

MEMORANDUM OF UNDERSTANDING

BETWEEN



UNIVERSITI TEKNIKAL MALAYSIA MELAKA

AND



UNIVERSITAS MUHAMMADIYAH YOGYAKARTA

THIS MEMORANDUM OF UNDERSTANDING is made on the
.....11.....day of *August*, 2023.

BETWEEN

UNIVERSITI TEKNIKAL MALAYSIA MELAKA, an institution of higher education established pursuant to the provisions of the Universities and University Colleges Act, 1971 [Act 30] and having its registered address at Hang Tuah Jaya, 76100 Durian Tunggal, Melaka, Malaysia (hereinafter referred to as "**UTeM**") of one part;

AND

UNIVERSITAS MUHAMMADIYAH YOGYAKARTA, a private higher education institution founded by Persyarikatan Muhammadiyah, in accordance with the decision of Muhammadiyah Regional Leaders Special Region Yogyakarta (PWM DIY). It was established on 1 March, 1981, and having its registered address at Jalan Brawijaya, Kasihan, Bantul, Yogyakarta, Central Indonesia (hereinafter referred to as "**UMY**"), of the other part.

UTeM and **UMY** hereinafter individually referred to as "**Party**" and collectively referred to as "**Parties**".

WHEREAS :

- A. **UTeM**, a public university, offering diploma, undergraduate and post-graduate degree programs in the technical fields especially engineering, engineering technology, information technology and techno-entrepreneurship courses.
- B. **UMY** is an established institution of higher learning which is in line with the three activities of higher education: education and teaching,

research, and community service located in Yogyakarta. As an established university, it is providing high-quality educational, research and support facilities, also listed in the 501 - 550 QS Asia Ranking university and earned "Excellent" accreditation based on the Decree of National Accreditation Agency for Higher Education No. 2002/SK/BAN - PT/ Ak/Ppj/PT/XII/2022.

- C. The Parties are desirous of entering into this Memorandum of Understanding to declare their respective intentions and to establish a basic of co-operation and collaboration between the Parties upon the terms as contained herein.

NOW THEREFORE, the Parties hereby agree on the terms of understanding as follows :

ARTICLE 1

OBJECTIVE

The Parties, subject to the terms of this Memorandum of Understanding and the laws, rules, regulations and national policies from time to time in force in each Parties' country, will endeavor to strengthen, promote and develop research, technical co-operation, continuing education and community services between the Parties on the basis of equality and mutual benefit.

ARTICLE 2

GENERAL AREAS OF CO-OPERATION

- 2.1 Each Parties envisage that the collaboration contemplated by this Memorandum of Understanding would serve as a forum for collaboration between the Parties for any matter of joint interest *vis-à-vis* a strategic alliance, in defined areas as follows :

- (a) Exchange of staff as well as undergraduate and postgraduate students in the course of academic development to address issues relating to the areas of management, ICT, social science, humanities, engineering and other disciplines;
- (b) Cooperate in undergraduate and postgraduate academic programmes such as student mobility, dual or joint degree and joint supervision programme;
- (c) Plan and develop innovation in research through joint research grants, research consultancy and specialised training;
- (d) Exchange of research and educational materials, publications and academic information;
- (e) Plan and develop innovation in research through joint research grants and specialised training as well as organise and participate in academic meetings, seminars, conferences, symposia, and short-term academic programmes;
- (f) Share expertise through research collaboration, consultancy, community service; and
- (g) Carry out any other forms of co-operation as may be jointly agreed by the Parties in writing or mutual agreement.

ARTICLE 3

IMPLEMENTATION

- 3.1 The Parties agree that the cooperation under this Memorandum of Understanding may be carried out in the manner agreed upon by the Parties.
- 3.2 The progress and results achieved from the implementation of this Memorandum of Understanding will be reviewed from time to time. For this purpose, both Parties shall ensure that reports on the implementations and the summary details will be made available to either Party on request.

ARTICLE 4
JOINT WORKING GROUP

- 4.1 The Parties shall for the purpose of this Memorandum of Understanding, establish a Joint Working Group to facilitate the cooperation by overseeing the smooth implementation of this Memorandum of Understanding, as specified in **Schedule A** herein.
- 4.2 The Joint Working Group shall consider ways and means to promote the aforesaid objective and to ensure the proper coordination and implementation of its decision and/or recommendation.
- 4.3 In order to implement the scope of cooperation, the Joint Working Group shall be responsible for :
- (a) Monitoring the activities and programmes implemented pursuant to this Memorandum of Understanding; and
 - (b) Negotiating difficulties and problems arising from the interpretation or implementing or application of this Memorandum of Understanding and shall be in accordance to the provisions in Article 12 of this Memorandum of Understanding.
- 4.4 The Joint Working Group shall be co-chaired by Vice Rector for Cooperation and International Affairs of UMY and a person to be identified by UTeM. The composition and procedure of the Joint Working Group shall be determined by the Parties.
- 4.5 Parties shall mutually decide when the Joint Working Group will be meeting to review the implementation of this Memorandum of Understanding.

- 4.6 Either Party may request in writing a revision, modification or amendment of all or any members of this Joint Working Group. Any revision, modification or amendment agreed to by the Parties will be reduced into writing and will form part of this Memorandum of Understanding.
- 4.7 Upon agreement and negotiations, the activities concerned shall be implemented on a project-by-project basis subject to the execution of a legally binding specific project agreement (hereinafter referred to as **"Specific Project Agreement"**).
- 4.8 If it is necessary to purchase apparatus or equipment to complete any activity or project under this Memorandum of Understanding, either Party may present a list of its requirements to the other Party in writing. The Parties shall then enter into a relevant purchasing agreement subject to and upon the terms mutually agreed upon by the Parties.
- 4.9 Both Parties shall endeavor to facilitate all formalities in connection with the preparation, negotiation and implementation of activities within the framework of this Memorandum of Understanding and shall maintain close and direct contact.
- 4.10 Specific projects initiated under this Memorandum of Understanding whilst this Memorandum of Understanding is in operation shall continue until termination of the relevant specific project agreement and shall continue to remain in force even after expiry or earlier termination of this Memorandum of Understanding.

ARTICLE 5
FINANCIAL ARRANGEMENTS

- 5.1 The financial arrangements to cover expenses for the cooperative activities undertaken within the framework of this Memorandum of Understanding will be agreed upon by the respective Parties on a case-by-case basis subject to the availability of funds and resources.
- 5.2 Notwithstanding anything in Article 5.1 above, expenses for organizing the meetings of the Joint Working Group, if any, shall be borne by the Party hosting the meetings. The Party which is sending its representatives for participation in the meetings of the Joint Working Group, if any, shall bear its own travelling and accommodation expenses.

ARTICLE 6
CONFIDENTIALITY

- 6.1 The Parties undertake to observe confidentiality towards other parties not concerned or connected with this Memorandum of Understanding. Any Confidential Information disclosed to either Party pursuant to this Memorandum of Understanding shall not without prior written consent of the other Party be disclosed to a third party or be used for any purpose not expressly permitted in writing by the other Party.
- 6.2 The confidentiality provisions apply to all Confidential Information exchanged between each Party including any Confidential Information exchanged in preliminary discussion and during negotiations relating to matters within the scope of this Memorandum of Understanding. Both Parties agree to adopt the industry's highest standards regarding the disclosure and protection of their Confidential Information.

- 6.3 For the purpose of this clause, 'Confidential Information' includes all technical know-how, financial information and other commercially valuable information in whatever form including, but not limited to, unpatented inventions, trade secrets, formulae, graphs, drawings, designs, tables, flow charts, process charts, biological, chemical and/or botanical materials, samples, germ plasm materials, devices, models, know-how, copyright in and to documents/software and other materials of whatever description which the Disclosing Party claims is confidential to itself or over which it has full control and includes all other such information that may be in the possession of the Disclosing Party's employees or management.
- 6.4 'Disclosing Party' means the Party which is disclosing its Confidential Information to the other Party.
- 6.5 'Receiving Party' means the Party which is receiving Confidential Information from the other Party.
- 6.6 The obligation of this confidentiality shall not apply under the following circumstances :
- (a) the Confidential Information was previously known to the Receiving Party without restriction prior to receipt hereunder as evidenced by the records of the Receiving Party;
 - (b) the Confidential Information is now or hereafter becoming available to the public in the form of a printed publication through no breach of this Memorandum of Understanding;
 - (c) the Confidential Information is subsequently disclosed to the Receiving Party without restriction by a third party having lawful right to disclose such information; or
 - (d) the Confidential Information is required by law to be disclosed.

ARTICLE 7

PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

- 7.1 The protection of intellectual property rights shall be enforced in conformity with any existing applicable laws, rules and regulations relating to intellectual property rights.
- 7.2 The use of the name, logo and/or official emblem of any of the Parties on any publication, document and/or paper is prohibited without the prior written approval of the other Party.
- 7.3 Notwithstanding anything in Article 7.1 above, the intellectual property rights in respect of any technological development, products and services development, carried out :
- (a) jointly by the Parties or with research results obtained through the joint activity effort of the Parties, shall be jointly owned by the Parties in accordance with the terms to be mutually agreed upon; and
 - (b) solely and separately by the Parties or with research results obtained through the sole and separate effort of the Parties or with the use of any products which are proprietary to a Party, shall be solely owned by the Party concerned.
- 7.4 Either Party may transfer or assign its title or interest in whole or in intellectual property rights covered by this Memorandum of Understanding to the other Party upon terms to be mutually agreed. Such transfer or assignment must be in writing and shall be effective only upon the written acceptance of the other Party.

ARTICLE 8
SUSPENSION

Each Party reserves the right for reasons of national security, national interest, public order or public health to suspend temporarily, either in whole or in part, the implementation of this Memorandum of Understanding which suspension shall take effect immediately after written notification has been given to the other Party.

ARTICLE 9
NO AGENCY

Nothing contained herein is to be construed so as to constitute a joint venture partnership or formal business organization of any kind between the Parties or so to constitute either Party as the agent of the other.

ARTICLE 10
REVISION, MODIFICATION AND AMENDMENT

- 10.1 Either Party may request in writing a revision, modification or amendment of all or any part of this Memorandum of Understanding. Any revision, modification or amendment agreed to by the Parties will be reduced into writing and will form part of this Memorandum of Understanding.
- 10.2 Such revision, modification or amendment will come into force on such date as may be determined by the Parties. Any revision, modification or amendment will not prejudice the rights and obligations arising from or based on this Memorandum of Understanding before or up to the date of such revision, modification or amendment.

ARTICLE 11

SETTLEMENT OF DISPUTES

Any difference or dispute between the Parties arising out of the interpretation or implementation or application of any of the provisions of this Memorandum of Understanding shall be settled amicably through mutual consultation or negotiation between the Parties without reference to any third party.

ARTICLE 12

EFFECT OF MEMORANDUM OF UNDERSTANDING

- 12.1 This Memorandum of Understanding serves only as a record of the Parties' intentions and does not constitute or create, and is not intended to constitute or create legally binding obligation under domestic or international law and will not give rise to any legal process and will not be deemed to constitute or create any legally binding or enforceable obligations, express or implied.
- 12.2 Notwithstanding anything in Article 12.1 above, Article 5.2, Article 6, Article 7, Article 8, Article 9, Article 10 and Article 11 shall be binding on the Parties.

ARTICLE 13

NON-LIABILITY

To the fullest extent permitted by law, no Party shall be liable to the other Party pursuant to this Memorandum of Understanding for any loss of profits, business interruption, loss of business information, economic loss or any other indirect, incidental, consequential or special loss or damage, even if the loss or damage was caused, or contributed to, by the first mentioned Party's negligence or breach of this Memorandum of Understanding.

ARTICLE 14

ENTRY INTO EFFECT, DURATION AND TERMINATION

- 14.1 This Memorandum of Understanding shall commence on the date of signature by the last signing Party and shall remain in force for a term of **five (5) years** or until the activities under Articles 1 and 2 of this Memorandum of Understanding have been completed or ended in accordance with Article 12 herein, whichever is earlier.
- 14.2 Specific projects initiated under this Memorandum of Understanding whilst this Memorandum of Understanding is in operation shall continue until termination of the relevant specific project agreement and shall continue to remain in force even after the expiry of this Memorandum of Understanding.
- 14.3 This Memorandum of Understanding may be extended for a further period at the instance of both Parties on the same or varied terms, as may be agreed in writing by the Parties.
- 14.4 Notwithstanding anything in this Article, either Party may terminate this Memorandum of Understanding by notifying the other Party of its intention to terminate this Memorandum of Understanding by a notice in writing given at least **three (3) months** prior to its intention to do so.
- 14.5 The termination of this Memorandum of Understanding shall not affect the ongoing activities and/or programmes and commitments which have been agreed upon by the Parties prior to the date of the termination of this Memorandum of Understanding.

ARTICLE 15
CONFLICT OF INTEREST

The Parties will take measures to ensure that no holder of both agencies, current or past, may derive any undue benefit from this Memorandum of Understanding.

ARTICLE 16
GOVERNING LAW

This Memorandum of Understanding will be interpreted pursuant to and in accordance with the laws of Malaysia and Indonesia, respectively.

ARTICLE 17
NOTICES

Any communication under this Memorandum of Understanding will be in writing in the English language and delivered by registered mail to the address or sent to the electronic mail address or facsimile number of as shown below or to such other address or electronic mail address or facsimile number as either Party may have notified the sender and shall, unless otherwise provided herein, be deemed to be duly given or made when delivered to the recipient at such address or electronic mail address or facsimile number which is duly acknowledged :

(a) For UTeM:

Authorised Representative : Dr. Anidah binti Robani
Address : Institute of Technology Management and
Entrepreneurship
Universiti Teknikal Malaysia Melaka
Hang Tuah Jaya, 76100
Durian Tunggal, Melaka, Malaysia

Telephone. No. : +606-2702811
Facsimile No. : +606-2701050
E-mail : anidah@utem.edu.my

(b) For UMY:

Authorised Representative : Fitri Arofiati, S.Kep., Ns., M.A.N., Ph.D.
Address : Director, Office of Cooperation and
International Affairs
Universitas Muhammadiyah Yogyakarta
Jalan Brawijaya, Tamantirto, Bantul,
Yogyakarta 55183, Indonesia
Telephone No. : +62 – 274 387656 Ext 188
Facsimile No. : +62 – 274 387646
E-mail : bkln@umy.ac.id

ARTICLE 18

E-COMMUNICATION AND SIGNATURE

The Parties hereby acknowledge the use of electronic communications and electronic signatures as equivalent to a written signature on paper. The Parties also acknowledge and agree that electronic communications are an accepted means of communication for communication of information between the Parties without any usage of papers. Any electronic communication and signature that has been transmitted or signed earlier, present and in the future, shall have the same authority and effect as the undersigned signature.

ARTICLE 19

MISCELLANEOUS

The Parties recognise that it is impracticable to make provisions for every contingency which may arise in the course of performance of the provisions hereof and accordingly declare their intention that this Memorandum of

Understanding shall operate between them with fairness and without detriment to the interest of any Party and that each Party shall use its best endeavours to ensure that full effect is given to the terms of this Memorandum of Understanding in the spirit in which it was agreed.

ARTICLE 20
GOVERNING LANGUAGE

This Memorandum of Understanding has been executed in English. If any translation of this Memorandum of Understanding conflicts with the English version or contains terms in addition to or different from the English version, the English version shall prevail.

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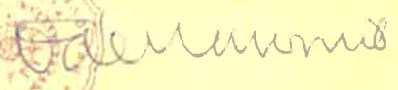
IN WITNESS WHEREOF the Parties have caused this Memorandum of Understanding to be signed in their respective names as of the day and year first above written.

Signed by

For and on behalf of

**UNIVERSITAS MUHAMMADIYAH
YOGYAKARTA**





**PROF. DR. IR. GUNAWAN
BUDIYANTO**
M.P., IPM. ASEAN. Eng
RECTOR

Date : 11 August 2023

Witnessed by :

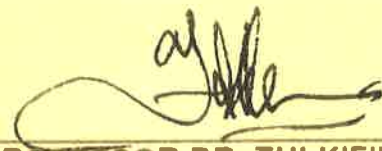



PROF. DR. ACHMAD NURMANDI,
M.Sc.
VICE RECTOR
(COOPERATION AND
INTERNATIONAL AFFAIRS)

Signed by

For and on behalf of

**UNIVERSITI TEKNIKAL
MALAYSIA MELAKA**



**PROFESSOR DR. ZULKIFILIE
BIN IBRAHIM**

**DEPUTY VICE CHANCELLOR
(ACADEMIC & INTERNATIONAL)**

Date : 11 August 2023

Witnessed by :



ASSOCIATE PROFESSOR DR.
SAFIAH BINTI SIDEK
DEAN
INSTITUTE OF TECHNOLOGY
MANAGEMENT AND
ENTREPRENEURSHIP

SCHEDULE A
JOINT WORKING GROUP

UTeM

NO.	NAME
1	Dr. Anidah binti Robani (Leader)
2	Prof Madya Dr Sazelin binti Arif
3	Prof Madya Dr Nurul Akmar Emran
4	Prof Madya Dr Norfaridatul Akmaliah Othman
5	Dr. Mohd Fauzi Kamarudin
6	En. Mohd Shamsuri bin Md Saad

UMY

NO.	NAME
1	Prof. Dr. Ir. Sukamta MT
2	Prof Dr. Achmad Nurmandi, MSc
3	Dr. Zuhud Rozaki
4	Dr Dwijoko Purbohadi
5	Fitri Arofiati, Ns., M.Kep., MAN., Ph.D.
6	Idham Badruzaman, Ph.D.
7	Dr. Maria Ulfa, MMR., Ph.D.

Islamic solidarity economy: the case study of social entrepreneurship in Pesantren, Indonesia

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Abstract: This research examines the crucial concept of Islamic solidarity economy (ISE) in the context of the long-term viability of Pesantren. Methodologically, this study employs interview sessions with several stakeholders of Pesantren in Indonesia. A short case study was conducted utilising primary data. The Muhamadiyah Boarding School (MBS), Pesantren Nurul Iman, and Pesantren Muhammadiyah are the three religious Pesantren selected for this case study. The implications of this study may be instrumental for other Pesantren or religious institutions to replicate the economic sustainability model outlined in the case study using the social entrepreneurship paradigm. This research demonstrates a number of important entrepreneurial activities in the Pesantren eco-system. The activities were inspired by the social entrepreneurial framework, with the goal of improving crucial social issues like unemployment homelessness, and poverty. Based on these findings, our study

suggests existing or new religious institutions explore social entrepreneurship as one of their financial strategies for achieving economic sustainability without relying on fees and government assistance.

Keywords: Islamic economic sustainability; solidarity economy; social entrepreneurship; Pesantren; Indonesia.

Reference to this paper should be made as follows: Robani, A., Ahamat, A., Hassan, S.N.S., Latief, H. and Pratiwi, A. (2022) 'Islamic solidarity economy: the case study of social entrepreneurship in Pesantren, Indonesia', *Middle East J. Management*, Vol. 9, No. 6, pp.665–681.

Biographical notes: Anidah Robani is a Senior Lecturer and a Coordinator (Research) at the Institute of Technology Management and Entrepreneurship, Universiti Teknikal Malaysia Melaka (UTeM). Her major research interests are in sociology of development, social solidarity economy, and sustainability studies.

Amiruddin Ahamat is a Senior Lecturer at the Universiti Teknikal Malaysia Melaka's Faculty of Technology Management and Technopreneurship (UTeM). He holds a Professional Certificate in Innovation and Entrepreneurship from the University of Maryland in the USA, as well as a Master of Business Administration (MBA) in Technology Entrepreneurship from the Universiti Teknologi Malaysia (UTM) in collaboration with Cranfield University in the UK. He received his Doctorate in Entrepreneurship from the University of Sheffield in the UK. He has written over 50 peer-reviewed articles and publications on entrepreneurship, technology management, international business, and marketing.

Syed Najmuddin Syed Hassan holds a BSc in Biology and a Masters in Education from the Eastern New Mexico University, USA. He also received his PhD in Educational Psychology from the Universiti Kebangsaan Malaysia. Formerly, he was an Associate Professor at the Centre for Languages and Human Development, Universiti Teknikal Malaysia Melaka (UTeM). His major research interests are in educational management and human resource development.

Hilman Latief is a Professor of Islamic Studies at the Universitas Muhammadiyah Yogyakarta (UMY), Indonesia. His areas of research are in philanthropic, Islamic, and sustainability studies.

Amelia Pratiwi has a Bachelor of Economics (SE) from the Universitas Lampung and a Master of Economics (ME) in Finance from the Universitas Indonesia. She is currently a Lecturer at the Universitas Muhammadiyah Yogyakarta. Her principal research areas of interest include Islamic microfinance, Islamic banking, and financial literacy.

1 Introduction

In establishing and executing a business strategy or launching a business, entrepreneurship entails taking risks and assuming responsibilities. It also refers to people who start a new business or enterprise and take on some of the risks that come with it. Entrepreneurs create possibilities by obtaining technology and extracting cues that

provide them with relevant, reasonable, convincing, and logical information (Ahamat and Chong, 2014). The concept of entrepreneurial opportunity refers to the discovery, evaluation, and exploitation of opportunities in the production of future goods and services, as determined by the local community's institutional and socio-cultural circumstances (Ahamat, 2013). Entrepreneurship is widely regarded as the process of creating new wealth by practitioners. This is either a discovered or fabricated treasure.

However, many questions about why and how certain individuals exploit and create opportunities, as opposed to others who are either late or unresponsive to opportunities to produce new riches, remain unanswered to this day. Profitability was once seen to be the sole crucial criteria in deciding whether or not to pursue a business opportunity, but today's enterprises have had to broaden their horizons in this area. As a result, in Islam, there is no distinction between business and religion (Ahamat, 2017). Drawing on the discussion of entrepreneurship as a means of increasing personal wealth, there is concern that entrepreneurship is only lucrative if it serves a social purpose of greater benefit to society. According to research, individuals are more attached or more committed to religion and spirituality as a result of socio-economic crises (Smith and Denton, 2005). The Islamic notion of *tasawwur* (conception), which emphasises the concept of spiritual sustenance, is strongly founded in the unique systems of meaning, behaviour, or beliefs that emerge through human thinking (Ahamat, 2017).

"In a world that faces many social challenges and with governments that are often unable to provide solutions, motivated social entrepreneurs are often key to improving socially challenging situations", as Sassmannshausen and Volkmann (2013, p.3) suggest, and thus, as a practise, social entrepreneurship corroborates economic and social value creation (Mair and Martí, 2006; Chandra, 2016). Despite the efforts of non-governmental organisations (NGOs) to promote local solutions and local entrepreneurship, the concept of large-scale social entrepreneurship as a potential solution to global poverty has yet to gain traction (Mascarenhas et al., 2020). Meanwhile, for the past four millennia, monarchs, lords, politicians and bureaucrats, as well as executives in huge domestic and international enterprises, have mistakenly assumed that the impoverished are state wards (Prahalad and Hammond, 2002). Social entrepreneurship is a new topic of study (Austin et al., 2006) that is seen as a growth prospect, particularly in emerging economies like Malaysia. It identifies and organises social elements to achieve the desired change after defining a specific social problem. The transformation of social welfare in society is not solely the responsibility of governments or authorities. Local communities are claimed to benefit from social development and transformation based on the entrepreneurial basis, as well as greater business skills and possibilities. This is a powerful example of the importance of business, particularly social entrepreneurship, in society.

To direct entrepreneurship operations, Islam has its own entrepreneurship traits and guiding principles based on the Al-Quran and Hadith (Oukil, 2013). Muslims are expected to conduct their business in a 'Halal' manner. In the Quran, this is described. 'O ye people!' exclaims the narrator. "Eat of what is lawful and good on earth, and do not follow in the footsteps of the evil one, for he is an open adversary to you" (2:168 in Al-Baqarah). Furthermore, the concept of trustworthiness can be learned from the life of the Prophet Muhammad (PBUH), who was recognised for being trustworthy and instilling that trait in his followers. "Once a man died and was asked: 'what did you use to say (or do) (in your life time?)'" says the hadith. "I was a businessman and used to allow the rich time to repay their obligations and (used to) deduct some of the debts of

the poor”, he said. As a result, he was absolved of his sins. “I received the same (Hadith) from the Prophet”, Abu Mas’ud remarked. The Prophet recounted (Sahih Bukhari, Volume 3, Book 41: #576). As a result, this research establishes the Islamic solidarity economy (ISE) as the foundation of Pesantren.

Indonesians have strong religious beliefs, which make religion inextricably linked to public life, including economic operations (Anggadwita et al., 2015). Islam has placed a high premium on entrepreneurship and business activity (Ramadani et al., 2015). Dana (2009, 2010, 2011) asserts that religion is one of the determinants influencing entrepreneurship. Additionally, it was found in a study of women entrepreneurs in Bali that strong social, religious, and ethnic networks frequently give critical financial and emotional support for women who establish their own firms (Tajeddini et al., 2017a). Furthermore, the consequent chances for small-scale, locally owned businesses have profoundly benefited women, impacted by their circumstances, as well as their culture and heritage (Tajeddini et al., 2017b). While this also applies to Islamic boarding schools known as Pesantren. Pesantren serve three primary functions: first, as centres of excellence for religious thinkers; second, as organisations that develop exceptional human resources; and third, as institutions that empower the society (Fajar, 2009). Meanwhile, pupils enrolled in Islamic residential institutions are referred to as Santri. Islamic boarding schools are meant to educate students by creating an entrepreneurial spirit through entrepreneurial practises, with the goal of not just profit generation, but also of encouraging students and the surrounding community to obtain additional value based on their religious ideals (Anggadwita et al., 2021).

Because entrepreneurship plays such a significant and critical role in job creation, the outcomes of this study will help society. Pesantren’s ability to adopt a suitable Islamic economic model allows it to have a proven business strategy that is more sustainable without straying from its principal purpose of providing high-quality education to the poor. As a result, additional religious and non-religious schools that use the proposed approach based on the findings of this study will be able to enrol more underprivileged kids while maintaining high-quality education. Furthermore, the study will aid scholars in uncovering crucial areas in the ISE and social entrepreneurship that many have not been able to investigate. As a result, a new ISE model could emerge.

2 Literature review

2.1 ISE as the foundation of Pesantren

With the expansion of inequality, environmental issues, and, more broadly, value crises, capitalism has been repositioned, resulting in the structuring of a new economic system that may lead to sustainable humanity. The answer for the latter is to redefine economics as “the science of the organisation of livelihood” or “the science of earning and supplying” by returning to the original, classical, and traditional meaning of ‘economics’ or ‘economy’ as household management/stewardship/caretaking (Setia, 2014). As a result, the purpose of this article is to evaluate the significance and potential of ISE as an alternative economic model against the neo-liberal capitalism. The purpose of this paper is to look at how ISE may help shape the development of local sustainability projects. The basic argument of this research is that ISE, with its emphasis on social justice (‘adl),

balance (mizan), and the common good (masalah a'mmah), may be the best post-capitalist development alternative (Robani and Salih, 2018).

This type of research is critical and regarded as important and strategic in order to build a stronger foundation for ISE to be replicated by other Muslim countries. It may also be useful in recommending a framework that is linked to the ISE and local sustainable development (SD) through the integration of spiritual and ethical imperatives. As a result, as detailed in the case study of Pasentran, Indonesia, this study frames the argument for accepting the adoption of ISE at the community level. Thus, the focus of this study is on putting the concept of Maqasid Al-Shari'ah into practise, i.e., the values of a Muslim's economic life. It covers the principles of sustainability, Islamic Gift Economy, social capital methods, and social entrepreneurship in general, as well as their integration into a new model, the ISE model, which serves as a comprehensive framework for SD.

2.2 *New economic model through ISE*

According to Robani and Salih (2018), the ISE is an alternative economic model and development framework that evolved from the social solidarity economy and the Islamic Gift Economy. Because it connects with spiritual features and ensures balance (mizan) and social fairness ('adl), as well as adhering to the harmony between nature, people, and markets, the authors are adamant that it may be influential in tackling poverty and social injustice concerns (Robani and Salih, 2018). The core of the new direction, according to Schor (2010) and Setia (2014), is a reduced focus on state-led driven change efforts and corporate-controlled economic activities in order to reconsider community-rooted efforts and non-market functions that might address the needs and problems that exist within the local community environment. As a result, the term 'household economy' was coined to describe this concept. Finally, it is recommended that the integration of ISE into the SD at the local level will be noticeable at the local dimension on values of:

- 1 Tawhid-Allah is mankind's and the universe's single Creator. Allah created the universe to benefit all living things.
- 2 Vicegerency-Man has been made the vicegerent of Allah. Man has a genuine goal of making the greatest use of given resources while avoiding malpractices.
- 3 Companionship.
- 4 Management autonomy (not government controlled).
- 5 Syura — equitable participation and democratic decision-making.
- 6 Adl (advocacy for social justice).

2.3 *The development of religious education institution – Pesantren*

Pesantren is an Islamic religious education institution designed as a living and learning environment where students live with and study under the supervision of a teacher known as a scholar. It frequently includes a hostel for students to stay in. The Santri (students) are those who live in the hostel's boarding school, which includes mosques for worship, study areas, and other religious activities. In general, the name 'boarding school' comes

from the Javanese word *pe-santri-an*, which means ‘student’. In certain culture like Malaysia, *pesantren* was named as ‘*madrrasah*’ (school) of ‘*pondok*’. The latter derived from the Arabic word ‘*funduq*’ which means accommodation. In many nations, including Indonesia, *Pesantren* is regarded as one of the most important religious education organisations that contributes to the social well-being of society. The local community feels that education is more than just a repository of religious knowledge; it is also an essential social agent. The fundamental problem for boarding schools, particularly Islamic boarding schools, is to remain competitive in the absence of government support and funding. As a result, a more effective mechanism is needed to ensure that boarding school management is competitive and autonomous.

Board members must not only improve the educational process for students, but they must also have an entrepreneurial mindset in order to develop a long-term institution within a community. The centre’s management model based on entrepreneurial innovation activism in *Pesantren Nurul Iman*, Bogor, Indonesia is highly exemplified by any institution or boarding school in Malaysia in the process of providing social donations through a free religious education system in the form of free or minimal fees. The *Pesantren Nurul Iman* founders model, focused on developing education through social entrepreneurship, was linked with a world of education that was more rigorous and demanding in terms of financial viability (financial sustainability). According to the findings of a recent study of hospital management in Indonesia, implementing entrepreneurial orientation in hospitals will be able to stimulate business model innovation and the formation of strategic relationships between hospital management and physicians, resulting in the highest organisational performance, especially in an uncertain and disruptive environment (Dewi and Ahamat, 2018). As a result, private Islamic educational institutions like *pesantren*, must engage in new wealth-generating ventures.

2.4 Entrepreneurship and social innovation in Pesantren

Murray (2014) proposes entrepreneurship as a mechanism for driving the Islamic economy forward. He claims that by basing entrepreneurship around Tawheed principles, the *ummah* will be able to alter the world without having to compromise their Islamic views and ideals. He goes on to say that Islamic economics and entrepreneurship promote *mudharabah* (profit and loss sharing) and lay the groundwork for a peaceful society. Nonetheless, any organisation within the units of a society may operate on the principle of *Al-Taawun* (mutual help and facilitation) to attain a common purpose. ISE is an economy based on ethical core values and socially responsible governance, with the goal of achieving the triple bottom line goals of social development and environmental preservation. From an Indonesian viewpoint, the major purpose of this study is to propose a new dimension to the Islamic economy, particularly in the ISE setting. The majority of Indonesia’s religious education systems, including *Pesantren*, have proven crucial to the country’s socio-economic growth. These boarding schools, also known as *Pondok*, *Pesantren*, or boarding schools, are becoming more evident in society’s socio-economic influence. However, where socio-economic circumstances are distinct but indivisible, they are integrated (Pillai and Ahamat, 2018). This *Pesantren* plays a role in society as a social agent. As a result, the school’s management and administration are self-sufficient and no longer rely on government funding.

Pesantren needs to take a new approach to resource constraints in order to be sustainable and financially self-sufficient. For boarding school administration, especially

Pesantren, to be more sustainable, social innovation in entrepreneurial activity is required. Our researchers were allowed to embark on a research visit to three religious institutions, or Pesantren, in Yogyakarta, Bogor, and Surabaya, Indonesia, to study Islamic sustainability economy (LSE). The research looks at how a centralised institution can operate freely while maintaining a long-term management approach. Muhammadiyah Boarding School (MBS), Pesantren Nurul Iman, and Pesantren Sidogiri were visited on three study visits to learn more about three Pesantren and religious boarding schools. The research visits uncovered a critical discovery of innovative tactics in Indonesian social entrepreneurship activities. According to the conclusions of the three MBS managers and founders, Pesantren Nurul Iman and Pesantren Sidogiri, the local and federal governments have a limited role in the establishment and management of these institutions. Despite the authorities' meagre contributions, all three religious institutions were able to maintain and run their primary services of delivering educational services at a reasonable cost, or for free in the case of Pesantren Nurul Iman in Bogor.

The recent critical finding of novel strategies in Indonesian social entrepreneurial activities is a significant step toward improving religious education. Within religious institutions, particularly Pesantren, there is a need to continue and promote a sustainable and innovative social entrepreneurship model. For private and non-profit educational institutions, the concept of social entrepreneurship remains crucial. In this context, Pesantren has taken the 'jump' to start and build a variety of entrepreneurial ventures, devoting a great amount of thought, energy, time, and money in the process. These initiatives should be recognised for the economic benefit they bring to Pesantren. With the ISE model having given a great lot of value to the process of building a social enterprise, new improvements should be made in ensuring the successful implementation of ISE through innovative leadership.

3 Research methodology

This study used primary and secondary data to conduct non-experimental research. The founders of Pesantren Nurul Iman, Pesantren Sidogiri, and MBS, all of which are located in Indonesia, are the focus of this research. Interviews were used in this study, and all participants were interviewed face to face on the basis of an agreement reached by both the interviewees and the interviewers. Emails, interviews, and participant observations, as Ryen (2004) points out, can be beneficial when used in combination. Individuals from various backgrounds are participating in this study. As a result, any recording of interviews, including photographs, required prior permission from the interviewees. Priority was given to ethical considerations in order to ensure that the study adheres to the highest ethical standards and ideals governing human research, as well as to protect both the interview participants and the researcher (Habibis, 2006).

4 Analysis/discussion

4.1 The theoretical discussion of entrepreneurial opportunity of Pesantren

The idea behind this research is that an individual's interest or passion, socio-cultural values, and institutional support systems all influence their decision to participate in an

entrepreneurial project. The desire to investigate Pesantren's creator or manager stemmed from a desire to investigate the concept of entrepreneurial action as the initiative that prompted non-entrepreneurs, religious scholars, and managers to implement and mould opportunities. As a result, the theoretical discussion of this study investigates the concept of entrepreneurial activity by looking at the foundations of human actions and analysing the impact of that behaviour on individuals' efforts to attain their objectives (Alvarez and Barney, 2008).

Nonetheless, the concepts of discovery and creation are intended to investigate similar difficulties or behaviours that entrepreneurs engage in to shape prospects (Shane, 2003; Shane and Venkataraman, 2000). While enacting differing hypotheses on the incentives of entrepreneurs to exploit any possibilities, both of these concepts have a lot in common. This concept was developed by Fletcher (2006), who claims that entrepreneurship is a young industry plagued by immaturity, youth, and the 'liability of newness'. However, she believes that entrepreneurship is 'still quite immature' when it comes to understanding how and why business ideas are placed with a given person at specific times.

As a result, the goal of this research was to fill that void by examining the best strategy to identifying entrepreneurial opportunities, particularly social entrepreneurship, in the Pesantren contexts. This study used Weick's (1995, 2001) sense-making theory and model of entrepreneurial opportunity (Ahamat, 2019) to uncover the process of how individuals identify and create entrepreneurial opportunities as being dependent on identity construction (demonstrating who you are as an individual), extracted cues (individuals secure valuable inputs from diverse social origins), and identity construction (individuals demonstrate who you are as an individual) (individuals who evaluate decisions and contexts and are ready to create opportunities).

A similar Pesantren in Indonesia, called Sulaimaniyah Islamic Boarding School Education institution, has succeeded in fostering entrepreneurship and managing many fields of business units, according to a recent study by Sugiarti et al. (2020). The success of Sulaimaniyah Islamic Boarding School is linked to its leaders' ability to apply entrepreneurial values to managing their educational institutions, such as the ability to see opportunities, courage, and accountability for the efforts made, as well as utilising the pesantren's (Sulaimaniyah Islamic Boarding School) potential to generate economic activities in order to make profit. Furthermore, the Sulaimaniyah Islamic Boarding School's commercial units have grown enormously, not only in the local environment, but also in 130 countries. According to Bawono (2018), the amount of embedded traditions, technological resources, and ustadz all have a positive and significant association with the growth of creative economy. Technology resources are the most important variable in explaining the growth of creative economics in boarding schools, while the number of ustadz accounts for the smallest fraction of the variable. The goal of this study is to use the aforementioned conceptual paradigm to narrate the story of the Pesantren case study.

4.2 The case study of Pesantren

A well-respected Islamic scholar, Al-Marhum Habib Scheh, and his wife, Umi Wahidah, created Pesantren Nurul Iman on a graveyard and jungle near Bogor, Indonesia. The principal goal of the Nurul Iman Pesantren is to provide free education to underprivileged children and teenagers. The difficulty with such aim is determining if the Pesantren can

maintain everyday operations without relying on student fees. Pesantren must build and develop a local Islamic economic model of entrepreneurship that will enable them to generate long-term revenue. These include power generation from waste products utilising Japanese technology, which has reduced Pesantren's reliance on electrical energy. This method's energy has aided the bakery company in Pesantren Nurul Iman in commercialising bread products. The bread is provided not only to the 15,000 students at Pesantren Nurul Iman, but also to the general public.

The production workers of each of the post-economic activities such as cattle breeding, catfish breeding, soya bean production and photography services, were fully assisted by Pesantren students to complement on-the-job training. On-the-job training entrepreneurial programs in Pesantren Nurul Iman were conducted to develop sufficient life skills among the students and accommodate them with appropriate technical and entrepreneurial exposure prior to leaving the boarding school eco-system. Furthermore, the Nurul Iman Pesantren also involves rice production that has been improved with elements of nutrition such as corn in the output process of the rice with the brand BERNI (Rice Nurul Iman), used as a source of nutritious food to 15,000 students. Not only that, BERNI (Figure 1) is also sold in the local community, which has benefits to aid the maintenance and management of Pasentran.

Figure 1 Berni (Nurul Iman Rice Brand) produced by Pesantren Nurul Iman (see online version for colours)



The ability of the management to reconcile the function of social responsibility of the santri (students) while guaranteeing institutional sustainability is critical to Pasentran Nurul Iman's unique economic model in Bogor, Indonesia. The Pesantren exemplifies a unique educational and commercial model in which the institution provides free tuition to all Santri while also generating sufficient finances through the operationalisation of business services. Various commercial business functions include, but are not limited to, grocery stores, catfish breeding, mineral water production, and commercial soap making. The grocery shop in Pesantren sells the majority of the locally manufactured goods, as seen in Figure 2.

Figure 2 Grocery shop selling locally produced products (see online version for colours)**Figure 3** Mineral water extraction technology (Japan) (see online version for colours)

Nonetheless, Pesantren Nurul Iman was able to use Japanese mineral water extraction technology to create enough mineral water for both the students and the surrounding villages, as shown in Figure 3. The researchers were told that the clean water source exemplifies initiative and technology transfer that helped the university and its pupils. In addition, the Pesantren was able to create corn mixed rice under their own brand, BERNI, and locally made soap, SabNI, to assure the health and well-being of the pupils (see Figure 4). It is important to acknowledge a religious institution's inherent capabilities in the creation of domestic products, such as Pesantren Nurul Iman. A comparable study on entrepreneurial ambitions found that risk-taking proclivity, innovativeness, and accomplishment are all significant drivers of entrepreneurial intentions among young individuals across all categories (Mujahid et al., 2020). Despite having limited resources and funding, this institution exemplifies a unique approach for academic or explicitly religious institutions to exist in an economically sustainable manner without compromising their social and responsible role with students.

Figure 4 Soap brand name SabNI (see online version for colours)



Despite debates over socio-economic inequities and injustices, religions have cognitively constructed economic structures that have been deeply rooted for many years prior to the modern era. According to Asutay and Yilmaz (2020), the economic system built through Islam's cognitive knowledge system embraces the perspective of a moral economy to correct market economy flaws. They go on to say that the Islamic moral economy (IME), with its specific principles and norms, assesses economic operations largely through the lens of the Qur'an and Sunnah. Surprisingly, when the author was present for an interview with Umi Wahidah (Founder of Nurul Iman), she underlined the importance of the patience? or passion? as a catalyst for society's transformation out of a social vacuum. The relevance of passion in influencing wants, ideas, intentions, and behaviours over time, regardless of cost, external impediments, or moral objections to entrepreneurship success, is the theme of Umi Wahidah's story. Second, Umi's prior knowledge and experience have enabled her to see opportunities, develop skills, and build a network of relationships, allowing her to perceive the value of new material, study it, and apply it in Pesantren Nurul Iman, alongside the late Habib. With the strategy of social entrepreneurship, characteristics such as the willingness to take calculated risks and use limited resources to obtain access to knowledge, as well as having value, intention, and action to generate chances for free education in schools, have been effective.

This study intended to frame the context of entrepreneurial potential within the research subjects of Pesantren founders and managers by extending the work of Ahamat (2019) by using personal observation and structured interviews. This research also looked into the process of generating entrepreneurial opportunities (Ahamat, 2013), which is based on the interconnected factors listed below. The first step, dubbed identity formation, entails the founder of Pesantren identifying who you are as a person/ustaz/teacher/entrepreneur. As a result, one's identity reflects one's values in relation to the precise acts they are performing. The function of Umi in this case study mirrored the co-founder of Pesantren Nurul Iman's previous experience living and working in Singapore's metropolitan country. Umi and her late husband, Habib Scech, developed

Pesantren Nurul Iman with the help of Singaporean society's structured and modern ideals.

The extraction of cues is the second step. Individuals can acquire valuable inputs from a variety of social sources, according to Ahamat (2019), including market patterns and trends (using research and data analytics), informal and formal networks, and personal observation. When considering the situation of MBS, a religious boarding school in Yogyakarta, it is evident that MBS is financially backed by the Muhammadiyah Group, one of Indonesia's major Muslim social network groups. Despite the fact that Muhammadiyah Group funding is critical to the institution's future, MBS aspires to be financially self-sufficient in five years through innovative social entrepreneurship initiatives. Furthermore, the administration of MBS exemplifies the entrepreneur's core beliefs. Entrepreneurs generate chances by utilising technology and extracting cues that offer them with relevant, sensible, convincing, and logical data and information (Ahamat and Chong, 2014). MBS, on the other hand, has a sizable international student population. As a result, this institution is committed to take use of relevant resources, such as agriculture and aquaculture initiatives (Figure 5), bakery products, small markets, and other opportunities.

Figure 5 Aquaculture project cat fish breeding for local economic sustainability (see online version for colours)



The third type of entrepreneur is the reflective and alert one. With limited resources, individuals such as the founder evaluate scenarios and existing conditions to be ready for exploration in multiple dimensions to enact entrepreneurial chances in all three cases of Pesantren Nurul Iman, MBS, and Pesantren Sidogiri. Profitability was always thought to be the most crucial aspect in any opportunity-creating activity, but today's enterprises must reconsider their assumptions. As a result, in Islam, there is no distinction between business and religion (Ahamat, 2017). Meanwhile, the three personalities of Pesantren's managers and founders may not clearly show the vigilant entrepreneur, and their behaviours may show risk-taking judgments. The social goal of offering quality religious education at a reasonable cost motivates the search for and creation of the opportunity. The ultimate goal is noble: to allow Indonesian society to contribute to the country's socio-economic progress. This research supports Ahamat's (2019) assertion that defining

identity and deciphering clues necessitate research and evaluation. While the creation of opportunities is critical for the existence and sustenance of all three Pesantren, the Islamic religious system remains the institution's core. A person's belief system is incorporated and practised as a way of life, and it is a critical component of their quest to create opportunity (Ahamat, 2017).

This is seen in the case of the Islamic boarding school. The school that empowers and involves the surrounding community in order to assist them in improving their economics and welfare; the school that balances the competitive orientation with the organisational welfare and social needs orientation (Parente, 2021). The Islamic boarding school fosters innovation and ownership by providing benefits to its students and surrounding communities through entrepreneurial activities and by pro-actively preparing its students to face future challenges by providing them with the tools and materials necessary to grow their businesses (Anggadwita et al., 2021). Thus, entrepreneurial education and leadership influence social entrepreneurship initiatives in Indonesian Islamic boarding schools, for example. There are two characteristics of entrepreneurial education at the Pondok Pesantren Sidogiri in East Java, namely:

- 1 Entrepreneurial values that are internalised at the Sidogiri are worship-based entrepreneurial values, in which all economic activities are intended to worship Allah.
- 2 The entrepreneurial education process is tradable (Chotimah, 2015).

Additionally, this study will assist scholars and policy makers in identifying critical areas of the ISE and social entrepreneurship that have previously remained unexplored. As a result, the emergence of a new ISE model is possible.

5 Conclusions and implications

In short, Islamic boarding schools or Pesantren tradition has influenced the development of creative economics in Islamic boarding schools (Uhbiyati, 2015). There are kyai and ustadz who instil entrepreneurial mindsets in each student by administering the boarding school's tiny market (Amin et al., 2017). Additionally, kyai serve as examples of successful enterprises in addition to being 'dawuh' (command) (Bawono, 2018). Additionally, it is demonstrated in numerous settings that the creator of Pesantren manages successful enterprises and has invested in the capital market to assure the school's survival. When it comes to technology resources, they will be inextricably linked to the infrastructure built by Islamic boarding schools. This category of institutional development include survivability (institutional endurance), which includes education, institutional development programs, and international cooperation (Mwita and Yan, 2011).

Methodologically, it is critical for this study to adopt a dynamic qualitative research method that integrates systematic thinking to obtain the personal opinions of Pesantren owners or founders. A longitudinal study combined with personal observations of Pesantren could be used in future research (in Malaysia and Thailand). New research may lead to the finding of different developing themes by using techniques such as organised interviews and personal observations, which may not have been examined as explicitly if

solely non-qualitative approaches had been used (Ahamat, 2019). We can learn about complicated viewpoints and the realm of lived experience by using qualitative methods like organised interviews and personal observation. According to Thomson et al. (1989), the world of 'lived experience' may not always reflect the world of objective explanation since objectivity typically entails attempting to evaluate an event or experience outside of its context. One method for furthering management study is to use scientific methodologies in watching, measuring, evaluating, and completing management phenomena (Ahamat, 2014).

However, utilising structured, in-depth interviews and personal observation from a narrative or story-telling viewpoint, it would be more enriching to study the multidimensional perspective of an individual's identity formation and level of attentiveness. These two technologies may be able to provide a better solution to the complex nature of human behaviour (Ahamat, 2019). In order to repeat the study in the future, it is advised that a deeper understanding of the conditions of uncertainty that shape opportunity creation be established. The research's scope must be broadened to include other factors. Other institutions incorporating partially or fully sponsored boarding schools or Pesantren should be included in future research to observe the holistic view of ISEs within the social entrepreneurship context of various institutional supports. In addition, the number of informants or respondents could be increased to improve the research's trustworthiness.

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