



## Beyond Resource Dependency: The Protective-Economy Model for Institutional Resilience in Faith-Based Enterprises

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### Abstract:

**Background:** Faith-based educational institutions increasingly face financial and environmental uncertainties that threaten their operational sustainability. Despite the growing role of Islamic social finance and community-based economic initiatives, limited empirical research explains how religious institutions develop integrated economic strategies to withstand systemic shocks.

**Objective:** This study aims to conceptualize and empirically examine the **protective economy** as an institutional capability that strengthens resilience in faith-based organizations through the integration of Islamic social finance, circular economy practices, and strategic resource management.

**Methods:** The research employs an embedded single-case study design at Pondok Pesantren Mambaus Sholihin, East Java, Indonesia. Data were collected through 34 semi-structured interviews, analysis of audited financial statements over a five-year period (2019–2025), and direct field observation. The data were analyzed using reflexive thematic analysis and fuzzy-set Qualitative Comparative Analysis (fsQCA) to identify causal configurations that support institutional resilience.

**Results/Findings:** The findings demonstrate that the configuration of high income diversification, strong internal consumption loyalty, and adequate liquidity reserves enabled the institution to maintain uninterrupted service delivery during the COVID-19 pandemic and periods of commodity price volatility. Empirical indicators show that tuition dependence declined from 79% to 43%, liquidity reserves increased from 1.7 to 4.6 months of operational expenditure, waste-to-product conversion improved from 18% to 46%, and transparency scores rose from 72 to 88.

**Contribution:** This study extends Resource Dependence Theory by highlighting the mediating roles of behavioral loyalty and governance transparency in strengthening resilience within faith-based organizations. It also proposes a **protective economy dashboard**—comprising the financial autonomy ratio, diversification index, waste-to-product ratio, and institutional trust score—as a practical monitoring framework for policymakers, philanthropic investors, and Islamic social finance institutions.

**Keywords:** Protective Economy, Institutional Resilience, Pesantren Economy, Islamic Social Finance, Circular Economy.

## Introduction

Faith-based educational institutions are among the oldest and most socially embedded forms of community enterprise in Southeast Asia, operating not only as education providers but also as informal welfare infrastructures for surrounding communities. In Indonesia, pesantren occupy a particularly strategic role because they combine religious instruction, boarding systems, character formation, and community service within one institution.<sup>1</sup> Yet social embeddedness does not automatically translate into financial robustness. Many pesantren remain economically fragile because operating costs for education, dormitories, and social services are often sustained by tuition fees and donation streams that can fluctuate sharply during macroeconomic shocks. This fragility became highly visible during the COVID-19 period and subsequent price pressures, when a substantial share of pesantren reduced essential services and experienced payroll stress, indicating that external volatility can quickly disrupt core service delivery.<sup>2</sup>

The post-pandemic period has not eliminated these risks. Broader nonprofit-sector analysis shows measurable recovery progress after COVID-19 but also highlights persistent challenges—particularly staffing and operational vulnerabilities—that can undermine continuity even as institutions reopen and demand returns.<sup>3</sup> These conditions suggest a structural dependency problem rather than an isolated management failure: mission-driven institutions can remain exposed when they rely heavily on a narrow set of external resource holders.

Resource Dependence Theory (RDT) explains organizational vulnerability by arguing that survival depends on managing external dependencies and gaining control over critical resources.<sup>4</sup> Developed largely within Western corporate and nonprofit

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<sup>1</sup> Muhammad Edy Thoyib et al., “Religious Tolerance among Indonesian Islamic University Students: The Pesantren Connection,” *Journal of Al-Tamaddun* 19, no. 2 SE-Articles (December 2024): 239–50, <https://doi.org/10.22452/JAT.vol19no2.16>. Ahmad Faiz and Khudlari Thoha, *Visionary Leadership and Dynamic Capabilities: Transforming Pesantren into a Social Enterprise*, 9, no. 1 (2024): 46–62.

<sup>2</sup> Kementerian Agama Republik Indonesia, *Laporan Outlook Pesantren 2020–2022: Kondisi Sosial-Ekonomi, Ketahanan Lembaga, Dan Arah Kebijakan Nasional* (Badan Penelitian dan Pengembangan dan Pendidikan dan Pelatihan, 2022). Zdravko Šergo, Jasmina Gržinić, and Anita Silvana Ilak Peršurić, “Testing Baumol’s Cost Disease in Tourism: Productivity, Prices, and Labor Costs in Selected EU Countries Amid COVID-19 and the Russo–Ukrainian War,” *Sustainability* 17, no. 14 (July 2025): 6651, <https://doi.org/10.3390/su17146651>; Karen Miner-Romanoff, “Interpretive and Critical Phenomenological Crime Studies: A Model Design,” *The Qualitative Report* 17, no. 27 (2015): 1–32, <https://doi.org/10.46743/2160-3715/2012.1756>.

<sup>3</sup> Arthur J. Abramson, S. Toepler, and M. Kim, *Nonprofit Sector Recovery: Progress and Challenges Post-COVID-19* (Center for Nonprofit and Philanthropic Studies, George Mason University, 2024).

<sup>4</sup> Jeffer Pfeffer and G. R. Salancik, *The External Control of Organizations: A Resource Dependence Perspective* (Stanford University Press, 2003).

contexts, RDT emphasizes strategic control over funders, regulators, and suppliers, often encouraging revenue diversification and cross-sector partnerships to reduce uncertainty.<sup>5</sup> However, when applied to faith-based institutions such as pesantren, this instrumental logic reveals limitations. Dependency reduction cannot rely solely on market-oriented strategies if these compromise moral commitments and educational integrity. In pesantren, resource management must remain aligned with Islamic principles such as stewardship (*amānah*), sincerity (*ikhlas*), and public benefit (*maṣlahah*). The protective-economy framework, therefore, represents an indigenized reinterpretation of RDT, reframing resource control as a value-consistent process embedded in moral community structures rather than purely strategic competition.<sup>6</sup>

This study argues that the key challenge is not whether pesantren should pursue economic strengthening, but how they can do so without mission drift. Existing strands of research offer partial answers but remain weakly integrated. First, economic diversification emphasizes that reducing dependence on narrow income sources can stabilize performance amid volatility, especially in developing economies.<sup>7</sup> Second, pesantren-focused studies on OPOP and self-sufficiency show that productive initiatives and pesantrenpreneurship prototypes can strengthen economic resilience and protect institutional functions during crises.<sup>8</sup> Related work frames sustainable pesantren development as a pathway toward self-reliance, implying that economic initiatives may be central to long-term continuity of educational services.<sup>9</sup> Third, research on entrepreneurial Muslim leadership suggests that mission-consistent business-unit development in Islamic cooperative contexts depends on leadership routines that combine innovation with religiously grounded accountability.<sup>10</sup>

At the same time, two additional resource logics are increasingly relevant to the sustainability of pesantrens. The circular economy agenda emphasizes waste-to-value innovation, efficiency, and localized resource loops, and Indonesia's national roadmap places circularity within a long-term development trajectory.<sup>11</sup> Indicator-system proposals in the circular economy literature further imply that circular transitions are most effective when they are monitored through measurable institutional routines rather than treated as one-off projects.<sup>12</sup> Evidence from Islamic boarding school

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<sup>5</sup> Rebecca Waerder, "The Role of Nonprofit-Private Collaboration for Nonprofits' Organizational Resilience," *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations* 33, no. 4 (2021): 672–84.

<sup>6</sup> Sayyidah Yasmin Zahirah and Wirawan Suhaedi, *Optimizing Financial Management and Reporting to Increase Accountability and Transparency in Islamic Boarding Schools*, 11, no. 1 (2025): 25–44.

<sup>7</sup> Corinne Delechat, "Economic Diversification in Developing Countries," *Department Paper*, no. 1 (2024), <https://doi.org/10.5089/9798400240201.087>.

<sup>8</sup> Mohammad Faisol, Muhammad Edy Thoyib, and M. Huda, "OPOP and Economic Resilience During Covid-19 Pandemic: Formulating the Prototype of Independent Pesantrenpreneurs," *IQTISHODUNA: Jurnal Ekonomi Islam* 12, no. 1 (2023): 17–36, <https://doi.org/10.54471/iqtishoduna.v12i1.2275>.

<sup>9</sup> Elis Nurhasanah et al., "Developing Sustainable Islamic Boarding Schools: Analysis of One Pesantren One Product Program in Fostering Self-Sufficiency," *Penamas* 37, no. 2 (2024): 236–48, <https://doi.org/10.31330/penamas.v37i2.772>.

<sup>10</sup> Adrian Ariatin, Wawan Dhewanto, and Oktofa Yudha, "Entrepreneurial Muslim Leadership in Islamic Cooperative Business Unit," *Journal of Islamic Accounting and Business Research* 15, no. 3 (2023): 499–518.

<sup>11</sup> Kementerian PPN/Bappenas, *Peta Jalan Dan Rencana Aksi Nasional Ekonomi Sirkular Indonesia 2025–2045* (Kementerian PPN/Bappenas, 2024).

<sup>12</sup> Yulia Ratnasari and Ralf Aschemann, "Study on Monitoring Indonesia's Circular Economy: An Indicator System Proposal," *Journal of Circular Economy* 2, no. 3 (2024): 1–48, <https://doi.org/10.55845/RUTA7582>.

contexts suggests that specific circular solutions—such as biogas acceptance—can be embedded socially and institutionally, thereby strengthening their feasibility in pesantren environments.<sup>13</sup> In parallel, Islamic social finance provides a buffering logic: waqf-based mechanisms can offer long-term stabilizing resources while maintaining moral legitimacy.<sup>14</sup> Studies on waqf investment models frame waqf as sustainable financing that can generate socio-economic impacts,<sup>15</sup> and evidence from Indonesia's micro-waqf bank context offers insights into how Islamic finance arrangements can be assessed for financial sustainability.<sup>16</sup>

Although these literatures all address sustainability, they develop separately and emphasize different priorities. Resource Dependence Theory stresses reducing external dependence; diversification research focuses on stabilizing income; circular-economy studies highlight efficiency and resource loops; and Islamic social finance emphasizes ethical legitimacy and long-term buffering. Each offers valuable insight, but none explains how these approaches can be combined within a single institution. The clear gap, therefore, lies in the lack of an integrated, capability-based framework showing how organizations such as pesantren can align and manage these multiple logics simultaneously. Existing research offers fragmented prescriptions but does not clarify how economic, ecological, and ethical strategies can be coordinated into a coherent, value-consistent pathway to resilience.

To address this gap, this study introduces the concept of the protective economy—a culturally grounded bundle of organizational capabilities that operationalizes dependency reduction in ways consistent with the Islamic moral economy. The protective economy comprises five interrelated practices: (1) income diversification; (2) internal value-chain integration; (3) circular and local sourcing; (4) waqf-based financial buffering; and (5) participatory governance. These practices are proposed to work not as isolated tactics but as a mutually reinforcing system that strengthens autonomy while protecting service continuity and institutional legitimacy. Two internal dynamics are expected to shape outcomes. First, internal-consumption loyalty (the community's preference for purchasing pesantren-produced goods and services) is presented as a behavioral mechanism through which trust and moral commitment become stable internal demand. Second, governance quality is expected to condition effectiveness, because transparency, participation, and disciplined oversight determine whether enterprises, circular initiatives, and waqf buffers translate into stability rather than inefficiency or mission drift.

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<sup>13</sup> Amining Rahmasiwi, "The Acceptance of Biogas in Islamic Boarding School Surakarta," *Sustinere: Journal of Environment and Sustainability* 8, no. 1 (2024): 54–67.

<sup>14</sup> Aam Slamet Rusydiana et al., *Waqf Development Models for Sustainable Development Goals: An Analytic Network*, 1, no. 1 (2025): 51–74; Baharin. N et al., "Enhancing the Sustainability of Waqf: A Thematic Review Exploration Across Financial, Social, and Environmental, Governance Dimensions," *International Journal of Academic Research in Business and Social Sciences* 15, no. 2 (February 2025): Pages 1301-1324, <https://doi.org/10.6007/IJARBS/v15-i2/24854>.

<sup>15</sup> Faiza Elmahgop et al., "The Socio-Economic Impacts of Waqf Investment Funds as A Model for Sustainable Financing in Saudi Arabia," *Sustainability* 17, no. 9 (2025), <https://doi.org/10.3390/su17093805>.

<sup>16</sup> Wuryan Andayani et al., "Assessing The Financial Sustainability of Micro-Waqf Banks: Insights from Indonesia," *Cogent Social Sciences* 11, no. 1 (2025), <https://doi.org/10.1080/23311886.2025.2488117>. Azharsyah Ibrahim, "Indonesian Horizons in Islamic Finance: Navigating Risk, Innovation, and Social Impact," *Share: Jurnal Ekonomi Dan Keuangan Islam* 13, no. 1 (2024): vi–xi, <https://doi.org/10.22373/share.v13i1.24266>.

This framework is operationally aligned with contemporary institutional-resilience thinking in education, which emphasizes the capacity to maintain continuity of core operations and support functions under disruption.<sup>17</sup> It also invites measurable evaluation, for example, through productivity-based approaches applied in pesantren cooperative contexts, offering a route for linking economic initiatives to performance patterns over time.<sup>18</sup> Accordingly, this study examines how and under what conditions protective-economy practices foster long-term sustainability in Pondok Pesantren Mambaus Sholihin (PPMS), one of Indonesia's most economically diversified pesantren. Using an embedded single-case design that combines qualitative mechanism tracing with five years of financial and productivity data, the study aims to: (1) conceptualize protective economy as a multidimensional capability; (2) examine how practice bundles translate into resilience outcomes; (3) identify the mediating and moderating roles of internal-consumption loyalty and governance quality; and (4) design a protective-economy dashboard as a practical management and policy tool.

## **Research Method**

This study employed an embedded single-case design.<sup>19</sup> centred on Pondok Pesantren Mambaus Sholihin (PPMS) in East Java—one of Indonesia's largest boarding schools ( $\approx 5,300$  students). The primary unit of analysis is the institution itself (the pesantren as an organizational entity), particularly its development of a protective-economy capability. In this case, seven income-generating ventures—ranging from a minimarket cooperative and a bottled-water plant to an Islamic microfinance desk—are treated as embedded subunits of analysis.

This Pesantren was purposively selected because it exhibits a high intensity of protective-economy practices and has experienced significant external shocks, including the COVID-19 lockdowns and the 2023 rice-price surge, while maintaining uninterrupted boarding and scholarship services. Analyzing the business units as embedded subunits allows examination of how protective practices operate at the operational level, while the institutional level analysis assesses how these practices collectively translate into organizational resilience.

Data collection triangulated four streams. First, 34 semi-structured interviews (lasting 45–75 minutes) were conducted with key informants, board members, unit managers, teachers, cooperative members, students, and parents to capture multiple perspectives on protective practices, emergent capabilities, and resilience outcomes. Second, institutional documents—audited financial statements, unit ledgers, board minutes, and waqf portfolio reports for fiscal years 2019–2025—provided longitudinal evidence of diversification, liquidity, and buffering. Third, during four week-long site visits in 2025, direct observation used a structured checklist to verify circular-economy routines (e.g., waste-to-product loops) and governance rituals (e.g., participatory budgeting meetings). Finally, secondary data—provincial rice price

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<sup>17</sup> Susan Grajek, “2024 EDUCAUSE Top 10: Institutional Resilience,” preprint, EDUCAUSE, 2024.

<sup>18</sup> Solihah Sari Rahayu, “Measuring Productivity of Pesantren Cooperative Using Malmquist Index,” *The Economic Review of Pesantren* 2, no. 1 (2023), <https://doi.org/10.58968/erp.v2i1.281>.

<sup>19</sup> Robert K. Yin, *Case Study Research and Applications: Design and Methods* (SAGE, 2018).

indices and Bank Indonesia microfinance rates—were collected to gauge the severity of exogenous shocks. Interviews were conducted in Bahasa Indonesia, recorded with informed consent, transcribed verbatim, and stored.

The interview protocol, piloted with two external Pesantren managers, was anchored on five dimensions distilled from the literature: income diversification, internal value chains, circular/local sourcing, financial buffers, and community embeddedness. Observation checklists mapped each dimension onto tangible indicators such as the proportion of inputs sourced internally or waste-conversion ratios.

Analysis followed a mixed-methods logic. Qualitatively, transcripts were subjected to Reflexive Thematic Analysis.<sup>20</sup> Two coders independently analysed 25% of the corpus, achieving Cohen’s  $\kappa > 0.82$  before reconciling a shared codebook; abductive cycles then linked practices to intermediate capabilities—financial resilience, stakeholder trust, and organisational learning. Quantitatively, business-unit efficiency was assessed using a Malmquist Total Factor Productivity (TFP) index implemented in DEAFrontier V5<sup>21</sup> for the period 2019–2025. Each business unit was treated as a decision-making unit (DMU). Given data availability, the DEA model used two core input variables and two output variables capturing financial performance, as summarized in Table 1. Liquidity and diversification were further measured through the financial-autonomy ratio (internal revenue ÷ total revenue), months of operating cash on hand, and the Herfindahl–Hirschman Index (HHI).

Table 1. Input and Output Variables Used in Malmquist DEA Analysis

| Category | Variable        | Description                          |
|----------|-----------------|--------------------------------------|
| Inputs   | Operating costs | Annual operational expenditure (IDR) |
| Inputs   | Number of staff | Annual average number of employees   |
| Outputs  | Total revenue   | Annual gross revenue (IDR)           |
| Outputs  | Net surplus     | Annual surplus/profit (IDR)          |

To probe causal recipes in a small-N setting, scores for each protective-economy dimension were calibrated into fuzzy sets ranging from 0 (full non-membership) to 1 (full membership) and analysed using fuzzy-set Qualitative Comparative Analysis (fsQCA V3.0).<sup>22</sup> The resilience outcome was operationalized using two observable institutional indicators: (1) maintenance of positive operational cash flow and adequate liquidity reserves, and (2) continuity of core social services (boarding, scholarship provision, and staff retention) during the 2023 rice-price surge. Institutions were coded as fully resilient (0.95) when both financial stability and uninterrupted service delivery were maintained; as crossover (0.50) when only partial

<sup>20</sup> Virginia Braun and Victoria Clarke, “Using Thematic Analysis in Psychology,” *Qualitative Research in Psychology* 3, no. 2 (2006): 77–101, <https://doi.org/10.1191/1478088706qp063oa>.

<sup>21</sup> Wade D. Cook and Joe Zhu, *Data Envelopment Analysis: Modeling Operational Processes and Measuring Productivity* (2008).

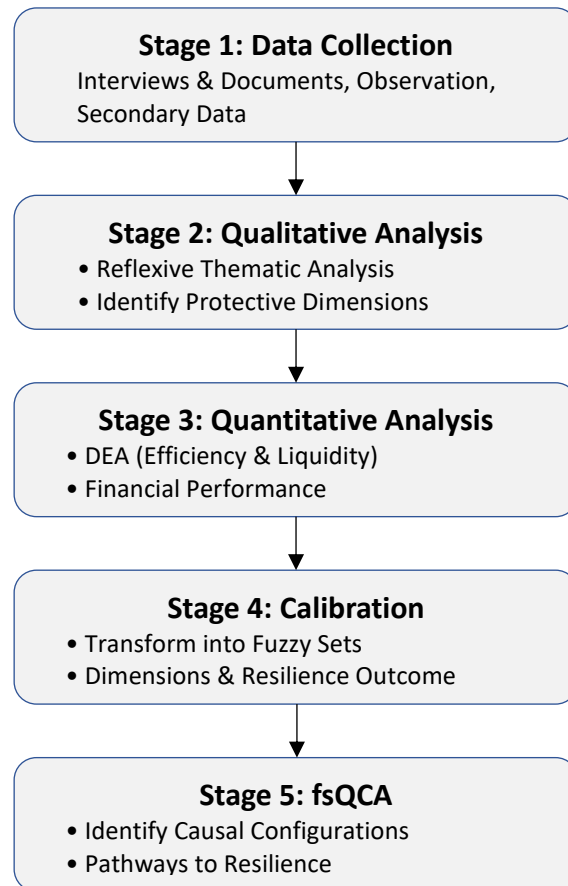
<sup>22</sup> Charles Ragin, *Fuzzy-Set/Qualitative Comparative Analysis* (University of Chicago Press, 2008). Anna Salonen, M. Zimmer, and J. Keränen, “Theory Development in Servitization Through The Application of fsQCA and Experiments,” *International Journal of Operations & Production Management* 41, no. 5 (2021): 746–69, <https://doi.org/10.1108/IJOPM-08-2020-0537>.

stability was observed; and as non-resilient (0.05) when either financial distress or service contraction occurred. Calibration followed the direct method with three qualitative anchors derived from theoretical expectations and institutional benchmarks.

Rigor was addressed through several strategies: credibility through triangulation and member checking with five key informants; transferability through thick contextual description; dependability through archiving an audit trail of instruments, codebooks, and scripts in an Open Science Framework repository; and confirmability through reflexive memos and peer-debrief sessions. An external auditor replicated all quantitative calculations.

The single-case scope inevitably limits statistical generalisability, though analytical generalisation is strengthened by the embedded sub-unit comparison and mixed-method triangulation. Potential self-report bias was mitigated through document and observational corroboration, yet future multi-case or liquidity reserves panel studies will be required to extend external validity across the diverse landscape of Indonesian pesantren.

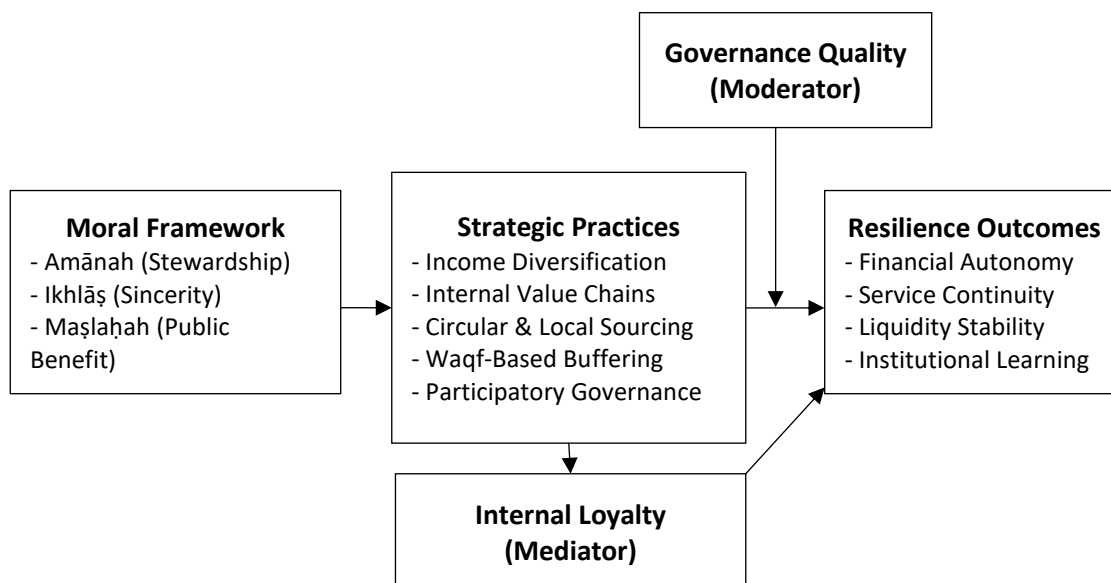
Given the multi-layered design (qualitative triangulation, productivity analysis, and configurational modeling), Figure 1 presents the research design flow to clarify the analytical sequence and integration logic. The study proceeded in four stages: (1) qualitative data collection and thematic coding to identify protective-economy dimensions; (2) quantitative assessment of business-unit efficiency using Malmquist DEA; (3) calibration of protective dimensions and resilience outcomes into fuzzy sets; and (4) configurational analysis through fsQCA to identify sufficient and necessary pathways to resilience.



**Figure 1.** Research Design Flow

## Results and Discussion

The transformation of Pondok Pesantren Mambaus Sholihin (PPMS) demonstrates how five mutually reinforcing practices—income diversification, internal consumption loyalty, circular and local sourcing, waqf-based financial buffering, and participatory governance—evolve into a single protective-economy capability, as shown in Figure 2. Integrating Resource Dependence Theory (RDT), Islamic social finance logic, and circular economy principles, these practices collectively strengthened financial autonomy, social trust, and learning routines, enabling PPMS to withstand external shocks such as the COVID-19 lockdowns (2020–2022) and the 2023 food price surge. The analysis below combines qualitative themes with quantitative evidence, situating each finding within the current literature.



**Figure 2.** Conceptual Path Model of Protective-Economy Capability

### Income Diversification as a Financial Buffer

From 2019 to 2025, PPMS expanded its business portfolio from three to seven units, including retail cooperatives, bottled-water production, Islamic microfinance, healthcare, and travel services, thereby raising its annual enterprise income to more than IDR 1 billion. The financial autonomy ratio increased from 21 to 57 percent, while tuition dependence fell from 79 to 43 percent. The Herfindahl–Hirschman Index declined from 0.46 to 0.22, evidencing broader income dispersion.

This diversification validates RDT’s assertion that organizations buffer themselves from uncertainty by controlling multiple resource channels.<sup>23</sup> Empirically, it aligns with Young’s<sup>24</sup> and Brasil et al.’s<sup>25</sup> studies, which show that diversified income streams enhance nonprofit survival during crises. However, PPMS reframes diversification through an Islamic moral lens: economic ventures are understood as *ibadah muamalah*—acts of stewardship and communal service—rather than profit seeking. Such moral framing mitigates internal resistance to commercialization, a barrier noted by Waerder et al.<sup>26</sup> in secular charities.

Recent post-pandemic evidence confirms that diversification remains a central mechanism of nonprofit resilience; a study of California-based nonprofit organizations found that those adopting creative fundraising and strategic partnership models sustained and expanded revenue streams exceeding USD \$300,000 annually

<sup>23</sup> Jeffrey Pfeffer and Gerald R. Salancik, *The External Control of Organizations: A Resource Dependence Perspective*, 2nd ed. (Stanford University Press, 2003).

<sup>24</sup> Charlena Young and Charlena Young, *Financial Strategies Nonprofit Organizations Use for Sustainability* Walden University This Is to Certify That the Doctoral Study By, 2024.

<sup>25</sup> Camila Viana Brasil et al., “Financial Resilience, Financial Ignorance, and Their Impact on Well-Being During the COVID-19 Pandemic: Evidence from Brazil,” *International Review of Economics* 71, no. 2 (2024): 273–99, <https://doi.org/10.1007/s12232-023-00443-6>.

<sup>26</sup> Waerder, “The Role of Nonprofit–Private Collaboration for Nonprofits’ Organizational Resilience.”

during recovery phases, demonstrating diversification as a post-crisis stabilization strategy.<sup>27</sup>

The finding also aligns with Delechat,<sup>28</sup> who highlights diversification as a development pathway for emerging-economy institutions. Yet, PPMS extends this logic by integrating faith-based legitimacy as an enabling factor; moral acceptance becomes a social license for entrepreneurial activity. This “ethical diversification” suggests that resource control and religious legitimacy can be mutually reinforcing, advancing a faith-sensitive adaptation of RDT.

### **Internal-Consumption Loyalty as a Behavioral Anchor**

Household surveys and transaction logs revealed that over 70 percent of the pesantren community’s daily needs were met by in-house outlets. This internal market, framed as *belanja sambil berkhidmah* (“shopping as devotion”), maintained stable revenue during lockdowns, when sales elsewhere declined by nearly 30 percent. Loyalty acted as a behavioral hedge, converting communal identity into price-inelastic demand. This pattern is not unique to Islamic institutions; Catholic schools worldwide also reduce fiscal burden on the state through internal economic self-sustainability, saving an estimated US\$63 billion in public expenditure across OECD countries.<sup>29</sup>

This mechanism supports research on solidarity and cooperative loyalty.<sup>30</sup> as well as denominational commitment in religious cooperatives.<sup>31</sup> It also resonates with Akerlof and Kranton’s<sup>32</sup> identity economics theory, which posits that group affiliation shapes consumption choices and reinforces internal economies. Within RDT, loyalty functions as an endogenous control mechanism: by embedding economic exchange inside moral relationships, dependency on external markets diminishes.<sup>33</sup>

Comparable dynamics are observed in Catholic credit unions in Latin America<sup>34</sup> and Buddhist cooperative schools in Thailand,<sup>35</sup> where a shared identity stabilizes internal trade. Similar patterns of donor prioritization and community-fostering

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<sup>27</sup> Kristofer Alan Vaughn, “Financial Resilience of Nonprofits in the Postpandemic Future” (Walden University, 2024).

<sup>28</sup> Delechat, “Economic Diversification in Developing Countries.”

<sup>29</sup> OIEC, *Christian Schools and The Futures of Education: A Contribution to UNESCO’s Futures of Education Commission* (OIEC, 2020).

<sup>30</sup> Renata Klafke, G. M. Pinto, and C. .. T. Picinin, “Loyalty in Cooperatives Through The Service-Dominant-Logic View,” *Cooperativismo & Desarrollo* 30, no. 124 (2022): 1–22, <https://doi.org/10.16925/2382-4220.2022.03.07>.

<sup>31</sup> Emmanuel Ubandoma Musa and Adebayo Ola Afolaranmi, “Denominational Loyalty in The Cooperative Programme of the Nigerian Baptist Convention (2013–2023),” *Eximia* 13, no. 1 (2024): 250–59, <https://doi.org/10.47577/eximia.v13i1.470>.

<sup>32</sup> George A. Akerlof and Rachel E. Kranton, *Identity Economics: How Our Identities Shape Our Work, Wages, and Well-Being* (Princeton University Press, 2010).

<sup>33</sup> Hsin-kuang Chi and Hai-thanh Phan, *Revealing the Role of Corporate Social Responsibility, Service Quality, and Perceived Value in Determining Customer Loyalty: A Meta-Analysis Study*, 2025.

<sup>34</sup> Daniel Schugurensky and Tara Bartlett, *Educating for Democracy: The Case for Participatory Budgeting in Schools* (Edward Elgar, 2024), <https://doi.org/10.4337/9781035302178>.

<sup>35</sup> Anne Laius, Rolf Saarna, and Merike Kont, “Secondary School Students’ Understanding of Circular Economy and Recycling at a Small Rural School,” *Interdisciplinary Journal of Environmental and Science Education* 20, no. 3 (2024), <https://doi.org/10.29333/ijese/14620>.

appear in Christian religious nonprofits in North America,<sup>36</sup> suggesting that moral-behavioral anchors for financial stability may transcend specific faith traditions.

PPMS introduces a distinctive behavioral dimension—faith-motivated consumption framed as worship—which enhances both revenue continuity and moral cohesion. However, sustained reliance on internal markets also entails the risk of becoming a semi-closed economic system. When demand is largely guaranteed by communal loyalty, competitive pressure to improve product quality, efficiency, and innovation may weaken, echoing Granovetter’s concern about overembeddedness<sup>37</sup> and the potential stagnation that arises from excessive internal bonding. In such settings, economic security can inadvertently reduce incentives for benchmarking and market-driven learning.

PPMS appears to mitigate this risk through entrepreneurial Muslim leadership that maintains selective external engagement. For instance, the bottled-water unit benchmarks pricing, packaging standards, and distribution strategies against regional competitors, ensuring that internal loyalty does not substitute for quality discipline. This outward-facing orientation allows the pesantren to preserve moral cohesion while remaining responsive to external market signals. Balancing internal solidarity with strategic external exposure, therefore, becomes critical for sustaining long-term dynamism and preventing insularity.

### **Circular and Local Sourcing for Cost Containment**

Circular-economy initiatives expanded markedly between 2019 and 2025. Waste-to-product conversion rose from 18 to 46 percent, electricity costs declined by 29 percent, and water expenses decreased by 17 percent. Savings were redirected to sustain staff stipends during the surge in rice prices. Post-pandemic analyses show that nonprofit adaptive capacity has increasingly centered on digital service redesign and technology-enabled innovation,<sup>38</sup> yet PPMS demonstrates that resilience can also be achieved through endogenous economic capabilities, such as internal markets, circular sourcing, and localized production systems that rely less on external technical infrastructure.

These results confirm the findings of Rahmasiwi et al.’s<sup>39</sup> study, which reports that school-based biogas systems can reduce operating costs by up to one-third, and those of Ratnasari and Aschemann,<sup>40</sup> who demonstrate that circular practices enhance institutional resource efficiency in Indonesia’s education sector. They also corroborate

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<sup>36</sup> Erica Illauna Allen, “Financial Sustainability Strategies of Religious Nonprofit Organizations” (Walden University, 2020).

<sup>37</sup> Mark Granovetter, “Economic Action and Social Structure: The Problem of Embeddedness,” *American Journal of Sociology* 91, no. 3 (1985): 481–510, <https://doi.org/10.1086/228311>.

<sup>38</sup> Grace Chun Guo et al., “Innovation in Nonprofit Organizations in The Post-Pandemic Era: An Exploratory Study,” *New England Journal of Entrepreneurship* 28, no. 1 (2025): 25–40, <https://doi.org/10.1108/NEJE-09-2024-0105>.

<sup>39</sup> Rahmasiwi et al., “The Acceptance of Biogas in Islamic Boarding Schools in Surakarta,” *Sustinere: Journal of Environment and Sustainability* 8, no. 1 (2024): 54–67, <https://doi.org/10.22515/sustinere.jes.v8i1.368>.

<sup>40</sup> Ratnasari and Aschemann, “Study on Monitoring Indonesia’s Circular Economy: An Indicator System Proposal.”

Nowicki et al.'s<sup>41</sup> argument that resource recirculation strengthens organizational resilience by insulating operations from input-price volatility.

In PPMS, circularity was intertwined with Islamic ecological ethics (*khalifah fil ardh*). This moral dimension transforms sustainability from a technical goal into a pedagogical one: students learn stewardship through practice. Similar moral-environmental linkages have been observed in Christian monastic schools,<sup>42</sup> where ecological discipline reinforces collective identity. The PPMS experience thus reframes circular economy as a spiritual-ecological hedge—reducing both financial and ethical risk. However, scaling such systems requires continuous technical support and training; without it, efficiency gains may plateau.

### **Waqf-Based Financial Buffers as Liquidity Shields**

The pesantren's waqf endowment tripled from IDR 4.2 billion (2019) to IDR 13.1 billion,<sup>43</sup> increasing liquidity coverage from 1.7 to 4.6 months. During crises, waqf returns finance scholarships and staff wages, ensuring uninterrupted services.

This empirical evidence supports the arguments of Elmahgop et al.<sup>44</sup> and Andayani et al.<sup>45</sup> that waqf funds serve as sustainable finance instruments capable of stabilizing Islamic social institutions. From an RDT perspective, waqf represents an endogenous buffer—a self-controlled resource pool insulated from donor volatility. PPMS illustrates the operationalization of this principle within a Shariah-compliant governance structure, aligning with Musa et al.,<sup>46</sup> who advocate modern, performance-based waqf management.

By converting moral capital into liquid assets, PPMS bridges the gap between religious legitimacy and financial efficiency. The waqf buffer also aligns with circular-finance models proposed by Kementerian PPN/Bappenas,<sup>47</sup> in which perpetual funds recycle surpluses for social reinvestment. Yet, dependence on a limited donor base may restrict future growth; diversification of waqf portfolios remains a policy priority.

### **Participatory Governance and Entrepreneurial Muslim Leadership**

Governance reforms introduced by the kyais and the cooperative board institutionalized participatory budgeting and transparent reporting, raising internal transparency scores from 72% to 88%. Alumni and parent networks were mobilized as distributors and resellers, extending market reach. Cross-national education sector studies during COVID-19 have shown that transparent governance and community involvement measurably strengthened stakeholder trust in Lebanon, Nigeria,

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<sup>41</sup> Pawel Nowicki et al., "The Circular Economy and Its Benefits for Pro-Environmental Companies," *Business Strategy and the Environment* 32 (2023): 4584–99, <https://doi.org/10.1002/bse.3382>.

<sup>42</sup> Joseph K. Muriithi and Innocent O. Ngare, "Transitioning Circular Economy from Policy to Practice in Kenya," *Frontiers in Sustainability* 4 (2023), <https://doi.org/10.3389/frsus.2023.1190470>.

<sup>43</sup> PPN/Bappenas, *Peta Jalan Dan Rencana Aksi Nasional Ekonomi Sirkular Indonesia 2025–2045*.

<sup>44</sup> Elmahgop et al., "The Socio-Economic Impacts of Waqf Investment Funds as A Model for Sustainable Financing in Saudi Arabia."

<sup>45</sup> Andayani et al., "Assessing The Financial Sustainability of Micro-Waqf Banks: Insights from Indonesia."

<sup>46</sup> Armiadi Musa, "Towards a Modern Waqf Management Model: Optimizing the Utilization of Waqf Potential in Islamic Countries," *International Journal of Social Science, Humanity & Management Research* 4, no. 4 (2025): 660–66, <https://doi.org/10.58806/ijsshmr.2025.v4i4n08>.

<sup>47</sup> PPN/Bappenas, *Peta Jalan Dan Rencana Aksi Nasional Ekonomi Sirkular Indonesia 2025–2045*.

Colombia, Georgia, and Zambia,<sup>48</sup> consistent with PPMS's improvement in transparency scores, which function as a resilience mechanism by reinforcing public confidence.

This finding aligns with broader evidence from African faith-based organizations, where governance structures, board oversight, and formalized financial systems significantly predict financial sustainability, accounting for approximately 22.8% of the variance in institutional resilience outcomes.<sup>49</sup> These practices also align with Sinervo et al.<sup>50</sup> and Jamaluddin et al.,<sup>51</sup> who demonstrate that participatory governance improves performance and trust in cooperatives. In faith-based contexts, this governance style embodies *shura* (consultation) and *amānah* (accountability), reflecting what Ariatin et al.<sup>52</sup> describe as entrepreneurial Muslim leadership—a synthesis of piety, risk-taking, and communal stewardship.

fsQCA confirmed governance quality as a near-necessary condition (consistency = 0.89) for uninterrupted service delivery. This finding aligns with Waerder et al.,<sup>53</sup> who argue that adaptive governance amplifies the resilience effects of diversification. PPMS shows that transparency not only enhances accountability but also reinforces loyalty to internal consumption; trust sustains the moral economy. Nonetheless, participatory processes can slow decision-making, a trade-off observed in other cooperative systems.<sup>54</sup> Effective leadership, therefore, requires striking a balance between inclusivity and timely strategic action.

### **Configuration and Quantitative Validation**

Fuzzy-set Qualitative Comparative Analysis identified a single dominant configuration for resilience:

**High Diversification × Strong Internal Loyalty × Adequate Financial Buffer × Good Governance → Continuous Service Delivery**

Consistency = 0.94; coverage = 0.81. Alternative combinations lacking either loyalty or liquidity failed to achieve sufficiency, confirming the necessity of synergy among economic, behavioral, and governance dimensions. These quantitative shifts (see Table 2) substantiate the qualitative narrative: the protective-economy bundle operates as a systemic capability rather than a set of isolated strategies. The configuration mirrors the “redundant-resilience systems” observed by Waerder et al.<sup>55</sup>

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<sup>48</sup> Ritesh Shah et al., “Building Back Better? The Role of Education Sector Responses in Strengthening or Eroding Societal Resilience During The COVID-19 Pandemic,” *Frontiers in Education* 9 (2024), <https://doi.org/10.3389/educ.2024.1089422>.

<sup>49</sup> Victor Wamae Mucheru, “Factors Affecting Financial Sustainability of Faith-Based Organizations in Kenya” (United States International University-Africa, 2020).

<sup>50</sup> Lotta Maria Sinervo et al., “Toward Sustainable Governance with Participatory Budgeting,” *Journal of Public Budgeting, Accounting and Financial Management* 36, no. 1 (2024): 1–19, <https://doi.org/10.1108/JPBAFM-11-2023-0205>.

<sup>51</sup> Faridhah Jamaluddin et al., “Cooperative Governance and Cooperative Performance: A Systematic Literature Review,” *SAGE Open* 13, no. 3 (2023): 1–21, <https://doi.org/10.1177/21582440231192944>.

<sup>52</sup> Ariatin, Dhewanto, and Yudha, “Entrepreneurial Muslim Leadership in Islamic Cooperative Business Unit.”

<sup>53</sup> Waerder, “The Role of Nonprofit–Private Collaboration for Nonprofits’ Organizational Resilience.”

<sup>54</sup> Schugurensky and Bartlett, *Educating for Democracy: The Case for Participatory Budgeting in Schools*.

<sup>55</sup> Waerder, “The Role of Nonprofit–Private Collaboration for Nonprofits’ Organizational Resilience.”

in which overlapping mechanisms provide multiple paths to stability. It also resonates with Ragin,<sup>56</sup> who notes that organizational outcomes in small-N contexts often depend on conjunctural causation rather than single variables.

Table 2. Quantitative Indicators of Institutional Resilience at PPMS (2019–2025)

| Indicator                   | 2019    | 2025   | Change     | Resilience Dimension                   | Theoretical Link   |
|-----------------------------|---------|--------|------------|--|--|
| Tuition dependence          | 79%     | 43%    | –46%       | Financial Resilience                   | RDT – Dependency reduction through diversification       |
| Financial autonomy ratio    | 21%     | 57%    | +171%      | Financial Resilience                   | RDT – Internal resource control                          |
| Cash-on-hand (months)       | 1.7     | 4.6    | +171%      | Financial Resilience (Buffer Capacity) | Protective Economy – Financial buffer                    |
| Waste-to-product conversion | 18%     | 46%    | +155%      | Operational Resilience                 | Circular Economy – Efficiency → Cost savings → Liquidity |
| Transparency score          | 72%     | 88%    | +22%       | Social/Governance Resilience           | Governance ethics – Trust stabilization mechanism        |
| Service disruptions         | 2 weeks | 0 days | Eliminated | Operational Resilience                 | Redundant-resilience system – Continuity capacity        |

Table 2 operationalizes the conjunctural architecture of institutional resilience identified in the fsQCA results. Rather than presenting isolated performance indicators, the table maps each metric onto a specific resilience dimension—financial, operational, or social/governance—thereby translating the protective-economy configuration into measurable constructs. The financial indicators (tuition dependence, financial autonomy ratio, and cash-on-hand) reflect reduced dependency and buffer capacity, in line with Resource Dependence Theory. Operational indicators (waste-to-product conversion and service continuity) capture systemic efficiency and functional stability, demonstrating how circular production mechanisms strengthen continuity under volatility. Meanwhile, the transparency score represents social and governance resilience, signaling the role of trust and participatory ethics in stabilizing internal demand and coordination.

Taken together, the findings extend Resource Dependence Theory by showing that dependency reduction in faith-based institutions is mediated by moral behavior and governance ethics rather than by structural control over resources alone. Internal-consumption loyalty transforms communal trust into steady internal demand, while participatory governance ensures fair distribution and adaptive coordination. The study thus answers Pfeffer and Salancik’s<sup>57</sup> call to contextualize RDT by illustrating how spiritual legitimacy modifies dependency strategies.

<sup>56</sup> Ragin, *Fuzzy-Set/Qualitative Comparative Analysis*.

<sup>57</sup> Jeffer Pfeffer and Salancik, *The External Control of Organizations: A Resource Dependence Perspective*.

From a circular-economy perspective, PPMS demonstrates that environmental efficiency contributes directly to financial liquidity (see Table 2), echoing Kementerian PPN/Bappenas.<sup>58</sup> and Nowicki et al.<sup>59</sup> This “green-liquidity effect” reframes circularity as both an ecological and fiscal safeguard. In Islamic finance terms, the waqf mechanism provides empirical confirmation of Elmahgop et al.<sup>60</sup> and Musa et al.,<sup>61</sup> who view waqf as a sustainable finance instrument capable of bridging moral obligation and market rationality. Comparatively, the protective-economy model parallels resilience pathways found in Catholic microfinance networks in Latin America and Buddhist cooperative schools in East Asia, where moral solidarity underpins enterprise autonomy.<sup>62</sup> PPMS offers a distinctive Islamic perspective on this phenomenon, emphasizing spiritual intent as a productive force within the economy.

However, protective-economy systems also face trade-offs. High internal loyalty can limit external market integration and innovation, while participatory decision-making may slow responses to fast-moving crises. Long-term resilience, therefore, requires a dynamic balance between embeddedness and openness—a theme also echoed in the organizational resilience literature.<sup>63</sup> At the policy level, the findings are directly relevant to the implementation of Law No. 18/2019 on pesantren empowerment and the Circular Economy Roadmap 2025–2045. A practical step is the institutionalization of a Protective-Economy Dashboard,<sup>64</sup> utilizing four indicators—financial autonomy ratio, diversification index, waste-to-product ratio, and trust score—as monitoring metrics for grant allocation and waqf-linked revolving funds. Impact investors and government agencies could employ these metrics to identify pesantren that practice integrated economic, social, and ecological management.

Ultimately, the PPMS experience demonstrates that the protective economy is both a theoretical and practical construct—a culturally embedded capability that converts environmental volatility into opportunities for learning, solidarity, and sustainable self-reliance. By aligning economic diversification with Islamic ethics and participatory governance, pesantren can become key actors in Indonesia’s inclusive-growth agenda while offering comparative lessons for faith-based social enterprises worldwide. As summarized in Table 2, the simultaneous improvements in diversification, liquidity reserves, circular efficiency, and governance transparency provide quantitative validation of the configurational pathway identified through fsQCA.

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<sup>58</sup> Kementerian PPN/Bappenas, “Peta Jalan dan Rencana Aksi Nasional Ekonomi Sirkular Indonesia 2025–2045,” Kementerian PPN/Bappenas, 2024.

<sup>59</sup> Nowicki et al., “The Circular Economy and Its Benefits for Pro-Environmental Companies.”

<sup>60</sup> Elmahgop et al., “The Socio-Economic Impacts of Waqf Investment Funds as A Model for Sustainable Financing in Saudi Arabia.”

<sup>61</sup> Musa, “Towards a Modern Waqf Management Model: Optimizing the Utilization of Waqf Potential in Islamic Countries.”

<sup>62</sup> Muriithi and Ngare, “Transitioning Circular Economy from Policy to Practice in Kenya.”

<sup>63</sup> Klafke, Pinto, and Picinin, “Loyalty in Cooperatives Through The Service-Dominant-Logic View.”

<sup>64</sup> Guillermo Casanovas and Lisa Hehenberger, *Inscribing Impact: Measurement Practices in the Making of Moral Markets*, 2025, <https://doi.org/10.1111/joms.13184>.

## **Conclusion**

This study explored how a protective-economy capability can strengthen the long-term sustainability of faith-based educational institutions, using the case of Pondok Pesantren Mambaus Sholihin in East Java. The findings show that institutional resilience in pesantren emerges through a coherent system of interrelated practices rather than isolated strategies. Economic diversification, community-based consumption, circular and local sourcing, waqf-based financial buffering, and participatory governance together form a dynamic framework that protects the institution from external shocks while preserving its social and spiritual mission.

Through this combination of practices, the pesantren gradually reduced dependence on tuition-based revenue, strengthened internally generated income streams, increased the months of operating cash on hand as a liquidity buffer, and eliminated service disruptions during major shocks, from 2 weeks in 2019 to 0 days in 2025. The interaction of these mechanisms demonstrated that economic self-reliance and moral legitimacy can be mutually reinforcing when managed within a culture of transparency and trust. The findings extend the logic of Resource Dependence Theory by showing that control over resources in a faith-based context relies not only on market mechanisms but also on moral norms, behavioral loyalty, and shared identity. Similarly, the study enriches Islamic social-finance discourse by providing empirical evidence that waqf can operate as a flexible liquidity reserve. At the same time, circular-economy initiatives translate environmental stewardship into measurable financial efficiency.

The practical implication of this study is that pesantren leaders and policymakers should view economic and social sustainability as a single integrated process. Strengthening the internal economic ecosystem through cooperative ventures, local sourcing, and transparent management builds both financial and moral capital. Policymakers implementing Law No. 18/2019 and Indonesia's Circular Economy Roadmap can apply the concept of a protective economy as a framework for evaluating pesantren empowerment programs and for designing funding instruments that combine waqf, circular innovation, and community participation. Impact investors and Islamic financial institutions can also adopt these insights to design financing schemes that link ethical governance with measurable resilience outcomes.

Although this research offers new theoretical and practical insights, it remains based on a single case. Broader comparative research across pesantren with diverse economic models would deepen understanding of how different cultural and regional contexts influence the formation of protective-economy capabilities. Studies comparing pesantren with non-Muslim or secular educational institutions could reveal which resilience mechanisms are universal and which are unique to Islamic social enterprises.

The protective-economy framework highlights the potential to build resilient institutions by aligning economic innovation with spiritual purpose and social responsibility. When diversification, liquidity buffering, circular efficiency, and participatory governance operate together within a moral community, faith-based schools can transform high tuition dependence and limited liquidity into a diversified,

financially buffered, and service-stable institutional structure. This synthesis of ethical finance, community solidarity, and circular innovation offers a viable path toward inclusive and sustainable development in Indonesia's education sector and beyond.[]

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