



## **PARTICIPATION OF FINANCIAL INSTITUTIONS IN THE DEVELOPMENT OF NURUL ABROR AL-ROBBANIYIN ISLAMIC BOARDING SCHOOL**

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### **ABSTRACT**

**Keywords:**

Financial Institutions,  
Development, Islamic  
Boarding Schools

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This research shows that in addition to being able to help people in need by providing financing, Islamic boarding school financial institutions play a role in improving the development of Islamic boarding schools. Islamic boarding schools which are centers of education require funds for their development, one of which is infrastructure development so that educational facilities can be well received by students who aim to support students' learning at Islamic boarding schools. Efforts to have financial institutions are expected to be a solution in developing infrastructure at the Nurul Abror Al Robbaniyyin Islamic Boarding School which is the locus in this research.

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DOI:

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### **A. INTRODUCTION**

Economic development in Indonesia is increasing with the support of Islamic Financial Institutions. This development is marked by the existence of Islamic Financial institutions, which are increasingly offering products and facilities with sharia nuances. The existence of this financial institution has an impact on the community's economy, which contributes to transforming the community's economy.

The strategic role of financial institutions in building infrastructure facilities at the Nurul Abror Al-Robbaniyyin Islamic Boarding School is a challenge in the digital financial era, which greatly supports the comfortable flow of teaching and learning for students.

The main function of the Islamic boarding school is as a place to gain knowledge of Islam for the students. Usually, the students live in the boarding



school environment, so there are many activities that occur in the boarding school, not only in the process of learning and teaching but also in economic activity because the boarding school must meet the daily needs of Islamic Boarding School residents. Along with the development of these functions, one can see the development of Islamic boarding schools at this time, both traditional and modern Islamic boarding schools. Now, within the Islamic Boarding School environment, several economic facilities can be found, such as canteens, cooperatives, laundry facilities, and others. This certainly encourages economic development within the Islamic Boarding School.

So that the leaders of Islamic boarding schools are expected to be able to manage the Islamic Boarding School economy properly and remain in accordance with Islamic religious teachings. One form of economic management is Islamic boarding school financial management, which is carried out by Islamic boarding school financial management. Islamic boarding school financial management is very influential on the existing infrastructure in Islamic boarding schools.

The birth of the NAA Vocational School Financial Institution is a manifestation of the ideals of the PP Caregiver extended family. Nurul Abror Al Robbaniyin which has been realized to apply sharia principles, aims to help Islamic Boarding School residents realize prosperity, justice, and honesty in the profit-sharing system. In helping Islamic Boarding School residents, the NAA Vocational School financial institution provides facilities that can be utilized by Islamic Boarding School residents. So that Islamic boarding schools need additional income from other parties or other sectors that can be a support for the progress of infrastructure for Islamic boarding schools with the LK SMK NAA so that they can facilitate the smooth flow of traffic signs for the Islamic boarding school economy. This financial institution already exists to help run the infrastructure. The purpose of this research is to find out how the role of financial institutions can become a driver of development, so that researchers



can raise the title "Participation of SMK NAA Financial Institutions in the Development of Nurul Abror Al-Robbaniyin Islamic Boarding School.

## **B. THEORETICAL FRAMEWORK**

### **1. Islamic Financial Institutions**

In the Islamic economic system, a business identity, such as an Islamic financial institution, is an instrument used to apply economic rules. As part of the economic system, the institution is part of the entire social system. Therefore, the existence of society (humans) as well as the values that apply in the community concerned. Therefore, Islam rejects the view that economics is a value-free science (Soemitra, 2017).

Islamic economic rules in conducting a business are not only related to the prohibition of doing business on commodities such as alcohol, pornography, gambling, and other immoral or social activities, but they are also aimed at making a positive contribution to achieving better socio-economic goals for society. Sharia business is run to create a good business climate free from fraudulent practices. These rules were made based on God's commands in the Koran, the instructions of the Prophet Muhammad in hadith, and the *ijma'* and *qiyas* of the scholars (Soemitra, 2017).

An Islamic financial institution (*syariah* financial institution) is a business entity or institution whose wealth is primarily in the form of financial assets (financial assets), non-financial assets, or real assets based on sharia concepts (Ahmad, R., & Abdul, H., 2008).

In general, financial institutions are indispensable in the modern economy because of their function as mediators between groups of people who have excess funds and groups of people who need funds. The financial institution can be shaped like a company engaged in the financial sector. The form can be divided into two parts, namely:

- a. Conventional financial institutions
- b. Islamic financial institutions



In its conventional view, a financial institution is a business entity whose main wealth is in the form of financial assets, providing credit and investing funds in securities, as well as offering other financial services such as savings, insurance, investment, financing, and others. There is no single definition that can perfectly explain the notion of a financial institution from the perspective of sharia. However, there are several criteria for a sharia-based financial institution, namely: a financial institution owned by Muslims, serving Muslims, having a sharia board, being a member of the International Association of Islamic Banks (IAIB), and so on (Mensari, R. D., & Dzikra, A., 2017).

According to Janah, N., and Ghofur, A. (2018), the characteristics of Islamic financial institutions include:

- a. In accepting deposits and investments, financial institutions must comply with the fatwas of the sharia supervisory board.
- b. The relationship between investors (fund depositors) using funds and Islamic financial institutions as intermediary institutions is based on partnerships, not debtors and creditors.
- c. The business of Islamic financial institutions is not only profit-oriented but also falah-oriented, namely world prosperity and happiness in the hereafter.
- d. The concept used in sharia financial transactions is the principle of profit-sharing partnerships, buying and selling, leasing, and renting for commercial transactions, and lending and borrowing (qardh/credit) for social transactions.
- e. Islamic financial institutions only make investments that are lawful, do not cause harm, and do not harm Islamic law.

The conclusion is that an Islamic financial institution is an institution, both bank and non-bank, that has the spirit of Islam in both its services and products and whose implementation is supervised by an institution called the Sharia Supervisory Board. From this understanding, it can be concluded



that Islamic financial institutions cover all aspects of finance, both banking issues and financing cooperation, corporate security and insurance, and so on, that take place outside the banking context.

## 2. Economic Development

Infrastructure builders are one of the supporting infrastructure facilities for the convenience of teaching and learning for students, so that they are enthusiastic about studying with assistance from individual governments. In this macroeconomic study, financial development is the growth rate of per capita income, which is described as a picture of the economy.

According to Rahayu (2010), when studying development, modernization theory is the most dominant theory in determining the face of development. There are two major theories that influence Modernization theory, namely evolutionary theory and functional theory. The assumptions of modernization theory are the result of concepts from the metaphor of the theory of evolution.

According to evolutionary theories, social change is linear, progressive, and slow, which brings the Islamic Boarding School community from a primitive stage to a more advanced stage (Rostow, 1959). Based on these assumptions, modernization perspective theorists create theoretical frameworks and theses with the following characteristics:

- a. Modernization is a gradual process. Rostow's theory of take-off distinguishes the various phases of economic growth that exist in Islamic boarding schools and are to be achieved by the Islamic boarding school community, starting with the traditional Islamic boarding school period and ending with modern Islamic boarding schools that are advanced and complex.
- b. Modernization as a process of homogenization It is undeniable that the modernization process is a process that demands similarities, and this is an indicator that the development process in Islamic boarding schools can be said to be successful.



The Development Administration's contribution to the development of Islamic boarding schools covers various aspects of life, which can be explained through a development management approach. Based on the development management approach, any development will not be separated from basic administrative activities or management functions. The main functions of development management consist of planning, implementation, and supervision.

The process of economic development is not an ordinary economic phenomenon. Economic development is not only an achievement of economic achievement but rather a comprehensive and broader process of economic activity, expansion, equity of economic growth, and all efforts to shape the structure of the economy in a better direction. Where the whole process or stages must be passed and the achievements that have been achieved must be maintained in the long term. This is done so that when there are waves of ups and downs in the economy, it is still found that the peak point of the curve tends to increase. There are many determinants of economic development, making the stages passed by various countries different. Likewise with economic theory, until now there has been no theory that is very suitable and perfect to be used as a basis for economic development efforts. Because all existing theories are strongly influenced by the history in which they were found. The majority of the theories found were formulated by European economic experts and researchers. Even though their theories have been arranged and formulated in a very systematic way, the basis for their theories is still European society. Where culture and thinking are not the same as in other nations. This can be seen from the existence of developed countries, which are mostly in the west, and many developing or underdeveloped countries in the east. Starting from the discussion above, we will discuss various theories of economic growth and development (Kuncoro, 2010).



### 3. Islamic Boarding School

Islamic boarding schools are part of a national educational institution that has the uniqueness and originality of the Indonesian people. Islamic boarding schools have the meaning of being a place to live and a place for students to study, especially in the field of religious knowledge. Islamic boarding schools carry out several principles, namely *tawazun* (full of consideration), *tasamuh* (tolerant), *ukhuwah* (brotherhood), and *tawasuth wal I'tidal* (simple).

In general, the aim of Islamic boarding schools is to foster students in the hope that they will have a personality that is in line with the teachings of Islam and can implement them in all aspects of life, which can make them someone who is useful for religion, society, and the country.

Several elements must exist for an institution to be said to be a boarding school, including:

- a. Cottage;
- b. Mosque;
- c. Teaching classical Islamic books;
- d. Kyai; and
- e. Students

Islamic boarding school is a series of two words consisting of the words "cottage" and "boarding school". *Pondok* means room, hut, or small house, which is used in Indonesian to emphasize the simplicity of the building. There are also those who argue that the word *pondok* comes from the word *funduq*, " which means a simple bed, guest house, or hotel. Because *pondoks* are generally simple shelters for students who are far from their places of origin (Aini & ST, 2021).

Islamic Boarding School is basically a traditional Islamic boarding school where students live together and study religious sciences under the guidance of a *kyai*. The dormitory for the *Santri* is in the Islamic Boarding School complex, where the *Kyai* lives (Herman, 2013). In terminology, the term



pondok actually comes from the Arabic funduq," which means lodging houses, sleeping rooms, dormitories, or simple guesthouses. 2013).

## C. METHOD

### 1. Types of Research and Approaches

Research on the 'Participation of SMK NAA Financial Institutions in the Development of Nurul Abror Al-Robbaniyyin Islamic Boarding School' uses a qualitative approach. The method to be used in this study is a qualitative method in which the data are in the form of words (not numbers, originating from interviews, notes, reports, documents, etc.) or research in which the emphasis is on the analytical description of an event or process.

This study uses a case study approach because to find out a description of financial institution participation, it uses a direct approach in the field, namely at the Nurul Abror Al-Robbaniyyin Islamic Boarding School. The approach taken by researchers included direct observation to find out how the Islamic Boarding School and financial institutions themselves responded to the participation that had been carried out so as to play a role in developing development in Islamic boarding schools.

### 2. Data Source

What is meant by the source of research data is the subject from which the data was obtained. The main data sources in qualitative research are words or actions; the rest is additional data such as documents and others.

The data source itself consists of two kinds, namely:

#### a. Primary Data Source

Data obtained directly from research subjects using measuring devices or data retrieval directly from object sources as the information sought. The data was obtained through direct interviews with the Heads of the SMK NAA Financial Institutions.

#### b. Secondary Data Sources



Data obtained through library research, literature, journals, or data related to research In this case, the writer takes from the literature in the form of journals, theses, the internet, and books related to the title that the writer takes.

#### **D. FINDINGS AND DISCUSSION**

In general, Financial Institutions or the financial industry is divided into two, namely the Islamic financial industry and the conventional financial industry. Sharia financial institutions are institutions that in their activities, both raising funds and in the context of distributing funds, provide and impose rewards or the basis of Sharia principles, namely the principles of buying and selling and profit sharing. The establishment of SMKNAA Financial Institution is a form of the construction of NAA Islamic boarding schools where the role of SMKNAA Islamic boarding schools is very important to support the welfare of students with the existence of this Islamic boarding school, hopefully the Islamic Boarding School will become more advanced.

The role of Islamic financial institutions is to provide facilities or products offered to meet the needs, welfare and fairness of sharia-based institutions. Islamic financial institutions include Islamic banking, sharia insurance, sharia mutual funds, and other sharia financial institutions. The impact of institutions on community economic development can contribute to economic transformation in economic activities. According to Ma'ruf Amin in the Ministry of State of the Republic of Indonesia (2021), the strategic role of Islamic financial institutions for MSMEs in realizing economic development requires support for strengthening the capacity of Islamic financial institutions, both in terms of capital, human resources, risk management, and good corporate governance (GCG). In terms of strengthening the direction of policies and regulations, the Financial Services Authority (OJK) has launched securities crowdfunding (SCF) or crowdfunding services to facilitate funding for MSMEs. In addition, Bank



Syariah Indonesia has been established as an effort to strengthen the financing capacity of Islamic banks

Islamic Boarding School is a laboratory of real practice of Islamic economic theory in economic activity. This role is also very strategic, considering that the community sees Islamic Boarding School as an example and example in daily activities. If Islamic Boarding School develop their potential in the Islamic economy and succeed, of course it will be followed by the community. Conversely, if Islamic Boarding School are passive and apathetic, it certainly affects the community, especially if they still interact with the conventional economy. In addition, Islamic Boarding School also acts as an institution of production and consumption. Islamic Boarding School as a production institution which is shown by the control of large land, has the labor and technology needed to produce the necessary goods, shows that Islamic Boarding School can act as producers who supply goods and services needed by the community. <sup>1</sup>There are several things that can be done by Islamic Boarding School to empower the economy of the people, namely in terms of employment, business opportunities and the establishment of business entities, financial institutions and / or social institutions of Islamic Boarding School and student education. First, in terms of employment. Islamic Boarding School never stops making improvements for the realization of quality education for its students. For this reason, development is always carried out in terms of Islamic boarding school facilities and infrastructure. This development requires quite a lot of manpower so that Islamic Boarding School opens up job opportunities for the surrounding community. The opening of job opportunities is classified as an effort to empower the community. People who do not have jobs will get jobs from Islamic Boarding School so that their lives will be more prosperous. In addition, the opening of job opportunities is also in accordance with the empowerment da'wah system because everyone who works in Islamic Boarding

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<sup>1</sup> Nurhamzah, Nurhamzah, et al. "Conceptual model of quality-based education financing management in modern pesantren." *Journal of Education and Culture* 5.2 (2020): 131-152.



School is essentially working in an Islamic environment so that more or less of these workers will become more religious because they are surrounded by religious people at work. Some jobs that can be opened by Islamic Boarding School are teachers, construction workers, laundry workers, cooks, security officers, and employees of pesantren business entities (Sugandi et al., 2017)

If a Islamic Boarding School is engaged in agriculture, then this Islamic Boarding School is a producer in agriculture, if the Islamic Boarding School is engaged in industry (small crafts) then the Islamic Boarding School is a producer in the industrial field. Implementation in Islamic boarding schools is the implementation of pre-planned programs involving all components in the Islamic boarding school ranging from the board of caregivers, management board, and students. Therefore, the application of *budgeting* in Islamic boarding schools has a very important role because in general Islamic boarding schools are managed by the private sector, so automatically the financing comes from their own wealth in the form of endowments, grants, donors and DOP (Pesantren Operational Funds) (Niati, 2017). Where the proceeds from all this income will be allocated to the construction of Islamic Boarding Schools.

Broadly speaking, the use of education funds or financing in Islamic boarding schools can be divided into two, namely: 1) operational expenditure (revenue expenditure) (Khairi, 2021), namely expenditures made for all activities that support the process of teaching activities, salaries of teachers and the board of management of the cottage, depreciation of fixed assets, electricity and telephone costs, 2) and capital expenditure (*capital expenditure*) is an expenditure made to finance fixed asset capital goods such as buying land, building local Islamic Boarding School or schools and buying educational equipment. The best step to achieve economic independence of Islamic Boarding School is to establish a Islamic Boarding School business unit. The types of business units that can be developed Islamic Boarding School generally



Classified into four broad groups, namely: agribusiness (agriculture, fisheries, plantations), services (NAA Media, SMK NAA financial Institution, Koperasi Al-Mubarakah), trade (Retail, Shops, sales agent, screen printing), and industry (bottled drinking water Oemboel, Mebel).

Ismanto and Nasrullah (2019) conducted research on the impact of the presence of the Nurul Abror Al-Robbaniyin Islamic Boarding School business unit. The results showed that Islamic boarding school leaders played a major role in establishing and developing the Nurul Abror Al-Robbaniyin Islamic Boarding School business unit. The existence of the Islamic Boarding School business unit has a positive relationship with the development and economic independence of Al-Robbaniyin Islamic Boarding School. The growing business unit of Islamic Boarding School has a positive impact on the economic, educational, and social aspects of pesantren. Some factors that play a role in the development of the Nurul Abror Al-Robbaniyin Islamic Boarding School business unit are the leader of the pesantren, the participation of students, cooperation between the Islamic Boarding School and the community. According to Marlina in Yaqin et al. (2021), with the resources owned, Islamic Boarding School have great potential to develop the Islamic economy in Indonesia. Islamic Boarding School is considered as a clerical and preacher cadre institution recognized by the community. The potential possessed by Islamic Boarding School in developing sharia economy includes three things, namely Islamic Boarding School as agents of social change in the field of sharia economy, Islamic Boarding School as sharia business laboratories and Islamic Boarding School as centers of sharia economics learning.

Arifin in Ryandono (2018) conducted research that the development of the Nurul Abror Al-Robbaniyin Islamic Boarding School business unit cannot be separated from the role of Islamic Boarding School management, community participation and external parties such as the government, Bank Indonesia and various other institutions. Internal and external parties of Nurul Abror Islamic



Boarding School Al-actively provide social programs, capital, technical guidance, and training to improve the quality of life of the community. Therefore, there are four managerial aspects that need to be considered to support the success of Islamic Boarding School business units, namely aspects of production, marketing, finance, and human resource management (Bank Indonesia, 2016). Islamic boarding schools should have effective operating aspects to be implemented so that every production and reporting activity can be carried out effectively and efficiently. (Silvana, 2021).

Nurul Abror Al-Robbaniyin Islamic Boarding School in carrying out business activities in various potentials in each business sector where the proceeds from the income of each business unit will be allocated to the economic development of the cottage

## **E. CONCLUSION**

SMKNAA Sharia Financial Institution provides facilities that can be utilized by the community in the business sector to open opportunities to build MSMEs. MSMEs are the main productive and competitive actors in the national economy. For this reason, the development of micro, small and medium enterprises needs to be the top priority of national economic development. This study aims to describe the role of SMKNAA Islamic Financial Institutions for MSMEs in realizing the economic development of Islamic boarding schools.

The results of this study include the role of SMKNAA Financial Institutions in the economy including asset transfer, transactions, liquidity and efficiency. SMKNAA Sharia Financial Institution which was established with the aim of promoting and developing the application of Islamic principles, sharia and its traditions into financial and banking transactions as well as related businesses. The role of Islamic Financial Institutions is to assist MSMEs in developing their businesses so as to improve the economy of business people and indirectly impact the economic development of Islamic Boarding Schools.



So it is believed that different partners can know how much halal capabilities are in Indonesia and how monetary and monetary actors can take part in taking advantage of this opportunity to develop and make more prominent commitments to the development of public finance.



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