH* 6, no. 5 (July 2022): 1-10, <https://doi.org/10.15408/adalah.v6i5.27007>.

enterprises.¹⁵ The table below summarizes the key provisions of Law No. 18 of 2019 that provide the legal basis for *Pesantren*'s economic empowerment, illustrating the comprehensive nature of the legal framework supporting their entrepreneurial endeavors.

Table 1: The Key Provisions of Law No. 18 of 2019 Concerning *Pesantren*

Article	Provision	Implication for Economic Empowerment
3(c)	To improve the quality of life of a community that is empowered to meet the educational needs of citizens and the social welfare of the community.	Establishes social welfare and community empowerment as a primary goal of <i>Pesantren</i> , linking their educational mission to tangible economic outcomes.
4(c)	The scope of the <i>Pesantren</i> function includes community empowerment.	Provides the foundational legal mandate for <i>Pesantren</i> to engage in economic development activities as a core part of their institutional mission.
27	In carrying out the function of community empowerment, <i>Pesantren</i> can: develop various community resources; empower the community in various fields, including the economy; and increase community resilience.	Explicitly authorizes <i>Pesantren</i> to develop economic resources and empower the community in the economic sector, providing a clear legal basis for establishing business units.
49	The Central Government and Regional Governments facilitate <i>Pesantren</i> in forming and developing community empowerment products and/or services; accessing funding sources and other resources; and partnering with other parties.	Mandates government support for <i>Pesantren</i> 's economic activities, including product development, access to finance, and strategic partnerships, creating an enabling ecosystem.
50	The Central Government and Regional Governments can provide budget support to <i>Pesantren</i> .	Allows direct financial support from the state budget to <i>Pesantren</i> , which can be used to capitalize and scale up their economic enterprises.

Data Source: Authors' analysis (2026)

This legal framework, therefore, represents a significant departure from previous policies, which often overlooked the economic potential of *Pesantren*. By providing a clear

¹⁵ Abdul Muiz, Siti Qurratul Aini, and Mohd Shahid Bin Mohd Noh, "Advancing Sustainable Economic Empowerment in *Pesantren* by Community-Based Development Theory," *IQTISHODUNA: Jurnal Ekonomi Islam* 14, no. 1 (2025), <https://doi.org/https://doi.org/10.54471/iqtishoduna.v14i1.1803>.

legal mandate, mandating government support, and promoting a culture of self-reliance, Law No. 18 of 2019 has laid the groundwork for a new era of *Pesantren*-led economic development. The law not only legitimizes *Pesantren*'s economic activities but also provides them with the tools and resources necessary to succeed in the competitive landscape of the modern economy. This, in turn, creates a fertile ground for the flourishing of Islamic entrepreneurship education, as *Pesantren* are now incentivized to equip their students with the skills and knowledge required to manage and grow these economic ventures, thereby fostering a new generation of economically independent and socially responsible *santri*.¹⁶

However, this legal architecture should not be interpreted as automatically guaranteeing economic independence. The law provides enabling provisions, but its effectiveness is mediated by *pesantren*'s institutional capacity—their ability to develop bankable business plans, access financing, manage professional operations, and integrate with markets. Without addressing these capacity gaps, legal recognition risks remaining symbolic. Moreover, dependence on state budget support (Article 50) may paradoxically create new forms of dependency, discouraging *pesantren* from developing self-sustaining revenue models.

Integrating Islamic Law and Entrepreneurship for Social Welfare

The legal framework established by Law No. 18 of 2019 provides the structural support for *Pesantren*'s economic activities, but it is the integration of Islamic law and ethics that gives this model its unique character and purpose.¹⁷ The entrepreneurship education imparted in *Pesantren* is not merely a technical training in business management;¹⁸ it is a values-laden endeavor grounded in the higher objectives of Islamic law, or *Maqasid al-*

¹⁶ Silvia Fitri et al., "Pesantren Policy Management in Student Empowerment Functions," *MANAGERE: Indonesian Journal of Educational Management* 3, no. 3 (December 2021): 152–59, <https://doi.org/10.52627/ijeam.v3i3.160>.

¹⁷ Sofian Al Hakim et al., "Contextualising Shari'ah Economic Law: The Role of Pesantren in Indonesia's Socio-Legal Landscape," *Jurnal Ilmiah Mizani: Wacana Hukum, Ekonomi Dan Keagamaan* 12, no. 2 (September 2025): 479–96, <https://doi.org/10.29300/mzn.v12i2.7926>.

¹⁸ Muhamad Mustaqim and Ahmad Atabik, "Challenges in Implementing the Pesantren Endowment Fund: A Study of Presidential Regulation Number 82 Of 2021 On Operational Funding of Pesantren," *Jurnal Hukum* 40, no. 1 (June 2024): 129–40, <https://doi.org/10.26532/jh.v40i1.39042>.

shariah.¹⁹ These objectives—the preservation of faith (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-'aql*), lineage (*hifz al-nasl*), and property (*hifz al-mal*)—provide a comprehensive ethical framework that guides all aspects of economic activity.²⁰ Entrepreneurship, from this perspective, is not an end in itself but a means to achieve a higher purpose: the realization of collective well-being (*falah*) and the promotion of social justice.

This *Maqasid*-based approach is increasingly being embedded in the Pesantren entrepreneurship curriculum, shaping a new generation of 'santripreneurs' who are both commercially astute and ethically grounded.²¹ The curriculum often integrates classical Islamic texts on commerce and ethics with modern business principles²², encouraging students to view their entrepreneurial ventures as a form of worship (*ibadah*) and a fulfilment of their social obligations.²³ Recent research indicates that a strong understanding of *Maqasid al-shariah* significantly motivates Indonesian youth to pursue entrepreneurship, as it provides a clear moral compass and a sense of higher purpose.²⁴ This educational model fosters a holistic understanding of business, balancing profit

¹⁹ Haruna Babatunde Jaiyeoba et al., "The Implications of Maqasid Al-Shari'ah for Integrated Sustainability Practices among Businesses: A Qualitative Inquiry," *Qualitative Research in Financial Markets* 17, no. 3 (August 2024): 511–31, <https://doi.org/10.1108/QRFM-09-2023-0222>; Krismiarsi Krismiarsi and Rayno Dwi Adityo, "The Urgency of Community Service Imposed as Punishment on Juvenile Delinquents: A Study of al-Shatibi's Maqhasid al-Syariah Concept," *De Jure: Jurnal Hukum Dan Syar'iah* 17, no. 1 (April 2025): 132–48, <https://doi.org/10.18860/j-fsh.v17i1.31246>.

²⁰ Sulaeman Sulaeman et al., "Islamic Business Ethics in the Framework of Higher Ethical Objective (Maqasid al-Shariah): A Comprehensive Analysis and Future Research Directions," *International Journal of Ethics and Systems*, December 2, 2025, 1–29, <https://doi.org/10.1108/IJOES-12-2024-0398>.

²¹ Agus Wibowo et al., "Does Islamic Values Matter for Indonesian Students' Entrepreneurial Intention? The Mediating Role of Entrepreneurial Inspiration and Attitude," *Journal of Islamic Accounting and Business Research* 13, no. 2 (February 2022): 242–63, <https://doi.org/10.1108/JIABR-03-2021-0090>; Gunawan Baharuddin et al., "Effect of Maqasid Al-Shariah towards Youth Motivation to Become Entrepreneur in Indonesia," *International Journal of Financial, Accounting, and Management* 6, no. 4 (April 2025): 525–37, <https://doi.org/10.35912/ijfam.v6i4.2598>.

²² Doki Hermanto, "Curriculum Management for Strengthening Religious Moderation in Islamic Boarding Schools Al Mukmin," *Nusantara Education* 2, no. 2 (December 2023): 92–103, <https://doi.org/10.66325/nusantaraeducation.v2i2.84>.

²³ Abd Razak Zakaria et al., "Strategic Management Practices in Pesantren: Innovations for Enhancing Educational Quality and Organizational Sustainability," *Malaysian Online Journal of Educational Management* 13, no. 2 (April 2025): 86–97, <https://doi.org/10.22452/mojem.vol13no2.5>.

²⁴ Sulaeman et al., "Islamic Business Ethics in the Framework of Higher Ethical Objective (Maqasid al-Shariah)."

generation with the imperatives to create social value, protect the environment, and promote equitable wealth distribution.

The role of Islamic social finance instruments is also critical in this ecosystem.²⁵ *Pesantren* are increasingly leveraging traditional Islamic financial tools such as *Zakat* (obligatory alms), *Infaq* (voluntary charity), *Sadaqah* (charitable giving), and *Waqf* (endowment) to finance their business ventures and social programs.²⁶ These instruments provide a sustainable and interest-free source of funding that aligns with the ethical principles of Islamic finance. For example, a *Pesantren* might establish a *Waqf*-funded business unit, in which a portion of the profits is reinvested in the business for growth, while the remainder is used to support the *Pesantren*'s educational and social activities. This creates a virtuous cycle of economic empowerment and social development, in which the *Pesantren*'s business activities directly contribute to the community's well-being.²⁷ The integration of these financial instruments not only provides much-needed capital but also reinforces the social mission of *Pesantren*-based enterprises, ensuring they remain committed to serving the community.

Several *Pesantren* across Indonesia have emerged as successful models of this integrated approach. For instance, the *Pesantren Al-Ittifaq* in West Java has developed a thriving agribusiness that not only generates significant income for the institution but also provides employment and training opportunities for the local community.²⁸ The business

²⁵ Tunis Abu Bakr Rahman, Widad Mahdi Jasim, and Nooruldeen Mustafa Al-Gburi, "Legal and Sharia Analysis of Commercial Paper Discounting and Islamic Banking Finance Alternatives," *Nusantara: Journal of Law Studies* 5, no. 1 (February 2026): 84-101, <https://doi.org/10.5281/zenodo.18676735>.

²⁶ Fauzan Fauzan et al., "Integration of Islamic Social Finance for Sustainable Economic Development in the Rural Areas of Situbondo Regency, East Java, Indonesia," *Journal of Islamic Economics Perspectives* 7, no. 1 (February 2025): 98-109, <https://doi.org/10.35719/ahvk1x86>; Ramadhita Ramadhita, Sudirman Sudirman, and Syabbul Bachri, "Model of Zakat Utilization in the Covid-19 Pandemic Era: Perspective of Maqashid Sharia," *Al-Istinbath: Jurnal Hukum Islam* 7, no. 1 (May 2022): 245, <https://doi.org/10.29240/jhi.v7i1.4462>.

²⁷ Lu'luatul Jannah and Ainol Yaqin, "Building Islamic Boarding School Economic Independence through Cooperatives: The Role of Edupreneurship," *Journal of Educational Management Research* 4, no. 4 (July 2025): 1429-44, <https://doi.org/10.61987/jemr.v4i4.1006>.

²⁸ Muhammad Nagib, Eliana Wulandari, and Hepi Hapsari, "Implementation of The Chili Commodity Agricultural Financing Program at Islamic Boarding Schools: Case in The Al-Ittifaq Islamic

is managed in accordance with Islamic principles, with a strong emphasis on fair trade, environmental sustainability, and social responsibility.²⁹ Similarly, the economic initiatives at Pesantren Sidogiri in East Java, spanning financial services to retail, demonstrate a sophisticated application of Islamic economic principles to achieve both financial sustainability and social impact.³⁰ These cases illustrate the immense potential of *Pesantren* to become self-sufficient economic actors that contribute to broader social welfare and inclusive development goals, while remaining true to their core identity as centers of Islamic learning and moral guidance.

Nevertheless, these success stories are not universal. Many pesantren lack the managerial capacity, market access, or initial capital to replicate such models. The integration of *Maqasid al-Shariah* into curricula, while normatively desirable, does not automatically translate into business performance. Implementation challenges include insufficient training for educators, weak linkages with market opportunities, and limited access to Shariah-compliant financing—particularly for small and remote pesantren. These constraints require differentiated policy responses rather than a one-size-fits-all approach.

The Symbiotic Relationship between National Law and Islamic Jurisprudence

The successful cultivation of economic independence in *Pesantren* hinges not only on the specific provisions of the Pesantren Law but also on the symbiotic relationship between national legal frameworks and the principles of Islamic jurisprudence.³¹ The Indonesian legal system, characterized by its pluralism, provides a unique context for the interplay between secular and religious norms. This dynamic is particularly evident in

Boarding School Network, Bandung Regency,” *Jurnal Agrinika: Jurnal Agroteknologi Dan Agribisnis* 7, no. 2 (September 2023): 79–89, <https://doi.org/10.30737/agrinika.v7i2.2665>.

²⁹ Amimah Oktarina et al., “The Ethical Identity Index Based on Contemporary Maqasid Al-Shari’ah in Islamic Banking in Indonesia,” *MILRev: Metro Islamic Law Review* 5, no. 1 (2026): 379–402, <https://doi.org/10.32332/milrev.v5i1.12778>.

³⁰ Anidah Robani et al., “Islamic Solidarity Economy: The Case Study of Social Entrepreneurship in Pesantren, Indonesia,” *Middle East J. of Management* 9, no. 6 (2022): 665, <https://doi.org/10.1504/MEJM.2022.126316>.

³¹ Abdul Bashith et al., “Nexus of Economic Teaching in Religious Education: A Case Study of Islamic Boarding Schools in Indonesia,” *Cogent Education* 12, no. 1 (December 2025): 2486633, <https://doi.org/10.1080/2331186X.2025.2486633>.

entrepreneurship education, where the national agenda for economic development converges with the Islamic imperative for social welfare. The harmonization of these two legal traditions, while not without its challenges, creates a powerful synergy that can significantly amplify the impact of *Pesantren*-based economic initiatives.

National laws such as Law No. 20 of 2003 on the National Education System³² and Law No. 20 of 2008 on Micro, Small, and Medium Enterprises (MSMEs) provide the broader regulatory environment within which *Pesantren* operate. The National Education System Law, for example, mandates the inclusion of skills-based education and character development in the national curriculum, objectives that align seamlessly with the goals of Islamic entrepreneurship education. Similarly, the MSME Law offers a range of incentives and support mechanisms for small businesses that *Pesantren* can leverage to grow their economic ventures. When these national policies are integrated with the ethical and social principles of Islamic jurisprudence, they create a comprehensive support system that addresses both the material and moral dimensions of entrepreneurship.

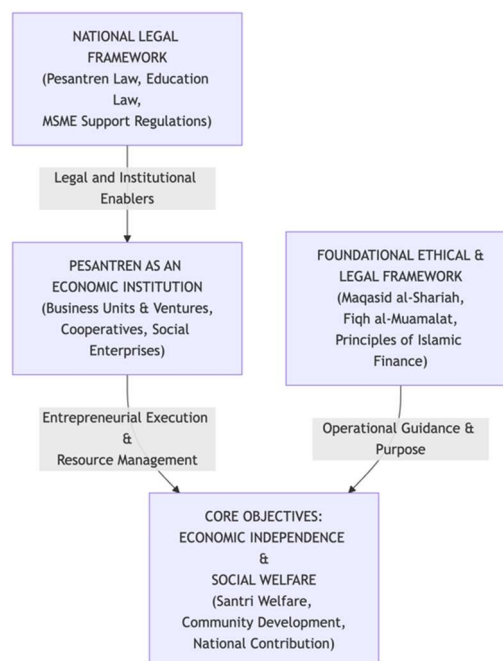
However, harmonizing these legal systems is not always straightforward. Challenges can arise from differing interpretations of legal texts, bureaucratic hurdles, and a lack of coordination between government agencies and religious institutions. For instance, *Pesantren* may face difficulties in accessing financing from conventional banks due to a preference for Shariah-compliant financial products, or they may struggle to navigate the complex regulatory requirements for business registration and taxation. Overcoming these challenges requires a concerted effort from all stakeholders, including policymakers, religious leaders, and the business community, to foster a climate of mutual understanding and collaboration.³³ The government plays a crucial role in this process by creating policies that are sensitive to *Pesantren*'s unique needs and values, while religious leaders can

³² Sarah Elizabeth Anderson, "Transformative Pedagogy for Contemporary Education to Strengthen Competencies and Global Learning Readiness," *Nusantara Education* 4, no. 2 (December 2025): 26-44, <https://doi.org/10.66325/nusantaraeducation.v4i2.250>.

³³ Muhammad Sri Wahyudi Suliswanto, Mohd Mahyudi, and Mohd Nizam Barom, "A Maqasid-Based Welfare Index in Indonesia: An Empirical Investigation," *Journal of Islamic Monetary Economics and Finance* 11, no. 1 (February 2025): 119-46, <https://doi.org/10.21098/jimf.v11i1.2098>.

contribute by providing clear guidance on the application of Islamic principles in a modern economic context.

The conceptual model depicted in Figure 1 illustrates the synergistic relationship between national law, Islamic jurisprudence, and the economic independence of *Pesantren*. This model envisions a dynamic ecosystem where these three elements interact to create a virtuous cycle of development. National law provides the foundational legal framework and institutional support, while Islamic jurisprudence offers the ethical guidance and social mission. *Pesantren*, situated at the intersection of these two legal traditions, serves as the institutional catalyst that translates legal and ethical principles into tangible economic outcomes. The successful functioning of this ecosystem depends on the strength of its linkages, underscoring the importance of ongoing dialogue and collaboration among all stakeholders.



Source: Author analysis (2026)

Figure 1: Conceptual Model of Pesantren’s Economic Independence Ecosystem

The relationship between national law and Islamic jurisprudence, however, is not merely harmonizing; it is also a space of negotiation, interpretive conflict, and institutional

compromise. For instance, pesantren may face difficulties accessing conventional financing due to *riba* (interest) prohibitions, while Shariah-compliant financial products remain limited in rural areas. Similarly, bureaucratic requirements for business registration and taxation may conflict with pesantren's traditional informal structures. Thus, the symbiotic relationship is contingent upon ongoing dialogue and institutional adaptation—not a static given.

Consequently, this model transcends a static structural diagram to present a robust theoretical framework for analyzing the adaptive resilience and transformative potential of Islamic boarding schools in a modern economy. Its true test lies not merely in mapping static components, but in its capacity to explain the dynamic negotiation between normative legal compliance, religious-ethical imperatives, and pragmatic market forces. Future research and policy must therefore focus on the critical feedback loops and institutional learning mechanisms within this ecosystem, examining how *Pesantren* navigate the inherent tensions and opportunities at this confluence to sustainably generate not just financial capital, but also religious, intellectual, and social capital for broader national development.

Discussion

The transformation of *Pesantren* into engines of economic empowerment has been extensively documented in recent scholarly literature. The study of Karim et al. on Islamic entrepreneurship education demonstrates that when business management principles are integrated with Islamic teachings, *santri* develop not only commercial competencies but also a strong sense of social responsibility.³⁴ This finding is corroborated by Fajarwati et al., whose analysis of entrepreneurship education models in *Pesantren* found that the most successful programs explicitly connect business objectives with Islamic values and community welfare.³⁵ However, these studies primarily focus on successful cases, leaving

³⁴ Karim et al., "Islamic Spiritual Leadership of *Kyai* in Fostering *Santris*' Entrepreneurial Spirit and Independence in Boarding School."

³⁵ Fajarwati et al., "Model of Entrepreneurship Education in Islamic Boarding Schools in The Entrepreneurship Program at Al-Ittifaq Islamic Boarding School in Bandung Regency."

unexplained why some pesantren succeed while others fail. This gap points to the need for an institutional economics lens that examines how variation in legal awareness, managerial capacity, and access to finance mediates outcomes.

The empirical evidence supporting the efficacy of *Maqasid*-based entrepreneurship is particularly compelling. Sulaeman et al. conducted a rigorous study examining the relationship between understanding *Maqasid al-shariah* and entrepreneurial motivation among Indonesian youth, finding a statistically significant positive correlation.³⁶ However, the positive correlation between understanding of *Maqasid* and entrepreneurial motivation does not establish causality regarding economic performance. Motivation alone cannot overcome structural barriers such as a lack of startup capital, weak market linkages, or regulatory complexity. Thus, the law's role in creating enabling conditions—reducing transaction costs, providing legal certainty for business registration, and facilitating access to finance—is as important as value-based education. This research suggests that Islamic legal frameworks, when properly integrated into entrepreneurship education, serve as powerful motivators for business creation and community engagement. Furthermore, Qizam et al. empirically demonstrate that Islamic boarding schools (*pesantren*) in Indonesia function as catalytic agents of socio-economic transformation through their strategic integration and promotion of the halal value chain, sharia financial inclusion, and the digital economy.³⁷

The legal framework supporting *Pesantren's* economic functions has attracted increasing scholarly attention. Syadzily provided a comprehensive analysis of Law No. 18 of 2019, demonstrating its significant potential to accelerate community economic development and strengthen national resilience across ideological, economic, and socio-cultural dimensions.³⁸ This research highlights that the law's explicit recognition of

³⁶ Sulaeman et al., "Islamic Business Ethics in the Framework of Higher Ethical Objective (*Maqasid al-Shariah*)."

³⁷ Qizam, Berakon, and Ali, "The Role of Halal Value Chain, Sharia Financial Inclusion, and Digital Economy in Socio-Economic Transformation."

³⁸ Syadzily, "An Examination of *Pesantren* Regulatory Policy within the Framework of National Resilience."

Pesantren's community empowerment function represents a paradigm shift in how the Indonesian state conceptualizes the role of religious institutions in national development.

The role of Islamic social finance in *Pesantren*-based economic development has been extensively explored in recent literature. Fauzan et al. examined the integration of Islamic social finance instruments—particularly *Zakat*, *Infaq*, *Sadaqah*, and *Waqf*—in *Pesantren* economic empowerment programs, finding that these mechanisms provide not only financial capital but also reinforce the ethical foundations of entrepreneurial activity.³⁹ While Islamic social finance instruments offer sustainable funding, their scalability is limited by dependency on donor and community contributions. Many *pesantren* lack the organizational infrastructure to manage *waqf* or *zakat* funds professionally, and regulatory frameworks for *waqf*-based venture capital remain underdeveloped. Consequently, reliance on these instruments may perpetuate rather than resolve funding gaps. Similarly, Suliswanto et al. developed a *Maqasid*-based welfare index for Indonesia, demonstrating that provinces with higher levels of *Maqasid*-aligned economic development also achieve superior outcomes in poverty reduction and social welfare.⁴⁰

The practical implementation of entrepreneurship education in *Pesantren* has yielded promising results. Auliyah and Sari conducted a detailed case study of Sunan Drajat Islamic Boarding School, identifying the key determinants of business success in *Pesantren* settings, including strong leadership, community engagement, and alignment with Islamic principles.⁴¹ The research by Ahmed et al. on the positive relationship between economic freedom and growth,⁴² the strategic role of *Pesantren*-Owned Enterprises (BUMP) can be understood as a micro-level application of these principles. Well-managed BUMP units

³⁹ Fauzan et al., "Integration of Islamic Social Finance for Sustainable Economic Development in the Rural Areas of Situbondo Regency, East Java, Indonesia"; Anas Alhifni et al., "The Awqaf-Driven Venture Capital: A Policy Innovation in Financing for the *Pesantren* Entrepreneurial Ecosystem," *JURNAL ILMIAH GEMA PERENCANA* 4, no. 2 (December 2025): 1667–88, <https://doi.org/10.61860/jigp.v4i2.322>.

⁴⁰ Suliswanto, Mahyudi, and Barom, "A *Maqasid*-Based Welfare Index in Indonesia."

⁴¹ Robiatul Auliyah, Mohammad Nasih, and Dian Agustia, "Determinants of Business Success at Sunan Drajat Islamic Boarding School, East Java Indonesia," *Cogent Business & Management* 12, no. 1 (December 2025): 2492828, <https://doi.org/10.1080/23311975.2025.2492828>.

⁴² Shabbir Ahmed et al., "Decomposed and Composed Effects of Economic Freedom on Economic Growth in South Asia," *Heliyon* 9, no. 2 (February 2023), <https://doi.org/10.1016/j.heliyon.2023.e13478>.

serve as practical platforms that implement key components of economic independence, thereby advancing economic independence by generating revenue and providing practical training for *santri* (students).⁴³

Table 2 aligns the specific components of economic independence as significant for economic growth with the operational mechanisms and strategic roles of BUMP.

Table 2: Legal-Economic Framework for Independence

Component	Relevance to BUMP's Strategic Role	Impact on <i>Santri</i> Training & Economic Independence
Property Rights	Provides a formal legal and operational structure for pesantren assets, enabling secure investment and business planning.	Teaches practical lessons in asset management, legal compliance, and long-term organizational stewardship.
Independent to Do Business	Allows BUMP to engage in commercial activities (e.g., agriculture, trade, services) with minimal bureaucratic barriers.	Offers hands-on experience in entrepreneurship, market analysis, customer service, and business management.
Trade Liberty	Enables BUMP to engage in supply chains, source inputs, and sell products or services beyond the pesantren.	Develops skills in procurement, logistics, marketing, and understanding broader market dynamics.
Investment Freedom	Facilitates the channelling of community or external investments into BUMP to scale operations and diversify ventures.	Provides a real-world case study in financial planning, capital allocation, and measuring return on investment.
Financial Liberty	Supports access to banking services, credit, and financial management tools essential for business operations.	Builds crucial financial literacy skills, including budgeting, accounting, and responsible credit use.
Tax Burden (Negative Effect)	Highlights a potential constraint: high or complex taxes can reduce net revenue, which BUMP can reinvest in education and training.	Makes <i>santri</i> aware of fiscal obligations and the importance of efficient business operations to meet them.

Data Source: Authors' analysis (2026)

Table 2 assumes a uniform impact of BUMPs across all pesantren. In reality, the strategic role of BUMPs varies significantly: resource-rich pesantren with strong leadership and external networks can leverage property rights and investment freedom effectively,

⁴³ Widad Ulfatul Mawaddah Hadi, Umrotul Khasanah, and Khusnudin Khusnudin, "The Strategy of Islamic Boarding School-Owned Enterprises in Supporting Economic and Educational Sustainability at the Nurul Jadid Paiton Probolinggo Islamic Boarding School," *Al-Afkar, Journal For Islamic Studies* 9, no. 1 (January 2026): 329-53, <https://doi.org/10.31943/afkarjournal.v9i1.2805>.

while resource-poor pesantren may remain trapped in subsistence-level activities. This heterogeneity demands differentiated policy interventions rather than blanket recommendations. Based on the decomposed effects in Table 2, which show that key subcomponents of economic independence strongly stimulate growth, the role of BUMP can be interpreted as directly implementing these core freedoms—such as property rights and business liberty—to generate revenue. Simultaneously, they indirectly cultivate the same principles in *santri* through hands-on training, thereby equipping them with the mindset and skills to contribute to a growing economy and extend the pesantren's impact beyond mere financial gains.

The integration of *Pesantren* business units with broader cooperative frameworks has been identified as a particularly effective strategy for scaling economic impact. Jannah et al. demonstrated that cooperative structures, when combined with Islamic financial principles, enable *Pesantren* to gain greater market bargaining power, access larger financing sources, and create more stable employment for community members.⁴⁴ This finding is reinforced by Raimi and Bamiro, whose research on Islamic micro-finance institutions emphasized the importance of integrating cooperative principles with Islamic finance to achieve sustainable economic empowerment.⁴⁵

The challenges of implementing Islamic entrepreneurship education in *Pesantren* have also been documented in recent literature. Fitri et al. identified several policy management issues that *Pesantren* face in operationalizing student economic empowerment, including insufficient educator training, limited access to capital, and weak linkages to market opportunities.⁴⁶ Zakaria et al. examined the application of Islamic education management principles in *Pesantren* business units, highlighting the need for more

⁴⁴ Jannah and Yaqin, “Building Islamic Boarding School Economic Independence through Cooperatives.”

⁴⁵ Lukman Raimi and Nurudeen Babatunde Bamiro, “Role of Islamic Sustainable Finance in Promoting Green Entrepreneurship and Sustainable Development Goals in Emerging Muslim Economies,” *International Journal of Social Economics* 53, no. 2 (January 2026): 181-96, <https://doi.org/10.1108/IJSE-05-2024-0408>.

⁴⁶ Fitri et al., “Pesantren Policy Management in Student Empowerment Functions.”

sophisticated management systems and professional development for *Pesantren* administrators.⁴⁷

The broader context of Indonesian labour law and employment relations has important implications for *Pesantren*-based entrepreneurship. Palguna et al. analysed the Constitutional Court's decisions on outsourcing schemes, providing insights into how Indonesian law balances business efficiency with worker protection—principles that are equally relevant to *Pesantren* business operations.⁴⁸ Hidayah et al. examined the implementation of labour development principles in the Job Creation Law, emphasizing the importance of protecting workers' rights while enabling business growth. These studies provide important context for understanding the legal constraints and opportunities facing *Pesantren* entrepreneurs.⁴⁹

The role of Islamic education management in fostering entrepreneurial culture has been examined by Sugandi et al., who analysed leadership and organizational change in Islamic educational institutions. Their findings suggest that effective leadership, a clear organizational vision, and a commitment to continuous improvement are essential for *Pesantren* to transition into economic enterprises successfully.⁵⁰ Similarly, Moslimany et al. explored the application of STEAM (Science, Technology, Engineering, Arts, Mathematics) education in Islamic boarding schools, demonstrating how modern pedagogical approaches can be integrated with Islamic teachings to prepare *santri* for contemporary economic challenges.⁵¹

⁴⁷ Zakaria et al., "Strategic Management Practices in *Pesantren*."

⁴⁸ I. Dewa Gede Palguna et al., "Indonesia's Constitutional Court Decisions on Outsourcing Scheme: Balancing Protection and Efficiency?," *Journal of Indonesian Legal Studies* 8, no. 2 (November 2023): 405–52, <https://doi.org/10.15294/jils.v8i2.66507>.

⁴⁹ Nur Putri Hidayah, Quincy R. Cloet, and David Pradhan, "The Implementation of Labor Development Principles According to Job Creation Law as a Reason to Protect Wages Rights," *BESTUUR* 9, no. 1 (August 2021): 68–76, <https://doi.org/10.20961/bestuur.v9i1.49252>.

⁵⁰ Anas Alhifni et al., "The Cultural Embeddedness of Economic Action: Islamic Values, Entrepreneurship, and FinTech Innovation," *Journal of Cultural Analysis and Social Change*, December 4, 2025, 95–104, <https://doi.org/10.64753/jcasc.v10i4.2782>.

⁵¹ Raqib Moslimany, Anzar Otaibi, and Frugo Shaikh, "Designing a Holistic Curriculum: Challenges and Opportunities in Islamic Education," *Journal on Islamic Studies* 1, no. 1 (June 2024): 52–73, <https://doi.org/10.35335/beztg009>.

The international dimension of Islamic entrepreneurship education has also received scholarly attention. Billah et al. examined Islamic green finance, highlighting the growing importance of environmental sustainability in Islamic business practices—a principle increasingly integrated into *Pesantren* entrepreneurship curricula.⁵² Asrori et al. explored the integration of Waqf into *Pesantren* curricula, demonstrating how traditional Islamic endowment mechanisms can be mobilized to support both ethical entrepreneurship and long-term institutional sustainability.⁵³

The relationship between *Pesantren* and the Industrial Revolution 4.0 has been examined by Rouf et al., who analyzed *Pesantren* strategies for responding to technological change and digital transformation.⁵⁴ This research indicates that *Pesantren* are actively adapting their entrepreneurship education programs to prepare *santri* for opportunities in the digital economy, including e-commerce, digital marketing, and technology-based business models. Recent studies have also emphasized the importance of community engagement in *Pesantren*-based economic development. Muhyiddin examined the One Islamic Boarding School One Product (OPOP) program, demonstrating how *Pesantren* can leverage their unique cultural and agricultural assets to create distinctive products that command premium prices in national and international markets.⁵⁵ Raimi and Bamiro documented a case study of sustainable sheep farming initiatives in *Pesantren*, illustrating how agricultural entrepreneurship can simultaneously generate income, create jobs, and advance environmental sustainability.⁵⁶

⁵² Mohd Ma'Sum Billah et al., eds., *Islamic Green Finance: A Research Companion* (London: Routledge, 2024), <https://doi.org/10.4324/9781032672946>.

⁵³ Saifudin Asrori et al., "Integrating Waqf into Pesantren Curriculum: Strengthening Ethical Values and Economic Empowerment," in *Towards Resilient Societies: The Synergy of Religion, Education, Health, Science, and Technology*, 1st ed., by Maila D. H. Rahiem (London: CRC Press, 2025), 323–28, <https://doi.org/10.1201/9781003645542-52>.

⁵⁴ Abdur Rouf, Fatah Syukur, and Samsul Maarif, "Entrepreneurship in Islamic Education Institutions: Pesantren Strategy in Responding to the Industrial Revolution 4.0," *Tafkir: Interdisciplinary Journal of Islamic Education* 5, no. 2 (April 2024): 250–65, <https://doi.org/10.31538/tijie.v5i2.1115>.

⁵⁵ Dandy Sobron Muhyiddin et al., "Community Economic Empowerment Through the 'One Pesantren One Product' Program at Pagelaran III Islamic Boarding School, Subang, Indonesia," *Journal of Islamic Economics Lariba*, August 12, 2022, 101–22, <https://doi.org/10.20885/jielariba.vol8.iss1.art7>.

⁵⁶ Raimi and Bamiro, "Role of Islamic Sustainable Finance in Promoting Green Entrepreneurship and Sustainable Development Goals in Emerging Muslim Economies."

The governance and management of *Pesantren* business units have been the subject of recent research. Harjawati et al. conducted a qualitative phenomenological study on human resource management, cooperation, and sustainability in Islamic boarding school-based businesses, identifying best practices for managing diverse stakeholders and ensuring long-term viability.⁵⁷ This research highlights the importance of professional management systems, transparent governance, and inclusive decision-making processes in *Pesantren* enterprises.

This study contributes theoretically by integrating legal analysis with institutional economics, showing that *pesantren* law functions not merely as educational regulation but as an instrument that shapes incentive structures, transaction costs, and institutional capacity. The paper challenges the assumption that legal recognition automatically produces economic independence, reconceptualizing it as an ongoing process negotiated among the state, market, and religious authority. Suliswanto has analyzed the broader policy environment supporting *Pesantren* economic development through the development of a *Maqasid*-based welfare index, which provides a framework for measuring the alignment of economic policies with Islamic principles of social welfare.⁵⁸ This index demonstrates that provinces with stronger alignment between economic development policies and *Maqasid* principles achieve superior outcomes in poverty reduction, income distribution, and social cohesion.

CONCLUSION

This article reexamines the relationship between Indonesian Law No. 18 of 2019 concerning *Pesantren* and the economic independence of Islamic boarding schools through a legal- economic lens. Contrary to affirmative claims that the law provides a “robust legal framework” automatically leading to economic empowerment, the analysis reveals a persistent gap between normative provisions and implementation realities. Three

⁵⁷ Tri Harjawati et al., “Integrated Business Strategies in Islamic Boarding School-Based Businesses: A Qualitative Phenomenological Study on Human Resource Management, Cooperation, Marketing, Production, and Finance,” *Cogent Business & Management* 13, no. 1 (January 2026): 2607801, <https://doi.org/10.1080/23311975.2025.2607801>.

⁵⁸ Suliswanto, Mahyudi, and Barom, “A *Maqasid*-Based Welfare Index in Indonesia.”

critical findings emerge. First, the law's effectiveness is contingent upon pesantren's institutional capacity—their ability to access finance, manage business operations, and integrate with markets—which varies significantly across different pesantren. Second, legal recognition, while enabling, may paradoxically create new dependencies on state support and donor-driven programs if not accompanied by incentive structures that reward self-sustaining revenue models. Third, the relationship between national law and Islamic jurisprudence is not merely harmonizing but also a space of negotiation, interpretive conflict, and institutional compromise that requires ongoing dialogue among the state, market, and religious authority. The study acknowledges several limitations: the doctrinal approach could benefit from empirical case studies to test causal mechanisms; the focus on legal provisions leaves unexplored how pesantren actually navigate regulatory complexity; and the analysis of Islamic finance instruments remains at a conceptual level, requiring further empirical validation. For policy, this study recommends: (1) designing legal-economic incentive models that differentiate support based on pesantren's capacity levels; (2) strengthening pesantren-based enterprises through tiered access to Shariah-compliant financing, including micro-waqf and venture capital schemes; (3) embedding pesantren law within a broader institutional economics framework that addresses transaction costs, information asymmetry, and market integration. Ultimately, economic independence for pesantren is not a final condition to be granted by law but an ongoing process to be built through institutional capacity, market integration, and adaptive governance. The “rethinking” agenda requires moving beyond normative optimism toward analytical, critical engagement with implementation gaps, structural constraints, and the negotiated nature of legal-economic transformation.

AUTHOR CONTRIBUTIONS STATEMENT

Anas Alhifni contributed to the conceptualization of the study, research design, and supervision of the overall manuscript development. Biyati Ahwarumi was responsible for data collection, literature review, and initial manuscript drafting. Radif Khotamir Rusli contributed to methodological formulation, legal analysis, and interpretation of institutional economics perspectives. Ramadhita participated in data analysis, theoretical

refinement, and manuscript editing. Firdaus Arifin contributed to validation of findings, policy analysis, and critical review of the manuscript. Naim Demirel was responsible for language refinement, academic proofreading, and final approval of the manuscript for publication. All authors have read and approved the final version of the manuscript and agreed to be accountable for all aspects of the work.

CONFLICT OF INTEREST

The authors hereby affirm that no personal, financial, or professional conflicts of interest exist in relation to this research, its funding, or its publication, thereby ensuring the impartiality and integrity of the academic analysis and conclusions presented herein.

AI USAGE STATEMENT

In the preparation of this manuscript, AI platforms, including DeepSeek and Mermaid, were employed solely as auxiliary tools to enhance English grammatical structure and generate a single conceptual figure. All core scholarly contributions—including the doctrinal legal analysis, theoretical framework, data interpretation, and substantive conclusions—remain the original, unaltered work and sole responsibility of the authors, preserving the complete authenticity and academic integrity of the research.

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