Government and Institutional Support for Pesantren Entrepreneurship: An Economic Law Analysis

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Abstract

This study examines the legal and regulatory frameworks shaping entrepreneurship in Indonesian pesantren, focusing on the application of economic law within Islamic boarding schools. Specifically, it investigates business licensing and Islamic finance law, with an emphasis on how these regulations influence the entrepreneurial practices within pesantren. Using a mixed-methods approach, the study combines quantitative data from surveys of 150 stakeholders and qualitative insights from interviews with 27 informants at Pesantren Sunan Drajat in Lamongan, East Java. The research identifies a strong alignment between pesantren entrepreneurship and national economic development policies, particularly in micro, small, and medium enterprises (MSMEs). However, it also reveals significant regulatory gaps in business formalization, intellectual property protection, and access to Islamic financial resources, thereby hindering entrepreneurial growth. This study contributes to the fields of institutional economics and legal pluralism, offering a detailed analysis of the pesantren system as a hybrid institution combining religious education with economic activity. The study argues for a more integrated economic legal framework that is responsive to the unique socio-religious needs of pesantren, recommending enhanced legal facilitation, expanded financial access, and more effective institutional support mechanisms.

Keywords: *Pesantren Entrepreneurship; Economic Law; Regulatory Frameworks; Community Development; Indonesia.*

Introduction

The Indonesian pesantren system, comprising more than 28,000 Islamic boarding schools educating approximately four million students, represents a significant socio-economic and cultural force with substantial potential for national

development.[1,2] Data from Kementerian Agama Republik Indonesia indicate that although the number of pesantren continues to grow, only a limited proportion have developed structured entrepreneurial activities, highlighting a gap between institutional potential and economic realization.[3] Historically centered on religious instruction (*tafaqquh fiddin*), pesantren are currently undergoing a transformative shift toward hybrid institutions that integrate education with economic enterprise.[4] This transformation is driven by internal demands for financial sustainability and external pressures of economic modernization, particularly within Indonesia's MSME sector, which contributes over 60% of GDP and absorbs approximately 97% of the national workforce.[5,6] Consequently, the development of pesantren entrepreneurship is not merely an institutional concern but a strategic national issue, underscoring the urgency of examining its legal and regulatory foundations.

From a legal perspective, pesantren entrepreneurship operates within a complex framework of legal pluralism, where Islamic economic principles, national

[1] Syamsul Aripin Syamsul Aripin and Nana Meily Nurdiansyah, "Modernization of Education: A New Approach and Method in Learning Islamic Religious Education," *TADRIS: Jurnal Pendidikan Islam* 17, no. 1 (July 2022): 100–117, https://doi.org/10.19105/tjpi.v17i1.5916.

[2] Kamaruzzaman Bustamam Ahmad, "Educational Practice: Lessons to Be Learned from Madrasah and Religious Schools in Contemporary Southeast Asia," *Indonesian Journal of Islam and Muslim Societies* 5, no. 1 (June 2015): 29, https://doi.org/10.18326/ijims.v5i1.29-48.

[3] M. Falikul Isbah, "Pesantren in the Changing Indonesian Context: History and Current Developments," *QIJIS (Qudus International Journal of Islamic Studies)* 8, no. 1 (June 2020): 65, https://doi.org/10.21043/qijis.v8i1.5629.

[4] Eko Saputra, "Hybrid Identity of Urban Muslim Youth: The Case of Teras Dakwah Yogyakarta," *ESENSIA: Jurnal Ilmu-Ilmu Ushuluddin* 23, no. 1 (July 2022), https://doi.org/10.14421/esensia.v23i1.2910.

[5] Siti Halimah, Achmad Yusuf, and Khamdan Safiudin, "Pesantren Education Management: The Transformation of Religious Learning Culture in the Age of Disruption," *Nidhomul Haq : Jurnal Manajemen Pendidikan Islam* 9, no. 3 (November 2024): 648–66, https://doi.org/10.31538/ndhq.v9i3.16.

[6] Tulus Tambunan, "Micro, Small and Medium Enterprises in Times of Crisis: Evidence from Indonesia," *Journal of the International Council for Small Business* 2, no. 4 (October 2021): 278–302, https://doi.org/10.1080/26437015.2021.1934754.

commercial law, and customary norms (*adat*) intersect.[7,8] The enactment of Law No. 18 of 2019 concerning Pesantren represents a significant milestone, formally recognizing and promoting the economic functions of pesantren.[9] However, despite this progressive legislative framework, substantial regulatory weaknesses persist. These include inconsistencies in policy implementation across regions, limited legal clarity regarding the formal status of pesantren business entities, restricted access to formal financial systems, and inadequate protection of intellectual property rights.[10] Such regulatory fragmentation creates structural barriers that hinder the optimal development of pesantren entrepreneurship, thereby revealing a critical gap between normative legal frameworks and empirical realities.[11]

Recent scholarship has increasingly examined pesantren entrepreneurship from multiple perspectives, reflecting growing academic attention to this institutional transformation. Studies on Islamic financial inclusion highlight the challenges faced by pesantren in accessing sharia-compliant financial services.[12] Meanwhile, research emphasizes the evolving socio-economic roles of pesantren

[7] RR Dewi Anggraeni, "Islamic Law and Customary Law in Contemporary Legal Pluralism in Indonesia: Tension and Constraints," *AHKAM : Jurnal Ilmu Syariah* 23, no. 1 (June 2023), https://doi.org/10.15408/ajis.v23i1.32549.

[8] Daniel Peterson, Adriaan Bedner, and Ward Berenschot, "The Perils of Legal Formalism: Litigating Land Conflicts in Indonesia," *Journal of Contemporary Asia*, January 2025, 1–22, https://doi.org/10.1080/00472336.2024.2440855.

[9] Wahyuddin Halim and Andar Nubowo, "Muhammadiyah Bugis-Makassar: Dispersal of Muslim Organizations in and from South Sulawesi, Indonesia," *Studia Islamika* 32, no. 2 (August 2025): 313–46, https://doi.org/10.36712/sdi.v32i2.42544.

[10] Agus Hartanto et al., "Developing a Sustainability Framework for Islamic Banking: A Maqashid Shariah Quadruple Bottom Line Approach," *International Journal of Islamic and Middle Eastern Finance and Management* 19, no. 3 (April 2026): 767–802, https://doi.org/10.1108/IMEFM-02-2025-0088.

[11] Irham Zaki et al., "Islamic Community-Based Business Cooperation and Sustainable Development Goals: A Case of Pesantren Community in Indonesia," *International Journal of Ethics and Systems* 38, no. 4 (October 2022): 621–32, https://doi.org/10.1108/IJOES-12-2021-0218.

[12] Miftahul Ulum, Nurul Widyawati IR, and Abdul Wadud, "Islamic Boarding School-Based Economic Empowerment in Jember District The One Islamic Boarding School One Product (OPOP) Program," *Jurnal Syntax Admiration* 4, no. 11 (November 2023), https://doi.org/10.46799/jsa.v4i11.783.

within Indonesian society.[13,14] In addition, Isbah (2020) discusses the institutional transformation of pesantren in response to modernization pressures.[15] From an economic perspective, Tambunan (2021) highlights the broader MSME ecosystem in Indonesia, within which pesantren entrepreneurship is embedded.[16] Furthermore, studies on Islamic microfinance and grassroots economic development provide insights into structural challenges in financing religious-based economic institutions.[17] Despite these valuable contributions, existing studies tend to focus on isolated dimensions such as finance, socio-cultural transformation, or macroeconomic contexts, and remain fragmented in their analytical scope.

Existing studies have not sufficiently examined how formal legal structures and economic regulations interact with deeply embedded informal institutional norms within pesantren to shape entrepreneurial behavior and outcomes. This gap is particularly relevant within Indonesia's legal pluralism, where multiple normative systems coexist and influence economic practices. Therefore, an integrative approach is required to bridge the divide between normative legal analysis and empirical institutional realities. To address this gap, this study focuses on the legal challenges faced by pesantren entrepreneurship, particularly the issue of regulatory fragmentation and the legal uncertainties surrounding the status of pesantren business units under Law No. 18 of 2019.

Additionally, this study reviews existing legal scholarship on the legal status of pesantren business units and examines the implications of Law No. 18 of 2019 for the recognition of pesantren economic activities. It also explores the relationship

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[13] Yanwar Pribadi, "Religious Networks in Madura: Pesantren, Nahdlatul Ulama, and Kiai as the Core of Santri Culture," *Al-Jami'ah: Journal of Islamic Studies* 51, no. 1 (June 2013): 1, https://doi.org/10.14421/ajis.2013.511.1-32.

[14] Muslim Muslim, "Revitalization of Education in Indonesia to Educational Institutional Organizations in Southeast Asian Countries," *EDUKASIA: Jurnal Pendidikan Dan Pembelajaran* 3, no. 3 (August 2022): 247–60, https://doi.org/10.62775/edukasia.v3i3.110.

[15] Isbah, "Pesantren in the Changing Indonesian Context: History and Current Developments."

[16] Tambunan, "Micro, Small and Medium Enterprises in Times of Crisis: Evidence from Indonesia."

[17] Anwar Adem Shikur and Erhan Akkas, "Islamic Microfinance Services: A Catalyst for Poverty Reduction in Eastern Ethiopia," *International Journal of Islamic and Middle Eastern Finance and Management* 17, no. 4 (July 2024): 770–88, https://doi.org/10.1108/IMEFM-09-2023-0327.

between pesantren entrepreneurship and *fiqh muamalah*, focusing on how Islamic legal principles influence business operations within pesantren and the regulatory treatment of these activities under Indonesian law.

This study adopts an economic law perspective to analyze the interplay between government policies, institutional support, and pesantren entrepreneurship. The novelty of this research lies in its integration of legal analysis and empirical evidence to explain how regulatory frameworks operate in practice within pesantren environments, moving beyond prior studies that tend to focus on isolated aspects such as digitalization or finance. This study is grounded in legal pluralism and institutional economics, viewing pesantren as adaptive institutions shaped by multiple normative orders at the intersection of religion, law, and economic activity. Accordingly, this study contributes to both academic discourse and policy development by offering a more comprehensive understanding of pesantren entrepreneurship and proposing a more coherent and context-sensitive regulatory framework.

Methods

This study employs a sequential explanatory mixed-methods design grounded in a pragmatist research philosophy, integrating quantitative and qualitative approaches to comprehensively examine the interplay between government policies, institutional support, and pesantren entrepreneurship. This approach prioritizes the research problem and combines methodological strategies to generate a holistic understanding of complex socio-legal phenomena.[18;19] While the mixed-methods approach is typically employed in social science research, this study uses quantitative data to identify general patterns and relationships within pesantren entrepreneurship and legal frameworks, providing a broad overview that

[18] P. Paudel, "Examining Paradigmatic Shifts: Unveiling the Philosophical Foundations Shaping Social Research Methodologies," *Journal of the University of Ruhuna* 12, no. 1 (2024).
[19] Hamza Andaloussi et al., "Language Learning Across the Life Course: A Qualitative Study of Digital Practices, Educational Transitions, and Intergenerational Experiences," *Digital Learning, Social Science, and Life-Course Studies* 1, no. 2 (2025): 132–47, https://doi.org/10.70211/disolife.v1i2.346.

can be further examined qualitatively. The quantitative phase is used to identify general patterns and relationships, while the qualitative phase provides explanatory depth by exploring how and why these patterns emerge within the institutional context of pesantren.

The study adopts a case-study approach, focusing on Pesantren Sunan Drajat in Lamongan, East Java, selected using purposive sampling. The selection is based on its diversified entrepreneurial activities, integration of economic initiatives with educational and religious functions, and active engagement with formal regulatory frameworks. This case provides a suitable context for examining the interaction between formal legal structures and informal institutional norms within pesantren, particularly in light of institutional theory perspectives that distinguish between formal and informal institutions.[20;21]

Primary data were collected through surveys and semi-structured interviews. The quantitative phase involved 150 respondents representing four stakeholder groups: pesantren leadership (n=25), business unit managers and employees (n=40), santri engaged in entrepreneurial activities (n=60), and external stakeholders such as government officials and customers (n=25). The survey instrument comprised 45 items measuring key constructs, including government support, regulatory constraints, business performance, the integration of Islamic economic principles, institutional capacity, and perceived barriers to entrepreneurship. All constructs demonstrated acceptable reliability, with Cronbach's alpha values exceeding 0.70. The instrument was validated through expert review and pilot testing to ensure clarity and contextual relevance. The quantitative data are necessary to understand broad patterns within pesantren

[20] Geoffrey M. Hodgson, "Formal and Informal Institutions: Some Problems of Meaning, Impact, and Interaction," *Journal of Institutional Economics* 21 (February 2025): e1, https://doi.org/10.1017/S1744137424000249.
[21] Herma Kurnia Putri, Eko Risdianto, and Adityas Agung Ramandani, "Enhancing Social Studies Achievement through the Make a Match Cooperative Model: The Moderating Role of Student Motivation," *Digital Learning, Social Science, and Life-Course Studies* 1, no. 1 (June 2025): 39–51, https://doi.org/10.70211/disolife.v1i1.258.

entrepreneurship and to establish initial relationships between regulatory frameworks and institutional support, which are then explored in depth during the qualitative phase.

The quantitative data were analyzed using descriptive statistics, correlation analysis, and multiple regression models to examine relationships between institutional support, regulatory factors, and entrepreneurial outcomes. The analysis was conducted using SPSS version 28, with control variables such as business sector and capital included to improve analytical accuracy.[22] The qualitative phase involved 27 in-depth interviews with key informants, including pesantren leaders, business managers, government officials, financial institution representatives, and entrepreneurial santri. In addition, focus group discussions and limited participant observation were conducted to enrich contextual understanding. Qualitative data were analyzed using thematic analysis following the framework developed by Braun et al (2022), which involves data familiarization, coding, theme development, and interpretation. This method is widely recognized for its flexibility and rigor in analyzing qualitative data.[23]

Secondary data were collected through document analysis of relevant legal frameworks, including Law No. 18 of 2019 on Pesantren, MSME regulations, Islamic banking laws, and related policy documents. This analysis employed a normative legal approach, utilizing content analysis and systematic interpretation to assess the consistency of legal frameworks and their practical implementation within pesantren entrepreneurship. Additionally, the study incorporated teleological interpretation to understand how legal texts should be applied in the context of pesantren, with expert consultations on Islamic finance and banking offering

[22] Wulan Suci Nurlatifah, Agil Muazis, and Hijriatun Hikmah Hasanah, "The Role of Generative AI Search Tools in Educational Research Productivity among Early-Career Scholars: A Mediation-Based Multi-Method Study," *Interdisiplinary Journal of Pedagogy and Research in Media Technology* 1, no. 2 (December 2025): 71–81, https://doi.org/10.64268/inspire.v1i2.73.

[23] Virginia Braun, Victoria Clarke, and Nikki Hayfield, "'A Starting Point for Your Journey, Not a Map': Nikki Hayfield in Conversation with Virginia Braun and Victoria Clarke about Thematic Analysis," *Qualitative Research in Psychology* 19, no. 2 (April 2022): 424–45, https://doi.org/10.1080/14780887.2019.1670765.

insights into the legitimacy and application of relevant legal provisions. The documents analyzed include Law No. 18 of 2019 concerning Pesantren, MUI fatwas, Islamic Banking Law, MSME regulations, and other local regulations. These documents were selected based on their direct relevance to pesantren entrepreneurship and their ability to provide a comprehensive legal context for the research. To ensure validity and reliability, this study applied methodological triangulation by integrating multiple data sources, including surveys, interviews, observations, and legal documents. This approach enhances the robustness of the findings and supports a comprehensive understanding of how legal frameworks and institutional dynamics shape pesantren entrepreneurship in practice.

Discussion

The Entrepreneurial Ecosystem of Pesantren Sunan Drajat

The empirical investigation at Pesantren Sunan Drajat reveals a highly developed and diversified entrepreneurial ecosystem, a complex tapestry of 14 distinct business units that collectively generate aggregate annual revenues exceeding IDR 3.2 billion (approximately USD 210,000). This ecosystem is not a monolithic entity but a dynamic portfolio of ventures operating across various sectors, each with its own legal structure, market orientation, and degree of integration with the pesantren's core educational mission. The development of this ecosystem follows a clear historical trajectory, evolving from nascent, internally-focused service units into a sophisticated network of commercially viable enterprises. Early ventures, established between 2008 and 2013, were primarily oriented towards serving the captive internal market of the pesantren community, including essential services like printing, sandal manufacturing for students, and garment production. This initial phase reflects a classic resource-dependency strategy, aimed at achieving institutional self-sufficiency and reducing operational costs. However, the subsequent phase of expansion, from 2014 to the present, has been characterized by a strategic pivot towards external markets, with the

development of differentiated, value-added products such as herbal supplements, specialty processed foods, and professional media services. This strategic evolution from an internal service provider to an external market competitor is a central feature of the pesantren's entrepreneurial journey.

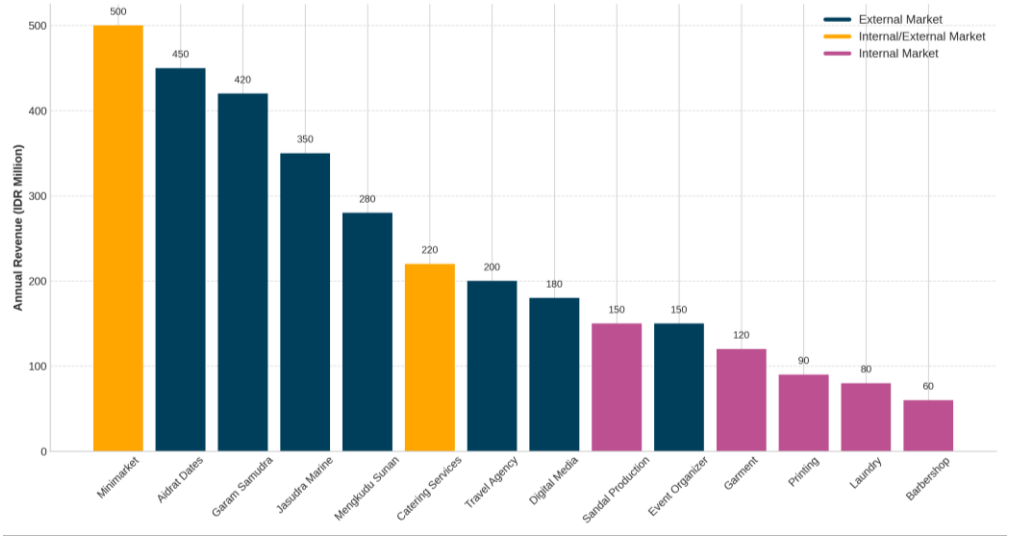


Figure 1. Annual Revenue of Pesantren Sunan Drajat Business Units
Source: Compiled by the author based on field research findings

The inherent diversity of this ecosystem is captured in the detailed breakdown of its constituent business units. As illustrated in Figure 1, revenue generation varies, with the Minimarket, Aidrat Dates, and Garam Samudra salt production emerging as the most significant contributors. The visual data, which categorizes ventures by their primary market orientation, clearly shows that the most lucrative enterprises are those with an external or mixed-market focus, corroborating the qualitative finding of a strategic shift towards outward-looking commercial activities. The Minimarket, for instance, leverages its strategic position to serve both the large internal community and the surrounding villages, while the food production units capitalize on regional resource advantages and growing consumer demand for ethically sourced, halal-certified products. This visual representation of financial performance provides a compelling quantitative anchor to the narrative of the pesantren's economic transformation, highlighting the tangible outcomes of its entrepreneurial strategies. The color-coding effectively distinguishes between

ventures primarily serving the internal community (internal market), those targeting external consumers (external market), and those that do both, providing an immediate visual cue to the strategic posture of each business unit.

A more granular analysis of the business units, presented in Table 1, provides a comprehensive overview of the ecosystem's structure, detailing the legal status, employment characteristics, and specific market focus of each venture. This table synthesizes data from business mapping, financial records, and interviews with managers, offering a multi-dimensional perspective on the pesantren's economic activities. A critical pattern that emerges is the strong correlation between a venture's market orientation and its degree of legal formalization. Business units that are externally focused, such as the food processing and travel agency ventures, are significantly more likely to adopt formal legal structures, such as a *Commanditaire Vennootschap* (CV) or *Perseroan Terbatas* (PT). This formalization is not an abstract choice but a pragmatic necessity, driven by the demands of commercial partners, the requirements for accessing formal financial services, and the need to comply with sector-specific regulations.

In contrast, ventures that primarily serve the internal needs of the pesantren community, such as the laundry and barbershop services, often remain informal, operating under the legal umbrella of the pesantren's foundation (*yayasan*). This dual structure creates a bifurcated system where formal, professionally managed businesses coexist with informal, community-oriented services, reflecting a strategic balancing act between market demands and internal institutional logics.

Employment patterns within this ecosystem reveal another critical dimension of its socio-economic impact. A significant majority of the workforce, approximately 68% across all business units, consists of current *santri* or alumni of the pesantren.[24] This creates a vibrant internal labor market that serves multiple functions

[24] Muhammad Husni et al., "Entrepreneurship Management of Islamic Boarding School Students (Santri) Based on Alumni Empowerment at Al-Khoirot Islamic Boarding School," *Tadbir : Jurnal Studi Manajemen Pendidikan* 9, no. 2 (September 4, 2025): 487–508, https://doi.org/10.29240/jsmp.v9i2.14470.

simultaneously. For the students, it provides an invaluable opportunity for practical, hands-on vocational training and income generation, directly linking their education to real-world economic experience. For the pesantren, it ensures a reliable and ideologically aligned workforce. For the surrounding community, it helps to address issues of youth unemployment and underemployment by equipping young people with marketable skills. This deep integration of labor, education, and enterprise is a defining characteristic of the pesantren entrepreneurial model, distinguishing it from conventional business enterprises where the boundaries between education and work are more rigidly defined.

Financial analysis, while important, provides only a partial picture of the objectives driving this ecosystem. While ventures that leverage local resource advantages (such as Garam Samudra, which uses the region's abundant coastal salt resources) or institutional synergies (such as the Minimarket, which serves a captive market of over 2,500 residents) demonstrate the highest profitability, the decision-making calculus within the pesantren is far more complex. Qualitative interviews with pesantren leaders and business managers consistently reveal that financial returns are intentionally balanced against a set of non-economic objectives. These include pedagogical goals, such as providing a real-world laboratory for students studying economics and business; social welfare goals, such as using business profits to subsidize the education of students from disadvantaged backgrounds; and broader community development goals, such as creating local employment and stimulating the regional economy.[25] This multi-dimensional approach to performance measurement, which integrates financial, social, and educational metrics, creates a distinctive entrepreneurial calculus that prioritizes long-term community well-being (*maslahah*) over short-term profit maximization.

[25] Biyati Ahwarumi, "Entrepreneurial Strategies of Islamic Boarding Schools in Building Economic Independence," *Jurnal Ilmiah Akuntansi Kesatuan* 13, no. 6 (December 31, 2025): 2011–24, https://doi.org/10.37641/jiakes.v13i6.4770.

This nuanced understanding of success is crucial for any meaningful analysis of the pesantren's economic activities and the regulatory frameworks that govern them.

Regulatory Compliance and Formalization Patterns

The legal and regulatory landscape navigated by Pesantren Sunan Drajat's entrepreneurial ventures is a complex terrain characterized by selective formalization and adaptive compliance strategies. An in-depth analysis of the legal documentation and regulatory interactions of the 14 business units reveals a bifurcated reality. A striking 50% of the ventures (7 out of 14) operate in a state of partial or complete informality. While the more established, externally-oriented businesses have pursued full legal status, many of the smaller, internally-focused services operate under the general legal authority of the pesantren's foundation (*yayasan*), possessing a foundational registration but lacking specific business registration numbers (NIB), tax identification numbers (NPWP), or other sector-specific permits. This pattern of selective engagement with the state's legal apparatus is not random but the result of a series of calculated decisions weighing the perceived costs and benefits of formalization. This finding resonates with a broad body of literature on the informal economy in developing nations, which argues that for many small enterprises, the costs of formalization—in terms of time, financial outlay, and bureaucratic navigation—often outweigh the immediate tangible benefits, leading them to remain in the shadows of the formal legal system.[26]

To understand the drivers of this selective formalization, a multiple regression analysis was conducted using the survey data, with the level of business formalization as the dependent variable. The model identified three statistically significant predictors that collectively explain a substantial portion of the variance in formalization decisions. The age of the business emerged as the strongest

[26] Andrea Floridi, Binyam Afewerk Demena, and Natascha Wagner, "Shedding Light on the Shadows of Informality: A Meta-Analysis of Formalization Interventions Targeted at Informal Firms," *Labour Economics* 67 (December 2020): 101925, https://doi.org/10.1016/j.labeco.2020.101925.

predictor ($\beta = .42$, $p < .01$), indicating that ventures tend to formalize as they mature, stabilize, and develop more complex operations over time. The second significant predictor was the degree of external market orientation ($\beta = .38$, $p < .01$), confirming the qualitative observation that businesses targeting external customers and engaging with formal supply chains face greater pressure to adopt formal legal structures. The third predictor was workforce size ($\beta = .29$, $p < .05$), suggesting that as businesses grow and employ more people, the need for formal labor contracts and compliance with labor laws becomes a more pressing driver of formalization. These quantitative findings provide robust empirical support for the idea that formalization at Pesantren Sunan Drajat is primarily a reactive process, driven by external market pressures and operational scale rather than being a proactive strategy rooted in internal governance priorities. This reactive stance highlights a critical challenge for policymakers: how to create a regulatory environment in which the incentives for formalization are compelling enough to attract businesses from the outset, rather than a hurdle to be overcome only when absolutely necessary.

The perceived regulatory burden varies dramatically across the different sectors in which the pesantren operates. Business managers in the food processing sector, for instance, report the highest degree of compliance complexity. They must navigate a labyrinth of regulations from multiple agencies, including the stringent requirements of the National Agency of Drug and Food Control (BPOM), the mandatory Halal certification process overseen by the Halal Product Assurance Organizing Agency (BPJPH), and various health and safety regulations enforced by local health departments.[27] Interviews with these managers revealed that they spend an average of 42 hours per month on compliance-related activities, representing approximately 12% of their total managerial time. This significant compliance cost, while ensuring product safety and market access, diverts valuable

[27] Muwaffiq Jufri et al., "The Strategic Role of Kiai Pesantren in Disseminating a Halal Lifestyle in Madura," *Al-Huquq: Journal of Indonesian Islamic Economic Law* 5, no. 1 (June 28, 2023): 1–19, https://doi.org/10.19105/alhuquq.v5i1.7872.

time and resources that could otherwise be invested in innovation, marketing, or strategic development. In stark contrast, the managers of smaller, informal ventures, such as the on-campus laundry service, report minimal engagement with the formal regulatory system, their interactions often limited to informal negotiations with local neighborhood associations (RT/RW). This bifurcated regulatory experience creates two distinct entrepreneurial subcultures within the same institution. Formalized businesses are pushed towards professionalization, developing sophisticated management structures, external networks, and familiarity with bureaucratic processes. The informal ventures, while more agile and deeply integrated into the social fabric of the pesantren, face significant constraints on their ability to scale up, access formal credit, or engage with larger corporate partners.

Perhaps one of the most significant findings of this study is the limited direct impact of the 2019 Pesantren Law on the day-to-day regulatory practices at the institutional level. While pesantren leaders and managers universally acknowledge the law's immense symbolic importance in legitimizing their economic activities and providing a formal basis for government support, they report minimal substantive changes in the actual regulatory requirements or compliance support they receive. Interviews with provincial and district officials corroborated this perception. They confirmed that detailed implementing regulations for the law's economic empowerment provisions remain underdeveloped and that most of the existing support programs available to pesantren predate the 2019 legislation and are simply general MSME programs that have been rebranded. This implementation gap between a progressive national policy and its practical application at the local level emerges as a central and recurring theme across both the quantitative survey data and the qualitative interviews. It highlights a critical failure of governance: the passage of a law, however well-intentioned, is not sufficient to effect change without a corresponding commitment to developing clear, actionable implementation guidelines, allocating the necessary resources, and building the capacity of local

government agencies to execute the new mandate effectively. The promise of the Pesantren Law remains, for now, largely unfulfilled, a symbol of recognition without the substance of transformative support.

Government and Institutional Support Mechanisms

The research reveals a multi-layered and fragmented support ecosystem for pesantren entrepreneurship, comprising a diverse array of government agencies, financial institutions, and community-based organizations. However, the accessibility and effectiveness of these support mechanisms vary significantly, creating an uneven landscape of opportunity for the business units at Pesantren Sunan Drajat. The support provided is a patchwork of programs, often lacking strategic coordination, with some initiatives proving highly effective while others fall short of their intended goals. This fragmented approach results in a situation where pesantren must navigate a complex and often confusing web of programs, rather than benefiting from a coherent, integrated support system designed to meet their unique needs. This finding is consistent with broader critiques of MSME policy in Indonesia, which often point to a lack of coordination between different levels of government and a proliferation of small-scale, duplicative programs that fail to achieve systemic impact.[28]

An analysis of the survey data, which asked stakeholders to rate the effectiveness of various support programs, provides a clear hierarchy of perceived value. As visualized in Figure 2, training and capacity-building programs consistently receive the highest effectiveness ratings across all stakeholder groups—pesantren leadership, business managers, and *santri* entrepreneurs. This strong consensus underscores the critical importance of human capital development in the context of pesantren entrepreneurship. Specifically, training programs focused on digital transformation, such as workshops on e-commerce,

[28] Adi Saifurrahman and Salina Hj Kassim, "Regulatory Issues Inhibiting the Financial Inclusion: A Case Study among Islamic Banks and MSMEs in Indonesia," *Qualitative Research in Financial Markets* 16, no. 4 (June 2024): 589–617, https://doi.org/10.1108/QRFM-05-2022-0086.

digital marketing, and the use of financial technology (fintech), were rated as particularly impactful. Business managers reported that these programs provided them with practical, immediately applicable skills that enabled them to expand their market reach, streamline their operations, and improve their financial management. This finding aligns with the broader trend documented by Sarwenda et al., who highlight the pivotal role of digital literacy in unlocking the economic potential of modern pesantren.[29] The success of these training programs appears to be linked to their hands-on, practical nature and their direct relevance to the immediate challenges and opportunities faced by the business units.

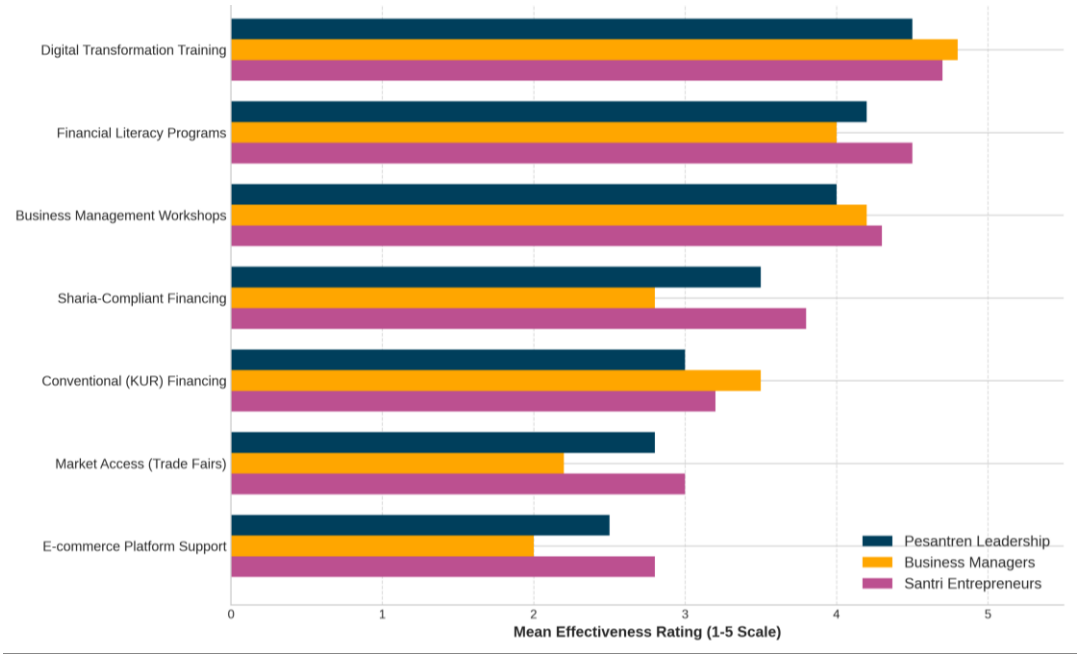


Figure 2. Perceived Effectiveness of Institutional Support Mechanisms by Stakeholder Group
Source: Compiled by the author based on field research findings

In stark contrast to the high ratings for training, market access support programs received consistently low effectiveness ratings from business managers. While government agencies frequently organize trade fairs and exhibitions to

[29] Sarwenda et al., "Development of Digital Entrepreneurship Programs in Pesantren in Indonesia," in *Religion, Education, Science and Technology towards a More Inclusive and Sustainable Future* (London: Routledge, 2024), 273–78, https://doi.org/10.1201/9781003322054-46.

showcase MSME products, managers from Pesantren Sunan Drajat reported that these events often attract a limited number of serious buyers and result in minimal sales. They criticized these initiatives as being more focused on ceremony and publicity than on generating tangible commercial outcomes. Similarly, government-led e-commerce platform initiatives were criticized for lacking sustained technical support. While these programs provided initial assistance in setting up online stores, they often failed to provide the ongoing support needed to manage inventory, process orders, and handle digital customer service effectively. This feedback highlights a critical disconnect between the design of these programs and entrepreneurs' actual needs. A more effective approach would move beyond one-off events and focus on building long-term, sustainable market linkages, both online and offline.

Financial support mechanisms present a mixed, often paradoxical, picture of accessibility and appropriateness. The proliferation of Islamic financial institutions in Indonesia has, in theory, created new opportunities for pesantren to access capital that is compliant with their religious principles. However, the reality on the ground is more complex. Survey respondents and interview participants reported that many sharia-compliant financing products offered by Islamic banks are ill-suited to the unique operational realities of pesantren ventures. These products often have rigid collateral requirements, complex application processes, and repayment schedules that do not align with the seasonal or project-based cash flows of many pesantren businesses. The conventional government-subsidized micro-credit program, *Kredit Usaha Rakyat* (KUR), is often more accessible and flexible in its terms. However, its reliance on interest-based structures creates a religious and ethical dilemma for many pesantren leaders and entrepreneurs, who are committed to avoiding *riba* (interest). This creates a difficult trade-off between financial accessibility and religious principle. As a result, qualitative interviews revealed that internal financing mechanisms—such as savings pools funded by the pesantren's own revenues, contributions from alumni networks, and informal loans from

community members—remain a crucial source of capital, particularly for early-stage ventures that lack the track record or collateral required to access formal loans. This reliance on internal capital, while a testament to the strong social cohesion within the pesantren community, also represents a significant constraint on growth, limiting the scale and pace of entrepreneurial expansion.

The role of Bank Indonesia (BI), the central bank, emerges as a particularly noteworthy and impactful element of the support ecosystem.[30] The BI's Representative Office in East Java has taken a proactive, hands-on approach to supporting pesantren economic development, providing a suite of targeted interventions, including financial literacy training, assistance with payment system modernization (such as the adoption of QRIS, the national QR code standard), and strategic business mentoring. This finding corroborates the research of Mashud et al. (2025) on the positive impact of BI's mentoring programs. However, the case study of Pesantren Sunan Drajat also reveals more nuanced and complex outcomes. While the BI's interventions have undeniably produced measurable improvements in financial management and operational efficiency, some business managers expressed concerns about the emergence of a new form of dependency. They noted a tendency to rely on the continuous guidance and validation from external BI mentors, which, in some cases, appeared to inhibit the development of their own internal strategic capabilities and decision-making autonomy. This highlights a subtle but important challenge for all external support providers: how to empower and build capacity without inadvertently creating a new cycle of dependency that undermines long-term institutional self-reliance. This dynamic can be viewed through the lens of neo-institutional theory, where powerful external actors, even with the best intentions, can exert coercive isomorphic pressures, subtly compelling

[30] Tika Widiastuti et al., "Strategic Solutions for Women's Empowerment through Islamic Social Finance in Light of Maqaŝid Sharia: A Delphi-ANP Approach," *AL-IHKAM: Jurnal Hukum & Pranata Sosial* 20, no. 1 (May 11, 2025), https://doi.org/10.19105/al-lhkam.v20i1.16831.

the recipient organization to adopt structures and practices that enhance external legitimacy but may not align perfectly with its internal logic or long-term autonomy.

The challenge, therefore, is to design support interventions as partnerships of co-creation rather than as top-down transfers of expertise, fostering a relationship where the pesantren remains the primary author of its own development narrative. This approach, which could be termed 'catalytic mentoring,' requires a fundamental shift in the mindset of support agencies, from that of a 'provider' to that of a 'facilitator.' It involves creating platforms for peer-to-peer learning among pesantren, supporting the development of indigenous consulting capacity within the pesantren community itself, and ensuring that all external interventions are explicitly designed with a clear exit strategy that leaves behind enhanced local capacity, not a legacy of dependence.[31] This is not simply a matter of better program design; it is a philosophical commitment to respecting the institutions being supported's agency and autonomy.

Institutional Alignment and Regulatory Hybridity: Navigating the Interlegal Space

The empirical findings from Pesantren Sunan Drajat offer a compelling illustration of institutional alignment that is neither complete assimilation nor outright resistance, but rather a sophisticated process of selective coupling.[32] This concept, drawn from institutional theory, describes how organizations strategically adopt certain elements from their external institutional environment to gain legitimacy and resources, while simultaneously buffering their core operational and normative structures to maintain their unique identity and mission.[33] In the context

[31] Afif Noor et al., "Digital Economy Regulation and Consumer Rights Protection: Realizing Security in Financial Technology Transactions," *Lex Scientia Law Review* 9, no. 2 (November 17, 2025): 1324–75, https://doi.org/10.15294/lslr.v9i2.24927.
[32] Johanna Mair, Judith Mayer, and Eva Lutz, "Navigating Institutional Plurality: Organizational Governance in Hybrid Organizations," *Organization Studies* 36, no. 6 (June 2015): 713–39, https://doi.org/10.1177/0170840615580007.
[33] Olivier Berthod, "Institutional Theory of Organizations," in *Global Encyclopedia of Public Administration, Public Policy, and Governance* (Cham: Springer International Publishing, 2018), 3306–10, https://doi.org/10.1007/978-3-319-20928-9_63.

of Pesantren Sunan Drajat, this manifests as a dual organizational architecture: the externally-oriented, market-facing business units embrace formal legal structures (CV, PT), adopt professional management practices, and engage with the state's regulatory apparatus. This formalization is a strategic necessity, a toll paid for access to broader markets, formal financial services, and corporate supply chains. Simultaneously, the internally-focused ventures, which cater to the daily needs of the pesantren community, are allowed to remain in a state of relative informality, governed by the pesantren's internal norms and the legal umbrella of its foundation. This hybrid arrangement is not a sign of organizational deficiency; on the contrary, it is a highly rational and adaptive strategy that allows the institution to optimize its engagement with two distinct and often conflicting institutional logics: the logic of the market, which demands efficiency, formalization, and profit, and the logic of the religious community, which prioritizes social welfare, education, and spiritual values.

This strategic hybridity extends deep into the realm of regulatory compliance, creating a fascinating landscape of interlegality. This term, borrowed from the field of legal anthropology, refers to the complex and often messy interaction of multiple legal or normative orders within a single social field.[34] The case of Pesantren Sunan Drajat demonstrates that state law is not a monolithic force that is uniformly applied and obeyed. Instead, its authority is mediated, negotiated, and reinterpreted through the prism of the pesantren's own internal governance structures, religious norms, and community expectations. A concrete example of this interlegal interaction can be seen in labor practices within pesantren businesses. While state labor laws require written employment contracts and compliance with minimum wage standards, pesantren often view the work performed by students as *khidmah*

[34] Marium Jabyn, "Reflections on Boaventura de Sousa Santos's Toward a New Legal Common Sense: Law, Globalization and Emancipation , 2nd Edn - Reviews on Boaventura de Sousa Santos , Toward a New Common Sense: Law, Science and Politics in the Paradigmatic Transition (New Y," *International Journal of Law in Context* 13, no. 4 (December 2017): 570–73, https://doi.org/10.1017/S1744552317000441.

(service) and part of their education and training, in line with the concept of Islamic education (*tarbiyah*). This perspective allows flexibility in the interpretation and application of labor laws, as the work is seen as part of students' educational and moral development rather than a straightforward labor transaction. The result is a unique form of regulatory pluralism, where compliance is not a simple binary of legal or illegal, but a spectrum of adaptive behaviors. For example, while national labor laws may exist, their application to *santri* who work in the business units is tempered by the understanding that this work is also a form of education (*khidmah*) and character-building. This does not mean that labor laws are ignored, but that they are interpreted and applied in a way that is consistent with the pesantren's pedagogical mission. This research strongly suggests that effective government support for pesantren entrepreneurship must move beyond a legal-centralist paradigm, which assumes the primacy and uniform applicability of state law, and instead embrace a pluralistic approach that recognizes and works with the reality of these overlapping normative orders. Government initiatives that attempt to impose standardized, one-size-fits-all regulatory frameworks are likely to fail or, worse, to undermine the very social and cultural fabric that makes pesantren entrepreneurship so unique and resilient. In contrast, programs that acknowledge this interlegality and engage with the pesantren's internal governance structures—such as the partnership model adopted by Bank Indonesia—are far more likely to achieve their intended outcomes.

The 2019 Pesantren Law stands as a potential watershed moment in this process of institutional alignment. By formally recognizing the economic dimension of pesantren and mandating government support, the law provides a powerful new source of legitimacy and a legal foundation for more integrated policy. However, the significant implementation gap documented in this study underscores that legislative change alone is insufficient. The law's promise can only be realized through the diligent and politically committed work of developing detailed implementing regulations that are sensitive to the unique characteristics of

pesantren-based enterprises. These regulations must move beyond the standard templates used for conventional MSMEs and create a differentiated regulatory pathway that acknowledges the dual educational-economic mission, the religious-ethical frameworks, and the community-development orientation of these institutions.[35] For example, specialized tax provisions could be created to recognize the reinvestment of business profits into educational subsidies, or simplified business registration processes could be integrated with the existing legal status of pesantren foundations. Without such tailored, context-sensitive implementation, the Pesantren Law risks becoming another example of symbolic legislation with little tangible impact on the lives and livelihoods of the people it is intended to serve.

The Paradox of Support: An Autopsy of Well-Intentioned Interventions

The study's critical analysis of the support ecosystem reveals a significant paradox: while a plethora of support mechanisms exists, their effectiveness is highly variable and often inversely correlated with their financial cost. The consistent success of training and capacity-building programs offers a crucial insight. These programs, particularly those focused on practical skills like digital marketing and financial management, are effective because they directly address a critical internal constraint—human capital—and provide entrepreneurs with tools they can immediately apply to improve their operations. Their success is rooted in several factors: their direct relevance to the daily challenges of the business, their participatory and hands-on delivery methods, and their ability to be integrated into the pesantren's existing educational activities. This aligns with a broader body of literature on capacity development, which emphasizes that effective knowledge transfer occurs not through the top-down imposition of external expertise, but through a process of respectful engagement that builds upon existing knowledge

[35] Muhammad Sulhan et al., "Financial Behavior Dynamics of MSME Actors: A Contemporary Islamic Financial Management Study on Literacy, Attitude, Intention, Personality, and Legal Aspects," *MILRev: Metro Islamic Law Review* 4, no. 1 (April 2025): 129–55, https://doi.org/10.32332/milrev.v4i1.10075.

systems and cultural values.[36] The high value placed on these programs by all stakeholder groups suggests that the most effective form of government support is not necessarily direct financial assistance, but investment in human capital.

In sharp contrast, financial support mechanisms present a landscape of frustration and missed opportunities. The central problem is a fundamental mismatch between the design of existing financial products and the unique characteristics of pesantren businesses. While religiously aligned, Islamic banking products are often designed with conventional, asset-rich businesses in mind.[37] Their rigid collateral requirements, lengthy application processes, and standardized risk assessment models are ill-suited to the often asset-poor, informally structured, and non-traditionally managed ventures found in pesantren. This forces many pesantren to turn to conventional MSME financing programs like KUR, which, while more accessible, introduces the problem of *riba* and conflicts with their core ethical principles. This financing gap is a major structural barrier to growth. The solution lies not in simply encouraging Islamic banks to lend more to pesantren, but in developing innovative, specialized financial instruments tailored to their needs. This could include blended finance models that combine philanthropic capital (for the venture's educational and social components) with commercial loans, or the development of venture philanthropy funds that take a more patient, risk-tolerant approach to investment. Furthermore, financial institutions could be encouraged to develop alternative risk assessment models that take into account social capital, community reputation, and other non-financial assets that are abundant in the pesantren environment.

[36] Patricia J. Gumport and Barbara Sporn, "Institutional Adaptation: Demands for Management Reform and University Administration," 1999, 103–45, https://doi.org/10.1007/978-94-011-3955-7_3.
[37] Nurjannah Septyanun et al., "Legal Implications of Islamic Banking in Advancing Sustainable Finance for Indonesia's Net-Zero-Emission Programme," *Jambe Law Journal* 8, no. 2 (December 2025): 551–88, https://doi.org/10.22437/txgw8142.

Perhaps the most damning finding is the perceived ineffectiveness of market access support.[38] The low ratings given to government-organized trade fairs and e-commerce initiatives reveal a systemic failure to understand the unique value proposition of pesantren products. These programs often treat pesantren goods as generic MSME products, forcing them to compete on price in crowded, undifferentiated markets. A far more effective strategy would be to focus on niche market development that leverages the distinctive identity and ethical appeal of these products. The success of Pesantren Sunan Drajat's specialty food products, which are marketed on the basis of their halal integrity, traditional production methods, and community-benefit orientation, demonstrates the untapped potential to position pesantren goods within the rapidly growing global market for ethical, sustainable, and religiously compliant products. Government support should therefore shift from generic marketing assistance to specialized branding, certification, and export promotion initiatives that help pesantren to tell their unique story and connect with consumers who share their values. This requires a move away from a one-size-fits-all approach to MSME development and towards a more sophisticated, market-driven strategy that recognizes and cultivates the unique competitive advantages of different enterprise types.

Islamic Economics in Practice: The Art of Principled Pragmatism

The operationalization of Islamic economic principles within the business units of Pesantren Sunan Drajat reveals a dynamic and sophisticated process of interpretive adaptation, a form of principled pragmatism that defies simplistic categorization. The findings challenge both the secularist assumption that religious principles are merely symbolic window-dressing and the fundamentalist assertion that classical legal formulations must be applied rigidly and without regard to context. Instead, the entrepreneurs and leaders of the pesantren engage in a

[38] Bayu Dwi Anggono et al., "Interrogating the Legal Foundations of Digital Transformation: Balancing Economic Growth and Social Welfare in the Era of Disruption," *Volksgeist: Jurnal Ilmu Hukum Dan Konstitusi* 8, no. 1 (May 27, 2025): 191–211, https://doi.org/10.24090/volksgeist.v8i1.12211.

continuous process of practical reasoning (*fiqh al-waqi'* or jurisprudence of reality) that seeks to balance timeless religious ideals with the complex and often messy realities of the contemporary marketplace. This process is guided by a clear understanding of the higher objectives of Islamic law (*maqasid al-shari'ah*), which prioritizes the preservation of faith, life, intellect, lineage, and property, and the promotion of the common good (*maslahah*).[39] When a literal application of a specific rule (e.g., the prohibition of a certain type of contract) would lead to an outcome that undermines these higher objectives (e.g., by preventing a beneficial economic activity that creates jobs and funds education), the leaders engage in a form of contextual interpretation (*ijtihad*) to find a solution that is both principled and practical.

This adaptive approach is most evident in the way the pesantren navigates the prohibitions on interest (*riba*) and excessive uncertainty (*gharar*). While the avoidance of interest-based financing remains a core principle, a clear distinction is made between interest as a source of capital and interest as a feature of transactional banking services. The use of conventional bank accounts for daily operations, which may involve minimal interest payments or fees, is generally tolerated based on the principles of necessity (*darurah*) and public need (*hajiyyat*), as the complete avoidance of the conventional banking system would render participation in the modern economy virtually impossible. This distinction between riba in capital financing (which remains prohibited) and riba in transactional banking services (which may be permitted in emergency situations) has precedents in contemporary Islamic legal thought.[40] For example, the Fiqh Academy of the Organization of Islamic Cooperation (OIC) has issued a resolution permitting certain banking services when no sharia-compliant alternatives are available. However, this

[39] Bunyamin Bunyamin et al., "Reforming Indonesia's Correctional System: The Role of Maqāṣid Al-Syarīʿah in Ensuring Justice and Rehabilitation," *De Jure: Jurnal Hukum Dan Syar'iah* 17, no. 1 (April 2025): 52–71, https://doi.org/10.18860/j-fsh.v17i1.29258.

[40] Mohd Shahid Bin Moch Noh and Dwi Fidhayanti, "Riba And Gharar On Digital Payment Applications: Comparison Between Malaysia And Indonesia," *JURISDICTIE* 13, no. 1 (July 2022): 40–62, https://doi.org/10.18860/j.v13i1.16131.

position has not yet been officially adopted by the DSN-MUI, leaving Islamic boarding schools in legal uncertainty. Similarly, the prohibition on *gharar* is not interpreted as a blanket ban on all forms of risk or uncertainty inherent in any entrepreneurial activity. The use of conventional banking services in limited contexts may therefore be tolerated to enable participation in modern economic systems. Similarly, the prohibition of *gharar* is not interpreted as rejecting all forms of risk, but rather as a restriction on excessive uncertainty and unfair contractual practices.[41] This perspective aligns with contemporary interpretations of Islamic commercial law that emphasize fairness, transparency, and risk-sharing rather than rigid formalism.[42]

The generational differences observed in the interpretation of these principles suggest an important evolutionary trajectory in the field of Islamic economics as it is practiced at the grassroots level. Older leaders and managers tend to frame their approach in more traditional, prohibition-oriented terms, focusing on what must be avoided. Younger leaders, particularly those with formal education in both Islamic studies and modern business, are more likely to frame Islamic economics in positive and constructive terms, viewing it not as a set of restrictions but as a comprehensive framework for building a more just, ethical, and sustainable form of capitalism.[43] This generational shift is significant, as it suggests that the future of pesantren entrepreneurship will be characterized by even greater innovation and a more confident engagement with the global economy, driven by a new generation of leaders who are fluent in the languages of both tradition and modernity. For

[41] Tawfig ElTayeb ElBashir Abdelrahman, "Financial Risks In (Gharar) And (Riba) Transactions," *Lex Localis - Journal of Local Self-Government* 23, no. S6 (October 2025): 82–102, https://doi.org/10.52152/801760.
[42] Miftakhul Huda and Hisam Ahyani, "Normative Justice and Implementation Related to Sharia Economic Law Disputes in Realizing Legal Certainty and Justice in Indonesia," *Al-Risalah: Forum Kajian Hukum Dan Sosial Kemasyarakatan* 24, no. 1 (June 2024): 103–19, https://doi.org/10.30631/alrisalah.v24i1.1467.
[43] Ika Hartika et al., "Building Ethical Business: Islam's Contribution to Facing Modern Economic Challenges," *Journal of Islamic Economy* 2, no. 1 (March 2025): 101–14, https://doi.org/10.62872/v0vy2g13.

policymakers and support agencies, this means that they must avoid stereotyping pesantren as uniformly traditional or resistant to change. Instead, they must recognize the internal diversity and intellectual dynamism of these institutions and engage with them as partners in co-creating a more inclusive and ethical economic future.

Conclusion

This study concludes that pesantren entrepreneurship represents a distinctive hybrid institutional model that integrates religious values, educational functions, and economic activities within a single socio-economic framework. The findings demonstrate that pesantren are adaptive actors capable of aligning Islamic ethical principles with practical economic needs, thereby contributing to institutional sustainability, student development, and local economic growth. However, a significant gap persists between formal regulatory frameworks and their implementation. Despite the recognition provided by Law No. 18 of 2019, regulatory inconsistencies, limited access to finance, and inadequate legal support continue to constrain the development of pesantren entrepreneurship. These findings indicate that conventional, uniform policy approaches are insufficient to address the complexity of pesantren as hybrid institutions operating within a pluralistic legal environment. This study highlights the need for a more nuanced understanding of pesantren entrepreneurship that goes beyond generic regulatory frameworks, recognizing the unique socio-religious context in which these institutions operate. The challenges faced by pesantren require targeted solutions that respect both their educational mission and their economic activities.

This study recommends developing more context-sensitive and adaptive policy frameworks. The government should introduce tailored regulatory mechanisms that recognize the dual socio-economic role of pesantren, including simplified business formalization procedures and legal recognition of their institutional uniqueness. These regulations should also consider the complex

intersection of Islamic law, state law, and customary law to ensure that pesantren's regulatory needs are addressed holistically. Financial institutions are encouraged to expand inclusive and sharia-compliant financing schemes that align with the operational characteristics of pesantren enterprises. In addition, institutional support should prioritize capacity building, particularly in entrepreneurship, governance, and digital competencies, and strengthen coordination among government agencies, pesantren, and private-sector actors. Through these measures, pesantren entrepreneurship can be more effectively supported as a model of inclusive, ethical, and sustainable economic development.

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